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Audit and Governance Committee
25 July 2018

EASTBOURNE Borough Council
www.eastbourne.gov.uk

Time and venue:

6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG

Membership:

Councillor Dean Sabri (Chairman); Councillors Troy Tester (Deputy-Chair) Sammy Choudhury, Penny di Cara, Paul Metcalfe, Md. Harun Miah, Margaret Robinson and Barry Taylor

Quorum: 3

Published: Tuesday, 17 July 2018

Agenda

1 **Minutes of the meeting held on 7 March 2018.** (Pages 1 - 4)

2 **Apologies for absence.**

3 **Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.**

4 **Questions by members of the public.**

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 **Urgent items of business.**

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 **Right to address the meeting/order of business.**

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 **Internal Audit Report to 31 March 2018.** (Pages 5 - 18)

Report of Audit Manager (Eastbourne).

8 **Risk Management.** (Pages 19 - 28)

Report of Audit Manager (Eastbourne).

9 **Annual Governance Statement.** (Pages 29 - 56)

Report of Internal Auditor.

10 **Statement of Accounts 17/18.** (Pages 57 - 150)

Report of Head of Finance.

11 **Audit completion report.** (Pages 151 - 196)

Report of External Auditor – BDO.

Information for the public

Accessibility: Please note that the venue for this meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired. This agenda and accompanying reports are published on the Council's website in PDF format which means you can use the "read out loud" facility of Adobe Acrobat Reader.

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Public participation: Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Information for councillors

Disclosure of interests: Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (DPI), if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Councillor right of address: Councillors wishing to address the meeting who are not members of the committee must notify the Chairman and Democratic Services in advance (and no later than immediately prior to the start of the meeting).

Democratic Services

For any further queries regarding this agenda or notification of apologies please contact Democratic Services.

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Wednesday, 7 March 2018
at 6.00 pm

EASTBOURNE
Borough Council
www.eastbourne.gov.uk

EBC Audit and Governance Committee

Present:-
Members: Councillor Swansborough (Chairman) Councillor Tester (Deputy-Chairman) Councillors di Cara, Holt, Metcalfe, Robinson and Taylor

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24 Minutes of the meeting held on 29 November 2017.

The minutes of the meeting held on 29 November 2017 were submitted and approved and the Chair was authorised to sign them as an accurate record.

25 Apologies for absence.

An apology for absence was reported from Councillor Choudhury.

26 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.

There were none.

27 Polling district and polling places review (part review of Upperton ward - polling district UPA).

The committee considered the report of the Electoral Services Lead regarding the review of part of the current Upperton ward as a consequence of the loss of Upperton United Reformed Church Hall due to redevelopment.

Members were advised that the council had a duty to undertake a full review at intervals of not less than 4 years and at all other occasions when a change was proposed.

The council was also expected to ensure that all electors in the constituency had reasonable facilities for voting as were practicable in the circumstances and that so far as was reasonable and practicable the polling places were accessible to those who were disabled.

A consultation was held between 31 January and 12 February 2018.

The committee was advised that it was proposed that the Hub on the Hill in the grounds of St Michael and All Angels Church, Willingdon Road (opp Mill Road) be used as the polling place for UPA, until such time as the original venue became available again.

Following this review, the revised polling arrangements would be implemented for the 2 May 2019 Eastbourne Borough Council Elections and any other elections or referenda, called in the interim period.

RESOLVED:
1) That the Acting Returning Officer's proposal in respect of polling district UPA (Upperton ward), namely the Hub on the Hill in the grounds of St Michael and All Angels Church, Willingdon Road, be approved.

2) That the Electoral Services Lead, on behalf of the Acting Returning Officer and Electoral Registration Officer, be authorised to implement the committee's decision in respect of the review.

28 Internal Audit Report to 31 December 2017.

The Committee considered the report of the Internal Audit Manager regarding a summary of the activities of Internal Audit for the third quarter of the year. A list of all final audit reports issued from 1 October 2017 to 31 December 2017 and the level of assurance attained were detailed in the report. None of the reports had been given an assurance level of inadequate.

Audit work carried out to date against the audit plan to the end of December 2017 was set out in appendix A. Main points from the appendix were summarised in the report and related to "IT Contract and Change Controls".

Further information on reports issued in final during the year with an assurance level below "Performing Well" was set out in Appendix B, with any issues highlighted in the reviews which informed the assurance level given. The committee noted that the Buildings Health and Safety review had been completed with some recommendations arising having already been addressed and all other areas currently being actioned.

The Committee was reassured that this status was the assurance level given at the time the final report was issued and did not reflect recommendations that had been addressed.

Due to there being no outstanding actions relating to audits that were issued with an "inadequate assurance level" there was no appendix C.

Work undertaken by the Corporate Fraud team and East Sussex Counter Fraud Hub was also detailed in the report.

RESOLVED: That the report be noted.

29 Draft Internal Audit Plan for 2018/19.

The Committee considered the report of the Internal Audit Manager regarding the draft internal audit plan for 2018/2019.

The internal audit plan for each year began with a calculation of the number of audit days available. Twelve "managed" audits were required to be undertaken this year to satisfy the external auditors and these were detailed in the report.

In addition to the core audits, days were also set aside for verifying the Benefits Subsidy Claim, special investigations, follow ups, advice and National Fraud Initiative activity. The days necessary to carry out this work were calculated and taken from the auditor time available. The remaining figure was the days available to carry out other audits specifically for the Council. Appendix A detailed these calculations.

A risk assessment was carried out on all areas listed in the "Audit Universe" in order for the annual internal audit plan to be produced. The "Audit Universe" was a list of all the areas and systems across the Council which could be audited. The completed risk assessment, included at appendix B to the report had been arranged by the level of risk and by the date the last audit review was undertaken.

The proposed plan, as agreed with Lewes District Council was included at appendix C to the report.

It should also be noted that Lewes would be carrying out some reviews that would cover Eastbourne as well but these would be undertaken solely by the Lewes team. However, once these had been completed they would be reported to committee at both Lewes and Eastbourne. These areas were:

1) Cyber Security,
2) Legal Services,
3) Business Continuity Planning
4) RIPA.

RESOLVED: (Unanimous) That the proposed internal audit plan for 2018/19 be adopted.

30 Covert Surveillance update.

The committee considered the report of the Deputy Chief Executive regarding the Covert Surveillance Policy.

In common with all district councils in England and Wales, directed surveillance carried out by Eastbourne Borough Council would only be lawful if conducted in accordance with part II of the Regulation of Investigatory Powers Act 2000 (RIPA).

Members were advised that no RIPA authorisations for directed surveillance had been sought or given by the Council since September 2016. The Council's policy is one of authorising directed surveillance only after all other reasonable options had been considered but deemed unsuitable or inadequate.

In November 2017 the Home Office consulted on three updated codes of practice relating to powers under RIPA. The particular update on covert surveillance included expanded guidance on the use of surveillance in online investigations, especially those involving observation of social media sites.

The committee was advised that the annual audit programme for 2017/18 included an audit of compliance with RIPA. Owing to specific concerns raised by the Chief Surveillance Commissioner about public authority surveillance of social networking sites, it was decided that the audit should focus on (1) the Council's controls over the use of social media for investigative and research purposes and (2) the adequacy of the RIPA Monitoring Officer's draft guidance on the circumstances when RIPA authorisation might be required for activity of this type.

RESOLVED: (Unanimous) That the following be noted:
1) That there was no incidence of authorised covert surveillance at the Council since September 2016.
2) Planned amendments to the Home Office code of practice on covert surveillance.
3) The outcome of an internal review of online surveillance activity across Eastbourne and Lewes District Council.

31 Annual Audit Plan 2017 - 2018.

The Committee considered the report of the external auditors BDO regarding the Annual Audit Plan Report which highlighted and explained the key components of their audit strategy relevant to the audit of the financial statements of the Council and consolidated entities and use of resources of the Council for the year ending 31 March 2018.

Ms Kodjo, from BDO was in attendance to present the report and respond to Members' questions.

RESOLVED: (Unanimous) That the Annual Audit Plan for year ending 31 March 2018 noted.

The meeting closed at 6.40 pm

Councillor Swansborough
(Chairman)

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 JULY 2018
Subject:	Internal Audit Report to 31ST March 2018
Report Of:	Audit Manager (Eastbourne)
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the year 1st April 2017 to 31st March 2018. To document the Internal Audit Manager's opinion of the internal control environment as required for the Annual Governance Statement. To consider compliance with the Public Sector Internal Audit Standards.
Recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Contact:	Jackie Humphrey, Audit Manager (Eastbourne), Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-eastbourne.gov.uk

1.0 Introduction

1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.

1.2 The annual audit plan for 2017/18 was agreed by the Audit and Governance Committee in March 2017.

2.0 Review of work in the financial year 2017/18.

2.1 A list of all the audit reports issued in final from 1st April 2017 to 31st March 2018 is as follows:

NB. These are the Assurance Levels given at the time of the initial report and do not reflect findings at follow up.

Main Accounting (Annual 2016/17)	Performing Excellently
Payroll (Annual 2016/17)	Performing Adequately

Security of Data Movement	Performing Adequately
IT Contract	Performing Well
Change Controls	Performing Well
VAT	Performing Excellently
Box Office Computer System	Performing Excellently
Cafi Debtors	Performing Excellently
Engineering	Performing Well
Insurances	Performing Well
Building Health and Safety	Performing Adequately
Cafi GL	Performing Excellently
Corporate Plan	Performing Excellently
Benefits (Annual 17/18)	Performing Adequately
Cash and Bank (Annual 17/18)	Performing Well
Council Tax (Annual 17/18)	Performing Well
Creditors (Annual 17/18)	Performing Well
Payroll (Annual 17/18)	Performing Well
Treasury Management (Annual 17/18)	Performing Excellently
IT (Annual 17/18)	Performing Well
Theatres Reconciliations (Annual 17/18)	Performing Excellently
W360	Performing Adequately

Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 A joint audit of Prevent and Protect was carried out by the Head of Audit and Counter Fraud. This was issued using the Lewes assurance levels and was given the level of "partial assurance" which equates to "performing adequately" on the Eastbourne assurance levels.

2.3 No reports have been issued with an assurance level of inadequate in the financial year.

2.4 Appendix A shows the work carried out against the annual plan to the end of March 2018. The following comments explain the main points to be noted from the table:

Previously reported:

- Some annual reviews have exceeded the time allocated. This is due to some being carried out by the new member of staff who has never undertaken annual reviews and others being carried out by a member of staff who has never audited some areas previously.

- IT Contract and Change Controls – when the draft audit plan was put together in February 2017, it was not known whether these could be started in 16/17 and therefore they were carried forward into the 17/18 plan. However, these were started in the last financial year and were just completed in the first quarter of 17/18

2.5 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Well", with any issues highlighted in the reviews which informed the assurance level given.

2.6 The committee is reminded that these are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed. In order to clarify this a column has been added to show the assurance level given in the latest follow up carried out.

2.7 Where follow ups of reviews given an Inadequate assurance level show recommendations are not being addressed, the outstanding recommendations, and client comments from the report, have been listed at Appendix C. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.

2.8 However, there is no appendix C attached to this report as there are no outstanding actions relating to audits that were issued with an "inadequate" assurance level.

3.0 New Audit Software

3.1 A piece of software has been procured for audit. This will allow all audit work to be stored and worked on in one place. This will be accessible by the team at Lewes and Eastbourne thus providing resilience if there are staffing issues and will ensure that the style of working in the two teams is aligned, thereby ensuring the teams can work together as one. Currently the system is being set up and this will result in a slightly different look to audit reports and to reports to the committee. As work progresses updates will be brought to committee along with examples/explanations of new report formats.

4.0 Counter Fraud

4.1. During the year the team saw the Counter Fraud Manager leave in October though, as the person filling this vacancy was an internal applicant, there was ample time for a thorough handover. Another member of staff returned from maternity leave in December. However, an internal member of staff had been providing cover during her absence. These changes therefore caused little disruption to the work of the team.

4.2 There were 56 Right to Buy applications received during the year, all of which had the initial checks dealt with by the Counter Fraud team. Of these, 30 were cancelled or withdrawn. The cost of discounts awarded had these sales taken place would have been £2,210,550. It was noted that in the last quarter of the year the number of applications received fell. The cause is unknown but the trend has continued into the beginning of 18/19.

4.3 Work has been continuing with checking of details of tenants from the Tenancy Occupancy Review. 50% of responses resulted in information on Orchard being updated. This will ensure that more accurate and up to date information is migrated to the new Housing CX system.

4.4 The Counter Fraud team has been working closely with Homes First with ongoing credit checks to safeguard against tenancy fraud. During the year six applicants were removed from the housing waiting list and one council property was returned, following investigations by the Counter Fraud team.

