Rother District Council

FINANCIAL REPORT AND STATEMENT OF ACCOUNTS

2013/14

CONTENTS

FOREWORD BY THE CHIEF FINANCIAL OFFICER

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The pages that follow are Rother District Council's accounts for the year 2013/14, and include:

- **Statement of Accounting Policies** - this explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are explained.

- **Movement in Reserves Statement** - this shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus on the provision of services line shows the true economic cost of providing the authorities services, which is shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers from earmarked reserves is made by the Council.

- **Comprehensive Income and Expenditure Statement** – this shows the Council's actual financial performance for the year. The Statement shows the accounting cost in the year of providing the services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations and this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet** - this is fundamental to the understanding of the Council's year-end financial position. The Balance Sheet shows the value as at the Balance Sheet date of the Assets and Liabilities recognised by the Authority. Net Assets of the Authority are matched by the Reserves held by the Authority. Reserves are reported in two categories; Reserves that are usable (i.e. those reserves that the Authority can spend on services subject to maintaining a prudent level of reserves and any statutory limitations on their use), and Reserves that are unusable e.g. reserves that hold unrealised gains and losses such as the Revaluation Reserve. See notes 19 and 20, for further information.

- **Cash Flow Statement** – this shows the changes in the cash and cash equivalents of the Authority. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities shows the extent to which operations of the Authority are funded by way of taxation, grant income or income from recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future delivery of services (i.e. cash funds that are not immediately needed can be invested to make a return for the Authority).

- **Collection Fund Statement** – this reflects the statutory obligation for Rother District Council as the Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities (precepting) and the Government of council tax and non-domestic rates.

FOREWORD BY THE CHIEF FINANCIAL OFFICER

Significant Changes to the 2013/14 Statement of Accounts

Efforts have been made to present information in a format that is easy to read and understand, whether you are a local taxpayer, Councillor or Council employee. I am, however, required by law to set the accounts out in a certain way. Further information about the accounts presented in this Statement is available from the Resources Directorate of the Council.

The 2013/14 Local Government Accounting Code of Practice (the Code) has made limited changes that affect Rother District Council to the format of the accounts following the move to International Financial Reporting Standards (IFRS) from UK GAAP in 2010/11. The introduction of the Business Rate Retention scheme has however changed the presentation of the financial information relating to business rate collection and distribution. Previously the relationship was centred on the Council as billing authority and the national non domestic rate pool. Under the new arrangements, funds are now distributed to the County Council and Fire Service as well as central government in accordance with the scheme.

Financial Summary 2013/14

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

Revenue

The General Fund expenditure is met primarily by Government grants and Council Taxpayers. The financial performance of the Council's General Fund services in 2013/14 resulted in a surplus of £180,000. The two main variations are discussed below:

(i) Employee Costs – Saving £29,000

The overall saving in employee costs includes meeting the redundancy costs associated with the Council management and staffing restructure during 2014/15 which was implemented in response to the continued reductions in government grant. The total redundancy costs were approximately £800,000 and will deliver ongoing annual savings in excess of £1m per annum.

(ii) Income from fees and charges – Saving £1m

The council has seen an increase in its income during 2013/14. This has come from a number of sources including increased Planning income, increased housing benefit overpayments, car park income and due to an increase in homelessness and increase in the recovery of housing benefit for families placed in temporary accommodation.

Use of Reserves

Overall Useable Reserves reduced by £847,000 (£297,000 Earmarked, £539,000 Capital Grants and £11,000 Capital Receipts) as the Council continues to have to support its Revenue Budget in order to protect services and meet the cost of the Capital Programme. In addition to making up the shortfall on investment income and meeting the costs of redundancies, reserves were used to support the Corporate Projects, local development framework and housing services such as homelessness. Contributions of £465,000 to earmarked reserves were possible including the surplus of £180,000 indicated above. The following table shows the overall yearend financial position for the Revenue account:

Service Area	Final Budget 2013/14	Total	Variation
	£	£	£
Cultural and Related Services	3,060,504	5,217,335	2,156,831
Environmental Services	5,512,080	7,340,208	1,828,128
Planning and Development Services	2,225,638	1,780,906	(444,732)
Highways, Road and Transport Services	(620,960)	(734,569)	(113,609)
Housing General Fund	1,234,908	1,961,265	726,357
Corporate and Democratic Core	2,879,430	2,706,870	(172,560)
Central Services to the Public	1,045,168	1,073,542	28,374
Support Services	25,572	69,177	43,605
Other Operating Income and Expenditure	(526,250)	(908,045)	(381,795)
Total	**14,836,090**	**18,506,689**	**3,670,599**
Contingency	26,000	0	(26,000)
Council Tax Support Grant Paid to Parishes	58,217	58,184	(33)
Savings Target	(424,781)	0	424,781
Interest and Investment Income	(180,000)	(109,188)	70,812
Reversal of Depreciation Charges and IFRS accounting entries	(756,500)	(6,302,542)	(5,546,042)
Use of Reserves	(1,186,140)	53,756	1,239,896
Total Budget	12,372,886	12,206,899	(165,987)
Financed By:		0	
New Homes Bonus	(770,000)	(787,701)	(17,701)
Special Expenses	(701,231)	(701,231)	0
Government Grants	(3,119,351)	(3,073,152)	46,199
Business Rate Retention	(2,075,220)	(2,060,844)	14,376
Council Tax Freeze Grant	(62,000)	(73,370)	(11,370)
Parish Precepts	1,160,483	1,160,483	0
Raised from Council Tax	(6,805,567)	(6,805,567)	0
Collection Fund - CT Surplus		(45,851)	(45,851)
Total Financed By	(12,372,886)	(12,387,233)	(14,347)
Surplus for the Year	**0**	**(180,334)**	**(180,334)**

Collection Fund

The Collection Fund is operated by Rother District Council (RDC) on behalf of East Sussex County Council (ESCC), RDC, Sussex Police Authority, East Sussex Fire and Rescue Service and all of the Town and Parish Councils within the RDC area. The Fund receives its income from two sources, local taxpayers and business rate payers and meets the demands of the precepting authorities and the Government.

Council Tax

The Council is required, when setting the local tax level, to levy a charge sufficient to recover any anticipated deficit brought forward on the fund at the start of the year and conversely to make any adjustments on any brought forward surpluses. The Collection Fund was in surplus by £560,000 as at 31 March 2014, Rother's share of which is £75,000. This will form part of the future adjustments to Council Tax bills with ESCC receiving the largest part of the surplus.

The provision for bad debt methodology remains as in previous years without modification. It is felt at this time it remains robust enough to deal with the current economic climate and the final collection rate of 98.54% is marginally higher than the target rate of 98.5%.

Business Rates

This is the first year of the new Business Rate Retention Scheme where the Council now has a direct relationship and financial risk associated with the collection of business rates. Previously business rates were collected by the Council on behalf of the Government who then pooled them and returned a proportion as part of the annual grant settlement. Under the new scheme the Council retains notionally 40% of the £16m tax collected but this is reduced significantly by a tariff in line with the baseline calculation made by the Government. The net position is that the Council retains approximately £2m of the total receipts.

In 2013/14 the Council made a £1m provision for the outcome of rating appeals currently outstanding. This was the primary reason for the Business Rate Collection Fund to be in deficit by £869,000 of which Rother's share will be £348,000. As with Council Tax this will be adjusted through the 2015/16 budget although a deficit had been expected when setting the 2014/15 budget.

Capital

The Council has actively managed its capital spending and resources and achieved a spend of £3.5m against a final programme of £4.48m. This represents 73% of the programme. The main variations are detailed below.

Next Wave - £89,000 underspend

The Next Wave project was substantially completed during 2012/13. There have been a number of remaining issues and the final accounts are yet to be agreed. The underspend of £89,000 is in line with the current retention held on the main contract.

Egerton Park EPIC - £65,000 underspend

This project was substantially completed during 2012-13 with the successful launch of the playground and opening of the new kiosk in August 2012. The enhancement and extension of the sensory garden was completed during 2013-14 and overall the project was £65,000 under budget.

Land Swap- former Bexhill High School site - £865,000 underspend

Prior to the Balance Sheet date, the Council had been due to complete a land swap with East Sussex County Council for the former Bexhill High School site with various locations owned by the Council that were required for the new Bexhill to Hastings link road. These sites were subject to a compulsory purchase order and as such have been impaired in the accounts as the authority no longer has control or access to them. The formal exchange is expected to take place during 2014/15.

Joint waste contract purchase of new containers - £220,000 overspend

During the financial year the Council procured new containers for the joint waste contract and subsequently recharged partner authorities for their share of the costs. It was uncertain as to the final amount of containers required and the budget has been based on the original assumptions contained in the joint waste contract. Subsequently additional containers were required and this resulted in additional expenditure.

Future Capital Programme

At the end of March 2014 the Council had £3.262m of capital resources remaining made up £2.3m capital receipts and £0.9m of capital grants. The revised programme fully commits the Councils capital receipts and therefore future capital investment will be reliant on external financing through a combination of grants and borrowing. The Council is currently reviewing its seven year Corporate Plan with a view to finalising it by Autumn 2014. This identifies a number of projects that will require capital resources to achieve implementation.

The Council has previously agreed the reduction in capital spend on housing in future years. It has been policy to ringfence the capital receipt from the Large Scale Voluntary Transfer (LSVT) of the Council's housing stock in 1998 for housing related schemes. Consequently these funds have supported the Council's contribution to Disabled Facility Grants for a number of years. The LSVT receipt is sufficient to continue making a small contribution of £20,000 per annum to disabled facility grants.

Pensions

Accounting regulations require Councils to show any deficit or surplus on the Pension Fund within the balance sheet. The Council's share of the Pension Fund administered by East Sussex County Council was assessed at 31 March 2014 by the actuary as a deficit of £26.3m, as compared with a deficit of £20.79m at 31 March 2013. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire.

Borrowing

The Council did not enter into any borrowing during 2013/14. All the Council's PWLB debt was repaid in April 2002.

Land and Property values

The Council carried out a market and impairment revaluation of its land and property holdings as at the 31 March 2014. The revaluation was undertaken by the District Valuation Service and the Council's land property assets were valued at £36.5m. This represents a reduction of £2.5m since 31 March 2013. These movements are explained in more detail in notes 8 and 10.

FOREWORD BY THE CHIEF FINANCIAL OFFICER

Outlook for 2014/15

The Council has developed its Medium Term Financial Strategy (MTFS) to align with the Corporate Plan. Reserves will continue to be used to meet the effects of the financial climate on investment returns and to meet the cost of one off projects, especially for “invest to save” projects. For 2014/15 the Council froze its Council Tax opting to take the Council Tax freeze grant from the Government. The Council is now in the fourth year of its service resetting programme which is required to deliver further savings of £2m to £3m over the next three years. To date savings in excess of £3m have been achieved, but the 2014/15 and 2015/16 draft Government grant settlements add further pressure to make financial savings. The Council had set aside specific reserves to deal with the loss of investment income, but these are now largely depleted and it has been necessary to release previously earmarked reserves to support the revenue budget.

The current recession has also impacted on a number of services, predominantly through increased homelessness applications, benefit take up and the stagnation of the housing market although there are indications that activity is on an upward trend with additional planning income being achieved in 2013/14. The ability to increase Council Tax beyond 0% to 2% for the foreseeable future is doubtful due to the Government’s continued commitment on freeze the Council Tax. This increases pressure on the Council to identify further efficiency and cash savings to meet future service needs. The Corporate Plan will be reviewed by Members in conjunction with our Strategic Partners during 2014 and will necessitate a further review of the Medium Term Financial Strategy.

Conclusion

The production of the Statement of Accounts takes a great deal of effort and this year the Council has worked hard to complete their production ahead of the 30 June deadline. I would therefore like to take this opportunity to recognise the hard work and dedication of my finance team and also to thank colleagues in the rest of the Council for their support and assistance in ensuring the accounts were prepared on time.

The coming year will no doubt present substantial challenges to both the Council and its residents but the changes being made to the way the Council operates will ensure residents need is placed at the forefront of the Council’s decision making to ensure Rother remains a great place to live, work and study.

