

Rother District Council

DRAFT

**FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2015/16



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NARRATIVE REPORT

This Narrative Report summarises the performance, both financial and non-financial, for 2015/16, and covers plans for the near future. The rest of the document contains:

- **Statement of Responsibilities**
- **Independent Auditor's Report** (to follow after the audit)
- **Statement of Accounts**, comprising:
 - **Movement in Reserves Statement** - this shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus / (Deficit) on the provision of services line shows the true economic cost of providing the Council's services, which is shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase or decrease before transfers to earmarked reserves line shows the change to the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves is made by the Council.
 - **Comprehensive Income and Expenditure Statement** — this shows the Council's actual financial performance for the year. The Statement shows the accounting cost in the year of providing the services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations and this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
 - **Balance Sheet** - this is fundamental to the understanding of the Council's yearend financial position. The Balance Sheet shows the value as at the Balance Sheet date of the Assets and Liabilities recognised by the Council. Net Assets of the Council are matched by the Reserves held by the Council. Reserves are reported in two categories; Reserves that are usable (i.e. those reserves that the Council can spend on services subject to maintaining a prudent level of reserves), and Reserves that are unusable e.g. reserves that hold unrealised gains and losses such as the Revaluation Reserve.
 - **Cash Flow Statement** — this shows the changes in the cash and cash equivalents of the Council. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities shows the extent to which operations of the Council are funded by way of taxation, grant income or income from recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future delivery of services (i.e. cash funds that are not immediately needed can be invested to make a return for the Council).
 - **Notes to the four main accounting statements** including (Notes 1 and 2) details of the accounting policies that the Council follows.
 - **Collection Fund Statement** — this reflects the statutory obligation for Rother District Council as the Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities (precepting) of Council tax and the collection and distribution of non-domestic rates to the Government and precepting authorities.
- **Glossary**

Presentation of Accounts

In preparing the accounts for 2015/16, the Council has followed the code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code establishes a framework of best practice that the preparers of local authority accounts are expected to follow. Efforts have been made to present information in a format that is easy to read and understand, whether you are a local taxpayer, Councillor or Council employee. I am, however, required by law to set the accounts out in a certain way. Further information about the accounts presented in this Statement is available from the Resources Directorate of the Council

NARRATIVE REPORT

Non-Financial Performance Summary

Corporate Performance Monitoring

1. Rother District Council adopted its current [Corporate Plan](#) in 2014 that runs until 2021. This document identifies the Council's long term strategic objectives and the programme of projects and service functions that will deliver those objectives. The first full year of operation for the Corporate Plan was 2015/16.
2. The Council publishes progress on the Corporate Plan once a year in the [Annual Report](#) in a pdf format and a summary of the corporate programme of projects from the Corporate Plan in a [video format](#).
3. The [Overview and Scrutiny Committee](#) receives quarterly performance progress reports and makes recommendations to Cabinet. The Committee selects [in January](#) a small number of performance measurements (KPIs) for focussed monitoring related to the priorities for the coming financial year. In 2015/16 the committee decided to monitor a set of 15 indicators. Six of the indicators were former national indicators and the remainder are local measurements. This set of KPIs is reported without exception. Other performance indicators are reported by exception (when not on target). All of the KPIs selected for 2015/16 measured areas of potential risk to resources, such as income and contracts.
4. For 2015/16 the committee received reports on the [first quarter in September 2015](#), on the [second quarter in November 2015](#), the [third quarter was reported in March 2016](#) and the [fourth quarter in June 2016](#), which also includes more detailed information on the results for 2015/16.

Service Performance

5. Fourteen out of 15 or 93.3% of the selected KPIs have met or exceeded their targets. This compares favourably to 2014/15 when 7 out of 12 or 58% of the basket of KPIs were on target. Most notably improved from 2014/15 are the KPIs for housing benefits processing, planning application processing and amounts of litter on public land. The results for 2015/16 are summarised in the table below.

Performance indicator	Target	Result	Status ¹	Trend ²	Bench-marking	CP Aims
Email addresses getting My Alerts email service	23,000	24,691	✓	↑	Local PI	1
Financial transactions carried out online	95%	93%	✓	↑	Local PI	1, 4
Customer Services enquiries resolved on first contact	85%	92.38%	✓	↓	Local PI	1
Telephone calls answered	85,866	83,041	✓	↓	Local PI	1
Telephone calls not answered	219,180	165,688	✓	↑	Local PI	1
Business Rates Collection	98.2%	98.33%	✓	↓	Below median	1, 2
Council Tax Collection	98.5%	98.53%	✓	↓	Best quartile	1, 3
Total income from car parks where there is a charge	£1,253,000	£1,368,252	✓	↑	Local PI	1, 2
Major planning applications processed in 13 weeks or agreed timetable	70%	96.3%	✓	↑	Best quartile	1, 2, 3, 4
Minor planning applications processed in 8 weeks	55%	67.9%	✓	↑	Below median	1, 2, 3, 4

¹ Relates to whether performance met its target

² Relates to 2015/16 compared to 2014/15 performance

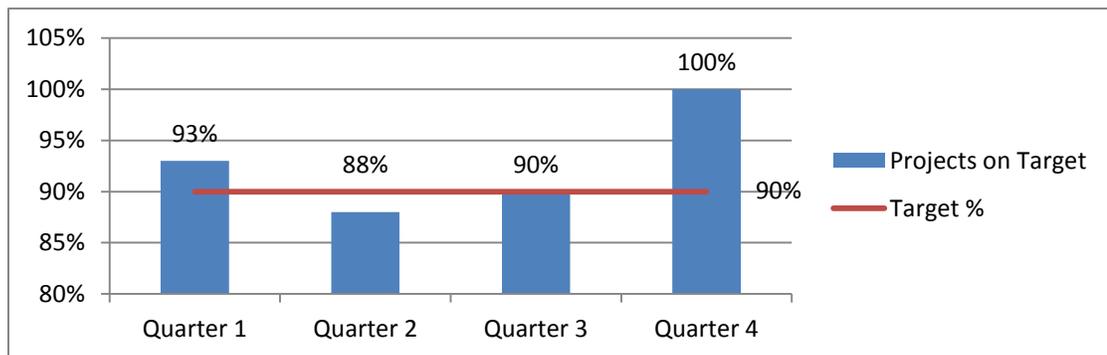
NARRATIVE REPORT

Other planning applications processed in 8 weeks	70%	80.65%	✓	↑	Below Median	1, 2, 3,
Housing benefit applications on time in calendar days	18 days	15 days	✓	↑	Local PI	1, 3
Average calendar days households spent in temporary accommodation	60 days	40.63 days	✓	↑	Local PI	1, 3
Recycling and composting of household waste	48%	Q3: 46.82%	▲	↓	Above median	1, 4
Litter found on public land	4%	3.41%	✓	↑	Local PI	1, 4
Key: ✓ green/on target, ▲ amber/just off target, ● red/off target ↓ worse performance, ↑ better performance, ▬ no change in performance CP – Corporate Plan. 1 = an efficient, flexible and effective Council, 2 = sustainable economic prosperity, 3 = stronger, safer communities, 4 = a quality physical environment.						

5. The recycling rate is the only KPI at risk of not meeting its end of year target. We can report the results for the indicator up to the end of the third quarter only because audited data is provided one quarter in arrears by East Sussex County Council. It is estimated that quarter four and end of year results will be just below target. Quarter four results will be received in July 2016. This service is provided in a combined partnership with all but one of the East Sussex district and borough councils. The Joint Waste Committee is pursuing work on a data quality audit to provide further assurance on the county council's data. Rother District Council continues to take action to improve the recycling rate through education, communication and marketing.

Corporate Programme

6. The Corporate Plan identified 29 projects to deliver its four core aims over the life of the plan. There were 17 live projects running in the corporate programme by the end of 2015/16. All (100%) of the current operational projects were on target against their planned delivery by the end of the financial year. The chart below refers to projects on target at the end of each quarter in 2015/16. The Corporate Programme's progress will be reported in September 2016.



Financial Summary 2015/16

The Council's annual spending is categorised as being either Revenue or Capital. Revenue spending is generally on the day-to-day provision of services. Capital expenditure, by contrast, is on items that have a life beyond one year.

Revenue.

The General Fund expenditure is met primarily by Government grants and Council Taxpayers. The financial performance of the Council's General Fund services in 2015/16 resulted in a surplus of £1,386,000, as set out below.

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	Final Budget	Outturn	Variation
	£'000	£'000	£'000
Services:			
Central Services to the Public	857	910	53
Cultural and Related Services	2,475	2,487	12
Environmental and Regulatory Services	3,518	3,119	(399)
Highways and Transport Services	(730)	(869)	(139)
Housing Services	912	273	(639)
Planning Services	1,010	816	(194)
Corporate & Democratic Core Expenses	1,893	1,878	(15)
Other Operating Costs	(329)	441	770
Support Services	3,259	3,014	(245)
Net Expenditure	12,865	12,069	(796)
Funded by:			
Special Expenses	(701)	(701)	0
Collection Fund surplus	(227)	(227)	0
New Homes Bonus	(1,322)	(1,329)	(7)
Revenue Support Grant	(1,873)	(1,800)	73
Other general grants	(427)	(696)	(269)
Retained business rates and Section 31 grant income	(2,559)	(2,946)	(387)
Council Tax (net of special expenses and parish precepts)	(5,756)	(5,756)	0
Total Funding	(12,865)	(13,455)	(590)
Net Surplus	0	(1,386)	(1,386)

The main reasons for the reductions in net cost are as follows:

Environmental and Regulatory Services	Mainly an underspend on the Waste and Street Cleaning contract, through lower than anticipated annual inflation uplift, and recoveries through default charges from the contractor.
Highways and Transport Services	Additional income from car parking, resulting from increased use.
Housing Services	Reduced net spending on housing benefit, together with a reduction of £430,000 in the provision for doubtful debts relating to benefit overpayments, resulting from a review of the debt recovery actually achieved.
Planning and Development Services	Increased fee income of £100,000, net of added staff costs, cost reduction measures within Building Control, and delays in work on the approved Core Strategy.
Other Operating Costs	Increased income from interest and from rentals of investment property.
Support Services	Delays in spending on IT: the underspend is being carried forward in an earmarked reserve for spending in 2016/17.
Other general grants	The extra income relates to grants made by the Government after the budget was set, relating to particular additional duties.
Retained business rates	Increased Section 31 grants and a reduced levy. Business rates income, while growing, was less than estimated before the start of the financial year. The amount credited to the General Fund, however, cannot be changed, so the deficit will be reflected in future years. The levy, however, which partly offsets the growth in business rates, is reduced because of the shortfall, and this reduction benefits the General Fund immediately.