4.5 The project which reviewed Council Tax Reduction (CTR) cases, where there had been no changes reported for two or more years, has resulted in £34,936.64 in weekly incorrect benefit being cancelled and £55,232.19 in CTR excess being identified. A further 28 cases have been reviewed which were highlighted by data matching exercises. These resulted in cashable savings of £2,872.82 through a value increase and £3,197.23 in liability changes.

4.6 397 cases arising from the Housing Benefit Matching Service have been checked. A total of £31,890.26 in overpayments has been identified along with £126,256.51 in weekly incorrect benefits.

4.7 The team has completed the majority of the matches from the 16/17 National Fraud Initiative exercise. There are a handful of matches that are still under investigation. A total of 2152 matches have been checked with 20 errors found with a value of £12,424.73.

4.8. Appendix D shows the work of the Corporate Fraud team across the year.

5.0 East Sussex Fraud Hub

5.1. The Hub members with counter fraud investigation teams (Brighton and Hove City Council, Eastbourne Borough Council, East Sussex County Council, Lewes District Council and Wealden District Council) have had a very strong financial outcome in 2017/18.

5.2. Three of the teams undertake pre-counter fraud checks on all Right To Buy applications. This has shown the most significant preventative saving of near £7,000,000 across the authorities.

5.3. Social housing tenancy fraud remains an accepted high risk and a key target area. All authorities with housing stock successfully supported their housing teams in removing fraudulent applications for housing and returned the keys for a number of properties. The value in which each returned property is calculated varies between each authority, but there were combined savings of just under £900,000.

5.4. Council Tax and Council Tax Reduction remain a consistent area of interest for three authorities, either through undertaking reviews or referrals, the teams have provided preventative savings and actual recoverable savings just over £300,000. Housing Benefit has also provided preventative savings and overpayments in excess of £250,000.

5.5. There was less fraud found within the areas of Procurement, NNDR and Grants which remain a largely untapped area of investigation.

5.6. The table at appendix E shows the savings of the Hub over the year 17/18.

6.0 Managing the Risk of Fraud and Corruption

6.1. Cipfa suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance report. In September 2015 it produced a Counter Fraud Assessment Tool to sit alongside its Code of Practice on Managing the Risk of Fraud and Corruption.

6.2. Having considered all the principles the Head of Audit and Counter Fraud is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

7.0 Annual Governance Statement and Opinion of the Internal Audit Manager

7.1 The work referred to in this report has been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment along with other ad hoc work undertaken by the auditors.

7.2 It is the opinion of the Internal Audit Manager that internal controls in processes and IT systems across the authority were generally found to be sound.

7.3 CMT and Heads of Service were asked to consider potential governance issues to be reported in the Annual Governance Statement.

8.0 Conforming with the Public Sector Internal Audit Standards

8.1 The Public Sector Internal Audit Standards came into effect from 1st April 2013 and the work of the Internal Audit section is assessed for compliance against these standards annually. The standards have also been recently updated and these changes have been taken into account for this year's assessment.

8.2 A checklist for compliance has been completed and it is found that the Internal Audit function is "generally conforming" to the standards. Conformance remains at about 99% of the points listed in the standards.

8.3 There are two areas of only partial compliance. These are where the Audit Manager's annual appraisal is expected to have the input of the Chief Executive and the Chair of the Audit Committee. It has been agreed that although these two posts are not specifically asked to contribute they are both able to give feedback on the work of the Manager throughout the year through various meetings.

8.4 It is the opinion of the Internal Audit Manager that the Council's Internal Audit Service generally conforms with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013.

8.5 The standards require an external review to be carried out at least every five years. A review of the audit function was carried out as a peer review by other members of the Sussex Audit Group in 2016. The results of this review were fully reported to the Audit and Governance Committee at the September 16 meeting. The report from the reviewers stated that the audit function at Eastbourne generally conforms with the standards.

8.6. The Internal Audit team has maintained its independence throughout 2017/18 in accordance with the Audit Charter.

9.0 Consultation

9.1 Respective Service Managers and Heads of Service and Directors as appropriate.

10.0 Resource Implications

10.1 Financial – Delivered within the approved budget for Internal Audit

10.2 Staffing – None directly as a result of this report.

11.0 Other Implications

11.1 None

12.0 Summary of Options

12.1 None

13.0 Recommendation

13.1 That the information in this report be noted and members identify any further information requirements.

Jackie Humphrey
Audit Manager (Eastbourne)

Background Papers:

The Background Papers used in compiling this report were as follows:

Public Sector Internal Audit Standards - checklist

APPENDIX A **WORK AGAINST PLAN TO 31st March 2018**

			Planned days	Actual days	Notes / Reason for Variance
ANNUAL REVIEWS	Benefits	Governance	15	16.4	Completed
	Cash and Bank	Governance	10	3	Completed
	Council Tax	Governance	10	16.4	Completed
	Creditors	Governance	15	12.9	Completed
	Debtors	Governance	15	12.9	Ongoing - completed in 18/19
	Housing Rents	Governance	15	0.2	Ongoing - completed in 18/19
	Main Accounting	Governance	10	12.2	Ongoing - completed in 18/19
	NNDR	Governance	10	19.2	Ongoing - completed in 18/19
	Payroll	Governance	10	13.3	Completed
	Treasury Management	Governance	5	3.7	Completed
	IT	Governance	4	6.8	Completed
	Theatres Reconciliation	Governance	5	3.4	Completed
	Claims work		100	140	Extra work requested
			224	**260.4**	
	Contingency		38	35	Work not completed in 16/17 and other work requested
	Special Investigations/advice		40	25	
	Follow ups re audits carried out in previous year		30	19.5	
			108	**79.5**	
CARRY FORWARDS FROM 16/17 PLAN	IT Contract	IT	10	**0.2**	Completed - managed to start in 16/17
	Change Controls	IT	10	**0.3**	Completed - managed to start in 16/17
	VAT	Operational	8	**5.1**	Completed
	Private Housing Grants	Operational	8	**5.6**	Ongoing
	Engineering	Operational	10	**13.2**	Completed
	Box Office Computer System	Operational	5	**5.2**	Completed
			51	**29.6**	
REQUESTS	Corporate Complaints	Operational	10	3	Not undertaken
			10	**3**	
HIGH RISK	Contract Managing and Monitoring	Operational	20	21	Draft - delayed owing to agreeing recommendations
			20	**21**	

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APPENDIX A

WORK AGAINST PLAN TO 31st March 2018

			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	W360	IT/Operational	15	6	Completed
	Asset Management	Operational	15	9	Ongoing
	Cafi Debtors	Operational	10	10.1	Completed
	Cafi GL	Operational	4	6.7	Completed
			44	**31.8**	
LOW RISK	Insurances	Operational	10	4.7	Completed
	Corporate Strategy/Priorities	Operational	10	11	Ongoing
	Development Control/CIL	Operational	15	3.6	Ongoing
	Partnerships	Operational	15		Not undertaken
			50	**19.3**	
JOINT AUDITS	RIPA	Operational	2		Hours not requested by Lewes
	Safeguarding	Operational	10	9.2	Ongoing - did not request hours from Lewes
	Joint Ventures	Operational	2		Hours not requested by Lewes
			14	**9.2**	
		PLAN TOTAL	**521**	**453.8**	

APPENDIX B **Reasons for original assurance levels given (below Well)**

N.B. The issues noted here may have been addressed since the original report was issued.

Quarters -1-4

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Payroll (Annual 16-17)	Adequate	• Authorised signatory list requires updating	New review carried out for 17/18
Security of Data Movement	Adequate	• No central register of third parties who can access or are sent personal data • Incident Management Policy is overdue for review • No central register of Data Sharing Agreements	Adequate At follow up it was noted that work was ongoing to address the recommendations but had not yet been completed.
Buildings Health and Safety	Adequate	• Health and safety policies and documents are overdue for review and need to be aligned between the two Councils. • Fire risk assessments for Council buildings are always regularly reviewed and updated. • Evacuation procedures require updating • A full review of the adequacy of CCTV needs to be undertaken.	Follow up undertaken in March. At follow up it was noted that work was ongoing to address the recommendations but had not yet been completed.

APPENDIX B **Reasons for original assurance levels given (below Well)**

N.B. The issues noted here may have been addressed since the original report was issued.

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Benefits (Annual 17/18)	Adequate	• Quality checking has lapsed during the year. Lack of quality checking has a knock-on effect on the subsidy claim as errors made by the local authority are not reimbursed	Annual audits not subject to follow ups
W360	Adequate	• Staff who have left the authority have not had access permissions removed. • Access permissions are not regularly reviewed	Follow up due May

	QUARTER ONE			QUARTER TWO			QUARTER THREE			QUARTER FOUR			YEAR TOTAL	
	Cases	Income	Savings	Cases	Income	Savings	Cases	Income	Savings	Cases	Income	Savings	Income	Savings
NATIONAL FRAUD INITIATIVE														
Number of cases open	12			14			8			20				
Number of cleared cases	655			201			120			1176				
Number of errors identified	3									17				
Number of frauds identified	0			0						0				
Overpayments identified			1,818.81									10,605.92		12,424.73
HOUSING BENEFIT MATCHING SERVICE														
Number of open matches	2			26			67			48				
Number of closed matches	123			32			8			5				
Overpayments identified			5,637.51			2,559.58			4,492.56			7,864.11		20,553.76
Weekly incorrect benefit identified			16,049.60			11,091.84			19,324.80			28,108.16		74,574.40
OTHER INVESTIGATIONS														
Number of open investigations				147			152			113				
Number of closed investigations	59			30			53			46				
Overpayments identified			5,879.34			2,531.15			2,926.01					11,336.50
Weekly incorrect benefit identified			36,702.27			2,612.80			12,367.04					51,682.11
Removal of SPD saving			894.79			5.72			447.40			1,524.91		2,872.82
Increase in Council Tax liability			1,457.08			24.51			1,715.64					3,197.23
Recovery of Council property												93,000.00		93,000.00
Housing Intervention			36,000.00						36,024.00			18,000.00		90,024.00
CTR Excess			1,159.68			52,028.26			1,153.44			890.81		55,232.19
CTR WIB			2,940.16			26,367.36			1,896.00			3,733.12		34,936.64
Income from court costs													0.00	
Income from Adpen collection		817.27			605.0			977.74				822.1	2,400.01	
Right To Buy interventions			1,074,850.00			313,000.00			691,100.00			231,600.00		2,310,550.00
TOTALS		**£817.27**	**£1,183,389.24**		**£605.00**	**£410,221.22**	**408**	**£977.74**	**£771,446.89**	**1425**	**£0.00**	**£396,149.13**	**£2,400.01**	**£2,760,384.38**

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HUB SAVINGS IN 2017/18

Authority	Procurement	Social Housing	Right to Buy	Council Tax Reduction	Council Tax	Non Domestic Rates	Grants	Blue Badge	HB Intervention	Authority totals
East Sussex	£0.00	N/A	N/A	N/A	N/A	N/A	£0.00	£114,000.00	N/A	**£114,000.00**
Lewes	£0.00	£336,000.00	£1,650,000.00	£0.00	£0.00	£0.00	£0.00	N/A	£0.00	**£1,986,000.00**
Wealden	£0.00	£104,128.00	£2,365.62	£183,891.45	£7,621.51	£1,329.39	£0.00	N/A	£11,303.41	**£310,639.38**
Eastbourne	£0.00	£183,024.00	£2,312,950.00	£102,593.56	£6,070.05	£0.00	£0.00	N/A	£158,146.77	**£2,762,784.38**
Brighton and Hove	£0.00	£261,000.00	£2,926,000.00	£7,429.00	£7,611.00	£0.00	£0.00	£240,000.00	£86,478.00	**£3,528,518.00**
TOTALS	**£0.00**	**£884,152.00**	**£6,891,315.62**	**£293,914.01**	**£21,302.56**	**£1,329.39**	**0.00**	**£354,000.00**	**£255,928.18**	
									Total hub savings	**£8,701,941.76**

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Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25th July 2018
Subject:	Risk Management
Report Of:	Audit Manager – (Eastbourne)
Ward(s)	All
Purpose	To provide a report on the updating of the Strategic Risk Register and changes made to it.
Recommendation(s):	To consider and agree the amended Strategic Risk Register.
Contact:	Jackie Humphrey, Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@lewes-eastbourne.gov.uk

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1.0 Introduction

1.1 The terms of reference for the Audit and Governance Committee include the following: Review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

1.2 It has been agreed that the Strategic Risk Register need only be reported to Committee when there are any changes made.

2.0 Quarterly review of Strategic Risk Register

2.1. The Strategic Risk Register was taken to Corporate Management Team (CMT) on 26th June 2018 to consider whether any risks required updating and to consider where the Lewes and Eastbourne registers differed to ensure that these differences did adequately reflect the differences between the two authorities.

2.2. It was agreed that a further internal control be added to SR-007 (Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act). The control added reads:

"Robust emergency planning and use of Council's emergency powers."

2.3. It was noted that the original risk score and the mitigated risk score for SR-009 (Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements) had incorrectly shown as exactly the same. The impact score on the original risk score has therefore been increased to 4 which is felt to correct.

