
**Lewes District Council
Statement of Accounts 2015/16**

Contents

Introduction	1
Narrative Report	3
Core Financial Statements and Explanatory Notes	
Movement in Reserves Statement	26
Comprehensive Income and Expenditure Statement	28
Balance Sheet	29
Cash Flow Statement	31
Explanatory Notes to the Core Financial Statements	32
Supplementary Financial Statements and Explanatory Notes	
Housing Revenue Account and Explanatory Notes	101
Collection Fund Statement and Explanatory Notes	107
Statement of Responsibilities	110
Independent Auditor's Report to the Members of Lewes District Council	111
Annual Governance Statement	114
Index of Explanatory Notes	124
Contact Details	126

Introduction

Welcome to Lewes District Council's Statement of Accounts for 2015/16.

The main purpose of this document is to present the Council's formal Statement of Accounts which consists of the Core Financial Statements, the Supplementary Financial Statements and the Explanatory Notes which accompany these.

The Key Accounting Standards and Statements

The Council has followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the UK 2015/16 (the 'Code') in putting together the Statement of Accounts for 2015/16. The accounts present a true and fair view of Lewes District Council's financial position for the financial year ended 31 March 2016. The Council's accounting policies are outlined in this document and have been fairly and consistently applied. Proper and up to date accounting records have been kept and all reasonable steps to prevent and detect fraud and other irregularities have been taken.

The Deputy Chief Executive is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal control can be relied on to produce an accurate Statement of Accounts. His statement of assurance for 2015/16 appears on page 110 of this document.

The Core Financial Statements

An explanation of the purpose of each of our Core Financial Statements is given below:

Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'Unusable Reserves' (i.e. those that hold unrealised gains and losses or timing differences). The 'Surplus on the provision of services' line shows the true economic cost (measured in the same way as a large private sector corporate organisation) of providing Council services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts that a local authority is required to charge to the General Fund Balance for council tax setting purposes and to the Housing Revenue Account Balance for rents setting purposes. The 'Net increase or decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Introduction

Comprehensive Income and Expenditure Statement

This shows the accounting cost of providing all operational services in accordance with the Code, which is not the same as the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with statutory regulations. This is different from the accounting cost because, for example, councils do not have to pay for depreciation in the value of their assets out of council tax. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This shows the value, as at the Balance Sheet date, of the Council's assets and liabilities. The net assets of the Council (i.e. assets less liabilities) are matched by the reserves held. Reserves are divided into two categories, 'Usable reserves' and 'Unusable reserves' (see definitions of these under Movement in Reserves Statement above).

Cash Flow Statement

This shows the movements in cash and cash equivalents (short term deposits) of the Council during the reporting period. It shows how the Council generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from fees and charges. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to supporting the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of loan capital to the Council.

Supplementary Financial Statements

In addition to the Core Financial Statements the Council is legally required to maintain the following financial statements separately from other funds and accounts.

Housing Revenue Account (HRA) - This Account shows the economic cost of providing housing services in accordance with the Code, which is not the same as the amount to be funded from rents and other charges. Councils charge rents to cover expenditure in accordance with statutory regulations. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Collection Fund - This Fund shows the transactions that have arisen because Lewes District Council is a 'billing authority'. This means that the Council is responsible for collecting council tax and non-domestic rates and paying over the appropriate shares to Local Authorities (East Sussex County Council, East Sussex Fire Authority, Sussex Police and Crime Commissioner and Lewes District Council) and to Central Government. The transactions within this Fund are not included within the Comprehensive Income and Expenditure Statement because they do not relate to the delivery of day to day operational services. However Fund balances at the end of the reporting period are included on the Council's Balance Sheet.

Narrative Report

This Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that members of the public, electors and residents, elected Councillors, partners, stakeholders and other interested parties can:

- understand the financial position of Lewes District Council both at the end of the 2015/2016 financial year and looking to the future;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- be assured that the financial position of the Council is sound and secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015 setting out requirements that local authorities must follow when preparing and publishing their annual accounts. These regulations require the Council to publish draft accounts by 30 June. Members of the public can then inspect the draft accounts (and supporting documents) and raise any questions or concerns with an independent auditor. The Council must publish audited accounts by 30 September.

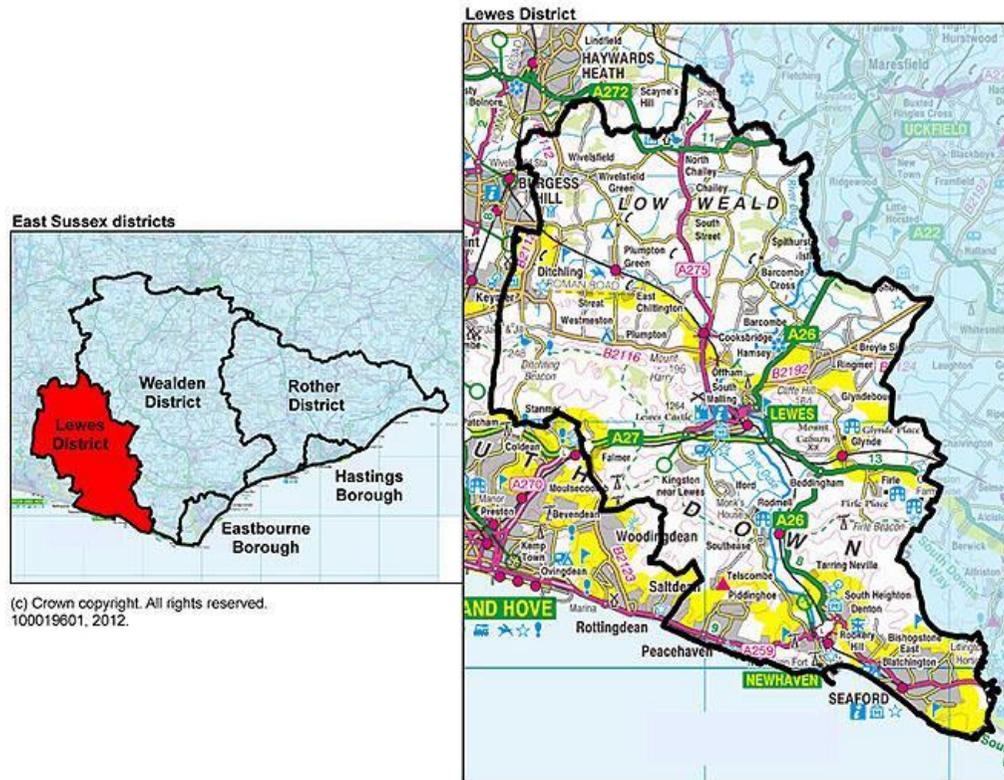
The style and format of the accounts complies with CIPFA standards. As a result, the information presented can be technical and complex to follow. The aim of this Narrative Report is to provide a more straightforward summary of the key issues affecting the Council and its finances. It sets out:

- an Introduction to Lewes District
- some key facts
- how the Council operates
- the 2015/16 Revenue Budget Process
- Financial Performance of the Council 2015/16 – Revenue spending
- Financial Performance of the Council 2015/16 – Capital spending
- Non-Financial Performance of the Council 2015/16
- Corporate Risks
- Future Plans

Narrative Report

An Introduction to Lewes District

Lewes District Council is one of five district and borough councils in East Sussex, each providing similar services on behalf of their residents. These services include rubbish and recycling collections, environmental health, tourism, leisure and amenities, planning and collection of council tax. Unlike some of the neighbouring councils, Lewes DC is a large landlord, letting 3,200 houses and flats to tenants.



East Sussex County Council serves this entire part of South East England. It provides services including education, social services, roads and transport, waste disposal and libraries.

Our residents, businesses and visitors benefit from beautiful landscapes and a historic environment. Our diverse and attractive countryside includes chalk cliffs and downlands, shingle beaches, heathland, wetland and areas of ancient woodland. The County Town, Lewes, is at the heart of the district and is a popular historic tourist destination. The district has a vibrant and diverse contemporary arts scene and boasts a rich cultural heritage which is important to its economic prosperity.

Narrative Report

Some key facts

Lewes DC has a population of 97,500. 77% of residents live within the five urban areas of Lewes, Newhaven, Peacehaven, Seaford and Telscombe Cliffs/East Saltdean. The rest live in our 23 rural parishes. Our population of 97,500 is projected to grow by 8% by 2027. Life expectancy is higher than the East Sussex average. However, around 20% of people are living with a limiting long-term illness or disability and this is likely to rise by 16.5% over the next decade or so. There is a higher than average occurrence of ill-health and mental health issues (including dementia) in some of our coastal communities.

We benefit from an entrepreneurial economy with self-employment being a significant feature of our district, representing 18% of the economically active population. Over 36% of residents are employed in managerial or professional roles.

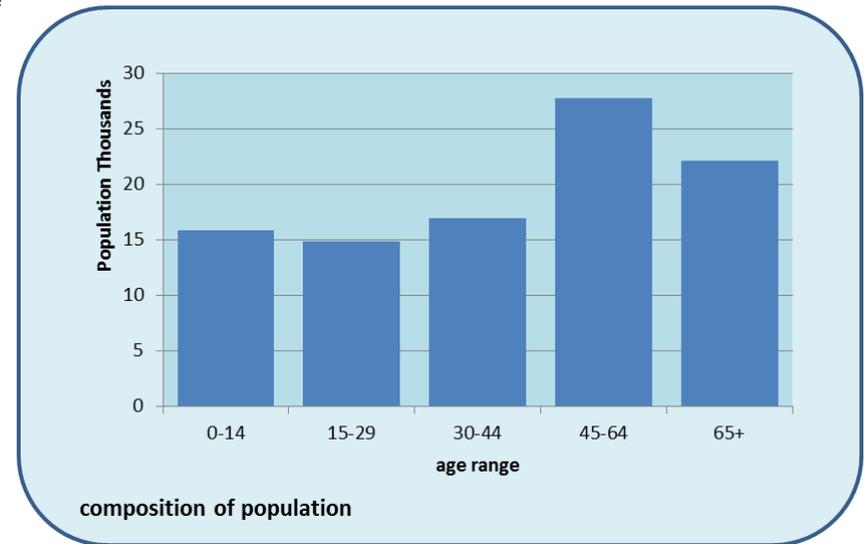
Unemployment is below the East Sussex average. However, the proportion of people who are economically inactive but looking for work is notably higher in the district and there is a higher than average proportion of self-employed people. Average weekly earnings are £548, lower than the average for South East England (£564).

Small companies of between 1 and 10 employees account for 88% of all local businesses.

How the Council operates

Lewes DC is a complex organisation. Elected councillors direct our policies, which the Corporate Management Team then implements through the officers of the Council. There are 41 councillors representing 21 wards within the district. Full Council elections take place every four years, most recently in May 2015. The Conservative Party is the controlling political group, with 24 Councillors.

All councillors meet together as the Council. Meetings of the Council are normally open to the public. Here councillors decide the Council's overall policies and set the budget each year. The Council appoints the members of the Scrutiny Committee and all other council committees – for example, the Audit and Standards Committee and the Planning Applications Committee. The Council



Narrative Report

considers recommendations made to it by the Cabinet and the Scrutiny Committee as to any changes in policy which might need to be made.

The Executive is made up of the Leader, who is appointed by the full Council, together with a Cabinet of councillors who the Leader appoints. Each member of the Cabinet has a portfolio of the areas for which they are responsible. Cabinet normally meets seven times in a municipal year.

At 31 March 2016, Cabinet members were:

Councillor Andy Smith (Leader of the Council and Chair of Cabinet) – Cabinet Member for Regeneration and Business

Councillor Elayne Merry (Deputy Leader) – Cabinet Member for People and Performance

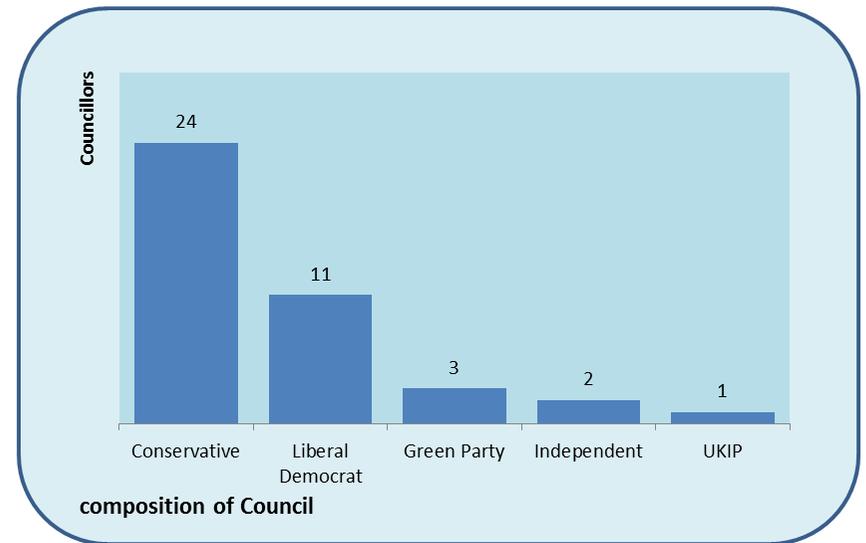
Councillor Bill Giles – Cabinet Member for Finance

Councillor Paul Franklin – Cabinet Member for Waste and Recycling

Councillor Tom Jones- Cabinet Member for Planning

Councillor Ron Maskell – Cabinet Member for Housing

Councillor Tony Nicholson – Cabinet Member for Customers and Partners



The Leader of the Council is responsible for discharging most day-to-day decisions, although the Leader may decide to delegate his/her powers to the Cabinet as a whole, to another individual member of the Cabinet, to a sub-committee of the Cabinet or to an officer.

The Scrutiny Committee is in place to ensure that the Council's policies, plans, decisions and actions are being made in the community's best interest. It consists of eleven Councillors who are not on Cabinet. This enables non-executive members to influence decisions and ensure the views and needs of local people are taken into account. It is about being a 'critical friend'.

A member of the Minority Group chairs the Scrutiny Committee.

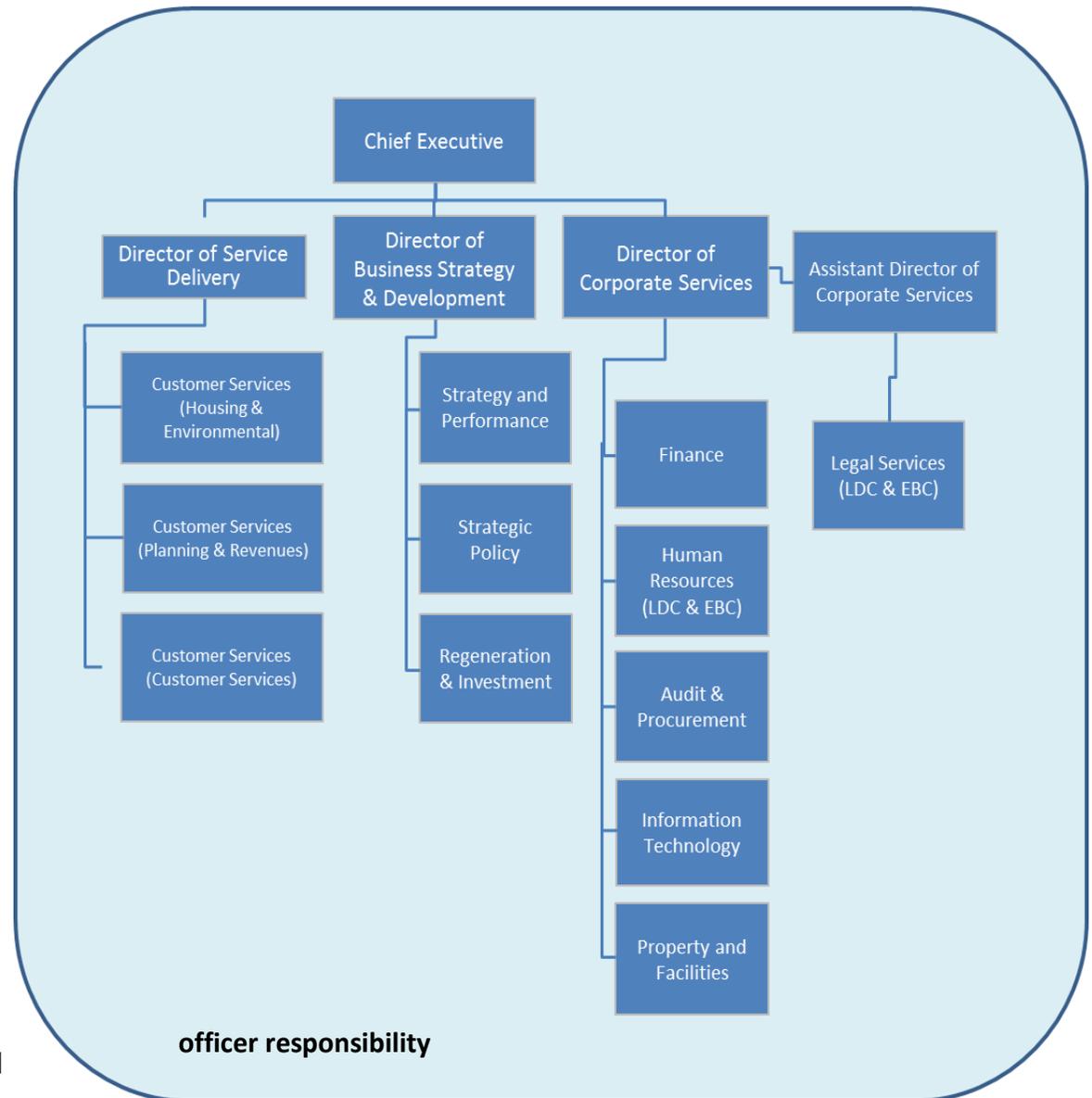
Narrative Report

Supporting the work of Councillors is the organisational structure of the Council headed by the Corporate Management Team (CMT). CMT is comprised of our most senior staff (officers): the Chief Executive, Robert Cottrill, and three Directors.

The Chief Executive holds the statutory post of Head of Paid Service. The Council also appoints a Monitoring Officer (Catherine Knight, Assistant Director of Corporate Services) and Chief Finance Officer (Alan Osborne, Director of Corporate Services) 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. Both of these officers are part of CMT, ensuring that the key statutory officers are represented at the most senior level of the Council.