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The surplus of £1,386,000 has been transferred to the Medium Term Financial Strategy Reserve as shown in Note 7 to the accounts.

Use of Reserves

Overall Useable Reserves have increased by £2,682,000, mainly related to Earmarked Reserves, which increased by £2,707,000. Total Useable reserves now total £15.7m, of which £11.6m are Earmarked Reserves. Details of these reserves are shown in note 7 to the accounts.

Collection Fund

The Collection Fund contains the transaction relating to the collection of Council Tax and Non-Domestic Rates, and is operated on behalf of Rother District Council and of its preceptors (the Government, East Sussex County Council, East Sussex Fire authority, Sussex Police & Crime Commissioner).

Council Tax

The Council is required, when setting the local tax level, to levy a charge sufficient to recover any anticipated deficit brought forward on the fund at the start of the year and conversely to make any adjustments on any brought forward surpluses. The Collection Fund achieved a surplus for the year of £467,000 bringing the cumulative surplus to £1,392,000 as at 31 March 2016. Rother's share of this is £182,000. This will form part of the future adjustments to Council Tax bills with ESCC receiving the largest part of the surplus. The provision for bad debt methodology remains as in previous years without modification. It is felt at this time it remains robust enough to deal with the current economic climate. This year the final collection rate corresponded with the target rate of 98.5%.

Business Rates

Under the scheme which has operated since 1 April 2013, the Council retained notionally 40% of the £18m tax collected but this was reduced significantly by a tariff of £4.7m payable to the Government. The Council also received additional grants totalling £953,000 in lieu of the foregone business rate income following a number of concessions granted by the Government in 2014. The concessions included additional small business rate relief, retail shops relief and the cap on the increase in the business rate multiplier to 2%. The net position is that of the £16m business rates collected, the Council retained £2.9m.

The total provisions for rating appeals currently outstanding now stands at £1,671,000, £668,000 of which relates to Rother. This reflects a year in which few appeals have been settled by the Valuation Office, while existing appeals have incurred a further year's liability and additional provision has been made for backdated appeals on purpose-built surgeries. Overall the Business Rate Collection Fund was in deficit by £980,000 for the year. Taking account of the brought forward deficit of £141,000, the surplus balance at 31 March 2016 was therefore £839,000. In accordance with the Business Rate Retention Scheme, Rother's share of this deficit is £336,000. As with Council Tax this will be adjusted through the 2017/18 budget.

Capital

The Council has actively managed its capital spending and resources and achieved a spend of £1.2m against a final programme of £2.5m. The shortfall is principally on the land swap project, on which a number of complex issues will have to be resolved. Spending compared to the programme was as follows:

	Final Budget	Outturn	Variation
	£	£'000	£'000
Community grants scheme	65,000	42,143	(22,857)
Bexhill Seafront improvements	150,000	150,000	0
De La Warr Pavilion – Capital Grant	48,539	48,539	0
Egerton Park – EPIC	59,320	0	(59,320)
Land Swap – former Bexhill High School Site	1,084,600	0	(1,084,600)
Fairlight Coastal Protection Scheme	30,000	30,000	0
Disabled Facilities Grants	771,647	727,729	(43,918)
Exception Sites – Brede	150,000	150,000	0
Town Hall Roof Refurbishment	10,000	5,088	(4,912)
I.T. Essential Maintenance Programme	104,993	11,754	(93,239)
Replacement Printing Machine	49,000	34,500	(14,500)
Total Expenditure	2,523,099	1,199,753	(1,323,346)

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Pensions

Accounting regulations require Councils to show any deficit or surplus on the Pension Fund within the balance sheet. The Council's share of the Pension Fund administered by East Sussex County Council was assessed at 31 March 2016 by the actuary as a deficit of £25.1m, as compared with a deficit of £32.9m at 31 March 2015 (see note 12). The reduction mainly results from an increase in the discount rate used to calculate future liabilities, after this rate had reduced sharply in the previous years. This liability is payable over many years in the future as pensions continue to be paid to staff who have already retired, and current pensionable employees retire.

Financial Outlook for 2016/17 to 2019/20

The Council has developed its Medium Term Financial Strategy (MTFS) to align with the Corporate Plan. The Government announced the four year settlement for local government in December 2015. For Rother this will see the removal of £1.8m of Revenue Support Grant by 2019/20. The majority of the funding will be lost by 2018.

Retained Business Rate income continues to be volatile with the 2015/16 Collection Fund being in deficit by £336,000 (this Council's 40% share of the overall deficit of £839,000) This was anticipated in setting the 2016/17 budget and provision made to meet this cost. The Government is shortly to consult on proposals for 100% business rate retention by local authorities. As the detail is currently unknown this introduces a level of uncertainty over future income from this source. In addition with the national business rate revaluation in 2017, it is anticipated that a significant number and value of appeals will be lodged with the Valuation Office Agency. If this happens the Council's reserves will be needed to smooth the impact on the General Fund resulting from the increased Appeals provision that will arise.

Currently the Government are consulting on the future of New Homes Bonus Grant. The Council will receive £1.6m in grant in 2016/17, of which £1m is used to support the General Fund. Therefore there is considerable risk for the Council should this funding reduce or be removed.

Given the level of uncertainty regarding future income, it is likely that in the short term reserves will continue to be used to meet the effects of the financial climate in balancing the revenue budget. For 2016/17 the Council increased its Council Tax for the first time since 2011. Future Council Tax policy will need to be considered later in the year but it is likely that increases will have to be maximised in line with the referendum threshold.

Whilst the 2016/17 budget was balanced through a combination of increased income and service based savings, the latest financial forecast suggests further savings of £2.3m will be required to ensure a balanced budget from 2017/18 to 2019/20:

	2017/18	2018/19	2019/20
	£	£	£
NET FORECAST BUDGET	12,095,790	11,723,430	11,918,610
FUNDED BY:			
Revenue Support Grant	449,570	72,500	0
Retained Business Rate Income	2,589,960	2,666,360	2,751,580
New Homes Bonus - 50% of projected property growth	1,654,000	1,044,000	1,000,000
Special Expenses	714,550	728,410	742,540
Council Tax	6,165,850	6,346,910	6,522,930
TOTAL FUNDING	11,573,930	10,858,180	11,017,050
FUNDING GAP	521,860	865,250	901,560

Proposals to meet this funding gap will be presented to Members in the Autumn of 2016, at which time the Council's MTFS will be updated.

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Future Capital Programme

The tables below set out the Council's capital programme for the next three years, together with the sources of finance. It is anticipated that the three grants programmes will continue into 2019/20 and 2020/21, but the amounts to be spent and the resources available are not yet determined. Any major new capital investment will be reliant on future asset disposals and/or external financing through a combination of grants and borrowing.

	2016-17	2017-18	2018-19	Total
	£	£	£	£
Community grants scheme	65,000	65,000	65,000	195,000
De La Warr Pavilion – Capital Grant	49,752	50,996	52,271	153,019
Land Swap – former Bexhill High School Site	1,084,600	0	0	1,084,600
Bexhill Leisure Centre development	190,000	0	0	190,000
Fairlight Coastal Protection Scheme	2,318,000	0	0	2,318,000
Disabled Facilities Grants	1,314,470	0	0	1,314,470
I.T. Essential Maintenance Programme	266,240	0	0	266,240
Total Expenditure	5,288,062	115,996	117,271	5,521,329

	Grants and Contributions	Capital Receipts	Revenue and Reserves	Total
	£	£	£	£
Community grants scheme	0	0	195,000	195,000
De La Warr Pavilion – Capital Grant	0	153,019	0	153,019
Land Swap – former Bexhill High School Site	0	1,050,000	34,600	1,084,600
Bexhill Leisure Centre development	0	0	190,000	190,000
Fairlight Coastal Protection Scheme	2,318,000	0	0	2,318,000
Disabled Facilities Grants	1,314,470	0	0	1,314,470
I.T. Essential Maintenance Programme	0	0	266,240	266,240
Total Expenditure	3,632,470	1,203,019	685,840	5,521,329

Conclusion

The production of the Statement of Accounts takes a great deal of effort and this year the Council has worked hard to complete their production ahead of the 30 June deadline. I would therefore like to take this opportunity to recognise the hard work and dedication of my Finance team and also to thank colleagues in the rest of the Council for their support and assistance in ensuring the accounts were prepared on time. The coming year will no doubt present substantial challenges to both the Council and its residents but the changes being made to the way the Council operates will ensure residents need is placed at the forefront of the Council's decision making to ensure Rother remains a great place to live, work and study.

STATEMENT OF RESPONSIBILITIES

The Council's Responsibility

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Rother District Council this officer is the Service Manager for Finance and Welfare.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Service Manager for Finance and Welfare (as the Chief Financial Officer) Responsibility

The Service Manager for Finance and Welfare is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Service Manager Finance and Welfare has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Service Manager Finance and Welfare has also:

- kept proper accounting records that were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer Certificate

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 11 to 54 give a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Robin Vennard

Service Manager Finance and Welfare

30 June 2016

Approval of Accounts

The accounts were presented to the Audit Committee on the 28 September 2016 and were authorised by the Chairman of the Committee Councillor Martin Mooney.

