

Rother District Council

**FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2017/18



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NARRATIVE

Introduction

The Statement of Accounts for Rother District Council for the year ended 31 March 2018 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

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

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts. The deadline for completion of the accounts is 31 May for the unaudited statement of accounts and 31 July for the audited statement of accounts. The Council is required to publish unaudited accounts by the end of May and Audit and Standards Committee will need to approve audited accounts by the end of July 2018.

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

This narrative report is structured as follows:

1. An Introduction to Rother
2. Summary of Achievements
3. Governance
4. Summary of the 2017/18 Financial Performance of the Council
5. Strategic Risks
6. Liability for Pensions Costs
7. Future Plans
8. Explanation of the Financial Statements
9. Acknowledgements

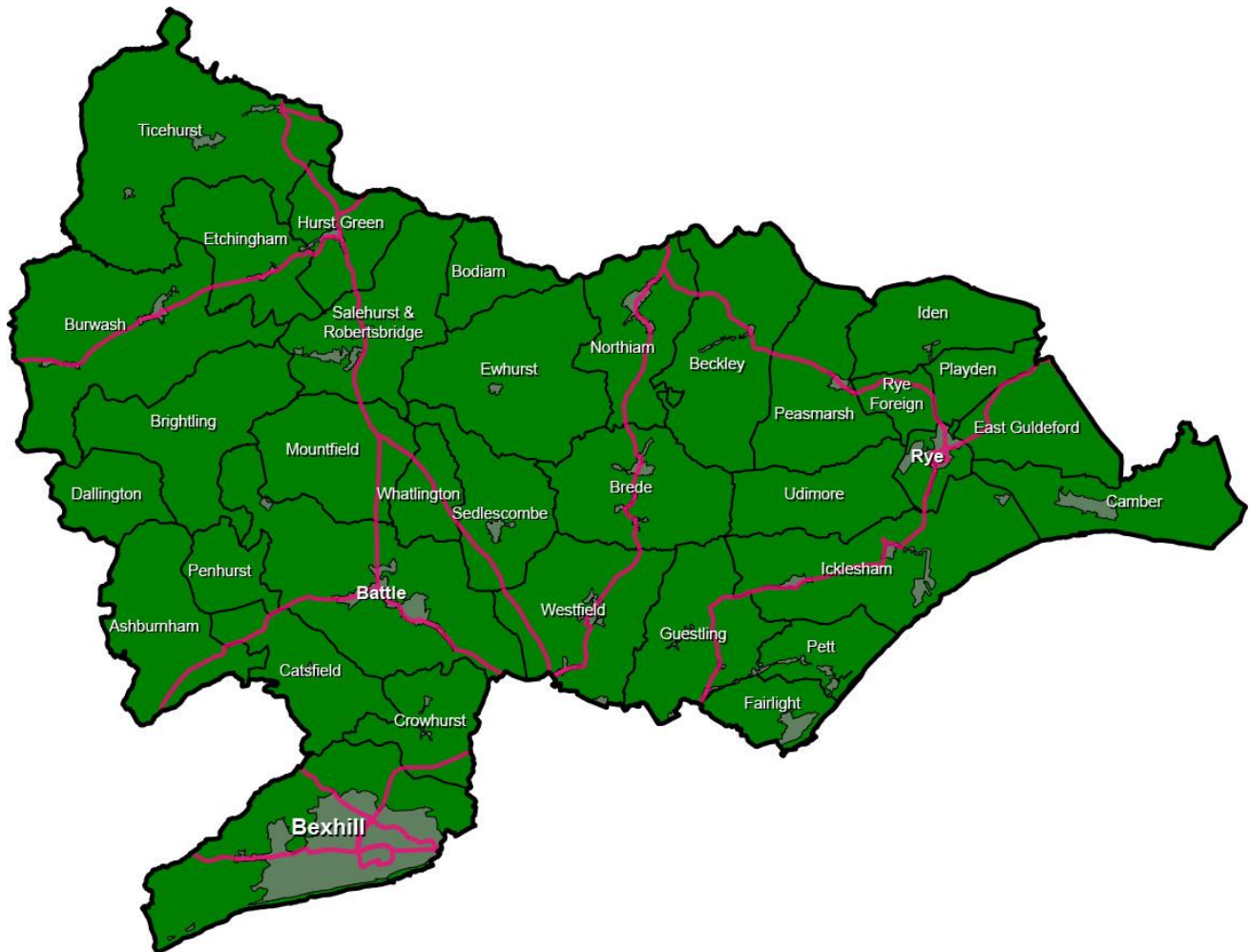
1. An Introduction to Rother

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

The majority of the countryside located within the district falls within the High Weald Area of Outstanding Natural Beauty. Rother has around 4,635 businesses, with small and micro businesses forming a fundamental part of the Rother economy with 88% of businesses in Rother employing less than 9 people.

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The area we serve



2. Summary of Achievements

The Corporate Plan

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

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

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

The Corporate Programme

To support the achievement of the aims and broad outcomes, a Corporate Programme of Priority Projects has been identified within the Corporate Plan to help deliver the Vision. There are 29 projects and programmes being delivered between 2014-2021. Here follows the list of Corporate Programme Priority Projects;

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Efficient, Flexible and Effective Council

- Member Development
- Better Connected
- Workforce Development Plan
- Asset Management Plan
- Rother 2020 (was Service Resetting Plan)

Stronger, Safer Communities

- Development of Old Bexhill High School Site
- Active Rother Programme
- Private Sector Housing Renewal
- Housing Development Programme
- Empty Homes Back into Use
- Council Tax Reduction Scheme
- Welfare Reform Rollout
- Walking and Cycling Strategy

Sustainable Economic Prosperity

- NE Bexhill Master Plan Delivery (BX2)
- NE Bexhill Master Plan Delivery (BX3)
- Blackfriars, Battle
- Camber Regeneration
- Bexhill Town Centre Strategy
- Development of Key Employment Sites
- Economic Development – Rye Area
- Superfast Broadband Rollout
- Barnhorn Road Development
- Skills Development
- Community Infrastructure Levy

A Quality Physical Environment

- Improving Recycling Rates in Rother
- Fuel Poverty
- Collective Energy Switching
- Coastal Environments
- Combe Haven Holiday Park

The [Overview and Scrutiny Committee](#) receives quarterly performance progress reports and makes recommendations to Cabinet. The Committee selects [in January](#) a small number of key performance indicators (KPIs) for focussed monitoring related to the priorities for the coming financial year.

The Council has achieved many of the performance targets it set for 2017/18 as well as delivering many projects and initiatives.

Efficient, Flexible and Effective Council

During 2017/18:

- Development of a Rother 2020 plan to deliver £1.8 million of savings over the next few years to balance the budget.
- Transfer of records to a single electronic asset register as part of the delivery of the Asset Management Programme to help deliver both financial and social returns. A programme of disposal of assets has generated £279,000 thus far which helps to provide funding for investment into other corporate projects.
- New IT equipment and systems for staff and Members so that Rother is better connected and customers can deal with us effectively and efficiently on-line.
- New Housing Benefit claims were processed in 35 days (34 days – 2016/17).
- Changes to Housing Benefit claims were processed in 25 days (24 – 2016/17). In response to rising processing times a document image processing project introduced new automation and improved processing of benefit claims. In addition a Housing Benefit improvement plan is being developed, in conjunction with the Department of Works and Pensions, to improve performance of the service. Results should be seen in 2018/19 once final implementation plan has been completed.

Sustainable Economic Prosperity

During 2017/18:

- Phase one of construction at the North East Bexhill BX2 site started, with phase two starting in Spring 2018, to ensure sustainable development of residential, community, retail and employment sites.
- Worked with a National house builder to establish a new employment & skills plan for their housing development site.

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- £3.24m of funding has been allocated, subject to financial appraisal of the scheme by Homes England (formerly the Homes and Community Agency), to bring forward the development site at Blackfriars, Battle. The funding is to support the cost of the critical spine road infrastructure to enable housing development.
- 5 year land supply 3.23 years
- 29 individuals have been supported through the Local Employment and Skills Plan.
- The 2017 Jobs and Apprenticeship Fair held at the De La Warr Pavilion 3rd March 2017 provided 700 live opportunities for 2017/18 available on the day, including apprenticeships, work experience and training.
- The value of Community Infrastructure Levy (CIL) Liability Notices (excluding exemptions) is £5,009,894 (£3,249,642 - 2016/17) but total receipts from CIL were only £165,158 (£80,250 – 2016/17). The Council is likely to achieve £250,000 in the fund early in 2018/19, which is the threshold that triggers the first round of bidding with infrastructure suppliers on priority projects.

Stronger, Safer Communities

During 2017/18:

- £750,000 funding has been allocated to help enable delivery of affordable homes across the district to meet housing needs. £100,000 (£25,000 per annum) has been earmarked to support Action in Rural Sussex take this project forward with local communities.
- The third and final year of the Active Rother 'Getting Rother Active' programme was delivered, culminating in an overall three-year throughput of 11,004 participants against a target set by Sport England of 5,581. Overall:
 - 21% either stated disabilities or health conditions
 - 81% were over 21 years of age
 - 56% didn't do any sport on any day before the project
 - 28% of all participants had said they had done zero activities per week prior to taking part in Active Rother
 - 42% came from priority wards and in certain sessions this was up to 80%
 - 6% were unemployed
 - 3% came from residential homes
 - Only 32% employed full time
 - 75% were women
 - 21% were retired
 - Over 350 people have been part of a beginners running programme
 - 7 event volunteers and over 30 run leaders trained in partnership with the RVA
- 213 homelessness applications received against an expected number of 200, a 6.5% increase in demand. However, the significant rise was in the fourth quarter with 92% more applications than forecasted. New housing legislation is expected to increase demand on housing services. In response, the Council established a Member-led task and finish group to scrutinise housing supply and local housing needs.
- 68 affordable homes delivered (gross) across the district (83 – 2016/17), two developments were late in completion and a further 31 new affordable homes were delivered in April/May 2018.

A Quality Physical Environment

During 2017/18:

- Rother worked with partners to advise residents on advice and funding in relation to Fuel Poverty. RDC officers were trained to identify households living in fuel poverty and were able to direct households to sources of advice and funding, The East Sussex Energy Partnership (ESEP) has established a web site, 'warmeastsussex', which provides information on home energy efficiency and grants available to the fuel poor.
- 50.3% (estimated) of household waste being recycled or composted compared with the total amount being collected (49.89% - 2016/17). Reaching a 50% rate for re-use, recycling and composting has been a long term goal of the Council.

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Key Business Indicators

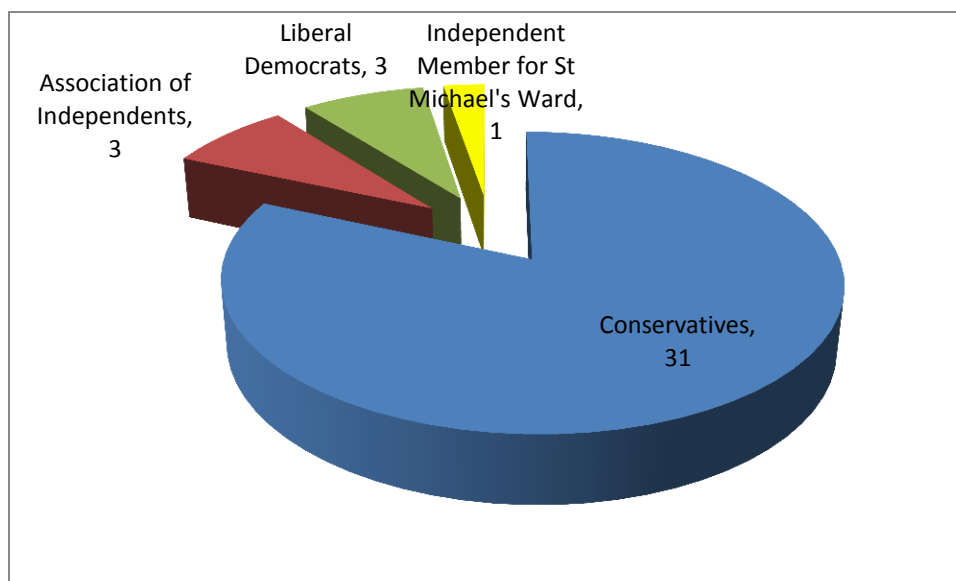
During 2017/18 we achieved:

- 99.06% of Business Rates collected within the financial year (98.44% - 2016/17)
- 98.45% of Council Tax collected within the financial year (98.51% - 2016/17)
- 87.5% of major planning applications processed within 13 weeks (100% 2016/17)

3. Governance

The Council

The Council has 38 District Councillors. The political composition of the Council at 31 March 2018 was:

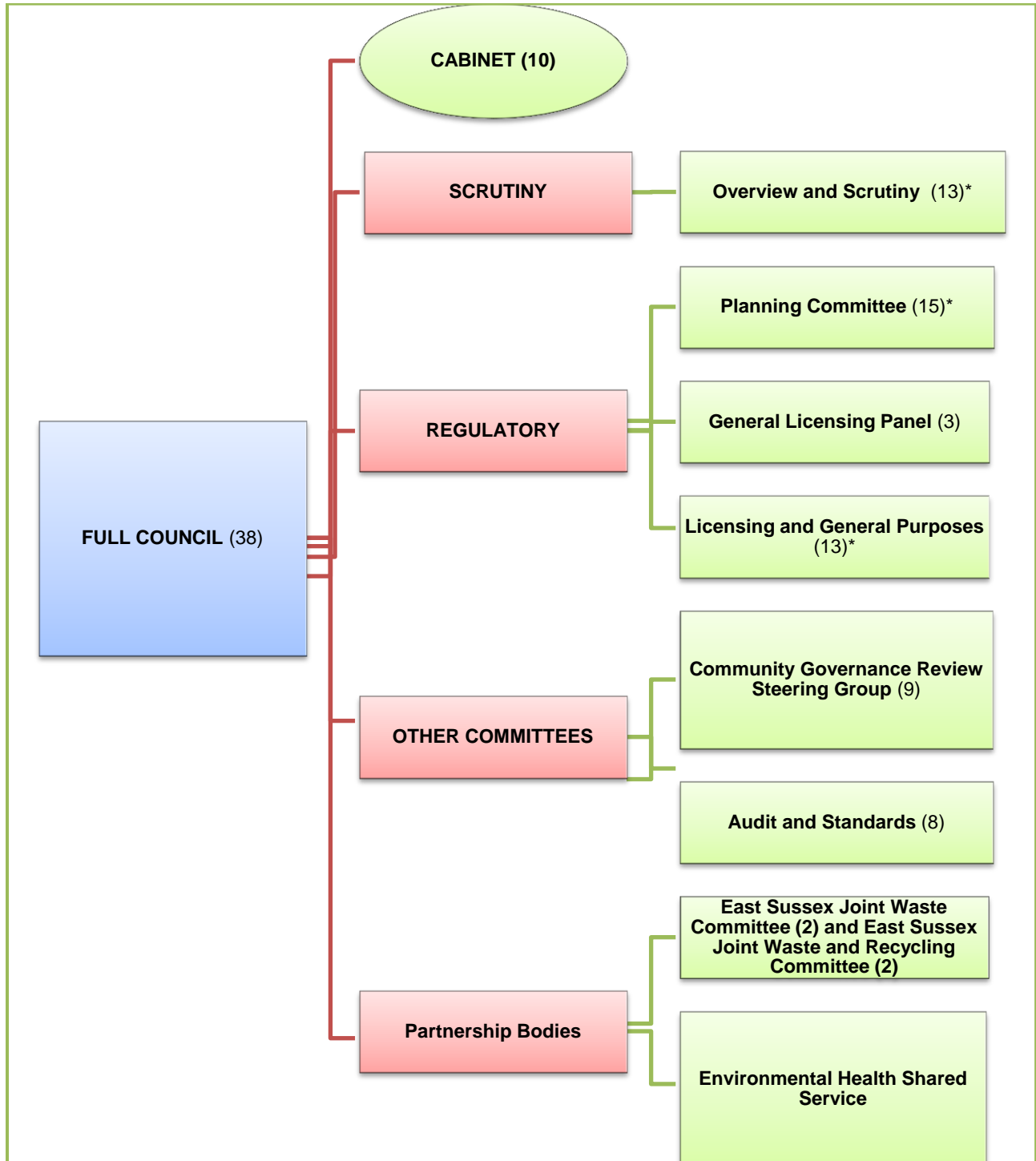


District Council elections were last held on 5th May 2015 with all seats being up for election. The results of the election were: Conservative 31; Association of Independents 3; Liberal Democrats 2; Independent 1; and Labour 1.