3.0 Consultation

3.1 Corporate Management Team.

4.0 Resource Implications

4.1 Financial – Delivered within the approved budget for Internal Audit

4.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

5.0 Other Implications

5.1 None

6.0 Recommendations

6.1 To consider the new internal control and amended scoring and agree the amended Strategic Risk Register.

Jackie Humphrey
Internal Audit Manager

Background Papers:

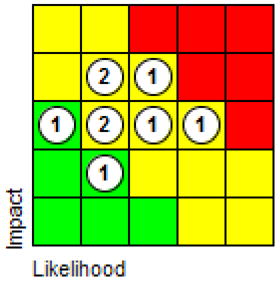
The Background Papers used in compiling this report were as follows:

Lewes District Council's Strategic Risk Register

STRATEGIC RISK REGISTER

JUNE 2018

Code & Title	SR_000 Strategic Risk Register

Current Risk Matrix		**LIKELIHOODIMPACT** 1 - Unlikely 1 - Minor 2 - Possible 2 - Moderate 3 - Likely 3 - Significant 4 - Highly Likely 4 - Major 5 - Almost Certain 5 - Critical
		The numbers relate to the amount of risks currently positioned in each box.

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Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	4	4	16	Reduces Likelihood 1. Create inclusive governance structures which rely on sound evidence for decision making. Reduces Impact 2. Annual review of corporate plan and Medium Term Financial Strategy 3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.	Jackie Humphrey	2	3	6	Amber	Aug 2018
SR_002	Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers. 2. Council objectives cannot be met.	4	4	16	Reduces Impact 1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially. 2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.	Jackie Humphrey	4	3	12	Amber	Aug 2018

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_003	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	2	4	8	Reduces Impact 1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)	Jackie Humphrey	2	3	6	Amber	Aug 2018
SR_004	The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	Reduces Likelihood 1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. Reduces Likelihood and Impact 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of	Jackie Humphrey	2	2	4	Green	Aug 2018

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						mutually beneficial shared service arrangements.						
SR_005	Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.	4	4	16	Reduces Likelihood 1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.	Jackie Humphrey	3	4	12	Amber	Aug 2018
SR_006	Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	3	5	15	Reduces Likelihood 1. Adoption of best practice IT and Asset Management policies and procedures. Reduces Likelihood and Impact 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture.	Jackie Humphrey	2	4	8	Amber	Aug 2018

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						Reduces Impact 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.						
SR_007	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event.	3	5	15	Reduces Likelihood and Impact 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. Reduces Impact 3. Ongoing and robust risk profiling of local area (demographic and geographic). 4. Review budget and reserves in light of risk profile.	Jackie Humphrey	1	3	3	Green	Aug 2018
SR_008	Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory	3	4	12	Reduces Likelihood 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies.	Jackie Humphrey	2	4	8	Amber	Aug 2018

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Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		activity/penalties. 3. Deterioration of service performance as a result of regulatory activity/penalties. 4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties. 5. Possibility of fraud and bribery. 6. Ensure compliance with legislation such as Data Protection and Safeguarding. 7. Entering into contracts etc. without having adequate finance in place.				3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation. 6. All managers are required to abide by the Council's procurement rules. 7. JTP Board considers activity mapping, ensuring that it covers regulatory/legal and main financial matters. 8. Ensure that fire risk regulations are adhered to and						

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Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						that Fire Risk Assessments are regularly reviewed.						
SR_009	Commericial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	3	4	12	Reduces Likelihood 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to.	Jackie Humphrey	3	3	9	Amber	Aug 2018

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	25 JULY 2018
Subject:	Annual Governance Statement
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To consider the Annual Governance Statement to be signed by the Council Leader and Chief Executive.
Recommendation(s):	The Committee considers and approves the Annual Governance Statement.
Contact:	Jackie Humphrey, Audit Manager (Eastbourne), Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Background

1.1 Corporate governance involves everyone in local government. Two definitions are:

"Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner" – Audit Commission.

"How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities." – CIPFA/SOLACE

1.2 The Council has a legal requirement to produce an Annual Governance Statement each year. The statement accompanies the Statutory Statement of Accounts once adopted.

1.3 The Audit and Governance Committee is tasked with overseeing the risk management, internal control and reporting to the Council. A key component of this work is to approve the Annual Governance Statement.

2.0 Governance Framework

2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the Council. However this is just the end product of the framework of governance operating within the authority throughout the year.

2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by and affects the relationship with partners, stakeholders and the community. Following this framework should ensure that the Council meets the six principles of corporate governance.

2.3 Use of this framework also allows the Council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.

2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year-end in order to feed directly into the Annual Governance Statement.

2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.

2.6 Appendix 3 shows the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the Council.

2.7 These statements are completed by Directors, Assistant Directors and Heads of Service. The comments made on the statements are considered for inclusion in the Annual Governance Statement.

Annual Governance Statement

Chief Executive

Director of Service Delivery /MD of Eastbourne Homes Ltd

Director of Regeneration and Planning

Director of Tourism and Enterprise

Assistant Director of Corporate Services

Deputy Chief Executive & S. 151 Officer

Assistant Director for Human Resources and Transformation

Assistant Director, Legal and Democratic

3.0 Annual Governance Statement

3.1 The Annual Governance Statement is a document that provides a structure in which to consider the Council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.

3.2 There are essentially three parts to the statement:

- A statement of responsibility and purpose
- A description of the components of the governance framework that exist in the Council
- The resulting issues and actions arising from those arrangements

3.3 The Annual Governance Statement also carries a statement on the adequacy of the Authority's counter fraud arrangements.

4.0 The 2017/18 Review

4.1 The 2017/18 governance issues and subsequent action plan has been compiled from:

The annual report of the Internal Audit Manager
Corporate Management Team
Scrutiny reports
Standards reports
External Audit reports
Reports of external review bodies
Managers' Assurance Statements
Evidence from the Council's Monitoring Officer(s)
Review by the Deputy Chief Executive and Audit Manager (Eastbourne).

4.2 This Council is continuing with its transformation programme. Eastbourne is working with Lewes District Council on a Joint Transformation Programme. This will create a more flexible, customer-focussed and cost-effective way of delivering services by integrating Eastbourne Borough and Lewes District to form a single team. These changes will both improve customer service and reduce costs enabling each authority to reach their savings targets by 2020. A strategy for integration of services across the Councils has been agreed and from January 2016 the authorities share a Chief Executive. The Cabinets of both authorities have agreed the Joint Transformation Programme Business Case and Implementation Plan.

4.3 Completed Managers' Assurance Statements were returned from all Directors, Assistant Directors and Heads of Service and from Eastbourne Homes Limited. Many statements contained minor concerns around the impact of the Joint Transformation Programme. These included: ensuring officer delegations are updated, aligning policies, testing effectiveness of IT to deliver efficiencies, ongoing vacancies, training staff, developing new teams and building a joint culture.

CMT were asked to consider whether any of these individual issues or the Joint Transformation Programme as a whole should be noted as a significant governance issue or just noted in the body of the Annual Governance Statement.

CMT agreed these risks still exist and felt that the statement made last year in the Annual Governance still stands with a couple of additions which covered other minor issues highlighted. The following paragraph is therefore included in the body of the Annual Governance Statement.

CMT recognised that these were indeed risks inherent in the current programme. However it is felt that these risks are being prioritised and work is ongoing to mitigate the risks. Phase one of the programme has gone well and it as felt that this demonstrates that controls are already in place. For example, extended notices have already been issued for those leaving post where the transfer of knowledge is important. The bulk of recruitment was carried out in January 2018 and most vacancies were filled by the end of the financial year. There is also a new development programme in place Heads of Service. It was therefore agreed that it should appear in the body of the Annual Governance Statement but not as a separate significant governance issue.

4.4 Cipfa suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance report. In September 2015 it produced a Counter Fraud Assessment Tool to sit alongside its Code of Practice on Managing the Risk of Fraud and Corruption.

4.5 Having considered all the principles the Head of Audit and Counter Fraud is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

5.0 Recommendation

5.1 The committee considers and approves the Annual Governance Statement

Jackie Humphrey
Internal Audit Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

None

Annual Governance Statement

Scope of responsibility
Eastbourne Borough 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 2000 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.

Eastbourne Borough Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website (www.eastbourne.gov.uk)

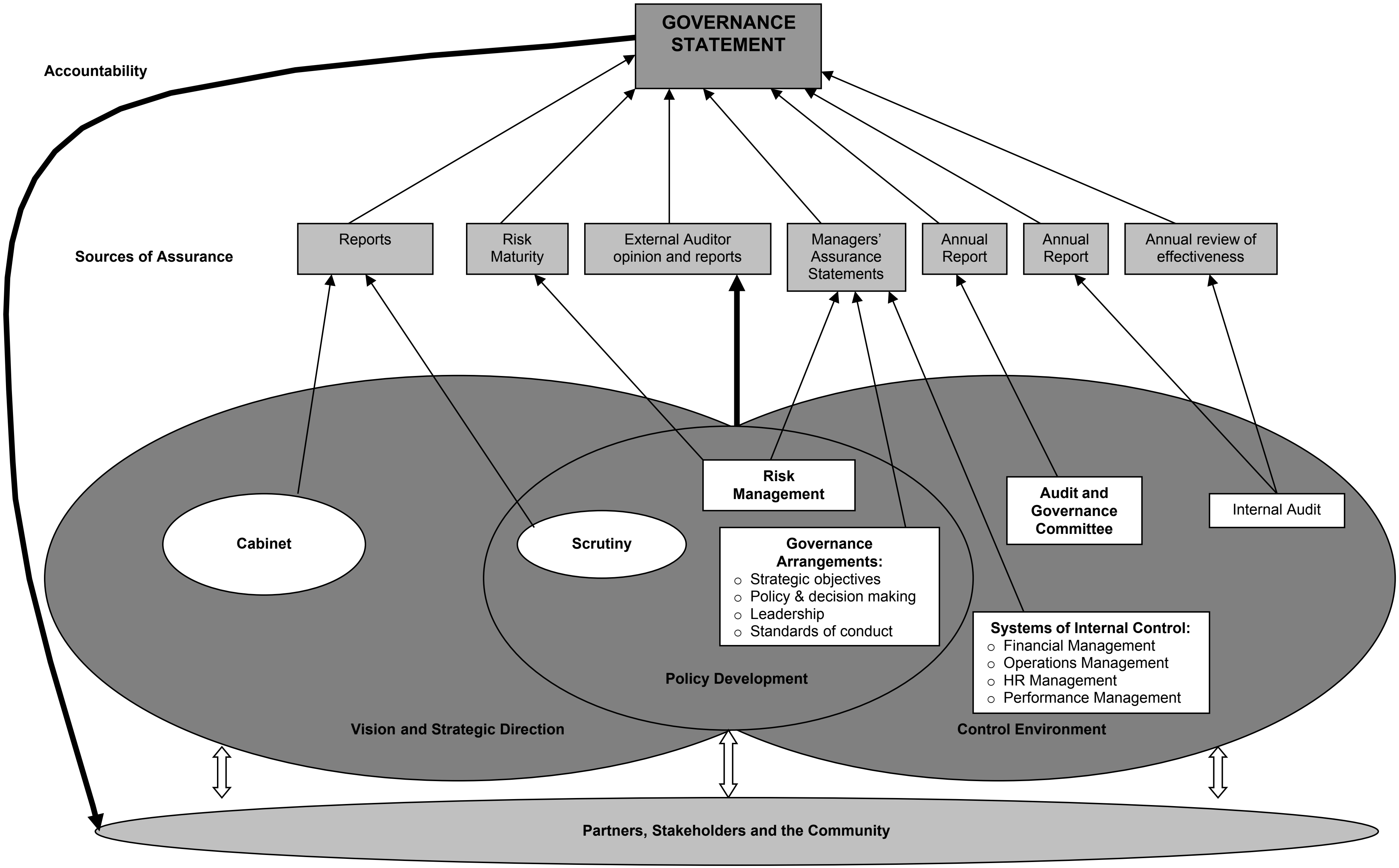
This statement explains how the Council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework
The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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 and potential impact of those risks being 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 2018 and up to the date of approval of the Annual Reports on financial Outturn and performance and Statement of Accounts.

THE GOVERNANCE FRAMEWORK



THE GOVERNANCE FRAMEWORK

The diagram of the governance framework at Eastbourne Borough Council demonstrates how the information concerning the needs, requirements and views of partners, stakeholders and the community are used in decision making processes across the authority and eventually feeds into the Annual Governance Statement as part of our accountability to the community.

Key elements of the systems and processes that comprise the authority's governance arrangements are described below.

The Council approved the new Corporate Plan for 2016-20 on 11 May 2016. The new plan builds on the work of the previous one and has been the subject of extensive consultation with local residents and stakeholders with over 1500 responses to those consultations. The overarching corporate priority themes remain unchanged but the vision statements going forward have been refreshed and updated, and are underpinned by both new and continued priority projects going forward. These priorities have been chosen both as a result of consultation responses received and also in respect of the current economic climate and data demonstrating Eastbourne's standing on a local, regional and national comparative basis.

