

Rother District Council

**DRAFT FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2016/17



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Introduction

The Statement of Accounts for Rother District Council for the year ended 31st March 2017 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local Rother residents, Council Members, partners, other stakeholders and interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1st April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts – bringing forward current dates by one month from 30th June to 31st May for the unaudited statement of accounts and by two months from 30th September to 31st July for the audited statement of accounts. From 2018 the Council is required to publish unaudited accounts by the end of May and Audit and Standards Committee will need to approve audited accounts by the end of July. In order to meet these proposed timescales, the Council planned to quicken the production and subsequent publishing of the draft and audited accounts.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operate in an environment of continuous improvement.

This narrative report is structured as follows:

1. An Introduction to Rother
2. Summary of Achievements
3. Governance
4. Summary of the 2016/17 Financial Performance of the Council
5. Risks
6. Liability for Pensions Costs
7. Future Plans
8. Explanation of the Financial Statements
9. Acknowledgements

1. An Introduction to Rother

For the greater part, Rother is rural in character, forming the south-eastern part of the High Weald. However, it also embraces low-lying coastal areas at both the eastern and western ends of the District. The District covers some 200 square miles and serves a population of around 90,000 inhabitants. With the exception of Bexhill with its distinctive town centre and seaside character and the historic towns of Battle and Rye the area is mainly rural.

The majority of the countryside located within the district falls within the High Weald Area of Outstanding Natural Beauty. Rother has around 3,600 businesses, with small and micro businesses forming a fundamental part of the Rother economy with 78% of businesses in Rother employing less than four people.

The greatest percentage of Rother's working population is employed in the public service sector (27.8%) a higher rate than for the region as a whole (23.6%)

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The area we serve



2. Summary of Achievements

The Corporate Plan

One of the key strategic documents that frames the actions of the Council is the [Corporate Plan](#). This is a working document that exists to help elected Members, staff and partners work together to deliver the vision for Rother. Its primary purpose is to set out the strategic direction of Rother.

The Council publishes progress on the Corporate Plan once a year in the [Annual Report](#).

The current Corporate Plan was approved by full Council in September 2014. The Corporate Plan sets out the Council's vision for 2014-2021. To this end, a broad vision has been set out around the themes of an efficient, flexible and effective Council; sustainable economic prosperity; stronger, safer communities and a quality physical environment.

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.

The Council has achieved many of the performance targets it set for 2016/17 as well as delivering many projects and initiatives.

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Efficient, Flexible and Effective Council

During 2016/17:

- 81,501 calls were answered in 2016/17, falling numbers is good as customers channel shift (198,007 – 2015/16)
- 24,466 users received e-mails from the My Alerts e-mail service and 126,908 or 14% more clicks on URL links to webpages in 'My Alerts' emails compared to last year, contributing to channel shift and self-help options
- 95.5% of financial transactions made on-line or through Direct Debit, a 3% rise on last year, thereby minimising the amount of manual intervention by staff.
- New Housing Benefit claims were processed in 34 days (33 days – 2015/16)
- Changes to Housing Benefit claims were processed in 24 days (18 - 2015/16)
- The number of days to process a Housing Benefit application once all the information is provided is 18.32 days (18 -2015/16)

Sustainable Economic Prosperity

During 2016/17:

- 49 arts, cultural and tourism events have received Council support, either financial or officer support. Direct or through partnership funding. (32 – 2015/16)
- 19 Sports and Health events have received Council support, either financial or officer support. Direct or through partnership funding. (10 - 2015/16)
- 70% of our five year supply of housing sites are ready for development (planning received) compared to 78.3% in 2015/16.
- 207 homes have been delivered (246- 2015/16). 62,820 sq.m of employment floor space that has planning permission (as opposed to just allocated) and hence in the development pipeline. (50,783 - 2015/16)
- A loss of 589 sq.m of net employment floor space during 2016/17. (1,752 sq.m gain in 2015/16)
- Worked with a National house builder to establish a new employment & skills plan for their housing development site that will benefit an average of 25 local people each year for the life of the project.
- The value of Community Infrastructure Levy (CIL) Liability Notices is £3,249,642.
- Total receipts from CIL were £80,250

Stronger, Safer Communities

During 2016/17:

- 7.1% increase in levels of crime in Rother, this is the lowest rate of increase for the districts in East Sussex
- A fall by 8.7% in levels of personal anti social behaviour,
- 5.43 cases per 1000 households of Homelessness Prevention (5.11 - 2015/16)
- 30 households in temporary accommodation on 31 March 2017 (13 - 2015/16)
- 83 affordable homes delivered (gross) (107 – 2015/16). The last two years has seen the highest delivery of affordable housing for over 10 years.

Quality Physical Environment

During 2016/17:

- 49.89%* of household waste being recycled or composted compared with the total amount being collected. (45% - 2015/16)
- Dry Waste 26.23%* (26% - 2015/16); Garden Waste 23.27%* (20% - 2015/16)(*Results to quarter 3 2016/17)
- Street Cleansing Litter: Public land with unacceptable deposits 1% (6% -2015/16); Graffiti: Public land with unacceptable deposits 1% (5% - 2015/16); Fly-posting: Public land with unacceptable deposits 1% (0% 2015-16); Dog fouling 0.1% (1% 2015/16)
- Key Business Indicators

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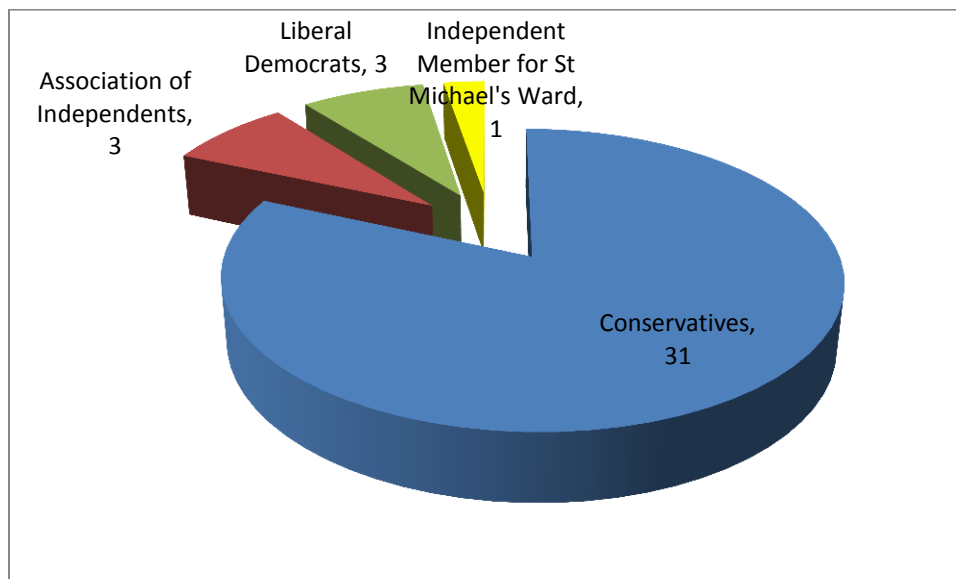
During 2016/17 we achieved:

- 98.44% of Business Rates collected within the financial year (98.33% - 2015/16)
- 98.51% of Council Tax collected within the financial year (98.53 - 2015/16)
- £1,494,618 income from car parks where there is a charge (£1,368,252 2015/16)
- 100% of major planning applications processed within 13 weeks (96.3% 2015/16)

3. Governance

The Council

The Council has 38 District Councillors. The political composition of the Council at 31 March 2017 was:

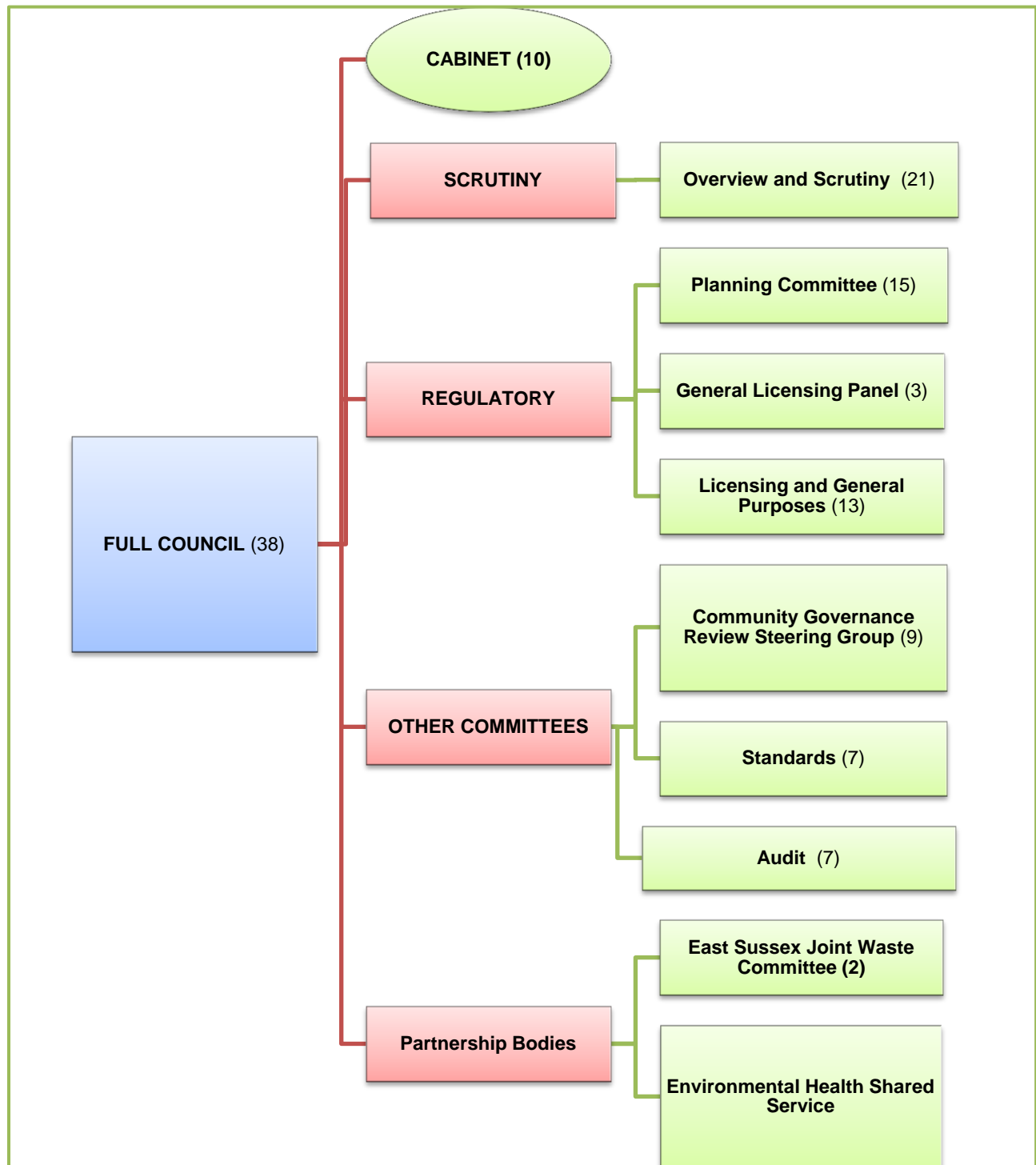


District Council elections were last held on 5th May 2015 with all seats being up for election. The results of the election were: Conservative 31; Association of Independents 3; Liberal Democrats 2 ; Independent 1; and Labour 1.