Presentation of Accounts

In preparing the accounts for 2013/14, the Council has followed the Local Government Accounting Code of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code establishes a framework of best practice that the preparers of local authority accounts are expected to follow.

STATEMENT OF RESPONSIBILITIES

The following statements are made in accordance with recommended practice:

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 Finance and Welfare.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- 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 30 to 62 give a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

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Robin Vennard
Service Manager Finance and Welfare
30 June 2014

Approval of Accounts

The accounts were presented to the Audit Committee on the 24 September 2014 and were authorised by the Chairman of the Committee Councillor Martin Mooney.

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Councillor Martin Mooney
Chairman of Audit Committee
24th September 2014

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. 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 Authority 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 Authority.

- Revenue from the provision of services is recognised when the Authority 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 Authority.

- 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 and payable on borrowings is accounted for respectively as income and expenditure 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. 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. 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 Authority's financial performance.

5. 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 Authority'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.

There have been the following prior period adjustments in the year:

- IAS19 Change to Accounting Standard – Employee Benefits
- External Fund Manager – Cash transactions
- Reclassification of £5.7m of investment properties to surplus assets. This followed the identification of an error in the accounting treatment of these assets. These are shown in note 8 and note 10 to the statement.

6. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. 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 Authority. 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 holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 Authority 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 Authority 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 Authority'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 Authority.

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

- The liabilities of the East Sussex pension fund attributable to the Authority 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 Authority 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 seven components:

  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
  - past service cost -the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years -debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of Non Distributed Costs.
  - net interest on the defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking account of any changes in the net defined benefit liability (asset) 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 (asset), 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.

And:

- 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 Authority 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 Authority 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.

8. 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.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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. Annual charges to the Financing and Investment Income and Expenditure line in the CI&ES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CI&ES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CI&ES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CI&ES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CI&ES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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 Authority 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 Authority 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.

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.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority 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 Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices - independent appraisal of company valuations.

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. The exception is where impairment losses have been incurred -these are 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.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CI&ES. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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).

Assets held at fair value through profit or loss

Assets held at fair value through profit and loss refer to the funds managed by the Council's external fund manager. Instruments that have been invested in will be:

- Recognised and carried at its fair value
- Movements in fair value recorded in the Balance Sheet and any gains or losses taken to the CI&ES.
- Any residual gains or losses arising at the settlement date will be taken to the CI&ES

10. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March.

11. Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital

Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Heritage Assets

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment (e.g. where there is damage, physical deterioration or doubt of authenticity). The impairment is recognised and measured in accordance with the Authority's other impairment policies. Any Heritage Assets that are disposed of are accounted for in line with policies for disposal of Property, Plant and Equipment.
The Authority has carried out a Heritage Asset review and identified two assets in its ownership that meets the criteria for being treated as such. These assets are the Landgate Arch and Water Cistern, both located in Rye, East Sussex. The Landgate Arch is a gateway built in 1329 as part of the Town's fortifications and the Water Cistern was erected in 1735 to provide water to the Town and is no longer in use.

13. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the web site is solely or primarily intended to promote or advertise the Authority's goods or services.

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

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

14. Inventories and Long Term Contracts

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

15. Investment Property

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

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

16. 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.

17. The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CI&ES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, where necessary a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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 **Authority** as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property -applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the CI&ES).

The gain credited to the CI&ES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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 Other Operating Expenditure line in the CI&ES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

19. 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 Authority 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 Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). 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 Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value -EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

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.

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

From April 2010, where the Council has formally revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property. The Council's previous Audit Committee has adopted the following components:

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale at the Balance Sheet date. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CI&ES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The Council previously paid to the Government 75% of the principal portion of mortgage repayments relating to former Council residential dwellings sold under the Right to Buy scheme. There are no Right to Buy mortgages outstanding as at the balance sheet date.

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.

20. Private Finance Initiative (PFI) and Similar Contracts

The Council does not have any PFI or similar contracts operational during 2013/14.

21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority 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 Authority 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 authority 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 authority settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has considered the implications arising from unequal back pay claims and considers that due to current and past practices, no such claims are foreseeable.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.

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.

22. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority -these reserves are explained in the relevant policies.

It is the Council's policy to aim to maintain the General Fund Reserve at £1m.

23. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CI&ES in the year. Where the Authority 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.

24. 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.

25. Accounting Policies issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2013/14 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- **IFRS 13 Fair Value Measurement** – this standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. It is considered that the principle impact of this standard will be applying the fair value hierarchy to land and property assets where valuation based on current use may be lower than the maximum value of the property.

- **IFRS 10 consolidated financial statements -** this standard introduces a new definition of control which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not have relationships with any entities that would give rise to the need for consolidation.

- **IFRS 11 Joint Arrangements –** this standard addresses the accounting for joint arrangements. The Council does not consider it has any joint arrangements affected by this reporting standard.

- **IFRS 12 Disclosures of involvement with other entities –** this is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The Council does not consider it has any relationships with any entities that would give rise to the need for disclosure.
- **IAS 27 Separate financial statements and IAS 28 Investments in associates and joint ventures –** these statements have been amended to conform with the changes to IFRS10, IFRS11, and IFRS 12. As indicated above these changes do not have an effect on the Council and therefore there is no impact as a result of changes in IAS27 and IAS28.

- **IAS 32 Financial Instruments Presentation –** The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

26. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above the Authority has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in this Statement of Accounts relate to the uncertainty over future funding levels of local government. The Authority has decided that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

27. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £16,611 for every year that useful lives had to be reduced.
Provisions	The Authority made a provision of £35,890 in 2012-13 in respect of the liabilities of the former Municipal Mutual Insurance Ltd. It is not certain that this will be the full extent of the liability on the Council as this is dependent on future settlements of current claims and a potential for further claims to be made.	The gross liability based on the MMI members agreement, is approximately £290,000. However if claims exceed the available funds, then further recoveries of monies from Members may be required.

Term	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £8.092m. A 1 year increase in member life expectancy would result in an increase in the pension liability of £2.628m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £2.528m. A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £5.434m.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors for £2.64m. A review of significant balances suggested that an impairment of doubtful debts of (£966,000) was appropriate. However, if the economic Conditions worsen this level of impairment may not be sufficient.	If Collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £966,000 to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

The Government have already make commitments to further reducing the size of public expenditure which suggests that further substantial savings in Council spending are likely to be required. The ability to increase Council Tax beyond 0% to 2% for the foreseeable future is doubtful due to the Government's continued commitment on Council Tax increases. This increases pressure on the Council to identify further efficiency and cash savings to meet future service needs. The Corporate Plan will be reviewed by Members in conjunction with our Strategic Partners during 2014 and will necessitate a further review of the Medium Term

Financial Strategy. The Council is now in the fourth year of its service resetting programme which is required to deliver further savings of up to £3m over the next three years. To date savings approaching £3m have been achieved. The Council had set aside specific reserves to deal with the loss of investment income, but these are now exhausted. This has increased the pressure to deliver savings in the short term to ensure a balanced budget is set.

28. Material Items of Income and Expenditure

Disclosure of individual items is set at £500,000. There are no material items of income and expenditure that are not disclosed elsewhere within the Statement of Accounts.

29. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance Restated £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves** Restated **£'000**	**Unusable Reserves -** ***Note 20*** Restated **£'000**	**Total Authority Reserves** Restated **£'000**
Balance at 31 March 2012	**1,000**	**8,568**	**3,087**	**1,433**	**14,088**	**18,239**	**32,327**
Movement in reserves during 2012/2013							
Surplus or (deficit) on the provision of services	(3,061)				**(3,061)**		**(3,061)**
Other Comprehensive Income and Expenditure	0				**0**	**1,097**	**1,097**
Total Comprehensive Income and Expenditure	**(3,061)**	**0**	**0**	**0**	**(3,061)**	**1,097**	**(1,964)**
Adjustments between accounting basis and funding basis under regulations - *Note 3*	3,024		(725)	17	**2,316**	**(2,316)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(37)**	**0**	**(725)**	**17**	**(745)**	**(1,219)**	**(1,964)**
Transfers to/from Earmarked Reserves - *Note 4*	37	(37)			**0**		**0**
Increase/Decrease in 2012/2013	**0**	**(37)**	**(725)**	**17**	**(745)**	**(1,219)**	**(1,964)**
Balance at 31 March 2013 carried forward	**1,000**	**8,531**	**2,362**	**1,450**	**13,343**	**17,020**	**30,363**
Movement in reserves during 2013/2014							
Surplus or (deficit) on the provision of services	(5,120)				**(5,120)**		**(5,120)**
Other Comprehensive Income and Expenditure	0				**0**	**(3,928)**	**(3,928)**
Total Comprehensive Income and Expenditure	**(5,120)**	**0**	**0**	**0**	**(5,120)**	**(3,928)**	**(9,048)**
Adjustments between accounting basis and funding basis under regulations - *Note 3*	4,823		(11)	(539)	**4,273**	**(4,273)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(297)**	**0**	**(11)**	**(539)**	**(847)**	**(8,201)**	**(9,048)**
Transfers to/from Earmarked Reserves - *Note 4*	297	(297)			**0**		**0**
Increase/Decrease in 2013/2014	**0**	**(297)**	**(11)**	**(539)**	**(847)**	**(8,201)**	**(9,048)**
Balance at 31 March 2014 carried forward	**1,000**	**8,234**	**2,351**	**911**	**12,496**	**8,819**	**21,315**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2012-2013 GROSS EXPEND. Restated £'000	2012-2013 GROSS INCOME Restated £'000	2012-2013 NET EXPEND. Restated £'000	SERVICES	2013-2014 GROSS EXPEND. £'000	2013-2014 GROSS INCOME £'000	2013-2014 NET EXPEND. £'000
10,372	(9,719)	653	Central Services to the Public	**2,739**	**(1,565)**	**1,174**
3,288	(843)	2,445	Cultural & Related Services	**5,483**	**(266)**	**5,217**
6,569	(1,718)	4,851	Environmental Services	**8,487**	**(1,334)**	**7,153**
3,320	(1,554)	1,766	Planning & Development Services	**3,216**	**(1,340)**	**1,876**
627	(1,438)	(811)	Highways & Transport Services	**539**	**(1,305)**	**(766)**
32,222	(30,497)	1,725	Housing Services	**32,416**	**(30,454)**	**1,962**
6,579	(41)	6,538	Corporate & Democratic Core	**2,443**	**(13)**	**2,430**
57	0	57	Non-Distributed Costs	**198**	**0**	**198**
63,034	(45,810)	17,224	**Cost of Services**	**55,521**	**(36,277)**	**19,244**
1,179	(130)	1,049	Other Operating Income & Expenditure - *Note 5*	**1,336**	**(282)**	**1,054**
4,235	(5,120)	(885)	Financing & Investment Income & Expenditure - *Note 6*	**3,969**	**(3,233)**	**736**
0	(14,327)	(14,327)	Taxation & Non-Specific Grant Income - *Note 7*	**4,737**	**(20,651)**	**(15,914)**
68,448	(65,387)	3,061	**(Surplus) or Deficit on Provision of Services**	**65,563**	**(60,443)**	**5,120**
1,945	(5,374)	(3,429)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets - *Note 20*	**0**	**(780)**	**(780)**
0	0	0	Impairment losses on non-current assets charged to the revaluation reserve	**39**	**0**	**39**
7,560	(5,228)	2,332	Remeasurements of the net defined benefit liability (asset) - *Note 33*	**5,487**	**(818)**	**4,669**
9,505	(10,602)	(1,097)	**Other Comprehensive Income & Expenditure**	**5,526**	**(1,598)**	**3,928**
77,953	(75,989)	1,964	**Total Comprehensive Income & Expenditure**	**71,089**	**(62,041)**	**9,048**