The plan is reviewed annually with high level public consultation exercises taking place to re-test the top priorities ahead of a refresh of the plan. Each year the plan is approved by full Council. The Corporate Plan is available to view on the Council's website.

The priorities listed in the Corporate Plan are set up as programmes and key projects / activities feeding into these are specified. Each project is allocated an owner and the relevant objectives, milestones, performance indicators, planned activities and time tables are identified. All this information is uploaded into performance management software to allow for ease of monitoring and reporting. This is then regularly updated with information about progress against the objectives. There are monthly monitoring management and intervention arrangements in place through the Corporate Management Team and Scrutiny in addition to quarterly reporting to Cabinet.

The Council is required to hold a written constitution under the provisions of the Local Government Act 2000. The constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. The Council's current constitution was originally adopted in May 2002 and has been the subject of update and amendment since that time. Some of the content of the constitution is required by law and other content is for the Council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the Council including Council, Cabinet and committees (see "The Modernised Political Structure – How It Works" diagram). It also contains a Scheme of Delegation which allows officers to take decisions on behalf of the Council. The responsibilities of each officer are clearly documented.

Standards of behaviour and conduct of Members and staff are laid down in relevant sections of the constitution. Other relevant policies include the Anti Fraud and Corruption Policy (containing sections on Whistleblowing and the Bribery Act), disciplinary and grievance procedures and the Dignity at Work Policy. The Monitoring Officer and the Standards Panel have responsibility for considering complaints against Members. All policies and guidance are available to staff and Members on the Council's intranet.

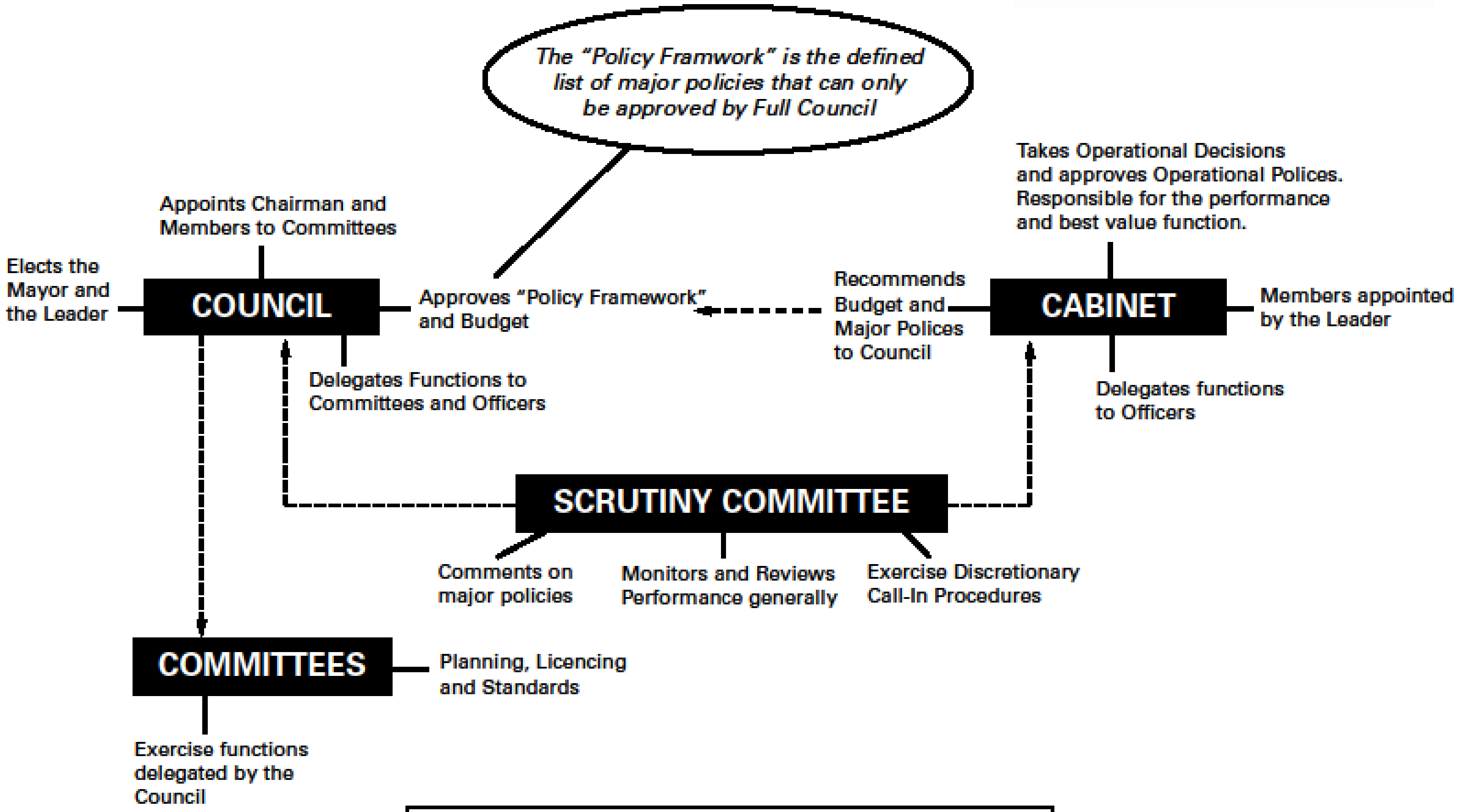
All aspects of the decision making framework, including schemes of delegation, are contained in detail in the Council's constitution and summarised in the articles of the constitution. The content of this document is specifically ratified each year by the annual meeting of the Council. Any proposed changes to the Council's constitutional rules and delegations can be considered at any time, drafted, and put to the next available Council meeting for decision. Different elements of the constitution are owned by the Monitoring Officer and the Section 151 Officer as relevant. The Constitution is published in full on the Council's website.

The Data Quality Strategy is reviewed annually and any changes are signed off by the Audit and Governance Committee. Data Quality is managed day to day by managers using performance management software. Any issues are reported to the Corporate Management Team and reports are taken quarterly to the Scrutiny Committee.

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The Strategic Risk Register is reviewed by the Corporate Management team quarterly.

The terms of reference for the Audit and Governance Committee include the requirement to review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

The Modernised Political Structure - How it Works



NOTE: *This diagram is intended to be indicative of how the structure works and does not seek to cover all aspects of detail.*

The Council holds an Anti Fraud and Corruption Policy which contains sections on Whistleblowing, Anti Money Laundering and the Bribery Act. This is reviewed annually to ensure that it is kept up to date. The Council has a Corporate Fraud team which proactively seeks out cases of fraud across all areas of the Authority. The Council also participates in the biennial National Fraud Initiative programme which seeks to identify fraud by matching data with other authorities and agencies. An overview of these areas is set out in the terms of reference for the Audit and Governance Committee.

This Council is continuing with its transformation programme. Eastbourne is now working with Lewes District Council on a Joint Transformation Programme. This will create a more flexible, customer-focussed and cost-effective way of delivering services by integrating Eastbourne Borough and Lewes District to form a single team. These changes will both improve customer service and reduce costs enabling each authority to reach their savings targets by 2020. A strategy for integration of services across the Councils has been agreed and from January 2016 the authorities share a Chief Executive. The Cabinets of both authorities have agreed the Joint Transformation Programme Business Case and Implementation Plan. The programme is being overseen by senior management and Members and is being managed using established project management protocols.

The Chief Finance Officer role is held by the Deputy Chief Executive and s.151 Officer and is a member of the Council's Corporate Management Team. In this position the Deputy Chief Executive and s.151 Officer has input into developing and implementing strategies and advising on financial resources. The Deputy Chief Executive and s.151 Officer is responsible for developing the authority's financial strategies and will consider business decisions in line with these. The Deputy Chief Executive and s.151 Officer manages the Finance and Internal Audit teams and is a suitably qualified accountant. The Council therefore conforms with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council holds Financial Procedure Rules and monthly budget monitoring meetings are held by Finance staff with managers responsible for budgets. Financial performance is reported regularly to Members.

The Internal Audit Manager proposes a risk-based audit plan for the year which is discussed with, and agreed by, the Corporate Management Team and the Audit and Governance Committee. It is ensured that the scope of the plan is sufficient to allow the Internal Audit Manager to be able to use the evidence gained during the year to base the opinion of the control environment upon at the end of the year. Each audit review carried out during the year is given an assurance rating based on the risks and controls in operation in that area. Each of these is taken into consideration when the annual report of the work of Internal Audit is written and feeds into the overall opinion of the control environment operating at the Authority.

The Internal Audit Manager undertakes an annual review of the Internal Audit function which assesses the function against the Public Sector Internal

Audit Standards. The results of this self-assessment and any non-conformity with the standards is reported to the Audit and Governance Committee.

The role of Monitoring Officer sits with the post of Senior Head of Corporate Development and Governance. As monitoring officer, the post has appropriate autonomy and/or a direct reporting line to the Chief Executive. The function is also supported by a designated deputy and a network of officers trained in investigative procedures. Reporting line to members is to a specifically constituted Standards Sub Committee which in turn reports to the Council's Audit and Governance Committee.

The Council has established an Audit and Governance Committee. The committee generally conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". Its terms of reference include:

- To receive reports on and to monitor the operation of the Council's constitution;
- Have an overview on the Council's whistleblowing policy;
- Deal with audit or ethical standards issues which may arise;
- Carry out independent scrutiny and examination of the Council's processes, procedures and practices with a view to providing governance arrangements and risk and financial management;
- Meet the requirements of the Audit and Account Regulations Act 2015;
- Consider reports from the external auditors;
- To make recommendations to Council, the Cabinet or Scrutiny as appropriate with a view to improving the effectiveness, accountability and transparency of the decision making process and the Council's governance arrangements;
- Promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's codes of conduct and registers of interest.

The Council holds a Whistleblowing Policy which forms part of the Anti-Fraud and Corruption Policy. This clearly sets out how concerns raised should be handled, recorded and reported. The Authority also has a Comments, Compliments and Complaints procedure. The public may contact the Council with a complaint via telephone, email, letter or online. A page on the website clearly explains the process. Complaints are managed and monitored using performance management software. Similarly the public can make complaints about Councillors. Information on how to do so can also be found on the website. These complaints are handled by the Monitoring Officer.

When there is a change of administration or a raft of new Councillors then a general induction programme is organised. Annually the leaders of the parties will discuss with members any specific training or development needs. Human Resources will then put together a programme of training events for Members to attend. There are also statutory updates. Senior officers have annual appraisals at which any training and development needs are identified. Some of this may be necessary CPD (continuing professional development) required for professional memberships.

Annual bespoke consultation is designed each year alongside the Corporate Plan, budget and service planning processes jointly owned by senior management and Scrutiny. This consultation uses a variety of methods including social media, online surveys, presentations to groups and open public sessions to test the proposed priority projects in the annual refresh of the Corporate Plan.

Other communications include:

- Comprehensive consultation on corporate priority themes and goals prior to the publication of each new 5-year Corporate Plan.

- Monthly electronic communiqué to a list of free subscribers (business partners and community groups) providing updates on progress of major projects.

- Frequent engagement with equality groups – DIG (Disability Involvement Group), Faiths Forum and Bourne-Out.

- A new scheme "Talk with Us" has been put together whereby ward Councillors in partnership with neighbourhood officers from other agencies (e.g. Police and Housing agencies) will visit communities for direct contact. Estate audits will also be carried out and all observations will be fed back into relevant projects at the Council.

- Annual Youth Fair to bring together agencies that provide services and activities with the youth of the town to increase awareness.

- Standing items on Cabinet and committee agendas enabling public rights of address on items to be discussed and/or open questions by members of the public.

- Improving service delivery from the Council with the introduction of the Neighbourhood First Team which has regular community contact and feedback surgeries.

All working partnerships have previously been the subject of equality impact assessments and are properly constituted. Elected member representatives appointed annually by full Council and listed in the Council's constitution.

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 the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

Internal Audit and Counter Fraud

The Council's Internal Audit section is an independent assurance function that reports on the adequacy of the whole system of internal control across the Authority.

From July 2017 this service has been provided by a shared service between Eastbourne Borough Council and Lewes District Council. The Head of Audit and Counter Fraud for the two councils was appointed to the post in April 2017.

The Internal Audit Manager carries out an annual self-assessment of the Audit function and states that the section generally conforms with the Public Sector Internal Audit Standards (PSIAS). During this financial year an external peer review has been carried out and this also concluded that the work of the section generally conforms with the standards. This has been reported to the Audit and Governance Committee. There are no major areas of non-conformance to report within the Annual Governance Statement.