From May 2015 to May 2017 there have been three by-elections which has changed the make-up of the Council to Conservative 31 (unchanged); Association of Independents 3 (unchanged); Liberal Democrats 3 (+1); and Independent 1 (unchanged). The Conservative Group has overall control of the Council. Elections are held every four years for all 38 seats; the next Election is May 2019.

All the Councillors meet together as Full Council and set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for Rother District Council that were in place during 2016/17.

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The Cabinet

The Cabinet consists of the Leader of the Council and up to nine other Councillors. The main functions are:-

- To propose the budget and policy framework for approval by the Council
- To carry out all of the Council's functions and take all decisions except:
 - (a) those reserved to Council, the Standards Committee, the Planning Committee and the Licensing and General Purposes Committee
 - (b) those delegated to the officers, providing those decisions are not in conflict with the approved budget policy framework
- To refer matters including the review of strategies and policies to the appropriate Overview and Scrutiny Committee for consultation, investigation and report
- To perform the Employers Side function of the Local Staff Joint Committee.

Overview and Scrutiny Committee

This Committee is responsible for overview and scrutiny, which supports the work of the Cabinet and the Council as a whole. The main activities are:

- To scrutinise the work of the Executive in developing the Council's corporate strategy and make recommendations with regard to the development of the performance management aspects of corporate strategy and policy.
- To monitor the effective delivery of the Council's key plans, policies and strategies and to make recommendations for performance improvement.
- To consider quarterly performance monitoring reports.
- To monitor the Council's obligations to publish performance information and to use such information to drive improvement. To take an overview of the publication of the Council's Annual Report.
- To monitor the performance of the Council's significant partnerships including performance against contracts and service level agreements
- To monitor the Council's capital and revenue budgets.
- To review and develop the Medium Term Financial Revenue Strategy; the Capital Strategy; the Asset Management Plan; and the Procurement Strategy
- To review and, if necessary, develop the budget consultation process.

Audit Committee

The Committee is made up of 7 Councillors and normally meets up to 4 times per year.

Their purpose is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Community Governance Review Steering Group

The Committee is made up of 9 Councillors.

The Community Governance Review Steering Group is responsible for undertaking the communication and consultation strategy, analysing public consultation responses and making both the draft and final recommendations to Cabinet, via the Overview and Scrutiny Committee. Full Council will be required to approve the final recommendations prior to the completion of any community governance order which may be required, depending on the outcome of the review

Licensing and General Purposes Committee

The Licensing and General Purposes Committee has specific responsibility for:

- Licensing
- Health and safety at work act
- Appeals against any decision made by or on behalf of the authority
- Determination of applications for benefits and discretionary rate relief
- Elections and Electoral Registration

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- Parish and Town Council matters
- Standing Orders
- Staffing matters
- Control of pollution, contaminated land and air quality

General Licensing Committee

To consider all aspects of licence applications, variations, suspensions and revocations across the spectrum of local authority licensing responsibilities with the exception of all matters relating to taxi and private hire licensing which are dealt with by the Taxi and Private Hire Licensing Panel..

Planning Committee

The Planning Committee has specific responsibility for:

- Building Regulations and Safety of Buildings and Premises
- Conservation and Listed Buildings
- Tree Preservation and Planting
- Strategic Highway and Transportation issues

Standards Committee

Standards Committee has specific responsibility:

- To Promote and maintains high standards of conduct by Members and Co-opted Members of the Council.
- To adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity and including provision in respect of the registration and disclosure of a) Pecuniary interest and b) Interests other than pecuniary interests

From May 2017 the standards committee and has been combined with the Audit Committee into a new Audit and Standards Committee.

East Sussex Joint Waste Committee

The Joint Waste Committee is made up of elected Member representatives from the Cabinets of each of the following authorities: Eastbourne Borough Council; East Sussex County Council; Hastings Borough Council; Rother District Council and Wealden District Council.

These authorities established the Joint Waste Committee with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990.

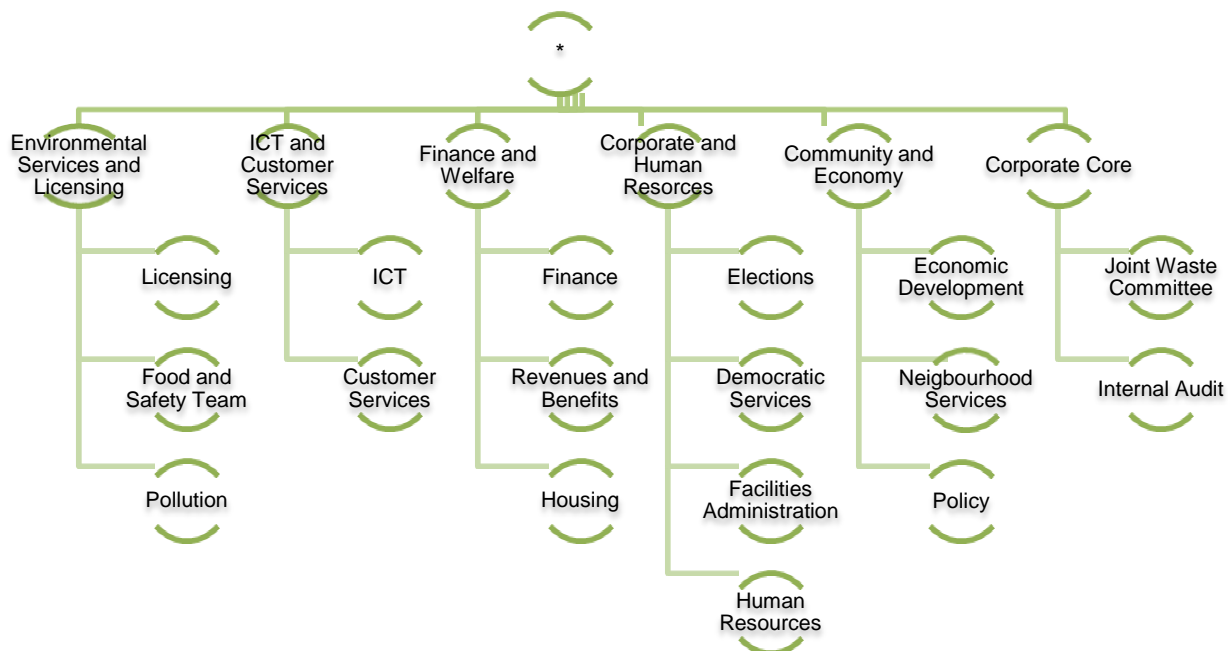
The Joint Waste Committee also facilitates the authorities to work in partnership with East Sussex County Council as the Waste Disposal Authority to maximise integration opportunities.

The Management Structure of the Council

Supporting the work of elected Members is the organisational structure of the Council headed by the Strategic Management Team (SMT). This is comprised of Rother District Council's most senior officers. The Executive Director of Business operations, the Executive Director of Resources and the Chief Finance Officer (Service Manager Finance and Welfare).

The Council appoints a Monitoring Officer (Service Manager Corporate Services and Human Resources) and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. Areas of responsibility are shown in the following diagram:

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Staffing

A summary of the Council's staffing is shown in the table below:

Employees	2015/16	2016/17
Total number of current permanent full and part time employees	240	251
Total number of current temporary / fixed term employees	18	14
Total number of current job share employees	0	0
Total number of employees	258	265
Total number of employees expressed as full time equivalents	224	226

Posts	2015/16	2016/17
Total number of permanent full and part time posts	248	254
Total number of temporary / fixed term posts	19	16
Total number of job share posts	0	0
Total number of posts	267	270
Total number of posts expressed as full time equivalents	231	228

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Sickness and accident statistics are shown in the table below:

	2015/16	2016/17
Short term sickness (per FTE)	0.82	2.32
Medium term sickness (per FTE)	1.14	2.28
Long term sickness (per FTE)	4.67	5.09
Overall sickness (per FTE)	6.63	9.69
Number of accidents	8	5

4. A Summary of the 2016/17 Financial Performance of the Council

General Fund

The Council approved a Council Tax Demand of £6.048 million at its budget meeting in February 2016 resulting in a Council Tax charge for a Band D property of £164.32, an increase of 1.94%.

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year.

Rother District Council General Fund Summary

	2016/17 Budget £ (000)	2016/17 Outturn £ (000)	2016/17 Variance £ (000)	2016/17 Variance %
Community and Economy	4,229	3,177	(1,052)	-24.9%
Corporate Services and Human Resources	1,251	1,139	(112)	-9.0%
Corporate Core	762	883	121	15.9%
Environmental Services	576	488	(88)	-15.3%
Finance and Welfare	2,424	2,231	(193)	-8.0%
ICT and Customer Services	1,905	1,667	(238)	-12.5%
Strategy and Planning and Development	857	676	(181)	-21.1%
Total Cost of Services	12,004	10,261	(1,743)	-15%
Interest from Investments	(135)	(177)	(42)	31.1%
Capital Expenditure Charged to Revenue	0	0	0	
Net Cost of Services	11,869	10,084	(1,785)	-15%

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	2016/17 Budget £ (000)	2016/17 Outturn £ (000)	2016/17 Variance £ (000)	2016/17 Variance %
Parish Precepts	1,318	1,318	0	0.0%
Special Expenses	(715)	(715)	0	0.0%
Business Rates	(2,540)	(2,161)	379	-14.9%
Revenue Support Grant	(1,073)	(1,073)	0	0.0%
Non-Specific Revenue Grants				
S31 Grants		(713)	(713)	
New Homes Bonus Grant	(1,655)	(1,660)	(5)	0.3%
Other grants		(256)	(256)	
Local Council Tax Support Grant		(117)	(117)	
Community Housing Fund		(749)	(749)	
Benefits Administration Grant		(300)	(300)	
Council Tax Requirement (Rother and Parishes)	(7,367)	(7,367)	0	0.0%
Other Financing				
Collection Fund (Surplus)/Deficit	171	171	0	0.0%
Contributions to/(from) Earmarked Reserves	(8)	3,538	3,546	-
Contributions to/(from) General Fund Balance	0	0	0	

The General Fund Revenue Budget outturn is a surplus of £3.538 million. When the budget was originally set in February 2016 the Council estimated it would need to make a contribution of (£9,000) from the General Fund in order to balance the budget. This therefore represents a £3.547 million variance. The main variances are detailed in the sections that follow:-

Community and Economy (£1,052,000) surplus

- (£113,000) savings on the waste contract contingency provision.
- (£250,000) extra income due to an increase in fees for garden waste to align fees within the partnership.
- (£227,000) net extra income relating car parking fees.
- (£0.4 million) in respect of Disabled Facilities Grants committed but not yet spent.

Corporate Services and Human Resources (£112,000) surplus

- (£27,000) savings on printing in Committee services has been identified due to the increased use of electronic media such as ipads.
- (£67,000) income re-allocated in respect of rent and services charges for the letting of the admin buildings at Amherst Road.

Corporate Core £121,000 deficit

- £135,000 in relation to engagement of external Counsel legal fees in excess of the contracted cost of the legal shared service with Wealden District Council. These additional fees relate to a number of items including planning appeals and an increase in the number of challenges the Council is receiving arising from homelessness decisions.