BALANCE SHEET

1 April 2012 Restated £'000	31 March 2013 Restated £'000		31 March 2014 £'000	31 March 2014 £'000
		LONG-TERM ASSETS		
24,815	30,024	Property, plant and equipment - *Note 8*	27,839	
0	0	Heritage assets - *Note 9*	0	
12,781	8,891	Investment property - *Note 10*	8,629	
261	111	Intangible assets - *Note 11*	82	
0	0	Long-term investments- *Note 12*	1,079	
179	133	Long-term debtors - *Note 12*	97	
38,036	39,159	**Total Long-Term Assets**		**37,726**
		CURRENT ASSETS		
9,160	4,606	Short-term investments - *Note 13*	1,000	
16	14	Inventories - *Note 14*	14	
2,706	3,510	Short-term debtors - *Notes 12,13 & 15*	4,702	
4,080	7,959	Cash and cash equivalents - *Note 16*	9,561	
15,962	16,089	**Total Current Assets**		**15,277**
53,998	55,248	**Total Assets**		**53,003**
		CURRENT LIABILITIES		
(3,133)	(2,941)	Short-term creditors - *Notes 12 & 17*	(3,995)	
0	(36)	Provisions - *Note 18*	(411)	
(357)	(159)	Finance leases - *Note 29*	0	
(3,490)	(3,136)	**Total Current Liabilities**		**(4,406)**
50,508	52,112	**Total Assets Less Current Liabilities**		**48,597**
		LONG-TERM LIABILITIES		
(18,022)	(20,790)	Defined pension scheme liability - *Note 33*	(26,322)	
(159)	0	Finance leases - *Note 29*	0	
0	(959)	Capital grants receipts in advance - *Note 30*	(960)	
(18,181)	(21,749)	**Total Long-Term Liabilities**		**(27,282)**
32,327	30,363	**Net Assets**		**21,315**
		FINANCED BY:		
		Usable Reserves		
1,000	1,000	General fund balance	1,000	
8,568	8,531	Earmarked reserves - *Note 4*	8,234	
3,087	2,362	Capital receipts reserve	2,351	
1,433	1,450	Capital grants unapplied account	911	
		Unusable Reserves - *Note 20*		
1,579	4,959	Revaluation reserve	5,585	
34,682	32,853	Capital adjustment account	29,910	
116	97	Deferred capital receipts reserve	80	
(18,022)	(20,790)	Pension reserve - *Note 33*	(26,322)	
29	59	Collection fund adjustment account	(273)	
(145)	(158)	Accumulated absences adjustment account	(161)	
32,327	30,363	**Total Equity**		**21,315**

Signed: Dated:

Service Manager - Finance and Welfare

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2012-2013 £'000 Restated		**2013-2014 £'000**
	OPERATING ACTIVITIES	
(7,344)	Taxation	**(10,324)**
(31,225)	Grants (Including DWP Subsidy)	**(39,216)**
(7,644)	Sales of goods and rendering of services	**(14,860)**
(110)	Interest received	**(175)**
(1,303)	Other receipts from operating activities	**(821)**
(47,626)	**Cash inflows generated from operating activities**	**(65,396)**
7,572	Cash paid to and on behalf of employees	**8,192**
30,356	Housing Benefit paid out	**30,356**
0	Ndr Tariff payment	**4,389**
1,061	Precepts paid	**1,219**
1	Payments to the Capital Receipts Pool	**0**
11,761	Cash paid to suppliers for goods and services	**17,228**
2,311	Other payments for operating activities	**2,444**
53,062	**Cash outflows generated from operating activities**	**63,828**
5,436	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	**(1,568)**
	INVESTING ACTIVITIES	
731	Purchase of property, plant and equipment, investment property and intangible assets	**2,121**
23,562	Purchase of short-term and long-term investments	**17,808**
802	Other payments for investing activities	**1,460**
(106)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(19)**
(28,187)	Proceeds from short-term and long-term investments	**(20,318)**
(46)	Other receipts from investing activities	**(281)**
(3,244)	**NET CASH FLOWS FROM INVESTING ACTIVITIES**	**771**
	FINANCING ACTIVITIES	
(6,428)	Other receipts from financing activities	**(964)**
357	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	**159**
(6,071)	**NET CASH FLOWS FROM FINANCING ACTIVITIES**	**(805)**
(3,879)	**NET (INCREASE) OR DECREASE IN CASH AND CASH EQUIVALENTS**	**(1,602)**
4,080	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD**	**7,959**
7,959	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD -** ***Note 16***	**9,561**

CASH FLOW STATEMENT

Details of the cash balances are shown below:

	01/04/2012 £'000	2012/13 £'000	31/03/2013 £'000	2013/14 £'000	31/03/2014 £'000
Cash held by the authority	3	0	3	0	3
Current bank accounts	(1,006)	1,110	104	(380)	(276)
Short term deposits	4,792	(1,855)	2,937	6,897	9,834
Fund Manager - Investec	291	4,624	4,915	(4,915)	0
	4,080	**3,879**	**7,959**	**1,602**	**9,561**

NOTE 1. MATERIAL ITEMS OF INCOME AND EXPENSE

Council Tax Benefit
From 1st April 2013, the Government abolished council tax benefit and replaced it with a locally determined discount scheme for those on low incomes. Consequently, the Consolidated Income and Expenditure Statement, Central Services to the Public, no longer contains £8.103m expenditure and £8.227m income previously received in subsidy. (See the Collection Fund Statement).

Joint Waste Contract
The Council acts as the lead authority for the joint waste contract with Kier Services which commenced on 1 April 2013. The contract covers waste collection services, recycling and street & beach cleaning. The total annual value of the ten year contract is approximately £12m for all partners; Rother District Council, Eastbourne Borough Council, Hastings Borough Council and Wealden District Council. The new service for Eastbourne and Wealden Councils commenced from April 2013 with Hastings starting in July 2013. Rother will commence on the new contract from April 2014.

Rother will be responsible for paying the main contractor, Waste Central Client Unit costs and receiving the relevant contributions from partner authorities to cover their share. The terms of sharing have been agreed via a cost sharing agreement.

During 2013-2014, Rother incurred costs of £2.024m purchasing new refuse containers on behalf of the partner authorities for the joint waste contract. As these costs do not directly relate to assets held by the Council these have been treated as revenue expenditure funded from capital under statute and therefore charged to the cost of services and the associated contribution from partners of £1.526m is shown under taxation and non specific grant contributions.

NOTE 2. EVENTS AFTER THE BALANCE SHEET DATE

Bexhill to Hastings Link Road - Land Swap

Note 32 - Impairment Losses, discloses the financial effect of the compulsory purchase by East Sussex County Council of a number of sites owned by Rother District Council which were required for the Bexhill to Hastings link road. As the Council is no longer the beneficial occupier of these sites their value has been impaired to zero and disclosed in notes 8 and 10. Whilst these sites are now occupied by East Sussex County Council the formal transfer of title had not to 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 £865,000.

NOTE 3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves 2013-2014			**2013-2014**
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	926			**(926)**
Revaluation losses on Property, Plant and Equipment	2,249			**(2,249)**
Movements in the fair value of Investment Properties	334			**(334)**
Amortisation of Intangible Assets	29			**(29)**
Revenue expenditure funded from capital under statute	3,223			**(3,223)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(159)			**159**
Capital Expenditure charged against the General Fund	(588)			**588**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(2,106)		2,106	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			(2,645)	**2,645**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(283)	283		**0**
Use of the Capital Receipts Reserve to finance new Capital Expenditure		(312)		**312**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		18		**(18)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 33)	2,596			**(2,596)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,733)			**1,733**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	332			**(332)**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			**(3)**
Total Adjustments	**4,823**	**(11)**	**(539)**	**(4,273)**

	Usable Reserves 2012-2013 General Fund Balance Restated £'000	Capital Receipts Reserve Restated £'000	Capital Grants Unapplied Restated £'000	**2012-2013 Movement in Unusable Reserves** Restated **£'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	973			**(973)**
Revaluation losses on Property, Plant and Equipment	3,046			**(3,046)**
Movements in the fair value of Investment Properties	(1,192)			**1,192**
Amortisation of Intangible Assets	175			**(175)**
Revenue expenditure funded from capital under statute	848			**(848)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(357)			**357**
Capital expenditure charged against the General Fund	(30)			**30**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(729)		729	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			(712)	**712**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(130)	130		**0**
Use of the Capital Receipts Reserve to finance new Capital Expenditure		(873)		**873**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	1	(1)		**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		19		**(19)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 33)	1,993			**(1,993)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,557)			**1,557**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(30)			**30**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13			**(13)**
Total Adjustments	**3,024**	**(725)**	**17**	**(2,316)**

NOTE 4. TRANSFERS TO/FROM 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 during the year.

Reserve	Balance at 1 April 2012 £'000	Transfers Out 2012-2013 £'000	Transfers In 2012-2013 £'000	Balance at 31 March 2013 £'000	Transfers Out 2013-2014 £'000	Transfers In 2013-2014 £'000	**Balance at 31 March 2014 £'000**
Interest Equalisation	922			922			**922**
Repair and Renewals	1,123	3	13	1,133	4	62	**1,191**
Corporate Plan Projects	832	42	5	795	240	24	**579**
Invest to Save	352	48		304	15		**289**
Affordable Housing	920			920			**920**
Corporate Development	929	164	54	819	11	108	**916**
Planning Improvement and LDF	462	68		394	34		**360**
Waste & Recycling	339	25		314	314		**0**
BCCI Refund	66	66	37	37			**37**
Housing Benefit Subsidy	55			55			**55**
Homelessness	197	155	46	88	31	83	**140**
New Homes Bonus Scheme	385		282	667	10		**657**
Economic Development Reserve	30			30			**30**
Risk Management Reserve	147			147			**147**
Medium Term Financial Strategy Reserve	1,809	66	163	1,906	103	188	**1,991**
	8,568	637	600	8,531	762	465	**8,234**

The Earmarked Reserves are used for the roll forward of specified amounts between financial years, for the replacement of equipment, repairs and maintenance and other specific purposes. As part of the Council's service resetting programme a number of reserves have been released to meet one-off costs in securing on-going savings.

The Medium-Term Financial Strategy Reserve primarily relates to the meeting of one-off investments and managing transitional periods before savings are achieved as laid out in the Medium-Term Financial Strategy.

Self Insurance Arrangements
The Risk Management Reserve exists to meet any costs arising from any risks that are self-insured, i.e. below the excess limits that apply on the Council's various insurance policies. The Council is insured against all material risks. The fund is also utilised for expenditure on reducing the risks that the Council is exposed to.

The Council has incurred the following costs in 2013-2014:

(i) £3,136 costs of settling claims below excess in respect of employers liability claim and personal injury claim
(ii) £189,192 Premiums payable to external insurers excluding insurance broker fees

NOTE 5. OTHER OPERATING EXPENDITURE

2012-2013 £'000		**2013-2014 £'000**
1,061	Parish council precepts	**1,219**
117	Levies	**117**
1	Payments to the Government Housing Capital Receipts Pool	**0**
(130)	(Gains)/losses on the disposal of non-current assets	**(282)**
1,049	Total	**1,054**

NOTE 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012-2013 Restated £'000		**2013-2014 Income £'000**	**2013-2014 Expenditure £'000**	**2013-2014 Total £'000**
12	Interest payable and similar charges		**2**	**2**
855	Net interest on the net defined benefit liability (asset)	**(2,620)**	**3,553**	**933**
(238)	Interest receivable and similar income	**(109)**		**(109)**
(1,514)	Income and expenditure in relation to Investment Properties and changes in their fair value	**(504)**	**414**	**(90)**
(885)	Total	**(3,233)**	**3,969**	**736**