From May 2015 to May 2017 there were three by-elections which has changed the make-up of the Council to Conservative 31 (unchanged); Association of Independents 3 (unchanged); Liberal Democrats 3 (+1); and Independent 1 (unchanged). The Conservative Group lost a seat through the by-elections, however, the one Labour Councillor changed political Group, leaving the Conservatives with 31 Councillors. The Conservative Group has overall control of the Council. Elections are held every four years for all 38 seats; the next Election is May 2019.

All the Councillors meet together as Full Council and set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for Rother District Council that were in place during 2017/18.

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*Chairman of Council sits as an ex-officio Member on these Committees but has no voting rights.

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The Cabinet

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

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

Overview and Scrutiny Committee

This Committee is responsible for overview and scrutiny, which supports the work of the Cabinet and the Council as a whole. The Committee is made up of 12 Councillors and it meets 8 times per year. The main activities are:

(a) Policy development and review:

- Assist the Council and the Executive in the development of its budget and policy framework by in-depth analysis of policy issues;
- Conduct research, community and other consultation in the analysis of policy issues and possible options;
- Consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
- Question Members of the Executive and/or the Head of Paid Service, Executive Directors or Service Managers about their views on issues and proposals affecting the area; and
- Liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interests of local people are enhanced by collaborative working, and challenge the relevance of joint working, and in particular any service level agreements, in the delivery of the Council's 4 Aims.

(b) Scrutiny:

- Review and scrutinise the decisions made by and performance of the Executive and/or council officers both in relation to individual decisions and the impact of those decisions over time;
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
- Question Members of the Executive and/or the Head of Paid Service, Executive Directors and Service Managers about their decisions and performance, whether generally in comparison with service plans and targets, over a period of time, or in relation to particular decisions, initiatives or projects;
- Make recommendations to the Executive and/or Council arising from the outcome of the scrutiny process;
- Review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address the Overview and Scrutiny Committee and local people about their activities and performance; and
- Question and gather evidence from any person (with their consent).

Audit and Standards Committee

From May 2017 the Standards Committee and was combined with the Audit Committee into a new Audit and Standards Committee. The Committee is made up of 8 Councillors and normally meets 4 times per year.

When carrying out the Audit function, its purpose is

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

When carrying out the Standards functions, its purpose is

- to promote and maintain high standards of conduct by Members and Co-opted Members of the Council;
- to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity;

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- to put in place arrangements to investigate and make decisions on written allegations against Elected Members both at District and Parish level and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other benefits in cases of maladministration etc.

Community Governance Review Steering Group

The Steering Group is made up of 9 Councillors.

It was established to manage the Community Governance Review (CGR) of Bexhill-on-Sea which was completed in December 2017. The Steering Group managed the process under the terms of reference set by full Council and in accordance with the requirements of the Local Government and Public Involvement in Health Act 2007. The Group was responsible for undertaking the communication and consultation strategy for the review, analysing public consultation responses and making both the draft and final recommendations to Cabinet, via the Overview and Scrutiny Committee. Full Council approved the final recommendation in December 2017 which did not result in the need to complete a community governance order.

Licensing and General Purposes Committee

The Committee is made up of 12 Councillors and normally meets 4 times per year. The Licensing and General Purposes Committee has specific responsibility for:

- Licensing
- Health and Safety at Work Act
- Appeals against any decision made by or on behalf of the authority
- Determination of applications for benefits and discretionary rate relief
- Elections and Electoral Registration
- Parish and Town Council matters
- Standing Orders
- Staffing matters
- Control of pollution, contaminated land and air quality

General Licensing Panel

These are made up of 3 Councillors drawn from the membership of the Licensing and General Purposes and meet ad hoc to deal with business as it arises. The Panels consider all aspects of licence applications, variations, suspensions and revocations across the spectrum of local authority licensing responsibilities.

Planning Committee

The Planning Committee is made up of 14 Councillors and normally meets monthly. The Planning Committee has specific responsibility for:

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

East Sussex Joint Waste Committee

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

These authorities established the Joint Waste Committee in 2011 with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990 by procuring a single Joint Waste Contract which was awarded to Kier Services Limited and started in April 2013 and ends on 28 June 2019.

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

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East Sussex Joint Waste and Recycling Committee

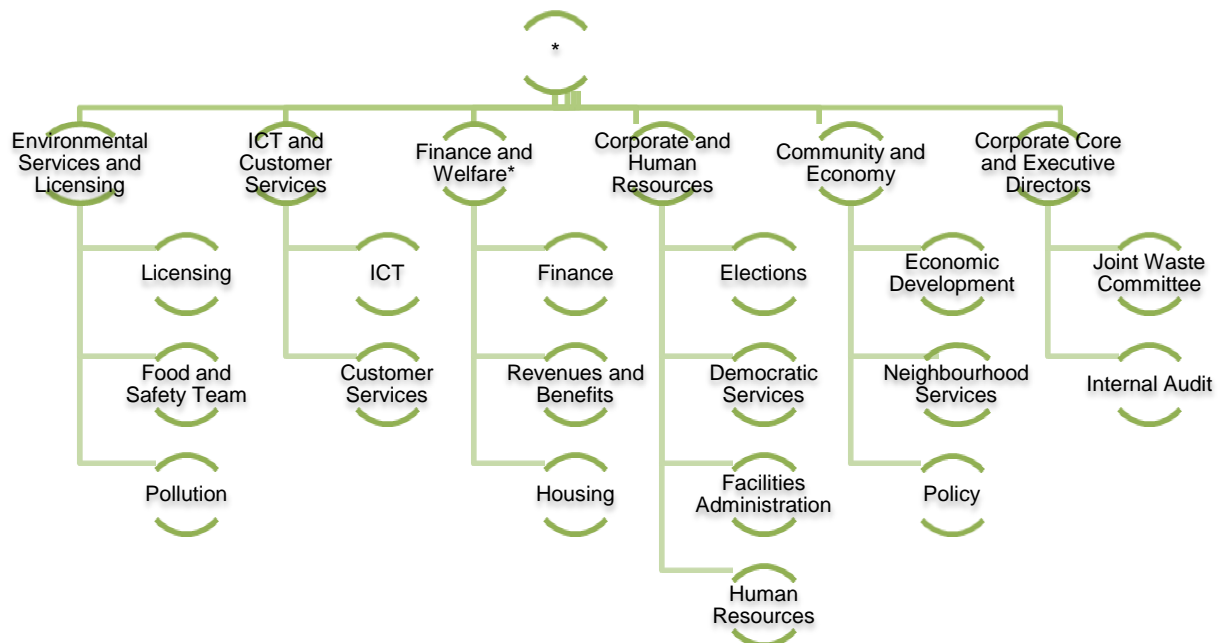
To enable a clear distinction between matters concerning the current Joint Waste Contract and the future procurement decisions for those authorities remaining in the partnership, HBC, RDC and WDC a new Joint Waste and Recycling Committee (JWRC) was established with its inaugural meeting taking place in September 2017. The new committee operates concurrently to the existing JWC and meets consecutively so matters concerning the current contract and matters concerning procurement and the future delivery of services are handled separately.

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

The Management Structure of the Council

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

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



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The above structure was in place for the whole of the financial year. As from 1 June 2018 a revised management and departmental structure is being implemented. At the time of writing this narrative the final details of the changes are still to be agreed. They will however be reflected in the financial management reports of 2018/19 and will be reflected in the next statement of accounts.

Staffing

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

Employees	2016/17	2017/18
Total number of current permanent full and part time employees	251	251
Total number of current temporary / fixed term employees	14	11
Total number of current job share employees	0	0
Total number of employees	265	262
Total number of employees expressed as full time equivalents	226	228

Posts	2016/17	2017/18
Total number of permanent full and part time posts	254	256
Total number of temporary / fixed term posts	16	15
Total number of job share posts	0	0
Total number of posts	270	271
Total number of posts expressed as full time equivalents	228	232

Sickness and accident statistics are shown in the table below:

	2016/17	2017/18
Short term sickness (days per FTE)	2.32	2.85
Medium term sickness (days per FTE)	2.28	2.39
Long term sickness (days per FTE)	5.09	7.50
Overall sickness (days per FTE)	9.69	12.74
Number of accidents	5	3

4. A Summary of the 2017/18 Financial Performance of the Council

General Fund

The Council approved a Council Tax Demand of £6.310 million at its budget meeting in February 2017 resulting in a Council Tax charge for a Band D property of £169.32, an increase of £5.

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

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Rother District Council General Fund Summary

	2017/18 Budget £ (000)	2017/18 Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Community and Economy	4,220	3,518	(702)	-16.6%
Corporate Services and Human Resources	1,129	1,124	(5)	-0.4%
Executive Directors and Corporate Core	817	763	(54)	-6.6%
Environmental Services	546	468	(78)	-14.3%
Finance and Welfare	2,718	3,483	765	28.1%
ICT and Customer Services	1,856	1,651	(205)	-11.0%
Strategy and Planning Development	898	687	(211)	-23.5%
Total Cost of Services	12,184	11,694	(490)	-4%
Interest from Investments	(235)	(337)	(102)	43.4%
Capital Expenditure Charged to Revenue	925	356	(569)	-61.5%
Net Cost of Services	12,874	11,713	(1,161)	-9%
	2017/18 Budget £ (000)	2017/18 Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Parish Precepts	1,573	1,572	(1)	-0.1%
Special Expenses	(715)	(715)	0	0.0%
Business Rates				
Local Share of Business Rates	(7,125)	(7,001)	124	-1.7%
s31 Grants	(836)	(1,345)	(509)	60.9%
Tariff	4,783	4,782	(1)	0.0%
Levy payment on account	392	581	189	48.2%
Revenue Support Grant	(450)	(450)	0	0.0%
Non-Specific Revenue Grants				
New Homes Bonus Grant	(1,117)	(1,123)	(6)	0.5%
Rural Services Delivery Grant	(49)	(49)	0	0.0%
Transition Grant	(71)	(71)	0	0.0%
Other non-specific grant	(3)	(126)	(123)	4100.0%
Local Council Tax Support Grant	(108)	(108)	0	0.0%
Benefits Administration Grant	(257)	(257)	0	0.0%
Homelessness Grant - New Burdens and Preventing Homelessness	0	(54)	(54)	
Flexible Homeless Support Grant	0	(177)	(177)	
Council Tax Requirement (Rother and Parishes)	(7,882)	(7,882)	0	0.0%
Other Financing				
Collection Fund Surplus	(120)	(120)	0	0.0%
Contributions to/(from) Earmarked Reserves	(889)	830	1,719	-193.4%
Total Income	(12,874)	(11,713)	1,161	
Total	0	0	0	

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The General Fund Revenue Budget outturn is a surplus of £0.830 million. When the budget was originally set in February 2017 the Council estimated it would need to make a contribution of (£0.889m) from the General Fund in order to balance the budget. This therefore represents a £1.719 million variance. The main variances are detailed in the sections that follow:-

Community and Economy (£702,000) surplus

- (£184,000) savings on the waste contract contingency provision.
- £119,000 shortfall on Estates and Property. A number of variations make up the overall overspend. These include additional spend on plant equipment at Bexhill and Rye Pools, lift repairs at Bexhill museum, spend on the Colonnade and procurement of specialist property advice. Offsetting this has been reduced sewage and coastal protection spend and an additional £34,000 of back dated rent following the outcome of rent reviews
- (£183,000) net extra income relating to car parking fees.
- (£424,000) mainly in respect of Disabled Facilities Grants committed but not yet spent.

Corporate Services and Human Resources (£5,000) savings

Corporate Core and Executive Directors (£54,000) savings

- (£22,000) from recovered court costs from Legal Services.
- (£23,000) on the Joint Waste Partnership client team.

Environmental Health Service (£78,000) surplus

- (£78,000) This saving represents Rother's share of the savings on the partnership costs. It is mainly as a result of staff vacancies and the reduction in pension rates which came after this budget was agreed by Members in February 2017.

Finance and Welfare £765,000 shortfall

- £377,000 shortfall on temporary accommodation. During the year, due to changes arising from the Homeless Reduction Act and the move to Universal Credit the spend on temporary accommodation increased significantly.
- £272,000 shortfall on Housing Benefit due to reduced recovery on overpaid benefits.
- £150,000 extra spend on the costs of Collection in respect of Council Tax and Business Rates.

ICT and Customer Services (£205,000) surplus

- (£76,000) on communication savings being delivered through the Council's telephone contracts.
- (£143,000) savings in computer services costs.

Strategy and Planning Development (£211,000) saving

- (£120,000) saving on the Local Development Framework, funded from reserves.
- (£50,000) savings on staffing costs in planning.