Environmental Health Service (£88,000) surplus

- (£88,000) savings mainly relating to salary savings.

Finance and Welfare (£193,000) surplus

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- (£184,000) savings on the cost of collection mainly due to additional(£30,000) of Council Tax Annex Grant; (£50,000) extra recovered on costs in respect of Council Tax and Business Rates and (£100,000) recovered from other precepting authorities.
- Housing Benefit and Council Tax Reduction administration shows a £306,000 shortfall on the administration costs of the Council Tax Support Scheme. This is partly because the benefit administration grant of £215,000 is now re-classified as being non-specific and the income is no longer credited to the cost of services. Extra costs of £100,000 have been incurred mainly relating to software upgrades funded by additional income referred to above. Therefore this does not represent a net additional cost to the Council.
- Other - Following a Balance Sheet review (£330,000) of provisions for payments have been identified as no longer being required and therefore released back into the revenue account. This saving is non recurring.
-

ICT and Customer Services (£238,000) surplus

- (£57,000) salary savings due to staff turnover.
- (£170,000) savings in computer services. (£24,000) savings on telephones and the rest is savings on licences and other computer equipment.
- .

Strategy and Planning Development (£181,000) saving

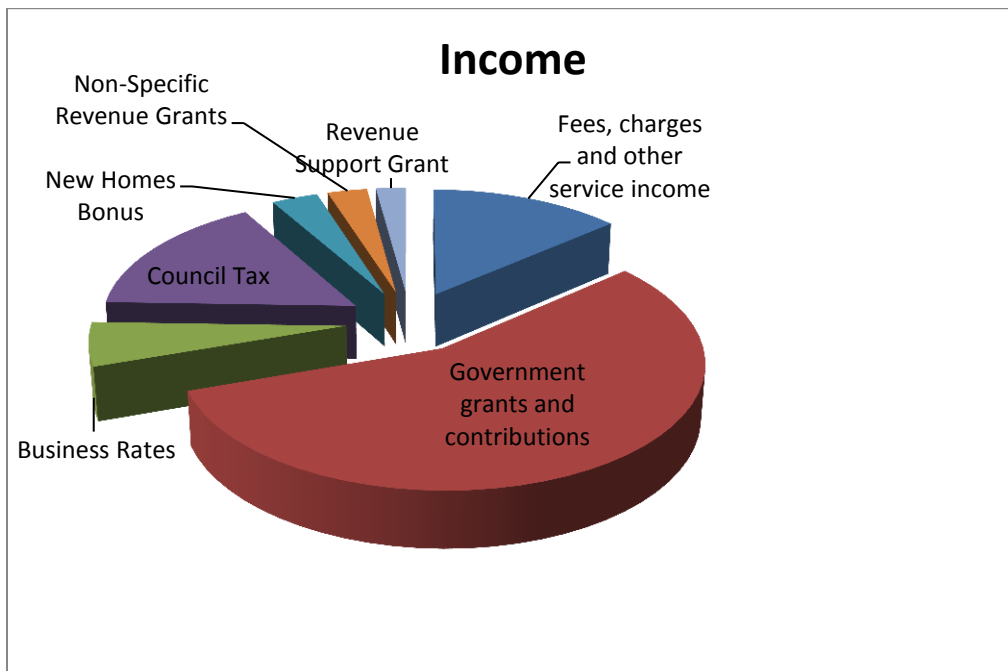
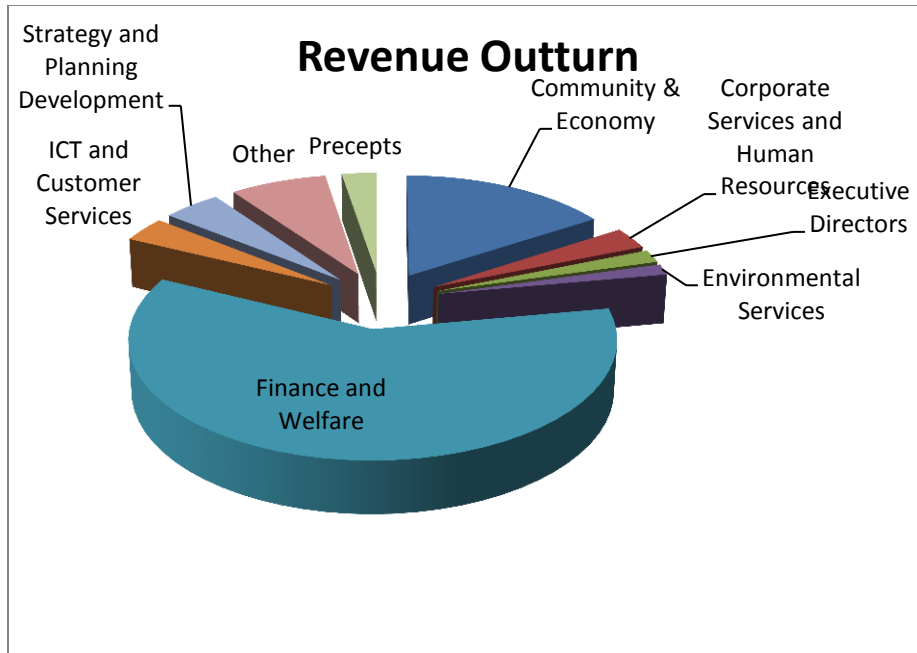
- (£116,000) saving on the Local Development Framework, funded from reserves.
- (£55,000) savings in the Building Control Partnership. Although income was lower, salary costs were also lower as the service transferred to Wealden.

Other variations

- An extra (£42,000) of income was received due to the recent investment in the Local Authorities Property Fund, as agreed by the Audit Committee at its meeting in September 2016. Total investment earnings for the year are £177,000 for the year.
- The Council have received the following non-specific revenue grants (£118,000) Local Council Tax Support Grant, (£748,000) grant from the Community Housing Fund and (£300,000) Housing Benefit Administration Subsidy. A further (£256,000) of other non-specific grants including transition grant and rural services delivery grant have been received.
- Given the uncertainty over the impact of the national revaluation of Business Rates from April 2017 and the awaited outcome of the consultation on 100% business rate retention, it is proposed that any surplus business rate income at financial year end is transferred to the Business Rate Equalisation Reserve. A transfer of £334,000 has been made in 2016/17.

An analysis of income and expenditure is shown in the graphs below:

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General Fund: Capital Programme

The General Fund Capital Programme is summarised in the table below:

Rother District Council

Capital Programme Summary

	2016/17 Budget £ (000)	2016/17 Outturn £ (000)	2016/17 Variance £ (000)	2016/17 Variance %
Community Grants	65	72	7	10.77%
De La Warr Pavilion - Capital Grant	50	50	0	0.00%
Land Swap re Former High School Site	1,085	0	(1,085)	-100.00%
Bexhill Leisure Centre	120	0	(120)	-100.00%
Fairlight Coastal Protection Scheme	2,318	1,584	(734)	-31.67%
Disabled Facilities Grant	1,314	883	(431)	-32.80%
North Bexhill Access Road	0	0	0	
IT Essential Maintenance Programme	266	30	(236)	-88.72%
Total Cost of Services	5,218	2,619	(2,599)	-49.81%

Funded By:

Capital Receipts	1,100	30	(1,070)	-97.27%
Grants and contributions	3,632	2,589	(1,043)	-28.72%
Capital Expenditure Charged to Revenue	486	0	(486)	-100.00%
Total Funding	5,218	2,619	(2,599)	0.00%

The outturn on the General Fund Capital Programme is an overall underspend of £2.599 million. The reasons for the significant variances are as follows:

- Work on the first phase of the Fairlight Coastal protection scheme is complete. This phase of the work cost £1.584m. The second phase of the works is programmed to take place in 2025. The approved capital programme has been amended to reflect this spend profile. An amended capital programme is shown at Appendix B.
- Work continues to resolve the outstanding issues with ESCC and the land swap for the former Bexhill High School site. Delays will have a knock on effect in progressing the redevelopment of the leisure centre, located adjacent to this site.
- Actual spend in 2016/17 on Disabled Facility Grants (DFGs) was £883,000. The total allocation for 2016/17 of £1.314 million is committed.
- The IT essential maintenance programme will be reprofiled into the next financial year. The Rother 20/20 programme will require investment in the Council's ICT particularly to improve the self-help functionality of the Council's website with integration with core computerised systems such as the customer relationship management system.

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Collection Fund

- The outturn on the Collection Fund is a deficit of £0.054 million on non-domestic rates against a budgeted deficit of £0.080 million; and a surplus of £1.190 million on Council Tax against a budgeted surplus of £1.186 million.

East Sussex Business Rates Pool

From 1 April 2015, the Council has participated in, the East Sussex Business Rates Pool along with East Sussex County Council (ESCC), East Sussex Fire Authority (ESFA), Eastbourne Borough Council, Hastings Borough Council, Lewes District Council and Wealden District Council.

Pooling the business rates income from growth across a wider and economically coherent area ensures that all the authorities in the Pool can benefit from economic growth across the whole area. Additionally, there is a financial benefit for each participating authority arising from the fact that the levy rate for the Pool as a whole is lower than the levy rates that would have applied to each authority individually. The total financial benefit achieved for Rother in 2016/17 was £0.213 million

As a result of the national revaluation of business rates and the expected increase in appeal provision, the latest forecast for 2017/18 indicated that there would be minimal financial benefit for the ESBPR to continue. Therefore it was mutually agreed by the Chief Finance Officers, along with the relevant Cabinet Portfolio Holders for Finance to dissolve the pool from 1 April 2017.

5. Risks

Business Rates Retention

In October 2015 the Government committed that local government should retain 100% of taxes raised locally. Subject to Parliamentary approval, the Government aims to introduce the new system for the financial year 2019/20. The Government has now published and introduced into Parliament primary legislation which is intended to provide a framework for the reformed 100% Business Rates Retention system. In February 2017 they published a consultation inviting responses on how the new system will operate.

This is a fundamental change to the way local government is financed. In order to ensure that the reforms are fiscally neutral, the main local government grant (Revenue Support Grant) will be phased out and additional responsibilities will be devolved to local authorities. Together, these will equal the value of additional funding received by the sector as a consequence of the reforms.

The Business Rates Retention Steering Group is a forum through which local government representatives and other interested bodies will provide information and expert advice to support the LGA and Department of Communities and Local Government in advising Ministers on the implementation of the reforms, with whom the final decision on the design and operation of the scheme will rest.

The Steering Group will consider and provide information and advice on the mechanisms needed to set up and run the 100 per cent rates retention system, and the timing and implementation of the reforms. Alongside making its own proposals, the Steering Group will both consider representations from individual local authorities, as well as oversee the work of three technical working groups that will look specifically at key aspects of the reforms. These will be:

- The design of the retention system
- Needs and distribution
- New service responsibilities.

The significant falls in Government grant and the volatility in business rate income present a major challenge for the Council. The Council needs to deliver the actions contained in its Sustainability and Efficiency Plan to deal with the continued pressures on its budgets. Due to the changing nature and scale of those pressures mean that those plans need to be regularly refreshed in order to assess the impact on service delivery.