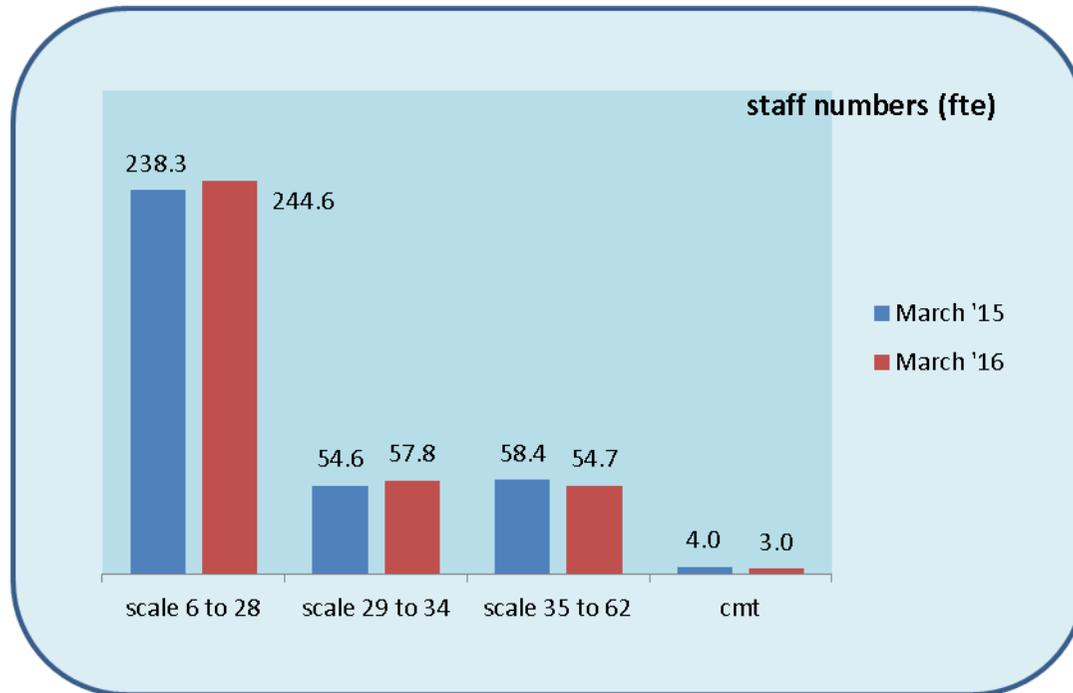
Lewes DC is engaging in a Joint Transformation Programme (JTP). Under the JTP we will integrate our staff and services with Eastbourne Borough Council (EBC) to provide more flexible, customer-focussed and cost-effective services. Together, both councils will roll out smarter technology and smoother business processes - enabling us to serve customers as speedily and efficiently as possible.

Over time, all services will be delivered jointly, and there will be a single Chief Executive and CMT. However, local democratic accountability will be maintained – the elected Councils will remain separate and set their own priorities.



Narrative Report

During the course of 2015/16, 2 members of CMT, Chief Executive (from January 2016) and Director of Corporate Services, were filled by officers employed by EBC, with Lewes DC reimbursing 50% of the remuneration cost. A third member of CMT, Director of Business Strategy and Development, was employed by Lewes DC and provided senior management services to EBC, which reimbursed 50% of the remuneration cost.



In total, Lewes DC had 399 employees at the end of March 2016, compared with 402 at the close of the previous year. Not all employees work full-time. The number of full-time equivalent posts was 360.1 (previous year 355.3).

Much, but not all, of the Council's policies on pay, benefits and pensions is based on the National Agreement on Pay and Conditions of Service agreed by the National Joint Council for Local Government Services. We have two pay systems in place to set basic salaries – one for Corporate Management Team Members and one for everyone else.

This is because there are different national negotiating bodies for different groups of staff and although we have reduced the number of bodies we follow, it makes sense to keep these two distinct groups.

For most staff there is a nationally negotiated pay scale consisting of a large number of scale pay rates. We add a pay supplement to the national rates to reflect the higher cost of living in the South East and to keep our salaries competitive.

The Council Plan sets out our priorities and key projects. Most recently updated to cover the period 2016 to 2020, the four year plan sets out the key outcomes the Council will deliver with its partners for our District. The Plan has been informed and developed in consultation with our residents, partners and other stakeholders. We monitor the Plan and report progress to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of our local communities. We will refresh the Plan annually. We publish the Plan on our website

<http://www.lewes.gov.uk/council/1991.asp>

Narrative Report

The 2015/16 Revenue Budget Process

The 2015/16 revenue budget process was heavily influenced by the continued need to make significant reductions in expenditure in the medium term whilst progressing Council priorities.

In December 2014, the Government released provisional details of the amounts of funding that would be available to councils in 2015/16. It confirmed that, nationally, council 'spending power' would reduce by an average of 1.8%. Lewes DC's reduction, at 3.5%, was almost double this. The most significant reduction in spending power facing the Council would come as a result of the Government tailing back the Revenue Support Grant that it pays to the Council, from £2.3m to £1.7m. The Government continued to encourage councils to freeze the Council Tax in order to help people with their cost of living.

In January 2015, the Scrutiny Committee considered the context of the 2015/16 budget setting round, including the reduction in Government funding. It supported a proposal to freeze the Council Tax and the continuing need to make recurring savings in expenditure.

Cabinet met in February 2015, agreeing the core elements of the budget including a future savings plan, and proposals for the use of reserves and balances. On 25 February 2015, the Council approved the 2015/16 budget, including the amounts of Council Tax that would apply across the district, and the rent increase that would apply to council-owned homes. The Council continued with its policy of charging a general council tax applicable district-wide supplemented by an additional amount of council tax to recover

'special expenses'. These special expenses are the cost of managing and maintaining parks and open spaces. The special expenses element of the council tax varies between towns and villages, depending on the location of each park or open space.

As a 'billing authority' the Council collects the council tax on behalf of East Sussex County Council, Sussex Police Authority, East Sussex Fire Authority and each of the town and parish councils in the district.

	2013/14	2014/15	2015/16
	£	£	£
District wide	192.48	172.11	172.11
Special expenses	0.00	20.37	17.50
Total tax requirement	192.48	192.48	189.61

Council Tax amounts (for a Band D property)

Narrative Report

The 2020 Savings Plan

	'15/16	'16/17	'17/18	'18/19	'19/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Savings Target	561	670	744	640	0	2,615

The plan

Wave Leisure service fee reduction		100	100	100	100	400
Agile Working		203				203
Introduction of 2% vacancy saving	182					182
Phasing out grant to Town and Parish Councils		14	14	14	14	56
Organisational Development second phase	300					300
Treasury Management operations	38					38
Review of transport arrangements		100				100
Income generation	50		300			350
Regeneration activity				300		300
Business process efficiencies		200	350	350	300	1,200
Shared Legal and HR services		21	23	42		86
Total Savings Plan	570	638	787	806	414	3,215
Shortfall / Surplus(-)	-9	32	-43	-166	-414	-600

Delivered

Deliverable

Requires significant work/investment to deliver

In setting the budget, the Council also confirmed a savings plan spanning the 5 years from 2015/16 to 2019/20.

In total, the savings target for this period was set at £2.6m. Planned savings, categorised as delivered, deliverable or requiring significant work or investment to deliver, were valued at £3.2m, exceeding the target.

In 2015/16, restructuring operational arrangements was expected to deliver £0.3m in savings. Investment in new technology (to be assimilated within the JTP) would reduce annual expenditure by £1.2m by the end of 2019/20.

The Director of Corporate Services put in place enhanced budget monitoring arrangements in 2015/16, recognising the challenging savings targets ahead of the Council. Cabinet received Quarterly budget monitoring information, highlighting key variation, alongside performance reports setting

out progress against the non-financial targets in the Council Plan.

Narrative Report

Financial Performance of the Council in 2015/16 – Revenue spending

In order to meet statutory requirements, we account separately for spending (and income) on ‘General Fund’ and ‘Housing Revenue Account (HRA)’ activity. General Fund services are all those services which are funded from the council tax and exclude the management and maintenance of the council-owned homes which are paid for predominantly by tenants’ rents. This landlord service is accounted for in the HRA.

(a)	(b)	(c)	(d)
	2015/16	2015/16	= (c)–(b)
	budget	actual	variance
Management area	£’000	£’000	£’000
Service Delivery	6,088	6,532	444
Business Strategy and Development	2,064	1,474	(590)
Corporate Services	5,136	4,437	(699)
Corporate Costs	1,047	1,102	55
	14,335	13,545	(790)
Project costs included above funded from Reserves	(1,663)	(1,187)	476
Netting-off of reallocated costs included above	(1,374)	(1,618)	(244)
Net cost of service provision	11,298	10,740	(558)

General Fund – budget and actual spend

For management purposes, budgets are allocated to the control of the Council’s three Directors, with some items (for example borrowing costs) held separately as Corporate costs.

We budgeted to spend £11.298m on services in 2015/16. The actual cost was lower than this at £10.740m, a saving against the budget of £0.558m. This saving has been added to our Uncommitted Reserve at 31 March 2016.

A number of factors contributed to the overall saving, including the restructuring programme which generated a £0.337m reduction in salary costs.

Narrative Report

	£'000	£'000
One-off costs associated with voluntary severance	168	
Reduced cost of salaries	<u>(337)</u>	
Net reduction in employee costs		(169)
Additional expenditure:		
- Housing benefit cost net of subsidy	203	
- Borrowing costs	29	
- Waste and recycling fleet costs	45	
- Planning service incl appeals and Local Plan	<u>102</u>	
		379
Reduced Service income:		
- Recyclate sales, etc		192
		<u>402</u>
Sub-total to next column		402

	£'000	£'000
Sub-total from previous column		402
Reduced Service expenditure		
- Support for business	(370)	
- Operational building costs	(59)	
- Recruitment and training	<u>(61)</u>	
		(490)
Increased Service income		
- Government funding for new initiatives, etc	(248)	
- Car parking	(131)	
- Planning fees	(117)	
- Solar panel installations		
- FIT income	(41)	
- Sale of surplus assets	<u>(40)</u>	
		(577)
Miscellaneous Service expenditure/income variations		63
Capital projects funded from revenue		44
Total		<u>(558)</u>

General Fund budget savings 2015/16

Narrative Report

The General Fund's most significant sources of funding are from the Council Tax, Government Grants and Business Rates.

Business Rates are shared with the Government, East Sussex County Council and East Sussex Fire Authority under a complex national 'retention' mechanism.

(a)	(b) 2015/2016 Budget £'000	(c) 2015/2016 Actual £'000	(d) =(c) – (b) Variance £'000
Retained Business Rates	(3,007)	(3,316)	(309)
Non-specific Government Grants	(3,662)	(3,663)	(1)
Council Tax	(6,697)	(6,697)	0
Use of Uncommitted Reserve	(398)	0	398
Total Financing	(13,764)	(13,676)	88

General Fund financing variations 2015/16

We had budgeted to use £0.398m from Uncommitted Reserves in 2015/16 but the saving against service budgets in the year meant that this was not necessary. Our share of the Business Rates income receivable for 2015/16 increased by £0.309m, although this improvement is largely temporary due to the mechanics of the retention mechanism and the gain will be set aside to offset an underlying Business Rates deficit.

At the end of March 2016, the total amount held in General Fund Reserves was £12.459m. All but £3.105m has been committed as funding for specific initiatives that will take place in future years, the replacement of vehicles and equipment at the end of life, or major cyclical property works eg the replacement of a swimming pool tank.

Ref	Reserve	Balance at 1 April 2015 £'000	Contribution/ transfer 2015/2016 £'000	Use 2015/2016 £'000	Balance at 31 March 2016 £'000
1	Strategic Change	(2,357)	(2,666)	1,366	(3,657)
2	Asset Maintenance	(2,444)	(512)	303	(2,653)
3	Vehicle and Equipment Replacements	(2,490)	(320)	370	(2,440)
4	Economic Regeneration	(352)	0	1	(351)
5	Revenue Grants and Contributions pending use	(284)	(14)	45	(253)
6	Unallocated Reserve	(3,680)	575	0	(3,105)
7	General Fund total	(11,607)	(2,937)	2,085	(12,459)

General Fund Reserves 2015/16

Narrative Report

	£'000
Increased spend on Revenue Repairs and Maintenance	230
Reduced spend on Capital Repairs and Maintenance	(770)
Reduced Service Management cost including salaries	(154)
Deferral of project costs into 2016/2017	(484)
Reduced spend on cleaning and grounds maintenance	(81)
Reduction in non-staff costs at sheltered schemes	(25)
Increased contribution to corporate costs	91
Increased allowance for doubtful debts	128
Increase in contribution to Major Repairs Reserve	521
Miscellaneous net variations	(35)
Total net saving	(579)

Housing Revenue Account budget variations 2015/16

The HRA financial performance for 2015/16 was a £0.088m net surplus of income over expenditure, compared with a deficit of £0.491m projected at the time that the Council approved the budget, a net positive variation of £0.579m.

We actively managed planned and responsive repairs (which are accounted for as revenue expenditure) alongside major repairs, replacements and improvements (which fall within the HRA capital programme).

The projected spend on Service Management included an allocation of £0.544m to buy in external support to progress specialist projects such as a property condition survey of the housing stock and the analysis of its results to inform the updating of our 30-year Housing Business Plan. This major project was deferred until summer/autumn 2016. Actual spending in the year on specialist external support was £60,000, with the unspent resources being retained within the HRA Balance at the end of the year.

The projected spend included £0.821m as revenue funding of the 2015/16 HRA Capital Programme, including expenditure on a project to build new Council homes at Robinson Road, Newhaven. That project did not proceed as planned, and the initial costs do not require revenue funding.

The contribution to the Major Repairs Reserve is calculated by reference to the expected life and cost of the various components (windows, bathrooms, heating systems, etc) of the homes that we own. The total contribution made is higher than the original budget to reflect the current cost of replacing these components.

At 31 March 2016, we held £4.883m in HRA Reserves.

Ref	Reserve	Balance at 1 April 2015	Contribution/transfer 2015/2016	Use 2015/2016	Balance at 31 March 2016
		£'000	£'000	£'000	£'000
1	Major Repairs Reserve	(1,112)	(4,939)	3,894	(2,157)
2	HRA Balance	(2,638)	(88)	0	(2,726)
3	HRA total	(3,750)	(5,027)	3,894	(4,883)

HRA Reserves 2015/16

Narrative Report

Financial Performance of the Council in 2015/16 – Capital spending

Capital spending relates to the major repair, enhancement, construction or purchase of long-term property assets such as land, buildings and vehicles. The Council's Capital Programme is an allocation of financial resources

(principally capital receipts from selling assets, grants or contributions received with specific conditions attached, and reserves) to these projects. In many cases these projects will span financial years, from initial design through to final completion.

The Council increased the General Fund Capital Programme in the year to include the construction of a new depot (£3.5m), the extension of the business centre, nursery and college in Newhaven,

	HRA housing £'000	Non-HRA housing £'000	General Fund £'000	Total £'000
Original allocation for year	9,347	735	5,584	15,666
Variations agreed in year including allocations c/fwd from 2014/15	392	63	10,038	10,493
Revised allocation for the 2015/16 year and beyond	9,739	798	15,622	26,159
Further variations	(1,225)	-	(2,073)	(3,298)
Final allocation	8,514	798	13,549	22,861
Less: Actual spend in 2015/16	(4,437)	(693)	(7,153)	(12,283)
Remaining allocations to be used in 2016/17 and beyond	4,077	105	6,396	10,578

Capital Programme 2015/16

and the installation of electric vehicle charging points on behalf of a South-East consortium of local authorities.

We spent £12.283m in total in the year. The largest source of finance was from our Reserves. We left £2.906m unfinanced, using our ability to borrow for capital projects provided it is prudent and affordable to do so.

	£'000
Borrowing	2,906
Capital Receipts	547
Reserves	4,792
Capital Grants	3,291
Section 106 Contributions	277
Other Capital Contributions	375
Capital Expenditure Financed from Revenue (General Fund)	44
Capital Expenditure Financed from Revenue (Housing Fund)	51
Total	12,283

Capital programme financing 2015/16

Narrative Report

Non-financial Performance of the Council in 2015/16

Lewes DC's financial performance does not stand alone from service delivery. It is of fundamental importance that the Council monitors and assesses its performance on a regular basis, to ensure we continue to deliver excellent services to our communities in line with planned targets. Alongside this, it is also vital to monitor progress with key strategic projects, to ensure the Council is delivering what it has committed to or has set out to achieve.

The Scrutiny Committee has a key role in terms of maintaining oversight of the Council's performance and challenging areas of under-performance.

The Council has an annual cycle for the preparation, delivery and monitoring of its corporate and service plans. This cycle enables us regularly to review the Council's work, and the targets it sets for performance, to ensure these continue to reflect customer needs and Council aspirations.

In 2015/16:

- 85% of the Council's key projects were either completed or on track at the end of the year
- 79% of the Council's performance targets were either met, exceeded or within a 5% variance during the year as a whole
- only 5 performance indicators did not meet the planned targets for the year

Delivery of key projects

Regeneration and Business Portfolio

- The University Technical College in Newhaven (UTC@harbourside) opened its doors to its first tranche of 110 students in September 2015. It is aimed at 14-18 year olds and focusses on science, technology, maths and computing. The project was delivered in partnership with the Aldridge Foundation, the University of Brighton, University Technical Colleges and Veolia.
- The Newhaven Growth Quarter project to introduce additional high quality business space and related services at the Newhaven Enterprise Centre largely completed, making 60 offices and workshops available to local businesses. The project was delivered through £2.5m of Coastal Communities partnership funding in partnership with Basepoint, Sussex Community Development Association, Sussex Downs College, and East Sussex County Council.

Delivery of key projects 2015/16

Regeneration and Business Portfolio

- An Enterprise Zone for Newhaven was given the go ahead by the Government. The Enterprise Zone officially starts in April 2017 and will unlock 8 strategic sites for business development and expansion, leading to over 2,000 new jobs for the area.
- Business Support was further enhanced through the second, and another very successful, Lewes Business Awards event in July 2015. There were 64 entries from 39 individual companies. The winners were announced at a gala dinner attended by 150 people. The Lewes District Business Awards were launched to highlight excellence in the District's business community.
- A major joint venture between the Council and its development partner Santon, to provide new housing and commercial development at the North Street Quarter in Lewes, made significant progress during 2015/16. The scheme will provide much needed affordable housing, along with vital flood defences, public spaces, a health centre, doctors' surgeries and commercial and creative work space for local businesses. Planning permission was granted by the South Downs National Park Authority in February 2016.

Finance portfolio

- A shared facility in Newhaven (Saxon House) became operational in January 2016. The new 'one stop shop' community hub building offers greater access to Council and other services for residents in Newhaven and surrounding areas. The project brings together staff from the Council, fire and police service saving money and enabling opportunities for better multi-agency working. This project was delivered in partnership with Sussex Police, East Sussex Fire and Rescue Service and has meant savings of more than £450K across the partnership.

Housing portfolio

- A new Housing Allocations Policy was updated and issued in April 2015 to reflect the new Right to Move provisions.
- A new Tenancy Agreement was introduced in April 2015 following consultation with tenants' groups.
- 597 Council homes were fitted with photovoltaic (solar) panels during 2015/16. The potential benefits of this will be felt by both residents and the Council in terms of lower energy costs and reduced carbon footprint.
- Plans to release 7 small Council owned sites for the construction of 30 new Council homes for rent, using Local Growth Fund funding of £2.3m were developed. Planning permission has been granted for 5 sites, to be built out during 2016.

Delivery of key projects 2015/16

Waste and Recycling portfolio

- Following a review early in 2015/16, a number of initiatives got underway to improve the Council's waste collection and recycling services. A trial of green waste collection was successfully completed in Seaford last summer. The take-up was very positive and resulted in over 30 tonnes of garden waste collected in its first 3 months. The success of the trial has led to an expansion of green waste collection across the District and has resulted in around 100 tonnes of green waste being collected since the service began.
- A Project Manager has been appointed to draw up detailed proposals for the future development of the service including plans to build a new waste collection/recycling facility in Newhaven.

Planning portfolio

- The Core Strategy, which has been a significant area of work for the Council over recent years, was adopted by Full Council in May 2016.
- There has been good progress with the development of Neighbourhood Plans during 2015/16. The first Plan (for Newick) was introduced in 16th July 2015, with the second Plan (for Ringmer) introduced in 25th February 2016.

People and Performance portfolio

- Significant developments have taken place in respect of the Council's transformation programme following the decision in September 2015 to commence a full programme of integration with Eastbourne Borough Council. A new single Chief Executive was appointed in January 2016 and initial background work to inform the Joint Transformation Programme (JTP) Business Case has been completed.