Other variations

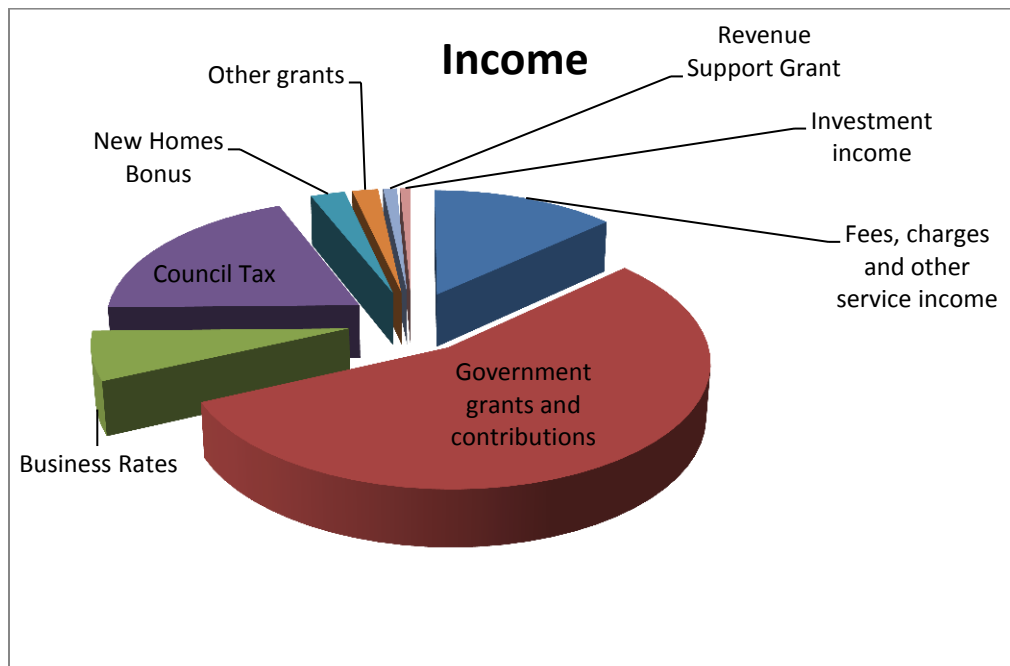
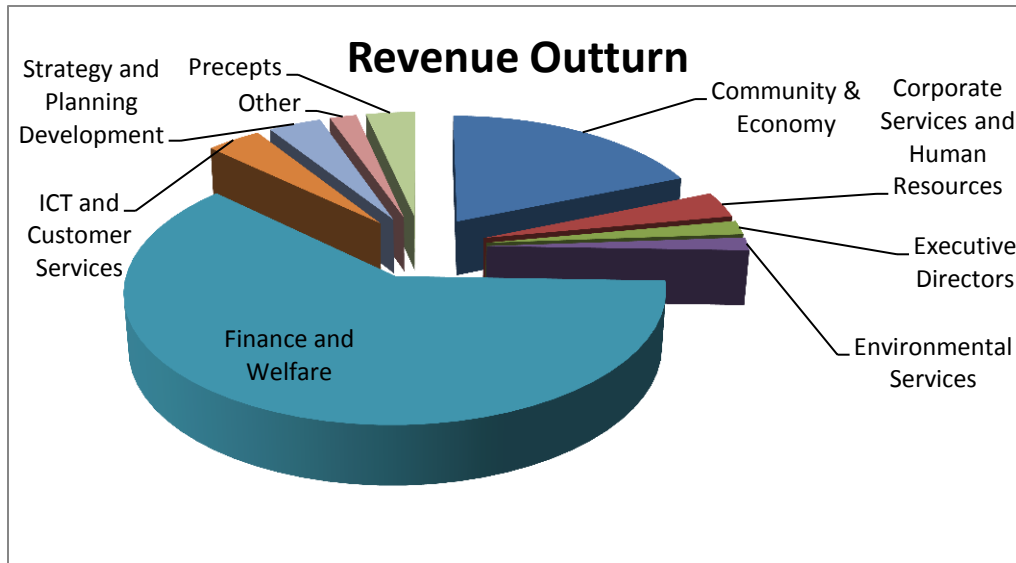
- An extra (£102,000) of income was received due to the additional investment in the Local Authorities Property Fund, as agreed by the Audit Committee.
- £568,000 saving on capital programme items that are items that are charged to the revenue budget
- The Council have received an additional (£126,000) other non-specific grant, (£68,000) New Burdens grant for various welfare changes in DWP, (£27,000) other New Burdens grant and (£30,000) for Custom Build LA

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grant. An additional (£177,000) Flexible Homelessness Support Grant has been received to cover the removal of the management fee from Housing Benefit for temporary accommodation. An additional (£53,000) has been received for preventing homelessness. It is hoped that these grants will be in excess of the additional cost and can help meet some of the financial effect of a rising number of families being placed in temporary accommodation.

- (£197,000) net extra income from Business Rates.

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



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General Fund: Capital Programme

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

Rother District Council

Capital Programme Summary

	2017/18 Budget £ (000)	2017/18 Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Community and Economy				
Community Grants	130	86	(44)	-33.85%
De La Warr Pavilion - Capital Grant	51	51	0	0.00%
Land Swap re Former High School Site	1,085	0	(1,085)	-100.00%
Bexhill Leisure Centre	190	0	(190)	-100.00%
Contribution to Affordable Housing funded by s106	133	133	0	0.00%
Galley Hill	37	36	(1)	-2.70%
Coronation Gardens	0	69	69	
New Bins	13	28	15	115.38%
Fairlight Coastal Protection	0	(35)	(35)	
Beach Huts	24	0	(24)	-100.00%
Finance and Welfare				
Disabled Facilities Grant	1,791	994	(797)	-44.50%
Enterprise Resource Planning System Upgrade	500	447	(53)	-10.60%
ICT and Customer Services				
IT Essential Maintenance Programme	266	0	(266)	-100.00%
IT SAN Replacement	160	150	(10)	-6.25%
Rother 20/20 ICT Investment	300	21	(279)	-93.00%
Corporate Services and Human Resources				
Delegate Conference System	50	0	(50)	-100.00%
Corporate Core				
Corporate Document Image Processing System	350	118	(232)	-66.29%
Total Cost	5,080	2,098	(2,982)	-58.70%

	2017/18 Budget £ (000)	2017/18 Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Funded By:				
Capital Receipts	1,136	484	(652)	-57.39%
Grants and contributions	1,924	1,258	(666)	-34.62%
Capital Expenditure Charged to Revenue	2,020	356	(1,664)	-82.38%
Total Funding	5,080	2,098	(2,982)	-58.70%

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The outturn on the General Fund Capital Programme is an overall underspend of £2.982 million. The reasons for the significant variances are as follows:

- Slippage of £1.085 million on the Land Swap. Work continues to resolve the outstanding issues with ESCC and the land swap for the former Bexhill High School site. Delays will have a knock on effect in progressing the redevelopment of the leisure centre, located adjacent to this site.
- Actual spend in 2017/18 on Disabled Facility Grants (DFGs) was £994,000. The total allocation for 2017/18 of £1.389 million is committed.
- The slippage of project spend on the 20/20 ICT investment scheme, Enterprise Resource Planning System Upgrade, Land Swap, Bexhill Leisure Centre, Corporate Document Image Processing System and the IT essential maintenance has been re-profiled into 2018/19.

Collection Fund

The outturn on the Collection Fund is a deficit of £0.305 million on Business Rates against a budgeted deficit of £0.168 million; and a surplus of £0.965 million on Council Tax against a budgeted surplus of £0.562 million.

5. Strategic Risks

Risk	Impact	Mitigation
Business Rates Reduction in funding and impact of backdating of appeals. Localising of Business Rates will increase this risk from 50% to 75% for Local Authorities.	Adverse financial outcome(s) for the Council in future years.	Continuing to engage with the MHCLG through their consultations.
General Data Protection Regulation The General Data Protection Regulation (GDPR) bill will come into effect on 25th May 2018. There may be changes to the bill over the coming months as it passes through Parliament.	Fines of up to 4% of annual turnover for serious infringements of compliance. Potential implications for the scope and ambition of some transformation initiatives. Implications for the way personal information is requested and stored by department.	A working group has been established and training given to officers to address this issue and the Council's approach is being coordinated by a new, dedicated Data Protection Officer who is shared with Wealden District Council. A review of the process for Privacy Impact Assessments is being carried out.
Reliance on Commercial Income Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents. Particularly in relation to the property investment strategy and the Colonnade restaurant.	A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income.	Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.

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6. Liability for Pensions Costs

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

The Council's net Pension Liability valued on an IAS 19 basis decreased from £21.964 million at 31st March 2017 to £21.669 million at 31st March 2018. It is detailed in Note 8 to the accounts. Gross liabilities have increased by £0.641 million due to changes in the discount rate, this has been offset by increases in the return on assets of £0.936 million.

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

7. Future Plans

The Medium Term Financial Strategy

The budget for 2018/19 was set against further reductions in Government grant. The Council's Medium Term Financial Strategy has been updated to reflect the provisional four-year Funding Settlement announced in December 2015. This also takes into account inflation (both pay and contract), superannuation and national insurance changes.

The medium term financial strategy for the period 2018/19 to 2021/22 is set out in the table below.

NARRATIVE

Rother District Council 2018/19-2022/23 Medium Term Financial Strategy

	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Community and Economy	4,008	4,239	4,343	4,539	4,477
Corporate Services and Human Resources	1,109	1,106	1,109	1,112	1,116
Executive Directors and Corporate Core	809	809	795	795	795
Environmental Services	650	650	650	650	650
Finance and Welfare	3,236	3,190	3,190	3,190	3,190
ICT and Customer Services	1,861	1,861	1,861	1,861	1,861
Strategy and Planning and Development	944	944	944	944	944
Total Cost of Services	12,617	12,799	12,892	13,091	13,033
Interest from Investments	(362)	(362)	(362)	(362)	(362)
Salary inflation 1%		92	184	278	368
Savings from 2020 exercise:					
(i) Increase income - Investment in property fund £3 million	(150)	(150)	(150)	(150)	(150)
(ii) Increase income - investment in property	(240)	(965)	(2,257)	(2,257)	(2,257)
(iii) MRP	0	121	871	871	871
(iv) Interest payments	97	297	694	677	660
(v) Service Prioritisation, Demand Management, Lean and Organisational Form			(120)	(120)	(120)
Waste Collection and Street Cleansing Contract		750	750	750	750
Capital Expenditure Charged to Revenue	2,360	143	130	130	130
Net Cost of Services	14,322	12,725	12,632	12,908	12,923

NARRATIVE

	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Parish Precepts	1,549	1,549	1,549	1,549	1,549
Special Expenses	(715)	(728)	(743)	(757)	(772)
Business Rates					
Local Share of Business Rates	(7,141)	(7,419)	(7,708)	(8,009)	(8,321)
s31 Grants	(1,350)	(1,402)	(1,457)	(1,514)	(1,573)
Tariff	4,926	5,113	5,312	5,519	5,734
Levy payment on account	617	641	666	692	719
Revenue Support Grant	(73)				
Non-Specific Revenue Grants					
New Homes Bonus Grant	(714)	(417)	(84)	(12)	
Rural Services Delivery Grant	(38)	(49)			
Transition Grant					
New Burdens Grant					
Local Council Tax Support Grant	(100)	(100)	(100)	(100)	(100)
Benefits Administration Grant	(233)	(233)	(233)	(233)	(233)
Homelessness Grant - New Burdens	(41)	(43)	(43)	(43)	(43)
Flexible Homeless Support Grant	(203)	(203)	(203)	(203)	(203)
Council Tax Requirement (Parishes and Rother)	(8,129)	(8,449)	(8,779)	(9,129)	(9,489)
Other Financing					
Collection Fund (Surplus)/Deficit	(5)	0			
Contributions to/(from) Earmarked Reserves	(2,672)	(985)	(810)	(668)	(191)
Total Income	(14,322)	(12,725)	(12,633)	(12,908)	(12,923)

The Council planned to save £1.8 million over the 3 years to 2019/20 to balance the future budget. Good progress has been made against this plan with increases in income from business rates due to growth of over £200,000, £100,000 of income from the return on investment in a property fund and £500,000 savings delivered as part of the 2018/19 budget process through efficiencies and income growth.

A further £3million treasury investment will be made into a property fund with an estimated annual return of 5%.

The Council has recently adopted a property investment strategy which is focussed on investment within Rother District in order to facilitate economic regeneration and help secure existing, and develop new, employment space. Any investment must however make a positive financial return and over £700,000 net income has been estimated as part of this strategy. This strategy involves borrowing up to £35 million to invest in property locally. Rother already owns over £10 million of investment property locally, generating a net return of over 6%. It is planned that further property investment will be made and that the difference between the gross return of up to 6.5%, less the cost of interest and minimum revenue provision, will help meet the 2020 efficiency targets and help maintain future sustainability of the Council. The minimum revenue provision is a charge to revenue so that effectively the Council will pay back the cost of the investment in property over the next 40 to 50 years.

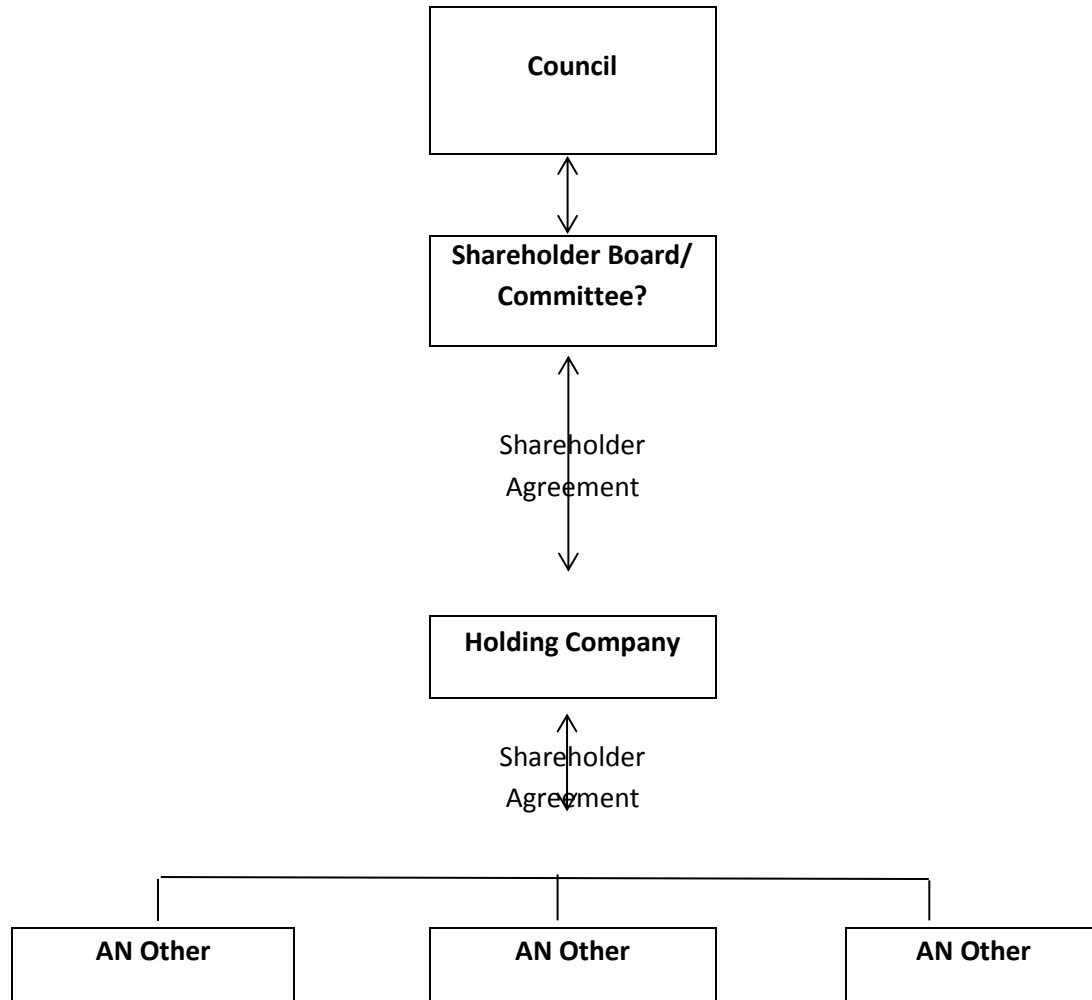
The Revenue Budget for 2018/19 utilises £2.672m of reserves (net of contributions to reserves) in order to meet specific costs including £2.36m to support the Capital Programme as described above.

The total predicted Earmarked Reserves, by the end of March 2019, is estimated to be just over £12.690m.

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To support the Council's income generating ambitions it has been agreed that wholly owned subsidiary companies may need to be established due to current legislation governing such activity. A trading company has been established in the name of Colonnade Bexhill Limited on 13th April 2018, which will allow the new Colonnade restaurant/café to be operated under a trading company.

A possible structure to include a holding company and subsidiary companies to support activities that the Council is shown below.