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6. Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts 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 is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £25.108 million at 31st March 2016 to £21.964 million at 31st March 2017. It is detailed in Note 8 to the accounts. Gross liabilities have increased by £14.5 million due to changes in the discount rate, this has been offset by increases in the return on assets of £13.9 million. The main reasons for the decrease in liabilities is due to changes in demographics and experience leading to an increase of £4 million which has led to the overall decrease in net liabilities.

The Council does not operate its own Pension Fund but is part of the East Sussex Local Government Pension Scheme which is administered by East Sussex County Council. Full details of the Pension Scheme and its accounts are available on-line at www.eastsussex.gov.uk

7. Future Plans

The Medium Term Financial Strategy

The budget for 2017/18 was set against further reductions in Government grant. Over £1.2 million of savings were built into the 2017/18 base budget. The Council's Medium Term Financial Strategy has been updated to reflect the provisional four-year Funding Settlement announced in December 2015. This also takes into account inflation (both pay and contract), superannuation and national insurance changes.

The medium term financial strategy for the period 2017/18 to 2020/21 is set out in the table below.

Rother District Council

2017/18-2021/22 Medium Term Financial Strategy

	2016/17 Budget £ (000)	2017/18 Budget £ (000)	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)
Community and Economy	4,334	4,092	4,123	4,190	4,268	4,347
Corporate Services and Human Resources	1,245	1,177	1,203	1,275	1,206	1,207
Executive Directors	781	837	795	795	795	795
Environmental Services	525	584	543	533	533	533
Finance and Welfare	2,331	2,760	2,660	2,660	2,660	2,660
ICT and Customer Services	1,834	1,903	1,903	1,873	1,873	1,873
Strategy and Planning and Development	904	933	833	833	883	833
Total Cost of Services	11,954	12,286	12,060	12,159	12,218	12,248
Interest from Investments	(135)	(235)	(235)	(235)	(235)	(235)
Contingency items - Salary						
Turnover savings		(263)	(100)	(100)	(100)	(100)
- Apprentices		48	48	48	48	48
Salary inflation 1%			91	182	275	368
Savings from 2020 exercise:			(250)	(600)	(1,200)	(1,800)
Waste Collection and Street Cleansing Contract				750	750	750
Capital Expenditure Charged to Revenue	0	925				
Net Cost of Services	11,819	12,761	11,614	12,204	11,756	11,279

NARRATIVE REPORT

	2016/17 Budget £ (000)	2017/18 Budget £ (000)	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)
Parish Precepts	1,319	1,573	1,319	1,319	1,319	1,319
Special Expenses	(715)	(715)	(728)	(743)	(757)	(772)
Business Rates	(2,540)					
Local Share of business rates		(7,125)	(7,268)	(7,413)	(7,562)	(7,713)
s31 Grants		(836)	(853)	(870)	(887)	(905)
Tariff		4,783	4,879	4,976	5,492	5,601
Levy payment on account		392	400	408		
Revenue Support Grant	(1,073)	(450)	(73)			
Non-Specific Revenue Grants						
New Homes Bonus Grant	(1,655)	(1,117)	(702)	(405)	(73)	0
Rural services delivery grant		(49)	(38)	(49)		
Transition Grant		(71)				
New Burdens Grant		(3)				
Local Council tax Support Grant		(108)	(108)	(108)	(108)	(108)
Benefits Administration Grant		(257)	(257)	(257)	(257)	(257)
Council Tax Requirement (Parishes and Rother)	(7,367)	(7,883)	(7,949)	(8,269)	(8,609)	(8,959)
Other Financing						
Collection Fund (Surplus)/Deficit	171	(120)	0	0	0	0
Contributions to/(from) Earmarked Reserves	41	(775)	(236)	(793)	(314)	515
Contributions to/(from) General Fund Balance	0	0	0			
Total Income	(11,819)	(12,761)	(11,614)	(12,204)	(11,756)	(11,279)
Total	0	0	0	0	0	0

The current estimated overall funding gap is £250,000 in 2018/19 rising to £1,800,000 by 2021/22. Efficiency plans were published in October 2016 on how these savings would be achieved and officers are working on delivery as part of the Corporate Plan.

There are some uncertainties in the current economic climate with a general election in June 2017 and changes relating to Brexit.

NARRATIVE REPORT

Capital Programme 2017/18 to 2021/22

The Capital Programme has been framed to deliver significant investment in ICT in the future including SAN replacement, Delegate Conference System, Document Image Processing System and Rother 20/20 ICT investment . It is funded by Reserves. There are no plans to borrow currently.

The Capital Programme for 2017/18 to 2020/21 was prepared to mirror the 5 year timeframe of the MTFS.

Rother District Council Capital Programme Summary

	2017/18 Budget £ (000)	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)
Community Grants	65	65	0	0	0
De La Warr Pavilion - Capital Grant	51	52	0	0	0
Land Swap re Former High School Site	0	0	0	0	0
Bexhill Leisure Centre	0	0	0	0	0
Fairlight Coastal Protection Scheme	0	0	0	0	0
Contribution to Affordable Housing funded by s106	133	0	0	0	0
Disabled Facilities Grant	700	0	0	0	0
IT SAN replacement	160	0	0	0	0
New bins	50				
Delegate Conference System	50	0	0	0	0
Corporate Document Image Processing System	350	0	0	0	0
Rother 20/20 ICT Investment	300	200	0	0	0
Total Cost of Services	1,859	317	0	0	0

Funded By:

Capital Receipts	51	52	0	0	0
Grants and contributions	883	0	0	0	0
Capital Expenditure Charged to Revenue	925	265	0	0	0
Total Funding	1,859	317	0	0	0

NARRATIVE REPORT

8. Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. There have been no changes to policies but there have been some changes to presentation details in note 1 to the accounts.

These statements contain a number of different elements which are explained below.

Statement of Responsibilities sets out the respective responsibilities of the Council and the Chief Finance Officer.

Independent Auditor's Report gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Statement of Accounts

- **Expenditure and Funding Analysis**- this is a new table, which reconciles the outturn figures in the budget summary in the Narrative Report to the net expenditure figures in the Comprehensive Income and Expenditure Statement. Although this is technically a note to the accounts, rather than a statement in its own right, it is included before the main statements as the key link between the narrative report and the formal accounting statements.
- **Movement in Reserves Statement** 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 unusable reserves.
- **Comprehensive Income and Expenditure Statement** shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation.
- **Balance Sheet** shows the value of the Council's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the reporting period.
- **Collection Fund** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

9. Acknowledgements

I would like to thank all those involved in managing the Council's finances and preparing this Statement of Accounts. Their support under ever increasing competing demands has been appreciated throughout these challenging times.

Robin Vennard
Chief Finance Officer

ANNUAL GOVERNANCE STATEMENT

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 1 to 72 give a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Robin Vennard

Service Manager Finance and Welfare

30 June 2017

Approval of Accounts

The accounts were presented to the Audit Committee on the 27 September 2017 and were authorised by the Chairman of the Committee Councillor Martin Mooney.

Councillor Martin Mooney

Chairman of Audit Committee

27 September 2017

INDEPENDENT AUDITORS REPORT

EXPENDITURE AND FUNDING ANALYSIS

2015-16 Re-stated				2016-17			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
4,093	2,105	6,198	Community and Economy	3,177	1,404	4,581	
1,079	62	1,141	Corporate Services & Human Resources	1,139	114	1,253	
825	40	865	Directors of Resources	883	15	898	
448	106	554	Environmental Services	488	37	525	
2,054	(455)	1,599	Finance and Welfare	2,231	(584)	1,647	
1,675	177	1,852	ICT and Customer Services	1,667	132	1,799	
576	118	694	Strategy and Planning	676	44	720	
10,750	2,153	12,903	Cost of Services	10,261	1,162	11,423	
(13,467)	336	(13,131)	Other Income and Expenditure	(13,799)	(4,556)	(18,355)	
(2,717)	2,489	(228)	(Surplus) or Deficit on Provision of Services	(3,538)	(3,394)	(6,932)	
Earmarked Reserves	General Fund	Total		Earmarked Reserves	General Fund	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
8,646	1,000	9,646	Opening balances	11,363	1,000	12,363	
0	2,717	2,717	(Surplus) or Deficit on Provision of Services	0	3,538	3,538	
2,717	(2,717)	0	Transfers between General Fund and earmarked reserves	3,538	(3,538)	0	
11,363	1,000	12,363	Closing General Fund balance	14,901	1,000	15,901	

COMPREHENSIVE INCOME AND EXPENDITURE

2015-16 Re-stated				2016-17		
Gross	Income	Net		Gross	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
10,207	(4,009)	6,198	Community and Economy	9,605	(5,024)	4,581
1,561	(420)	1,141	Corporate Services & Human Resources	1,632	(379)	1,253
982	(117)	865	Directors of Resources	944	(46)	898
862	(308)	554	Environmental Services	790	(265)	525
31,622	(30,023)	1,599	Finance and Welfare	29,582	(27,935)	1,647
1,931	(79)	1,852	ICT and Customer Services	1,891	(92)	1,799
2,149	(1,455)	694	Strategy and Planning	2,070	(1,350)	720
49,314	(36,411)	12,903	Cost of Services	46,514	(35,091)	11,423
1,266	0	1,266	Parish Council Precepts	1,319	0	1,319
120	0	120	Levies	123	0	123
0	(243)	(243)	(Gains) on the disposal of assets	0	(467)	(467)
1,386	(243)	1,143	Other Operating Expenditure	1,442	(467)	975
1,052	0	1,052	Net interest on defined pension liabilities	874	0	874
0	(151)	(151)	Interest receivable and similar income	0	(177)	(177)
146	(995)	(849)	Income and expenditure in relation to investment properties and changes in their fair value	148	(2,600)	(2,452)
1,198	(1,146)	52	Financing and Investment Income and Expenditure	1,022	(2,777)	(1,755)
0	(7,885)	(7,885)	Council Tax Income	0	(8,208)	(8,208)
4,718	(6,444)	(1,726)	Non domestic rates	4,811	(6,960)	(2,149)
0	(1,800)	(1,800)	Revenue Support Grant	0	(1,073)	(1,073)
0	(2,978)	(2,978)	Non-ringfenced government grants	0	(3,795)	(3,795)
0	63	63	Capital grants and contributions	0	(2,350)	(2,350)
4,718	(19,044)	(14,326)	Taxation and non-specific grant income and expenditure	4,811	(22,386)	(17,575)
56,616	(56,844)	(228)	(Surplus) or Deficit on Provision of Services	53,789	(60,721)	(6,932)
	(1,712)		Surplus on revaluation of non-current assets.			(3,325)
	(3)		Valuation (gains) / losses on available for sale financial assets reserve			122
	(8,868)		Remeasurement of the net defined benefit pension liability			(3,777)
	(10,583)		Other Comprehensive Income and Expenditure			(6,980)
	(10,811)		Total Comprehensive Income and Expenditure			(13,912)

MOVEMENT IN RESERVES

	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
2015-16 Re-stated							
Balance at 1 April 2015	1,000	8,646	2,481	866	12,993	4,783	17,776
Movement in Reserves in 2015/16:							
Surplus (deficit) on the provision of services (accounting basis)	228	0	0	0	228	0	228
Other Comprehensive Income and Expenditure	0	0	0	0	0	10,583	10,583
Total Comprehensive Income and Expenditure	228	0	0	0	228	10,583	10,811
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	2,489	0	54	(89)	2,454	(2,454)	0
Net increase/decrease before transfers to Earmarked reserves	2,717	0	54	(89)	2,682	8,129	10,811
Transfers to/from Earmarked reserves - <i>note 11</i>	(2,717)	2,717	0	0	0	0	0
Increase/(Decrease) in Year	0	2,717	54	(89)	2,682	8,129	10,811