Customers and Partners portfolio

- Notable events promoted and supported by the Council during 2015/16 include the Christmas 'Enchanted Park' event in Lewes which was well received.
- A two year programme of work to promote greater awareness of dementia in the District is well underway. The initiative started during 2015/16 with 69 staff and councillors attending training sessions and workshops.

Narrative Report

Occasionally it is necessary and appropriate to discontinue projects due to a change in circumstances, professional advice or to consider other opportunities to maximise the benefits. During 2015/16, only 2 projects were cancelled or discontinued:

- The Council terminated its New Homes Project (relating to the provision of affordable and private sector housing) in accordance with the terms of the contract agreed between the Council and its Housing Association and private developer partners. It became apparent that certain conditions had not been satisfied within the timescale specified in the contract and that title difficulties arising on key sites were significant. The contract envisaged this possibility and permitted termination on this basis. Council officers recommended that the Council serve notice triggering provisions in the contract for termination of the project.
- A refreshed Regeneration Strategy is no longer considered necessary. The Council Plan 2016 to 2020 sets out the Council's strategic priorities and direction in terms of regeneration projects and initiatives. Other initiatives are reflected in the Regeneration and Investment Service Plan and managed as part of business as usual.

KPI Description	2015-16 Target	Year End Total	Year End Status	Year End Status
Percentage of overpayments recovered	70%	70%		Performance overall for the year is in line with the target and is at the same level compared to 2014/15.
Percentage of invoices paid on time	98%	92%		Performance improvement has been sustained over the last 3 quarters although remains below target for the year. Performance in 2015/16 has improved considerably compared to 2014/15 (88.6%).
Percentage of Council Tax collected during the year	98.4%	98.3%		Although below target for the year, overall Council Tax collection was only down by 0.1%. This is at the same level compared to 2014/15.

Narrative Report

KPI Description	2015-16 Target	Year End Total	Year End Status	Year End Status
Percentage of Business Rates collected during the year	98.5%	98.3%		Performance is slightly below target for the year and is down compared to 2014/15 (98.9%).
The number of days taken to process new housing benefit/ Council tax benefit claims	20 days	16 days		Although performance dropped in Q4, performance for the year is well above target and shows a notable improvement compared to 2014/15 (18 days)
Percentage of rents collected during the year (cumulative)	95%	96.4%		Performance has exceeded target for 2015/16 but is down compared to 2014/15 (98.2%)
Total number of days that families need to stay in temporary accommodation (B&B)	18 days	0 days		The Council has not had to make any use of bed and breakfast accommodation for families during 2015/16.
Total number of households living in bed and breakfast/emergency accommodation	50 or fewer	53		The Council aims to keep the number of households living in temporary accommodation at a minimum and below 50 at any one time. Performance during quarter 4 exceeded this target although overall performance during 2015/16 has improved compared to 2014/15 (57).
Average number of days to re-let Council homes (excluding temporary lets)	26 days	28 days		Performance in Q4 has improved and is now well above target. However, overall 2015/16 performance has fallen short by 2 days. In 2014/15 re-let performance for the year was 25 days.
Overall tenants satisfaction	88.5%	89.2%		Satisfaction improved during Q4 and is above target for the year overall. The survey data is provided by an independent researcher each quarter. Satisfaction reached 91.6% in 2014/15.

Narrative Report

KPI Description	2015-16 Target	Year End Total	Year End Status	Year End Status
Percentage of urgent repairs carried out within Government time limits	98%	97%		Performance is slightly below target for the year as a whole. In 2014/15 98% of urgent repairs were carried out within Government time limits (5 working days).
Percentage of repairs noted as good or satisfactory by tenants	98%	98%		Tenant satisfaction is on target for the year. Performance has slightly improved compared to 2014/15 (97%).
KG of household waste collected per household	500Kg or less	576Kg		Overall the Council has collected significantly more household waste during 2015/16 compared to 2014/15 (505Kg per household).
Percentage of household waste sent for reuse, recycling and composting	30%	27%		Although the Council's overall recycling rate remains below target for the year, performance in Q4 improved and overall is better than 2014/15 (24%).
Percentage of refuse bins/recycling boxes collected on time	99.9%	99.9%		Performance has been maintained throughout 2015/16 and is at the same level as 2014/15.
Percentage of major planning applications determined within 13 weeks (LDC only)	68%	74%		Overall performance for 2015/16 is well above target and in line with 2014/15 (also 74%).
Percentage of minor planning applications determined within 8 weeks (LDC/SDNP combined)	73%	85%		Overall performance for 2015/16 is well above target and has improved compared to 2014/15 (81%).
Percentage of planning appeals allowed (LDC only)	Less than 33%	27% (33 appeals, 9 allowed)		Performance during 2015/16 has remained within target but has seen a notable increase compared to 2014/15 (23%).

Narrative Report

KPI Description	2015-16 Target	Year End Total	Year End Status	Year End Status
Net additional homes provided in the District (cumulative)	227	286		The target for 2015/16 has been exceeded. There has been an overall increase in the total number of new homes provided during the year compared to 2014/15 (277).
Average working days lost to sickness per FTE equivalent staff	9.0 days	12.52 days		Overall performance remains well below target. In 2014/15 the average days lost due to sickness was 11.1 days.
Percentage of abandoned vehicles removed within 24 hours	90%	98%		Performance is well above target. There were 649 reported as abandoned in 2015/16. (473 in 2014/15) Only 21 were found to be legally abandoned and subsequently removed within 24 hours.
The average number of days taken to remove reported fly-tips	Less than 2 days	2.0 days		There were 152 reports of fly-tips during 2015/16. Management action during the year has improved overall performance which was running at over 3 days for most of 2014/15.
Number of people receiving Dementia Awareness training	150 by 2017	69		Performance is on track to reach the target by the end of March 2017. There is no comparable data for 2014/15.
Total number of customer feedback received; a) complaints; b) compliments	Data Only	a) 1,226 b) 52	Data Only	Compared with 2014/15 the overall number of complaints and compliments received has reduced.
Average time taken to answer telephone calls	30 seconds	24 Seconds		Performance during the year has been maintained within target. There is no comparable data for 2014/15.
Overall satisfaction with how the Council is run	-	63%	Data Only	The figure was derived from the 2015/16 Residents' Survey. There is no comparable data for 2014/15.

Corporate Risks

The Council's risk management framework is outlined in its Risk Management Strategy, and it is fully established and embedded within the Council. There are robust systems for identifying and evaluating risk in the decision making and service planning processes. Strategic risks are updated and reported to the Audit and Standards Committee and Cabinet annually and operational risks are reviewed as part of service planning. Key staff are trained in the assessment, management and monitoring of risk. Risk assessment and management is an integral part of key Council projects.

Our Strategic Risk Register 2016/17 identifies 13 key risks of which the top 5 are:

- Loss of IT services: Long or short term loss of IT and telephone systems through equipment failure, loss of key premises, and data corruption or loss (including cyber-attacks).
- Failure to achieve the Joint Transformation Programme with Eastbourne Borough Council: Failure to integrate our staff and services with Eastbourne Council to provide more flexible, customer focused and cost effective services which deliver the financial savings required.
- Loss of premises: Long term or short term loss of key office buildings or depots due to fire, flood or other damage.
- Major incident or emergency affecting the District or Region: Major incident caused by fire, flood or other disaster resulting in homelessness, disruption to Council services and local business community. Major infectious disease outbreak.
- Failure to achieve the Council's savings target: Inability to achieve planned level of efficiency savings or manage the income streams for those areas where government funding and other income has reduced.

Details of all key risks and the mitigations that are in place can be found in the Annual Report on Risk Management which the Audit and Standards Committee received on 20 June 2016

<https://lewes.cmis.uk.com/cm5/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/505/Meeting/691/Committee/192/Default.aspx>

Future Plans

The General Fund budget for 2016/17 and the Medium Term Financial Strategy for the years through to 2019/20 were set in the context of further reductions in Government grant as indicated in its four-year Funding Settlement. In our modelling we also took into account the potential impact of inflation, pension and national insurance changes. We updated our savings target accordingly. Over the four year period, the General Fund savings requirement is £2.821m in total. Our savings target is £3.186m of which £1.6m is to come from the Joint Transformation Programme.

Narrative Report

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Recurring Net Expenditure	11,186	13,153	12,610	11,482
Inflation	210	220	220	320
Total Budget Requirement with inflation	11,396	13,373	12,830	11,802
Savings targets (corporate)	(400)	(763)	(756)	(617)
Contribution to Reserves	2,157	0	(592)	0
Net Budget Requirement	13,153	12,610	11,482	11,185
Financed by:				
Council Tax	(6,996)	(7,059)	(7,169)	(7,348)
Retained Business Rates	(3,070)	(3,132)	(2,894)	(2,452)
Government Grants	(3,087)	(2,419)	(1,419)	(1,385)
Sources of Finance	(13,153)	(12,610)	(11,482)	(11,185)

Medium Term Finance Strategy projections

In October 2015, the Government announced that by the end of the 5-year Parliament, local authorities will be able to keep 100% of the business rates that they raise locally.

This is a fundamental change in the way that local government is financed. In order to ensure that the reforms are fiscally neutral, the main local government grant will be phased out and additional responsibilities will be devolved to local authorities.

We are not able to measure the impact on the Council until more information becomes available.

The Government has legislated to reduce local authority tenants' rents by 1% each year for the next four years, starting in 2016/17. This reduces HRA income by £150,000 each year or £3.8m in total in real terms over the period.

The Government will also require every local housing authority to pay an annual levy, with the amount equal to the potential sale proceeds from selling higher value homes each year. Some exemptions may apply (for example the Council has many homes within the South Downs National Park which may be excluded from the levy calculation) and we need more details before we can establish the likely impact on our 30-year housing business plan.

A further change introduced by the Government with an impact on the HRA is that high income tenants will pay market rather than lower 'social' rents (as they currently do) from 1 April 2017. The Council will pass the additional rent collected to the Government, but it is unlikely that this new system will be cost neutral to the HRA – rent collection will become more complex (and administrative costs can be expected to increase) and some tenants may decide to exercise their right to buy as an alternative to paying market rent.

Narrative Report

We are continuing to allocate significant amounts in our Capital Programme, which has a total value of £22.8m in 2016/17.

	2016/17		2016/17
	£'000		£'000
New Homes	3,655	Borrowing	9,099
Improvements to Council-owned homes	5,284	Capital Receipts from asset sales	1,899
Recreation and play areas	63	Reserves	10,876
Rooms in Roof conversions	315	Capital Grants	508
Total HRA Investment	9,317	Developer Contributions	375
Private Sector Housing Support	195	General Fund Revenue contribution	4
Disabled Facilities Grants	645	HRA Revenue contribution	1
Total Private Sector Housing investment	840		
Parks and Leisure	610		
Coastal Defence and Flooding	153		
Heritage	72		
Construction of new depot	3,322		
Economic Regeneration	3,784		
Joint Transformation Programme	4,265		
Property Assets Major Works	399		
Total General Fund Investment	12,605		
Total spending allocation	22,762	Total Financing	22,762

Capital Programme 2016/17

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	1,552	10,343	2,638	4,616	1,112	300	20,561	132,475	153,036
Movement in Reserves during 2015/16									
Surplus or (deficit) on the provision of services (page 28)	(835)	0	20,112	0	0	0	19,277	0	19,277
Other comprehensive income and expenditure (page 28)	0	0	0	0	0	0	0	33,946	33,946
Total comprehensive income and expenditure	(835)	0	20,112	0	0	0	19,277	33,946	53,223
Adjustments between accounting basis and funding basis under regulations (Note 8 pages 54 to 56)	1,725	0	(20,024)	2,977	1,045	(200)	(14,477)	14,477	0
Net increase or (decrease) before transfers to earmarked reserves	890	0	88	2,977	1,045	(200)	4,800	48,423	53,223
Transfers to earmarked reserves (Note 9 pages 60 to 61)	(376)	376	0	0	0	0	0	0	0
Increase or (decrease)	514	376	88	2,977	1,045	(200)	4,800	48,423	53,223
Balance at 31 March 2016	2,066	10,719	2,726	7,593	2,157	100	25,361	180,898	206,259

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	2,341	10,634	2,728	3,280	1,424	316	20,723	124,945	145,668
Movement in Reserves during 2014/15									
Surplus or (deficit) on the provision of services (page 28)	(3,686)	0	6,379	0	0	0	2,693	0	2,693
Other comprehensive income and expenditure (page 28)	0	0	0	0	0	0	0	4,675	4,675
Total comprehensive income and expenditure	(3,686)	0	6,379	0	0	0	2,693	4,675	7,368
Adjustments between accounting basis and funding basis under regulations (Note 8 pages 57 to 59)	2,606	0	(6,469)	1,336	(312)	(16)	(2,855)	2,855	0
Net increase or decrease before transfers to earmarked reserves	(1,080)	0	(90)	1,336	(312)	(16)	(162)	7,530	7,368
Transfers from earmarked reserves (Note 9 pages 60 to 61)	291	(291)	0	0	0	0	0	0	0
Increase or (decrease)	(789)	(291)	(90)	1,336	(312)	(16)	(162)	7,530	7,368
Balance at 31 March 2015	1,552	10,343	2,638	4,616	1,112	300	20,561	132,475	153,036

Comprehensive Income and Expenditure Statement

2014/15			2015/16			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,642	537	1,105	Central services to the public	1,878	601	1,277
4,446	502	3,944	Cultural and related services	3,371	486	2,885
7,428	2,045	5,383	Environmental and regulatory services	7,928	1,788	6,140
3,635	1,942	1,693	Planning services	3,959	2,006	1,953
1,031	913	118	Highways and transport services	592	951	(359)
4,805	16,658	(11,853)	Local authority housing (Housing Revenue Account)	(7,307)	16,872	(24,179)
			Other housing services			
			- Housing Benefits			
37,828	37,259	569		38,464	38,008	456
2,077	383	1,694	- Private sector housing	2,405	507	1,898
4,209	114	4,095	Corporate and democratic core	3,327	199	3,128
194	0	194	Non distributed costs	(26)	0	(26)
67,295	60,353	6,942	Cost of Services	54,591	61,418	(6,827)
6,473	98	6,375	Other operating expenditure (Note 10)	5,342	726	4,616
2,864	693	2,171	Financing and investment income and expenditure (Note 11)	3,058	354	2,704
7,662	25,843	(18,181)	Taxation and non-specific grant income (Note 12)	7,767	27,537	(19,770)
84,294	86,987	(2,693)	Surplus on the provision of services	70,758	90,035	(19,277)
		(10,649)	Surplus on revaluation of property, plant and equipment assets (Note 20)			(23,711)
		5,974	Remeasurement of net defined benefit liability (Note 33)			(10,235)
		(4,675)	Other comprehensive income and expenditure			(33,946)
		(7,368)	Total comprehensive income and expenditure			(53,223)

Balance Sheet

31 March 2015 £000			31 March 2016 £000
224,182	Property, Plant and Equipment	Note 13	267,423
2,574	Heritage Assets	Note 14	2,551
3,143	Investment Property	Note 15	4,321
380	Intangible Assets		427
465	Long Term Debtors	Note 16	571
230,744	Long Term Assets		275,293
1,006	Short Term Investments	Note 16	1,001
2,750	Current Held for Sale Investment Property	Note 15	0
100	Inventories		85
3,663	Short Term Debtors	Note 17	6,368
13,349	Cash and Cash Equivalents		12,177
20,868	Short Term Assets		19,631
(235)	Short Term Borrowing	Note 16	(235)
(6,617)	Short Term Creditors	Note 18	(5,714)
(659)	Provisions		(760)
(829)	Capital Grants Receipts in Advance	Note 29	(2)
(8,340)	Short Term Liabilities		(6,711)
(1,378)	Long Term Creditors	Note 29	(1,280)
(56,673)	Long Term Borrowing	Note 16	(56,673)
(31,033)	Defined Pension Scheme Liability	Note 33	(22,426)
(71)	Other Long Term Liabilities	Note 16	(529)
(1,081)	Capital Grants Receipts in Advance	Note 29	(1,046)
(90,236)	Long Term Liabilities		(81,954)
153,036	Net Assets		206,259

Balance Sheet

31 March 2015 £000		31 March 2016 £000
1,552	General Fund Balance	2,066
10,343	Earmarked General Fund Reserves	10,719
2,638	Housing Revenue Account Balance	2,726
4,616	Capital Receipts Reserve	7,593
1,112	Major Repairs Reserve	2,157
300	Capital Grants Unapplied	100
20,561	Usable Reserves	25,361
		Note 19
25,485	Revaluation Reserve	45,398
137,830	Capital Adjustment Account	158,040
16	Financial Instruments Adjustment Account	11
(31,033)	Pension Reserve	(22,426)
390	Deferred Capital Receipts	524
(88)	Collection Fund Adjustment Account	(563)
(125)	Accumulated Absences Account	(86)
132,475	Unusable Reserves	180,898
		Note 20
153,036	Reserves	206,259

Certificate of the Responsible Financial Officer

In compliance with Part 3 regulation 9(3) of The Accounts and Audit Regulations 2015 I certify that the Statement of Accounts for the financial year 2015/16 presents a true and fair view of the financial position of Lewes District Council at 31 March 2016 and of its income and expenditure for that year.

Signed	Alan Osborne Deputy Chief Executive
Date	26 September 2016	Statutory Section 151 Officer

Cash Flow Statement

2014/15 £000		2015/16 £000
2,693	Net surplus on the provision of services	19,277
(1,767)	Cash flows from interest paid	(1,778)
106	Cash flows from interest received	118
8,072	Adjustments to net surplus on the provision of services for non-cash movements (Note 21)	(9,761)
(4,015)	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities (Note 22)	(6,795)
5,089	Net cash flows from operating activities	1,061
(360)	Investing activities (Note 23)	(2,741)
2,734	Financing activities (Note 24)	508
7,463	Net increase/(decrease) in cash and cash equivalents	(1,172)
5,886	Cash and cash equivalents at the beginning of the reporting period.	13,349
13,349	Cash and cash equivalents at the end of the reporting period	12,177

Components of Cash and Cash Equivalents

The balance of cash and cash equivalents consists of the following elements:

31 March 2015 £000		31 March 2016 £000
2	Cash held by the Council	1
4,345	Bank accounts	1,431
9,002	Short-term deposits	10,745
13,349	Cash and Cash Equivalents on the Balance Sheet at 31 March	12,177

Explanatory Notes to the Core Financial Statements

Note 1. CHANGES TO ACCOUNTING POLICIES AND TO PRIOR PERIOD FIGURES

The accounting policies applied in 2015/16 are consistent with those applied in 2014/15.

Note 2. ACCOUNTING POLICIES

1) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016.

The Accounts and Audit Regulations 2015 require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. Proper accounting practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 'Code') and the Service Reporting Code of Practice 2015/16 (SeRCOP), 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:

- Income 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/service potential associated with the transaction will flow to the Council.
- Income 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 the economic benefits or service potential of the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where amounts are significant, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Explanatory Notes to the Core Financial Statements

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

In cases where a full year's income and expenditure is shown in the accounts, for example utility bills and annual contracts, no accrual is made in the accounts as this would overstate the annual position.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return to Government made before the start of the financial year.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between delivery and payment dates.

Explanatory Notes to the Core Financial Statements

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

3) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of change in value.

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

4) Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. The Council has determined that this amount will be equal to either 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account activity, or, in respect of expenditure incurred after 1 April 2008, an amount based on the expected life of the asset.