Councillor Martin Mooney

Chairman of Audit Committee

xx September 2016

INDEPENDENT AUDITOR'S REPORT

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2014/15							
Balance at 1 April 2014	1,000	8,234	2,351	911	12,496	8,819	21,315
Movement in Reserves in 2014/15:							
Surplus (deficit) on the provision of services (accounting basis)	(167)	0	0	0	(167)	0	(167)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(3,945)	(3,945)
Total Comprehensive Income and Expenditure	(167)	0	0	0	(167)	(3,945)	(4,112)
Adjustments between accounting and funding basis under regulation - note 6	579	0	130	(45)	664	(664)	0
Net increase/decrease before transfers to Earmarked reserves	412	0	130	(45)	497	(4,609)	(4,112)
Transfers to/from Earmarked reserves - note 8	(412)	412	0	0	0	0	0
(Increase)/Decrease in Year	0	412	130	(45)	497	(4,609)	(4,112)
Balance at 31 March 2015	1,000	8,646	2,481	866	12,993	4,210	17,203
2015/16							
Balance at 1 April 2015	1,000	8,646	2,481	866	12,993	4,210	17,203
Movement in Reserves in 2015/16:							
Surplus (deficit) on the provision of services (accounting basis)	273	0	0	0	273	0	273
Other Comprehensive Income and Expenditure	0	0	0	0	0	10,583	10,583
Total Comprehensive Income and Expenditure	273	0	0	0	273	10,583	10,856

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Ear-marked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments between accounting and funding basis under regulation - note 5	2,444	0	54	(89)	2,409	(2,409)	0
Net increase/decrease before transfers to Earmarked reserves	2,717	0	54	(89)	2,682	8,174	10,856
Transfers to/from Earmarked reserves - note 8	(2,717)	2,717	0	0	0	0	0
(Increase)/Decrease in Year	0	2,717	54	(89)	2,682	8,174	10,856
Balance at 31 March 2016	1,000	11,363	2,535	777	15,675	12,384	28,059

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15			2015/16			
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
2,150	(1,143)	1,007	Central Services to the Public	2,414	(1,035)	1,379
3,400	(275)	3,125	Cultural and Related Services	3,336	(328)	3,008
6,563	(2,193)	4,370	Environmental and Regulatory Services	5,794	(1,716)	4,078
648	(1,307)	(659)	Highways and Transport Services	1,142	(1,380)	(238)
32,071	(31,304)	767	Housing Services	30,364	(29,668)	696
2,764	(942)	1,822	Planning Services	2,870	(1,281)	1,589
2,095	(13)	2,082	Corporate & Democratic Core Expenses	2,287	(120)	2,167
42	0	42	Non Distributed Costs	17	40	57
49,733	(37,177)	12,556	Cost of Services	48,224	(35,488)	12,736
1,459	(466)	993	Other Operating Expenditure - Note 9	1,266	(243)	1,023
4,088	(3,665)	423	Financing and Investment Income and Expenditure - Note 10	3,665	(3,371)	294
4,839	(18,644)	(13,805)	Taxation and non-specific grant income and expenditure - Note 11	4,718	(19,044)	(14,326)
60,119	(59,952)	167	(Surplus) or Deficit on Provision of Services	57,873	(58,146)	(273)
		(1,624)	Surplus on revaluation of non-current assets.			(1,712)
		(38)	Impairment losses on non-current assets charged to the revaluation reserve			(3)
		5,607	Remeasurement of the net defined benefit pension liability			(8,868)
		3,945	Other Comprehensive Income and Expenditure			(10,583)
		4,112	Total Comprehensive Income and Expenditure			(10,856)

BALANCE SHEET

31 March 2015 £'000		31 March 2016 £'000
28,633	Property, Plant and Equipment	28,939
9,316	Investment Properties	9,727
53	Intangible Assets	43
1,117	Long Term Investments	1,121
80	Long Term Debtors	77
39,199	LONG TERM ASSETS	39,907
0	Assets Held for Sale	84
3,625	Short Term Debtors	3,557
9	Inventories	16
8,250	Short Term Investments	9,520
5,123	Cash and Cash Equivalents	7,582
17,007	CURRENT ASSETS	20,759
(4,825)	Short Term Creditors	(5,878)
(379)	Provisions	(668)
(5,204)	CURRENT LIABILITIES	(6,546)
(948)	Capital grants receipts in advance	(953)
(32,851)	Other Long Term Liabilities	(25,108)
(33,799)	LONG TERM LIABILITIES	(26,061)
17,203	NET ASSETS	28,059
1,000	General Fund	1,000
8,646	Earmarked reserves	11,363
2,481	Capital Receipts Reserve	2,535
866	Capital grants and contributions	777
12,993	USABLE RESERVES	15,675
7,086	Revaluation Reserve	8,776
29,825	Capital Adjustment Account	28,926
70	Deferred capital receipts	60
(32,851)	Pensions Reserve	(25,108)
179	Collection Fund Adjustment Account	(154)
(137)	Accumulated Absences Account	(157)
38	Available for sale reserve	41
4,210	UNUSABLE RESERVES	12,384
17,203	TOTAL RESERVES	28,059

CASH FLOW STATEMENT

2014/15 re-stated		2015/16
£'000		£'000
(14,142)	Taxation	(14,762)
(36,810)	Grants and Contributions	(33,706)
(5,940)	Sales of goods and rendering of services	(6,888)
(135)	Interest received	(131)
(486)	other receipts from operating activities	(380)
(57,513)	Cash inflows generated from operating activities	(55,867)
6,988	Cash paid to and on behalf of employees	7,065
28,790	Housing benefit payments	27,847
4,475	NNDR Tariff payments	4,712
1,354	Precepts paid	1,387
8,048	Cash paid to suppliers of goods and services	6,576
5,767	Other operating cash payments	4,994
55,422	Cash outflows generated from operating activities	52,581
(2,091)	Net cashflows from operating activities	(3,286)
(466)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(243)
643	Purchase of property, plant and equipment, investment property and intangible assets	194
14,250	Purchase of short-term and long-term investments	21,500
(7,000)	Proceeds from the sale of short-term and long-term investments	(20,250)
(33)	Other receipts from investing activities	59
7,394	Net cashflows from investing activities	1,260
(526)	Changes in National Non-Domestic Rates balances held for Central Government	(362)
(339)	Changes in Council tax balances held for preceptors	(71)
(865)	Net cashflows from financing activities	(433)
4,438	Net (Increase) / decrease in cash and cash equivalents	(2,459)
9,561	Cash and cash equivalents 1 April	5,123
(4,438)	Net increase / (decrease) in cash and cash equivalents	2,459
5,123	Cash and cash equivalents 31 March	7,582

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. CHANGES TO ACCOUNTING POLICIES AND RESTATEMENTS

Changes to policies in 2015/16

The 2015/16 Code of Practice incorporates IFRS 13 Fair Value Measurement – This standard provides a consistent definition of fair value and enhanced disclosure requirements. It affects the policy (2.17 below) for the valuation of Surplus Properties, which now needs to be based on an assessment of market value, rather than the market value in existing use (EUV) values which were previously applied. In practice the values for this Council have not been affected by this change.

Changes to policies which will take effect in future years

The 2016/17 Code of Practice incorporates several changes to accounting standards, but those that apply to this Council will not necessitate major changes or restatements of the previous year's figures.

The new Code does, however, include changes to the presentation of the Comprehensive Income and Expenditure Statement (CIES), under which services are to be analysed according to the operational structure, rather than by the current standard service headings. The new format will also be supplemented by a new Expenditure and Funding Analysis, providing more detail for the figures in the CIES, which is prepared according to accounting practice, and reconciling them to totals aligned with statutory funding arrangements. This change will require the 2015/16 figures to be re-stated in line with the 2016/17 Code of Practice.

Re-statements of 2014/15 comparative figures

In the process of compiling the 2015/16 financial statements some errors were discovered in the 2014/15 Cash Flow Statement, and the comparative figures for 2014/15 have therefore been re-stated. The overall total for the movement in cash for 2014/15 was not affected.

NOTE 2. ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. However for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

NOTES TO THE ACCOUNTING STATEMENTS

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Accounting for Council Tax and Non Domestic Rates

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government. The amounts of debtors, adjustments for doubtful debts, overpayment creditors and income in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to preceptors is held as part of the Short Term Creditors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated for before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement. The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than ninety days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CI&ES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and Comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

7. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore removed from the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

NOTES TO THE ACCOUNTING STATEMENTS

8. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by East Sussex County Council.

The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the East Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unlisted securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of Non Distributed Costs.
 - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure

NOTES TO THE ACCOUNTING STATEMENTS

Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the East Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Liabilities include trade payables and bank overdrafts. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

Financial Assets

Financial assets are classified into two types:

- loans and receivables -assets that have fixed or determinable payments but are not quoted in an active market

NOTES TO THE ACCOUNTING STATEMENTS

- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

In determining the fair value of those items shown at amortised cost, their fair value is assessed by calculating the present value of cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- (i) Estimated interest rates at 31 March 2016 of 0.60% based on the average investment rate the Council achieved during 2015/16.
- (ii) Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- (iii) The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Assets also include trade receivables (debtors) and the fair value has been assessed as the billed amount and therefore is the same as the carrying amount in the Balance Sheet before the application of the impairment allowance. Bank deposits have been independently assessed and the carrying amount is a reasonable proxy for the fair value of the deposits.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CI&ES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CI&ES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CI&ES when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. The Council currently holds a Government Bond valued at £1.21m at 31 March 2016 and its fair value is based on the quoted market price.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. If impairment losses are incurred these would be debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

NOTES TO THE ACCOUNTING STATEMENTS

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as long-term liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licenses) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. All of the Council's intangible assets represent purchased software licences.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to market based evidence and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES. Useful life is normally set at seven years but may vary depending on the asset. An asset is tested for impairment whenever there is an indication that the asset might be impaired -any losses recognised are posted to the relevant service lines in the CI&ES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other Operating Expenditure line in the CI&ES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Inventories

Inventories are valued at actual cost. This is a departure from the requirements of the Code of Practice that require stocks to be shown at the lower of actual cost or net realisable value. The effect of this difference in treatment is not material to the Council's accounts.

14. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the

NOTES TO THE ACCOUNTING STATEMENTS

Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

All of the Council's leases have been examined, and all have been determined to constitute operating leases: the policies below therefore only relate to operating leases.

The Council as Lessee

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate line in the CI&ES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the CI&ES, as part of Net Expenditure on Continuing Services.