MOVEMENT IN RESERVES

	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
2016/17							
Balance at 1 April 2016	1,000	11,363	2,535	777	15,675	12,912	28,587
Movement in Reserves in 2016/17:							
Surplus (deficit) on the provision of services (accounting basis)	6,932	0	0	0	6,932	0	6,932
Other Comprehensive Income and Expenditure	0	0	0	0	0	6,980	6,980
Total Comprehensive Income and Expenditure	6,932	0	0	0	6,932	6,980	13,912
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	(3,394)	0	415	766	(2,213)	2,213	0
Net increase/decrease before transfers to Earmarked reserves	3,538	0	415	766	4,719	9,193	13,912
Transfers to/from Earmarked reserves - <i>note 11</i>	(3,538)	3,538	0	0	0	0	0
Increase/(Decrease) in Year	0	3,538	415	766	4,719	9,193	13,912
Balance at 31 March 2017	1,000	14,901	2,950	1,543	20,394	22,105	42,499

BALANCE SHEET

31 March 2015 Re-stated £'000	31 March 2016 Re- stated £'000			31 March 2017 £'000
29,989	30,249	Property, Plant and Equipment	<i>Note 14</i>	34,563
8,533	8,945	Investment Properties	<i>Note 15</i>	10,447
53	43	Intangible Assets		56
1,117	1,121	Long Term Investments	<i>Note 18</i>	3,269
81	77	Long Term Debtors	<i>Note 18</i>	57
39,773	40,435	LONG TERM ASSETS		48,392
0	84	Assets Held for Sale		13
3,625	3,557	Short Term Debtors	<i>Note 16</i>	4,345
9	16	Inventories		13
8,250	9,520	Short Term Investments	<i>Note 20</i>	10,711
5,123	7,582	Cash and Cash Equivalents	<i>Cash Flow</i>	7,611
17,007	20,759	CURRENT ASSETS		22,693
(4,825)	(5,878)	Short Term Creditors	<i>Note 17</i>	(4,980)
(379)	(668)	Provisions	<i>Note 17</i>	(687)
0	0	Capital grants receipts in advance	<i>Note 17</i>	(37)
(5,204)	(6,546)	CURRENT LIABILITIES		(5,704)
(948)	(953)	Capital grants receipts in advance	<i>Note 17</i>	(918)
(32,851)	(25,108)	Net Defined Pension liability	<i>Note 8</i>	(21,964)
(33,799)	(26,061)	LONG TERM LIABILITIES		(22,882)
17,777	28,587	NET ASSETS		42,499
1,000	1,000	General Fund		1,000
8,647	11,363	Earmarked reserves	<i>Note 11</i>	14,901
2,481	2,535	Capital Receipts Reserve		2,950
866	777	Capital grants and contributions		1,543
12,994	15,675	USABLE RESERVES		20,394
7,086	8,776	Revaluation Reserve		11,937
30,398	29,454	Capital Adjustment Account		32,051
70	60	Deferred capital receipts		186
(32,851)	(25,108)	Pensions Reserve		(21,964)
179	(154)	Collection Fund Adjustment Account		131
(137)	(157)	Accumulated Absences Account		(155)
38	41	Available for sale reserve		(81)
4,783	12,912	UNUSABLE RESERVES	<i>Note 12</i>	22,105
17,777	28,587	TOTAL RESERVES		42,499

CASH FLOW STATEMENT

2015-16		2016-17	
	£'000		£'000
(14,762)	Taxation	(15,010)	
(33,706)	Grants and Contributions	(33,880)	
(6,888)	Sales of goods and rendering of services	(7,075)	
(131)	Interest received	(184)	
(380)	other receipts from operating activities	(37)	
(55,867)	Cash inflows generated from operating activities	(56,186)	
7,065	Cash paid to and on behalf of employees	7,090	
27,847	Housing benefit payments	26,543	
4,712	NNDR Tariff payments	4,811	
1,387	Precepts paid	1,442	
6,576	Cash paid to suppliers of goods and services	8,237	
4,994	Other operating cash payments	5,206	
52,581	Cash outflows generated from operating activities	53,329	
(3,286)	Net cashflows from operating activities	(2,857)	
(243)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(435)	
194	Purchase of property, plant and equipment, investment property and intangible assets	1,604	
21,500	Purchase of short-term and long-term investments	36,971	
(20,250)	Proceeds from the sale of short-term and long-term investments	(33,500)	
59	Other receipts from investing activities	(1,755)	
1,260	Net cashflows from investing activities	2,885	
(362)	Changes in National Non-Domestic Rates balances held for Central Government	177	
(71)	Changes in Council tax balances held for preceptors	(234)	
(433)	Net cashflows from financing activities	(57)	
(2,459)	Net (Increase) / decrease in cash and cash equivalents	(29)	
5,123	Cash and cash equivalents 1 April	7,582	
2,459	Net increase / (decrease) in cash and cash equivalents	29	
7,582	Cash and cash equivalents 31 March	7,611	
155	Cash in hand	3	
7,679	Call accounts and short term deposits	5,407	
(252)	Bank balances	2,201	
7,582	Cash and cash equivalents 31 March	7,611	

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. CHANGES TO ACCOUNTING POLICIES AND RESTATEMENTS

Changes to policies in 2016/17

As usual there have been a number of changes to accounting standards, but they have not necessitated any changes to accounting policies, or to restatements of the figures for prior years.

The Code of Practice has, however, required major changes in the presentation of the Comprehensive Income and Expenditure Statement, in which the lines within the Cost of Services now reflect the way in which services are managed within the Council. The revenue budget and outturn figures in the Narrative Statement show the figures required by law to be charged against the General Fund, while those in the Comprehensive Income and Expenditure Statement have to reflect proper accounting practice. The necessary adjustments are summarised in the Expenditure and Funding Analysis, and are shown in more detail in notes 5 and 6. As a result of these changes the prior year figures in the Comprehensive Income and Expenditure Statement have been re-stated, in line with the new format.

An error in the 2015/16 figures was also detected: total income of £1,617,000 from the recovery of overpaid housing benefits was incorrectly included as income, rather than as a reduction in expenditure. This has not been re-stated, but it has been correctly accounted for from 2016/17.

In line with the changed formats outlined above, the note previously included called "Resource Allocation Decisions" has been discontinued, but there are two new notes:

- Note 7: Income and Expenditure analysed by nature
- Note 10: Fees, charges and other service income

A review of properties during the revaluation process led to the reclassification of some investment properties as other land and buildings. The previous year has been re-stated and a third balance sheet prepared for comparative purposes.

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 is 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 required the 2015/16 figures to be re-stated in line with the 2016/17 Code of Practice.

NOTE 2. ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17, 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.

NOTES TO THE ACCOUNTING STATEMENTS

- 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.
- 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 receipts 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 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 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 are debited with the following amounts to record the cost of holding non-current assets during the year:

NOTES TO THE ACCOUNTING STATEMENTS

- 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
- revaluation and impairment gains, where they reverse losses previously charged to services
- 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. These items 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.

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
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into the following components:

NOTES TO THE ACCOUNTING STATEMENTS

- 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 the cost of the Finance and Welfare service
- 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 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. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties), and its available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or

NOTES TO THE ACCOUNTING STATEMENTS

transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest.

When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- | | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end |
| Level 2 | Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly |
| Level 3 | Unobservable inputs for the asset or liability |

11. 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
- 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 2017 of 0.65% based on the average investment rate the Council achieved during 2016/17.

NOTES TO THE ACCOUNTING STATEMENTS

(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 £1.116m at 31 March 2017 and an investment in a property fund valued at £2.153m at 31 March 2017 and the fair values are 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).

12. 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

NOTES TO THE ACCOUNTING STATEMENTS

Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Council has elected to charge a Community Infrastructure Levy (CIL) , charged on new builds with appropriate planning consent. The income from the levy will be used to fund various projects described as “infrastructure” in a broader sense than used for Council property in Note 2.16 below. The infrastructure investment is determined in the 123 list and it is not necessarily this Council that will undertake the works. Part of the CIL income is retained to offset the cost of administration, and is accounted for as income for the Strategy and Planning service. Some is also payable to parishes: this is treated as an agency service and is excluded from the Comprehensive Income and Expenditure Statement. The rest is intended for use to finance capital, and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income, and is then transferred to the Capital Grants Unapplied reserve.

13. 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. As a non-financial asset , investment properties are measured at highest and best use.

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 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.

14. 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 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

NOTES TO THE ACCOUNTING STATEMENTS

carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15. Overheads and Support Services

The Comprehensive Income and Expenditure Statement is now prepared as outlined in Note 4, displaying service income and expenditure in line with the organisation of the Council, rather than with the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). The recharging of overheads and support services is therefore not reflected in any part of these accounting statements and notes.

The SeRCOP analysis is still required, however, for various Government and statistical returns, and for these purposes 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 SeRCOP.

16. 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

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 current 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 - current 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 current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 2.10 above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current 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 current 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)

NOTES TO THE ACCOUNTING STATEMENTS

- 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.

The values of Land and Buildings assets individually worth less than £10,000 are recorded, but not included in the balance sheet values.

Impairment

Assets are assessed at each year-end as to whether there is any indication that the value of 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.

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.

NOTES TO THE ACCOUNTING STATEMENTS

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.

17. 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 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.

18. Reserves

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

Usable reserves comprise the following:

NOTES TO THE ACCOUNTING STATEMENTS

- 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. The Reserve contains only gains accumulated since 1 April 2007, the date 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.

NOTES TO THE ACCOUNTING STATEMENTS

- 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.

19. 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 is 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.

20. 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 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 19 below.

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

The Financial Statements contain 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 2017 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 and mortality rates. 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 £9.059m.
- A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £1.532m.
- A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £7.376m.

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:

NOTES TO THE ACCOUNTING STATEMENTS

- 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 17 below).