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

Explanatory Notes to the Core Financial Statements

5) 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, honoraria 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 at the year-end because the difference between these and the wage and salary rates applicable in the following accounting year when the employee takes the benefit, will not be material. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the relevant service line in the Cost of Services section of the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

When 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 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 Pension 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 any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council, other than those who have chosen to 'opt out', are members of the Local Government Pensions Scheme (LGPS), 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.

Explanatory Notes to the Core Financial Statements

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

- The liabilities of the East Sussex County Council pension fund attributable to the Council are included on 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 future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% based on the indicative rate of return on high quality corporate bond (based on the constituents of the iBoxx Sterling corporate bond index) chosen by the Fund's Actuary.
- The assets of the East Sussex County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities – current bid value
 - unquoted securities – professional estimate
 - unitised securities – current bid value
 - 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 Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net 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 and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account 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 benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Explanatory Notes to the Core Financial Statements

- actuarial gains and 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 actuary has updated his assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council 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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 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 able to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

6) Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Adjusting events - 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 where they have a material effect
- Non-adjusting 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.

Explanatory Notes to the Core Financial Statements

7) Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place:

- in the principal market for the assets or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of the market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities 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 measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

8) 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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented on the Balance Sheet is the outstanding principal repayable (plus the accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. For the Council's Lender's Option Borrower's Option (LOBO) loan

Explanatory Notes to the Core Financial Statements

agreement, which has provision for stepped interest rates, interest charged to the Comprehensive Income and Expenditure Statement is the amount payable based on rates expected to prevail over the full term of the loan, presuming no exercise of options.

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 Comprehensive Income and Expenditure Statement 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 on the Balance Sheet is the outstanding principal receivable (plus the accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement.

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

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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

- instruments with quoted market prices – the market price

Explanatory Notes to the Core Financial Statements

Material changes in fair value are balanced by an entry in an Available-for-Sale Reserve and the gain/loss recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

9) Government Grants and Other 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 and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement 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 on the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (for non-ringfenced revenue grants and all capital grants and contributions) in the Comprehensive Income and Expenditure Statement.

Explanatory Notes to the Core Financial Statements

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, 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 (CAA). Amounts in the Capital Grants Unapplied Reserve are transferred to CAA once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Council charges for and collects the levy which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the district.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL income will be largely used to fund capital expenditure but a small proportion will be used to fund revenue expenditure.

10) Heritage Assets

Tangible heritage assets

The Council's heritage assets are held within three categories:

- land and buildings
- civic regalia
- works of art and museum exhibits

Land and buildings comprises two properties: Market Tower built in the 18th century and Newhaven Fort built in the 19th century. These assets are recognised, measured, impaired and depreciated in accordance with the Council's accounting policies on Property, Plant and Equipment.

Civic regalia is a static collection comprising the Chair's chain of office and several smaller badges of civic office. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Works of art and museum exhibits comprises artefacts held at Newhaven Fort and miscellaneous aesthetic items held at separate locations. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are

Explanatory Notes to the Core Financial Statements

deemed to have indeterminate lives no depreciation is charged. The Council's collection of works of art and exhibits is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage, and any impairment is recognised and measured in accordance with the general policies on impairment.

11) 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.

Intangible assets are measured at amortised cost, because fair value cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

12) Inventories

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

13) Investment property

Investment properties are those properties 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 price that would be received to sell

Explanatory Notes to the Core Financial Statements

such an asset in an orderly transaction between market participants at the measurement date. 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 (and on disposal) are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement 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) to the Capital Receipts Reserve.

14) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

Explanatory Notes to the Core Financial Statements

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement 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. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset on the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease debtor (long-term debtor) on the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

Explanatory Notes to the Core Financial Statements

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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).

15) Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of CIPFA's SeRCOP.

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – e.g. costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – e.g. costs relating to discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

16) 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 to 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. When 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 applied.

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

Explanatory Notes to the Core Financial Statements

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.

17) Property, Plant and Equipment

Definition and Categories

Assets that have physical substance and are held for use in the provision of 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 asset will flow to the Council and the cost of the asset 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 to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £10,000 are not included on the Balance Sheet, provided that the total excluded has no material impact.

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

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

- infrastructure and assets under construction – depreciated historical cost
- community assets – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Explanatory Notes to the Core Financial Statements

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

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

Assets included on the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the gains arise from the reversal of a loss previously charged to a service in which case the gain will be credited to the Comprehensive Income and Expenditure Statement.

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 Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

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

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

Explanatory Notes to the Core Financial Statements

Depreciation

Depreciation is provided for on all Property, Plant and Equipment 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, Community Assets).

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
- Vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- Infrastructure - straight line allocation over 20 years

Where an item of Property, Plant and Equipment has major components with a significant cost in relation to the total cost of the asset, and with different estimated useful lives, the components are depreciated separately. This is limited to assets valued at over £1 million which have individual components valued at over £250,000. In the case of Council Dwellings, individual components are aggregated for depreciation purposes due to the nature, scale and materiality of this class of asset.

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.

Disposals

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

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement 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 (CAA).

Explanatory Notes to the Core Financial Statements

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement (MiRS).

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 CAA from the General Fund Balance in the MiRS.

18) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 on 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 line.

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 on the Balance Sheet but disclosed in a note to the Financial Statements.

Explanatory Notes to the Core Financial Statements

19) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

20) Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

21) Value Added Tax (VAT)

VAT payable is fully recoverable from Her Majesty's Revenue and Customs (HMRC) and is excluded from expenditure. VAT receivable is paid over to HMRC and is excluded from income.

Explanatory Notes to the Core Financial Statements

Note 3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- IAS1 Presentation of Financial Statements – this standard provides guidance on the form of the financial statements. CIPFA's 'Telling the Story' review of the presentation of the financial statements, as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative, will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and a new Expenditure and Funding Analysis will be introduced.
- Annual Improvements to IFRS (2010-2012 and 2012-2014 Cycles) – these improvements are minor, principally providing clarification, and will not have a material impact on the Statement of Accounts.
- Amendments to IAS 16 Property, Plant and Equipment and to IAS 38 Intangible Assets – clarification of acceptable methods of depreciation and amortisation. These will not have a material impact on the Statement of Accounts.

The 2016/17 Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Note 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- the Council has reviewed its interests with external bodies as required by the Code and has concluded that it does not have any interests in subsidiaries, associated companies or joint ventures that would require the production of Group Accounts.
- there is a high level of uncertainty about future levels of funding for local government. However, the Council has in place a medium term financial strategy which forecasts annual reductions in funding up to 2020 together with plans to manage the impact on its spending requirement. The strategy will be reviewed and updated as future levels of funding become certain.

Explanatory Notes to the Core Financial Statements

Note 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because estimates cannot be determined with certainty, actual results could be materially different from the assumptions.

The items on the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

- **Pension Liability:** estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £10.7 million. The effects of other changes in individual assumptions are set out within Note 33.
- **Impairment of Doubtful Debts:** the Council has included in its accounts an allowance for the impairment of doubtful debts of £1.47 million at 31 March 2016 based on an assessment of future recoverability. However if collection rates were to deteriorate an increase in the amount of the impairment would be required.
- **Property, Plant and Equipment:** assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Reductions in funding may make it difficult for the Council to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amounts of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances. The Council operates a policy of revaluing its Property, Plant and Equipment on a rolling five year basis. Details of revaluations and the significant assumptions applied in estimating values of land and buildings are set out within Note 13.
- **Investment Property:** the Council operates a policy of revaluing its Investment Property on an annual basis. Details of the valuation basis employed are set out within Note 15.
- **Provisions:** the Council has made a provision of £760,000 for its share of any successful appeals made by businesses against non-domestic rates charged in 2015/16 and earlier years. This is a best estimate based on the Valuation Office Agency list of ratings appeals and an analysis of successful appeals to date. If this estimate proves to be inaccurate an adjustment to the amount of the provision will be required in future financial statements.

Explanatory Notes to the Core Financial Statements

Note 6. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expenditure that are not disclosed elsewhere within the Statement of Accounts.

Note 7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Deputy Chief Executive on 26 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impacts of this information.

EU Referendum: Following the result of the referendum on 23 June 2016 for the United Kingdom to leave the European Union, there has been volatility in the financial markets. The consequential effect on items reported in these financial statements includes:

- **Local Government Pension Scheme:** Scheme Liability - there has been a significant decrease in the yields for high quality corporate bonds that are used to calculate the discount rate for the future obligation to pay pensions for the Council's defined benefits pension scheme. The valuation of these pension liabilities at 31 March 2016 had applied a discount rate of 3.5 % and calculated the present value of the funded obligation at £106.8m (see Note 33). The Council's actuary estimates that every 0.5% fall in the discount rate would increase the pension liability by approximately 10% which would increase the net pension liability in the balance sheet by £10.7m. Due to the continuing market volatility and the complexity of the interaction of different factors and their effects on the pension fund valuation, it is not possible at this stage to estimate reliably the likely effect on the value of the defined benefit pension liability on the Council's balance sheet. Statutory arrangements require that the funding of the pensions liability is on the basis of employer contributions; therefore gains or losses due to actuarial assumptions are reversed in the Movement in Reserves Statement and do not affect the General Fund or HRA balances.
- **Investment Property:** Available national market data suggests that investment properties may have fallen in capital value by around 4% but that rental values across the UK's commercial property market have held firm. The Council's investment properties were valued at £4.321m at 31 March (see Note 15).

Long-term borrowing: The borrowing portfolio at 31 March 2016 includes a £5m Lenders Option Borrowers Option Loan with a final maturity date in April 2054 (see Note 16). The original loan agreement with Barclays enabled the bank to increase the interest rate of the loan on a specified date every four years, although the Council could, in that event, repay the loan without penalty. The bank has now decided to permanently waive its right to change the interest rate on this loan, which effectively becomes fixed at the current rate of interest 4.5%.

Explanatory Notes to the Core Financial Statements

Note 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments between accounting basis and funding basis under regulations	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015/16	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	1,933	4,931				(6,864)
Charges for impairment/(reversals) of non-current assets	(180)	(19,805)				19,985
Movements in the fair value of Investment Properties	123					(123)
Amortisation of Intangible Assets	108	8				(116)
Capital grants and contributions applied	(2,304)					2,304
Revenue expenditure funded from capital under statute	2,599					(2,599)
Amounts of non-current assets written off on disposal or sale as part of the gain to the Comprehensive Income and Expenditure Statement	2,824	551				(3,375)
Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement		1,902				(1,902)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(335)					335
Voluntary provision for the financing of capital investment		(1,693)				1,693
Capital expenditure charged against the General Fund and HRA balances	(942)	(51)				993

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015/16	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,440)				1,440	
Application of grants to capital financing transferred to the Capital Adjustment Account					(1,640)	1,640
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(2,798)	(1,155)	3,953			
Use of the Capital Receipts Reserve to finance new capital expenditure			(547)			547
Contribution from the Capital Receipts Reserve to finance the administrative costs of non-current asset disposals		10	(10)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	419		(419)			
Adjustments primarily involving the Major Repairs Reserve:						
Transfer to the Major Repairs Reserve equal to the depreciation and amortisation amounts charged to HRA		(4,939)		4,939		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,894)		3,894
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement		(134)				134

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2015/16	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments						
Adjustment Account:						
Amortisation of premiums and discounts	1	4				(5)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,802	771				(3,573)
Employer's pensions contributions payable in the year	(1,521)	(424)				1,945
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated in accordance with statutory requirements	475					(475)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(39)					39
TOTAL ADJUSTMENTS FOR 2015/16	1,725	(20,024)	2,977	1,045	(200)	14,477

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014/15 comparative figures	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	1,896	4,565				(6,461)
Charges for impairment/(reversals) of non-current assets	(252)	(7,316)				7,568
Movements in the fair value of Investment Properties	(413)					413
Amortisation of Intangible Assets	290	14				(304)
Capital grants and contributions applied	(1,544)					1,544
Revenue expenditure funded from capital under statute	3,218					(3,218)
Amounts of non-current assets written off on disposal or sale as part of the gain to the Comprehensive Income and Expenditure Statement	1,662	675				(2,337)
Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement	27	3,130				(3,157)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(164)					164
Voluntary provision for the financing of capital investment		(1,698)				1,698
Capital expenditure charged against the General Fund and HRA balances	(1,729)	(230)				1,959

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014/15 comparative figures	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(461)				461	
Application of grants to capital financing transferred to the Capital Adjustment Account					(477)	477
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(1,162)	(1,279)	2,441			
Use of the Capital Receipts Reserve to finance new capital expenditure			(731)			731
Contribution from the Capital Receipts Reserve to finance the administrative costs of non-current asset disposals		14	(14)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	360		(360)			
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(4,579)		4,579		
Use of the Major Repairs Reserve to finance new capital expenditure				(4,891)		4,891

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2014/15 comparative figures	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amortisation of premiums and discounts	1	3				(4)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,660	624				(3,284)
Employer's pensions contributions payable in the year	(1,655)	(392)				2,047
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated in accordance with statutory requirements	(111)					111
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(17)					17
TOTAL ADJUSTMENTS FOR 2014/15	2,606	(6,469)	1,336	(312)	(16)	2,855

Explanatory Notes to the Core Financial Statements

Note 9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts transferred from the General Fund Balance to earmarked reserves to provide financing for future expenditure plans and the amounts transferred out from earmarked reserves to meet General Fund expenditure in 2015/16.

Earmarked General Fund Reserve (purpose of reserve)	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Asset Maintenance (To support investment in the Council's non-housing property through programmes of maintenance, repair and replacement)	2,521	(256)	466	2,731	(307)	555	2,979
Economic Regeneration (To support growth of local business and enterprise)	371	(68)	50	353	(2)	0	351
Revenue Grants and Contributions pending use (Amounts paid to the Council by Government and third parties to support specific initiatives)	331	(158)	111	284	(45)	14	253
Strategic Change (To support the Council's Joint Transformation Programme of integration and shared services and its other programmes of change)	3,084	(2,289)	1,563	2,358	(1,366)	2,665	3,657

Explanatory Notes to the Core Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
Vehicle and Equipment Replacement <i>(To support the ICT and vehicle replacement programme)</i>	2,433	(263)	320	2,490	(370)	320	2,440
Unallocated <i>(To provide additional support to initiatives determined by the Council)</i>	1,894	(121)	354	2,127	(1,088)	0	1,039
Total Earmarked Reserves on the Balance Sheet	10,634	(3,155)	2,864	10,343	(3,178)	3,554	10,719

In July 2015, the Council restructured its Reserves. The presentation above reflects this restructuring, and the 2014/2015 comparatives are not as shown in the 2014/2015 Statement of Accounts. The total value of Earmarked Reserves at 31 March 2015 was unchanged.

Explanatory Notes to the Core Financial Statements

	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000	Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
Note 10. OTHER OPERATING EXPENDITURE						
Town and Parish Council Precepts	2,705	0	2,705	2,784	0	2,784
Grants to Town and Parish Councils	278	0	278	237	0	237
Payments to the Government Housing Capital Receipts Pool	360	0	360	419	0	419
Gains on the disposal of non-current assets	0	98	(98)	0	726	(726)
Loss on derecognition of components of HRA non-current assets	3,130	0	3,130	1,902	0	1,902
Total Other Operating Expenditure	6,473	98	6,375	5,342	726	4,616
Note 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE						
Interest payable and similar charges	1,767	0	1,767	1,778	0	1,778
Net interest on the net defined benefit liability	1,058	0	1,058	1,003	0	1,003
Interest receivable and similar income	0	106	(106)	0	118	(118)
Solar Panel Trading Account	0	0	0	71	42	29
Income and expenditure in relation to investment properties and changes in fair value	39	587	(548)	206	194	12
Total Financing and Investment Income and Expenditure	2,864	693	2,171	3,058	354	2,704
Note 12. TAXATION AND NON SPECIFIC GRANT INCOME						
Council Tax Income	0	9,491	(9,491)	0	9,565	(9,565)
Non Domestic Rates income and expenditure	7,662	9,406	(1,744)	7,767	9,689	(1,922)
Non-ring fenced Government Grants	0	4,913	(4,913)	0	4,498	(4,498)
Capital Grants and Contributions	0	2,033	(2,033)	0	3,785	(3,785)
Total Taxation and Non Specific Grant Income	7,662	25,843	(18,181)	7,767	27,537	(19,770)

Explanatory Notes to the Core Financial Statements

Note 13. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

Movement on Balances

Movements in 2015/16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus Assets	Total Property Plant and Equipment
Cost or Valuation:	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2015	169,815	45,804	13,146	11,142	1,595	345	0	241,847
Additions	3,752	2,276	3,413	81	7	625	0	10,154
Revaluation increases recognised in Revaluation Reserve	20,602	729	0	0	0	0	2,170	23,501
Revaluation increases recognised in Surplus on the Provision of Services	15,472	0	0	0	0	0	0	15,472
Derecognition – components written out and loss recognised in Surplus on Provision of Services	(1,895)	0	0	(7)	0	0	0	(1,902)
Derecognition – disposals	(561)	0	(1,362)	0	0	0	0	(1,923)
Reclassifications	(612)	(2,182)	0	0	0	(325)	1,780	(1,339)
Other movements in cost or valuation	0	0	5	0	0	0	0	5
At 31 March 2016	206,573	46,627	15,202	11,216	1,602	645	3,950	285,815
Accumulated Depreciation and Impairment:								
At 1 April 2015	6	1,371	6,759	9,529	0	0	0	17,665
Depreciation charge	4,366	1,119	1,038	233	0	0	53	6,809
Depreciation written out to Revaluation Reserve on revaluation	0	(210)	0	0	0	0	0	(210)
Depreciation written out to Surplus on the Provision of Services on revaluation	(4,333)	(51)	0	0	0	0	(129)	(4,513)
Derecognition – disposals	(7)	0	(1,319)	0	0	0	0	(1,326)
Reclassifications	(5)	(109)	0	0	0	0	76	(38)
Other movements in depreciation and impairment	0	0	5	0	0	0	0	5
At 31 March 2016	27	2,120	6,483	9,762	0	0	0	18,392
Net book value on Balance Sheet at 31 March 2016	206,546	44,507	8,719	1,454	1,602	645	3,950	267,423

Explanatory Notes to the Core Financial Statements

Property, Plant and Equipment

Movement on Balances, continued

Comparative movements in 2014/15

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under construction	Total Property, Plant and Equipment
Cost or Valuation:	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	163,441	42,395	13,307	11,060	1,578	0	231,781
Additions	4,787	348	568	82	17	345	6,147
Revaluation increases/(decreases) recognised in Revaluation Reserve	1,181	4,325	0	0	0	0	5,506
Revaluation increases/(decreases) recognised in Surplus on the Provision of Services	0	0	(438)	0	0	0	(438)
Impairment (losses) reversals recognised in the Surplus on the Provision of Services	4,163	(53)	0	0	0	0	4,110
Derecognition – components written out and loss recognised in Surplus on the Provision of Services	(3,130)	0	0	0	0	0	(3,130)
Derecognition – disposals	(627)	(369)	(264)	0	0	0	(1,260)
Derecognition – other	0	0	(27)	0	0	0	(27)
Reclassifications to Investment Property	0	(842)	0	0	0	0	(842)
At 31 March 2015	169,815	45,804	13,146	11,142	1,595	345	241,847
Accumulated Depreciation and Impairment:							
At 1 April 2014	48	3,830	6,532	9,293	0	0	19,703
Depreciation charge	4,015	1,266	886	236	0	0	6,403
Depreciation written out to Revaluation Reserve	(895)	(3,763)	0	0	0	0	(4,658)
Depreciation written out to Surplus on the Provision of Services	0	0	(438)	0	0	0	(438)
Impairment losses (reversals) recognised in the Surplus on the Provision of Services	(3,153)	46	0	0	0	0	(3,107)
Derecognition – disposals	(9)	(8)	(221)	0	0	0	(238)
At 31 March 2015	6	1,371	6,759	9,529	0	0	17,665
Net book value on Balance Sheet at 31 March 2015	169,809	44,433	6,387	1,613	1,595	345	224,182

Explanatory Notes to the Core Financial Statements

Depreciation

The following useful lives have been used in the calculation of depreciation:

Council Dwellings	Building main structure – 100 years Building components – 15-60 years
Other Land and Buildings	Buildings – 15-60 years Fixtures and fittings – 10 years
Vehicles, Plant, Furniture and Equipment	– 5-15 years
Infrastructure	– 20 years

Capital Commitments

At 31 March 2016 the Council had no significant outstanding commitments for the construction or enhancement of Property, Plant and Equipment. At 31 March 2015 the Council had outstanding commitments of £798,000.