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

NOTES TO THE ACCOUNTING STATEMENTS

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant, etc, infrastructure, community assets and assets under construction - depreciated historical cost.
- Land and buildings - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value -EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.
- Surplus Properties – fair value, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at fair value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

NOTES TO THE ACCOUNTING STATEMENTS

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 64 years depending on the asset.
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 7 and 20 years.
- infrastructure -straight-line allocation over 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation of Property Assets

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where the Council has revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property using the following major component analysis:

- Land
- Buildings
- External areas (such as car parks)
- Plant and equipment (such as lifts and heating systems)

The Council has also adopted a de minimis level of 10% of the building value or £50,000 to apply componentisation.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

18. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be

NOTES TO THE ACCOUNTING STATEMENTS

made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

19. Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- **Capital Receipts Reserve:** proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- **Capital Grants Unapplied:** the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- **Earmarked Reserves:** the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- **General Fund:** this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- **Revaluation Reserve:** this consists of accumulated gains on individual items of Property, Plant and Equipment and Heritage Assets. The Reserve contains only gains accumulated since 1 April 2007, the date

NOTES TO THE ACCOUNTING STATEMENTS

that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
 - used in the provision of services and the gains are consumed through depreciation, or
 - disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
 - Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
 - Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
 - Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council tax income and Non-Domestic Rates in the Comprehensive Income and Expenditure Statement as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
 - Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the Comprehensive Income and Expenditure Statement, but not to the General Fund.
 - Available for Sale Financial Instruments Reserve: this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
 - revalued downwards or impaired and the gains are lost.
 - disposed of and the gains are realised.

20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CI&ES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

21. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Council acts as the lead authority for the joint waste partnership. This partnership is not a legal entity in its own right and involves Rother District Council, Eastbourne Borough Council, Hastings Borough Council and Wealden

NOTES TO THE ACCOUNTING STATEMENTS

District Council. The four Councils have a joint contract with Kier Environmental Services Limited for the provision of waste collection, recycling and street & beach cleaning. Rother District Council employs staff to provide an overarching contract administration function and acts as paymaster, collecting payments from the other Councils and making payments to the contractor based on invoices received. Each Council is responsible for the day to day management of Kier operations in their areas. This arrangement which came into force from 1st April 2013, therefore leads to financial transactions that are not reflected in the Council's Core Statements because the Council is deemed to be acting as an agent.

The transactions of this, and several much smaller partnerships, are summarised in Note 14 below.

NOTE 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The main items in the Council's Balance Sheet at 31 March 2016 on which such assumptions have been made are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Council with expert advice about the assumptions to be applied. For instance:

- A 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £9.311m.
- A 1 year increase in member life expectancy would result in an increase in the pension liability of £2.802m.
- A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £3.288m.
- A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £6.284m.

Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

Property Plant and Equipment

Valuations of property depend on various assumptions, as set out in detail in Note 2.17 above. In particular, valuers have to determine:

- The estimated life of the building.
- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC), which is currently likely to give a higher value.

Allowance for impairments of doubtful debts

The Balance Sheet contains figures for various groups of debtors, including sundry debtors, council tax, non-domestic rates, and recoveries of overpayments of housing benefits. Allowances are made, and updated at the end of each financial year, on the basis of recent rates of recovery of the particular class of debt, as far as it can be ascertained.

Allowance for impact of rating appeals

There are a number of appeals against rating values outstanding, many going back to 1 April 2010, and this Council is liable for its share (40%) of the losses resulting from successful appeals. A provision is maintained based on the success rates of appeals settled to date (see Note 19 below).

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2014/15:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Write down Intangible Assets	29	0	0	(29)	0
Depreciation and impairment of non-current assets	736	0	0	(736)	0
Movements in value of Investment Properties	(80)	0	0	80	0
Gain or (loss) on sale of non-current assets	149	0	0	(149)	0
Capital receipts to Usable Capital Receipts Reserve	(466)	476	0	(10)	0
Capital grants and contributions to Capital Grants Unapplied Reserve	(85)	0	85	0	0
Difference between accounting and statutory employment benefit	(24)	0	0	24	0
Difference between accounting and statutory credit for Council Tax	(48)	0	0	48	0
Difference between accounting and statutory credit for Non-Domestic Rates	(404)	0	0	404	0
Revenue Expenditure Financed from Capital under Statute	1,516	0	0	(1,516)	0
Difference between accounting and statutory credit for pension costs	922	0	0	(922)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	(494)	0	0	494	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	(346)	0	346	0
Capital expenditure financed from Capital grants and contributions	(1,172)	0	(130)	1,302	0
Total for 2014/15	579	130	(45)	(664)	0

NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2015/16:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	16	0	0	(16)	0
Depreciation and impairment of non-current assets	1,192	0	0	(1,192)	0
Movements in value of Investment Properties	(56)	0	0	56	0
Gain or (loss) on sale of non-current assets	0	0	0	0	0
Capital receipts to Usable Capital Receipts Reserve	(243)	253	0	(10)	0
Capital grants and contributions to Capital Grants Unapplied Reserve	63	0	(63)	0	0
Difference between accounting and statutory employment benefit	20	0	0	(20)	0
Difference between accounting and statutory credit for Council Tax	(60)	0	0	60	0
Difference between accounting and statutory credit for Non-Domestic Rates	393	0	0	(393)	0
Revenue Expenditure Financed from Capital under Statute	91	0	0	(91)	0
Difference between accounting and statutory credit for pension costs	1,125	0	0	(1,125)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	(97)	0	0	97	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	(199)	0	199	0
Capital expenditure financed from Capital grants and contributions	0	0	(26)	26	0
Total for 2015/16	2,444	54	(89)	(2,409)	0

NOTE 6. UNUSABLE RESERVES

	Balance 1 April 2014	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2015
	£'000	£'000	£'000	£'000
Revaluation Reserve	5,585	1,624	(123)	7,086
Capital Adjustment Account	29,910	0	(85)	29,825

NOTES TO THE ACCOUNTING STATEMENTS

	Balance 1 April 2014	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2015
	£'000	£'000	£'000	£'000
Deferred capital receipts	80	0	(10)	70
Pensions Reserve	(26,322)	(5,607)	(922)	(32,851)
Collection Fund Adjustment Account	(273)	0	452	179
Accumulated Absences Account	(161)	0	24	(137)
Available for sale financial instruments reserve	0	38	0	38
Total for 2014/15	8,819	(3,945)	(664)	4,210

	Balance 1 April 2015	Comp- rehensive I&E	Accounting - Financing Adjust.	Balance 31 March 2016
	£'000	£'000	£'000	£'000
Revaluation Reserve	7,086	1,712	(22)	8,776
Capital Adjustment Account	29,825	0	(899)	28,926
Deferred capital receipts	70	0	(10)	60
Pensions Reserve	(32,851)	8,868	(1,125)	(25,108)
Collection Fund Adjustment Account	179	0	(333)	(154)
Accumulated Absences Account	(137)	0	(20)	(157)
Available for sale financial instruments reserve	38	3	0	41
Total for 2015/16	4,210	10,583	(2,409)	12,384

Revaluation Reserve

2014/15	2015/16
£000	£000
5,585 Balance 1 April	7,086
1,624 Comprehensive Income & Expenditure: (Gain) or Loss on revaluation of assets	1,712
(123) Accounting / Financing Adjustments: Depreciation charged to Revaluation Reserve	(22)
7,086 Balance 31 March	8,776

Capital Adjustment Account

2014/15	2015/16
£000	£000
29,910 Balance 1 April	29,825
(29) Accounting / Financing Adjustments: Write down Intangible Assets	(16)
(736) Depreciation and impairment of non-current assets	(1,192)
80 Movements in value of Investment Properties	56
(149) Gain or (loss) on sale of non-current assets	0
(1,516) Revenue Expenditure Financed from Capital under Statute	(91)

NOTES TO THE ACCOUNTING STATEMENTS

2014/15		2015/16
£000		£000
494	Capital expenditure financed from revenue	97
346	Capital expenditure financed from Capital Receipts	199
1,302	Capital expenditure financed from Capital grants and contributions	26
123	Depreciation charged to Revaluation Reserve	22
29,825	Balance 31 March	28,926

Deferred Capital Receipts Reserve

2014/15		2015/16
£000		£000
80	Balance 1 April	70
	Accounting / Financing Adjustments:	
(10)	Deferred receipts received to Capital Receipts Reserve	(10)
70	Balance 31 March	60

Pensions Reserve

2014/15		2015/16
£000		£000
(26,322)	Balance 1 April	(32,851)
	Comprehensive Income & Expenditure:	
(5,607)	Remeasurement of the net defined benefit liability	8,868
	Accounting / Financing Adjustments:	
(922)	Difference between accounting and statutory credit for pension costs	(1,125)
(32,851)	Balance 31 March	(25,108)

Collection Fund Adjustment Account

2014/15		2015/16
£000		£000
(273)	Balance 1 April	179
	Accounting / Financing Adjustments:	
48	Difference between accounting and statutory credit for Council Tax	60
404	Difference between accounting and statutory credit for Non-Domestic Rates	(393)
179	Balance 31 March	(154)

NOTES TO THE ACCOUNTING STATEMENTS

Accumulated Absences Account

2014/15	2015/16
£000	£000
(161) Balance 1 April	(137)
Accounting / Financing Adjustments:	
24 Difference between accounting and statutory employment benefit	(20)
(137) Balance 31 March	(157)

Available for Sale Financial Instruments Reserve

2014/15	2015/16
£000	£000
0 Balance 1 April	38
Comprehensive Income & Expenditure:	
38 (Gain) or Loss on revaluation of available for sale financial instruments	3
38 Balance 31 March	41

NOTE 7. EARMARKED RESERVES

The Council maintains a number of Earmarked Reserves for a variety of purposes. Below is an analysis of the Council's reserves showing the movements and transfers that took place.