NOTE 7. TAXATION AND NON SPECIFIC GRANT INCOMES

2012-2013 £'000		**2013-2014 Income £'000**	**2013-2014 Expenditure £'000**	**2013-2014 Total £'000**
(8,283)	Council tax income	**(7,569)**		**(7,569)**
(4,244)	Non domestic rates income and expenditure	**(6,450)**	**4,737**	**(1,713)**
(1,070)	Non ring-fenced government grants	**(4,526)**		**(4,526)**
(730)	Capital grants and contributions	**(2,106)**		**(2,106)**
(14,327)	Total	**(20,651)**	**4,737**	**(15,914)**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT
Movements in 2013-2014:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1st April 2013	14,124	3,146	9,132	0	1,712	5,992	**34,106**
Additions	228			6		87	**321**
Revaluation increases/(decreases) recognised in the Revaluation Reserve					780		**780**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services				(6)	(75)	(2,168)	**(2,249)**
Reclassification	(72)	290				(290)	**(72)**
At 31st March 2014	**14,280**	**3,436**	**9,132**	**0**	**2,417**	**3,621**	32,886
Accumulated Depreciation and Impairment							
At 1st April 2013	349	2,627	1,106	0	0	0	**4,082**
Depreciation charge	350	233	183				**766**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(5)	(2,314)					**(2,319)**
Depreciation written out to the Capital Adjustment Account	(1)						**(1)**
Impairment losses (reversals) recognised in the Revaluation Reserve	39						**39**
Impairment losses (reversals) recognised in the Surplus/Deficit on the Provision of Services	161	2,319					**2,480**
At 31st March 2014	**893**	**2,865**	**1,289**	**0**	**0**	**0**	**5,047**
Net Book Value							
At 31st March 2014	**13,387**	**571**	**7,843**	**0**	**2,417**	**3,621**	**27,839**
At 31st March 2013	**13,775**	**519**	**8,026**	**0**	**1,712**	**5,992**	**30,024**

Comparative Movements in 2012-2013

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1st April 2012	10,805	3,334	9,132	0	0	5,943	**29,214**
Adjustment of opening balance					5,731		**5,731**
Revised balance at 1st April 2012	10,805	3,334	9,132	0	5,731	5,943	**34,945**
Additions		16		7		694	**717**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,293				50		**2,343**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,047			(7)	(4,086)		**(3,046)**
Derecognition - Other		(204)					**(204)**
Reclassification	(21)				17	(645)	**(649)**
At 31st March 2013	**14,124**	**3,146**	**9,132**	**0**	**1,712**	**5,992**	34,106
Accumulated Depreciation and Impairment							
At 1st April 2012	1,086	2,390	923	0	0	0	**4,399**
Depreciation charge	349	441	183				**973**
Depreciation written out to the Revaluation Reserve	(1,086)						**(1,086)**
Depreciation written out to the Capital Adjustment Account		(204)					**(204)**
At 31st March 2013	**349**	**2,627**	**1,106**	**0**	**0**	**0**	**4,082**

Assets are revalued on a 5-year programme and the last major review was carried out during October 2012 by DVS, the property services arm of the Valuation Office Agency. The useful economic life of operational land and buildings was also assessed. There are no material variances between fair value and the carrying amount at the. balance sheet date.

Operational assets (Land & Buildings) are valued on a Fair Value basis using Existing Use Value (EUV) except where there is no market based evidence to support the EUV to arrive at Fair Value and in these cases Depreciated Replacement Cost (DRC) has been used. Vehicles, Plant, Furniture and Equipment, Infrastructure Assets and Assets under Construction are valued at an historic cost basis. Community Assets are valued as de minimis, i.e. their value is below £10,000. Non-Operational Assets (Investment Properties) are valued on a Market Value (MV) basis.

Depreciation on all tangible assets is calculated on a straight-line basis over the expected remaining life of those assets.

Amortisation of intangible assets is generally calculated over a seven year life.

Capital Commitments
The Council had three major contracts yet to be completed. Details of the outstanding contract value and retentions based on the last independent valuations before year end are shown below:

		Contract Value £'000	Payments to Date £'000	Remaining Commitment £'000
Cheesmur Building Contractors	E.P.I.C Project	203	198	5
Armour Ltd	Town Hall Roof	203	198	5
Neilcott Construction	Next Wave Project	3,528	3,440	88
	Total	3,934	3,836	98

NOTE 9. HERITAGE ASSETS

The Council has carried out a Heritage Asset review and identified two assets in its ownership that meets the criteria for being treated as such. These assets are the Landgate Arch and Water Cistern, both located in Rye, East Sussex. The Landgate Arch is a gateway built in 1329 as part of the Town's fortifications and the Water Cistern was erected in 1735 to provide water to the Town and is no longer in use.

The District Valuer has valued both assets at below £10,000 and therefore they are treated as de-minimis.

NOTE 10. 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:

2012-2013 £'000		**2013-2014 £'000**
(396)	Rental Income from Investment Property	(504)
35	Direct operating expenses arising from investment property	51
(361)	Net gain/loss	(453)

Balance Sheet movements in Investment Properties during the year:

2012-2013 £'000		**2013-2014 £'000**
12,781	Balance at start of year	8,891
(5,731)	Adjustment	0
7,050	Revised opening balance	8,891
	Additions:	
0	Impairments	(80)
1,192	Net gains/(losses) from fair value adjustments	(254)
649	Assets reclassified (to)/from Investment Properties	72
8,891	Balance at end of year	**8,629**

NOTE 11. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £29,074 charged to revenue in 2013-2014 was charged to Waste Collection and Information Technology. Part of this amount was then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2012-2013 £'000		**2013-2014 £'000**
	Balance at start of year	
1,257	Gross Book Value at 1st April	1,270
(996)	Accumulated amortisation	(1,159)
261	Net carrying amount at start of year	111
25	Additions - Purchases	0
(175)	Amortisation for the period	(29)
12	Amortisation written out	0
(12)	Disposals	0
111	Net carrying amount at end of year	**82**
	Comprising	
1,270	Gross carrying amounts	1,270
(1,159)	Accumulated amortisation	(1,188)
111		**82**

NOTE 12. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-Term 31 March 2014 £'000	Long-Term 31 March 2013 £'000	Current 31 March 2014 £'000	Current 31 March 2013 £'000
Investments				
Loans and receivables	97	133	10,834	4,937
Available-for-sale financial assets #	1,079			
Financial Assets at fair value through profit & loss #				7,521
Total Investments	**1,176**	**133**	**10,834**	**12,458**
Debtors (loans and receivables) - Financial assets carried at contract amounts ##			**4,608**	2,686 ###
Borrowings - Financial liabilities at amortised cost			**0**	159
Creditors - Financial liabilities carried at contract cost			**2,450**	1,070 ###
Cash and Cash Equivalents - Bank and Current Accounts			**(3,452)**	(67)
- Cash In Transit			**3,176**	171

Soft Loans

The Council does not consider any of the loans it has made to organisations to be classed as soft loans.

 # Available for sale financial assets

This represents a government gilt with a market value of £1,079k. This gilt is due to mature on 22nd July 2018.

The Council has included Housing Benefit Overpayments as a contracted amount as these represent amounts covered by repayment schemes as agreed with the relevant claimant, 2013-2014 £1.536m (£1.385m 2012-2013).

The prior year disclosures for debtors (£3,170k) and creditors (£2,505k) have been restated to reflect the requirements of the accounting standards.

Income Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2013-2014 Financial Liabilities measured at amortised cost £'000	2013-2014 Financial Asset: loans and receivables £'000	2013-2014 Assets and Liabilities at fair value through Profit and Loss £'000	2013-2014 Total £'000	2012-2013 Financial Liabilities measured at amortised cost £'000	2012-2013 Financial Asset: loans and receivables £'000	2012-2013 Assets and Liabilities at fair value through Profit and Loss £'000	2012-2013 Total £'000
Interest expense	2			**2**	12			**12**
Impairment losses		319		**319**		0		**0**
Total expense in Surplus or Deficit on the provision of services	**2**	**319**	**0**	**321**	**12**	**0**	**0**	**12**
Interest Income		(86)	(6)	**(92)**		(142)	(87)	**(229)**
Total income in the Surplus or Deficit on the provision of services	**0**	**(86)**	**(6)**	**(92)**	**0**	**(142)**	**(87)**	**(229)**
Losses on revaluation			25	**25**			2	**2**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**25**	**25**	**0**	**0**	**2**	**2**
Net gain/loss for the year	**2**	**233**	**19**	**254**	**12**	**(142)**	**(85)**	**(215)**

Fair Value of Assets and Liabilities

Financial liabilities and loans & receivables are carried in the Balance Sheet at ammortised cost. The Council's investments as previously managed through its Fund Manager, are shown at fiar value as the investments are actively traded with the intention of making capital gains as well as interest earnings. In determining the fair value of those items shown at ammortised cost, their fair value can be 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 2014 of 0.46% based on the average investment rate the Council achieved during 2013-2014 or Public Works Loan Board Rate in the case of notional leases (see note below).
(ii) No early repayment has been recognised.
(iii) Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
(iv) The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Liabilities

This includes trade payables, long-term borrowing and bank overdraft. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities. The Balance Sheet also includes values for the notional leases relating to the equipment and vehicles deployed by our major contractors for the waste collection and street/beach cleansing contract. The interest rate applied to these leases is the relevant Public Works Loan Board rate at 31 March and is a reasonable measure of the fair value of the remaining notional liability.

Assets

This includes trade receivables (debtors) and as stated above 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. With regard to bank deposits, these have been independently assessed and the carrying amount is a reasonable proxy for the fair value of the deposits.

NOTE 13. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

(i) credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
(ii) liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
(iii) market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movement. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the annual treasury management strategy which govern the maximum type of investment risk to which the Council can be exposed.

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2013-2014 of past experience:

	Amount at 31 March 2014 £'000	Estimated Maximum exposure to default %	Estimated Maximum exposure to default £'000	Amount at 31 March 2013 £'000	Credit Rating Fitch & Moody As at 28th March 2014	
Deposits with banks and financial institutions Managed by External Fund Managers:					**FITCH**	**MOODY'S**
UK						
HSBC	0	0%	Nil	901	**AA- / F1+**	**Aa3 / P-1**
AUSTRALIA						
National Australia Bank	0	0%	Nil	900	**AA- / F1+**	**Aa2 / P-1**
CANADA						
Bank of Nova Scotia	0	0%	Nil	1,104	**AA- / F1+**	**Aa2 / P-1**
SWEDEN						
Svenska Handelsbanken	0	0%	Nil	700	**AA- / F1+**	**Aa3 / P-1**
GERMANY						
Deutsche Bank	0	0%	Nil	1,101	**A+ / F1+**	**A2 / P-1**
USA (Citibank)						
Cash	0	0%	Nil	28	**A / F1**	**A2 / P-1**
FINLAND						
Nordea Group	0	0%	Nil	1,100	**AA- / F1+**	**Aa3 / P-1**
EUROPEAN COMMUNITY						
European Bank for reconstruction	0	0%	Nil	305		
NETHERLANDS						
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Previously Rabobank)	0	0%	Nil	282	**AA- / F1+**	**Aa2 / P-1**
ING Bank	0	0%	Nil	1,100	**A+ / F1+**	**A2 / P-1**
Total Externally Managed	**0**			**7,521**		
Managed In-house						
Deposits more than 3 months						
UK						
Bank of Scotland	1,000	0%	Nil	2,000	**A / F1**	**A2 / P-1**
Total In-house Investments	**1,000**			**2,000**		
TOTAL INVESTMENTS	**1,000**			**9,521**		
Short-Term Deposits - less than 3 months						
UK						
National Westminster Bank	4,833	0%	Nil	1,435	**A / F1**	**Baa1/ P-2**
Barclays Bank	5,001	0%	Nil	1,502	**A / F1**	**A2 / P-1**
TOTAL SHORT-TERM DEPOSITS	**9,834**			**2,937**		
Mortgages, loans and debtors excluding prepayments and notional leases	5,508	22.49%	1,239	4,025		

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council is relying on sovereign Government guarantees and advice from treasury advisors and fund managers. Currently lending is kept at a duration of less than one year. All major investment decisions are taken with regard to the Council's Treasury Management Policies and advice from Treasury experts.

The Council generally does not allow credit beyond its normal terms of payment of 28 days or in line with statutory requirements for Council Tax and Business Rates. The following table sets out the amounts overdue for the principal debtor categories:

2012-13 £'000		Government Bodies & Council Tax# £'000	Mortgages £'000	Housing Benefit Overpayments £'000	Receivables and Sundry provisions £'000	2013-2014 TOTAL £'000
2,354	Within Due Date	816	1	36	2,857	3,710
920	Payment Plan			793	57	850
16	1st reminder 28 to 42 days			6	15	21
7	2nd Reminder42 to 56 days			9	17	26
631	Legal Recovery			692	129	821
3,928	**Total**	**816**	**1**	**1,536**	**3,075**	**5,428**

Included in this total are Rother's proportion of amounts due from council tax. A full aged debtors analysis for both council tax and Non Domestic Rates is shown in Note 5 of The Collection Fund Statement.