All reports from Internal Audit reviews are seen by the Section 151 Officer, Chair of the Audit and Governance Committee and the Portfolio Holder for Finance. Quarterly and annual reports on the work carried out by the Internal Audit function are considered by both the Corporate Management Team and the Audit and Governance Committee. The "audit opinion" of the control environment, including IT governance, given in the annual report feeds into the Annual Governance Statement.

During the financial year no issues were noted by Internal Audit that needed to be reported in the Annual Governance Statement. The opinion of the Internal Audit Manager, as noted in the annual report on the work of Audit, was that the internal controls in processes and IT systems across the authority were generally found to be sound.

The Council has a strong counter fraud culture that is supported by Councillors and officers. The Counter Fraud 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 Right to Buy fraud. The outcome of this work helps to inform the opinion of the control environment. The Council works closely with the national Single Fraud Investigation Service (SFIS) in the Department of Work and Pensions to ensure an effective response to cases of Housing Benefit fraud.

The Strategic Risk Register has been adopted by the Audit and Governance Committee. The register is reviewed quarterly by the Internal Audit Manager and the Corporate Management Team and any changes are reported to the Audit and Governance Committee.

Managing the Risk of Fraud and Corruption

The Cipfa Code of Practice on Managing the Risk of Fraud and Corruption was published in October 2014 with guidance issued in September 2015. This guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement. It also gives suggested wording for the statement and recommends the inclusion of a table listing actions required to ensure full conformance with the code of practice.

Having considered all the principles the Head of Audit and Counter Fraud is satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Corporate Management Team

The roles of this team are to provide strategic management and planning, oversee priority and budget setting, service planning and performance management. The team provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, develops relationships with key stakeholders.

Individual members of the team are responsible for the performance of their relevant department/service area, progress of their relevant portfolio themes and liaison with portfolio holding members.

The Corporate Management Team gives consideration to the Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.

Consideration was given by the Corporate Management Team to any significant non-delivery of strategic objectives, potential exposure to loss through fraud, corruption or error and litigation through non-compliance. No instances were identified as significant governance issues.

Audit and Governance Committee

The Audit and Governance Committee is responsible, amongst other things, to carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk. This is with a view to providing assurance on the adequacy and effectiveness of internal controls, risk, financial and performance management, fraud detection and prevention and the work of Internal Audit.

The Audit and Governance Committee reviews reports submitted by the Head of Internal Audit including the Annual Governance Statement, Internal Audit provision, all internal audits and the Strategic Risk Register. It also considers the draft annual financial statements including the Annual Governance Statement in June and then the final statements following audit in September.

Scrutiny Committee

The Scrutiny Committee meets to review the delivery of services as a result of previous council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Scrutiny Committee reviews the delivery of services and performance and supports the work of the Cabinet and the Council as a whole. It allows Councillors outside the Cabinet and members of the public to have a greater say in Council matters by investigating issues of local concern. It also acts as the Council's Crime and Disorder Committee to look at the formulation and implementation of the Crime and Disorder strategies.

Cabinet

The Cabinet is responsible for most day-to-day decisions of the Council. The Cabinet is made up of the Leader of the Council and 5 Councillors from the majority political group, the Liberal Democrats. Each member is assigned portfolios identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers.

The Shadow Cabinet is made up of 7 members of the Opposition, the Conservative group, with each member similarly being assigned portfolios.

Cabinet can consider the External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports. It also sponsors and recommends adoption of the accounts.

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors, the monitoring officer and Eastbourne Homes Ltd. Once completed their contents are used to inform the governance statement.

Completed Managers' Assurance Statements were returned from all Directors, Assistant Directors and Heads of Service and from Eastbourne Homes Limited. Many statements contained minor concerns around the impact of the Joint Transformation Programme. These included: ensuring officer delegations are updated, aligning policies, testing effectiveness of IT to deliver efficiencies, ongoing vacancies, training staff, developing new teams and building a joint culture.

CMT were asked to consider whether any of these individual issues or the Joint Transformation Programme as a whole should be noted as a significant governance issue or just noted in the body of the Annual Governance Statement.

CMT recognised that these were indeed risks inherent in the current programme. However it is felt that these risks are being prioritised and work is ongoing to mitigate the risks. Phase one of the programme has gone well and it as felt that this demonstrates that controls are already in place. For example, extended notices have already been issued for those leaving post where the transfer of knowledge is important. The bulk of recruitment was carried out in January 2018 and most vacancies were filled by the end of the financial year. There is also a new development programme in place Heads of Service. It was therefore agreed that it should appear in the body of the Annual Governance Statement but not as a separate significant governance issue.

External Reviews

The external auditor's Annual Audit Letter and other commissioned audit reports are presented to, and considered by, the Audit and Governance Committee.

Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection, which impact on the governance framework are taken into consideration when preparing the Annual Governance Statement.

Eastbourne Homes Ltd

Governance arrangements at Eastbourne Homes Ltd (EHL) are also considered. Reviews are carried out and reports written by the internal and external auditors engaged by EHL which are reported to their own Audit and Risk Committee and Board. Currently EHL engages the Council's Internal Audit section to carry out their internal audit reviews. At the end of year the Audit and Risk Committee of EHL have a minuted disclaimer concerning fraud and corruption. EHL are also required to complete an assurance statement at the end of each year which helps inform the Annual Governance Statement.

SIGNIFICANT GOVERNANCE ISSUES 2017/18

There are no significant governance issues to report.

STATEMENT

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Eastbourne Borough Council:

……………………………………………………………………………………………
Leading Member

……………………………………………………………………………………………
Chief Executive

Date:

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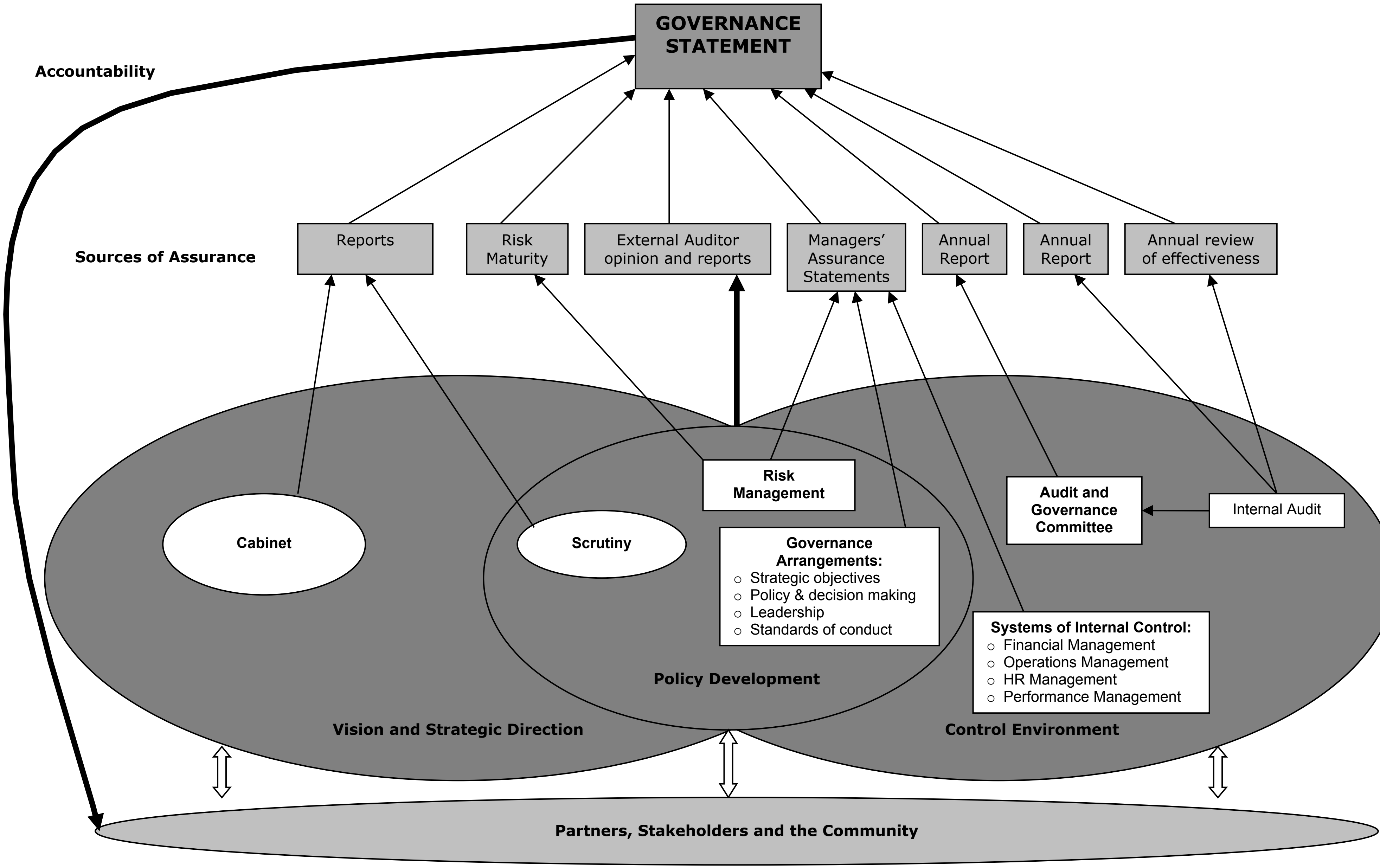
APPENDIX 1



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Partners, Stakeholders and the Community

APPENDIX 1

Appendix 2

ANNUAL GOVERNANCE STATEMENT TIMETABLE

Deadline	Responsibility	Action
Throughout year		1/4ly updates of the Strategic Risk Register
	Internal Audit Manager	Internal Audit reports
	BDO	External Audit reports
	All Managers	Management reports
		Other sources of assurance
April/May	All Managers	Managers Assurance Statements completed (to include RIPA statement)
	Chief Finance Officer	Preparation of the Annual Governance Statement
	CMT	Annual Governance Statement considered
June/July	Internal Audit Manager	Internal Audit Annual report presented to Audit and Governance Committee
	Internal Audit Manager	Internal Audit Annual report presented to Audit and Governance Committee
	Chief Finance Officer, Leader and Chief Executive	Annual Governance Statement signed by Leader and Chief Executive
	Audit and Governance Committee	Annual Governance Statement published

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MANAGERS' ASSURANCE STATEMENT

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
1.	**Services are planned and managed to implement the priorities of Eastbourne Borough Council.** Demonstrated through: • Service plan aligned to the Council's priorities • Plans in place to monitor the quality of service to users and seek continuous improvements • Making best use of resources to ensure excellent service and value for money is achieved • Dealing effectively with any failures in service delivery.						
2.	**There are good working relationships with Members and officers responsibilities are clearly defined.** Demonstrated through: • Statutory Officers have clearly defined scope and status to fulfil their roles • Delegated powers are clearly defined and understood • Member/officer protocol operates effectively in practice • Partnership governance arrangements are clearly defined and appropriate						

MANAGERS' ASSURANCE STATEMENT

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
3.	**The values of good governance are demonstrated and high standards of conduct and behaviour.** Demonstrated through: • Effective communication to all staff of the code of conduct, standing orders, Financial Procedure Rules, Contract Procedure Rules and Anti Fraud and Corruption Policy • Effective performance management of staff and regular appraisals • The Council's values are understood and promoted						
4.	**Management decision making and advice to Members are well founded and involve consideration of professional advice and identified risks.** Demonstrated through: • Effective arrangements to ensure data quality (complete, accurate, timely and secure) • The internal control framework operates effectively • Professional advice is obtained where appropriate and is recorded • Risk management operates effectively in strategic, project and operational						

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MANAGERS' ASSURANCE STATEMENT

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
	areas • Decisions made are in accordance with delegated powers and the Council's constitution • Arrangements are in place to obtain assurance on the management of key risks						
5.	**The capacity and capability of officers has been developed to ensure effective performance.** Demonstrated through: • Training and development of staff • Workforce planning to ensure there are adequate staffing levels • Statutory officers have sufficient resources to fulfil their role						
6.	**Robust public accountability is ensured by engaging with local people and stakeholders** Demonstrated through: • Arrangements to communicate with relevant sections of the community • Undertaking effective consultation with public and other stakeholders • Consultation with staff and engagement in decision making is undertaken						

MANAGERS' ASSURANCE STATEMENT

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
7.	**Adequate processes have been put in place for the safeguarding of children and vulnerable adults.**						
8.	**Adequate action has been taken to ensure compliance with the requirements of the Bribery Act.** Demonstrated through: • Proportionate procedures have been put in place to prevent bribery • The risks of bribery have been assessed and added to the departmental risk register • Procedures and risks are regularly monitored and reviewed.						
		Yes	**No**	**Considered but not used**			
9.	**Have you had reason for using/considering using surveillance which would fall under RIPA?**						
10.	**Have you used or considered using covert/directed surveillance either under RIPA or outside it?**						
		Yes	**No**	**If yes, please give details**			
11.	**Are you aware of any frauds over £10k that have not already been informed to the Internal Audit section.**						

MANAGERS' ASSURANCE STATEMENT

DEPT:

Ref	Governance Responsibility	No Concerns	Minor Concerns	Some Concerns	Substantial Concerns	Major Concerns	Explanation of concerns Action Plan
12.	**Has any external review been carried out?**						
13.	**Are you satisfied that adequate progress is being made to implement the requirements of the General Data Protection Regulations in time for the May 18 deadline?**						

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Body:	**Audit and Governance Committee**
Date:	**25 July 2018**
Subject:	**Statement of Accounts 2017/18**
Report of:	Head of Finance
Cabinet member:	Councillor Stephen Holt
Ward(s):	ALL
Purpose of the report:	To agree the audited accounts for 2017/18 under powers delegated by the Council.
Recommendation:	Members are asked to : i) Approve the final accounts for 2017/18. ii) Note the unadjusted audit differences identified by External Audit. iii) Agree delegated authority to the Chief Finance Officer to make amendments to the Statement of Accounts.
Reasons for recommendations:	The Accounts and Audit Regulations 2015 require the Chief Finance Officer and Councillors to certify and approve an audited set of accounts for publication by no later than 30 July.
Contact:	Pauline Adams Head of Finance Pauline.adams@lewes-eastbourne.gov.uk 01323 415979

1.0	**Introduction**
1.1	The statutory deadline for local authorities to publish draft accounts and make them available to the auditor has come forward this year by one month, from 30 June to 31 May. The deadline for completion of the publication of the audited accounts has been brought forward by two months, from 30 September to 31 July.
1.2	The draft accounts were submitted to BDO for audit on 31 May and have been available on the Council's website since that date.
2.0	**Accounting Changes to the Statement of Accounts**
2.1	There have been no major accounting changes to the Statement of Accounts for this year.