Finance Lease Assets

The 2015/16 additions figure of £3,413,000 for Vehicles, Plant, Furniture and Equipment includes £645,000 for vehicles, plant and equipment used to deliver the grounds maintenance contract. The contract was let to G.Burley and Sons Limited (Burleys) on 1 April 2015 for a period of 5 years. The vehicles, plant and equipment employed by Burleys constitute finance lease assets in accordance with the Code and as such have been incorporated within the Council's Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. Valuations of land and buildings were carried out by an independent valuer (DVS - the commercial arm of the Government's Valuation Office Agency) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on historic cost.

Council dwellings were revalued by DVS at 1 April 2015 and are subject to annual desktop revaluation reviews at 31 March each year until the next full valuation review due at 1 April 2020. Other Land and Buildings were revalued by DVS at 1 April 2014 with the next full revaluation review due at 1 April 2019.

Explanatory Notes to the Core Financial Statements

The significant assumptions applied in estimating the valuations of land and buildings are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place
- that the property is not subject to unusual or onerous restrictions, encumbrances or outgoing
- that inspection of those parts which have not been inspected would not cause the valuer to alter his opinion
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation
- that properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal
- that land and properties are not contaminated nor adversely affected by radon

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus Assets	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	17	2,027	15,202	11,216	1,602	645		30,709
Valued at fair value as at:								
31 March 2016	205,351	10,255					3,950	219,556
1 April 2014	1,205	34,345						35,550
Gross Book Value on Balance Sheet at 31 March 2016	206,573	46,627	15,202	11,216	1,602	645	3,950	285,815

Non-operational Property, Plant and Equipment - Surplus Assets

Fair Value Hierarchy

The Council's surplus assets have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 2 Accounting Policy 7).

Valuation techniques used to determine Level 2 Fair Values

The fair value of Surplus Assets has been measured based on the market approach using current market conditions consisting of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations. There has been no change in the valuation technique and no transfers between levels of the fair value hierarchy in the year.

Explanatory Notes to the Core Financial Statements

Highest and Best Use

In estimating the fair value of the Council's Surplus Assets, the highest and best use has been used.

The current use of these buildings differs from their highest and best use because they are being held vacant and non-operational pending decisions by the Council on their future development or disposal.

Note 14. HERITAGE ASSETS

Reconciliation of carrying value of heritage assets held by the Council

	Land and Buildings	Civic Regalia	Works of Art and Museum Exhibits	Total Assets
	£000	£000	£000	£000
Cost or Valuation:				
At 1 April 2015	2,254	19	776	3,049
Additions	35	0	0	35
At 31 March 2016	2,289	19	776	3,084
Depreciation and Impairment:				
At 1 April 2015	475	0	0	475
Depreciation charge	58	0	0	58
At 31 March 2016	533	0	0	533
Net Book Value on the Balance Sheet at 31 March 2016	1,756	19	776	2,551
Cost or Valuation:	£000	£000	£000	£000
At 1 April 2014	2,866	19	776	3,661
Additions	33	0	0	33
Disposals	(1,325)	0	0	(1,325)
Revaluation increases recognised in Revaluation Reserve	329	0	0	329
Impairment reversals recognised in Surplus/Deficit on Provision of Services	351	0	0	351
	2,254	19	776	3,049

Explanatory Notes to the Core Financial Statements

Depreciation and Impairment:

	Land and Buildings £000	Civic Regalia £000	Works of Art and Museum Exhibits £000	Total Assets £000
At 1 April 2014	574	0	0	574
Depreciation charge	66	0	0	66
Disposals	(9)	0	0	(9)
Depreciation written out to Revaluation Reserve	(156)	0	0	(156)
At 31 March 2015	475	0	0	475
Net Book Value on the Balance Sheet at 31 March 2015	1,779	19	776	2,574

Land and buildings comprises two properties - Market Tower and Newhaven Fort – which are included on the Balance Sheet at market value as assessed by the Council’s external valuer. Newhaven Fort is depreciated based on a straight-line allocation over its life as estimated by the valuer. Market Tower is not depreciated as it has an indeterminate life.

Civic Regalia and Works of Art and Museum Exhibits are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Note 15. INVESTMENT PROPERTY

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 (Note 11 p62):

	2014/15 £000	2015/16 £000
Rental income from investment property	(174)	(194)
Direct operating expenses arising from investment property	39	83
Net (gains)/losses from fair value changes	(413)	123
Net (gain)/loss	(548)	12

There are no restrictions on the Council’s ability to realise the value inherent in its investment property or on the Council’s right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

Explanatory Notes to the Core Financial Statements

Summary of the movement in the fair value of investment properties over the year:	2014/15 £000	2015/16 £000
Balance Sheet fair value at 1 April	4,248	5,893
Additions - capitalised expenditure	390	6
Disposals	0	(2,756)
Reclassifications from Property, Plant and Equipment	842	1,301
Net gains/(losses) from fair value changes	413	(123)
Balance Sheet fair value at 31 March	5,893	4,321

Represented on the Balance Sheet as:

Long Term Assets – Investment Property	3,143	4,321
Short Term Assets – Current held for sale Investment Property	2,750	0

Fair Value Hierarchy

The Council's investment properties have been assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 2 Accounting Policy 7).

Valuation techniques used to determine Level 2 Fair Values

The fair value of Investment Property has been measured based on the market approach using current market conditions of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations. There has been no change in the valuation technique and no transfers between levels of the fair value hierarchy in the year.

Highest and Best Use

In estimating the fair value of the Council's Investment Property, the highest and best use is their current use.

Valuation Process

The fair value of the Council's Investment Property is measured annually at each balance sheet date. Valuations are carried out by an independent valuer (DVS - the commercial arm of the Government's Valuation Office Agency) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Explanatory Notes to the Core Financial Statements

Note 16. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried on the Balance Sheet:

	Long-term		Short-term	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
FINANCIAL ASSETS				
Investments - loans and receivables	0	0	1,006	1,001
Cash and Cash Equivalents				
- loans and receivables (cash)	0	0	4,347	1,432
- loans and receivables (cash equivalents)	0	0	3,002	4,001
- available for sale financial assets (cash equivalents)	0	0	6,000	6,744
	0	0	13,349	12,177
Debtors				
- loans and receivables	465	571	2,502	2,790
FINANCIAL LIABILITIES				
Borrowings - financial liabilities at amortised cost	56,673	56,673	235	235
Other Long Term Liabilities				
- finance lease liabilities at amortised cost	71	529	0	0
Creditors - financial liabilities at amortised cost	0	0	*4,618	*3,935

The short-term debtors line on the Balance Sheet includes non-contractual debtors that do not meet the definition of a financial asset (see Note 17) and which are excluded from the table above.

The short-term creditors line on the Balance Sheet includes receipts in advance and non-contractual creditors that do not meet the definition of a financial liability (see Note 18) and which are excluded from the table above.

The long-term creditors line on the Balance Sheet does not meet the definition of a financial liability (see Note 29) and is excluded from the table above.

*Creditors includes short-term finance lease liabilities of 18 for 2014/15 and 108 for 2015/16.

Explanatory Notes to the Core Financial Statements

Income, Expense, Gains and Losses

	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2014/15	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2015/16
	£000	£000	£000	£000	£000	£000
Interest expense	1,767	0	1,767	1,778	0	1,778
Impairment losses	0	0	0	0	0	0
Total expense in Surplus on the Provision of Services	1,767	0	1,767	1,778	0	1,778
Interest income	0	(106)	(106)	0	(118)	(118)
Total income in Surplus on the Provision of Services	0	(106)	(106)	0	(118)	(118)
Net (gain)/loss for the year	1,767	(106)	1,661	1,778	(118)	1,660

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost.

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial Assets				
Long-term Debtors	465	465	571	571
Short-term Investments	1,006	1,006	1,001	1,001
Short-term Debtors	2,502	2,502	2,790	2,790
Cash and cash equivalents	13,349	13,349	12,177	12,177

Cash and cash equivalents includes £6.7 million in available for sale financial assets. In a departure from accounting policy 7 in Note 2, the balance sheet value and the fair value are held as the same because the difference between the two is not material.

Explanatory Notes to the Core Financial Statements

	31 March 2015		31 March 2016	
	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
Financial Liabilities				
Borrowings – market loan*	5,109	7,756	5,109	7,706
Borrowings – Public Works Loan Board (PWLB)*	51,799	60,320	51,799	55,203
Other Long-term Liabilities – finance leases	71	71	529	529
Short-term Creditors	4,618	4,618	3,935	3,935

* represented on the Balance Sheet by long term and short term borrowings

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2 or Level 3 – see accounting policy 7 in Note 2), using the following assumptions:

- for Public Works Loan Board (PWLB) loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (Level 2)
- for the market loan payable, because the lender was unable to provide a fair value directly it has been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. The Lender's options have been valued according to a proprietary model, and the Council's (Borrower's option) to repay has been valued at zero on the assumption that this option would only be available when market rates are higher than the loan rate (Level 3)
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of the Council's borrowings is higher than the carrying amount because the interest rates payable are more than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) from a commitment to pay interest to the lender above current market rates.

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 payment commitments.
- market risk – the possibility that a financial loss might arise for the Council as a result of movements in interest rates.

Explanatory Notes to the Core Financial Statements

The Council's annual Treasury Management Strategy (last updated in February 2016) focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written statements within its treasury management strategy covering interest rate risk, security of capital, and liquidity of investments.

Credit Risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. This risk is minimised through the Council's Investment Strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with the credit ratings services provided by Fitch, Moody's and Standard and Poor. During 2015/16 deposits in banks and building societies were limited to UK banks and building societies that had minimum Fitch (or equivalent) credit ratings of 'A' long term. Deposits were allowed for periods up to 1 year with a maximum exposure limit of £3 million per institutional group.

By following the ongoing investment strategy outlined above, the maximum exposure to default in respect of bank deposits is estimated to be minimal.

In respect of amounts receivable from our customers, the Council's collection performance is extremely high. Each year an assessment is made of the potential maximum level of default against the amount owed for each class of debt (e.g. council tax, non-domestic rates, rents, sundry debtors). This assessment takes account of both age and value of individual debts. Note 17 shows the total value of customer debt at the year end, along with the allowance for non-collection.

An aged analysis of operational debtors less allowances for non-collection as included in Note 17 for Other Entities and Individuals is analysed between housing benefit overpayments, housing rents and sundry debtors in the table below:

	Housing Benefit Overpayments at 31 March 2015 £000	Housing Rents at 31 March 2015 £000	Sundry Debtors at 31 March 2015 £000	Housing Benefit Overpayments at 31 March 2016 £000	Housing Rents at 31 March 2016 £000	Sundry Debtors at 31 March 2016 £000
Less than 3 months	309	45	622	385	67	756
3 months to 6 months	157	26	251	147	38	67
6 months to 12 months	156	16	38	248	23	39
More than 12 months	593	43	115	565	63	90
	1,215	130	1,026	1,345	191	952

The aggregate of debtors shown in this note represents the maximum exposure to default.

Explanatory Notes to the Core Financial Statements

Liquidity Risk

The Council manages its liquidity position through a comprehensive cash flow management system which includes the setting and approval of prudential indicators and the approval of treasury and investment strategy reports, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and from the Public Works Loans Board (PWLB) and money markets for any longer term funds. The Council is required by the Local Government Finance Act 1992 to provide a balanced budget which ensures that sufficient monies are raised to cover annual expenditure. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council may be required to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To mitigate this risk, the Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities (borrowings principal and interest) at 31 March is as follows:

	Restated 2015 £000	2016 £000
Less than one year	1,732	1,733
Between one and two years	1,732	1,733
Between two and five years	5,197	5,199
Between five and ten years	23,270	22,970
Between ten and fifteen years	16,227	15,927
Between fifteen and twenty years	14,586	14,257
Between twenty and twenty five years	12,894	12,551
Between twenty five and thirty years	8,265	8,032
More than thirty years	6,575	6,350
	<u>90,478</u>	<u>88,752</u>

All trade and other payables are due to be paid in less than one year and are not included within the table above.

The liability which is shown as maturing after 30 years is a single loan. This is a Lenders Option Borrowers Option loan, which has a final maturity date in April 2054. At 31 March 2016 the lender had the option to review and increase the loan rate every four years but if at a review date the lender proposed to increase the rate, then the Council could exercise its option to repay the loan.

At the latest review date of 5 April 2016 the Lender did not exercise the option to vary the interest rate which remained at 4.5%.

In June 2016 the lender decided to permanently waive its right under the Lenders Option to change the applicable interest rate in the future. As a result, the loan effectively becomes a fixed rate loan at 4.5%.

Explanatory Notes to the Core Financial Statements

Market Risk

Interest rate risk

The Council is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities will fall
- borrowings at variable rates – the interest expense charged to the Surplus on the Provision of Services will rise
- investments at variable rates – the interest income credited to the Surplus on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus on the Provision of Services and will affect the General Fund Balance.

The Council carries out its borrowing and investment activity within parameters set out in its Treasury and Investment Strategies, which assess interest rate exposure to feed into the annual budget process. When setting its base budget the Council assumed no increase in the interest rate currently earned on new deposits and holds a buffer against fluctuations within the General Fund Working Balance. In this way, the funding of core services is less exposed to interest rate risk. Interest rate and investment income forecasts are updated regularly throughout the year, allowing significant changes to be reflected in updated budget projections. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been an increase of £50,000 in interest payable, an increase of £228,000 in interest receivable, and a net £178,000 impact on the Surplus on the Provision of Services. The impact on the fair value of fixed rate borrowings would have been a decrease of £6.2 million.

Price and foreign exchange risk

The Council does not generally invest in equity shares but held £6.7 million in available for sale financial assets at 31 March 2016. The Council is, therefore, exposed to losses arising from movements in the prices of the available for sale financial assets but this is mitigated by not trading the assets in an active market and holding them short-term and to maturity.

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

Explanatory Notes to the Core Financial Statements

Note 17. DEBTORS

	31 March 2015		31 March 2016	
	£000	£000	£000	£000
Contractual Debtors				
Central Government Bodies		0		162
Other Local Authorities		131		140
Other Entities and Individuals:				
Sundry Debtors	2,749		3,099	
less allowance for non-collection	(508)		(802)	
Housing Rents	459		685	
less allowance for non-collection	(329)		(494)	
		<u>2,371</u>		<u>2,488</u>
Contractual Debtors net of impairment		2,502		2,790
Non-Contractual Debtors				
Central Government Bodies		646		2,916
Other Local Authorities		0		83
Other Entities and Individuals				
Payments in Advance	115		84	
Council Taxpayers	324		349	
less allowance for non-collection	(83)		(97)	
Non-domestic Ratepayers	232		318	
less allowance for non-collection	(73)		(75)	
		<u>515</u>		<u>579</u>
Non-Contractual Debtors net of impairment		1,161		3,578
Debtors net of impairment on the Balance Sheet at 31 March		<u><u>3,663</u></u>		<u><u>6,368</u></u>

Explanatory Notes to the Core Financial Statements

Note 18. CREDITORS

	31 March 2015 £000	31 March 2016 £000
Contractual Creditors		
Central Government Bodies	438	353
Other Local Authorities	750	1,138
Other Entities and Individuals	3,430	2,444
Contractual Creditors	<u>4,618</u>	<u>3,935</u>
Non-Contractual Creditors		
Central Government Bodies	1,161	220
Other Local Authorities	460	922
Receipts in Advance	378	637
Non-Contractual Creditors	<u>1,999</u>	<u>1,779</u>
Creditors on the Balance Sheet at 31 March	<u>6,617</u>	<u>5,714</u>

Explanatory Notes to the Core Financial Statements

Note 19. USABLE RESERVES

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

Note 20. UNUSABLE RESERVES

The Council's unusable reserves consist of:

	31 March 2015	31 March 2016
	£000	£000
Revaluation Reserve	25,485	45,398
Capital Adjustment Account	137,830	158,040
Financial Instruments Adjustment Account	16	11
Pension Reserve	(31,033)	(22,426)
Deferred Capital Receipts	390	524
Collection Fund Adjustment Account	(88)	(563)
Accumulated Absences Account	(125)	(86)
Unusable Reserves on the Balance Sheet at 31 March	132,475	180,898

A description of the nature and purpose of the three major unusable reserves, the movement in the reserve during the financial year, and the balance at the year-end is detailed below as follows:

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in its non-current assets.

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.

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

Explanatory Notes to the Core Financial Statements

Revaluation Reserve

	2014/15	2015/16	
	£000	£000	£000
Balance Sheet at 1 April	15,810		25,485
Upward revaluation of assets	11,454	23,845	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(805)	(134)	
Surplus/(deficit) on the revaluation of non-current assets not posted to the Surplus on the Provision of Services	10,649		23,711
Difference between fair value depreciation and historical cost depreciation	(248)	(347)	
Accumulated gains on assets sold or scrapped	(726)	(3,451)	
Amount written off to the Capital Adjustment Account	(974)		(3,798)
Balance Sheet at 31 March	25,485		45,398

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Explanatory Notes to the Core Financial Statements

Capital Adjustment Account	2014/15	2015/16
	£000	£000
Balance Sheet at 1 April	132,888	137,830
Reversal of items relating to capital expenditure debited or credited to Comprehensive Income & Expenditure Statement:		
• Charges for depreciation of non-current assets	(1,896)	(1,933)
• Credits for impairment reversals of non-current assets	7,568	19,985
• Amortisation of Intangible Assets	(290)	(108)
• Transfer to offset Housing Revenue Account contribution to the Major Repairs Reserve	(4,579)	(4,939)
• Revenue expenditure funded from capital under statute (REFCUS)	(3,218)	(2,599)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,337)	(3,375)
• Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement	(3,157)	(1,902)
	<u>(7,909)</u>	<u>5,129</u>
Adjusting amounts written out of the Revaluation Reserve	974	3,798
Net written out amount of the cost of non-current assets consumed in the year	<u>(6,935)</u>	<u>8,927</u>
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	731	547
• Use of the Major Repairs Reserve to finance new capital expenditure	4,891	3,894
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,544	2,304
• Application of grants to capital financing from the Capital Grants Unapplied Account	477	1,640
• Statutory provision for the financing of capital investment charged against the General Fund Balance	164	335
• Voluntary provision for the financing of capital investment charged against the Housing Revenue Account (HRA) Balance	1,698	1,693
• Capital expenditure charged against the General Fund and HRA Balances	1,959	993
	<u>11,464</u>	<u>11,406</u>
Movements in the fair value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	413	(123)
Balance Sheet at 31 March	<u>137,830</u>	<u>158,040</u>

Explanatory Notes to the Core Financial Statements

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 the pension fund 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.