	Balance at 1 April 2014	Transfers out	Transfers in	Balance at 1 April 2015	Transfers out	Transfers in	Balance at 31 March 2016
	£'000	£'000		£'000	£'000		£'000
Medium Term Financial Strategy	1,991	(279)	868	2,580	(51)	1,423	3,952
Economic Development Reserve	30	0	0	30	0	0	30
Risk Management	147	0	0	147	0	0	147
Interest Equalisation	922	0	0	922	0	0	922
Repair and Renewals	1,191	(226)	96	1,061	(50)	124	1,135
Corporate Plan Projects	579	(23)	25	581	(31)	0	550
Invest to Save	289	(71)	0	218	0	0	218
Affordable Housing	920	0	0	920	0	0	920
Corporate Development	916	(21)	178	1,073	(5)	350	1,418
Planning Improvement & LDF	360	(122)	0	238	(69)	0	169
BCCI Refund	37	0	0	37	(37)	0	0
Housing Benefit Subsidy	55	0	0	55	0	0	55
Homelessness	140	(59)	46	127	0	0	127
New Homes Bonus Scheme	657	(8)	8	657	(22)	298	933
Business rates equalisation	0	0	0	0	0	787	787
Total	8,234	(809)	1,221	8,646	(265)	2,982	11,363

The purposes of these reserves are set out below:

NOTES TO THE ACCOUNTING STATEMENTS

Medium Term Financial Strategy	A reserve created to help the Council meet our agreed objectives not just now but moving into the future. It is primarily aligned with the Council's Corporate Plan but can also be used to respond to pressures and uncertainties of the current financial climate.
Economic Development	A reserve created to fund one off research, investigation and projects that relate to the economic development of the Rother area.
Risk Management	A reserve to meet expenditure under excess arising from insurance claims.
Interest Equalisation	A reserve created in advance of the financial crisis to deal with unexpected falls in investment income.
Repair and Renewals	A reserve to fund expected repairs and renewals of the Council's assets.
Corporate Plan Projects	A reserve to fund projects outlined in the Council's Corporate Plan.
Invest to Save	A reserve used to improve the Council's efficiency and make saving through investment in the services.
Affordable Housing	A reserve to subsidise social housing providers capital projects relating to the provision of new affordable housing.
Corporate Development	A reserve funding a variety of Council provided services supporting among others Tourism, Economic Development, Democratic Engagement, Staff and Member training etc.
Planning Improvement and LDF	A reserve supporting the development and maintenance of the Council's long term Planning Strategy.
BCCI Refund	A reserve which used to hold a balance of a partial refund from the failed Bank of Credit and Commerce International (collapsed in 1991). In 2015/16 it was consolidated into the MTFs Reserve.
Housing Benefit Subsidy Reserve	A reserve for meeting fluctuations in housing benefit subsidy recovered.
Homelessness	A reserve to support the prevention of homelessness.
New Homes Bonus Scheme Reserve	a reserve created to help the council manage the expected decline in NHB from 2018/19.
Business Rates equalisation	A reserve created to address the volatility in business rate income year to year. The Council needs to build a substantial reserve to protect the General Fund for the possible impact of the business rate revaluation in 2017 where it is predicted that rating appeals could be substantial.

NOTE 8. RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. The same basic analysis is used by this Council for decisions about resource allocation, but for this purpose the figures exclude the impact of support services charges and of technical accounting entries such as depreciation. The table below analyses the figures reported to Cabinet and which are summarised in the Narrative Report. It also reconciles these totals to the Cost of Services and the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2014/15						
Fees, Charges & other service Income	(275)	(1,540)	(907)	(1,746)	(1,987)	(6,455)
Government grants and contributions	0	(653)	(35)	(29,558)	(476)	(30,722)
Total Income	(275)	(2,193)	(942)	(31,304)	(2,463)	(37,177)
Employee expenses	518	447	1,465	758	1,766	4,954
Support services	164	494	657	375	1,392	3,082

NOTES TO THE ACCOUNTING STATEMENTS

Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
2014/15	£'000	£'000	£'000	£'000	£'000	£'000
Other service expenses	2,446	4,687	614	30,222	1,565	39,534
Total operating expenses	3,128	5,628	2,736	31,355	4,723	47,570
Management Cost of Services	2,853	3,435	1,794	51	2,260	10,393

Adjust for technical accounting entries included in CIES but not management totals:

Depreciation, impairment, intangible assets	210	274	0	0	62	546
Accumulated absences	4	(9)	(4)	(1)	9	(1)
Revenue expenditure funded from capital under statute	48	624	0	701	143	1,516
Pension costs	10	46	32	16	(2)	102
Cost of Services per CIES	3,125	4,370	1,822	767	2,472	12,556

Add:

Other Operating Expenditure and Income (Note 9)	993
Financing and Investment Expenditure and Income (Note 10)	423
Taxation and Non-Specific grant income (Note 11)	(13,805)

(Surplus) / Deficit on provision of services

167

Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
2015/16	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(290)	(1,026)	(1,179)	(1,954)	(2,340)	(6,789)
Government Grants and contributions	(12)	(646)	(80)	(27,700)	(261)	(28,699)
Total Income	(302)	(1,672)	(1,259)	(29,654)	(2,601)	(35,488)
Employee expenses	408	1,504	1,400	662	3,186	7,160
Other service expenses	2,381	3,287	675	29,265	4,349	39,957
Total operating expenses	2,789	4,791	2,075	29,927	7,535	47,117
Management Cost of Services	2,487	3,119	816	273	4,934	11,629

Adjust for support services (corresponding net charge is to Investment Properties)	225	518	653	370	(2,052)	(286)
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NOTES TO THE ACCOUNTING STATEMENTS

Service Income and Expenditure	Cultural	Environ- mental	Planning	Housing	Other	Total
2015/16	£'000	£'000	£'000	£'000	£'000	£'000
Adjust for technical accounting entries included in CIES but not management totals:						
Depreciation, impairment, intangible assets	223	310	3	0	672	1,208
Accumulated absences	(3)	11	5	3	4	20
Revenue expenditure funded from capital under statute	49	0	0	0	42	91
Pension costs	27	120	112	50	(235)	74
Cost of Services per CIES	3,008	4,078	1,589	696	3,365	12,736

Add:

Other Operating Expenditure and Income (Note 9)	1,023
Financing and Investment Expenditure and Income (Note 10)	294
Taxation and Non-Specific grant income (Note 11)	(14,326)

(Surplus) / Deficit on provision of services

(273)

NOTE 9. OTHER OPERATING EXPENDITURE

2014/15				2015/16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
1,235	0	1,235	Parish Council Precepts	1,266	0	1,266
119	0	119	Levies	0	0	0
105	(466)	(361)	(Gains) / losses on the disposal of assets	0	(243)	(243)
1,459	(466)	993		1,266	(243)	1,023

NOTE 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15				2015/16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
3,727	(2,601)	1,126	Net interest on defined pension liabilities	3,225	(2,173)	1,052
0	(135)	(135)	Interest receivable and similar income	0	(151)	(151)
361	(929)	(568)	Income and expenditure in relation to investment properties and changes in their fair value	440	(1,047)	(607)
4,088	(3,665)	423		3,665	(3,371)	294

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 11. TAXATION AND NON SPECIFIC GRANT INCOME

2014/15				2015/16		
Expend	Income	Net		Expend	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
0	(7,685)	(7,685)	Council Tax Income	0	(7,885)	(7,885)
4,839	(6,413)	(1,574)	Non domestic rates	4,718	(6,444)	(1,726)
0	0	0	Revenue Support Grant	0	(1,800)	(1,800)
0	(4,501)	(4,501)	Non-ringfenced government grants	0	(2,978)	(2,978)
0	(45)	(45)	Capital grants and contributions	0	63	63
4,839	(18,644)	(13,805)		4,718	(19,044)	(14,326)

NOTE 12. DEFINED BENEFIT PENSION SCHEME

As part of the terms and conditions of employment of its officers the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement. The Council participates in the Local Government Pension Scheme administered by East Sussex County Council - this is a funded defined benefit final salary scheme meaning that the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against the council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made via the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2014/15		2015/16
£'000		£'000
	Comprehensive Income and Expenditure Statement	
1,382	Current Service Cost	1,770
39	Curtailments	0
1,421	Cost of Services	1,770
1,126	Net interest expense	1,052
1,126	Financing and Investment Income and Expenditure	1,052
2,547	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	2,822
(6,211)	Return on plan assets, less included in interest expense	1,102
	Actuarial gains & losses:	
12,705	Changes in financial assumptions	(8,737)
(887)	Other	(1,233)
5,607	Remeasurement of the net defined benefit liability	(8,868)
8,154	Total Comprehensive Income and Expenditure Statement	(6,046)

NOTES TO THE ACCOUNTING STATEMENTS

2014/15 £'000		2015/16 £'000
Movement in Reserves Statement		
2,547	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	2,822
(1,625)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,697)
<u>922</u>	Total taken to Note 5	<u>1,125</u>
2014/15 £'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	2015/16 £'000
61,283	Value of Assets at 1 April	68,553
2,601	Interest income on plan assets	2,173
389	Contributions by Members	400
1,625	Contributions by the Employer	1,697
6,211	Return on assets excluding amounts recognised in Other Comprehensive Income	(1,102)
(3,556)	Benefits Paid	(3,299)
<u>68,553</u>		<u>68,422</u>
2014/15 £'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	2015/16 £'000
(87,605)	Value of Liabilities at 1 April	(101,404)
(1,382)	Current Service Cost	(1,770)
(3,727)	Interest Cost	(3,225)
(389)	Contribution by Members	(400)
	Actuarial Gains and (Losses):	
(12,705)	Change in financial assumptions	8,737
887	Other experience gains and (losses)	1,233
(39)	(Losses) and Gains on Curtailments	0
3,556	Benefits Paid	3,299
<u>(101,404)</u>		<u>(93,530)</u>
<u>(32,851)</u>	Asset/Liability at 31st March	<u>(25,108)</u>

Fair value of employer assets

The assets at the year-end listed above are made up of the following categories:

31 March 2015				Asset Category	31 March 2016			
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%		Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
£,000	£,000	£,000	%		£,000	£,000	£,000	%
Equity Securities:								