NOTE 5. DETAILS OF ADJUSTMENTS IN EXPENDITURE AND FUNDING ANALYSIS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2015-16 Restated					
Community and Economy	1,168	103	0	834	2,105
Corporate Services & Human Resources	30	29	0	3	62
Corporate Core	0	38	0	2	40
Environmental Services	0	95	0	11	106
Finance and Welfare	42	(376)	0	(121)	(455)
ICT and Customer Services	104	73	0	0	177
Strategy and Planning	0	111	0	7	118
Cost of Services	1,344	73	0	736	2,153
Other Income and Expenditure from the Expenditure and Funding Analysis	(333)	1,052	333	(716)	336
Total for 2015-16	1,011	1,125	333	20	2,489

NOTES TO THE ACCOUNTING STATEMENTS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2016-17					
Community and Economy	693	53	0	658	1,404
Corporate Services & Human Resources	95	17	0	2	114
Corporate Core	0	18	0	(3)	15
Environmental Services	0	49	0	(12)	37
Finance and Welfare	0	(467)	0	(117)	(584)
ICT and Customer Services	91	40	0	1	132
Strategy and Planning	0	49	0	(5)	44
Cost of Services	879	(241)	0	524	1,162
Other Income and Expenditure from the Expenditure and Funding Analysis	(4,619)	874	(285)	(526)	(4,556)
Total for 2016-17	(3,740)	633	(285)	(2)	(3,394)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
2015-16 Re-stated					
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	1,237	0	0	(1,237)	0
Movements in value of Investment Properties	(56)	0	0	56	0
Disposal 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	89	0	(89)	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	969	0	0	(969)	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	(904)	0	0	904	0
Total for 2015-16	2,489	54	(89)	(2,454)	0

NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2016-17					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	17	0	0	(17)	0
Depreciation and impairment of non- current assets	862	0	0	(862)	0
Movements in value of Investment Properties	(1,802)	0	0	1,802	0
Disposal of non-current assets	104	0	0	(104)	0
Capital receipts to Usable Capital Receipts Reserve	(571)	445	0	126	0
Capital grants and contributions to Capital Grants Unapplied Reserve	(2,350)	0	2,350	0	0
Difference between accounting and statutory employment benefit	(2)	0	0	2	0
Difference between accounting and statutory credit for Council Tax	29	0	0	(29)	0
Difference between accounting and statutory credit for Non-Domestic Rates	(314)	0	0	314	0
Revenue Expenditure Financed from Capital under Statute	1,005	0	0	(1,005)	0
Difference between accounting and statutory credit for pension costs	633	0	0	(633)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	0	0	0	0	0
Other adjustments					
Capital expenditure financed from Capital Receipts	0	(30)	0	30	0
Capital expenditure financed from Capital grants and contributions	(1,005)	0	(1,584)	2,589	0
Total for 2016-17	(3,394)	415	766	2,213	0

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

2015-16 Re-stated		2016-17
Surplus / Deficit on the Provision of Services		Surplus / Deficit on the Provision of Services
£'000		£'000
10,243	Employee benefits expenses	10,067
43,734	Other service expenses	41,401
1,253	Depreciation, amortisation, impairment etc	879
1,386	Precepts and levies	1,442
0	Gains on the disposal of assets	0
56,616	Total Expenditure	53,789
(7,774)	Fees, charges and other service income	(6,872)
(56)	Investment Properties changes in fair value	(1,802)
(151)	Interest and investment income	(177)
(14,329)	Council Tax and non-domestic rate income	(15,168)
(34,291)	Grants and Contributions	(36,235)
(243)	Gains on the disposal of assets	(467)
(56,844)	Total income	(60,721)
(228)	Net	(6,932)

NOTE 8. 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:

NOTES TO THE ACCOUNTING STATEMENTS

2015-16 £'000		2016-17 £'000
Comprehensive Income and Expenditure Statement		
1,770	Current Service Cost	1,502
0	Curtailments	0
<u>1,770</u>	Cost of Services	<u>1,502</u>
1,052	Net interest expense	874
<u>1,052</u>	Financing and Investment Income and Expenditure	<u>874</u>
<u>2,822</u>	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	<u>2,376</u>
1,102	Return on plan assets, less included in interest expense	(13,881)
	Actuarial gains & losses:	
(8,737)	Changes in financial assumptions	14,462
(1,233)	Other	(3,042)
<u>(8,868)</u>	Remeasurement of the net defined benefit liability	<u>(2,461)</u>
<u>(6,046)</u>	Total Comprehensive Income and Expenditure Statement	<u>(85)</u>
Movement in Reserves Statement		
2,822	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	2,376
(1,697)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,743)
<u>1,125</u>	Total taken to Note 5	<u>633</u>
2015-16 £'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	2016-17 £'000
68,553	Value of Assets at 1 April	68,294
2,173	Interest income on plan assets	2,365
400	Contributions by Members	399
1,697	Contributions by the Employer	1,743
(1,102)	Return on assets excluding amounts recognised in Other Comprehensive Income	13,881
(3,427)	Benefits Paid	(3,508)
<u>68,294</u>		<u>83,174</u>
2015-16 £'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	2016-17 £'000
(101,404)	Value of Liabilities at 1 April	(93,402)
(1,770)	Current Service Cost	(1,502)

NOTES TO THE ACCOUNTING STATEMENTS

2015-16		2016-17
£'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000
(3,225)	Interest Cost	(3,239)
(400)	Contribution by Members	(399)
	Actuarial Gains and (Losses):	
0	Change in demographic assumptions	1,316
8,737	Change in financial assumptions	(14,462)
1,233	Other experience gains and (losses)	3,042
0	Losses on Curtailments	0
3,427	Benefits Paid	3,508
<u>(93,402)</u>		<u>(105,138)</u>
<u>(25,108)</u>	Net Liability at 31st March	<u>(21,964)</u>

Fair value of employer assets

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

31 March 2016					31 March 2017			
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:				
1,253.2	0.3	1,253.5	2.0	Consumer	1,549.7	0.0	1,549.7	2.0
815.7	0.7	816.4	1.0	Manufacturing	820.1	0.0	820.1	1.0
176.2	2.2	178.4	0.0	Energy and Utilities	139.8	0.0	139.8	0.0
2,017.9	0.1	2,018.0	3.0	Financial Institutions	2,515.8	0.0	2,515.8	3.0
864.5	0.7	865.2	1.0	Health and Care	1,424.4	0.0	1,424.4	2.0
1,039.0	0.1	1,039.1	2.0	Information Technology	1,185.3	0.0	1,185.3	1.0
0.0	344.0	344.0	1.0	Other	165.9	281.9	447.8	1.0
				Debt Securities:				
0.0	1,242.4	1,242.4	2.0	UK Government	0.0	2,304.7	2,304.7	3.0
0.0	1,271.1	1,271.1	2.0	Other	148.3	0.0	148.3	0.0
				Private Equity:				
0.0	4,078.0	4,078.0	6.0	All	0.0	4,759.6	4,759.6	6.0
				Real Estate:				
432.9	7,656.2	8,089.1	12.0	UK Property	0.0	7,975.4	7,975.4	10.0
				Investment funds and unit trusts:				
44.0	35,357.7	35,401.7	51.0	Equities	45,281.8	526.4	45,808.2	54.0
2,718.9	5,210.8	7,929.7	12.0	Bonds	7,784.1	1,811.1	9,595.2	12.0
0.0	74.0	74.0	0.0	Hedge Funds	0.0	83.5	83.5	0.0
33.5	0.0	33.5	0.0	Commodities	123.2	0.0	123.2	0.0
0.0	1,153.2	1,153.2	2.0	Infrastructure	0.0	919.4	919.4	1.0
0.0	233.7	233.7	0.0	Other	0.0	90.6	90.6	0.0
				Derivatives:				
0.0	0.0	0.0	0.0	Foreign exchange	0.0	17.5	17.5	0.0
				Cash and cash equivalents				
2,273.0	0.0	2,273.0	3.0	All	2,098.1	1,167.6	3,265.7	4.0
<u>11,668.8</u>	<u>56,625.2</u>	<u>68,294.0</u>	<u>100.0</u>	Totals	<u>63,236.5</u>	<u>19,937.7</u>	<u>83,174.2</u>	<u>100.0</u>

NOTES TO THE ACCOUNTING STATEMENTS

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 2016.

2015-16		2016-17
2.2%	Rate of inflation	2.2%
4.2%	Rate of increase in salaries	4.2%
2.2%	Rate of increase in pensions	2.2%
3.5%	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:

2015-16		2016-17
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.2	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.2	Men	23.8
26.7	Women	26.3

Impact on the Council's Cash Flows

The Council anticipates paying £1,523,000 contributions to the scheme in 2017/18.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

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

2015-16		2016-17
£'000		£'000
(27,696)	DWP benefits grants	(26,608)
(878)	Grants for revenue financed from capital under statute	(1,005)
(1,002)	Other Grants and Contributions	(1,404)
(29,576)	Total within Cost of Services	(29,017)
(1,800)	Revenue Support Grant	(1,073)
(190)	New Burden Grant	(123)
(327)	Benefits Administration Grant	(300)
(1,329)	New Homes Bonus	(1,660)
(73)	Council Tax Freeze Grant	0
(953)	Section 31 Grant Income	(712)
(106)	Local Services Support Grant	(118)
0	Community Housing Fund	(749)
0	Community Infrastructure levy	(69)
0	Other non-specific grant	(133)
63	Grants and contributions towards capital expenditure	(2,281)
(4,715)	Total within Taxation and non-specific grant income	(7,218)
(34,291)	Total income from grants and contributions	(36,235)

NOTE 10. FEES, CHARGES AND OTHER SERVICE INCOME

The Council receives income from various sources including Planning Fees, Garden Waste Collection, Licenses, Car Parks, Land Charges, Building Control Fees and Rental income.

2015-16 Re-stated		2016-17
£'000		£'000
(2,491)	Community and Economy	(2,997)
(334)	Corporate Services & Human Resources	(186)
(69)	Directors of Resources	(40)
(303)	Environmental Services	(265)
(2,149)	Finance and Welfare	(1,145)
(79)	ICT and Customer Services	(92)
(1,410)	Strategy and Planning	(1,350)
(6,835)	Cost of Services	(6,075)
(939)	Investment Properties	(797)
(7,774)	Total	(6,872)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 11. 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 2015 £'000	Transfers out £'000	Transfers in	Balance at 1 April 2016 £'000	Transfers out £'000	Transfers in	Balance at 31 March 2017 £'000
Medium Term Financial Strategy Reserve	2,580	(51)	1,423	3,952	0	1,620	5,572
Economic Development Fund	30	0	0	30	0	0	30
Risk Management Fund	147	0	0	147	0	0	147
Interest Equalisation Reserve	922	0	0	922	0	0	922
Repairs and Renewals Reserve	1,061	(50)	124	1,135	0	300	1,435
Corporate Plan Projects Reserve	581	(31)	0	550	(10)	0	540
Invest to Save Reserve	218	0	0	218	0	0	218
Affordable Housing Reserve	920	0	0	920	0	0	920
Corporate Development Reserve	1,073	(5)	350	1,418	0	141	1,559
Planning Improvement & LDF Reserve	238	(69)	0	169	(34)	35	170
Housing Benefit Subsidy Reserve	37	(37)	0	0	0	0	0
Homelessness Reserve	55	0	0	55	0	0	55
New Home Bonus Reserve	127	0	0	127	0	0	127
Business Rate Equalisation Reserve	657	(22)	298	933	0	334	1,267
Grants Reserve	0	0	787	787	0	1,152	1,939
Total	8,646	(265)	2,982	11,363	(44)	3,582	14,901

The purposes of these reserves are set out below:

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. The total transfer in for 2016/17 includes the £1,386,000 budget surplus for the year and the £37,000 transferred to close the BCCI Refund reserve.
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

NOTES TO THE ACCOUNTING STATEMENTS

Affordable Housing	investment in the services. 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.
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.
Grant Reserve	A reserve created to hold grants received in one year with no conditions but used in following years.