NARRATIVE

Capital Programme 2018/19 to 2022/23

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

The Capital Programme for 2018/19 to 2022/23 was prepared to mirror the 5 year timeframe of the MTFS.

Rother District Council Capital Programme Summary

	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Community and Economy					
Community Grants	130	130	130	130	130
De La Warr Pavilion - Capital Grant	52	0	0	0	0
Land Swap re Former High School Site	1,085	0	0	0	0
Bexhill Leisure Centre	2,190	0	0	0	0
New Bins	13	13	0	0	0
Beach Huts	95	0	0	0	0
Property Investment Strategy	4,000	10,000	20,000	0	0
Community Led Housing Schemes	390	0	0	0	0
Sidley Sports and Recreation	300	0	0	0	0
East Parade - project A	295	0	0	0	0
East Parade - project D	8	0	0	0	0
Corporate Services and Human Resources					
Delegate Conference System	50	0	0	0	0
Corporate Core					
Corporate Document Image Processing System	203	0	0	0	0
Finance and Welfare					
Disabled Facilities Grant	791	0	0	0	0
Enterprise Resource Planning System Upgrade	36	0	0	0	0
ICT and Customer Services					
IT Essential Maintenance Programme	166	0	0	0	0
Rother 20/20 ICT Investment	458	0	0	0	0
Total Capital Programme	10,262	10,143	20,130	130	130
	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Funded By:					
Capital Receipts	3,057	0	0	0	0
Borrowing	4,845	10,000	20,000	0	0
Capital Expenditure Charged to Revenue	2,360	143	130	130	130
Total Funding	10,262	10,143	20,130	130	130

NARRATIVE

8. Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. There have been no changes to policies.

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

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

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

Statement of Accounts

- **Comprehensive Income and Expenditure Statement** shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation.
- **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.
- **Balance Sheet** shows the value of the Council's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the reporting period.
- **Collection Fund** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

9. Acknowledgements

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



Robin Vennard

Chief Finance Officer

(Assistant Director Resources)

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Rother District Council (RDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. RDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, RDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

RDC has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The local code has been amended to reflect updated framework and guidance issued in 2016. A copy of the Code is on the RDC website or can be obtained from the Service Manager – Corporate and Human Resources, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787862. This statement explains how RDC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

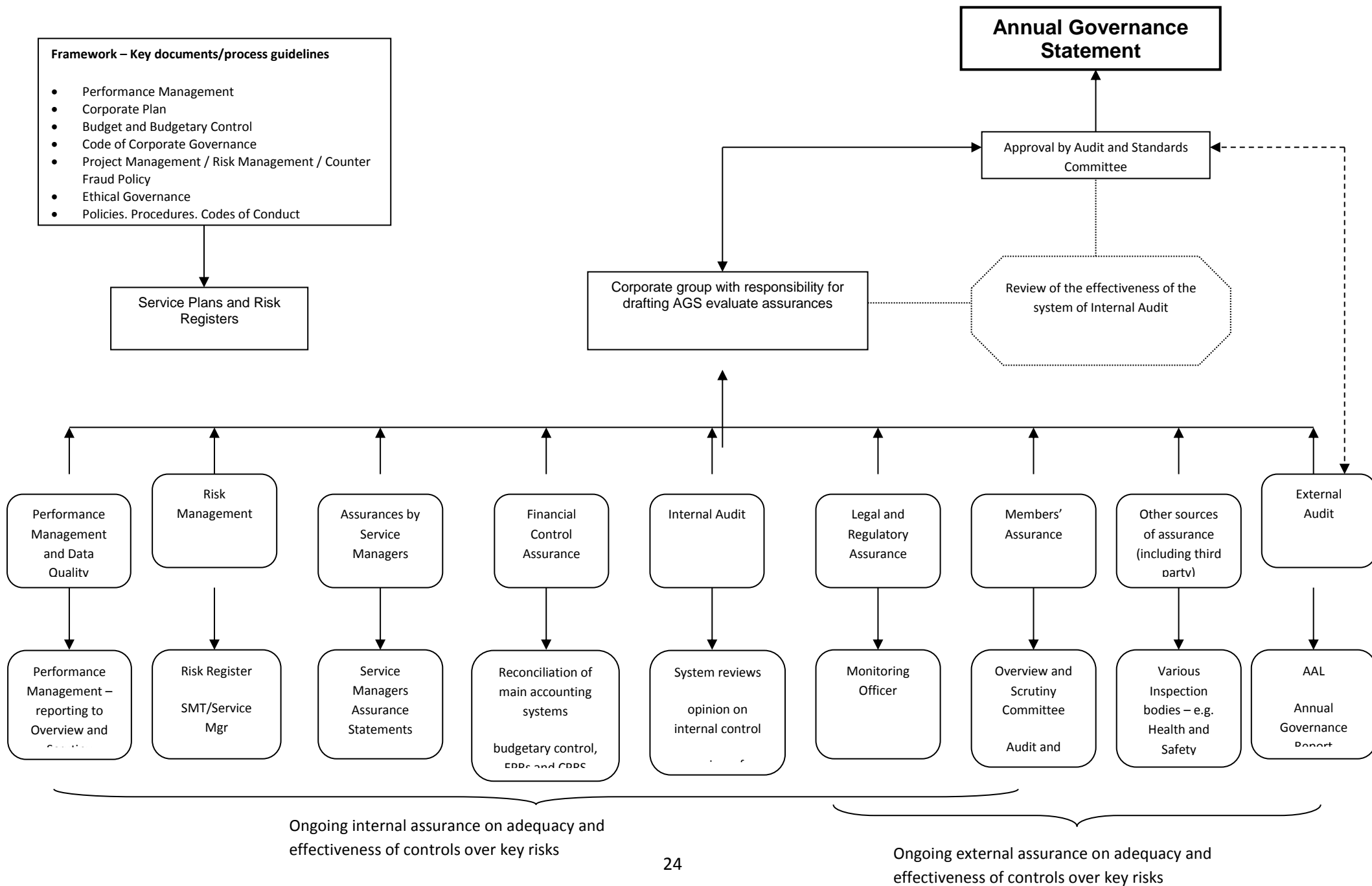
The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designated to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Rother's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Rother for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

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Review of Effectiveness

RDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The way the Council complied with the Code of Corporate Governance is explained below:

PRINCIPLE A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Legal and Regulatory Assurance

The role of Solicitor to the Council entails oversight of all the Council's legal dealings, including as necessary the sealing or signing of formal legal documents. The role of Monitoring Officer entails oversight of the Council's ethical framework, oversight of the Council's Constitution including the proper allocation of functions between the executive, regulatory and scrutiny limbs of the democratic machinery, and the statutory duty to report direct to full Council with respect to any breach of law. Key to the performance of the Monitoring Officer is the vetting of the agenda, reports and minutes of all meetings.

The Service Manager – Corporate and Human Resources was the Council's Monitoring Officer in 2017/18. For 2018/19 this role will be undertaken by the current Democratic Services Manager. The Council's Legal Services are provided by Wealden District Council and their lead officer is the appointed Solicitor to the Council.

Members' Assurance – Audit and Standards Committee

During 2017/18, the Audit and Standards Committee received and scrutinised quarterly reports from the Audit Manager on the reviews carried out and progress against the plan and the year-end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

In carrying out its responsibilities for Standards matters, the Committee also includes three Independent Person(s) and two Parish & Town Councillor representatives, who usually attend meetings of the Audit and Standards Committee twice a year, when standards related matters are considered. Under the Localism Act 2011, the Standards regime changed and Councils were given the responsibility of setting their own Codes of Conduct and procedures for dealing with complaints against Members. The Monitoring Officer is now able to assess all complaints after consultation with one of the Independent Persons and determine what actions, if necessary, should be taken. All valid complaints are reported to the Audit and Standards Committee for information bi-annually. Sanctions for dealing with Councillors who may have breached the Code of Conduct are significantly reduced under the new regime.

In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives a bi-annual report and an annual report on the Council's whole year performance.

Anti-Fraud and Corruption Framework

All officers and Members are signed up to the Council's Anti-Fraud and Corruption Framework. The Framework is made up of five separate but related documents, namely:

- ✓ Anti-Fraud and Corruption Strategy
- ✓ Fraud Response Plan
- ✓ Anti-Bribery Policy
- ✓ Anti-Money Laundering Policy
- ✓ Whistleblowing Policy

The Whistleblowing policy places emphasis on the agreed ethical values of Members and employees, providing protection for individuals to raise concerns in confidence about suspect behaviour and ensuring that any concerns raised are properly investigated.

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PRINCIPLE B - Ensuring openness and comprehensive stakeholder engagement

Full Council, Cabinet, Regulatory and Scrutiny meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication.

The Council's consultation charter sets out how it engages with stakeholders and partners. Rother residents who want to have their say and hear regularly about new opportunities can join the Rother Citizens Panel. Currently there are around 1,000 residents and other interested parties involved. The Council website has a section called "Ask the Leader!" where the Leader of the Council will answer question posted online. The Council has a public question time scheme which allows the public to put questions to the appropriate Member of Cabinet at full Council meetings. Any organisation or anyone who works or lives in the Rother District can submit one written question to full Council attended by all the elected Councillors.

PRINCIPLES C AND D - Defining, optimising and achieving outcomes

The Rother Corporate Plan 2014 - 2021 sets out our vision for the district and priority areas for improvement in quality of life locally. The Corporate Plan is delivered through a programme of projects and complemented by a resetting strategy that seeks to adapt our services to on-going cuts in central grant support. The Corporate Plan is regularly monitored by Members.

Rother's performance management framework is set out in its Annual Report, published on 30 June each year. Objectives and targets are set against the Council's corporate aims:

- An Efficient, Flexible and Effective Council
- Sustainable Economic Prosperity
- Stronger, Safer Communities
- A Quality Physical Environment

Performance is monitored against a key performance indicator (KPI) set recommended by Overview and Scrutiny (OSC) Members in January of each year and subsequently approved by Full Council. Performance against the KPI basket is reported to Members quarterly and includes other areas if performance is giving rise for concern. Details of any remedial action to be undertaken are included in these reports. Benchmarking against other similar authorities and national quartiles where available is a key aspect of performance reporting. Strategic Management Team and the OSC routinely carry out high-level oversight of performance. The Committee recommends actions and resource reallocation for action by Cabinet where appropriate.

The Council's performance reporting system, Pentana, is used to capture and analyse data for the Council. The use of the system has been extended to record data to enable the effective monitoring of the delivery of projects and business plans associated with the Corporate Plan.

The Council shares the system with Wealden District Council and this has brought significant financial savings to both authorities. This management information system incorporates robust data quality features. A regular User Group brings together users from across the Council to share experience and ideas. Data quality is also managed through service representatives across the organisation. Quality control processes include Service Manager sign off, risk assessment and internal auditing of measures and their data.

PRINCIPLE E - Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through staff training to ensure we have the necessary skills for the future. All employees' training and development needs are considered as part of their annual appraisal. The Council is the lead authority for the Sussex Training Consortium which provides access to cost effective training for all Councils across East and West Sussex. The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

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PRINCIPLE F - Managing risks and performance

Risk Management

The Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and officers have in the identification and minimisation of risk. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of meetings of the Strategic Management Team (SMT). Desk top exercises are held on a regular basis to test identified risks against our Business Continuity planning. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but work continues to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk management process and is now available throughout the Council's services.

Financial Control Assurance

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to Cabinet. The quality of reporting is continually under review by Finance and budget managers and improvements have been made this last year.

Internal Audit

Each year an Internal Audit plan of work is agreed by the SMT, the Section 151 Officer and the Audit and Standards Committee. As at 31 March 2018, 96% of the 2017/18 Audit Plan had been completed. This includes all of the core financial audits and most of the audits that had been categorised as high/medium risk within the Plan.

The Audit Manager reports quarterly to the Audit and Standards Committee on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. The Audit Manager reports monthly to the Executive Director of Resources, and quarterly to the Audit and Standards Committee on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. In addition, the SMT and the Section 151 Officer review the effectiveness of Internal Audit annually.

External Audit

External audit provide the Council with an Annual Audit Letter and an Annual Governance report, which reports on the Council's financial performance, value for money and a review of the effectiveness of the governance arrangements.

PRINCIPLE G - Implementing good practices in transparency, reporting, and accountability

All Council decisions are published online together with supporting information to outline why that decision was chosen above other options. The Council has developed both its website and the format of Council reports to improve transparency and accessibility.

The Council reports performance against targets and financial targets on a regular basis. This reporting incorporates services provided by all models of delivery including services shared with other authorities, partnerships and contracted out services. All high risk audit recommendations are reported to the Audit and Standards Committee, to ensure that officers undertake any follow up actions as appropriate.

Significant Governance Issues

In terms of internal control, there have been areas where weaknesses which have been identified through the review of compliance to the local code of corporate governance, Managers' Assurance Statements, Internal Audit and the work of the Audit and Standards Committee and these are commented on below. In addition, there are areas where due to external factors these have potential to adversely impact on the Council.

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Governance issues arising from the review of the Local Code of Corporate Governance

The following summarises progress against the areas for review identified in the 2016/17 statement:

- Counter Fraud Strategy – a draft Counter Fraud Strategy has been produced but is yet to be finalised. The launch of this strategy has been postponed pending the outcome of a proposal by the East Sussex Counter Fraud Hub to fund a fixed-term Investigator post, whose duties may include work in the Hastings and Rother area. If approved, this should boost counter fraud activity in Rother and this will need to be reflected in the strategy.
- Requirements under the new General Data Protection Regulations (GDPR) – as highlighted in 2016/17, the GDPR will replace the Data Protection Act 1998 with effect from 25 May 2018. There continues to be a risk that the Council will not have the necessary procedures in place to meet the new legal requirements. A working group has been established and training given to officers to address this issue and the Council's approach is being coordinated by a new, dedicated Data Protection Officer who we share with Wealden District Council.
- Provision of ethical training – training concerning the Members' code of conduct was undertaken in February 2017.
- Revised Communication Strategy – the Strategic Management Team will be considering communications in the light of the new senior staffing structure and increased focus on delivery of Rother 2020 projects in 2018.
- Revised Procurement Strategy – the Council is working with the East Sussex Procurement Hub to update Procurement Strategies for all member Councils. This work is now long outstanding and needs to be resolved in 2018.
- Update to the Council Workforce Plan – the Workforce Plan is being revisited in light of recommendations arising from a recent Peer Review. The majority of Phase 1 of this work is completed and Phase 2 underway.

Internal Audit Reviews Showing Unacceptable Internal Control Environment

Internal audit reviews identified one service area where the internal control environment was not satisfactory and action needed:

Housing Needs Grants and Loans – only minimal assurance was given to this area of Council activity because the system for providing financial assistance to residents at risk of homelessness was found to be poorly controlled and in need of urgent improvement. A follow-up audit review of this area will take place in 2018/19.

Other issues highlighted by Internal Audit that may impact on the Council include:

Joint Waste Contract – this continues to be an area of significant change following a mutually agreed decision to terminate the existing contract with effect from 28 June 2019. The Council is currently managing the performance of the outgoing contractor while simultaneously concluding a major retendering exercise for the new contract. A Deputy Project Manager has been appointed to assist with the latter.

New Computer Systems – the Council has a number of projects for major new computer systems running concurrently. Some of these projects are now nearing completion, as the systems concerned have recently gone live, but others (notably the financial system upgrade/ replacement, ERP) are still ongoing and will continue to require significant effort to ensure their successful conclusion. A lack of dedicated staff resources, combined with challenging implementation timescales, mean that there is a real risk that not all of these projects will be delivered on time and within budget.