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2015				31 March 2016				
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Asset Category	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%
£,000	£,000	£,000	%		£,000	£,000	£,000	%
				Equity Securities:				
2,692.5	12.7	2,705.2	4.0	Consumer	1,253.2	0.3	1,253.5	2.0
1,700.3	106.5	1,806.8	3.0	Manufacturing	815.7	0.7	816.4	1.0
1,808.7	0.0	1,808.7	3.0	Energy and Utilities	176.2	2.2	178.4	0.0
3,938.1	0.0	3,938.1	6.0	Financial Institutions	2,017.9	0.1	2,018.0	3.0
2,758.9	0.0	2,758.9	4.0	Health and Care	864.5	0.7	865.2	1.0
2,938.8	0.0	2,938.8	4.0	Information Technology	1,039.0	0.1	1,039.1	2.0
8.9	0.0	8.9	0.0	Other	0.0	344.0	344.0	1.0
				Debt Securities:				
0.0	1,088.8	1,088.8	2.0	UK Government	0.0	1,242.4	1,242.4	2.0
0.0	701.3	701.3	1.0	Other	0.0	1,271.1	1,271.1	2.0
				Private Equity:				
0.0	3,788.9	3,788.9	6.0	All	0.0	4,078.0	4,078.0	6.0
				Real Estate:				
0.0	7,073.6	7,073.6	10.0	UK Property	432.9	7,656.2	8,089.1	12.0
				Investment funds and unit trusts:				
346.1	30,802.0	31,148.1	44.0	Equities	44.0	35,357.7	35,401.7	51.0
2,756.3	1,708.8	4,465.1	7.0	Bonds	2,718.9	5,210.8	7,929.7	12.0
50.7	26.1	76.8	0.0	Hedge Funds	0.0	74.0	74.0	0.0
167.3	0.0	167.3	0.0	Commodities	33.5	0.0	33.5	0.0
0.0	1,363.1	1,363.1	2.0	Infrastructure	0.0	1,153.2	1,153.2	2.0
0.0	268.3	268.3	0.0	Other	0.0	233.7	233.7	0.0
				Derivatives:				
0.0	(13.4)	(13.4)	0.0	Foreign exchange	0.0	0.0	0.0	0.0
				Cash and cash equivalents				
0.0	2,459.4	2,459.4	4.0	All	2,273.0	0.0	2,273.0	3.0
19,166.6	49,386.1	68,552.7	100.0	Totals	11,668.8	56,625.2	68,294.0	100.0

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Hymans Robertson LLP an independent firm of Actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013.

2014/15		2015/16
2.4%	Rate of inflation	2.2%
4.3%	Rate of increase in salaries	4.2%
4.3%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre 2008	50%
75%	Post 2008	75%

The projections of liabilities assume the following mortality rates:

NOTES TO THE ACCOUNTING STATEMENTS

2014/15		2015/16
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.2	Men	22.2
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.2	Men	24.2
26.7	Women	26.7

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

Impact on the Council's Cash Flows

The Council anticipates paying £1,563,000 contributions to the scheme in 2016/17.

NOTE 13. INCOME FROM GRANTS AND CONTRIBUTIONS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2014/15		2015/16
£'000		£'000
(29,071)	DWP benefits grants	(27,697)
(1,212)	Grants for revenue financed from capital under statute	(878)
(520)	Other Grants and Contributions	(1,002)
(30,803)	Total within Cost of Services	(29,577)
(2,416)	Revenue Support Grant	(1,800)
(153)	New Burden Grant	(190)
0	Benefits Administration Grant	(327)
(1,032)	New Homes Bonus	(1,329)
(73)	Council Tax Freeze Grant	(73)
(827)	Section 31 Grant Income	(953)
0	Local Services Support Grant	(106)
(45)	Grants and contributions towards capital expenditure	63
(4,546)	Total within Taxation and non-specific grant income	(4,715)
(35,349)	Total income from grants and contributions	(34,292)

NOTE 14. AGENCY EXPENDITURE AND INCOME

The Council acts as the lead authority for several arrangements, in particular the Joint Waste Partnership. This partnership is not a legal entity in its own right and involves Rother District Council, Eastbourne Borough Council, Hastings Borough Council, and Wealden District Council. The four Councils have a joint contract with Kier Environmental Services Limited for the provision of waste collection, recycling and street & beach cleaning. Rother District Council employs staff to provide an overarching contract administration function and acts as paymaster, collecting payments from the other Councils and making payments to the contractor based on invoices received. Each Council is responsible for the day to day management of Kier operations in their areas.

NOTES TO THE ACCOUNTING STATEMENTS

There are two other lead authority arrangements, under which expenditure is initially incurred by this Council and recharged to the partner councils. These arrangements cover Rother and Wealden Environmental Health Shared Service and Rother and Hastings Building Control Partnership. In both cases RDC bears the cost of support services charges associated with the running of the partnerships and so the support services are excluded from total expenditure in the relevant columns shown below. In case of the Environmental Health Partnership income from fees and charges is accounted for by each of the councils separately and does not feature in the table below. Due to a different contract arrangement for the Building Control Partnership the total partnership income from fees and charges is shown below. The amount recharged to Hastings Borough Council is based on a cost sharing formula specified in the contract rather than the actual net value of costs and income generated within the borough.

The tables below summarise the transactions for the year: the amounts shown as recharged to partner councils are treated as agency expenditure and therefore not included within this Council's Comprehensive Income and Expenditure Statement.

	2014/15			
	Joint Waste	Others	Building Control	Total
	£'000	£'000	£'000	£'000
Total expenditure	12,795	1,818	393	15,006
Income	0	1	(387)	(386)
Net Cost	12,795	1,819	6	14,620
Recharged to Rother District Council	(3,132)	(706)	58	(3,780)
Recharged to partner councils	(9,663)	(1,113)	(64)	(10,840)
Total recharges	(12,795)	(1,819)	(6)	(14,620)
Net Cost	0	0	0	0

	2015/16			
	Joint Waste	Others	Building Control	Total
	£'000	£'000	£'000	£'000
Total expenditure	12,729	1,685	426	14,840
Income	(48)	(37)	(341)	(426)
Net Cost	12,681	1,648	85	14,414
Recharged to Rother District Council	(2,970)	(642)	1	(3,611)
Recharged to partner councils	(9,711)	(1,006)	(86)	(14,414)
Total recharges	12,681	1,648	85	14,414
Net Cost	0	0	0	0

NOTE 15. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure charged in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue

NOTES TO THE ACCOUNTING STATEMENTS

as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2014/15 £'000		2015/16 £'000
1,091	Opening Capital Financing Requirement 1 April	1,091
	<i>Capital Investment</i>	
662	Property, Plant and Equipment	225
0	Intangible assets	7
1,516	Revenue Expenditure Funded from Capital under Statute (REFCUS)	968
	<i>Sources of finance</i>	
(346)	Capital receipts	(199)
0	Government grants and other contributions	(26)
(494)	Sums set aside from revenue and reserves	(97)
(1,338)	Grants and contributions towards REFCUS	(878)
1,091	Closing Capital Financing Requirement 31 March	1,091

The Capital Financing Requirement (CFR) is made up of the following balance sheet items.

31 March 2015 £'000		31 March 2016 £'000
28,633	Property, Plant and Equipment	28,939
9,316	Investment Properties	9,727
53	Intangible Assets	43
0	Assets Held for Sale	84
(7,086)	Revaluation Reserve	(8,776)
(29,825)	Capital Adjustment Account	(28,926)
1,091		1,091

The continuing balance of £1,091,000 represents an "Item A" adjustment dating back to 2004: this is the agreed historic amount on which it is not necessary to provide the annual Minimum Revenue Provision (MRP) for repayment of debt. MRP would be payable for any capital expenditure financed from loan in the future.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infra- structure	Community Assets	Assets under Constru- ction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2014	14,080	1,117	9,132	0	3,621	2,417	30,367
Additions	0	458	0	132	72	0	662
Disposals	0	0	0	0	0	(105)	(105)
Impairment losses	(17)	0	0	(132)	0	105	(44)
Reclassifications	(627)	0	0	0	0	0	(627)
Revaluations	523	0	0	0	0	1,100	1,623

NOTES TO THE ACCOUNTING STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infra-structure	Community Assets	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value 31 March 2015	13,959	1,575	9,132	0	3,693	3,517	31,876
Cumulative Depreciation:							
Opening value 1 April 2014	(693)	(546)	(1,289)	0	0	0	(2,528)
Charge for the year	(363)	(190)	(183)	0	0	0	(736)
Disposals	21	0	0	0	0	0	21
Balance 31 March 2015	(1,035)	(736)	(1,472)	0	0	0	(3,243)
Net book value 31 March 2015	12,924	839	7,660	0	3,693	3,517	28,633

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2015	13,959	1,575	9,132	0	3,693	3,517	31,876
Additions	5	39	151	0	30	0	225
Disposals	0	(388)	0	0	0	0	(388)
Impairment losses	(523)	0	0	0	0	0	(523)
Reclassifications	(428)	0	3,693	0	(3,693)	(29)	(457)
Revaluations	930	0	0	0	0	150	1,080
Value 31 March 2015	13,943	1,226	12,976	0	30	3,638	31,813
Cumulative Depreciation:							
Opening value 1 April 2015	(1,035)	(736)	(1,472)	0	0	0	(3,243)
Charge for the year	(260)	(154)	(255)	0	0	0	(669)
Disposals	0	388	0	0	0	0	388
Reclassifications	18	0	0	0	0	0	18
Revaluations	632	0	0	0	0	0	632
Balance 31 March 2016	(645)	(502)	(1,727)	0	0	0	(2,874)
Net book value 31 March 2016	13,298	724	11,249	0	30	3,638	28,939

Assets are revalued on a 5-year programme and the last major review was carried out during October 2012 by DVS, the property services arm of the Valuation Office Agency. The useful economic life of operational land and buildings was also assessed. An annual desktop assessment is also carried out at the end of each financial year, and the values are updated where necessary.

Capital Commitments

A number of sites previously owned by Rother District Council are now occupied by East Sussex County Council as part of the development of the Bexhill to Hastings link road. The values of these sites were impaired to zero in

NOTES TO THE ACCOUNTING STATEMENTS

2013/14. Because there are several complex legal issues to resolve the formal transfer of title had not taken place at the balance sheet date. As part of this transfer the Council will receive in return land at the former Bexhill High School site which has been valued at £1.085m. The commitment to purchase this site has been included in the Capital Programme, but the legal issues have meant that the Council has been unable to complete the transaction.