3.0	**Audit of Accounts**
3.1	BDO has now issued the draft ISA260 Annual Governance Report which is included as a separate report to this committee.
3.2	BDO has indicated that subject to satisfactory completion of the outstanding work it is anticipated that an unmodified audit opinion on both this Council's accounting statements and the group accounting statements will be issued. The opinion is expected to be given before the statutory deadline of 31 July.
4.0	**Key issues arising from the audit**
4.1	A full list of all the major corrected audit differences is given in the body and at appendix I of BDO's Audit Completion (ISA260) Report.
4.2	There are the following two unadjusted audit differences: • An understatement of the impairment allowance for bad debts for council taxpayers (£26k) and business ratepayers (£35k) at the end of 16/17, which affects the Council's opening financial position. The allowance is calculated at the end of each financial year based on the debts outstanding at 31 March and therefore this unadjusted error has no implications for the year end position. • A potential understatement of £401k on the land and buildings valued on an existing use basis as a result of not applying any indexation, as per the advice from the council's Valuer. A review of market data undertaken by BDO suggests that there would have been an increase in value. This has no impact on the financial position of the council as this is a technical accounting adjustment, which does not form part of the council's final outturn.
4.3	There were no significant deficiencies in the Control Environment for 2017/18. However BDO identified two other deficiencies, full details of the observations, implications, recommendations and management responses are given at appendix II of BDO's report.
5.0	**Consultation**
5.1	The draft accounts are available on the Council's Web site and are open for public inspection when any taxpayer of the Borough is entitled to come, inspect and make copies of the accounts and all books, deeds, contracts, bills, vouchers and receipts related to those accounts.
6.0	**Financial appraisal**
6.1	The final outturn for the 17/18 year was presented to Cabinet on 11 July 2018.

7.0	**Legal implications**
7.1	The Accounts have been prepared in accordance with 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards.
8.0	**Background papers**
8.1	Final Accounts working papers 2017/18 BDO Audit Completion (ISA260) Report 2017/18

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Audited
Statement of Accounts
2017/18

EASTBOURNE
Borough Council

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NARRATIVE REPORT BY DEPUTY CHIEF EXECUTIVE

INTRODUCTION

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP), together with guidance notes and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Eastbourne, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the outturn for 2017/18;
- 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 Narrative Report provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2018 and is structured as below:

- About Eastbourne
- Governance
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2017/18
- Staffing
- Future Plans
- Explanation of Financial Statements
- Further Information.

ABOUT EASTBOURNE

Our Environment

Eastbourne is a large town in East Sussex and is a gateway to the eastern end of the South Downs National Park, with approximately 7km (over 4 miles) of outstanding coastline. For an urban borough it has significant natural environment, a high proportion of which is downland. This natural environment with its panoramic views, areas of outstanding natural beauty and sites of special scientific interest, has 485 hectares (1,200 acres) of open access land and is highly valued by our residents and visitors. Eastbourne is primarily a seaside resort with natural shelter provided by Beachy Head.

Within its built environment, Eastbourne has a wide range of parks and gardens and significant areas of historic interest, including 250 listed buildings and almost 10 per cent of the built up area protected with Conservation Area status. Eastbourne also has a range of sport and leisure facilities including: an international, high quality tennis centre developed in partnership with the Lawn Tennis Association; a number of community and borough sporting facilities; theatres; a modern art gallery; and a number of smaller venues act as centres of local memory and heritage. It has an outstanding seafront destination offering miles of unspoilt coast, with a preserved Victorian promenade, extending to a modern, high quality marina and berthing facility at Sovereign Harbour. The borough has a diverse range of restaurants, retail and hospitality accommodation adding to the visitor and community offer.

Our Community

Eastbourne has an estimated population of 103,003. Historically, it has attracted older people to come and live in the town. Compared to the county, region and nation as a whole, Eastbourne has a higher percentage of the population of pensionable age, 24.5 per cent aged over 65 years old against a national average of 17.9 per cent. However, this is changing and although Eastbourne still provides an attractive location for retirement, the town has also experienced considerable housing and economic development that has attracted a younger age group, leading to an increasingly more balanced community. We now have 32.6 per cent of our population below the age of 30.

Eastbourne has a high proportion of people with a long-term health problem or disability at 21 per cent. The national average is 17.9 per cent.

We work with a range of community organisations to support development and new projects designed to improve services for local residents. This covers support for local community centres, funding through Community Grants and Rent Support Grant and general advice.

It also includes work through different partnerships such as the Community Safety Partnership, the Healthy Eastbourne Board, the Children's Services Planning Group and the Eastbourne Youth Partnership, and specific communities of interest groups such as the Disability Involvement Group, Faiths Forum, Seniors' Forum, BourneOut Group representing the LGBT community and Eastbourne Cultural Involvement Group.

Our Economy

It's an exciting time to live and work in Eastbourne. The ambitious regeneration and investment plans over the next five years will transform the town into a business destination ideally suited for the 21st century, creating local economic impacts for future generations.

- Developments and Investments

    - The development of Sovereign Harbour Innovation Park is a long term Council corporate priority. The Innovation Park is designed to provide companies with high quality offices to enable them to expand and generate jobs, providing an economic boost to the area. Pacific House, the first office centre on the Innovation Park, completed in 2015 and is now home to 16 companies.
    - Planning was approved for a £85 million plan to extend the Arndale Centre. The phased development which will provide 22 new retail units, 7 new restaurants and a multi-screen cinema is expected to be completed by the end of 2018 along with public realm improvements in Terminus Road.
    - One of the most important projects and arguably the biggest scheme the Council has ever embarked on is to improve the Devonshire Park complex to create a thriving and nationally important and recognised cultural, conference and leisure destination. This project is progressing well.
    - We are working in partnership to redevelop the Wish Tower site on the seafront to provide a new restaurant in this important location.

- Skills

Eastbourne continues to improve its skills base across all qualification levels to a more comparative benchmark to East Sussex, South East and Great Britain. Furthermore, 43% of residents are now qualified to at least Level 3 (two or more A-Levels or NVQ Level 3) suggesting that the labour supply is becoming more qualified.

There are 2 Super Output Areas (SOAs) in Old Town and Ratton Wards that are in the 10% least deprived in education, skills and training in England. There are also 3 SOAs in Hampden Park and Langney Wards which are in the 10% most deprived areas of education, skill and training in England.

- Income

Average earnings for Eastbourne are £356 per week, which is lower than the national average of £454, but comparable with the rest of East Sussex.

- Unemployment

The local unemployment rate in Eastbourne (4.9%) is higher than in East Sussex (3.3%), the South East (3.2%) and nationally (4.4%).

- Employment Sectors and Occupations

Public administration, education and health is the largest employment sector in Eastbourne at 35.3% followed by wholesale and retail trade; repair of motor vehicles and motorcycles at 21.4%. Both sectors have greater concentrations in Eastbourne than East Sussex, the South East and Great Britain.

Compared to the South East and Great Britain, Eastbourne has a lower proportion of individuals employed in managerial and senior officials, professional, associate professional and technical, administrative and secretarial, skilled trades and process, plant and machine occupations but a higher concentration of caring, leisure and other service, sales and customer service and elementary occupations.

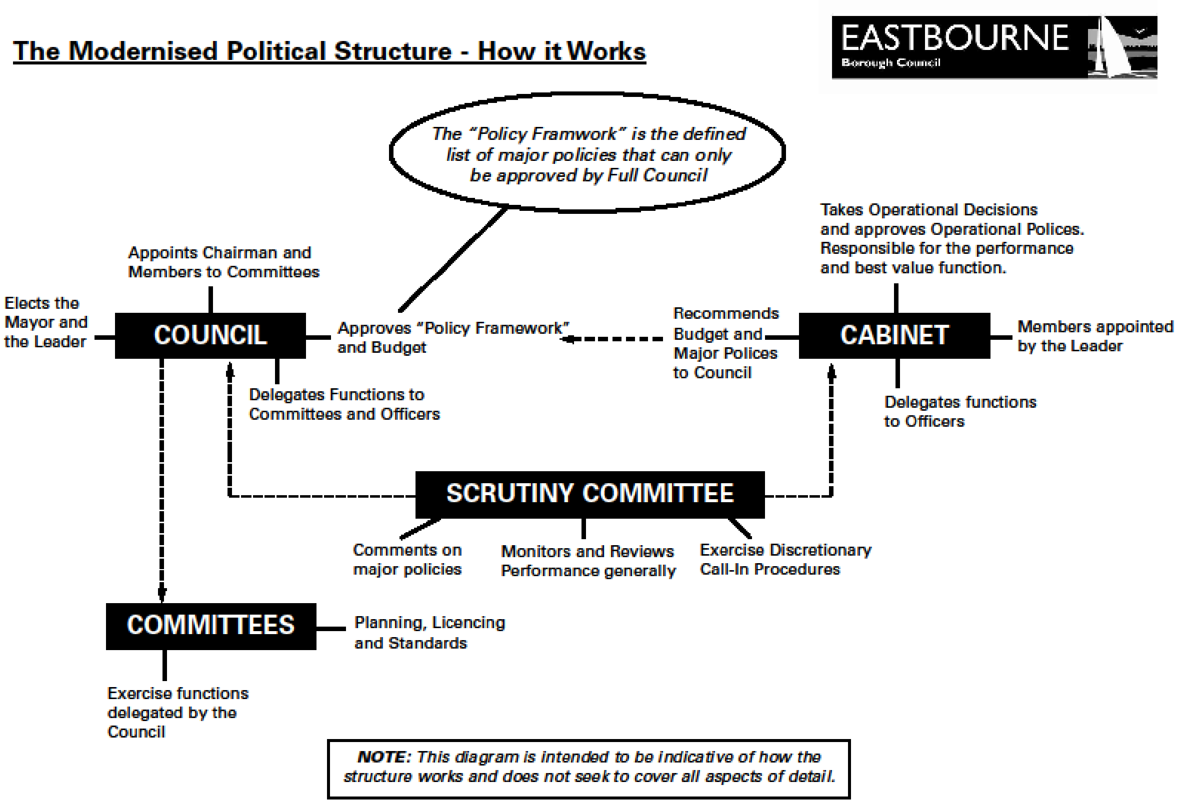
- Deprivation

There are 2 SOA's in Eastbourne in the most 10% deprived areas in England. These are found within the Devonshire and Hampden Park.

GOVERNANCE

The council has 27 Councillors elected in 9 wards; there are 18 Liberal Democrats, 8 Conservatives and 1 Independent Conservative members.

The Council is required to hold a written constitution under the provisions of the Local Government Act 2010. The constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. The Council's current constitution was originally adopted in May 2002 and has been the subject of update and amendment since that time. Some of the content of the constitution is required by law and other content is for the Council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the Council including Council, Cabinet and committees which operate with the modernised political structure below:



Council

The Full Council generally meets five times a year to consider and determine all matters referred to it for decision by the Cabinet and other Council Bodies.

Cabinet

The Cabinet is responsible for most day-to-day decisions of the Council. The Cabinet is made up of the Leader of the Council and 6 Councillors from the majority political group, the Liberal Democrats. Each member is assigned portfolios identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers. The membership is as follows:

- The Leader of the Council
- The Deputy Leader and lead member for Direct Assistance Services
- The lead member for Financial Services
- The lead member for Tourism and Leisure Services
- The lead member for Place Services
- The lead member for Core Support and Strategic Services
- The lead member for Community Safety.