NOTE 12. UNUSABLE RESERVES

Revaluation Reserve

2015-16		2016-17
£000		£000
7,086	Balance 1 April	8,776
	Comprehensive Income & Expenditure:	
1,712	Gain on revaluation of assets	3,325
	Accounting / Financing Adjustments:	
(22)	Depreciation charged to Revaluation Reserve	(164)
8,776	Balance 31 March	11,937

Capital Adjustment Account

2015-16		2016-17
£000		£000
30,398	Balance 1 April	29,454
	Accounting / Financing Adjustments:	
(16)	Write down Intangible Assets	(17)
(1,237)	Depreciation and impairment of non-current assets	(862)
56	Movements in value of Investment Properties	1,802
0	Gain or (loss) on sale of non-current assets	(104)
(969)	Revenue Expenditure Financed from Capital under Statute	(1,005)
97	Capital expenditure financed from revenue	0
199	Capital expenditure financed from Capital Receipts	30
	Capital expenditure financed from Capital grants and contributions	2,589
22	Depreciation charged to Revaluation Reserve	164
29,454	Balance 31 March	32,051

NOTES TO THE ACCOUNTING STATEMENTS

Deferred Capital Receipts Reserve

2015-16		2016-17
£000		£000
70	Balance 1 April	60
	Accounting / Financing Adjustments:	
(10)	Deferred receipts received to Capital Receipts Reserve	126
60	Balance 31 March	186

Pensions Reserve

2015-16		2016-17
£000		£000
(32,851)	Balance 1 April	(25,108)
	Comprehensive Income & Expenditure:	
8,868	Remeasurement of the net defined benefit liability	3,777
	Accounting / Financing Adjustments:	
(1,125)	Difference between accounting and statutory credit for pension costs	(633)
(25,108)	Balance 31 March	(21,964)

Collection Fund Adjustment Account

2015-16		2016-17
£000		£000
179	Balance 1 April	(154)
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for Council Tax	(29)
60		
	Difference between accounting and statutory credit for Non-Domestic Rates	314
(393)		
(154)	Balance 31 March	131

Accumulated Absences Account

2015-16		2016-17
£000		£000
(137)	Balance 1 April	(157)
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory employment benefit	2
(20)		
(157)	Balance 31 March	(155)

NOTES TO THE ACCOUNTING STATEMENTS

Available for Sale Financial Instruments Reserve

2015-16 £000		2016-17 £000
38	Balance 1 April	41
	Comprehensive Income & Expenditure:	
3	Gain on revaluation of available for sale financial instruments	(122)
41	Balance 31 March	(81)

NOTE 13. 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 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.

2015-16 £'000		2016-17 £'000
1,091	Opening Capital Financing Requirement 1 April	1,091
	<i>Capital Investment</i>	
225	Property, Plant and Equipment	1,584
7	Intangible assets	30
968	Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,005
	<i>Sources of finance</i>	
(199)	Capital receipts	(30)
(26)	Government grants and other contributions	(1,584)
(97)	Sums set aside from revenue and reserves	0
(878)	Grants and contributions towards REFCUS	(1,005)
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 2016 £'000		31 March 2017 £'000
30,249	Property, Plant and Equipment	34,563
8,944	Investment Properties	10,447
43	Intangible Assets	56
84	Assets Held for Sale	13
(8,776)	Revaluation Reserve	(11,937)
(29,453)	Capital Adjustment Account	(32,051)
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.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings (re-stated)	Vehicles Plant etc	Infra- structure	Commun. Assets	Assets under Const- ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2015	15,314	1,575	9,132	0	3,693	3,517	33,231
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 2016	15,298	1,226	12,976	0	30	3,638	33,168
Cumulative Depreciation:							
Opening value 1 April 2015	(1,035)	(736)	(1,472)	0	0	0	(3,243)
Charge for the year	(305)	(154)	(255)	0	0	0	(714)
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	(690)	(502)	(1,727)	0	0	0	(2,919)
Net book value 31 March 2016 (Re-stated)	14,608	724	11,249	0	30	3,638	30,249
	Land & Buildings	Vehicles Plant etc	Infra- structure	Commun. Assets	Assets under Const- ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2016	15,298	1,226	12,976	0	30	3,638	33,168
Additions	0	0	1,584	0	0	0	1,584
Disposals	(91)	(221)	0	0	0	0	(312)
Impairment losses	(7)	0	0	0	0	(10)	(17)
Reclassifications	25	0	30	0	(30)	242	267
Revaluations	1,146	0	0	0	0	1,133	2,279
Value 31 March 2017	16,371	1,005	14,590	0	0	5,003	36,969
Cumulative Depreciation:							
Opening value 1 April 2016	(690)	(502)	(1,727)	0	0	0	(2,919)
Charge for the year	(447)	(140)	(259)	0	0	0	(846)
Disposals	91	221	0	0	0	0	312
Reclassifications	1	0	0	0	0	0	1
Revaluations	1,046	0	0	0	0	0	1,046
Balance 31 March 2017	1	(421)	(1,986)	0	0	0	(2,406)
Net book value 31 March 2017	16,372	584	12,604	0	0	5,003	34,563

NOTES TO THE ACCOUNTING STATEMENTS

Assets are revalued on a 5-year programme and the last major review was carried out as at 31 March 2017 by DVS, the property services' arm of the Valuation Office Agency. The useful economic life of operational land and buildings was also assessed. .

The Council's surplus properties consist of various parcels of land which are surplus to operational requirements, but which are not yet being actively marketed. There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.10 above), both at the start and end of the financial year.

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 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 2017 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

NOTE 15. 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:

2015-16 Re- stated		2016-17
£'000		£'000
(916)	Rental income from investment property	(798)
123	Direct operating expenses arising from investment property	149
(56)	Net gains from fair value adjustments	(1,803)
<hr/> (849)	Total	<hr/> (2,452)

Balance Sheet movements in Investment Properties during the year:

2015-16 Re- stated		2016-17
£'000		£'000
8,534	Balance at start of the year	8,945
0	Disposals	(75)
56	Net gains from fair value adjustments	1,802
355	Assets reclassified from Property Plant & Equipment	(225)
<hr/> 8,945	Balance at end of the year	<hr/> 10,447

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.10 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 16. DEBTORS

31 March 2016		31 March 2017
£'000		£'000
	Amounts falling due within one year:	
131	Central government bodies	17
649	Other Local Authorities & Public Bodies	523
2,777	All other bodies	3,805
<hr/>		<hr/>
3,557	Total short term debtors	4,345
77	Amounts falling due after one year (all other bodies)	57
<hr/>		<hr/>
3,634	Total Debtors	4,402

NOTE 17. CREDITORS, PROVISIONS AND CONTINGENT LIABILITIES

Creditors

31 March 2016		31 March 2017
£'000		£'000
	Amounts falling due within one year:	
(1,558)	Central government bodies	(1,465)
(1,268)	Other Local Authorities	(1,197)
0	Public Corporations	(31)
(3,052)	All other bodies	(2,287)
<hr/>		<hr/>
(5,878)	Total short term creditors	(4,980)

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 £668,000 to £686,000 during 2016/17.

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. A further contribution of £3,000 was made in 2016/17. As £44,000 has previously been applied to support the capital programme the balance at 31 March 2017 was £918,000, compared to £915,000 at 31 March 2016.

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 would have to be expended within 10 years of the date of the agreement or be repaid to the developer plus interest if applicable. However this amount is planned to be used to finance the capital programme in 2017/18., and is therefore shown as a short term liability in the balance sheet as at 31 March 2017.

Contingent Liabilities

There are no known contingent liabilities.

Municipal Mutual Insurance Limited (MMI)

NOTES TO THE ACCOUNTING STATEMENTS

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. 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.

NOTE 18. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

31 March 2016			31 March 2017	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
0	0	Loans and Receivables	0	0
1121	1121	Available for sale financial assets	3269	3269
1,121	1,121	Long term Investments	3,269	3,269
9,520	9,531	Loans and Receivables	10,711	10,717
9,520	9,531	Short term Investments	10,711	10,717
1,588	1,588	Trade accounts receivable	136	136
1,588	1,588	Short Term Debtors	136	136
7,679	7,683	Bank deposits less than 3 months	5,407	5,411
(97)	(97)	Cash and bank accounts	2,204	2,205
7,582	7,586	Cash and Cash Equivalents	7,611	7,616
19,811	19,826	Total Financial Assets	21,727	21,738

NOTES TO THE ACCOUNTING STATEMENTS

There are two Available-for Sale financial assets . The first a government gilt with a market value of £1.116m. This gilt is due to mature on 22nd July 2018. The second is a £2.25 million investment in the Churches, Charities, Local Authorities' (CCLA) Property Investment Fund which has been valued at £2.153 million. Although there is a £0.097 million notional loss it is expected that in the long term there will be a gain. The funds are can currently be withdrawn by serving notice, the fund advisors advise this can taken between 1 to 6 months.

31 March 2016			31 March 2017		
Book			Book		
Value	Fair Value		Value	Fair Value	
£,000	£,000		£,000	£,000	
(2,492)	(2,492)	Short Term Creditors	(1,884)	(1,884)	
<u>(2,492)</u>	<u>(2,492)</u>	Short Term Liabilities	<u>(1,884)</u>	<u>(1,884)</u>	
<u>(2,492)</u>	<u>(2,492)</u>	Total Financial Liabilities	<u>(1,884)</u>	<u>(1,884)</u>	

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 2.10 above. The Available for Sale assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

Income Expense, Gains and Losses

- The Council received £177,000 income from interest on Loans and Receivables, as disclosed in the Comprehensive Income and Expenditure Statement, compared to £151,000 in 2015/16.
- A total of £38,000 was written off as impairment of sundry debtors, compared to £16,000 in 2015/16.
- The Council lost £102,000 on the decrease in value of its Available for Sale financial asset, compared to a gain of £3,000 in 2015/16.

Nature and Extent of Risks arising from Financial instruments

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek 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 Statement and Annual Investment 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. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria using the Capita Asset Services creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies (Fitch, Moody's and Standard and Poor's) overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. Deposits are not made with banks or financial institutions unless they are rated independently

NOTES TO THE ACCOUNTING STATEMENTS

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 Statement and Annual Investment Strategy. Credit limits are set for each institution where deposits are placed.

The credit criteria in respect of the financial assets held by the Council at 31 March 2017 are summarised below.

- i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.
- ii. The total principal funds invested for up to 6 months is 50%
- iii. The total principal funds invested for up to 3 months is 50%
- iv. The total principal funds invested for up to 1 year is 20%

A copy of the Annual Treasury Management Strategy Statement Annual Investment Strategy is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2016/17 of past experience:

Deposits with Banks and Financial Institutions	Capita Asset Services	Fitch	Moody's	Standard and Poor's	Amount at 31 March 2017	Historical Experience of Default	Estimated maximum exposure to default and uncollectability at 31 March 2017
					£'000	%	£'000
Deposits more than 3 months							
Lloyds Bank Plc.	Red	F1	P-1	A-1	5,206		
Santander UK plc.	Red	F1	P-1	A-1	2,504		
Bank of Scotland	Red	F1	P-1	A-1	2,000		
Nationwide	Red	F1	P-1	A-1	1,001		
					10,711	0	0
Short-Term Deposits - less than 3 months (excluding accrued interest)							
Lloyds Bank Plc.	Red	F1	P-1	A-1	1,500		
Bank of Scotland	Red	F1	P-1	A-1	1,000		
Santander UK plc.	Red	F1	P-1	A-1	2,118		
Barclays Bank	Green	F1	P-1	A-2	789		
					5,407	0	0
Customer Debtors					1,258	12.00%	147
Total					17,376		147

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years.