At 31 March 2016 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

NOTE 17. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2014/15		2015/16
£'000		£'000
(743)	Rental income from investment property	(991)
124	Direct operating expenses arising from investment property	440
0	Net gains/(losses) from fair value adjustments	(56)
<u>(619)</u>	Total	<u>(607)</u>

Balance Sheet movements in Investment Properties during the year:

2014/15		2015/16
£'000		£'000
8,629	Balance at start of the year	9,316
(105)	Disposals	0
165	Net gains/ (losses) from fair value adjustments	56
627	Assets reclassified to Investment Properties	355
<u>9,316</u>	Balance at end of the year	<u>9,727</u>

NOTE 18. DEBTORS

31 March 2015		31 March 2016
£'000		£'000
	Amounts falling due within one year:	
170	Central government bodies	131
1,239	Other Local Authorities & Public Bodies	649
2,216	All other bodies	2,777
<u>3,625</u>	Total short term debtors	<u>3,557</u>
80	Amounts falling due after one year (all other bodies)	77
<u>3,705</u>	Total Debtors	<u>3,634</u>

NOTE 19. CREDITORS, PROVISIONS AND CONTINGENT LIABILITIES

Creditors

31 March 2015		31 March 2016
£'000		£'000
	Amounts falling due within one year:	
(2,280)	Central government bodies	(1,558)
(984)	Other Local Authorities	(401)

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2015		31 March 2016
	£'000	£'000
(1,561)	All other bodies	(3,919)
<u>(4,825)</u>	Total short term creditors	<u>(5,878)</u>

Provisions

As outlined above in Note 4, the Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision increased from £379,000 to £668,000 during 2015/16, mainly arising from:

- Additional appeals made during the year
- Delays in the settlement of appeals by the Valuation Office
- Additional expected liabilities for reduced values for purpose-built surgeries

Capital grants receipts in advance

On the 21 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ravenside Retail Park, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £959,000 which was received for the provision and improvement of leisure facilities in Bexhill and the enhancement of shopping facilities in Bexhill town centre. The monies have to be expended within 15 years of the date of the agreement or they will have to be repaid to the property owner plus interest. As at 31st March 2016 the balance remaining was £915,000.

On the 15 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ambers Rise, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £37,000 which was received for the provision of a play space and facilities. The monies have to be expended within 10 years of the date of the agreement or they will have to be repaid to the developer plus interest if applicable. As at 31st March 2016 the balance remaining was £37,000.

Contingent Liabilities

Transfer of housing Stock-Rother Homes

When the Council transferred its housing stock to Rother Homes in May 1998, part of the legal transaction involved the inclusion of certain warranties for a period up to twenty-eight years, for example, in respect of contaminated land. A liability may, therefore, arise at some time within this period. No provision has been made for this.

Leader Plus Programme

Grants awarded to the Council under the Leader Plus Programme are conditional and elements may be repayable in certain circumstances such as breach of conditions and sale of assets acquired with grant monies. At 31 March 2009 a total of £2,998,544 had been received from the programme. From January 2009 the Council commenced a new Leader Programme for six years. The liability to repay for up to the end of March 2015 was £499,190. This has not been provided for due to the high uncertainty that any breach will occur. The Programme had come to an end in 2015 and no further liabilities will be incurred by the Council.

Land Searches

As a result of the Ministry of Justice and the Department for Communities and Local Government having revoked the fee for personal searches of the local land charges register as incompatible with the Environmental Information regulations 2004 and the underlying 2003 EU Directive, the council had settled two claims which were reflected in the CIES for 2014/15. It is possible that further claims may be received in the future which cannot be quantified. It is also possible that in 2016/17 we will be liable for the costs of reaching the settlement, but the timing and the amount cannot be reliably specified or measured at this point in time.

NOTES TO THE ACCOUNTING STATEMENTS

Municipal Mutual Insurance Limited (MMI)

In 1993 the Council's insurers, MMI, ceased accepting new business. On 13th November 2012 the Directors of MMI triggered the Scheme of Arrangement. The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have been paid an amount or amounts in respect of established scheme liabilities which, together with the amount of Elective Defence costs paid by MMI on its behalf, exceed £50,000 in aggregate.

The Scheme Administrator, Ernst & Young LLP had originally determined that a levy rate of 15% shall be applied to the value of claims paid since 30th September 1993. Payment had been made in the accounts in the sum of £35,890 in 2014/15. In 2015/16 the levy was increased to 25% and a balance of £23,926 was paid to MMI. There remains a potential liability for a further £179,451. The trigger event related to the Supreme Court ruling on the 28th March 2012 which said that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

Legal action costs

As at 31st March 2016 there is a possible liability for the costs of several legal proceedings should the Council lose the ongoing cases. The estimated liability is up to £76,500.

NOTE 20. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Current	
	31 March	31 March	31 March	31 March
	2015	2016	2015	2016
			Restated	
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	80	77	14,953	17,199
Available-for-sale financial assets #	1,117	1,121	0	0
Total Investments	1,197	1,198	14,953	17,199
			2014/15	2015/16
Debtors (loans and receivables) - Financial assets carried at contract amounts			2,494	1,957
Creditors - Financial liabilities carried at contract cost			1,322	2,376
Cash and Cash Equivalents				
Bank and Current Accounts			(1,628)	30
Cash In Transit			45	148

The Available-for Sale financial asset is a government gilt with a market value of £1.121m. This gilt is due to mature on 22nd July 2018.

Income Expense, Gains and Losses

NOTES TO THE ACCOUNTING STATEMENTS

- The Council received £151,000 income from interest on Loans and Receivables, as disclosed in Note 10, compared to £135,000 in 2014/15.
- A total of £16,000 was written off as impairment of sundry debtors, compared to £142,000 in 2014/15.
- The Council gained £3,000 on the increased value of its Available for Sale financial asset, compared to £38,000 in 2014/15.

Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- (i) credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- (ii) liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- (iii) market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movement.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the annual treasury management strategy which govern the maximum type of investment risk to which the Council can be exposed.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Council's Treasury Management Strategy. Credit limits are set for each institution where deposits are placed.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2015/16 of past experience:

Deposits more than 3 months

	Amount at 31 March 2016	Estimated Maximum exposure to default	Estimated Maximum exposure to default	Amount at 31 March 2015	Credit Rating as at 31st March 2016	
UK	£'000	%	£'000	£'000	Fitch	Moody's
Bank of Scotland	0	0.00%	Nil	2,000	A+ / F1	A1 / P-1
Natwest	1,000	0.00%	Nil	0	BBB / F2	A3 / P-2
Lloyds Bank	3,500	0.00%	Nil	0	A+ / F1	A1 / P-1
Barclays Bank	1,500	0.02%	Nil	2,250	A / F1	A2 / P-1
Santander	0	0.01%	Nil	2,000	A / F1	A1 / P-1
Nationwide	3,500	0.01%	Nil	2,000	A / F1	A1 / P-1
Total In-house Investments	9,500			8,250		

Short-Term Deposits - less than 3 months (excluding accrued interest)

UK

Lloyds Bank	4,094	0.00%	Nil	5,922	A+ / F1	A1 / P-1
Natwest	692	0.00%	Nil	0	BBB / F2	A3 / P-2
Santander	2,107	0.01%	Nil	0	A / F1	A1 / P-1
Barclays Bank	786	0.02%	Nil	781	A / F1	A2 / P-1

NOTES TO THE ACCOUNTING STATEMENTS

TOTAL SHORT-TERM DEPOSITS	7,679	6,703
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Mortgages, loans and debtors excluding prepayments and notional leases

1,957	2,494
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No credit limits were exceeded during the reporting period but there was an instance where two fixed term deposits with Bank of Scotland exceeded their maximum recommended duration period due to a temporary change in the ratings caused by CDS prices fluctuations relating to the government divestment from the part nationalised bank and the resulting weakening of the deemed sovereign support for it. This was immediately reported to the Executive Director of Resources and Section 151 officer and subsequently to the Audit Committee in a quarterly report. A decision was taken to allow the deposits to mature. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council is relying on sovereign Government guarantees and advice from treasury advisors and fund managers. Currently lending is kept at a duration of less than one year. All major investment decisions are taken with regard to the Council's Treasury Management Policies and advice from Treasury experts.

The Council generally does not allow credit beyond its normal terms of payment of 28 days.

The following table sets out the amounts overdue for trade debtors:

31 March 2015 £'000		31 March 2016 £'000
124	Payment plan	167
16	1st reminder - 28 to 42 days	7
8	2nd reminder - 42 to 56 days	28
106	Legal recovery	145
254	Total	174

Liquidity Risk

As the Council has substantial reserves in place in addition to access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance. In assessing the expected return on investments the Council has established an interest equalisation reserve to manage fluctuations in interest rates so this does not affect its ability to meet its day to day commitments. The average investment rate for the reported year was 0.60%.

Price Risk

The Council held at 31st March 2016 UK Government Gilts valued at £1.121m. A shift of 1% in the market value of the gilt would therefore have resulted in a gain or loss of £11,210.

NOTE 21. LEASES

Council as a Lessee

Vehicles and equipment have been acquired through operating leases. The minimum lease payments due under non-cancellable leases in future years are:

NOTES TO THE ACCOUNTING STATEMENTS

2014/15		2015/16
£'000		£'000
111	Not later than one year	75
106	Later than one year and not later than five years	95
217		170

Council as Lessor:

The Council leases out property, a number of industrial and commercial units, land and other buildings under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

2014/15		2015/16
£'000		£'000
162	Not later than one year	157
568	Later than one year and not later than five years	617
2,897	Later than five years	2,789
3,627		3,563

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 the Council received £389,000 in contingent rents, compared to £383,000 in 2014/15.