Liquidity Risk

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

Market Risk

Interest Rate 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 0.46%.

Price Risk

The Council held at 31st March 2014 UK Government Gilts valued at £1.079m. A shift of 1% in the market value of the gilt would therefore have resulted in a gain or loss of £10,790.

NOTE 14. INVENTORIES

Small stocks of consumable items are held by a number of service providers.

2012-2013 £'000		2013-2014 £'000
14	Stocks of car park tickets, paper, stationery and postage stamps	**14**

NOTE 15. DEBTORS

2012-2013 £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2013-2014 £'000
796	Government departments/bodies	**344**
460	Other local authorities	**1,971**
2,448	Other debtors	**2,640**
223	Local taxpayers	**472**
1	Mortgage instalments	**1**
(920)	Impairment allowance	**(1,239)**
3,008		**4,189**
	Payments made in advance by the Council:	
4	Local authorities	**2**
498	Other entities and individuals	**511**
502		**513**
3,510		**4,702**

2012-2013 £'000	The impairment allowance (provision for bad debts) is made up as follows:	2013-2014 £'000
106	Council taxpayers	**108**
0	NNDR	**165**
814	Other debtors	**966**
920		**1,239**

NOTE 16 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

2012-2013 31 March £'000		**2013-2014 31 March £'000**
3	Cash held by the Authority	**3**
(67)	Bank current accounts	**(3,452)**
2,937	Short-term deposits with building societies	**9,834**
171	Cash in Transit	**3,176**
4,915	Fund Manager - Investec	**0**
7,959		**9,561**

NOTE 17. CREDITORS

2012-2013 £'000	**AMOUNTS FALLING DUE WITHIN ONE YEAR:**	**2013-2014 £'000**
423	Government departments/bodies	**482**
403	Other local authorities	**281**
0	NHS Bodies	**1**
371	East Sussex Pension Fund	**0**
	Collection Fund surplus:	
161	East Sussex County Council	**140**
19	Sussex Police	**17**
11	East Sussex Fire & Rescue	**10**
10	Local taxpayers	**10**
1,107	Other creditors	**2,467**
2,505		**3,408**
	Payments received in advance by the Council	
51	Local authorities	**0**
4	Government departments/bodies	**0**
381	Other receipts in advance	**587**
436		**587**
2,941		**3,995**

NOTE 18. PROVISIONS

2012-2013 £'000		**2013-2014 £'000**
0	**Balance At 1 April**	**36**
36	Provisions made in year - Municipal Mutual Insurance (see Note 34)	**0**
0	Provisions made in year - Ndr provision for appeals	411
0	Amounts used in year	**(36)**
36	**Balance at 31 March**	**411**

NOTE 19. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 20. UNUSABLE RESERVES

2012-2013 31 March Restated £'000		**2013-2014 31 March £'000**
4,950	Revaluation Reserve	**5,585**
32,862	Capital Adjustment Account	**29,910**
97	Deferred Capital Receipts Reserve	**80**
(20,790)	Pensions Reserve	**(26,322)**
59	Collection Fund Adjustment Account	**(273)**
(158)	Accumulated Absences Account	**(161)**
17,020	**Total Unusable Reserves**	**8,819**

Revaluation Reserve
The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:
(a) revalued downwards or impaired and the gains are lost
(b) used in the provision of services and the gains are consumed through depreciation, or
(c) disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance within the Capital Adjustment Account.

2012-2013 Restated £'000		2013-2014 £'000
1,579	**Balance as at 1 April**	**4,959**
5,374	Upward revaluation of assets	**780**
(1,945)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(39)**
3,429	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**741**
(49)	Difference between fair value depreciation and historical cost depreciation	**(115)**
4,959	**Balance as at 31 March**	**5,585**

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 3 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012-2013 Restated £'000		2013-2014 £'000
34,682	**Balance as at 1 April**	**32,853**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(973)	Charges for depreciation and impairment of non-current assets	**(926)**
(4,190)	Revaluation losses on Property, Plant and Equipment	**(2,249)**
1,144	Revaluation gains on Property, Plant and Equipment	**0**
(175)	Amortisation of intangible assets	**(29)**
(847)	Revenue Expenditure funded from capital under statute	**(3,223)**
0	Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	**0**
(5,041)		**(6,427)**
48	Adjusting amounts written out of the Revaluation Reserve	**115**
(4,993)	Net amount written out of the cost of non-current assets consumed in the year	**(6,312)**
	Capital Financing applied in the year:	
873	Use of the Capital Receipts Reserve to finance new capital expenditure	**310**
26	Capital Expenditure financed from Earmarked Reserves	**531**
712	Application of grants to capital financing from the Capital Grants Unapplied Account	**2,645**
357	Statutory provision for the financing of capital investment charged against the General Fund	**159**
4	Capital expenditure charged against the General Fund	**58**
(3,021)		**(2,609)**
1,192	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(334)**
32,853	**Balance at 31 March**	**29,910**

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 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.

2012-2013 Restated £'000		2013-2014 £'000
(18,022)	**Balance at 1 April**	**(20,790)**
(2,332)	Remeasurements of the net defined benefit liability/(asset)	**(4,669)**
(1,993)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure	**(2,596)**
1,557	Employer's pensions contributions and direct payments to pensioners payable in the year	**1,733**
(20,790)	**Balance at 31 March**	**(26,322)**

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gain recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2012-2013 £'000		**2013-2014 £'000**
116	**Balance at 1 April**	**97**
(19)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(17)**
97	**Balance at 31 March**	**80**

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012-2013 £'000		**2013-2014 £'000**
29	**Balance at 1 April**	**59**
30	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory arrangements	**16**
0	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory arrangements	**(348)**
59	**Balance at 31 March**	**(273)**

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2012-2013 £'000		**2013-2014 £'000**
(145)	**Balance at 1 April**	**(158)**
145	Cancellation of accrual made at the end of the preceding year	**158**
(158)	Amounts accrued at the end of the current year	**(161)**
(13)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(3)**
(158)		**(161)**

NOTE 21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. Annex A to the Statement details the reconciliation between the Comprehensive Income and Expenditure Statement and the subjective analysis.

NOTE 22. ACQUIRED AND DISCONTINUED OPERATIONS

No operations were discontinued during 2013-2014.

NOTE 23. MEMBERS ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2012-2013 £'000		**2013-2014 £'000**
208	Members Allowances	**208**
24	Conferences, Training and Travelling Expenses	**20**
232		**228**

NOTE 24. OFFICERS' REMUNERATION

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

			Salary & Allowances £'000	Expenses £'000	Employers' Pension Contribn £'000	Other £'000	Total £'000
#	Chief Executive	2013-2014	32	0	9	3	**44**
		2012-2013	95	0	24	4	**123**
	Director	2013-2014	82	2	20	0	**104**
		2012-2013	76	2	18	0	**96**
	Director	2013-2014	84	0	20	0	**104**
		2012-2013	78	0	18	0	**96**
	Head of Service	2013-2014	63	0	15	0	**78**
		2012-2013	62	0	14	0	**76**
#	Head of Service	2013-2014	38	0	9	0	**47**
		2012-2013	62	0	14	0	**76**
	Head of Service	2013-2014	62	0	14	0	**76**
		2012-2013	62	0	14	0	**76**
	Head of Service	2013-2014	63	0	14	0	**77**
		2012-2013	60	0	14	0	**74**
	Senior Officer	2013-2014	0	0	0	0	**0**
		2012-2013	57	1	13	0	**71**
	Head of Service	2013-2014	57	2	13	0	**72**
		2012-2013	56	2	13	0	**71**
#	Head of Service	2013-2014	28	0	6	0	**34**
		2012-2013	55	1	13	0	**69**
	Head of Service	2013-2014	58	0	13	0	**71**
		2012-2013	56	0	13	0	**69**
	Head of Service	2013-2014	58	0	13	0	**71**
		2012-2013	56	0	13	0	**69**
	Head of Service	2013-2014	53	0	13	0	**66**
		2012-2013	54	0	13	0	**67**
	Senior Officer	2013-2014	51	0	12	0	**63**
		2012-2013	0	0	0	0	**0**

During 2013-2014, following a restructure, these posts were deleted and the officers were subject to redundancy. The remuneration relates to their employment until termination and excludes redundancy payments which are shown in the table below.

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

2012-2013		**Total at 31/03/2014**
1	£50,000 - £54,999	**2**
5	£55,000 - £59,999	**3**
4	£60,000 - £64,999	**3**
0	£65,000 - £69,999	**0**
0	£70,000 - £74,999	**0**
2	£75,000 - £79,999	**0**
0	£80,000 - £84,999	**2**
0	£85,000 - £89,999	**0**
0	£90,000 - £95,999	**0**
1	£95,000 - £99,999	**0**
13		**10**

During 2013-2014 voluntary redundancy payments were made to employees. The total cost of exit packages as shown in the table below includes future pension costs charged to the pension scheme as settlements and curtailments and not paid directly to employees. Ill health retirements are excluded. In 2012-2013 there was one voluntary redundancy payment made to an employee and the total exit cost is not shown in the table below as it would identify the total package that individual received.

Exit Package cost band (including special payments)	No. of compulsory redundancies		No. of other departures agreed		Total no. of exit packages by cost band		Total cost of exit packages in each band	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 £	2013-14 £
£0 - £20,000	-	5	-	10	-	15	-	180,672
£20,001 - £40,000	-	-	-	5	-	5	-	133,537
£40,001 - £60,000	-	2	-	2	-	4	-	204,426
£60,001 - £80,000	-	-	-	-	-	0	-	0
£80,001- £100,000	-	-	-	-	-	0	-	0
£100,001 - £150,000	-	1	-	-	-	1	-	114,896
£150,001 - £200,000	-	-	-	1	-	1	-	169,808
Total	**-**	**8**	**0**	18	**0**	26	**0**	**803,339**

In addition the Council contributed £22,647 towards the redundancy costs of Wealden District Council officers following the establishment of the environmental health service partnership on 1st December 2012.

Under IAS19 and FRS17 the strain which arises from early retirements due to redundancies is shown as a curtailment loss in the Comprehensive Income and Expenditure Statement. Curtailments affect the employer's balance sheet position by increasing the value of the defined benefit obligation at the accounting date.

The methodology and assumptions used to determine the curtailment cost are different to those used to determine the strain cash contribution due from employers. The reasons for this are:

The **curtailment** figure is determined using accounting assumptions at the accounting date (in line with the requirements of the accounting standard). In addition, the methodology used to determine this figure differs slightly from that used to determine the strain contribution.

The **strain cash contribution** due from the employer is based on the assumptions at the 2010 actuarial valuation and, as mentioned above, the methodology is slightly different than that applied for the curtailment figure.

Assumptions
As a result of the differences between the assumptions used to determine the curtailment cost and the strain contribution, we expect the curtailment cost at 31 March 2014 to be higher than the total strain contributions. In particular:

The financial assumptions adopted for accounting purposes as at 31 March 2014 are much stronger than those adopted at the 2010 valuation, for example, the discount rate has fallen considerably and this has only been partially offset by a reduction in the CPI inflation assumption. Taken in isolation, this contributes to the curtailment figure being higher than the strain contribution.

The accounting assumptions at 31 March 2014 allow for an extension to the salary freeze to 31 March 2015. Taken in isolation, this results in the curtailment loss being higher than the strain contribution, as the saving made from 'giving up' future salary increases is reduced.

Calculation methodology
The curtailment cost is determined by reference to the period from the member's current age and their retirement age in whole years to retirement. This differs to the approach adopted when setting strain contributions, which recognises the period between early retirement and normal retirement in complete months. For example, if a member retires 2 months prior to normal retirement date, the employer strain contribution due will reflect the cost of retirement two months early, whereas, the curtailment will reflect the cost of retirement 1 year prior to normal retirement date. This is not to say that the methodology applied to determine the curtailment loss is 'incorrect'. The approximations made are suitable for accounting purposes and immaterial in terms of the balance sheet position at the accounting date. However, large relative differences can sometimes arise between curtailment and strain cash figures on a member-by-member basis where the member has retired shortly before normal retirement date (since the use of complete years versus complete months is more significant).