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Other Issues that may impact on the Council

Further Reductions in Government Funding

The reduction in central Government funding continued into 2017/18 with a further reduction of over £0.6m. Total formula grant funding from Government is expected to end by 2019/20. The expectation therefore is that not all current services can continue to be delivered or delivered at existing levels of performance. The Council has put in place a programme of work (Rother 2020) to meet the decline in government funding and aims to deliver cost reductions and increase revenue of £1.8m by 2019/20. A Local Government Association Peer review of the Council took place in 2017 and focused on the ability of the Council to deliver its Rother 2020 programme. The key outcomes from the review were:

- *The Council has a sound financial position, stable services and has identified the need to make significant changes in the way it works.*
- *Members and staff are committed to the district.*
- *Do not let caution temper ambition.*
- *Focus on what will deliver the greatest impact.*
- *Harness the talent in the organisation.*
- *Remember your residents in everything you do.*

The review confirmed that the Rother 2020 programme was deliverable but highlighted the scale of the challenge and the changes required to the Council. Failure to deliver the desired outcomes from the programme will expose the Council to the risk of challenge / failure to meet statutory requirements and the risk of service failure through lack of resources.

It is also becoming apparent that the actions of other public bodies as a result in the decline in funding will start to impact on the Council. Reductions in services, particularly those delivered by the County Council, could have knock on impacts as the public seek the support of the district council instead.

Business Rate Retention Scheme

The outcome of the Government review of the scheme and the fairer funding review is unknown at present and therefore also presents a risk to the future financial stability of the Council.

Capital Programme

At a time of major public funding cuts, the level of investment required under the Council's Corporate Plan is likely to be of a scale beyond the financial ability of the Council, based on traditional funding models. The Council with its Rother 2020 programme will work in partnership with the public, voluntary and private sectors to pool resources but this brings with it a higher risk of failure than projects solely delivered by the Council. To mitigate the risk, the Council will need to demonstrate strong leadership skills to align aspirations and funding to deliver the investment in the area.

Joint Working

It is expected that the Council will continue with its programme of delivering services jointly with other bodies where it helps to maintain or improve services at a reduced cost. Joint working does however reduce the Council's flexibility and ability to redirect its resources when committed to delivery of a service for another Council. The latest service to be delivered is Building Control which is a partnership of four district and borough councils led by Wealden District Council. The new joint service commenced on the 1 April 2017.

Local Government Recruitment

The recruitment of professional level Local Government posts continues to be problematic. There are a range of factors influencing this, but seasoned professionals and specialists are becoming a real issue for Local Government and in particular, semi-rural Councils such as Rother. Our ability to deliver services and projects can be severely compromised by the inability to recruit.

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Emerging Areas of Risk:

Property Investment

The Council plans to acquire property within the district with a view to stimulating economic activity and generating rental income to support the revenue budget. Most of this property investment will be funded by borrowing and this is expected to peak at approximately £35 million by 2021. Whilst the potential gains from such an approach can be very attractive, there can also be significant financial risks if the Council does not invest wisely or fails to secure the expected rental income. The Council will therefore need to carefully consider all property investment opportunities and seek professional advice before making acquisitions. This is why the Council has put in place a Property Investment Panel that comprises Members and Officers who will be supported by specialist valuation and financial advisors.

Colonnade Café/Restaurant

The Council has made the decision to establish and run a new catering operation at the Colonnade on the Bexhill promenade. In doing so, it will be taking on all of the commercial risk for this venture but may benefit from potential financial surpluses should the business prove to be a success. The main challenge facing the Council will be its limited knowledge of this type of operation since it has not run an in-house catering service for many years. However, it plans to overcome this by using a consultant to oversee the set-up of the café/restaurant, and it is looking to employ an experienced catering manager to run it. Internal Audit will give advice at an early stage and review the adequacy of controls once the new catering operation is properly established.

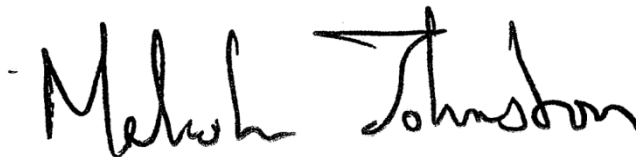
We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Cllr Carl Maynard

Leader of the Council

On behalf of Rother District Council



Malcolm Johnson and Dr Tony Leonard

Heads of Paid Service

On behalf of Rother District Council

STATEMENT OF RESPONSIBILITIES

The Council's Responsibility

The Council is required:

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

The Assistant Director of Resources (as the Chief Financial Officer) Responsibility

The Assistant Director of Resources 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 Assistant Director of Resources 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 Assistant Director of Resources 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 35 to 89 give a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Robin Vennard

Assistant Director Resources

25 July 2018

Approval of Accounts

The accounts were presented to the Audit and Standards Committee on the 25 July 2018 and were authorised by the Chairman of the Committee Councillor Gary Curtis.

Councillor Gary Curtis

Chairman of Audit and Standards Committee

25 July 2018

INDEPENDENT AUDITOR'S REPORT

Opinion on the financial statements

We have audited the financial statements of Rother District Council for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Rother District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Financial report and Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that 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 2018.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Chief Financial Officer and the Council

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which comprises 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 the financial statements give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations or has no realistic alternative but to do so.

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.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 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 National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

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.

Certificate 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 Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Rother District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. 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.

BDO LLP

Leigh Lloyd-Thomas

For and on behalf of BDO LLP, Appointed Auditor

London, UK

27 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016-17				2017-18		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
9,605	(5,024)	4,581	Community and Economy	10,590	(5,204)	5,386
1,632	(379)	1,253	Corporate Services & Human Resources	1,693	(398)	1,295
944	(46)	898	Corporate Core and Executive Directors	899	(49)	850
790	(265)	525	Environmental Services	1,008	(291)	717
29,582	(27,935)	1,647	Finance and Welfare	27,619	(24,658)	2,961
1,891	(92)	1,799	ICT and Customer Services	2,077	(112)	1,965
2,070	(1,350)	720	Strategy and Planning	1,904	(1,013)	891
46,514	(35,091)	11,423	Cost of Services	45,790	(31,725)	14,065
1,319	0	1,319	Parish Council Precepts	1,573	0	1,573
123	0	123	Levies	125	0	125
0	(467)	(467)	(Gains) on the disposal of assets	0	(267)	(267)
1,442	(467)	975	Other Operating Expenditure	1,698	(267)	1,431
874	0	874	Net interest on defined pension liabilities	559	0	559
0	(177)	(177)	Interest receivable and similar income	0	(337)	(337)
148	(2,600)	(2,452)	Income and expenditure in relation to investment properties and changes in their fair value	126	(1,293)	(1,167)
1,022	(2,777)	(1,755)	Financing and Investment Income and Expenditure	685	(1,630)	(945)
0	(8,208)	(8,208)	Council Tax Income	0	(8,719)	(8,719)
4,811	(6,960)	(2,149)	Non Domestic Rates	5,363	(6,869)	(1,506)
0	(1,073)	(1,073)	Revenue Support Grant	0	(450)	(450)
0	(3,795)	(3,795)	Non-ringfenced government grants	0	(3,133)	(3,133)
0	(1,829)	(1,829)	Capital grants and contributions	0	(9)	(9)
4,811	(21,865)	(17,054)	Taxation and non-specific grant income and expenditure	5,363	(19,180)	(13,817)
53,789	(60,200)	(6,411)	(Surplus) or Deficit on Provision of Services	53,536	(52,802)	734
		(3,325)	Surplus on revaluation of non-current assets.			(355)
		122	Valuation (gains) / losses on available for sale financial assets reserve			(45)
		(3,777)	Remeasurement of the net defined benefit pension liability			(1,685)
		(6,980)	Other Comprehensive Income and Expenditure			(2,085)
		(13,391)	Total Comprehensive Income and Expenditure			(1,351)

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2016-17							
Balance at 1 April 2016	1,000	11,363	2,535	777	15,675	12,912	28,587
Movement in Reserves in 2016/17:							
Surplus (deficit) on the provision of services (accounting basis)	6,411	0	0	0	6,411	0	6,411
Other Comprehensive Income and Expenditure	0	0	0	0	0	6,980	6,980
Total Comprehensive Income and Expenditure	6,411	0	0	0	6,411	6,980	13,391
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	(2,873)	0	415	245	(2,213)	2,213	0
Net increase/decrease before transfers to Earmarked reserves	3,538	0	415	245	4,198	9,193	13,391
Transfers to/from Earmarked reserves - <i>note 11</i>	(3,538)	3,538	0	0	0	0	0
Increase in Year	0	3,538	415	245	4,198	9,193	13,391
Balance at 31 March 2017	1,000	14,901	2,950	1,022	19,873	22,105	41,978

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2017/18							
Balance at 1 April 2017	1,000	14,901	2,950	1,022	19,873	22,105	41,978
Movement in Reserves in 2017/18:							
Surplus (deficit) on the provision of services (accounting basis)	(734)	0	0	0	(734)	0	(734)
Other Comprehensive Income and Expenditure	0	0	0	0	0	2,085	2,085
Total Comprehensive Income and Expenditure	(734)	0	0	0	(734)	2,085	1,351
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	1,564	0	(64)	(122)	1,378	(1,378)	0
Net increase/decrease before transfers to Earmarked reserves	830	0	(64)	(122)	644	707	1,351
Transfers to/from Earmarked reserves - <i>note 11</i>	(830)	830	0	0	0	0	0
Increase/(Decrease) in Year	0	830	(64)	(122)	644	707	1,351
Balance at 31 March 2018	1,000	15,731	2,886	900	20,517	22,812	43,329

BALANCE SHEET

31 March 2017 £'000			31 March 2018 £'000
34,563	Property, Plant and Equipment	<i>Note 14</i>	34,283
10,447	Investment Properties	<i>Note 15</i>	10,805
56	Intangible Assets	<i>Note 16</i>	620
3,269	Long Term Investments	<i>Note 20</i>	4,959
57	Long Term Debtors	<i>Note 17</i>	49
48,392	LONG TERM ASSETS		50,716
13	Assets Held for Sale		13
4,345	Short Term Debtors	<i>Note 17</i>	4,158
13	Inventories		34
10,711	Short Term Investments	<i>Note 20</i>	6,125
7,611	Cash and Cash Equivalents	<i>Cash Flow</i>	11,547
22,693	CURRENT ASSETS		21,877
(4,981)	Short Term Creditors	<i>Note 18</i>	(4,981)
(687)	Provisions	<i>Note 19</i>	(698)
(37)	Capital grants receipts in advance	<i>Note 20</i>	(78)
(5,705)	CURRENT LIABILITIES		(5,757)
(1,438)	Capital grants receipts in advance	<i>Note 20</i>	(1,838)
(21,964)	Net Defined Pension liability	<i>Note 8</i>	(21,669)
(23,402)	LONG TERM LIABILITIES		(23,507)
41,978	NET ASSETS		43,329
1,000	General Fund		1,000
14,901	Earmarked Reserves	<i>Note 11</i>	15,731
2,950	Capital Receipts Reserve		2,886
1,022	Capital grants and contributions		900
19,873	USABLE RESERVES		20,517
11,937	Revaluation Reserve		12,084
32,051	Capital Adjustment Account		32,545
186	Deferred capital receipts		45
(21,964)	Pensions Reserve		(21,669)
131	Collection Fund Adjustment Account		0
(155)	Accumulated Absences Account		(157)
(81)	Available for Sale Reserve		(36)
22,105	UNUSABLE RESERVES	<i>Note 12</i>	22,812
41,978	TOTAL RESERVES		43,329

CASH FLOW STATEMENT

2016-17		2017-18	
	£'000		£'000
(15,010)	Taxation	(15,628)	
(33,880)	Grants and Contributions	(30,138)	
(7,075)	Sales of goods and rendering of services	(6,814)	
(184)	Interest received	(326)	
(37)	Other receipts from operating activities	(5)	
(56,186)	Cash inflows generated from operating activities	(52,911)	
7,090	Cash paid to and on behalf of employees	7,438	
26,543	Housing benefit payments	23,453	
4,811	NNDR Tariff payments	5,363	
1,442	Precepts paid	1,698	
8,237	Cash paid to suppliers of goods and services	8,165	
5,206	Other operating cash payments	5,887	
53,329	Cash outflows generated from operating activities	52,004	
(2,857)	Net cashflows from operating activities	(907)	
(435)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(414)	
1,604	Purchase of property, plant and equipment, investment property and intangible assets	467	
36,971	Purchase of short-term and long-term investments	22,740	
(33,500)	Proceeds from the sale of short-term and long-term investments	(25,690)	
0	Other payments for investing activities	113	
(1,755)	Other receipts from investing activities	(723)	
2,885	Net cashflows from investing activities	(3,507)	
177	Changes in Council Tax balances held for preceptors	434	
(234)	Changes in National Non-Domestic Rates balances held for preceptors	44	
(57)	Net cashflows from financing activities	478	
(29)	Net Increase in cash and cash equivalents	(3,936)	
7,582	Cash and cash equivalents 1 April	7,611	
29	Net increase in cash and cash equivalents	3,936	
7,611	Cash and cash equivalents 31 March	11,547	
3	Cash in hand	2	
5,407	Call accounts and short term deposits	5,303	
2,201	Bank balances	6,242	
7,611	Cash and cash equivalents 31 March	11,547	

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. However for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Accounting for Council Tax and Non Domestic Rates

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

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

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than ninety days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the

NOTES TO THE ACCOUNTING STATEMENTS

Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

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

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

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

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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that these benefits are charged to the General Fund in the financial year in which payment is made.

Termination Benefits

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

NOTES TO THE ACCOUNTING STATEMENTS

Post Employment Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by East Sussex County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the East Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the East Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of the Finance and Welfare service
 - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
 - remeasurements comprising:
 - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - contributions paid to the East Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

NOTES TO THE ACCOUNTING STATEMENTS

Discretionary Benefits

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

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. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties), and its available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

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

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

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

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

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

10. Financial Instruments

Financial Liabilities

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

NOTES TO THE ACCOUNTING STATEMENTS

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

- (i) Estimated interest rates at 31 March 2018 of 1.15% based on the average investment rate the Council achieved during 2017/18.
- (ii) Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- (iii) The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

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

Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. The Council currently holds a Government Bond valued at £1.105m at 31 March 2018 based on Link valuation and an investment in a property fund valued at £4.958m at 31 March 2018 and the fair values are based on the quoted market price.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. If impairment losses are incurred these

NOTES TO THE ACCOUNTING STATEMENTS

would be debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

11. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as 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.

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

The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

12. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

NOTES TO THE ACCOUNTING STATEMENTS

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.

13. Intangible Assets

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

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 that authority will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, to the appropriate line in the Comprehensive Income and Expenditure Statement. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

14. Leases

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

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

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

All of the Council's leases have been determined to constitute operating leases.

The Council as Lessee

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

The Council as Lessor

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

NOTES TO THE ACCOUNTING STATEMENTS

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

15. Overheads and Support Services

The recharging of overheads and support services is not reflected in any part of these accounting statements and notes.

16. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 2.9 above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or 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.

NOTES TO THE ACCOUNTING STATEMENTS

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Reclassified assets are depreciated from year of reclassification.

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

Componentisation of Property Assets

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

Disposals

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

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

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

Contingent Assets

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

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

18. Reserves

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

Usable reserves comprise the following:

NOTES TO THE ACCOUNTING STATEMENTS

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

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

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

NOTES TO THE ACCOUNTING STATEMENTS

- Available for Sale Financial Instruments Reserve: this contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
 - revalued downwards or impaired and the gains are lost.
 - disposed of and the gains are realised.