Scrutiny

Scrutiny Committee meets generally to review the delivery of services as a result of previous Council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Committee is not confined to looking only at Council services. It can investigate the actions of other companies and organisations whose actions affect Eastbourne residents.

Regulatory

The following Committees are appointed by the Council and carry out specific functions given to them under delegated powers and those functions which cannot be exercised by the Cabinet.

- **Audit and Governance**
  The audit functions of the committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. The standards functions of the committee seek to ensure that the members, co-opted members and officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its codes of conduct and administering related complaints and dispensation procedures. The governance functions of the committee relate to the monitoring and operation of the Council's constitution and its review, the members' allowances scheme and other member issues including support to members and meeting their training and development needs, civic protocol and certain electoral functions. The committee will also act as a general purposes committee in relation to functions not otherwise allocated.

- **Conservation Area Advisory Group**
  This group consists of four members of the Council who are not on the pool of members for Planning Committee, plus advisors, with membership weighted to reflect political balance of the council. The group advises the Planning Committee on planning applications in conservation areas where there is a material effect on the conservation area, and on applications affecting listed buildings.

- **Council Panel**
  Panels may be set up on an ad hoc basis to deal with staffing matters (other than recruitment) and for the determination of an appeal against any decision made by or on behalf of the Council (a Local Choice Function). In addition two specific panels deal with the recruitment for the positions of Head of Paid Service, Statutory and Non-Statutory Chief Officers and Deputy Chief Officers) and to advise and make recommendations to the Council in respect of the Members' Allowances Scheme.

- **General Licensing**
  There are three types of committee that deal with licensing applications and related matters:

  - Licensing Act Committee - deals with the council's functions as Licensing Authority under the Licensing Act 2003.
  - General Licensing Committee - deals with all licensing issues apart from those related to the Licensing Act 2003 and planning legislation.
  - Licensing Sub-Committees - deal with specific licence applications and related issues.

- **Joint Waste Committee**
  The Joint Waste Committee is made up of elected member representatives from the Cabinets of each of the following authorities: Eastbourne Borough Council; East Sussex County Council; Hastings Borough Council; Rother District Council and Wealden District Council. These authorities have established the Joint Waste Committee with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990. The Joint Waste Committee will also facilitate the authorities to work in partnership with East Sussex County Council as the Waste Disposal Authority to maximise integration opportunities.

- **Planning**
  The Planning Committee is responsible for granting or refusing permission for planning developments, including enforcement of planning controls, conservation areas and listed buildings and making and regulating tree preservation orders.

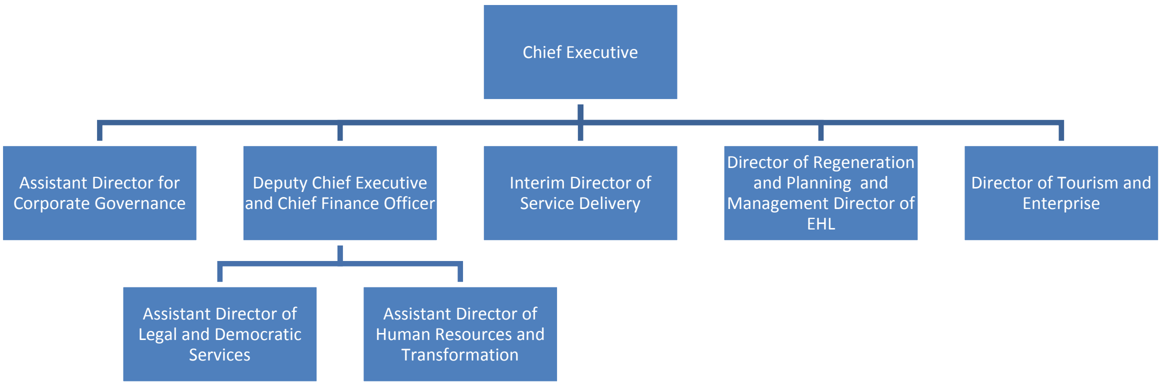
- **Standards Panel**
  Standards Panel consists of 3 members drawn from the membership of the Audit and Governance Committee. The purpose of the Panel is to carry out any arrangements delegated to the Panel by the Audit and Governance Committee in connection with investigating and making decisions on allegations that a member or co-opted member has failed to comply with the code of conduct.

Management Structure of the Council

The Corporate Management Team (CMT) provides senior leadership and strategic direction for the Council, working closely with Cabinet to deliver the Council's agreed corporate plan and strategic priorities. The Chief Executive leads the Council and holds the statutory post of Head of Paid Service.

The Council also appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has broken, or is about to break the law or if the Council is about to set an unbalanced budget.

The structure of CMT is as follows:



Joint Transformation Programme (JTP)

In October 2015, Cabinet approved a strategy for the development of shared services between Lewes District Council (LDC) and Eastbourne Borough Council (EBC) based on the integration of the majority of council services.

The four strategic objectives of the Programme are:

- **Protect services -** delivered to local residents while at the same time reducing costs for both councils to save £2.8m annually;
- **Greater strategic presence -** Create two stronger organisations which can operate more strategically within the region while still retaining the sovereignty of each council;

- **High quality, modern services -** Meet communities and individual customers' expectations to receive high quality, modern services focused on local needs and making best use of modern technology;
- **Resilient services -** Building resilience by combining skills and infrastructure across both councils.

CORPORATE RISK

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The following strategic risks are reviewed by the Corporate Management team quarterly:

Title	Description	Internal Controls
No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	**Reduces Likelihood** 1. Create inclusive governance structures which rely on sound evidence for decision making. **Reduces Impact** 2. Annual review of corporate plan and Medium Term Financial Strategy 3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.
Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers. 2. Council objectives cannot be met.	**Reduces Impact** 1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially. 2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.
Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	**Reduces Impact** 1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)
The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	**Reduces Likelihood** 1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. **Reduces Likelihood and Impact** 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.

Title	Description	Internal Controls
Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.	**Reduces Likelihood** 1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.
Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	**Reduces Likelihood** 1. Adoption of best practice IT and Asset Management policies and procedures. **Reduces Likelihood and Impact** 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. **Reduces Impact** 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event.	**Reduces Likelihood and Impact** 1. Working in partnership with other public bodies. **Reduces Impact** 2. Ongoing and robust risk profiling of local area (demographic and geographic). 3. Review budget and reserves in light of risk profile.
Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory activity/penalties. 3. Deterioration of service performance as a result of regulatory activity/penalties. 4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties. 5. Possibility of fraud and bribery. 6. Ensure compliance with legislation such as Data	**Reduces Likelihood** 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation (e.g. Localism Act). 6. All managers are required to abide by the Council's procurement rules. 7. JTP Board considers activity mapping, ensuring that it covers regulatory/legal and main financial

Title	Description	Internal Controls
	Protection and Safeguarding. 7. Entering into contracts etc. without having adequate finance in place.	matters. 8. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.
Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	**Reduces Likelihood** 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to.

SUMMARY OF ACHIEVEMENTS

Corporate Plan

One of the key strategic documents that frame the actions of the Council is the Council's Corporate Plan. This is a working document that exists to help Councillors, staff and partners work together to deliver the vision for Eastbourne. It brings together key actions and performance indicators to measure progress against priority projects.

The current Corporate Plan is a 4 year document, running from 2016 – 2020. It is refreshed each year to keep it current and relevant. In the 2017/18 financial year, the following key successes were delivered from the plan;

- The first and second phases of the Joint Transformation Programme have been completed, bringing together one staff team to deliver services for both Eastbourne Borough and Lewes District Councils and delivering the targeted levels of savings.
- A new Joint Venture for Energy & Sustainability was established - named 'Clear Futures' – which will assist the council in delivering many of its future development aspirations.
- Town centre improvements alongside the extension of the Arndale Shopping Centre – to be renamed the Beacon.
- The initiation of the development of a wayfinding strategy for the town centre
- A new Community Lottery for Eastbourne was launched.
- A range of high profile events were successfully delivered including: Airbourne; events to mark Holocaust Memorial Day and World AIDS Day.
- The new shared website with LDC was launched.
- Two iconic beach huts were installed on the seafront.
- Agreement to purchase and refurbish Hampden Retail Park, bringing in new retailers.
- Redevelopment of Bedfordwell Road and other sites to provide a pipeline of new homes .
- Development of site at Sumach Close to provide 13 new homes: now known as Pear Tree Court.
- Acquisition and refurbishment of 1 house on Longstone Road to provide 3 one bedroom market rent family house.
- Acquisition and refurbishment of 5 residential units at The Avenue to provide 2 one bedroom, 2 two bedroom and 1 studio flat.
- Acquisition & refurbishment of residential units at 1-5 Seaside to provide 3 one bedroom affordable rent flats.
- Park and landscape improvements in Hampden Park.
- A new Skate Park was delivered in Shinewater.
- The Princes Park café was refurbished and reopened.
- Introduction of garden waste charging to bring this policy into line with other councils.

Key Performance Indicators

The following performance indicators have been used to track performance in the past year and progress has been reported through our Scrutiny Committee and Cabinet on a quarterly basis.

Targets have been achieved or exceeded in many areas of the councils work, despite having been in the midst of significant organisational change. However, there were some areas where performance has been below target levels. Positive management action is being taken in all cases and improvement plans have been established to address these issues. Performance will continue to be closely monitored.

Performance indicator	**Target for 2017/18**	**Performance in 2017/18**	
Increase the number of affordable homes delivered (gross)	30	34	
Increase net additional homes provided	245	128	
Town centre vacant retail business space	7.1%	5.67%	
Increase numbers of bandstand patrons	30,000	48,584	
Increase paying visitors to the Redoubt Fortress	8,500	8,805	
Increase the percentage of Major Planning Applications processed within 13 weeks	60%	89%	
Increase the percentage of minor planning applications processed within 8 weeks	70%	76%	
Increase the percentage of other planning applications processed within 8 weeks	80%	81%	
Decrease the number of reported fly-tipping incidents	600	357	
Increase the percentage of household waste sent for reuse, recycling and composting	35%	40.3%	
Shorten time taken to completed adaptations for disabled people (DFG) - Eastbourne	100 days	131 days	
Decrease the number of households living in emergency (nightly paid) accommodation	30	91	
Revs and Bens: Average days to process new claims	23	24	
Increase the percentage of calls to the contact centre answered within 30 seconds	80%	73%	
Improve our ranking compared to similar authorities in relation to all crime	4th	3rd	
Percentage of Council Tax collected during the year	97%	97%	
Percentage of Business Rates collected during the year	98%	98%	
Reduce absence from work due to sickness	5.8 days	8.25 days	

FINANCIAL PERFORMANCE OF THE COUNCIL IN 2017/18

The Council incurs both revenue and capital expenditure during the financial year. Revenue spending is generally on items that are consumed within a year and is financed from Council Tax, Government Grants and other income. Capital expenditure is on items which have a life beyond one year and which also add value to a fixed asset (known as non-current assets). This is financed largely by capital grants, loans and other capital contributions.

1. Comprehensive Income and Expenditure Account

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements, and discloses a 'surplus' for 2017/18 of £11.125m. (Split between General Fund deficit £2.642m and HRA surplus £13.768m). The Movement in Reserves Statement reconciles this IFRS 'surplus' together with other reserve transfers into a net increase in the general fund balance of £0.373m and an HRA surplus of £0.822m.

The General Fund and Housing Revenue outturn detailed below does not reconcile with the statutory presentation of the Comprehensive Income and Expenditure Statement as the outturn is prepared on the basis of how the Council sets its revenue budget rather than the accounting provisions of the Code, and therefore is not presented on the same basis as the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis at note 7, identifies the adjustments between the management and the financial accounts. The Council's underlying financial position, including usable Reserves, is identical in both its management and financial accounts.

2. General Fund

The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £14.534m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2017/18 of £232.92, being a 1.93% percent increase over 2016/17.

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

	Original Budget £000	**Revised Budget** £000	**Actual** £000	**Variance** £000
Corporate Services	5,288	5,264	5,095	(169)
Community Services	5,896	5,444	5,305	(139)
Regeneration, Planning Policy and Assets	(336)	572	600	28
Tourism & Enterprise	3,763	3,125	3,130	5
Other Operating Income and Expenditure	(767)	(152)	-	152
Service Total	**13,844**	**14,253**	**14,130**	**(123)**
Capital Financing costs	1,833	1,959	1,648	(311)
TOTAL EXPENDITURE	**15,677**	**16,212**	**15,778**	**(434)**
Transfer from General Fund Balance	(1,143)	(1,588)	(936)	652
Budget Requirement	**14,534**	**14,624**	**14,842**	**218**
Council Tax	(8,031)	(8,031)	(8,007)	24
Business Rates	(4,365)	(4,365)	(4,733)	(368)
Government Grants	(2,138)	(2,228)	(2,102)	126
TOTAL FUNDING	**(14,534)**	**(14,624)**	**(14,842)**	**(218)**

The General Fund Revenue Budget outturn is a surplus of £434,000. When the budget was originally set in February 2017 the Council estimated it would need to make a contribution of £1,143,000 from the General Fund Reserve in order to balance the budget. The actual contribution was £936,000 which represents a saving of £652,000 against the revised budget.