NOTE 25. EXTERNAL AUDIT COSTS

Fees were paid to BDO LLP as the Council's external auditors and to the Audit Commission for Statutory Inspections carried out as follows:

2012-2013 £'000		**2013-2014 £'000**
63	Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor	**63**
52	Fees payable to BDO LLP for the certification of grant claims and returns	**35**
1	Fees payable to the Audit Commission in respect of statutory inspection	**1**
116		**99**

NOTE 26. GRANT INCOME

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

2012-2013 £'000		**2013-2014 £'000**
	Credited to Services	
120	Leader Plus	**68**
15	ESCC - Better Safer Communities	**15**
0	ESCC - Homelessness DESS Scheme	**32**
0	DEFRA - Inspire	**7**
135	DCLG - Ndr Cost of Collection	**136**
61	DCLG - Local Services Support Grant	**0**
6	DCLG - Town Team Partners Grant	**4**
84	DCLG - Council Tax Reform	**0**
46	DCLG - Homelessness	**46**
0	DWP - Local Authority Data Sharing IT costs	**5**
0	DWP - Transition Funding	**6**
0	Home Office - Section 31	**4**
0	DWP - Atlas Project	**13**
37,534	DWP - (Including Subsidy)	**29,162**
3	ESCC - Kiosk support	**0**
38,004	**Total within Cost of Services**	**29,498**
	Credited to Taxation and Non-Specific Grant Income	
358	DCLG - Council Tax Freeze Grant	**73**
610	DCLG - New Homes Bonus Scheme	**788**
0	DCLG - Small Business & Empty Property Rate relief	**439**
20	S106 - Housing Development Schemes	**0**
0	S106 - 51-55 Ninfield Road, Bexhill-on-Sea	**10**
0	Joint Waste Partnership - Capital contribution towards purchase of refuse containers	**1,526**
0	DCLG - Transparency Code set-up	**3**
0	DCLG - Assets of Community Value	**8**
0	DCLG - Capitalisation Provision redistribution	**16**
3	DCLG Bus Rate deferred billing	**0**
710	DCLG - Disabled Facility Grant	**570**
0	DCLG - Council Tax Transition	**33**
0	DCLG - Neighbourhood Planning	**10**
86	DCLG - Revenue Support Grant	**3,073**
13	DCLG - Community Rights to Challenge New Burdens Grant	**83**
4,244	DCLG - National Non-Domestic Rates redistribution	**1,713**
6,044	**Total within Taxation & Non-Specific Grant Income**	**8,345**
44,048	**Total within Comprehensive Income & Expenditure Statement**	**37,843**

NOTE 27. RELATED PARTIES

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

Central Government
Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and subsidies and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from Government are set out in the amounts reported for resource allocation decisions and in Note 26.

Members
Members of the Council have direct control over the Council's financial and operating policies. During 2013-2014 grants and payments to the value of £1,275,826, as shown below, were paid to organisations in which 34 Members had an interest. The grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

Organisation	£
De La Warr Pavilion Trust	566,661
Amicus Horizon Ltd	295,000
Romney Marsh Internal Drainage Board	113,808
Rother District Citizens Advice Bureau	83,600
Tourism South East	69,400
Rother Voluntary Action	45,500
The Rye Partnership Ltd	20,354
Hastings Advice & Representation Centre	15,158
Sussex Wildlife Trust	15,000
Local Government Association	13,574
Hastings & Rother Mediation Service	9,992
Bexhill Museum Association	9,500
South East Employers	6,762
Hastings Furniture Service	2,777
Action in Rural Sussex	2,040
Bexhill Town Forum	1,800
Battle & District Chamber of Commerce	1,500
Rye & District Chamber of Commerce	1,500
Bexhill in Bloom	750
Bexhill Youth Council	500
Bexhill Old Town Preservation Society	500
District Councils' Network	150
	1,275,826

Officers
During 2013-2014, Officers with pecuniary interests made appropriate declarations during Committee meetings and took no part of decision making. Interests are recorded in the minutes of the relevant meetings and are available at www.rother.gov.uk.

East Sussex County Council pension fund - see note 33.
The Council made cash payments totalling £1,639,008 during 2013-2014 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund. Note 33 provides further information on the Council's pension arrangements.

Members elected to East Sussex County Council
At the date of approving the Accounts there are 6 Members of Rother District Council who are also members or related to members of East Sussex County Council listed below:

Cllr M L Barnes	Cllr C Clark
Cllr K Field	Cllr A Davies
Cllr C Maynard	Cllr S Earl

Excluding annual precept payments which are shown in the notes to the Collection Fund Statement, cash payments of £172,796 were made to East Sussex County Council and receipts in the sum of £1,105,268 were received during 2013-2014.

NOTE 28. CAPITAL EXPENDITURE AND CAPITAL 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 Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2012-2013 £'000		2013-2014 £'000	2013-2014 £'000
0	**Opening Capital Financing Requirement**		**0**
	Capital Expenditure requiring finance		
717	- Property, Plant and Equipment	321	
25	- Intangible Assets	0	
847	- Revenue expenditure funded from capital under statute	3,223	**3,544**
	Less: sources of finance		
847	- Capital receipts	310	
712	- Government Grants	570	
0	- Other grants and contributions	2,076	
26	- Capital expenditure met from Earmarked Reserves	531	
4	- Direct revenue contribution	57	**3,544**
0	**Closing Capital Financing Requirement**		**0**

CAPITAL EXPENDITURE SUMMARY

2012-2013 £'000		2013-2014 £'000	2013-2014 £'000
	Long-Term Assets:		
	Other Land & Buildings:		
0	Elva Business Centre	11	
0	Town Hall roof	217	
			228
	Infrastructure Assets:		
125	Bexhill Seafront Improvements		**0**
	Vehicles, Plant & Equipment		
16	Replacement Printing Machine	0	
			0
25	Intangible Assets - Software & Systems/Project Evaluation		
	Community Assets:		
7	Bexhill Cemetery	6	
569	Egerton Park	87	
			93
742	**Total Long-Term Assets**		**321**
	Revenue Expenditure funded from Capital under Statute		
69	Village Halls and Community Projects	123	
732	Disabled Facilities Grants	660	
0	Housing Aid Grants	5	
0	Joint Waste - Purchase of Containers	2,024	
0	Robertsbridge Sports Hall	60	
1	Private Sector Renewal	0	
0	Social Housing Grant - Sidley	295	
0	Social Housing Grant - Ewhurst	10	
45	Other	46	**3,223**
1,589	**Total Capital Expenditure for year**		**3,544**
	Financed by:		
847	Capital Receipts (proceeds of the sale of non-current assets)		**310**
712	Grant receipts		**570**
0	Contributions from other bodies		**2,076**
4	Direct Revenue Contribution		**57**
26	Use of Reserves		**531**
1,589	**Total Financing**		**3,544**

NOTE 29. LEASES

Council as a Lessee

Finance Leases
The Council had entered into an arrangement for the provision of refuse collection and street cleansing services which, while not itself a lease, nevertheless contained a right to use assets in the same way as a lease. This arrangement is being treated as a finance lease. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Due to the contract ending on the 31st March 2014 any remaining balance of these vehicles has been written out of the balance sheet and charged to the Consolidated Income and Expenditure statement.

	2012-2013	2013-2014
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	84	0

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following:

	2012-2013	2013-2014
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	159	0
Non-current	0	0
Finance costs payable in future years	0	0
Minimum lease payments	159	0

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2012-2013	2013-2014	2012-2013	2013-2014
	£'000	£'000	£'000	£'000
Not later than one year	98	0	159	0
Later than one year and not later than five years	49	0	0	0
	147	0	159	0

Operating Leases
Vehicles and equipment have been acquired through operating leases.

The minimum lease payments due under non-cancellable leases in future years are:

	Minimum Lease Payments	
	2012-2013	2013-2014
	£'000	£'000
Not later than one year	76	110
Later than one year and not later than five years	215	201
	291	311

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:

	Minimum Lease Payments	
	2012-2013	2013-2014
	£'000	£'000
Not later than one year	143	133
Later than one year and not later than five years	546	538
Later than five years	2,908	2,866
	3,597	3,537

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 2013-2014 £348,000 contingent rents were receivable by the Council (2012-2013 £330,000).

NOTE 30. CAPITAL GRANTS RECEIPTS IN ADVANCE

On the 21 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ravenside Retail Park, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £959,000 which was received for the provision and improvement of leisure facilities in Bexhill and the enhancement of shopping facilities in Bexhill town centre. The monies have to be expended within 15 years of the date of the agreement or they will have to be repaid to the property owner plus interest. As at 31st March 2014 the balance remaining was £923,214.

On the 15 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ambers Rise, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £37,000 which was received for the provision of a play space and facilities. The monies have to be expended within 10 years of the date of the agreement or they will have to be repaid to the developer plus interest if applicable. As at 31st March 2014 the balance remaining was £37,000.

NOTE 31. PRIVATE FINANCE INITIATIVES

The Council has not entered into any arrangements that would be treated as a Private Finance Initiative during 2013-2014.

NOTE 32. IMPAIRMENT LOSSES

During 2013-2014, the Council has recognised impairment losses of £240k (£0 2012-2013), chargeable to the Comprehensive Income and Expenditure Statement. A breakdown of this amount is shown below:

	Value £'000	Reason for Impairment
Chargeable to the Cost of Services:		
Property, Plant and Equipment		
Former Railway Track, Ninfield Road to Crowhurst	42	CPO by ESCC for Link Road
London Road Depot, Bexhill-on-Sea	113	CPO by ESCC for Link Road
Refuse/Street Sweeping Vehicles (Finance Lease)	5	Contract came to an end
	160	
Chargeable to the Surplus/Deficit on Provision of Services:		
Investment Properties		
Site J Sidley Goods Yard, Bexhill-on-Sea	80	CPO by ESCC for Link Road
	80	

The figures above are net of adjustments for depreciation and previous revaluation gains.

NOTE 33. DEFINED BENEFIT PENSION SCHEMES

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 Authority 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 Authority 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/retirement 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:

Comprehensive Income and Expenditure Statement

2012-2013 £'000		**2013-2014 £'000**
	Cost of Services:	
(1,138)	Current service costs	**(1,504)**
0	Past service costs (including curtailments)	**(159)**
	Financing and Investment Income and Expenditure	
(855)	Net interest expense	**(933)**
(1,993)	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**(2,596)**
	Other Post Employment Benefits charged to Comprehensive Income & Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising :	
5,085	Return on plan assets (excluding the amount included in the net interest expense)	**818**
0	Changes in demographic assumptions	**(1,613)**
(7,560)	Actuarial gains and losses arising on changes in financial assumptions	**(2,092)**
143	Other experience	**(1,782)**
(2,332)	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Account**	**(4,669)**
	Movement in Reserves Statement	
1,993	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**2,596**
	Actual amount charged against the General Fund Balance for pensions in the year	
(1,557)	Employers contributions payable to the scheme	**(1,733)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2012-2013 £'000		**2013-2014** **£'000**
58,669	Fair value of employer assets	**61,283**
(77,637)	Present value of funded liabilities	**(85,754)**
(1,822)	Present value of unfunded liabilities	**(1,851)**
(20,790)	**Net liability arising from defined benefit obligation**	**(26,322)**

Reconciliation of the Movements in Fair Value of Scheme Assets

2012-2013 £'000		**2013-2014** **£'000**
52,185	Opening fair value of scheme assets	**58,669**
2,479	Interest income	**2,620**
	Remeasurement gain	
5,085	Return on plan assets excluding amounts included in net interest	**818**
1,557	Contributions from employer	**1,733**
390	Contributions from employees into the scheme	**412**
(3,027)	Benefits paid	**(2,969)**
58,669	**Closing Fair Value of Scheme Assets**	**61,283**

Reconciliation of Present Value of Scheme Liabilities (defined Benefit Obligation)

2012-2013 £'000		**2013-2014** **£'000**
70,207	Opening fair value of scheme liabilities	**79,459**
1,138	Current service cost	**1,504**
3,334	Interest cost	**3,553**
390	Contributions from scheme participants	**412**
	Remeasurement gain	
0	Actuarial losses arising from changes in demographic assumptions	**1,613**
7,560	Actuarial losses arising from changes in financial assumptions	**2,092**
(143)	Other	**1,782**
0	Past service cost	**159**
(3,027)	Benefits paid	**(2,969)**
79,459	**Closing Fair Value of Scheme Assets**	**87,605**
20,790	**Net Liability at 31 March**	**26,322**

Fair value of employers assets

The below asset values are at bid value as required under IAS19.