19. Revenue Expenditure Funded from Capital under Statute

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

20. VAT

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

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

This note sets out information regarding the impact of an accounting change that will be required by any new accounting standards that have been issued but not yet adopted by the CIPFA Code of Practice

The changes introduced by the 2018/19 Code that will be relevant to the financial statements of the Council are as follows.

IFRS 9 Financial Instruments

This standard replaces IAS39 Financial Instruments: Recognition and Measurement. The adoption of this standard will result in changes to the classification and measurement of financial instruments and to the measurement of impairment loss allowances for financial assets.

The Council will be required to reclassify its financial assets as either: Amortised Cost, Fair Value through Other Comprehensive Income, or Fair Value through Profit or Loss. This is not expected to have a material impact in the Council's financial statements

The new standard will also require each change in accounting for impairment losses on financial assets by moving to a forward-looking, expected credit loss model. This is a significant change from the current model in which impairment loss allowances are only created if there is evidence of impairment. Under this standard, all financial assets will be assessed for expected credit risk and an appropriate impairment loss allowance recognised. It is not possible at this stage to quantify the expected impact of this change but, whilst it is likely to lead to an increase in the impairment loss allowance recognised, the increase is not expected to be material for the Council based on the nature and level of balances held that will be subject to this assessment.

The adoption of the standard will also introduce enhanced disclosure requirements which will be applied subject to an assessment of their materiality in relation to the Council's financial statements.

The effective date for this standard is 1 April 2018. It will be applied retrospectively but the Code includes substantial transitional arrangements such that the preceding year is not re-stated.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS11 Construction Contracts, IAS18 Revenue and related interpretations. The standard will apply to all contracts with customers except for leases, financial instruments and insurance contracts.

NOTES TO THE ACCOUNTING STATEMENTS

The new standard will require the Council to recognise revenue in such a way that it represents the transfer of promised goods or services to the service recipient(customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. This is not expected to have a material impact on the Council's financial statements due to the nature of our income streams, which are generally predictable and recognised for services delivered at a single point in time.

The effective date for this standard is 1 April 2018. It will be applied retrospectively but the Code includes transitional arrangements such that the preceding year is not re-stated.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

These amendments will require the Council to provide additional disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities.

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

The transactions of this, and several much smaller partnerships, are summarised in Note 22 below.

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

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The main items in the Council's Balance Sheet at 31 March 2018 on which such assumptions have been made are as follows:

Pensions Liability

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

- A 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £9.373m.
- A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £1.527m.
- A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £7.703m.

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

Property, Plant and Equipment

Valuations of property depend on various assumptions, as set out in detail in Note 2.16 above. In particular, valuers have to determine:

- The estimated life of the building.

NOTES TO THE ACCOUNTING STATEMENTS

- Whether or not there is a market for the property in its existing use, which means that they could value at such a market value (EUV). If there is no such market properties are valued at Depreciated Replacement Cost (DRC).

Allowance for impairments of doubtful debts

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

Allowance for impact of rating appeals

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

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to General Fund	2016-17 Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund	2017-18 Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
3,177	1,404	4,581	Community and Economy	3,518	1,868	5,386
1,139	114	1,253	Corporate Services & Human Resources	1,124	171	1,295
883	15	898	Corporate Core and Executive Directors	763	87	850
488	37	525	Environmental Services	468	249	717
2,231	(584)	1,647	Finance and Welfare	3,483	(522)	2,961
1,667	132	1,799	ICT and Customer Services	1,651	314	1,965
676	44	720	Strategy and Planning	687	204	891
10,261	1,162	11,423	Cost of Services	11,694	2,371	14,065
(13,799)	(4,035)	(17,834)	Other Income and Expenditure	(12,524)	(807)	(13,331)
(3,538)	(2,873)	(6,411)	(Surplus) or Deficit on Provision of Services	(830)	1,564	734
Earmarked Reserves	General Fund	Total		Earmarked Reserves	General Fund	Total
£'000	£'000	£'000		£'000	£'000	£'000
11,363	1,000	12,363	Opening balances	14,901	1,000	15,901
0	3,538	3,538	(Surplus) or Deficit on Provision of Services	0	830	830
3,538	(3,538)	0	Transfers between General Fund and earmarked reserves	830	(830)	0
14,901	1,000	15,901	Closing General Fund balance	15,731	1,000	16,731

NOTES TO THE ACCOUNTING STATEMENTS

Adjustments between funding basis and accounting basis

	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2016-17					
Community and Economy	693	53	0	658	1,404
Corporate Services & Human Resources	95	17	0	2	114
Corporate Core and Executive Directors	0	18	0	(3)	15
Environmental Services	0	49	0	(12)	37
Finance and Welfare	0	(467)	0	(117)	(584)
ICT and Customer Services	91	40	0	1	132
Strategy and Planning	0	49	0	(5)	44
Cost of Services	879	(241)	0	524	1,162
Other Income and Expenditure	(4,098)	874	(285)	(526)	(4,035)
Total for 2016-17	(3,219)	633	(285)	(2)	(2,873)

	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2017-18					
Community and Economy	776	298	0	794	1,868
Corporate Services & Human Resources	93	80	0	(2)	171
Corporate Core and Executive Directors	0	85	0	2	87
Environmental Services	0	239	0	10	249
Finance and Welfare	86	(302)	0	(306)	(522)
ICT and Customer Services	88	228	0	(2)	314
Strategy and Planning	0	203	0	1	204
Cost of Services	1,043	831	0	497	2,371
Other Income and Expenditure	(1,002)	559	131	(495)	(807)
Total for 2017-18	41	1,390	131	2	1,564

NOTES TO THE ACCOUNTING STATEMENTS

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

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000
2016-17				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Amortise Intangible Assets	17	0	0	(17)
Depreciation and impairment of non-current assets	862	0	0	(862)
Movements in value of Investment Properties	(1,802)	0	0	1,802
Disposal of non-current assets	104	0	0	(104)
Capital receipts to Usable Capital Receipts Reserve	(571)	445	0	126
Capital grants and contributions to Capital Grants Unapplied Reserve	(1,829)	0	1,829	0
Difference between accounting and statutory employment benefit	(2)	0	0	2
Difference between accounting and statutory credit for Council Tax	29	0	0	(29)
Difference between accounting and statutory credit for Non-Domestic Rates	(314)	0	0	314
Revenue Expenditure Financed from Capital under Statute	1,005	0	0	(1,005)
Difference between accounting and statutory credit for pension costs	633	0	0	(633)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Capital expenditure financed from Capital Receipts	0	(30)	0	30
Capital expenditure financed from Capital grants and contributions	(1,005)	0	(1,584)	2,589
Total for 2016-17	(2,873)	415	245	2,213

NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000
2017-18				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Amortise Intangible Assets	(23)	0	0	23
Depreciation and impairment of non- current assets	(883)	0	0	883
Movements in value of Investment Properties	370	0	0	(370)
Disposal of non-current assets	(12)	0	0	12
Capital receipts to Usable Capital Receipts Reserve	279	(420)	0	141
Capital grants and contributions to Capital Grants Unapplied Reserve	9	0	(9)	0
Difference between accounting and statutory employment benefit	(2)	0	0	2
Difference between accounting and statutory credit for Council Tax	(30)	0	0	30
Difference between accounting and statutory credit for Non-Domestic Rates	(101)	0	0	101
Revenue Expenditure Financed from Capital under Statute	(1,264)	0	0	1,264
Difference between accounting and statutory credit for pension costs	(1,390)	0	0	1,390
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Capital expenditure financed from revenue	356	0	0	(356)
Capital expenditure financed from Capital Receipts	0	484	0	(484)
Capital expenditure financed from Capital grants and contributions	1,127	0	131	(1,258)
Total for 2017-18	(1,564)	64	122	1,378

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

2016-17 Surplus / Deficit on the Provision of Services		2017-18 Surplus / Deficit on the Provision of Services
£'000		£'000
10,067	Employee benefits expenses	10,864
41,401	Other service expenses	40,068
879	Depreciation, amortisation, impairment etc	906
1,442	Precepts and levies	1,698
53,789	Total Expenditure	53,536
(6,872)	Fees, charges and other service income	(5,998)
(1,802)	Investment Properties changes in fair value	(370)
(177)	Interest and investment income	(337)
(15,168)	Council Tax and Non-Domestic Rate income	(15,587)
(35,714)	Grants and Contributions	(30,243)
(467)	Gains on the disposal of assets	(267)
(60,200)	Total income	(52,802)
(6,411)	Net	734

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION SCHEME

2016-17 £'000		2017-18 £'000
	Comprehensive Income and Expenditure Statement	
1,502	Current Service Cost	2,600
<u>1,502</u>	Cost of Services	<u>2,600</u>
874	Net interest expense	559
<u>874</u>	Financing and Investment Income and Expenditure	<u>559</u>
<u>2,376</u>	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	<u>3,159</u>
(13,881)	Return on plan assets, less included in interest expense	50
	Actuarial gains & losses:	
(1,316)	Changes in demographic assumptions	(1,775)
14,462	Changes in financial assumptions	40
(3,042)	Other	0
<u>(3,777)</u>	Remeasurement of the net defined benefit liability	<u>(1,685)</u>
<u>(1,401)</u>	Total Comprehensive Income and Expenditure Statement	<u>1,474</u>
	Movement in Reserves Statement	
2,376	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	3,159
(1,743)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,769)
<u>633</u>		<u>1,390</u>

NOTES TO THE ACCOUNTING STATEMENTS

2016-17		2017-18
£'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	£'000
68,294	Value of Assets at 1 April	83,174
2,365	Interest income on plan assets	2,065
399	Contributions by Members	424
1,743	Contributions by the Employer	1,769
13,881	Return on assets excluding amounts recognised in Other Comprehensive Income	(50)
(3,508)	Benefits Paid	(3,272)
<u>83,174</u>		<u>84,110</u>
2016-17		2017-18
£'000	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	£'000
(93,402)	Value of Liabilities at 1 April	(105,138)
(1,502)	Current Service Cost	(2,600)
(3,239)	Interest Cost	(2,624)
(399)	Contribution by Members	(424)
	Actuarial Gains and (Losses):	
1,316	Change in demographic assumptions	0
(14,462)	Change in financial assumptions	1,775
3,042	Other experience gains and (losses)	(40)
3,508	Benefits Paid	3,272
<u>(105,138)</u>		<u>(105,779)</u>
<u>(21,964)</u>	Net Liability at 31st March	<u>(21,669)</u>

NOTES TO THE ACCOUNTING STATEMENTS

Fair value of employer assets

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

31 March 2017				Asset Category	31 March 2018			
Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	%		Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	%
£,000	£,000	£,000	%		£,000	£,000	£,000	%
				Equity Securities:				
1,549.7	0.0	1,549.7	1.9	Consumer	1,567.2	0.0	1,567.2	1.9
820.1	0.0	820.1	1.0	Manufacturing	829.3	0.0	829.3	1.0
139.8	0.0	139.8	0.2	Energy and Utilities	141.3	0.0	141.3	0.2
2,515.8	0.0	2,515.8	3.0	Financial Institutions	2,544.0	0.0	2,544.0	3.0
1,424.4	0.0	1,424.4	1.7	Health and Care	1,440.4	0.0	1,440.4	1.7
1,185.3	0.0	1,185.3	1.4	Information Technology	1,198.6	0.0	1,198.6	1.4
165.9	281.9	447.8	0.5	Other	167.7	285.0	452.7	0.5
				Debt Securities:				
0.0	2,304.7	2,304.7	2.8	UK Government	0.0	2,330.6	2,330.6	2.8
148.3	0.0	148.3	0.2	Other	150.0	0.0	150.0	0.2
				Private Equity:				
0.0	4,759.6	4,759.6	5.7	All	0.0	4,813.2	4,813.2	5.7
				Real Estate:				
0.0	7,975.4	7,975.4	9.6	UK Property	0.0	8,065.2	8,065.2	9.6
				Investment funds and unit trusts:				
10.2	45,798.2	45,808.4	55.1	Equities	10.3	46,313.7	46,324.0	55.2
0.0	9,595.2	9,595.2	11.5	Bonds	0.0	9,703.1	9,703.1	11.5
0.0	83.5	83.5	0.1	Hedge Funds	0.0	84.5	84.5	0.1
123.2	0.0	123.2	0.1	Commodities	124.5	0.0	124.5	0.1
0.0	919.4	919.4	1.1	Infrastructure	0.0	929.7	929.7	1.1
0.0	90.6	90.6	0.1	Other	0.0	91.6	91.6	0.1
				Derivatives:				
0.0	17.5	17.5	0.0	Foreign exchange	0.0	17.7	17.7	0.0
				Cash and cash equivalents				
2,098.1	1,167.6	3,265.7	3.9	All	2,121.7	1,180.7	3,302.4	3.9
10,180.8	72,993.6	83,174.4	100.0	Totals	10,295.0	73,815.0	84,110.0	100.0

NOTES TO THE ACCOUNTING STATEMENTS

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Hymans Robertson LLP an independent firm of Actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

31 March 2017		31 March 2018
2.4%	Rate of inflation	2.4%
2.8%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.4%
2.5%	Rate for discounting scheme liabilities	2.6%
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre 2008	50%
75%	Post 2008	75%

The projections of liabilities assume the following mortality rates:

31 March 2017		31 March 2018
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.8	Men	23.8
26.3	Women	26.3

Impact on the Council's Cash Flows

The Council anticipates paying £1,615,000 of contributions to the scheme in 2018/19.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

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

2016-17		2017-18
£'000		£'000
(26,608)	DWP benefits subsidy	(23,795)
(1,005)	Grants for revenue financed from capital under statute	(1,127)
(1,404)	Other Grants and Contributions	(1,729)
(29,017)	Total within Cost of Services	(26,651)
(1,073)	Revenue Support Grant	(450)
(123)	New Burdens Grant	(96)
(300)	Benefits Administration Grant	(257)
(1,660)	New Homes Bonus Grant	(1,123)
(712)	Section 31 Grant	(1,345)
(118)	Local Services Support Grant	(108)
(749)	Community Housing Fund	0
(133)	Other non-specific grant	(204)
(1,829)	Grants and contributions towards capital expenditure	(9)
(6,697)	Total within Taxation and non-specific grant income	(3,592)
(35,714)	Total income from grants and contributions	(30,243)

NOTE 10. FEES, CHARGES AND OTHER SERVICE INCOME

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

2016-17		2017-18
£'000		£'000
(2,997)	Community and Economy	(2,949)
(186)	Corporate Services & Human Resources	(232)
(40)	Corporate Core and Executive Directors	(49)
(265)	Environmental Services	(291)
(1,145)	Finance and Welfare	(459)
(92)	ICT and Customer Services	(112)
(1,350)	Strategy and Planning	(983)
(6,075)	Cost of Services	(5,075)
(797)	Investment Properties	(923)
(6,872)	Total	(5,998)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 11. EARMARKED RESERVES

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

	Balance at 31 March 2016 £'000	Transfers out £'000	Transfers in	Balance at 31 March 2017 £'000	Transfers out £'000	Transfers in	Balance at 31 March 2018 £'000
Medium Term Financial Strategy Reserve	3,952	0	1,620	5,572	(2,320)	410	3,662
Economic Development Fund	30	0	0	30	0	0	30
Risk Management Fund	147	0	0	147	0	48	195
Interest Equalisation Reserve	922	0	0	922	(922)	0	0
Repairs and Renewals Reserve	1,135	0	300	1,435	(300)	248	1,383
Corporate Plan Projects Reserve	550	(10)	0	540	(540)	0	0
Invest to Save Reserve	218	0	0	218	(218)	0	0
Affordable Housing Reserve	920	0	0	920	0	1	921
Corporate Development Reserve	1,418	(10)	151	1,559	(1,425)	187	321
Planning Improvement & LDF Reserve	169	(34)	35	170	0	95	265
Housing Benefit Subsidy Reserve	55	0	0	55	(55)	0	0
Homelessness Reserve	127	0	0	127	0	99	226
New Home Bonus Reserve	933	0	0	933	(933)	0	0
Business Rate Equalisation Reserve	787	0	334	1,121	(1,121)	0	0
Grants Reserve	0	0	1,152	1,152	0	559	1,711
Treasury Management Reserve	0	0	0	0	0	7,017	7,017
Total	11,363	(54)	3,592	14,901	(7,834)	8,664	15,731

The purposes of these reserves are set out below:

Medium Term Financial Strategy	A reserve created to help the Council meet our agreed objectives not just now but moving into the future. It is primarily aligned with the Council's Corporate Plan but can also be used to respond to pressures and uncertainties of the current financial climate. The total transfer in for 2017/18 includes the £410,000 budget surplus for the year and the £2,320,000 transferred to the Treasury Management Reserve.
Economic Development	A reserve created to fund one off research, investigation and projects that relate to the economic development of the Rother area.
Risk Management	A reserve to meet expenditure under excess arising from insurance claims.
Interest Equalisation	A reserve created in advance of the financial crisis to deal with unexpected falls in investment income. This reserve has been closed and the balance transferred to the Treasury Management Reserve.