NOTE 22. MEMBERS ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2014/15		2015/16
£'000		£'000
207	Members Allowances	214
15	Conferences, Training and Travelling Expenses	26
222		240

NOTE 23. OFFICERS' REMUNERATION AND EXIT PACKAGES

Senior Officer Remuneration

The Council's Senior Employees' remuneration and expenses was as follows:

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions**	Total Remun- eration
	£	£	£	£	£
Financial Year: 2014/15					
Executive Director of Business Operations	89,000	1,000	0	18,000	108,000
Executive Director of Resources	90,000	0	0	18,000	108,000

NOTES TO THE ACCOUNTING STATEMENTS

Service Manager Finance and Welfare	67,000	0	0	13,000	80,000
Service Manager Strategy and Planning	63,000	0	0	12,000	75,000
Service Manager Corporate Resources and HR	63,000	0	0	12,000	75,000
Service Manager Environmental Services	61,000	1,000	0	12,000	74,000
Service Manager Community and Economy	61,000	0	0	12,000	73,000
Service Manager ICT & Customer Services	61,000	0	0	12,000	73,000
Total	555,000	2,000	0	109,000	666,000

Financial Year: 2015/16

Executive Director of Business Operations	93,000	1,000	0	19,000	113,000
Executive Director of Resources	94,000	0	0	19,000	113,000
Service Manager Finance and Welfare	69,000	0	0	14,000	83,000
Service Manager Strategy and Planning	63,000	0	0	12,000	75,000
Service Manager Corporate Resources and HR	64,000	0	0	12,000	76,000
Service Manager Environmental Services	63,000	1,000	0	12,000	76,000
Service Manager Community and Economy	64,000	0	0	12,000	76,000
Service Manager ICT & Customer Services	64,000	0	0	12,000	76,000
Total	574,000	2,000	0	112,000	688,000

Salaries of over £50,000

The number of employees whose annual salary, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2014/15		2015/16	
2	£50,000 - 54,999	2	
0	£55,000 - 59,999	0	
5	£60,000 - 64,999	5	
1	£65,000 - 69,999	1	
0	£70,000 - 74,999	0	
0	£75,000 - 79,999	0	
0	£80,000 - 84,999	0	
1	£85,000 - 89,999	0	
1	£90,000 - £94,999	2	
10		10	

Exit Packages

No Compulsory and voluntary redundancy payments were made to employees in 2015/16. As a comparison, a total of £17,479 was paid in 2014/15, relating to three compulsory redundancies and three voluntary cases.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 24. EXTERNAL AUDIT COSTS

Fees were payable to BDO LLP as the Council's external auditors as follows:

2014/15 £'000		2015/16 £'000
64	External audit services	48
28	Other services	27
<u>92</u>		<u>75</u>

NOTE 25. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and subsidies and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from Government are set out in Notes 8 (Amounts reported for Resource Allocation Decisions) and 13 (Income from Grants and Contributions)

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 grants and payments to the value of £864,145, as shown below, were paid to organisations in which Members had an interest. The grants were made with proper consideration of declarations of interest. These Members did not take part in any discussion or decision relating to the grants.

2014/15 £		2015/16 £
560,390	De La Warr Pavilion Trust	559,569
115,284	Romney Marsh Internal Drainage Board	116,444
83,600	Rother District Citizens Advice Bureau	85,000
44,730	Rother Voluntary Action	46,814
15,158	Hastings Advice & Representation Centre	15,160
13,682	Local Government Association	12,768
9,105	Bexhill Museum Association	8,833
5,262	South East Employers	6,662
2,500	Hastings Furniture Service	6,250
4,000	Bexhill Town Forum	2,000
68,812	Tourism South East	1,850
2,500	Rye & District Chamber of Commerce	1,500
5,508	Action in Rural Sussex	1,000
200	District Councils Network	260
0	Bexhill Youth and Community Association	25
0	Bexhill Chamber of Commerce	10
9,400	Hastings & Rother Mediation Service	0
3,000	Sussex Wildlife Trust	0
1,800	Rye Arts Festival	0

NOTES TO THE ACCOUNTING STATEMENTS

2014/15		2015/16
£		£
1,136	The Rye Partnership Ltd	0
227	Amicus Horizon Ltd	0
<u>946,294</u>	Total	<u>864,145</u>

Officers

During 2015/16, Officers with pecuniary interests made appropriate declarations during Committee meetings and took no part of decision making. Interests are recorded in the minutes of the relevant meetings and are available at www.rother.gov.uk.

East Sussex County Council pension fund

The Council made payments totalling £1,697,000 during 2015-16 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,612,000 in 2014/15. Note 12 provides further information on the Council's pension arrangements.

Members elected to East Sussex County Council

During 2015/16 there were 6 Members of Rother District Council who were also members or related to members of East Sussex County Council listed below:

- Councillor Mrs M L Barnes (related to Councillor J Barnes, ESCC)
- Councillor Mrs K Field
- Councillor C Maynard
- Councillor C Clark
- Councillor Mrs A Davies
- Councillor S Earl

Excluding annual precept payments which are shown in the notes to the Collection Fund Statement, payments of £199,500 were made to East Sussex County Council and £593,920 was received during 2015/16. This compares to £238,201 paid and £816,412 received in 2014/15.

NOTE 26. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 30 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

COLLECTION FUND STATEMENT AND NOTES

2014/15 £'000		2015/16 £'000
	<u>Council Tax</u>	
	INCOME	
(58,157)	Income from Council Taxpayers	(59,945)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
41,776	East Sussex County Council	42,990
4,993	Sussex Police Authority	5,139
2,952	East Sussex Fire Authority	3,038
7,590	Rother District Council	7,723
	Apportionments of previous year surplus	
257	East Sussex County Council	563
31	Sussex Police Authority	67
18	East Sussex Fire Authority	40
47	Rother District Council	102
	Bad & Doubtful Debts	
(3)	Write offs of uncollectable income	(9)
131	Provision for uncollectable income-addition / (reduction)	(175)
57,792		59,478
(365)	Movement on Fund Balance - (surplus) / deficit	(467)

FUND BALANCE FOR COUNCIL TAX

(560)	Balance brought forward	(925)
(365)	(Surplus) / deficit for year	(467)
(925)	Balance - (surplus) / deficit carried forward	(1,392)

2014/15 £'000		2015/16 £'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(16,454)	Income from Ratepayers	(17,033)
	Apportionments of previous year deficit	
(424)	Government	0
(76)	East Sussex County Council	0
(8)	East Sussex Fire Authority	0
(340)	Rother District Council	0
(17,302)	Total	(17,033)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
8,168	Government	8,389

COLLECTION FUND STATEMENT AND NOTES

2014/15		2015/16
£'000		£'000
	<u>Non-Domestic Rates</u>	
1,429	East Sussex County Council	1,510
159	East Sussex Fire Authority	168
6,349	Rother District Council	6,711
	Apportionments of previous year surplus	
0	Government	156
0	East Sussex County Council	28
0	East Sussex Fire Authority	3
0	Rother District Council	125
	Bad & Doubtful Debts	
38	Write offs of uncollectable income	81
82	Provision for uncollectable income-addition / (reduction)	(28)
	Impairments resulting from appeals	
(79)	Provision for uncollectable income-addition / (reduction)	723
146	Transfer to General Fund - Cost of Collection Allowance	147
<hr/>		<hr/>
16,292		18,013
<hr/>		<hr/>
(1,010)	Movement on Fund Balance - (surplus) / deficit	980
	FUND BALANCE FOR DON-DOMESTIC RATES	
869	Balance brought forward	(141)
(1,010)	(Surplus) / deficit for year	980
<hr/>		<hr/>
(141)	Balance - (surplus) / deficit carried forward	839
	COLLECTION FUND BALANCE	
309	Balances brought forward	(1,066)
(1,375)	(Surplus) / deficit for year	513
<hr/>		<hr/>
(1,066)	Balance - (surplus) / deficit carried forward	(553)

NOTE 1. GENERAL

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and non-domestic rates) which is a statutory fund separate from the main accounts of the Council, although the elements related to this Council are included within its accounting statements and notes. The account has been prepared on the accruals basis. The costs of administering collection are accounted for within Central Services in the Cost of Services in the Comprehensive Income and Expenditure Statement.

NOTE 2. COUNCIL TAX

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

COLLECTION FUND STATEMENT AND NOTES

Band & Value	Number of Properties		Relationship to Band D	Band D Equivalent
	Total	Adj. for discounts		
Band A - up to £40,000 (disabled)	3	0.60	5/9	0.59
Band A - up to £40,000	4,552	1,818.40	6/9	1791.12
Band B - over £40,000 up to £52,000	6,890	3,445.80	7/9	3394.11
Band C - over £52,000 up to £68,000	9,684	6,400.30	8/9	6304.30
Band D - over £68,000 up to £88,000	8,850	7,439.40	-	7327.81
Band E - over £88,000 up to £120,000	7,110	7,745.70	11/9	7629.51
Band F - over £120,000 up to £160,000	3,717	4,962.70	13/9	4888.26
Band G - over £160,000 up to £320,000	2,530	3,987.70	15/9	3927.88
Band H - over £320,000	232	451.50	18/9	444.73
	43,568	36,252.10		35,708.31

NOTE 2. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2015/16 were:

- 48.0p for qualifying Small Businesses (47.1p in 2014/15)
- 49.3p for other businesses (48.2p in 2014/15) – the standard multiplier

The rateable value as at the 31st March 2016 was £48,474,949 (£47,792,000 as at 31 March 2015).

GLOSSARY

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

AMORTISATION

The practice of reducing the value of intangible assets to reflect their reduced worth over time.

BUDGET

The Council's policy expressed in financial terms for a specified period.

CAPITAL EXPENDITURE

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. The Council may also incur capital expenditure on assets that it does not actually own (see Revenue Expenditure Financed from Capital under Statute, below).

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

Standards issued by the accountancy bodies to prescribe approved accounting methods.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that have restrictions on their disposal. Examples include parks and open spaces.

CONTINGENCY

A condition which exists at the Balance Sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CREDITORS

Amounts owed by the Council but not paid at the date of the balance sheet.

DEBTORS

Amounts owed to the Council but unpaid at the date of the balance sheet.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

EARMARKED RESERVES

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

FINANCIAL INSTRUMENTS

GLOSSARY

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors and derivatives and embedded derivatives.

GENERAL FUND

The main revenue account of the Council which contains the revenue income and expenditure of all services provided.

GOVERNMENT GRANTS

Central Government contributions towards local authority expenditure. Examples are Revenue Support grant and Housing Benefit Subsidy.

INFRASTRUCTURE ASSETS

Long-Term Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

PRECEPT

The amount of money the County Council, Sussex Police & Crime Commissioner and the Fire Authority have instructed the Council to collect and pay out of council tax receipts held in the Collection Fund. The Council also pays from its General Fund precepts issued by parish and town councils within the district.

PROPERTY, PLANT & EQUIPMENT (PPE)

Tangible assets that yield up benefit to the Authority over more than one accounting period, e.g. Land and Buildings.

PROVISIONS

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

REVENUE EXPENDITURE

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example Disabled Facility Grants.

REVENUE SUPPORT GRANT

A Government grant distributed to local authorities to augment income raised by the council tax. It is centrally determined on a needs basis.

SURPLUS ASSETS

Items of Property Plant and Equipment that are no longer held for council purposes, but are not being actively marketed.