Asset Category	Period Ended 31 March 2014 Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets	Period Ended 31 March 2013 Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of Total Assets
Equity Securities:								
Consumer	2,985.4	-	2,985.4	5%	1,950.3	-	1,950.3	3%
Manufacturing	1,517.7	-	1,517.7	2%	791.6	-	791.6	1%
Energy and Utilities	1,597.2	-	1,597.2	3%	1,281.8	-	1,281.8	2%
Financial Institutions	3,362.3	-	3,362.3	5%	2,951.4	5.1	2,956.5	5%
Health and Care	1,813.0	-	1,813.0	3%	1,379.2	-	1,379.2	2%
Information Technology	1,653.2	-	1,653.2	3%	1,301.7	-	1,301.7	2%
Other	872.3	100.2	972.5	2%	1,063.3	-	1,063.3	2%
Debt Securities:								
Corporate Bonds (investment grade)	-			0%	-			0%
Corporate Bonds (non-investment grade)	-			0%	-			0%
UK Government	-	861.8	861.8	1%	-	881.4	881.4	2%
Other	-	813.4	813.4	1%	-	736.1	736.1	1%
Private Equity:								
All	-	4,820.8	4,820.8	8%	-	5,016.3	5,016.3	9%
Real Estate:								
UK Property	338.6	5,183.1	5,521.7	9%	580.2	4,228.4	4,808.6	8%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts:								
Equities	72.8	29,120.6	29,193.4	48%	117.4	30,691.6	30,809.0	53%
Bonds	2,328.9	1,648.9	3,977.8	6%	1,171.4	2,758.4	3,929.8	7%
Hedge Funds	120.6	-	120.6	0%	-	32.5	32.5	0%
Commodities	180.4	-	180.4	0%	300.6	-	300.6	1%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	35.1	35.1	0%	-	(27.7)	(27.7)	0%
Other	-	-	-	0%	-	-	-	0%
Cash and Cash Equivalents:								
All	-	1,856.4	1,856.4	3%	-	1,458.0	1,458.0	2%
Totals	**16,842**	**44,440**	**61,283**	**100.0%**	**12,889**	**45,780**	**58,669**	**100.0%**

The breakdown of assets in monetary terms in the table have been shown to the nearest £100. The additional precision in the presentation of the figures has been included because the sum of the values rounded to the nearest £1,000 will not equal the total values due to rounding. Please note that there may still be a rounding difference between the total and the sum of the breakdown values but this difference will be small. For the avoidance of doubt this does not impact any of the other figures in the report.

Basis for Estimating Assets and Liabilities

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

Assumptions as at 31 March		2012-2013	**2013-2014**
Financial Assumptions:			
Pension Increase Rate		2.8%	2.8%
Salary increase Rate	#	5.1%	4.6%
Discount rate		4.5%	4.3%

Salary increases are assumed to be 1% p.a. until 31st March 2015 reverting to the long term assumption shown thereafter.

Mortality

VitaCurves with improvements in line with the CMI2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners#	24.2 years	26.7 years

Figures assume members aged 45 as at the last formal valuation date.

Historic Mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Current Pensioners
31 March 2013	year of birth, medium cohort and 1% pa minimum improvements from 2007	year of birth, medium cohort and 1% pa minimum improvements from 2007

Commutation

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

Impact on the Authority's Cash Flows

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £1,494,000 contributions to the scheme in 2014/2015.

NOTE 34. CONTINGENT LIABILITIES

Transfer of housing Stock-Rother Homes

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

Legal Action

The Council's Solicitor has confirmed as of the 30th June 2014, there were no significant legal actions being taken by or against the Council.

Leader Plus Programme

Grants awarded to the Council under the Leader Plus Programme are conditional and elements may be repayable in certain circumstances such as breach of conditions and sale of assets acquired with grant monies. At 31 March 2009 a total of £2,998,544 had been received from the programme. From January 2009 the Council commenced a new Leader Programme for six years. The liability to repay for up to the end of March 2014 was £472,190. This has not been provided for due to the high uncertainty that any breach will occur. The Programme has now come to an end and no further liabilities will be incurred by the Council.

Land Searches

On the 27 July 2010 the Ministry of Justice and the Department for Communities and Local Government informed all Councils in England responsible for the provision of Land Searches that charging a fee for a personal search of the local land charges register is incompatible with the Environmental Information Regulations 2004 and the underlying 2003 EU Directive. The Government have revoked the current fee of £22 from 17 August 2010. This change does not preclude Councils from charging for assisted searches. It is possible that claims for reimbursement may be made by customers dating back to January 2005. The Government have indicated that it is acceptable for Councils to consider the cost of administering the reimbursement of fees and should avoid unjustly enriching search agents. As at 30th June 2014, two claims have been settled and one is currently being dealt with through the Local Government Association appointed Solicitors who are acting on all their members behalf. At this stage, the final value of any claims is yet to be agreed and therefore no provision has been made in the accounts.

Homelessness Deposit Bonds

To support the Council's homelessness prevention strategy the Council acts as guarantor for 1 to 5 years for private rented accommodation and as at 31st March 2014, there were 28 tenancies being supported under this scheme. The maximum liability was £41,683.

Municipal Mutual Insurance Limited (MMI)

In 1993 the Council's insurers, MMI, ceased accepting new business. On 13th November 2012 the Directors of MMI triggered the Scheme of Arrangement. The Scheme provides that following the occurrence of a Trigger Event , a levy may be imposed on all those scheme creditors which, since the record date, have been paid an amount or amounts in respect of established scheme liabilities which, together with the amount of Elective Defence costs paid by MMI on its behalf, exceed £50,000 in aggregate. The Scheme Administrator, Ernst & Young LLP have determined that a levy rate of 15% shall be applied to the value of claims paid since 30th September 1993. Payment has been made in the accounts in the sum of £35,890 and there remains a potential liability for a further £203,378.

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 employees exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

NOTE 35. CONTINGENT ASSETS

The Council has not identified any Contingent Assets as at 30th June 2014.

NOTE 36. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments have been made to the Council's 2012-2013 published financial statements in relation to the following:

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to the accounting treatment of defined benefit pension schemes from 1st April 2013 (in accordance with the Code). There is no impact on the Balance Sheet however, the main changes are as follows:-

<u>Expected Return on Assets</u>

This is in relation to the return on Pension Scheme assets such as those held by the East Sussex Local Government Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

<u>Asset Disclosures</u>

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in Council's 2012-2013 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012-2013. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 33).

Comprehensive Income and Expenditure Statement (CIES)

	2012-2013 Net Expenditure £000	IAS19 Pensions Restatement £000	Restated 2012-2013 Net Expenditure £000
SERVICES			
Central Services to the Public	4,739		4,739
Cultural & Related Services	2,445		2,445
Environmental Services	4,851		4,851
Planning & Development Services	1,766		1,766
Highways & Transport Services	-811		-811
Housing Services	1,725		1,725
Corporate & Democratic Core	2,452		2,452
Non-Distributed Costs	57		57
Cost of Services	17,224		17,224
Other Operating Income & Expenditure	1,049		1,049
Financing & Investment Income & Expenditure	-1,453	568	-885
Taxation & Non-Specific Grant Income	-14,327		-14,327
(Surplus) or Deficit on Provision of Services	2,493	568	3,061
(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets	-3,429		-3,429
Actuarial (gains)/losses on pension assets/liabilities	2,900	-568	2,332
Other Comprehensive Income & Expenditure	-529	-568	-1,097
Total Comprehensive Income & Expenditure	1,964	0	1,964

As a consequence of the above adjustments to the CIES, an adjustment has also been made to reduce the 'adjustments between accounting and funding basis' within the MiRS by £568k. This further adjustment means the closing general fund and pension reserve balances are unaffected.

External Fund Manager - Cash transactions

The 2012-2013 Statement of Accounts has been restated to show the cash movements on the Council's external investment account with Investec, the Council's Fund Manager.

Cashflow Statement

	2012-2013 £000	Restatement £000	Restated 2012-2013 £000
OPERATING ACTIVITIES			
Taxation	(7,344)		(7,344)
Grants (Including DWP Subsidy)	(31,225)		(31,225)
Sales of goods and rendering of services	(7,644)		(7,644)
Interest received	(95)	(15)	(110)
Other receipts from operating activities	(1,303)		(1,303)
Cash inflows generated from operating activities	**(47,611)**	**(15)**	**(47,626)**
Cash paid to and on behalf of employees	7,572		7,572
Housing Benefit paid out	30,356		30,356
Precepts paid	1,061		1,061
Payments to the Capital Receipts Pool	1		1
Cash paid to suppliers for goods and services	11,745	16	11,761
Other payments for operating activities	2,311		2,311
Cash outflows generated from operating activities	**53,046**	**16**	**53,062**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**5,435**	**1**	**5,436**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, investment property and intangible assets	731		731
Purchase of short-term and long-term investments	5,300	18,262	23,562
Other payments for investing activities	802		802
Proceeds from the sale of property, plant and equipment, investment property			0
and intangible assets	(106)		(106)
Proceeds from short-term and long-term investments	(5,300)	(22,887)	(28,187)
Other receipts from investing activities	(46)		(46)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**1,381**	**(4,625)**	**(3,244)**
FINANCING ACTIVITIES			
Other receipts from financing activities	(6,428)		(6,428)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	357		357
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(6,071)**	**0**	**(6,071)**
NET (INCREASE) OR DECREASE IN CASH AND CASH EQUIVALENTS	**745**	**(4,624)**	**(3,879)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD	**3,789**	**291**	**4,080**
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD - *Note 16*	**3,044**	**4,915**	**7,959**

Balance Sheet

CURRENT ASSETS

Short-term investments - *Note 13*	9,521	(4,915)	4,606
Inventories - *Note 14*	14		14
Short-term debtors - *Notes 12,13 & 15*	3,510		3,510
Cash and cash equivalents - *Note 16*	3,044	4,915	7,959
	16,089	**0**	**16,089**

NOTE 37. JOINT WASTE PARTNERSHIP

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 following details these transactions:

	2013-2014 £'000
Payments made/payable to Kier Environmental Services Ltd	8,888
Payments made to KPS Composting Services	64
Cost of Client Service - Partners cost	120
Total cost	9,072
Payments received/receivable from partner Districts/Boroughs	(9,072)
Net cost	0

NOTE 36. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Restated

Service Income and Expenditure 2013-14	Central Services to the Public £'000	Cultural & Related Services £'000	Environmental Services £'000	Planning & Development Services £'000	Highways & Transport Services £'000	Housing Services £'000	Corporate & Democratic Core £'000	Non Distributed Costs £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(1,167)	(266)	(1,319)	(1,261)	(1,305)	(1,448)	(13)		(6,779)	(504)	(7,283)
Interest & investment income									0	(109)	(109)
Income from council tax									0	(7,569)	(7,569)
Government Grants & Contributions - *Note 26*	(398)		(15)	(79)		(29,006)			(29,498)	(13,082)	(42,580)
Gain on disposal of non-current assets									0	(282)	(282)
Pension									0	(2,620)	(2,620)
Total Income	**(1,565)**	**(266)**	**(1,334)**	**(1,340)**	**(1,305)**	**(30,454)**	**(13)**	**0**	**(36,277)**	**(24,166)**	**(60,443)**
Employee expenses	925	527	467	1,789	140	962	1,077	67	5,954		5,954
Other service expenses	791	2,299	5,280	700	308	580	388	131	10,477	51	10,528
Support service recharges	642	197	358	727	54	419	966		3,363	28	3,391
Depreciation, Amortisation & Impairment	27	187	347		37		12		610		610
Interest payments									0	2	2
Pensions interest on obligations									0	3,553	3,553
Parish precepts									0	1,219	1,219
Drainage Board levies									0	117	117
Loss on revaluation of non-current assets	231	2,167	11						2,409	335	2,744
Revenue expenditure funded from capital under statute	123	106	2,024			970			3,223		3,223
Non-domestic rates tariff & share of deficit									0	4,737	4,737
Benefit payments						29,485			29,485		29,485
Total Expenditure	**2,739**	**5,483**	**8,487**	**3,216**	**539**	**32,416**	**2,443**	**198**	**55,521**	**10,042**	**65,563**
Net Expenditure	**1,174**	**5,217**	**7,153**	**1,876**	**(766)**	**1,962**	**2,430**	**198**	**19,244**	**(14,124)**	**5,120**