NOTES TO THE ACCOUNTING STATEMENTS

Repair and Renewals	A reserve to fund expected repairs and renewals of the Council's assets.
Corporate Plan Projects	A reserve to fund projects outlined in the Council's Corporate Plan. This reserve has been closed and the balance transferred to the Treasury Management Reserve.
Invest to Save	A reserve used to improve the Council's efficiency and make saving through investment in the services. This reserve has been closed and the balance transferred to the Treasury Management Reserve.
Affordable Housing	A reserve to subsidise social housing providers capital projects relating to the provision of new affordable housing.
Corporate Development	A reserve funding a variety of Council provided services supporting among others Tourism, Economic Development, Democratic Engagement, Staff and Member training etc.
Planning Improvement and LDF	A reserve supporting the development and maintenance of the Council's long term Planning Strategy.
Housing Benefit Subsidy Reserve	A reserve for meeting fluctuations in housing benefit subsidy recovered. This reserve has been closed and the balance transferred to the Treasury Management Reserve.
Homelessness	A reserve to support the prevention of homelessness.
New Homes Bonus Scheme Reserve	A reserve created to help the council manage the expected decline in NHB from 2018/19. This reserve has been closed and the balance transferred to the Treasury Management Reserve.
Business Rates equalisation	A reserve created to address the volatility in business rate income year to year. The Council needs to build a substantial reserve to protect the General Fund for the possible impact of the business rate revaluation in 2017 where it is predicted that rating appeals could be substantial. This reserve has been closed and the balance transferred to the Treasury Management Reserve.
Grant Reserve	A reserve created to hold grants received in one year with no conditions but used in following years.
Treasury Management Reserve	This reserve has been created as part of the 2020 efficiency plan and in accordance with the 2018/19 budget to ensure cash balances remain at £10 million to ensure the Council retains its professional client status.

NOTE 12. UNUSABLE RESERVES

Revaluation Reserve

2016-17		2017-18
£000		£000
8,776	Balance 1 April	11,937
	Comprehensive Income & Expenditure:	
3,325	Gain on revaluation of assets	355
	Accounting / Financing Adjustments:	
(164)	Depreciation charged to Revaluation Reserve	(208)
11,937	Balance 31 March	12,084

NOTES TO THE ACCOUNTING STATEMENTS

Capital Adjustment Account

2016-17		2017-18
£000		£000
29,454	Balance 1 April	32,051
	Accounting / Financing Adjustments:	
(17)	Write down Intangible Assets	(23)
(862)	Depreciation and impairment of non-current assets	(883)
1,802	Movements in value of Investment Properties	370
(104)	Amounts written off on sale of non-current assets	(12)
(1,005)	Revenue Expenditure Financed from Capital under Statute	(1,264)
0	Capital expenditure financed from revenue	356
30	Capital expenditure financed from Capital Receipts	484
	Capital expenditure financed from Capital grants and contributions	1,258
2,589		
164	Depreciation charged to Revaluation Reserve	208
32,051	Balance 31 March	32,545

Deferred Capital Receipts Reserve

2016-17		2017-18
£000		£000
60	Balance 1 April	186
	Accounting / Financing Adjustments:	
126	Deferred receipts received to Capital Receipts Reserve	(141)
186	Balance 31 March	45

Pensions Reserve

2016-17		2017-18
£000		£000
(25,108)	Balance 1 April	(21,964)
	Comprehensive Income & Expenditure:	
3,777	Remeasurement of the net defined benefit liability	1,685
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for pension costs	(1,390)
(633)		
(21,964)	Balance 31 March	(21,669)

NOTES TO THE ACCOUNTING STATEMENTS

Collection Fund Adjustment Account

2016-17		2017-18
£000		£000
(154)	Balance 1 April	131
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for	
(29)	Council Tax	(30)
	Difference between accounting and statutory credit for Non-	
314	Domestic Rates	(101)
131	Balance 31 March	0

Accumulated Absences Account

2016-17		2017-18
£000		£000
(157)	Balance 1 April	(155)
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory employment	
2	benefit	(2)
(155)	Balance 31 March	(157)

Available for Sale Financial Instruments Reserve

2016-17		2017-18
£000		£000
41	Balance 1 April	(81)
	Comprehensive Income & Expenditure:	
	Gain/(Loss) on revaluation of available for sale financial	
(122)	instruments	45
(81)	Balance 31 March	(36)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 13. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure charged in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2016-17 £'000		2017-18 £'000
1,091	Opening Capital Financing Requirement 1 April	1,091
	<i>Capital Investment</i>	
1,584	Property, Plant and Equipment	248
30	Intangible assets	587
1,005	Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,264
	<i>Sources of finance</i>	
(30)	Capital receipts	(484)
(1,584)	Government grants and other contributions	(131)
0	Sums set aside from revenue and reserves	(356)
(1,005)	Grants and contributions towards REFCUS	(1,127)
<hr/> 1,091	Closing Capital Financing Requirement 31 March	<hr/> 1,092

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

31 March 2017 £'000		31 March 2018 £'000
34,563	Property, Plant and Equipment	34,283
10,447	Investment Properties	10,805
56	Intangible Assets	620
13	Assets Held for Sale	13
(11,937)	Revaluation Reserve	(12,084)
(32,051)	Capital Adjustment Account	(32,545)
<hr/> 1,091		<hr/> 1,092

The continuing balance of £1,092,000 represents an "Item A" adjustment dating back to 2004: this is the agreed historic amount on which it is not necessary to provide the annual Minimum Revenue Provision (MRP) for repayment of debt. MRP would be payable for any capital expenditure financed from loan in the future.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infra-structure	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
Opening value 1 April 2016	15,298	1,226	12,976	30	3,638	33,168
Additions	0	0	1,584	0	0	1,584
Disposals	(91)	(221)	0	0	0	(312)
Impairment losses	(7)	0	0	0	(10)	(17)
Reclassifications	25	0	30	(30)	242	267
Revaluations	1,147	0	0	0	1,133	2,280
Value 31 March 2017	16,372	1,005	14,590	0	5,003	36,970
Cumulative Depreciation:						
Opening value 1 April 2016	(690)	(502)	(1,727)	0	0	(2,919)
Charge for the year	(447)	(140)	(259)	0	0	(846)
Disposals	91	221	0	0	0	312
Reclassifications	1	0	0	0	0	1
Revaluations	1,045	0	0	0	0	1,045
Balance 31 March 2017	0	(421)	(1,986)	0	0	(2,407)
Net book value 31 March 2017	16,372	584	12,604	0	5,003	34,563

	Land & Buildings	Vehicles Plant etc	Infra-structure	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
Opening value 1 April 2017	16,372	1,005	14,590	0	5,003	36,970
Additions	0	284	(36)	0	0	248
Disposals	0	(202)	0	0	0	(202)
Impairment losses	0	0	0	0	(1)	(1)
Revaluations	(48)	0	0	0	203	155
Value 31 March 2017	16,324	1,087	14,554	0	5,205	37,170
Cumulative Depreciation:						
Opening value 1 April 2017	0	(421)	(1,986)	0	0	(2,407)
Charge for the year	(483)	(109)	(290)	0	0	(882)
Disposals	0	202	0	0	0	202
Revaluations	200	0	0	0	0	200
Balance 31 March 2018	(283)	(328)	(2,276)	0	0	(2,887)
Net book value 31 March 2018	16,041	759	12,278	0	5,205	34,283

NOTES TO THE ACCOUNTING STATEMENTS

Assets are revalued on a 5-year programme and the last major review was carried out as at 31 March 2017 by DVS, the property services' arm of the Valuation Office Agency. The useful economic life of operational land and buildings was also assessed. An annual desktop assessment is also carried out at the end of each financial year, and the values are updated where necessary. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

The Council's surplus properties consist of various parcels of land which are surplus to operational requirements, but which are not yet being actively marketed. There are no quoted prices for identical assets, but there are values available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year.

Capital Commitments

A number of sites previously owned by Rother District Council are now occupied by East Sussex County Council as part of the development of the Bexhill to Hastings link road, Coombe Valley Way. The values of these sites were impaired to zero in 2013/14. Because there are several complex legal issues to resolve, the formal transfer of title had not taken place at the balance sheet date. As part of this transfer the Council will receive in return land at the former Bexhill High School site which has been valued at £1.085m. The commitment to purchase this site has been included in the Capital Programme, but the legal issues have meant that the Council has been unable to complete the transaction.

At 31 March 2018 there were no other commitments relating to capital expenditure on Property Plant and Equipment.

NOTE 15. INVESTMENT PROPERTIES

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

2016-17		2017-18
£'000		£'000
(798)	Rental income from investment property	(923)
148	Direct operating expenses arising from investment property	126
(1,802)	Net gains from fair value adjustments	(370)
<u>(2,452)</u>	Total	<u>(1,167)</u>

Balance Sheet movements in Investment Properties during the year:

2016-17		2017-18
£'000		£'000
8,945	Balance at start of the year	10,447
(75)	Disposals	(12)
1,802	Net gains from fair value adjustments	370
(225)	Assets reclassified to Property Plant & Equipment	0
<u>10,447</u>	Balance at end of the year	<u>10,805</u>

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 2.9 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 16. INTANGIBLE ASSETS

2016-17		2017-18
£'000		£'000
122	Gross Carrying Amount 1 April 2017	152
(79)	Accumulated Amortisation 1 April 2017	(96)
43	Net Carrying Amount at start of year	56
30	Additions	587
0	Disposals	0
(17)	Amortisation	(23)
56		620
152	Gross Carrying Amount 31 March 2018	649
(96)	Accumulated Amortisation 31 March 2018	(29)
56	Total	620

NOTE 17. DEBTORS

31 March 2017		31 March 2018
£'000		£'000
	Amounts falling due within one year:	
17	Central government bodies	550
523	Other Local Authorities & Public Bodies	874
3,805	All other bodies	2,734
4,345	Total short term debtors	4,158
57	Amounts falling due after one year (all other bodies)	49
4,402	Total Debtors	4,207

NOTE 18. CREDITORS

31 March 2017		31 March 2018
£'000		£'000
	Amounts falling due within one year:	
(1,465)	Central government bodies	(2,549)
(1,197)	Other Local Authorities	(756)
(32)	Public Corporations	0
(2,287)	All other bodies	(1,676)
(4,981)	Total short term creditors	(4,981)

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 19. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

The Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision increased from £687,000 to £698,000 during 2017/18.

Contingent Liabilities

Municipal Mutual Insurance Limited (MMI)

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

The Scheme Administrator, Ernst & Young LLP had originally determined that a levy rate of 15% shall be applied to the value of claims paid since 30th September 1993. There remains a potential liability for a further £179,451. The trigger event related to the Supreme Court ruling on the 28th March 2012 which said that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

NOTE 20. CAPITAL GRANTS RECEIPTS IN ADVANCE

31 March 2017		31 March 2018
£'000		£'000
	Amounts falling due within one year:	
	S106 Land off Pebsham Lane Employment Contribution - short	
0	term	77
37	S106 Amber Rise	0
0	Other	1
37	Total short term capital grants received in advance	78
	Amounts falling due after one year (all other bodies)	
918	S106 Unit 10 Ravenside, Bexhill-on-Sea	914
520	S106 Land off Pebsham Lane, Bexhill	605
0	S106 Station Road, Northiam	283
0	S106 The Saltings	36
1,438	Total long term capital grants received in advance	1,838

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. Further spend against this of £4,000 was made in 2017/18. The balance at 31 March 2018 was £914,000, compared to £918,000 at 31 March 2017.

On the 13 May 2015, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Pebsham Lane, Bexhill-on-Sea. The agreement resulted in 3 payments to the Council totalling £520,000. £134,000 was for a new leisure centre, £277,000 for maintenance of pitches and £109,000 was for creation of a Countryside Park. The monies have to be expended within 10 years of the date of the

NOTES TO THE ACCOUNTING STATEMENTS

agreement or they will have to be repaid to the property owner plus interest. £109,000 was paid out in 2017/18 to the Coombe Valley Countryside Park. A further £193,000 was received for arts and public realm, £28,000 for a community worker and £77,000 employment contribution. The balance at the 31st March 2018 is £709,000.

On the 15 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ambers Rise, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £37,000 which was received for the provision of a play space and facilities. This has been spent on play equipment at Galley Hill in 2017/18.

NOTE 21. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

31 March 2017			31 March 2018	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
57	57	Loans and Receivables	49	49
3269	3269	Available for sale financial assets	4,959	4,959
3,326	3,326	Long term Assets	5,008	5,008
10,711	10,717	Loans and Receivables	5,018	5,015
0	0	Available for sale financial assets	1,107	1,105
10,711	10,717	Short term Investments	6,125	6,120
849	849	Other Short Term Debtors	468	468
1,258	1,258	Trade accounts receivable	1,251	1,251
2,107	2,107	Short Term Debtors	1,719	1,719
5,407	5,411	Bank deposits less than 3 months	5,303	5,313
2,204	2,205	Cash and bank accounts	6,244	6,085
7,611	7,616	Cash and Cash Equivalents	11,547	11,398
23,755	23,766	Total Financial Assets	24,399	24,245

There are two Available-for Sale financial assets. The first a government gilt with a market value of £1.105m. This gilt is due to mature on 22nd July 2018. The second is a £5 million investment in the Churches, Charities, Local Authorities' (CCLA) Property Investment Fund which has been valued at £4.959 million. Although there is a £0.041 million notional loss it is expected that in the long term there will be a gain. The funds are can currently be withdrawn by serving notice, the fund advisors advise this can take between 1 to 6 months to complete.