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2016 £'000		31 March 2017 £'000
167	Payment plan	
7	1st reminder - 29 to 42 days	13
28	2nd reminder - 43 to 55 days	38
145	Over 55 days	270
<hr/> 347	Total	<hr/> 321

Debtors include trade receivables of £1,238,000 as at 31 March 2017 (£635,000 as at 31 March 2016). The historical experience of default is 12% (31 March 2016 23%) with an estimated exposure to default of non-collection of £147,000 (31 March 2016 £146,000). The Council has provided £147,000 (31 March 2016 £146,000) as a general impairment allowance for non-collection of this debt.

Liquidity Risk

The Council has a robust cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the Public Works Loans Board for long term funding and substantial reserves. 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 0.65%.

If interest rates had been 1% higher as at 31 March 2017 with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	264
Impact on Surplus/Deficit on Provision of Services	264

Price Risk

The Council held at 31st March 2017 UK Government Gilts valued at £1.116m. A shift of 1% in the market value of the gilt would therefore have resulted in a gain or loss of £11,160.

The Council held at 31st March 2017 an investment in the Local Authorities' (CCLA) Property Fund valued at £2.153m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £21,530.

NOTE 19. 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,

NOTES TO THE ACCOUNTING STATEMENTS

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.

There are three 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, Hastings Building Control Partnership and the Sussex Training Consortium. In each case Rother 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.

As of 1st April 2017 Building Control Partnership became part of a larger partnership with Wealden District Council now being the lead authority.

2016-17					
	Joint Waste	Environmenta l Health	Sussex Training Consortiu m	Building Control	Total
	£'000	£'000	£'000	£'000	£'000
Total expenditure	13,091	1,581	96	383	15,151
Income	(25)	(30)	(4)	(328)	(387)
Net Cost	13,066	1,551	92	55	14,764
Recharged to Rother District Council	(3,044)	(555)	(18)	18	(3,599)
Recharged to partner councils	(10,067)	(996)	(74)	(73)	(11,210)
Total recharges	(13,111)	(1,551)	(92)	(55)	(14,809)
Net Cost	(45)	0	0	0	(45)
2015-16					
	Joint Waste	Environmenta l Health	Others	Building Control	Total
	£'000	£'000	£'000	£'000	£'000
Total expenditure	12,729	1,685	0	426	14,840
Income	(48)	(37)	0	(341)	(426)
Net Cost	12,681	1,648	0	85	14,414
Recharged to Rother District Council	(2,970)	(642)	0	1	(3,611)
Recharged to partner councils	(9,711)	(1,006)	0	(86)	(10,803)
Total recharges	(12,681)	(1,648)	0	(85)	(14,414)
Net Cost	0	0	0	0	0

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 20. 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:

2015-16		2016-17
£'000		£'000
75	Not later than one year	75
95	Later than one year and not later than five years	95
<u>170</u>		<u>170</u>

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:

2015-16		2016-17
Re-stated		
£'000		£'000
619	Not later than one year	586
2,298	Later than one year and not later than five years	2,170
24,550	Later than five years	24,360
<u>27,467</u>		<u>27,116</u>

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 2016/17 the Council received £417,000 in contingent rents, compared to £438,000 in 2015/16.

NOTE 21. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2015-16		2016-17
£'000		£'000
214	Members Allowances	217
<u>26</u>	Conferences, Training and Travelling Expenses	<u>26</u>
<u>240</u>		<u>243</u>

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 22. 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: 2015/16 (Re-stated)					
Executive Director of Business Operations	92,892	0	0	18,668	111,560
Executive Director of Resources	93,875	0	0	18,668	112,543
Service Manager Finance and Welfare	69,522	0	0	13,662	83,184
Service Manager Strategy and Planning	63,531	0	0	12,381	75,912
Service Manager Corporate Resources and HR	63,531	0	0	12,381	75,912
Service Manager Environmental Services	62,724	0	0	12,381	75,105
Service Manager Community and Economy	63,531	0	0	12,381	75,912
Service Manager ICT & Customer Services	63,531	0	0	12,381	75,912
Total	573,137	0	0	112,903	686,040

NOTES TO THE ACCOUNTING STATEMENTS

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: 2016/17					
Executive Director of Business Operations	94,073	0	0	18,854	112,927
Executive Director of Resources	94,852	0	0	18,854	113,706
Service Manager Finance and Welfare	72,524	0	0	14,233	86,757
Service Manager Strategy and Planning	64,179	0	0	12,505	76,684
Service Manager Corporate Resources and HR	64,179	0	0	12,505	76,684
Service Manager Environmental Services	63,505	0	0	12,505	76,010
Service Manager Community and Economy	64,179	0	0	12,505	76,684
Service Manager ICT & Customer Services	64,179	0	0	12,505	76,684
Total	581,670	0	0	114,466	696,136

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:

2015/16		2016/17	
2	£50,000 - £54,999	3	
0	£55,000 - £59,999	0	
5	£60,000 - £64,999	5	
1	£65,000 - £69,999	0	
0	£70,000 - £74,999	0	
0	£75,000 - £79,999	1	
0	£80,000 - £84,999	0	
0	£85,000 - £89,999	0	
2	£90,000 - £94,999	2	
0	£95,000 - £99,999	0	
<hr/>		<hr/>	
10		11	
<hr/>		<hr/>	

Exit Packages

No Compulsory and voluntary redundancy payments were made to employees in 2016/17 or 2015/16.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 23. EXTERNAL AUDIT COSTS

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

2015-16 £'000		2016-17 £'000
48	External audit services	48
19	Other services	10
<hr/> 67		<hr/> 58

NOTE 24. 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 the Government are set out in Note 9 (Income from Grants and Contributions).

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2016/17 grants and payments to the value of £1,090,831 as shown below, were paid to organisations in which Members had an interest. The grants and payments were made with proper consideration of declarations of interest. These Members did not take part in any discussion or decision relating to the grants or payments.

NOTES TO THE ACCOUNTING STATEMENTS

2015-16		2016-17
£		£
559,569	De La Warr Pavilion Trust	520,926
199,116	East Sussex County Council	257,644
116,444	Romney Marsh Internal Drainage Board	118,776
85,000	Rother District Citizens Advice Bureau	85,000
46,814	Rother Voluntary Action	47,040
0	Etchingham Parish Council	913
0	Hurst Green Parish Council	1,317
15,160	Hastings Advice & Representation Centre	11,370
12,768	Local Government Association	10,464
8,833	Bexhill Museum Association	8,803
0	Hastings and Rother Mediation Service	8,400
1,000	Action in Rural Sussex	5,610
6,662	South East Employers	5,262
0	Playden Parish Council	101
2,000	Bexhill Town Forum	3,000
0	Seaview Project	2,500
1,500	Rye & District Chamber of Commerce	1,500
6,250	Hastings Furniture Service	1,000
1,850	Tourism South East	875
260	District Councils Network	330
25	Bexhill Youth and Community Association	0
10	Bexhill Chamber of Commerce	0
<hr/> 1,063,261	Total	<hr/> 1,090,831

Officers

During 2016/17 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. There were no related party transactions in the year between the Council and officers.

East Sussex County Council pension fund

The Council made payments totalling £1,743,000 during 2016/17 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,697,000 in 2015/16. Note 8 provides further information on the Council's pension arrangements.

Members elected to East Sussex County Council

During 2016/17 there were 5 Members of Rother District Council who were also members or related to members of East Sussex County Council listed below:

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

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 25. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 29 September 2017. Events taking place after this date are not reflected in the financial statements or notes.

COLLECTION FUND STATEMENT AND NOTES

2015-16 £'000		2016-17 £'000
	<u>Council Tax</u>	
	INCOME	
(59,945)	Income from Council Taxpayers	(63,892)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
42,990	East Sussex County Council	46,081
5,139	Sussex Police Authority	5,481
3,038	East Sussex Fire Authority	3,192
7,723	Rother District Council	8,082
	Apportionments of previous year surplus	
563	East Sussex County Council	865
67	Sussex Police Authority	104
40	East Sussex Fire Authority	61
102	Rother District Council	155
	Bad & Doubtful Debts	
(9)	Write offs of uncollectable income	42
(175)	Provision for uncollectable income-addition / (reduction)	31
59,478		64,094
(467)	Movement on Fund Balance - (surplus)/deficit	202
	FUND BALANCE FOR COUNCIL TAX	
(925)	Balance brought forward	(1,392)
(467)	Surplus for year	202
(1,392)	Balance - (surplus)/deficit carried forward	(1,190)

COLLECTION FUND STATEMENT AND NOTES

Non-Domestic Rates

INCOME

(17,033)	Income from Ratepayers	(17,711)
	Apportionments of previous year deficit	
0	Government	(418)
0	East Sussex County Council	(73)
0	East Sussex Fire Authority	(8)
0	Rother District Council	(326)
<hr/> (17,033) Total		<hr/> (18,536)

EXPENDITURE

	Precepts and demands on Collection Fund	
8,389	Government	8,715
1,510	East Sussex County Council	1,569
168	East Sussex Fire Authority	174
6,711	Rother District Council	6,972
	Apportionments of previous year surplus	
156	Government	10
28	East Sussex County Council	0
3	East Sussex Fire Authority	0
125	Rother District Council	0
0	Transitional Relief	47
	Bad & Doubtful Debts	
81	Write offs of uncollectable income	40
(28)	Provision for uncollectable income-addition / (reduction)	31
	Impairments resulting from appeals	
723	Provision for uncollectable income-addition / (reduction)	46
147	Transfer to General Fund - Cost of Collection Allowance	147
<hr/> 18,013		<hr/> 17,751
<hr/> 980 Movement on Fund Balance - (surplus) / deficit		<hr/> (785)

FUND BALANCE FOR NON-DOMESTIC RATES

(141)	Balance brought forward	839
980	(Surplus) / deficit for year	(785)
<hr/> 839 Balance - (surplus) / deficit carried forward		<hr/> 54

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

COLLECTION FUND STATEMENT AND NOTES

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).

Band & Value	Number of Properties		Relationship to Band D	Band D Equivalent
	Total	Adj. for discounts		
				£
Band A - up to £40,000 (disabled)	3	0.50	5/9	0.49
Band A - up to £40,000	4,613	2,020.90	6/9	1990.59
Band B - over £40,000 up to £52,000	6,943	3,710.90	7/9	3655.24
Band C - over £52,000 up to £68,000	9,696	6,683.40	8/9	6583.15
Band D - over £68,000 up to £88,000	8,837	7,575.80	-	7462.16
Band E - over £88,000 up to £120,000	7,156	7,862.20	11/9	7744.27
Band F - over £120,000 up to £160,000	3,735	5,022.10	13/9	4946.77
Band G - over £160,000 up to £320,000	2,563	4,044.30	15/9	3983.64
Band H - over £320,000	232	449.30	18/9	442.56
	43,778	37,369.40		36,808.87

The Council Tax Base, as shown in the final column above, assumes a collection rate of 98.5% of the numbers of properties adjusted for discounts.

NOTE 3. 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 2016/17 were:

- 48.4p for qualifying Small Businesses (48.0p in 2015/16)
- 49.7p for other businesses (49.32p in 2015/16) – the standard multiplier

The rateable value as at the 31st March 2017 was £49,097,503 (£48,474,949 as at 31 March 2016).

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.

LEASE

An agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time.

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 Council 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.