	2014/15	2015/16
	£000	£000
Balance Sheet at 1 April	(23,822)	(31,033)
Remeasurements of the net defined benefit liability	(5,974)	10,235
Reversal of items relating to retirement benefits debited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,284)	(3,573)
Employer's pension contributions payable in the year	2,047	1,945
Balance Sheet at 31 March	<u>(31,033)</u>	<u>(22,426)</u>

Note 21. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

	2014/15	2015/16
Depreciation	6,461	6,864
Impairment and (reversal) of impairment and valuation movements	(7,568)	(19,985)
Amortisation	304	116
Increase/(decrease) in impairment for bad debts	63	475
Increase/(decrease) in Creditors	2,283	(1,001)
(Increase)/decrease in Debtors	23	(3,286)
(Increase)/decrease in Inventories	(10)	15
Movement in pension liability	1,237	1,628
Carrying amount of non-current assets sold or derecognised	5,494	5,277
Other non-cash items	(215)	136
Adjustments for non-cash movements	<u>8,072</u>	<u>(9,761)</u>

Explanatory Notes to the Core Financial Statements

Note 22. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS THAT ARE INVESTING AND FINANCING ACTIVITIES

	2014/15	2015/16
	£000	£000
Proceeds from sales of property, plant & equipment, investment property and intangible assets	(1,877)	(3,943)
Capital grants	(2,033)	(2,304)
Reduction of outstanding liabilities relating to finance leases	(105)	(548)
Adjustments for items that are investing and financing activities	(4,015)	(6,795)

Note 23. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2014/15	2015/16
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(6,238)	(9,684)
Purchase of short-term and long-term investments	(97,600)	(120,750)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,877	3,943
Proceeds from short-term and long-term investments	101,601	123,750
Net cash out flows from investing activities	(360)	(2,741)

Note 24. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2014/15	2015/16
	£000	£000
Other receipts from financing activities – increase/(decrease) in preceptors' share of council tax cash collected net of precepts and surpluses paid	1,852	545
Cash payments for the reduction of the outstanding liabilities relating to finance leases	105	458
Other payments for financing activities	777	(495)
Net cash in flows from financing activities	2,734	508

Explanatory Notes to the Core Financial Statements

Note 25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA *Service Reporting Code of Practice*. However, in 2015/16 decisions about resource allocations were taken by the Council's Cabinet on the basis of budget reports analysed by management area, which is a change in approach from 2014/15 when budget reports were analysed by service area. These reports are prepared on a different basis from the accounting policies used in the Financial Statements.

In particular:

- no charges are made in relation to General Fund capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on the employer's pensions contributions due for the year rather than current service cost of benefits accrued in the year

The income and expenditure recorded in the management area budget reports for the year is analysed as follows:

	Service Delivery	Business Strategy and Development	Corporate Services	Corporate Costs	General Fund Total	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other income	(6,315)	(794)	(3,474)	(1,467)	(12,050)	(16,899)	(28,949)
Government grants	(36,402)	(70)	(139)	0	(36,611)	(5)	(36,616)
Total Income	(42,717)	(864)	(3,613)	(1,467)	(48,661)	(16,904)	(65,565)
Employees	6,248	1,025	3,709	1,133	12,115	1,615	13,730
Other service expenses	41,503	1,048	4,082	1,293	47,926	8,794	56,720
Support service recharges	1,498	265	259	143	2,165	1,468	3,633
Transfer to Major Repairs Reserve (equal to the depreciation amount charged to the HRA)	0	0	0	0	0	4,939	4,939
Total Expenditure	49,249	2,338	8,050	2,569	62,206	16,816	79,022
Net Expenditure	6,532	1,474	4,437	1,102	13,545	(88)	13,457

Explanatory Notes to the Core Financial Statements

Income and Expenditure Analysis for 2014/15

	Central services	Cultural services	Environmental & Regulatory	Highways Transport	Housing services	Planning services	Corporate & Democratic	Other services	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other income	(613)	(774)	(1,883)	(913)	(1,650)	(2,373)	(114)	(1,456)	(16,687)	(26,463)
Government grants	(58)	(6)	(162)	0	(35,666)	(35)	0	0	0	(35,927)
Total Income	(671)	(780)	(2,045)	(913)	(37,316)	(2,408)	(114)	(1,456)	(16,687)	(62,390)
Employees	586	593	3,667	35	1,198	1,444	2,022	170	1,888	11,603
Other service expenses	516	2,137	2,157	539	37,571	898	908	3,526	4,704	52,956
Support service recharges	658	235	574	18	267	796	(89)	3	979	3,441
Total Expenditure	1,760	2,965	6,398	592	39,036	3,138	2,841	3,699	7,571	68,000
Net Expenditure	1,089	2,185	4,353	(321)	1,720	730	2,727	2,243	(9,116)	5,610

Reconciliation of Income and Expenditure Analysis to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in Cost of Services in the Comprehensive Income and Expenditure Statement

	2014/15	2015/16
	£000	£000
Net expenditure in the analysis	5,610	13,457
Add amounts not reported to Cabinet in the analysis but included in the Cost of Services	3,301	(14,955)
Remove amounts reported to Cabinet in the analysis but not included in the Cost of Services	(1,969)	(5,329)
Cost of Services on the Comprehensive Income and Expenditure Statement	6,942	(6,827)

Explanatory Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement (CIES)

2015/16	Management Area Analysis	Amounts not reported to Cabinet for decision making	Amounts not included in Cost of Services in CIES	Cost of Services in CIES	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other income	(28,949)	0	4,147	(24,802)	(236)	(25,038)
Interest and investment income	0	0	0	0	(118)	(118)
Income from Council Tax	0	0	0	0	(9,565)	(9,565)
Income from Non-Domestic Rates	0	0	0	0	(9,689)	(9,689)
Government grants and contributions	(36,616)	0	0	(36,616)	(8,283)	(44,899)
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	(726)	(726)
Total Income	(65,565)	0	4,147	(61,418)	(28,617)	(90,035)
Employee expenses	13,730	561	(39)	14,252	1,042	15,294
Other service expenses	56,720	(103)	(5,794)	50,823	271	51,094
Support Service recharges	3,633	0	(3,643)	(10)	10	0
Depreciation, amortisation and impairment/(reversals)	4,939	(15,413)	0	(10,474)	194	(10,280)
Derecognition of components	0	0	0	0	1,902	1,902
Interest payments	0	0	0	0	1,778	1,778
Precepts and Levies	0	0	0	0	10,551	10,551
Payments to Housing Capital Receipts Pool	0	0	0	0	419	419
Total Expenditure	79,022	(14,955)	(9,476)	54,591	16,167	70,758
(Surplus) or deficit on the provision of services	13,457	(14,955)	(5,329)	(6,827)	(12,450)	(19,277)

Explanatory Notes to the Core Financial Statements

2014/15 comparative figures

	Income and Expenditure Analysis £000	Amounts not reported to Cabinet for decision making £000	Amounts not included in CIES £000	Cost of Services in CIES £000	Corporate Amounts £000	Total £000
Fees, charges and other income	(26,463)	0	2,037	(24,426)	0	(24,426)
Interest and investment income	0	0	0	0	(693)	(693)
Income from Council Tax	0	0	0	0	(9,491)	(9,491)
Income from Non-Domestic Rates	0	0	0	0	(9,406)	(9,406)
Government grants and contributions	(35,927)	0	0	(35,927)	(6,946)	(42,873)
Gain on Disposal of Property, Plant and Equipment	0	0	0	0	(98)	(98)
Total Income	(62,390)	0	2,037	(60,353)	(26,634)	(86,987)
Employee expenses	11,603	988	(54)	12,537	1,058	13,595
Other service expenses	52,956	(129)	(3,910)	48,917	317	49,234
Support Service recharges	3,441	0	(42)	3,399	0	3,399
Depreciation, amortisation and impairment /(reversals)	0	2,442	0	2,442	0	2,442
Derecognition of components	0	0	0	0	3,130	3,130
Interest payments	0	0	0	0	1,767	1,767
Precepts and Levies	0	0	0	0	10,367	10,367
Payments to Housing Capital Receipts Pool	0	0	0	0	360	360
Total Expenditure	68,000	3,301	(4,006)	67,295	16,999	84,294
(Surplus) or deficit on the provision of services	5,610	3,301	(1,969)	6,942	(9,635)	(2,693)

Explanatory Notes to the Core Financial Statements

Note 26. MEMBERS' ALLOWANCES

The Council paid £193,000 in allowances to Members of the Council (District Councillors) during 2015/16 and £5,000 in expenses. The comparative figures for 2014/15 were £193,000 and £5,000.

Note 27. OFFICERS' REMUNERATION

The remuneration of senior employees within the Council's Corporate Management Team earning over £50,000 was as follows:

Post	Financial Year	Salary £000	Mileage allowance and other expenses £000	Benefits in kind £000	Compensation for Loss of Office £000	Total excluding pension contribution £000	Pension contribution £000	Total including pension contribution £000
Chief Executive (left 17 March 2016)	2015/16	100	0	4	27	131	21	152
	2014/15	103	1	4	0	108	22	130
Director of Service Delivery	2015/16	92	0	0	0	92	20	112
	2014/15	88	0	0	0	88	19	107
Director of Business Strategy and Development	2015/16	92	0	0	0	92	20	112
	2014/15	87	0	0	0	87	18	105
Assistant Director of Corporate Services	2015/16	78	0	5	0	83	17	100
	2014/15	73	0	5	0	78	16	94
Director of Finance (post deleted following retirement on 23 March 2015)	2014/15	51	3	0	0	54	11	65

The new Chief Executive (appointed with effect from 18 January 2016) and the Director of Corporate Services (the Council's Chief Financial Officer) are both employees of Eastbourne Borough Council so are not included within the table above. However, both posts provide services equally to Eastbourne Borough Council (EBC) and Lewes District Council (LDC) under a shared services arrangement whereby LDC reimburses EBC 50% of the remuneration costs for each post. For 2015/16 LDC's reimbursement costs for the Chief Executive and the Director of Corporate Services were £17,000 and £52,000 respectively.

Explanatory Notes to the Core Financial Statements

The number of other employees receiving more than £50,000 remuneration for the year (excluding pension contributions) is:

Remuneration band	2014/15	2015/16
	Number of employees	Number of employees
£50,000 - £54,999	2	2
£55,000 - £59,999	2	5
£60,000 - £64,999	0	0
£75,000 - £79,999	1	0
£80,000 - £84,999	0	1

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	no.	no.	no.	no.	no.	no.	£000	£000
£0 - £20,000	0	0	32	6	32	6	350	36
£20,001 - £40,000	0	0	13	2	13	2	366	*50
£40,001 - £60,000	0	0	1	1	1	1	41	47
Total	0	0	46	9	46	9	757	133

*includes one package of £23,000 for a junior member of staff agreed in March 2015 but not accrued in 2014/15.

Note 28. EXTERNAL AUDIT COSTS

The Council incurred the following costs in relation to the audit of the Financial Statements and the certification of grant claims undertaken by the Council's external auditor, BDO:

	2014/15	2015/16
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	57	46
Fees payable for the certification of grant claims and returns for the year	22	17
	<u>79</u>	<u>63</u>

Explanatory Notes to the Core Financial Statements

Note 29. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2014/15	2015/16
Non-ringfenced Government Grants:	£000	£000
- Revenue Support	2,326	1,704
- Council Tax Freeze	75	76
- New Homes Bonus	1,176	1,383
- Non-Domestic Rate Relief	716	836
- Housing Benefit Administration	522	447
- Other grants of less than £100,000 each	98	52
	4,913	4,498
Capital Grants and Contributions towards capital expenditure	2,033	3,785
Total credited to Taxation and Non-specific Grant Income	6,946	8,283
Government Grants credited to Services:	£000	£000
- Housing Benefit	35,366	36,073
- Food Waste Collection	152	0
- Discretionary Housing Payment	129	114
- Property Searches New Burdens	0	107
- Housing Benefit Fraud	128	66
- Other grants of less than £100,000 each	152	256
Total credited to Cost of Services	35,927	36,616
Total credited to the Comprehensive Income and Expenditure Statement	42,873	44,899

The Council has received Government grants and a number of contributions under Section 106 planning agreements that have yet to be recognised as income. This is because the grants and contributions have conditions attached to them that will require the monies to be returned to the giver if the Council does not satisfy those conditions. It is the Council's intention to satisfy the conditions so that no monies are returned.

Explanatory Notes to the Core Financial Statements

The balances held as **Capital Grants Receipts in Advance** were as follows:

	31 March 2015	31 March 2016
	£000	£000
Held as Short Term Liabilities		
Government grant (DCLG) - coastal communities	730	0
Section 106 agreements where each financial contribution is less than £100,000	99	2
	<u>829</u>	<u>2</u>
Held as Long Term Liabilities		
Section 106 agreement - to provide sports and recreation facilities in Peacehaven	460	215
Section 106 agreement - to provide or improve outdoor playing space facilities in the area of Wivelsfield	293	294
Section 106 agreement - to provide or improve outdoor playing space facilities in Peacehaven	0	191
Other Section 106 agreements where each financial contribution is less than £100,000	281	248
Government grants of less than £100,000 each	47	98
	<u>1,081</u>	<u>1,046</u>
Total value of balances held as Capital Grants Receipts in Advance at 31 March	<u>1,910</u>	<u>1,048</u>

Long Term Creditors

Section 106 agreements between developers and the Council which include amounts given for education, highways and other services for which East Sussex County Council (ESCC) is the responsible local authority, are held by the Council until ESCC has developed plans that will satisfy the conditions set out in the agreement. At that point ESCC will request release of the funds from the Council.

Until that occurs the Council holds the monies as long term creditors because it cannot determine when ESCC will develop its plans and request the release of funds. The amount held at 31 March 2016 is £1.280 million (£1.378 million at 31 March 2015). Other than Section 106 agreement monies held on behalf of ESCC the Council has no other long term creditors.

Explanatory Notes to the Core Financial Statements

Note 30. 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.

In this context related parties include:

- Central Government
- Other Public Bodies
- Entities Controlled or Significantly Influenced by the Council
- Officers of the Council
- Other Non-Public Bodies

Central Government - Central government has effective control 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 prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 29 Grant Income.

Elected Members of the Council - Members of the Council (41 District Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 26. 2 Members were also members of East Sussex County Council.

Members are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at Southover House, Southover Road, Lewes during office hours.

In addition, Members are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. All Members confirmed that they had no qualifying interests.

The Council awards grants to a number of organisations, e.g. Lewes District Citizen's Advice, in which Members have an interest. The relevant Members did not take part in any discussion or decision relating to the award of financial support which was made with proper declarations of interest.

Officers of the Council - Officers are obliged under the code of conduct in the Council's Constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality

Explanatory Notes to the Core Financial Statements

received in a format prescribed and held by the Monitoring Officer. In addition, senior officers complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. All senior officers confirmed that they had no qualifying interests

Other Public Bodies (subject to common control by Government)

- East Sussex County Council - the Council participates in the East Sussex Pension Scheme which is administered by ESCC. Details of the Council's annual contributions to the Scheme, together with other relevant information, is set out in Note 33.
- Eastbourne Borough Council - the Council has an arrangement with Eastbourne Borough Council (EBC) for sharing officers between the two councils. The Council's Director of Business Strategy and Development also acts as the Senior Head of Regeneration, Planning and Assets at EBC. EBC's Chief Executive, its Chief Finance Officer and its Head of Organisational Development fulfil the same roles at Lewes District Council. A number of other officers below senior level are shared between the two councils. Additionally the two councils have existing arrangements to share legal services, human resources and printing services with a statement of intent to share more services in the future as part of a Joint Transformation Programme. Recharges are made between the two councils to recover the cost of these shared staff and activities. At 31 March 2016, the Council's short-term investments included £2 million advanced to EBC as part of ordinary treasury management activity.
- University Technical College – alongside the University of Brighton, the Aldridge Foundation and Veolia Environmental Services (UK), the Council is a partner in the setting up of a UTC in Newhaven which opened in September 2015. In 2015/16 the Council contributed £238,000 (£1.271 million in 2014/15) towards the cost of constructing the new college.
- Saxon House - alongside the East Sussex Fire Authority and Sussex Police, the Council is a partner in the setting up of a shared facility in Newhaven which opened in January 2016. In 2015/16 the Council contributed £541,000 towards the cost of constructing the new fire station, police and council shared building.

Other Non-Public Bodies - the Council has a close relationship with Wave Leisure Trust (trading as Wave Leisure Ltd), a charitable company established originally to operate the Council's indoor leisure facilities from 1 April 2006. With effect from 1 May 2015 the company also operates the Council's Newhaven Fort facility. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2015/16 the Council paid Wave Leisure Ltd service fees of £617,800 (£627,000 in 2014/15) and received £41,000 from the company for services provided and a contribution towards the future replacement of an all-weather pitch (£43,000 in 2014/15).

Entities Controlled or Significantly Influenced by the Council - There were no entities controlled or significantly influenced by the Council in 2015/16.

Explanatory Notes to the Core Financial Statements

Note 31. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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, which is the measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	71,449	69,980
Capital Investment		
- property, plant and equipment	6,147	10,154
- heritage assets	33	35
- investment properties	390	6
- intangible assets	218	163
- revenue expenditure funded from capital under statute (REFCUS)	3,218	2,599
Sources of Finance		
- capital receipts	(731)	(547)
- government grants and other contributions	(2,032)	(3,944)
- major repairs reserve	(4,891)	(3,894)
- direct revenue contributions	(1,959)	(993)
- sums set aside from revenue for the repayment of debt	(1,862)	(2,028)
Closing Capital Financing Requirement	<u>69,980</u>	<u>71,531</u>
Increase/(Decrease) in Capital Financing Requirement	(1,469)	1,551
Explanation of movements in year:		
- increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,574)	1,003
- increase/(decrease) in lease liability	105	548
Increase/(Decrease) in Capital Financing Requirement	<u>(1,469)</u>	<u>1,551</u>

Explanatory Notes to the Core Financial Statements

Note 32. LEASES

Council as Lessor

Operating leases

The Council lets under operating leases some of the land and buildings held as Property, Plant and Equipment for purposes such as economic development, housing, leisure and recreation. It also lets under operating leases some of the land and buildings held as Investment Property assets solely to earn income from rentals.

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

	31 March 2015	31 March 2016
	£000	£000
Not later than one year	894	734
Later than one year and not later than five years	2,874	2,859
Later than five years	31,129	30,397
Total	34,897	33,990

The minimum lease payments receivable do not include contingent rents. In 2015/16 the Council recognised a contingent rent of £42,000 as income in respect of its interest in Newhaven Town Centre Property Management (£40,000 in 2014/15).

In May 2016 the Council paid £500,000 to buy-back the lease of Newhaven Town Centre. Contingent rents cease from that date as the Council is entitled to receive direct the rents from shops and other lettings within the Town Centre.