NOTES TO THE ACCOUNTING STATEMENTS

31 March 2017			31 March 2018		
Book			Book		
Value	Fair Value		Value	Fair Value	
£,000	£,000		£,000	£,000	
(1,884)	(1,884)	Short Term Creditors	(1,511)	(1,511)	
<u>(1,884)</u>	<u>(1,884)</u>	Short Term Liabilities	<u>(1,511)</u>	<u>(1,511)</u>	

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 2.9 above. The Available for Sale assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

Income Expense, Gains and Losses

- The Council received £337,000 income from interest on Loans and Receivables, as disclosed in the Comprehensive Income and Expenditure Statement, compared to £177,000 in 2016/17.
- A total of £45,000 was written off as impairment of sundry debtors compared to £38,000 in 2016/17.
- The Council gained £45,000 on the increase in value of its Available for Sale financial asset, compared to a loss of £102,000 in 2016/17.

Nature and Extent of Risks arising from Financial instruments

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the resources available to fund services. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the Annual Treasury Management Strategy Statement and Annual Investment Strategy, which govern the maximum type of investment risk to which the Council can be exposed.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria using the Link Asset Services creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies (Fitch, Moody's and Standard and Poor's) overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Council's Treasury Management Strategy Statement and Annual Investment Strategy. Credit limits are set for each institution where deposits are placed.

The credit criteria in respect of the financial assets held by the Council at 31 March 2018 are summarised below.

- All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.
- The total principal funds invested for up to 6 months is 50%
- The total principal funds invested for up to 3 months is 50%
- The total principal funds invested for up to 1 year is 30%

NOTES TO THE ACCOUNTING STATEMENTS

- v. The total principal funds invested for more than 1 year is £10million

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2017/18 of past experience:

The council does not generally allow credit for customers such that £411,000 is past due for payment. The past due not impaired is analysed as follows'

31 March 2017 £'000		31 March 2018 £'000
13	1st reminder - 28 to 42 days	32
38	2nd reminder - 42 to 56 days	15
270	Legal recovery	364
321	Total	411

Debtors include trade receivables of £1,251,000 as at 31 March 2018 (£1,258,000 as at 31 March 2017). The historical experience of default is 7% (31 March 2017 12%) with an estimated exposure to default of non-collection of £86,000 (31 March 2017 £147,000). The Council has provided £86,000 (31 March 2017 £147,000) as a general impairment allowance for non-collection of this debt.

Deposits with Banks and Financial Institutions	Capita Asset Services	Fitch	Moody's	Standard and Poor's	Amount at 31 March 2018 £'000	Historical Experience of Default %	Estimated maximum exposure to default and uncollectability at 31 March 2018 £'000
Deposits more than 3 months							
Nat West	Blue	F2	P-1	A-2	5,018		
UK Gilt	UK Sovereign Rating				1,107		
					6,125	0	0
Short-Term Deposits - less than 3 months (excluding accrued interest)							
Lloyds Bank Plc.	Orange	F1	P-1	A-1	6,242		
Bank of Scotland	Orange	F1	P-1	A-1	5,300		
Santander UK plc.	Red	F1	P-1	A-1	2		
Barclays Bank	Red	F1	P-1	A-1	1		
					11,545	0	0
Customer Debtors					1,251	7.00%	86
Total					18,921		86

NOTES TO THE ACCOUNTING STATEMENTS

Liquidity Risk

The Council has a robust cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the Public Works Loans Board for long term funding and substantial reserves. Interest rate risk is managed through the Council's Medium Term Financial Strategy Reserve. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance. The average investment rate for the reported year was 1.15%.

If interest rates had been 1% higher as at 31 March 2018 with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	292
Impact on Surplus/Deficit on Provision of Services	292

Price Risk

The Council held at 31st March 2018 UK Government Gilts valued at £1.105m. A shift of 1% in the market value of the gilt would therefore have resulted in a gain or loss of £11,049.

The Council held at 31st March 2018 an investment in the Local Authorities' (CCLA) Property Fund valued at £5m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £49,588.

NOTE 22. AGENCY EXPENDITURE AND INCOME

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

There are two other lead authority arrangements, under which expenditure is initially incurred by this Council and recharged to the partner councils. These arrangements cover Rother and Wealden Environmental Health Shared Service and the Sussex Training Consortium. In each case Rother bears the cost of support services charges associated with the running of the partnerships and so the support services are excluded from total expenditure in the relevant columns shown below. In case of the Environmental Health Shared Service income from fees and charges is accounted for by each of the councils separately and does not feature in the table below.

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

NOTES TO THE ACCOUNTING STATEMENTS

	Joint Waste	Environmental Health	Sussex Training Consortium
	£'000	£'000	£'000
Total expenditure	13,252	1,618	113
Income	0	(63)	0
Net Cost	13,252	1,555	113
Recharged to Rother District Council	(3,068)	(592)	(18)
Recharged to partner councils	(10,228)	(963)	(95)
Total recharges	(13,296)	(1,555)	(113)
Net (Surplus) *	(44)	0	0

	Joint Waste	Environmental Health	Sussex Training Consortium
	£'000	£'000	£'000
Total expenditure	13,091	1,581	96
Income	(25)	(30)	(4)
Net Cost	13,066	1,551	92
Recharged to Rother District Council	(3,044)	(555)	(18)
Recharged to partner councils	(10,067)	(996)	(74)
Total recharges	(13,111)	(1,551)	(92)
Net (Surplus)*	(45)	0	0

* to meet Rother's support costs

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 23. LEASES

Council as a Lessee

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

31 March 2017		31 March 2018
£'000		£'000
75	Not later than one year	45
95	Later than one year and not later than five years	93
<u>170</u>		<u>138</u>

Council as Lessor:

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

31 March 2017		31 March 2018
£'000		£'000
586	Not later than one year	610
2,170	Later than one year and not later than five years	2,159
24,360	Later than five years	25,450
<u>27,116</u>		<u>28,219</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 the Council received £288,000 in contingent rents, compared to £417,000 in 2016/17.

NOTE 24. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2016-17		2017-18
£'000		£'000
217	Members Allowances	226
<u>9</u>	Travelling Expenses	<u>9</u>
<u>226</u>		<u>235</u>

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 25. OFFICERS' REMUNERATION AND EXIT PACKAGES

Senior Officer Remuneration

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

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions	Total Remun- eration
	£	£	£	£	£
Financial Year: 2017-18					
Executive Director of Business Operations	94,874	0	0	16,653	111,527
Executive Director of Resources	96,030	0	0	16,653	112,683
Service Manager Finance and Welfare	73,413	0	0	12,571	85,984
Service Manager Strategy and Planning	64,960	0	0	11,045	76,005
Service Manager Corporate Resources and HR	64,960	0	0	11,045	76,005
Service Manager Environmental Services	64,241	0	0	11,045	75,286
Service Manager Community and Economy	67,890	0	0	11,045	78,935
Service Manager ICT & Customer Services	38,899	0	30,000	39,223	108,122

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions	Total Remun- eration
	£	£	£	£	£
Financial Year: 2016-17					
Executive Director of Business Operations	94,073	0	0	18,854	112,927
Executive Director of Resources	94,852	0	0	18,854	113,706
Service Manager Finance and Welfare	72,524	0	0	14,233	86,757
Service Manager Strategy and Planning	64,179	0	0	12,505	76,684
Service Manager Corporate Resources and HR	64,179	0	0	12,505	76,684
Service Manager Environmental Services	63,505	0	0	12,505	76,010
Service Manager Community and Economy	64,179	0	0	12,505	76,684
Service Manager ICT & Customer Services	64,179	0	0	12,505	76,684

NOTES TO THE ACCOUNTING STATEMENTS

Salaries of over £50,000

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

2016-17		2017-18
3	£50,000 - 54,999	4
0	£55,000 - 59,999	0
5	£60,000 - 64,999	3
0	£65,000 - 69,999	2
0	£70,000 - 74,999	1
1	£75,000 - 79,999	0
0	£80,000 - 84,999	0
0	£85,000 - 89,999	0
2	£90,000 - £94,999	1
0	£95,000 - £99,999	1
11		12

Exit Packages

2016-17				Banding	2017-18			
Number of exit packages			Cost		Number of exit packages			Cost
Compuls. Redund.	Other departures	Total exit packages	Total		Compuls. Redund.	Other departures	Total exit packages	Total
			£					£'000
0	0	0	0	£0 - 20,000	1	0	1	2
0	0	0	0	£20,001 - 40,000	0	0	0	0
0	0	0	0	£40,001 - 60,000	0	0	0	0
0	0	0	0	£60,001 - 80,000	0	1	1	73
0	0	0	0	£80,001 - 100,000	0	0	0	0
0	0	0	0	£100,001 - 150,000	0	0	0	0
0	0	0	0		1	1	2	75

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 26. EXTERNAL AUDIT COSTS

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

2016-17 £'000		2017-18 £'000
48	External audit services	48
10	Other services	10
<hr/> 58		<hr/> 58

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

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2017/18 grants and payments to the value of £1,468,840 as shown below, were paid to organisations in which Members had an interest. The grants and payments were made with proper consideration of declarations of interest. These Members did not take part in any discussion or decision relating to the grants or payments.

NOTES TO THE ACCOUNTING STATEMENTS

2016-17		2017-18
£		£
520,926	De La Warr Pavilion Trust	540,000
257,644	East Sussex County Council	228,138
0	Amicus Horizon Area Panel	135,215
118,776	Romney Marsh Internal Drainage Board	121,121
5,610	Action in Rural Sussex	121,000
0	Combe Valley Community Interest Company	108,980
85,000	Rother District Citizens Advice Bureau	85,000
47,040	Rother Voluntary Action	56,882
11,370	Hastings Advice & Representation Centre	19,950
10,464	Local Government Association	11,443
8,400	Hastings and Rother Mediation Service	9,050
5,262	South East Employers	8,794
8,803	Bexhill Museum Association	8,594
0	Sussex Wildlife Trust	4,600
3,000	Bexhill Town Forum	4,000
0	Robertsbridge Children's Services	2,123
1,000	Hastings Furniture Service	1,601
0	Bexhill Youth and Community Association	1,000
0	St Mary the Virgin Church Battle PCC	557
330	District Councils Network	492
0	Etchingham Trust for Sport and Recreation	300
913	Etchingham Parish Council	0
1,317	Hurst Green Parish Council	0
101	Playden Parish Council	0
2,500	Seaview Project	0
1,500	Rye & District Chamber of Commerce	0
875	Tourism South East	0
1,090,831	Total	1,468,840

Officers

During 2017/18 officers with pecuniary interests made appropriate declarations during Committee meetings and took no part of decision making. Interests are recorded in the minutes of the relevant meetings and are available at www.rother.gov.uk. There were no related party transactions in the year between the Council and officers.

East Sussex County Council pension fund

The Council made payments totalling £1,769,000 during 2016/17 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,743,000 in 2016/17. Note 8 provides further information on the Council's pension arrangements.

NOTES TO THE ACCOUNTING STATEMENTS

Members elected to East Sussex County Council

During 2017/18 there were 6 Members of Rother District Council who were also members or related to members of East Sussex County Council listed below:

- Councillor Mr J Barnes
- Councillor Mrs K Field
- Councillor C Maynard
- Councillor C Clark
- Councillor S Earl
- Councillor Elford
- Councillor Mrs M.L. Barnes (related)
- Mrs D.C. Earl-Williams (related)

COLLECTION FUND STATEMENT AND NOTES

2016-17 £'000		2017-18 £'000
	<u>Council Tax</u>	
	INCOME	
(63,892)	Income from Council Taxpayers	(67,537)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
46,081	East Sussex County Council	48,974
5,481	Sussex Police Authority	5,735
3,192	East Sussex Fire Authority	3,294
8,082	Rother District Council	8,597
	Apportionments of previous year surplus	
865	East Sussex County Council	870
104	Sussex Police Authority	104
61	East Sussex Fire Authority	60
155	Rother District Council	153
	Bad & Doubtful Debts	
42	Write offs of uncollectable income	48
31	Provision for uncollectable income-addition / (reduction)	(73)
64,094		67,762
202	Movement on Fund Balance – deficit	225
	FUND BALANCE FOR COUNCIL TAX	
(1,392)	Balance brought forward	(1,190)
202	Deficit for year	225
(1,190)	Balance – surplus carried forward	(965)

2016-17		2017-18
£'000		£'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(17,711)	Income from Ratepayers	(16,520)
	Apportionments of previous year deficit	
(418)	Government	(40)
(73)	East Sussex County Council	(7)
(8)	East Sussex Fire Authority	(1)
(326)	Rother District Council	(32)
0	Transitional relief	(973)
<hr/>		<hr/>
(18,536)	Total	(17,573)

COLLECTION FUND STATEMENT AND NOTES

EXPENDITURE

	Precepts and demands on Collection Fund	
8,715	Government	8,752
1,569	East Sussex County Council	1,575
174	East Sussex Fire Authority	175
6,972	Rother District Council	7,001
	Apportionments of previous year surplus	
10	Government	0
0	East Sussex County Council	0
0	East Sussex Fire Authority	0
0	Rother District Council	0
47	Transitional Relief	0
	Bad & Doubtful Debts	
40	Write offs of uncollectable income	63
31	Provision for uncollectable income	83
	Impairments resulting from appeals	
46	Provision for uncollectable income	29
147	Transfer to General Fund - Cost of Collection Allowance	146
17,751		17,824
(785)	Movement on Fund Balance – (surplus)/deficit	251

FUND BALANCE FOR NON-DOMESTIC RATES

839	Balance brought forward	54
(785)	(Surplus) / deficit for year	251
54	Balance - deficit carried forward	305

COLLECTION FUND BALANCE

(553)	Balances brought forward	(1,136)
(583)	(Surplus) / deficit for year	476
(1,136)	Balance - surpluscarried forward	(660)

NOTE 1. GENERAL

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

NOTE 2. COUNCIL TAX

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

COLLECTION FUND STATEMENT AND NOTES

Band & Value	Number of Chargeable Dwellings Total	Relationship to Band D	Band D Equivalent £
Band A - up to £40,000 (disabled)	4	5/9	(1.38)
Band A - up to £40,000	4,595	6/9	1989.70
Band B - over £40,000 up to £52,000	7,040	7/9	3715.42
Band C - over £52,000 up to £68,000	9,742	8/9	6657.02
Band D - over £68,000 up to £88,000	8,899	-	7562.73
Band E - over £88,000 up to £120,000	7,180	11/9	7834.30
Band F - over £120,000 up to £160,000	3,792	13/9	5017.98
Band G - over £160,000 up to £320,000	2,591	15/9	4031.61
Band H - over £320,000	236	18/9	453.59
	44,079		37,260.97

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

NOTE 3. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2017/18 were:

- 46.6p for qualifying Small Businesses (48.4p in 2016/17)
- 47.9p for other businesses (49.7p in 2016/17) – the standard multiplier

The rateable value as at the 31st March 2018 was £55,443,362 (£49,097,503 as at 31 March 2017).

GLOSSARY

ACCRUALS

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

ACTUARIAL GAINS & LOSSES

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

AMORTISATION

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

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

COMMUNITY ASSETS

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

CONTINGENCY

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

EARMARKED RESERVES

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

EXCEPTIONAL ITEMS

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

FINANCIAL INSTRUMENTS

GLOSSARY

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

GENERAL FUND

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

GOVERNMENT GRANTS

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

INFRASTRUCTURE ASSETS

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

LEASE

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

PRECEPT

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

PROPERTY, PLANT & EQUIPMENT (PPE)

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

PROVISIONS

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

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

SURPLUS ASSETS

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