Service Income and Expenditure 2012-13	Central Services to the Public £'000	Cultural & Related Services £'000	Environmental Services £'000	Planning & Development Services £'000	Highways & Transport Services £'000	Housing Services £'000	Corporate & Democratic Core £'000	Non Distributed Costs £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(985)	(211)	(1,423)	(1,428)	(1,237)	(1,341)	(38)		(6,663)	(401)	(7,064)
Interest & investment income									0	(239)	(239)
Income from council tax									0	(8,283)	(8,283)
Government Grants & Contributions - *Note 26*	(8,704)		(15)	(126)		(29,156)	(3)		(38,004)	(6,044)	(44,048)
Gain on disposal of non-current assets									0	(130)	(130)
Gain on revaluation of non-current assets	(30)	(632)	(280)		(201)				(1,143)	(2,001)	(3,144)
Pension								0	0	(2,479)	(2,479)
Total Income	**(9,719)**	**(843)**	**(1,718)**	**(1,554)**	**(1,438)**	**(30,497)**	**(41)**	**0**	**(45,810)**	**(19,577)**	**(65,387)**
Employee expenses	826	507	973	2,102	148	1,015	1,392	36	6,999		6,999
Other Service expenses	676	2,337	4,601	435	318	509	441	21	9,338	36	9,374
Support service recharges	573	226	411	783	59	392	648		3,092	43	3,135
Depreciation, Amortisation & Impairment	81	173	570		37	56	12		929		929
Interest payments									0	12	12
Pensions interest on obligations									0	3,334	3,334
Parish Precepts									0	1,061	1,061
Drainage Board levies									0	117	117
Payments to Housing Capital receipts Pool									0	1	1
Loss on revaluation of non-current assets	14		14		65		4,086		4,179	810	4,989
Writing out of non-current assets									0		0
Revenue expenditure funded from capital under statute	69	45				733			847		847
Benefit payments	8,133					29,517			37,650		37,650
Total Expenditure	**10,372**	**3,288**	**6,569**	**3,320**	**627**	**32,222**	**6,579**	**57**	**63,034**	**5,414**	**68,448**
Net Expenditure	**653**	**2,445**	**4,851**	**1,766**	**(811)**	**1,725**	**6,538**	**57**	**17,224**	**(14,163)**	**3,061**

COLLECTION FUND STATEMENT

2012-2013 £'000		**2013-2014 Council Tax £'000**	**2013-2014 NNDR £'000**	**2013-2014 Total £'000**
	INCOME			
54,589	Income from Council Taxpayers - *Note 2*	56,313		**56,313**
	Transfers from General Fund re Council Tax			
8,103	- Council Tax Benefit awarded	0		**0**
(1)	- Transitional Relief	(1)		**(1)**
62,691	Total from Council Tax	**56,312**	**0**	**56,312**
16,229	Income collectable from Business Ratepayers - *Note 4*		16,464	16,464
78,920		**56,312**	**16,464**	**72,776**
	EXPENDITURE			
	Precepts:			
45,276	East Sussex County Council Precept on Collection Fund - *Note 2*	40,565		**40,565**
5,411	Sussex Police Authority Precept on Collection Fund - *Note 2*	4,848		**4,848**
3,200	East Sussex Fire Authority - *Note 2*	2,867		**2,867**
8,223	Rother District Council Demand on Collection Fund - *Note 2*	7,507		**7,507**
	Business Rate			
16,094	- Payment to National Pool - *Note 4*		0	**0**
0	- Payment to Government - *Note 4*		7,996	**7,996**
0	- Payment to East Sussex Fire & Rescue - *Note 4*		161	**161**
0	- Payment to East Sussex County Council - *Note 4*		1,451	**1,451**
0	- Payment to Rother District Council - *Note 4*		6,450	**6,450**
135	- Cost of Collection		136	**136**
	Sums payable to Preceptors re previous year's Collection Fund surplus			
168	- East Sussex County Council	252		**252**
20	- Sussex Police Authority	30		**30**
12	- East Sussex Fire and Rescue	18		**18**
30	- Rother District Council	46		**46**
	Bad & Doubtful Debts			
64	- Write offs of uncollectable Council Tax	36	73	**109**
67	- Provision for uncollectable Council Tax - *Note 5*	26	39	**65**
0	- Provision for appeals - *Note 5*		1,027	**1,027**
78,700		56,195	17,333	**73,528**
(220)	Movement on Fund Balance - (surplus) / deficit	(117)	869	**752**
	COLLECTION FUND BALANCE			
(223)	Balance brought forward at 1 April	(443)	0	**(443)**
(220)	(Surplus) / deficit for year (as above)	(117)	869	**752**
(443)	Balance carried forward at 31 March - *Note 3*	**(560)**	**869**	**309**
	Allocated to			
(59)	- Rother District Council	(75)	348	273
(323)	- East Sussex County Council	(408)	78	(330)
(23)	- East Sussex Fire Authority	(29)	9	(20)
(38)	- Sussex Police Authority	(48)	0	(48)
0	- Government	0	434	434
(443)		**(560)**	**869**	**309**

COLLECTION FUND STATEMENT

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 it is consolidated with the other accounts to form the Consolidated Balance Sheet. The account has been prepared on the accruals basis. The costs of administering collection are accounted for in the General Fund.

NOTE 2. COUNCIL TAX

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

In 2013-2014, the local government finance regime was revised and Council Tax Benefit is no longer received by the Council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority.

Band & Value	Number of Properties	Relationship to Band D	**Annual Amount**
Band A Reduced	3	5/9	**£884.96**
Band A - up to £40,000	2,666	6/9	**£1,061.95**
Band B - over £40,000 up to £52,000	4,181	7/9	**£1,238.95**
Band C - over £52,000 up to £68,000	6,922	8/9	**£1,415.94**
Band D - over £68,000 up to £88,000	7,214	1	**£1,592.93**
Band E - over £88,000 up to £120,000	6,154	11/9	**£1,946.91**
Band F - over £120,000 up to £160,000	3,345	13/9	**£2,300.90**
Band G - over £160,000 up to £320,000	2,300	15/9	**£2,654.88**
Band H - over £320,000	218	18/9	**£3,185.86**
	33,003		

Council Tax Base and amount originally expected for 2013-2014:

East Sussex County Council share	**£40,565,172**
Sussex Police Authority share	**£4,847,648**
East Sussex Fire and Rescue share	**£2,866,844**
Rother District Council share	**£7,506,797**
	£55,786,461

NOTE 3. COUNCIL TAX SURPLUSES & DEFICITS

The surplus of £560,000 in respect of council tax is distributed between Rother District Council, East Sussex County Council, East Sussex Fire and Rescue and Sussex Police Authority in future years in accordance with Fund Regulations and a prescribed timetable.

NOTE 4. INCOME FROM BUSINESS RATEPAYERS

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government.

In 2013-2014, the administration of NNDR changed following the introduction of a business rate retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection rates. Instead of paying NNDR to a central pool administered by Central Government, which in turn paid to Local Authorities their share, Local Authorities now retain a proportion of the total collectable rates due. In the case of Rother District Council the local share is 40%. The remainder is distributed to Rother's preceptors as follows:-
Central Government 50%, East Sussex County Council 9% and East Sussex Fire Authority 1%.

The business rates shares payable for 2013-2014 were estimated before the start of the financial year as £8.063m to Central Government, £1.451m to ESCC, £0.161m to ESFA and £6.450m to Rother District Council. These sums have been paid in 2013-2014 and charged to the collection fund in the year.

When the scheme was introduced, Central Government a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect a tariff of £4.389m was paid to Central Government by Rother District Council.

The total income from business rate payers collected in 2013-2014 was £16.464m (£16.229m 2012-2013). This sum includes £0.67m of transitional protection payments from the Government, which under Government regulation should have a neutral impact on the business rate retention scheme and therefore decreases payments to Central Government to £12.385m.

In addition to the top up, a 'safety net' figure is calculated at 7.5% of baseline amount which ensures that authorities are protected to this level of Business Rate income. For Rother District Council the value of safety net figure is approximately £155,000. The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2013-2014.

Under the arrangements for uniform 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 2013-2014 were 46.2p for qualifying Small Businesses, and the standard multiplier being 47.1p for all other businesses (45.0p and 45.8p respectively in 2012-2013).

NOTE 5. COUNCIL TAX/NNDR BAD DEBT PROVISION AND NNDR PROVISION FOR VALUATION APPEALS

The Collection Fund account provides for bad debts on arrears on the basis of prior years experience and current years collection rates.

Total 2012-2013 £'000	Local Taxpayer	Within due date £'000	1st Reminder 12 days £'000	Final Notice 19 days £'000	Recovery Action £'000	Total 2013-2014 £'000
1,658	Council Tax	217	245	41	1,151	1,654
636	Non Domestic Rates	148	78	27	373	626
2,294	**Total**	**365**	**323**	**68**	**1,524**	**2,280**

	Council Tax Bad Debt Provision	
722	Balance at 1 April	789
-64	Write Offs during year	-36
131	Contributions to provisions during year	62
67	Net Increase in Provision	26
789	**Balance at 31 March**	815
	The Council's proportion of these write offs and increase in provision are shown below.	
97	Balance at 1 April	105
-9	Write Offs during year	-5
18	Contributions to provisions during year	8
9	Net Increase in Provision	3
106	**Balance at 31 March**	108
	Non-Domestic Rates Bad Debt Provision	
271	Balance at 1 April	374
0	Write Offs during year	-73
103	Contributions to provisions during year	112
103	Net Increase in Provision	39
374	**Balance at 31 March**	413

The Council's proportion of these write offs and increase in provision are shown below.

108	Balance at 1 April	150
0	Write Offs during year	-29
42	Contributions to provisions during year	44
42	Net Increase in Provision	15
150	**Balance at 31 March**	165

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values defined by VOA and hence business rates outstanding as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013-2014 has been calculated at £1.027m.

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 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. Also referred to as Capital Works.

CAPITAL RECEIPTS
The proceeds from the sale of fixed assets.

CODE OF PRACTICE ON LOCAL GOVERNMENT 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 are parks and historic buildings.

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.

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.

EXTRAORDINARY ITEMS
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the Council's normal activities and which are not expected to recur.

FINANCIAL INSTRUMENTS
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: Revenue Support grant, Housing subsidy and Housing & Council Tax Benefit subsidy & grants.

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

PRECEPT
The amount of money the County Council, Sussex Police and the Fire Authority have instructed the Council to collect and pay out of council tax receipts held in the Collection Fund.

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.

PROPERTY, PLANT & EQUIPMENT (PPE)
Tangible assets that yield up benefit to the Authority over more than one accounting period, e.g. Land and Buildings.

PUBLIC WORKS LOAN BOARD (PWLB)
A Government financed body which provides a source of long-term borrowing for local authorities.

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

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
Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example is improvement 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
Long-Term Assets that are actively marketed for sale.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROTHER DISTRICT COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of Rother District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Accounting Policies, Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Rother District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Rother District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of audit practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the annual governance statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Rother District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certification of completion of the audit

We certify that we have completed the audit of the accounts of Rother District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

BDO LLP

ROBERT GRANT
For and on behalf of BDO LLP, Appointed Auditor
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)
London, UK

30 September 2014