Explanatory Notes to the Core Financial Statements

Note 33. POST EMPLOYMENT BENEFITS

Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by East Sussex County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments and assets.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required by statutory regulation to be made against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement, the General Fund Balance and the Housing Revenue Account Balance through the Movement in Reserves Statement during the year:

	2014/15 £000	2015/16 £000
Service Cost		
- current service cost	(2,167)	(2,495)
- past service cost (including curtailments)	(89)	(75)
Total Service Cost	(2,256)	(2,570)
Financing and Investment Income and Expenditure		
- interest income on plan assets	3,229	2,711
- interest cost on defined benefit obligation	(4,257)	(3,714)
Total Net Interest	(1,028)	(1,003)
Total Post Employment Benefits charged to Surplus on the provision of services	(3,284)	(3,573)

Explanatory Notes to the Core Financial Statements

	2014/15 £000	2015/16 £000
Remeasurement of the net defined benefit liability comprising:		
- return on plan assets (excluding the amount included in the net interest expense)	7,711	(1,374)
- actuarial gains/(losses) arising on changes in financial assumptions	(14,515)	10,180
- other	830	1,429
Total remeasurements recognised in Other comprehensive income and expenditure	(5,974)	10,235
Total Post Employment Benefits credited/(charged) to Comprehensive Income and Expenditure Statement	(9,258)	6,662
Movement in Reserves Statement:		
- reversal of net charges made to the Surplus on the provision of services for post employment benefits in accordance with the Code	(3,284)	(3,573)
Actual amount charged against General Fund and HRA Balances for pensions in the year		
- employer's contributions payable to pension scheme	1,964	1,864
- discretionary benefits arrangements (unfunded pensions)	83	81
	2,047	1,945

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	31 March 2015 £000	31 March 2016 £000
Fair value of employer assets	85,361	85,381
Present value of funded liabilities	(115,289)	(106,804)
Present value of unfunded liabilities	(1,105)	(1,003)
Net liability arising from defined benefit obligation	(31,033)	(22,426)

Explanatory Notes to the Core Financial Statements

	2014/15 £000	2015/16 £000
Reconciliation of the movements in the fair value of scheme assets		
Opening fair value of scheme assets	75,833	85,361
Interest income	3,229	2,711
Remeasurement gain/(loss) - return on plan assets (excluding the amount included in the net interest expense)	7,711	(1,374)
Contributions from employer	2,047	1,945
Contributions from employees into the scheme	596	600
Benefits paid	(3,972)	(3,781)
Unfunded benefits paid	(83)	(81)
Closing fair value of scheme assets	85,361	85,381
Reconciliation of present value of the scheme liabilities (defined benefit obligation)		
Opening fair value of scheme liabilities	99,655	116,394
Current service cost	2,167	2,495
Interest cost	4,257	3,714
Contributions from scheme members	596	600
Remeasurement losses:		
- actuarial (gain)/losses arising on changes in financial assumptions	14,515	(10,180)
- other	(830)	(1,429)
Past service cost	89	75
Benefits paid	(3,972)	(3,781)
Unfunded benefits paid	(83)	(81)
Closing fair value of scheme liabilities	116,394	107,807

Explanatory Notes to the Core Financial Statements

Pension Scheme Assets comprised:

Asset Category	Period ended 31 March 2015				Period ended 31 March 2016			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
Equity Securities	£000	£000	£000		£000	£000	£000	
Consumer	3,353	16	3,369	4%	1,566	1	1,567	2%
Manufacturing	2,118	133	2,251	3%	1,020	1	1,021	1%
Energy and Utilities	2,252	0	2,252	3%	220	3	223	0%
Financial Institutions	4,903	0	4,903	6%	2,523	0	2,523	3%
Health and Care	3,435	0	3,435	4%	1,081	1	1,082	1%
Information Technology	3,659	0	3,659	4%	1,299	0	1,299	2%
Other	11	0	11	0%	0	430	430	0%
Debt Securities								
UK Government	0	1,356	1,356	2%	0	1,553	1,553	2%
Other	0	873	873	1%	0	1,589	1,589	2%
Private Equity								
All	0	4,718	4,718	6%	0	5,098	5,098	6%
Real Estate								
UK Property	0	8,808	8,808	10%	541	9,572	10,113	12%
Investment Funds and Unit Trusts								
Equities	431	38,354	38,785	45%	55	44,204	44,259	52%
Bonds	3,432	2,128	5,560	7%	3,399	6,514	9,913	12%
Hedge Funds	63	33	96	0%	0	93	93	0%
Commodities	209	0	209	0%	42	0	42	0%
Infrastructure	0	1,697	1,697	2%	0	1,442	1,442	2%
Other	0	334	334	0%	0	292	292	0%
Derivatives								
Foreign Exchange	0	(17)	(17)	0%	0	0	0	0%
Cash and Cash Equivalents								
All	0	3,062	3,062	3%	2,842	0	2,842	3%
Totals	23,866	61,495	85,361	100%	14,588	70,793	85,381	100%

Explanatory Notes to the Core Financial 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. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the East Sussex County Council pension fund being based on the latest full valuation of the scheme at 31 March 2013.

The significant assumptions used by the actuary have been:

	2014/15	2015/16
Mortality assumptions:		
- longevity for current pensioners - men	22.2 yrs	22.2 yrs
- longevity for current pensioners - women	24.4 yrs	24.4 yrs
- longevity for future pensioners - men	24.2 yrs	24.2 yrs
- longevity for future pensioners - women	26.7 yrs	26.7 yrs
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	4.3%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2016	Approximate percentage increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	10%	10,730
1 year increase in member life expectancy	3%	3,234
0.5% increase in the salary increase rate	3%	2,796
0.5% increase in the pension increase rate	7%	7,778

Explanatory Notes to the Core Financial Statements

Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. East Sussex County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 87% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation as at 31 March 2016 is due to be completed in 2016/17.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish a new career average revalued earnings scheme to pay pensions and other benefits to certain public servants. Members started earning benefits under the new scheme from April 2014.

The Council anticipates paying contributions of £1,829,000 to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

Note 34. CONTINGENT LIABILITIES

At 31 March 2016 the Council had four material contingent liabilities:

- The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. At 31 March 2016 the pension liability of Wave Leisure Ltd is £1,147,000 (£2,059,000 as at 31 March 2015).
- The Council has agreed a Voluntary Severance and Early Retirement Scheme as part of its comprehensive change programme and to assist with the need to make recurring budget savings. The scheme is employee led, subject to the agreement of the Council, and allows for payments to be made to enable a mutually agreed exit on the grounds of efficiency. The Council expects further exits to be mutually agreed in 2016/17 and beyond but cannot be certain about the number, cost and timing of each future exit.
- The Council has yet to finalise its implementation of harmonisation of working hours across the workforce. This is due to be completed in 2016/17. Until the process is complete claims under equal pay can theoretically be made.
- A neighbouring local authority has indicated that it may seek a Judicial Review of the Council's Joint Core Strategy. Recovery of costs in defending such a review would be limited to £15,000.

Housing Revenue Account and explanatory notes

HRA INCOME AND EXPENDITURE STATEMENT

2014/15 £000		2015/16 £000
	Income	
14,903	Dwelling rents	14,983
442	Non-dwelling rents	447
1,118	Charges for services and facilities	1,217
195	Contributions towards expenditure	225
16,658		16,872
	Expenditure	
4,513	Repairs and maintenance	4,475
2,782	Supervision and management (including special services)	2,719
143	Rents, rates, taxes and other charges	154
4,579	Depreciation of non-current assets (Note 3)	4,939
(7,316)	Impairment reversals of non-current assets (Note 4)	(19,805)
30	Debt management costs	33
74	Movement in the allowance for impairment of debtors	178
4,805		(7,307)
(11,853)	Net income of HRA services in the Comprehensive Income & Expenditure Statement	(24,179)
861	HRA share of Corporate and Democratic Core	831
30	HRA share of Pension Curtailments	25
(10,962)	Net income of HRA Services	(23,323)
	HRA share of operating income and expenditure in the Comprehensive Income and Expenditure Statement:	
(590)	Gain on sale of HRA non-current assets	(728)
3,130	Loss on derecognition of components of HRA non-current assets	1,902
1,878	Interest payable and similar charges	1,852
(26)	Interest and investment income	(29)
191	Net interest on the net defined benefit pension liability	214
4,583		3,211
(6,379)	Surplus for the year on HRA services	(20,112)

Housing Revenue Account and explanatory notes

The Movement on the HRA Statement takes the surplus or deficit for the year on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

MOVEMENT ON THE HRA STATEMENT		2015/16	
2014/15		£000	£000
			(2,638)
(2,728)	Balance on the HRA at 1 April		
(6,379)	Surplus for the year on the HRA Income and Expenditure Statement		(20,112)
	Adjustments between accounting basis and funding basis under statute:		
4,579	- transfer to the Major Repairs Reserve (MRR) equal to the depreciation and amortisation charged to HRA	4,939	
(4,579)	- transfer from the Capital Adjustment Account	(4,939)	
7,316	- reversal of impairment reversals credited to the HRA	19,805	
(3,130)	- reversal of loss on derecognition of components of HRA non-current assets	(1,902)	
590	- reversal of gain on sale of HRA non-current assets	728	
(3)	- amortisation of premiums and discounts	(4)	
(624)	- reversal of items relating to retirement benefits charged to the HRA Income and Expenditure Statement	(771)	
392	- employer's pensions contributions payable in the year	424	
230	- capital expenditure funded by the HRA	51	
1,698	- voluntary provision for the financing of capital investment	1,693	
6,469			20,024
90	Net (increase) or decrease in year on the HRA		(88)
(2,638)	Balance on the HRA at 31 March		(2,726)

Housing Revenue Account and explanatory notes

Note 1. STOCK OF SOCIAL HOUSING

The number and types of dwellings in the Council's housing stock at 31 March is as follows:

	2015	2016
Houses and Bungalows		
1 bedroom	211	211
2 bedroom	633	631
3 bedroom	882	879
4 bedroom	67	67
5 bedroom	3	3
6 bedroom	1	1
	<u>1,797</u>	<u>1,792</u>
Flats		
bedsits	132	132
1 bedroom	701	687
2 bedroom	534	536
3 bedroom	48	47
4 bedroom	4	4
	<u>1,419</u>	<u>1,406</u>
Total stock of social housing at 31 March	<u>3,216</u>	<u>3,198</u>

In addition the Council had at 31 March 2016 shared ownership arrangements covering 7 properties and 1 property (partly) sold under the Right to Buy scheme.

Housing Revenue Account and explanatory notes

Note 2. VALUE OF HRA NON-CURRENT ASSETS

The value of HRA non-current assets shown in the table below is included within the Balance Sheet. The increase in the valuation of council dwellings arose from the quinquennial revaluation of council dwellings and garages at 1 April 2015. A desktop review of the valuations was undertaken at 31 March 2016. The valuations were undertaken by District Valuer Services (DVS).

	31 March 2015 £000	31 March 2016 £000
Council Dwellings – houses, bungalows and flats		
- social housing	167,607	203,588
- affordable housing	610	1,278
- shared ownership	355	433
- leaseholds	38	52
	<hr/> 168,610	<hr/> 205,351
Other Land and Buildings		
- garages	8,952	9,325
- other land and buildings	746	811
Vehicles, Plant, Furniture and Equipment	1,498	1,466
Infrastructure Assets	725	655
Community Assets	43	43
Surplus Assets	0	2,150
Total Property, Plant and Equipment	<hr/> 180,574	<hr/> 219,801
Investment Property	935	974
Intangible Assets	32	24

The vacant possession value of council dwellings (social housing) within the HRA at 31 March 2016 was £636.2 million as valued by DVS, compared with a value of £203.6 million for its existing use as social housing. The difference of £432.6 million represents the economic cost of providing housing at less than open market rents. Use as social housing is valued at 32% of open market value as at 1 April 2015, the date of the last full valuation, which equates to a 68% reduction.

Housing Revenue Account and explanatory notes

Note 3. DEPRECIATION

Depreciation on council dwellings is based on the building value as assessed by the Council's external valuer (DVS), which is then analysed into its significant components. The useful lives and replacement costs of each significant component - e.g. roof, windows, bathroom, kitchen, walls and structure, etc - is assessed to determine the depreciation charge.

The amounts of depreciation charged to the HRA Income and Expenditure Statement are as follows:	2014/15	2015/16
	£000	£000
Depreciation on council dwellings	4,012	4,345
Depreciation on other land and buildings	254	272
Depreciation on vehicles, plant, furniture and equipment	185	199
Depreciation on infrastructure assets	114	107
Depreciation on surplus assets	0	8
Amortisation of intangible assets	14	8
Total Depreciation charged to the HRA	4,579	4,939

Note 4. IMPAIRMENT

Impairment charges made to the HRA Income and Expenditure Statement are as follows:	2014/15	2015/16
	£000	£000
Impairment resulting from revaluation losses in excess of balances held in the revaluation reserve	0	610
Reversal of prior year impairment against revaluation gains recognised in the year	(7,316)	(20,415)
Total Impairment/(reversals) charged/(credited) to the HRA	(7,316)	(19,805)

Housing Revenue Account and explanatory notes

Note 5. FUNDING OF CAPITAL EXPENDITURE

The totals of HRA capital expenditure and capital financing during the year is summarised as follows:	2015 £000	2016 £000
Capital expenditure		
- on council dwellings	4,787	4,242
- on other land and buildings	71	42
- on vehicles, plant, furniture and equipment	174	153
- on infrastructure	38	0
- on intangible assets (computer software)	25	0
	<u>5,095</u>	<u>4,437</u>
Sources of capital financing		
- from the Major Repairs Reserve	4,891	3,894
- from revenue contributions	160	51
- from grants and contributions	24	6
- from the capital receipts reserve	20	343
Total Capital Financing	<u>5,095</u>	<u>4,294</u>
Unfinanced – supported by Lewes District Council	0	143
	<u>5,095</u>	<u>4,437</u>

Note 6. MAJOR REPAIRS RESERVE

This reserve holds the transfer from the HRA equal to the amount of depreciation charged which is then used to finance HRA capital expenditure. The movements on the reserve show that a balance has been retained for future use.

	2015 £000	2016 £000
Balance at 1 April	(1,424)	(1,112)
Amounts transferred from the HRA		
- equal to the depreciation amount charged to the HRA Income and Expenditure Statement	(4,579)	(4,939)
Amounts used to finance HRA capital expenditure	4,891	3,894
Balance at 31 March	<u>(1,112)</u>	<u>(2,157)</u>

Collection Fund Statement and explanatory notes

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (Lewes District Council) in relation to the collection from taxpayers of Council Tax and its distribution to local precepting authorities and the collection from business ratepayers of Non-Domestic Rates and its distribution to Central Government and local authorities.

2014/15 £000		2015/16 £000	£000
	Income		
	Council tax		
58,897	- Income receivable from tax payers	60,632	
16	- Transitional protection payments receivable from Central Government	0	
58,913			60,632
	Non-domestic rates (Business rates)		
24,339	- Income receivable from rate payers	24,296	
22	- Transitional protection payments receivable from Central Government	0	
24,361			24,296
83,274	Total Income		84,928
	Expenditure		
	Council Tax Precepts		
40,942	- East Sussex County Council	42,113	
2,893	- East Sussex Fire Authority	2,976	
9,379	- Lewes District Council	9,417	
4,893	- Sussex Police and Crime Commissioner	5,034	
58,107			59,540
	Contribution from previous year's estimated Council Tax surplus		
282	- East Sussex County Council	284	
20	- East Sussex Fire Authority	20	
65	- Lewes District Council	65	
34	- Sussex Police and Crime Commissioner	34	
401			403

Collection Fund Statement and explanatory notes

2014/15 £000		2015/16 £000
	Impairment of Council Tax	
108	- increase in allowance for non-collection	135
58,616	Council Tax Expenditure	60,078
11,678	Central Government share of Non-Domestic Rates income	12,533
	Local Government share of Non-Domestic Rates income:	
2,102	- East Sussex County Council	2,256
233	- East Sussex Fire Authority	251
9,343	- Lewes District Council	10,026
11,678		12,533
0	Transitional Protection Payments due from the Council	184
	Impairment of Non-Domestic Rates	
114	- movement in allowance for uncollectable sums	59
605	- movement in provision for appeals	253
719		312
129	Transfer to the General Fund – allowance for the collection of non-domestic rates	130
24,204	Non-Domestic Rates Expenditure	25,692
82,820	Total Expenditure	85,770
	(Surplus)/Deficit for the year	
(297)	- Council Tax	(554)
(157)	- Non-Domestic Rates	1,396
(454)		842

Collection Fund Statement and explanatory notes

2014/15		2015/16	
£000		£000	£000
Movement on Collection Fund Balances		Council Tax	Non-Domestic Rates
		Total	Total
93	Balance at 1 April	(975)	614
(454)	(Surplus)/Deficit for the year	(554)	1,396
(361)	Balance at 31 March	(1,529)	2,010
			481

Note 1. COUNCIL TAX BASE

This is based on estimated chargeable dwellings in each valuation band, as adjusted for applicable discounts, converted to an equivalent number of total Band D dwellings and then multiplied by the collection rate to allow for possible losses on collection.

The calculation for 2015/16 is as follows:

	Chargeable dwellings	Band D ratio	Band D dwellings
Band A	2,098	6/9	1,399
Band B	3,718	7/9	2,892
Band C	10,071	8/9	8,952
Band D	8,148	9/9	8,148
Band E	5,078	11/9	6,207
Band F	2,734	13/9	3,950
Band G	2,138	15/9	3,564
Band H	200	18/9	401
	34,185		35,513
Collection rate for 2015/16			98.5%
Tax Base for 2015/16			34,980

Note 2. NON-DOMESTIC RATES

The total non-domestic rateable value at 31 March 2016 was £64.6 million (£64.1 million at 31 March 2015).

The standard national non-domestic rate multiplier for 2015/16 was 49.3p; reduced to 48.0p for qualifying small businesses.

The multipliers for 2014/15 were 48.2p and 47.1p respectively.

Statement of Responsibilities

Authorisation of the Statement of Accounts

The Deputy Chief Executive will release this Statement of Accounts on September 2016. Events between the balance sheet date and September 2016 were considered before this Statement of Accounts was approved.

The Council's Responsibilities - 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. In this authority, that officer is the Deputy Chief Executive
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

Signature of the Councillor presiding at the meeting at which the Statement of Accounts was approved:

..... *Chair of the Audit and Standards Committee* *September 2016*

The Deputy Chief Executive Responsibilities - the Deputy Chief Executive 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 Deputy Chief Executive 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 Deputy Chief Executive has also:

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

DEPUTY CHIEF EXECUTIVE CERTIFICATE - I certify that the draft Statement of Accounts set out in pages 26 to s109 provides a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

..... *Alan Osborne, Deputy Chief Executive* *September 2016*

Independent Auditor's Report to the Members of Lewes District Council

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

Opinion on the Council's financial statements

We have audited the financial statements of Lewes District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund Statement and the related explanatory notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Lewes District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Independent Auditor's Report to the Members of Lewes District Council

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Lewes District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Introduction and Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

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

- we have been unable to satisfy ourselves that the annual governance statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest;
- 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.

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

Respective responsibilities of the Council and auditor

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

We are required under Section 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 criteria specified by the National Audit Office.

Independent Auditor's Report to the Members of Lewes District Council

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the National Audit Office in November 2015, 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 2016.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2015, we are satisfied that, in all significant respects, Lewes District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Lewes 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.

Janine Combrinck

For and on behalf of BDO LLP, Appointed Auditor

London, UK

September 2016

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

Annual Governance Statement

Scope of Responsibility

The Council 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. The Council 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework, Delivering Good Governance in Local Government. A copy of the Code is on our website at <http://www.lewes.gov.uk/council/3748.asp> or can be obtained from the Head of Audit, Fraud and Procurement, Southover House, Southover Road, Lewes, East Sussex BN7 1AB. This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and the 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 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 designed 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council'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 the Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

Annual Governance Statement

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are described below. The Council sets out its vision, priorities, projects and planned performance in the Council Plan. Underpinning this is a number of key strategies, programmes, service delivery and project plans which provide detailed commitments in terms of the Council's services and activities. The Medium Term Finance Strategy looks ahead five years and sets out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities. The Council is undertaking a Joint Transformation Programme integrating staff and services with Eastbourne Borough Council whilst maintaining political sovereignty of each Council.

The four year Council Plan is reviewed and approved each year by Scrutiny Committee, Cabinet and Full Council. The Council's Governance Framework is drawn together in the local Code of Corporate Governance which meets national standards.

The Council has clear annual business planning and performance management arrangements in place. Performance and project management is supported by the corporate software system (Covalent). The Council has a number of policies and procedures relating to information governance including data protection, data quality and records management. Progress and performance information is reported to Corporate Management Team, Scrutiny Committee, and Cabinet each quarter. Operational performance monitoring takes place at monthly service review meetings. Progress on the Joint Transformation Programme is closely monitored by a Programme Board. The quality of services is monitored through regular/ ad hoc consultation with, and feedback from, service users in the form of commissioned survey research, comments and complaints and the Council's own online surveys.

The Council's Constitution establishes clear arrangements for decision making and the delegation of powers to Councillors and officers. It defines and documents the roles and responsibilities of the Council, Cabinet and Committees (including the Audit and Standards Committee and the Scrutiny Committee) as well as the roles and responsibilities of Councillors and senior officers. The Council has adopted the Leader and Cabinet Model in accordance with the Local Government Act 2000 as amended by the Localism Act 2011. The Council's Scrutiny Committee oversees the independent review of performance and decisions of Cabinet and other activities and functions of the Council. This is achieved through its regular meetings, appointed Scrutiny Panels and the Call In procedure.

Communication between Councillors and officers is governed by the Protocol on Member/Officer Relations which was updated at the July 2015 meeting of Full Council. There is also a Councillor Protocol for Procurement.

A Councillors' induction programme takes place every four years after a District Council Election. Individual Councillors' training needs are reviewed annually and specialist training on specific areas of activity are organised by officers as required e.g. IT,

Annual Governance Statement

planning and scrutiny matters. Each year all Council committees are invited to identify training needs/issues arising from their work programme. Training needs for each member of staff are assessed as part of the annual appraisal process.

Standards of behaviour and conduct of Councillors and officers are governed by Member and Officer Codes of Conduct, the Anti-Fraud and Corruption Strategy, Whistle Blowing Policy, Anti Bribery Policy, Disciplinary and Grievance procedures and the Dignity at Work Policy. A Core Values and Behaviours Statement was agreed in April 2013, following extensive consultation with staff. These guidance documents and procedures are the subject of training/awareness raising for staff and Councillors and are made available via the Council's intranet. The Council also has a Competency Framework which is part of the performance management and appraisal systems.

The Council has an established framework for financial governance based on Contract and Financial Procedure Rules, with sound budgeting systems, clear budget guidance for managers and regular reporting of financial performance to Councillors and officers.

The Council's risk management framework is outlined in its Risk Management Strategy, and it is fully established and embedded within the Council. There are robust systems for identifying and evaluating risk in the decision making and service planning processes. Strategic risks are updated and reported to the Audit and Standards Committee and Cabinet annually and operational risks are reviewed as part of service planning. Key staff are trained in the assessment, management and monitoring of risk. Risk assessment and management is an integral part of key Council projects.

As part of its Corporate Governance arrangements the Council has established an Audit and Standards Committee that is responsible, amongst other things, for keeping under review the probity and effectiveness of internal controls and the effectiveness of management arrangements to ensure legal and regulatory compliance. The Committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities", and reports to the Cabinet on the effectiveness of internal controls within the Council.

The Council has a documented Assurance Framework that sets out the sources of assurance within the Council's governance environment and provides the evidence to support the Annual Governance Statement.

The Council has an Internal Audit Section that is an independent, objective assurance and consulting function. It helps the Council achieve its objectives by bringing a systematic and disciplined approach to evaluating the effectiveness of risk management, control and governance processes. The Section operates in accordance with the auditing guidelines in the Public Sector Internal Auditing Standards (PSIAS), which were approved for use at the Council by the March 2013 meeting of the Audit and Standards Committee. The Head of Audit, Fraud and Procurement undertakes an annual review of the Internal Audit function against these standards.

Annual Governance Statement

Many of the standards set out in the PSIAS are also found in the Statement of the Role of the Head of Internal Audit published by CIPFA in 2010.

The Council has a strong counter fraud culture that is supported by Councillors and officers. The Fraud Investigations Team works closely with officers in other departments to prevent, detect and investigate fraud, particularly in the areas of housing tenancy fraud, Council Tax fraud and business rate fraud. The outcome of this work informs the opinion on the internal control environment. The Council works closely with the national Single Fraud Investigation Service (SFIS) in the DWP to ensure an effective response to cases of Benefit fraud.

The Council's Constitution sets out the roles of the Head of Paid Service, Monitoring Officer and Chief Finance Officer (Section 151) - at Lewes District Council these roles are fulfilled by the Chief Executive, Assistant Director of Corporate Services and the Director of Corporate Services respectively. These roles include responsibility for ensuring that agreed procedures are followed and that applicable statutes, regulations and relevant statements of good practice are complied with and expenditure is lawful. The Head of Paid Service is responsible for overall corporate management and operational responsibility (including overall management responsibility for all officers).

The Council has a corporate complaints procedure which is currently being reviewed in collaboration with Eastbourne Borough Council to ensure best practice and consistency in handling complaints. Information on complaints is monitored by service managers and high level information is reported to Scrutiny Committee/ Cabinet through the quarterly performance report.

The Council has a variety of communication channels with local residents and other stakeholders. In addition the Council actively engages with different sections of the community through focus groups, user groups, partnership meetings and networks. The Council's Consultation and Communication strategies set out the approach and specific consultations are planned and agreed in an annual programme.

The Council has a system for reviewing partnership working and has identified a small number of strategic partnerships which require more robust governance arrangements. Partnership governance is subject an annual review process. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

The Council has a Project Management Framework that contains a set of principles and procedures for the planning, control and delivery of projects. The Council has developed a set of clear and consistent project documents and associated tools which have been the subject of consultation and training amongst senior officers.

The Council has a Business Continuity Plan (BCP), and will continue to develop its processes and safeguards in this area.

Annual Governance Statement

The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The core duties of the external auditor are to give an opinion on the financial statements and to review arrangements for securing value for money. In addition it can consider electors' questions and objections and make formal recommendations as well as report in the public interest.

Review of effectiveness

The Council 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 senior officers within the Council who have responsibility for the governance environment, the annual report of the Head of Audit, Fraud and Procurement, and also the work of external auditors and other review agencies and inspectorates as outlined below.

The Head of Audit, Fraud and Procurement reported regularly to the Audit and Standards Committee on the work of Internal Audit, on governance and internal control, and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2015/16, the overall standards of internal control were satisfactory. Whilst recommendations have been made to improve management controls, there were no instances in which internal control issues created significant risks for the Council.

An audit of Right to Buy reported to the Audit and Standards Committee in September 2016 identified minimal assurance that there was an adequate system of internal control covering the administration of Right to Buy applications. Appropriate corrective action was taken during the audit to address immediate issues and risks, and further changes to the controls covering the processing of Right to Buy cases have been introduced.

In March 2008 the Audit Committee approved the local Code of Corporate Governance. The local Code is reviewed annually by the Head of Audit, Fraud and Procurement and senior officers taking into account the requirements of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. The Code was reviewed in March 2016 and it was concluded that the Council continues to have satisfactory arrangements in place for corporate governance. The Code will next be reviewed in early 2017.

At its September 2015 meeting Cabinet approved the integration of staff and services with Eastbourne Borough Council. To support this transformation and change a detailed governance structure was put in place. This includes the Joint Transformation Board (members from both councils including from the opposition groups), Joint Transformation Core Team (officers from both councils with designated roles) and a Joint Transformation Consultative Forum (Unison and staff representatives). In May 2016 the Full Business Case for the Joint Transformation Programme was approved by the Cabinets at both Lewes District and Eastbourne Borough Council. Managers are working to ensure that the control environment keeps pace with these changes.

Annual Governance Statement

The year-end Performance Report for 2015/16 was considered by the Scrutiny Committee and Cabinet in July 2016 providing a high level summary of progress and performance. The Council's strategic priorities, projects and performance targets were determined as part of a review of portfolio responsibility during summer 2015 and restated in the updated Council Plan for 2016-2020. These priorities were communicated via the website and internally through LDC News, the Corporate Briefing and Infolink. The Business Strategy and Performance Team is responsible for overseeing the Council's business planning, project management and performance management arrangements to ensure efficient and effective delivery of the Joint Transformation Programme and improvement targets over the short to medium term.

The Council Plan 2016-20 was approved by Full Council at its February 2016 meeting.

In February 2016 the Council appointed an Information Governance Officer to ensure the Council has a strategic approach to information governance.

The Audit and Standards Committee received the Annual Report on Risk Management at the June 2016 meeting and Cabinet received the same report at its July 2016 meeting. The Audit and Standards Committee receives updates on risk management at every meeting. The reports during 2015/16 noted that most risks are mitigated by the effective operation of controls or other measures. Whilst there are some risks that are outside the Council's control, such as a major incident, flu pandemic, a downturn in the national economy or a major change in government policy or legislation, the Council has sound planning and response measures to mitigate the impact of such events and continues to monitor risks and the effectiveness of controls. During autumn 2015 risk management training was provided to Heads of Service and other managers.

A major review of the Council's Contract Procedure Rules was undertaken during the year and the revised rules were approved by Full Council at its meeting in February 2016. The changes were undertaken to modernise the rules including incorporating the changes brought about by the Public Procurement Regulations 2015. To support these updated rules, training has commenced with the first session for managers being held in March 2016.

The Scrutiny Committee has met five times since April 2015. At its January 2016 meeting it received the 2016/17 Budget Overview.

In May 2015 there was a District Election and a subsequent new intake of Councillors. Full induction training was provided in June 2015. Officers tailored the training to pick up issues that had arisen in the previous municipal year. Training sessions were held at different times so that all Councillors would be able to attend.

The Council's Business Continuity Plan (BCP) was updated in September 2014. There is a risk that a loss of IT services would mean that the priorities for restoration of services that are set out in the BCP may not be achieved in all circumstances. This risk is

Annual Governance Statement

partially mitigated through preventative measures, and more effective mitigation is gradually being put in place with the significant upgrading of the Council's IT infrastructure and with the introduction of IT shared services with Eastbourne Borough Council. An Internal Audit review of the BCP in June 2016 has identified some areas for improvement in the Council's BCP arrangements.

As part of the Council's internal assurance framework the Council's Corporate Management Team have confirmed the proper operation of internal controls including compliance with the Constitution in those service areas for which they are responsible. In addition they have confirmed that there have been no cases reported under the Council's Whistleblowing Policy. The Council updated its Whistleblowing and Anti-Fraud and Corruption policies in March 2016.

Under the Code of Practice for Local Authority Accounting 2015/16 the Council is required to confirm that its financial management arrangements conform with governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (2010). The Council's arrangements conform with the requirements of the Statement and this has been confirmed by the Deputy Chief Executive (Section 151).

During 2015/16 the Fraud Investigation Team has successfully investigated cases of housing tenancy and Council Tax fraud, and has identified for action a number of premises that are not paying the correct business rates. Summaries of the cases investigated and the outcomes were included in the regular reports to the Audit and Standards Committee as well as the Annual Report on Fraud and Corruption. The work on the National Fraud Initiative 2014/15 was completed in April 2016 with no frauds being identified via this exercise. Regular reports on its progress have been provided to the Audit and Standards Committee.

In April 2016, the Head of Audit, Fraud and Procurement reviewed the Council's compliance with the CIPFA Code of Practice on managing the risk of fraud and corruption. The results confirmed that the Council has adopted a response that is appropriate for its fraud and corruption risks and there are adequate means to maintain its vigilance to tackle fraud. There have been no cases where the Audit and Standards Committee has found a District Councillor to be in breach of the Council's Code of Conduct.

In February 2015 Cabinet agreed service level agreements (SLA's) for three strategic partnerships with voluntary and community associations. These have enhanced monitoring and governance arrangements of these partnerships to which the Council has awarded funding. The guidance for partnership working was reviewed in April 2016 to take account of the changing nature of the partnerships that the Council is involved with. This guidance incorporates the requirement for an annual review to be undertaken by partnership lead officers.

In July 2015 the Council signed a Conditional Sale Agreement and Profit Share and Project Management Agreement with a private sector consortium in respect of a project to raise funds to allow the Council to build a number of homes across the district, and at

Annual Governance Statement

the same time bring regenerative benefit to a number of sites (known as the New Homes Project). The project had been the subject of a governance report from external governance lawyers at Bevan Brittan prior to a decision to award the contract. This project received significant interest from both the public and local media with opposition to some of the proposals. In February 2016 Cabinet decided to terminate the agreement having first received legal advice that it could properly do so under the terms of the contractual arrangement, without risk of successful challenge. The Council set up a cross party working group led by an independent chair to review the governance arrangements of this project. None of the members who composed the Working Group were directly involved in the project itself. The results of the Working Group were reported to the September 2016 meeting of Cabinet. Recommendations from the report focused on:

- Site Selection
- Officer briefings to members
- Scale and achievability of major projects
- Project governance
- Consultation
- Management of partners

Officers recommended in the Cabinet report that the Chief Executive produce a management action plan in response to the Working Party's recommendations, addressing together the points raised both by the Working Group and BDO's review.

The Council's external auditor BDO highlighted the New Homes Project as a Use of Resources risk in their Planning Report of February 2016 to the Audit and Standards Committee. BDO have reviewed the governance and decision making processes followed by the Council and the results of this review were reported to the Audit and Standards Committee in September 2016. They have concluded that overall the Council followed its own internal processes in making decisions about this project, and legal advice was sought on key decisions made. However, they have identified scope for improvement in arrangements underpinning the project and agreed an action plan with officers for lessons learnt from this project to be applied to future projects of this size and nature. Recommendations were raised in respect of:

- Earlier disclosure of potential development sites
- Public consultation in preliminary stages
- Updating the Property Strategy and Asset Management Plan
- More structured approach to carrying out due diligence checks

BDO stated that the actions related largely to good practice that could be implemented rather than significant weaknesses in processes.

Annual Governance Statement

Customer complaints and compliments continue to be monitored as part of monthly performance monitoring and management arrangements for the Service Delivery Directorate. Data is also reported to the Scrutiny Committee and Cabinet each quarter.

The results of reviews by the Council's external auditor, BDO, have helped inform the opinion on the internal control environment. Recent results are summarised below:

Annual Audit Letter for 2014/15 (October 2015) – This report set out the key issues from the work carried out by BDO during the year, and was presented to the November 2015 meeting of the Committee. The key issues were:

- BDO issued an unqualified true and fair opinion on the financial statements for the period ended 31 March 2015.
- BDO identified a number of misstatements in relation to fixed asset accounting for Property, Plant and Equipment which were corrected.
- BDO did not identify any significant deficiencies in the Council's framework of internal controls, but signed annual related party declarations had not been received from Members who were not re-elected in the May 2015 elections.
- BDO concluded that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015, and issued an unqualified value for money conclusion.
- BDO found that the Council is continuing to monitor the overall financial position, has established effective arrangements to ensure its financial resilience and is taking measures to address the budget gap identified over the period of the medium term financial plan.
- BDO noted that good progress is being made towards the transformation programme and significant savings are being secured from planned procurements.
- BDO were satisfied that the Annual Governance Statement (AGS) was not inconsistent or misleading with other information they were aware of from the audit of the financial statements and complies with standard guidance.
- BDO noted that the Council's Whole of Government Accounts (WGA) submission is below the threshold for full assurance review and no audit work was necessary.
- BDO reported on the results of the most recent grant claims and returns certification report that covered two claims and returns for 2013/14, with a total value of £37.5 million. The 2014/15 claim was submitted to the Department of Work and Pensions in March 2016.

Planning Report 2015/16 (February 2016) - This report sets out the audit scope and objectives for the financial year 2015/16, the engagement timetable, the fees and key audit risks.

Annual Governance Statement

Significant governance issues

We have been advised by the Audit and Standards Committee on the implications of the result of the review of the effectiveness of the Governance Framework. There are no significant governance issues to report for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

Councillor Andy Smith,
Leader of the Council.

September 2016

Robert Cottrill,
Chief Executive

September 2016

Index of Explanatory Notes

Explanatory Notes to the Core Financial Statements

Note 1.	CHANGES TO ACCOUNTING POLICIES AND TO PRIOR PERIOD FIGURES.....	32
Note 2.	ACCOUNTING POLICIES.....	32
Note 3.	ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED	51
Note 4.	CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES.....	51
Note 5.	ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY	52
Note 6.	MATERIAL ITEMS OF INCOME AND EXPENSE.....	53
Note 7.	EVENTS AFTER THE BALANCE SHEET DATE.....	53
Note 8.	ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS.....	54
Note 9.	TRANSFERS TO/FROM EARMARKED RESERVES.....	60
Note 10.	OTHER OPERATING EXPENDITURE	62
Note 11.	FINANCING AND INVESTMENT INCOME AND EXPENDITURE	62
Note 12.	TAXATION AND NON SPECIFIC GRANT INCOME	62
Note 13.	PROPERTY, PLANT AND EQUIPMENT	63
Note 14.	HERITAGE ASSETS	67
Note 15.	INVESTMENT PROPERTY.....	68
Note 16.	FINANCIAL INSTRUMENTS.....	70
Note 17.	DEBTORS.....	76
Note 18.	CREDITORS.....	77
Note 19.	USABLE RESERVES	78
Note 20.	UNUSABLE RESERVES.....	78
Note 21.	CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS.....	81
Note 22.	CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS THAT ARE INVESTING AND FINANCING ACTIVITIES	82
Note 23.	CASH FLOW STATEMENT - INVESTING ACTIVITIES	82
Note 24.	CASH FLOW STATEMENT - FINANCING ACTIVITIES.....	82
Note 25.	AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS.....	83

Index of Explanatory Notes

Note 26.	MEMBERS' ALLOWANCES.....	87
Note 27.	OFFICERS' REMUNERATION.....	87
Note 28.	EXTERNAL AUDIT COSTS.....	88
Note 29.	GRANT INCOME.....	89
Note 30.	RELATED PARTIES.....	91
Note 31.	CAPITAL EXPENDITURE AND CAPITAL FINANCING	93
Note 32.	LEASES.....	94
Note 33.	POST EMPLOYMENT BENEFITS.....	95
Note 34.	CONTINGENT LIABILITIES	100

Explanatory Notes to the Housing Revenue Account

Note 1.	STOCK OF SOCIAL HOUSING	103
Note 2.	VALUE OF HRA NON-CURRENT ASSETS	104
Note 3.	DEPRECIATION.....	105
Note 4.	IMPAIRMENT	105
Note 5.	FUNDING OF CAPITAL EXPENDITURE.....	106
Note 6.	MAJOR REPAIRS RESERVE	106

Explanatory Notes to the Collection Fund

Note 1.	COUNCIL TAX BASE	109
Note 2.	NON-DOMESTIC RATES.....	109

Contact details

The information in this document can be made available in large print, on audio tape or disk, or in another language upon request. Contact the Council on 01273 471600 or email lewesdc@lewes.gov.uk

For more information about the annual Statement of Accounts please contact:

Steve Jump,
Head of Finance
Southover House,
Southover Road,
Lewes BN7 1AB
Telephone: 01273 471600