As a result of this movement the General Fund Balance as at 31 March 2018 was £3.033m.

The main variances between the revised budget and the actual net expenditure are detailed below:

	£000
Farms and Lands Let - additional income over budget	(134)
Solarbourne income – overachievement of Feed-in-Tariff income	(122)
Refuse Collection - contract variations underspend	(107)
Systems Administration - staff savings	(91)
Bed and Breakfast - earmarked budget for block bookings underspent	(72)
Car Parking – additional car parking income	(68)
Development Control – additional staffing and consultancy costs and shortfall of pre planning advice income	92
Catering – Buccaneer – shortfall of sales income	149
Delay in achieving savings targets	175
Housing Benefits Payments & Subsidy-shortfall on debt raised and B&B cost	286

3. Housing Revenue Account

The Council continues to be the major provider of rented accommodation in the borough and it transferred responsibility for the management of the housing stock to Eastbourne Homes Ltd (EHL), an arm's length management organisation, on 1 April 2005.

At 31 March 2018 there were 3,410 dwellings provided for rent. Housing Associations are the second major provider, and the Council continues its work with them in order to meet new affordable housing requirements for Eastbourne.

For 2017/18 the Housing Revenue Account net position shows an overall surplus of £822,000 for the year against an expected budgeted surplus of £60,000 resulting in a favourable variance of £762,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2017/18:

	Original Budget £000	**Revised Budget** £000	**Actual** £000	**Variance** £000
HRA				
Income	(15,551)	(15,587)	(15,602)	(15)
Expenditure	12,717	12,653	12,449	(204)
Capital Financing & Interest	1,885	1,885	1,831	(54)
Contribution to Reserves	500	600	500	(100)
Total HRA	(449)	(449)	(822)	(373)

The analysis on this table does not agree to HRA Statuary accounts due to the different reporting requirements; however the surplus does reconcile to the movement on the HRA statement

The main variances between the revised budget and the actual net expenditure are detailed below:

	£000
Reduction in provision for bad debt requirement	(112)
Take up of under occupation scheme	(63)
Average Interest rates lower than budgeted	(50)
Depreciation lower than budgeted	(32)

4. Collection Fund

The Council has, by law, to maintain a specific account called the Collection Fund which records all income from Council Tax and Non-Domestic Rates and its distribution to the major precepting authorities, being Central Government, East Sussex County Council, Sussex Police, East Sussex Fire Authority and Eastbourne Borough Council.

The overall Collection Fund is showing a deficit of £2,254,000 (Council tax surplus (£1.267m) and Business Rates deficit £3,521m) as at 31 March 2018 (compared to a deficit of £943,000 as at 31 March 2017). This change in the balance is due to a large refund having to be made as a result of a significant reduction in the rateable value of one property following a successful appeal backdated to 2010. This refund was in excess of the amount allowed for in the provision.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2018 forecast surplus for the Council Tax element of the fund of £0.92m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2018/19 leaving a balance of £0.347m, to be distributed in 2019/20. This Council's share as at 31 March 2018 was £164,918.

The forecast deficit for the Business Rate element of the fund was £2.97m, which will be collected from preceptors in proportion to their share of the business rate income during 2018/19 leaving a balance of 1.82m to be distributed in 2019/20. This Council's share as at 31 March 2018 was £1.415m.

In 2014/15, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates Tax Base.

5. Capital Programme Spending

The Council's capital programme spending in the year was £51.3m compared with a revised budget of £51.6m. Capital programme expenditure has been financed as follows:

	£000
Capital Receipts	1,432
Other Contributions	5,495
Earmarked Reserves	219
Government Grants & Contributions	5,244
Major Repairs Reserve	3,823
Revenue Financing	13
Financed from borrowing	35,037
Total	**51,263**

The main items of capital programme expenditure are set out below:

	Budget	**Actual**	**Variance**
	£000	£000	£000
Council Dwelling Improvements & building	7,108	6,274	(834)
Investment & Land Acquisition	20,851	21,281	430
Devonshire Park Development	14,600	13,839	(761)
Asset Improvements & building	2,283	1,798	(485)
Loans to Subsidiary Companies	2,917	2,910	(7)
IT & JTP	2,060	3,182	1,122
Grants to Provide Disabled Facilities & Private Sector Renewal Grants	699	887	188
Playground & Sports Facilities Improvements	285	318	33
Beach Management	268	315	47
Community Facilities	206	210	4
Other Schemes	290	249	(41)
Total Capital Programme Expenditure	**51,567**	**51,263**	**(304)**

The Council continues to invest in assets to support the local community and economy. The most significant planned capital schemes are:

- Improvements to the Council's housing stock;
- Economic regeneration;
- Asset improvements.

6. Pensions

The Council's liability for future pension payments has increased from £43.4m to £44.4m. The Defined Benefit Obligations have increased by £4.6m from £185.8m to £190.4m and the net asset value has increased by £3.6m from £142.5m to £146.1m. This was mainly as a result of the merger with Eastbourne Homes Ltd (EHL). It is important to realise that this accounting change does not trigger an immediate change in contribution rates, as these are assessed with a longer term view of liabilities and of investment performance.

7. Treasury Management

The Council's external loan debt at 31 March 2018, comprising long and short-term borrowing, stood at £105m excluding accrued interest payable. This is made up of £82m repayable in more than one year and £23m repayable in less than one year. This is a net increase of £39.9m over the previous year, mainly as a result of additional borrowing.

No short-term investments were held at 31 March 2018, the same as the previous year. The Council held cash balances as at 31 March 2018 of £3.6m, compared to £1.9m as at 31 March 2017.

STAFFING

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

Employees	**2017/18**
Total number of current permanent full and part time employees	674
Total number of current temporary/fixed term employees	35
Total Number of Employees	709
Total number of employees expressed as full time equivalents	656.06

Posts	**2017/18**
Total number of permanent full and part time posts	768
Total number of temporary/fixed term posts	37
Total number of posts	805
Total number of posts expressed as full time equivalents	678.33

As part of the Shared service with Lewes District Council both Council's approved a shared service employment model with this Council acting as the sole employer host authority. This meant that the majority of Lewes District Council staff were transferred to Eastbourne Borough Council in February 2017. The staffing figures above reflect this movement.

Sickness absence for 2017/18:

No. of Hours Lost	**No. of Days Lost**	**Average No. of Days Lost per employee**
42744.01	6079.54	8.6

FUTURE PLANS

- **Medium Term Financial Plan**

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2018/19 and the Medium Term Financial Strategy for the years through to 2020/21 were set in February 2018 in the context of the multi-year Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2019/20. The council continues to set a balanced budget without the need to draw from reserves to support recurring expenditure.

The Council's philosophy is to maintain and enhance services to the public whilst meeting the financial challenge through efficiencies and income generation.

The current strategy set out a rolling three year plan to:

- Deal with the anticipated reduction in Government support of a further 30% from the 2018/19 level.
- Integrate the service and financial planning process with the main change programmes under the JTP.
- Deal with unavoidable growth in service demands.
- Maintain front line services to the public.
- Make further recurring savings of £3m per annum by 2019/20.
- Maintain at least a minimum level of revenue reserves of £2m.
- Use surplus reserves in the medium term for:
  - Invest to save projects
  - Smooth the requirement for savings over the cycle of the MTFS
  - Invest in one off service developments in line with the corporate plan.
- Benchmark fees & charges and increase where possible.
- Reinvest in the capital programme when headroom is created.
- Set council tax rises at or below the Government's level of target inflation (2%).
- Maintain a Strategic Change Fund to finance the transformation programme in order to increase efficiency.
- Maintain an Economic Regeneration Reserve to finance external interventions that promote economic activity.
- Use borrowing to support the capital programme only on a business case basis.
- Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority.
- Identify new income streams to supplement diminishing resources.

The Medium Term Financial Strategy projections are as follows:

Summary of MTFS 2018-2021
General Fund

	2018/19	2019/20	2020/21	2021/22
Total Budget b/f	**14,191**	**13,496**	**13,671**	**13,123**
Less non recurring items				
Adjusted Base Budget	**14,191**	**13,496**	**13,671**	**13,123**
Pay and Price Inflation				
Pay Award and Increments	195	300	300	300
Pension costs	30	30	30	30
National Living Wage	30	20	0	0
Inflation on Contracts	200	250	250	250
Capital Financing	200	300	400	500
Total Budget Demand	**14,846**	**14,396**	**14,651**	**14,203**
External Funding				
RSG	(445)	0	0	0
Retained Business Rates	(3,838)	(4,444)	(3,905)	(3,978)
Business Rates Pool	(266)	(200)	0	0
Other Government Grants	(195)	(147)	(147)	(147)
New Homes Bonus	(339)	(208)	(143)	(122)
Total External Funding	**(5,083)**	**(4,999)**	**(4,195)**	**(4,247)**
Council Tax	**(8,234)**	**(8,522)**	**(8,778)**	**(9,041)**
Council Tax Surplus	(179)	(150)	(150)	(150)
Total Sources of Funding	**(13,496)**	**(13,671)**	**(13,123)**	**(13,438)**

Gap in Funding	**1,350**	**725**	**1,528**	**765**
Inflation on Income	(150)	(100)	(100)	(100)
JTP- Shared Transformation	(500)	(100)	(100)	0
Cultural Services-Business Plan	0	(100)	(300)	(420)
VAT Exemption - cultural services	0	0	(250)	0
Procurement Savings-Arts	(200)	0	(50)	(50)
New Income Streams	(500)	(500)	(700)	(200)
Residual Gap / (Surplus)	**0**	**(75)**	**28**	**(5)**
General Reserves B/F	(3,258)	(3,779)	(3,654)	(3,426)
Non recurring service investments	479	200	200	200
Budget balance from (to) reserves	(1,000)	(75)	28	(5)
Reserves C/F	**(3,779)**	**(3,654)**	**(3,426)**	**(3,231)**

- **Capital Programme**

  The Capital Programme has been framed to deliver significant investment in infrastructure in the future. It is funded by Capital Receipts, Grants and Contributions, Reserves and Borrowing.

  The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

  The Capital Programme for 2018/19 to 2020/21 is as follows:

	2018/19	**2019/20**	**2020/21**
	£000	£000	£000
HRA	4,290	4,344	4,399
Community Services	1,882	1,530	300
Tourism & Leisure	10,620	10,480	0
Corporate & Core Services	16,224	16,225	9,255
Asset Management	17,377	3,494	821
Total Programme	**50,393**	**36,073**	**14,775**
Financed By:-			
Capital Receipts GF	614	549	175
Grants and Contributions	2649	2532	300
Major Repairs Reserve	4289	4344	4399
Reserves	124	-	-
GF Borrowing (Committed)	33087	18318	821
GF Borrowing (Uncommitted)	9630	10330	9080
Total Financing	**50,393**	**36,073**	**14,775**

Prosperous Economy

Priority Vision:

By 2020:

- Eastbourne will be a nationally recognised outstanding seaside destination and the gateway to the South Downs National Park
- Our transformed and accessible Town Centre will provide an n enhanced retail and leisure offer for residents and visitors, with high quality public spaces, attracting new investment and enabling the Town Centre to compete with neighbouring shopping destinations
- Eastbourne residents will have a wide range of skills and opportunities to help make the town attractive to employers and new businesses
- Eastbourne will have an exciting and wide range of cultural activities combining opportunities for learning, participation and shared experiences for residents and tourists

- A wide programme of events and activities will encourage opportunities for partnership and investment in the cultural economy and growth of Eastbourne as a marketable destination
- Eastbourne will have innovative conference facilities that will attract profitable conferences to the town
- The Sovereign Harbour Innovation Park will be a commercial hub of high quality, contemporary business premises
- Eastbourne will be a home of tennis, both as a destination for watching and as a town for playing
- The Town will have capitalised on the Eastbourne and South Wealden area to increase investment in highways infrastructure.

Corporate Actions

Title	Description	Desired Outcome
Vibrant Events Programme	All year round events programme that attracts visitors to Eastbourne.	Economic benefits from visitors staying and spending money in Eastbourne. The events programme to act as a key hook to gain additional visitors.
Increase number of conference delegates	Attract shorter staying but higher yield business tourism.	Economic benefit from conference delegates staying and spending money in Eastbourne.
New Museum	A purpose built museum on the site of the Pavilion which will house the "Story of Eastbourne" with a café, shop and outreach facilities.	Increase time spent by visitors in the museum, spend and overall visitor numbers.
Refurbish the Redoubt	Improvements to the Redoubt Fortress to develop its profile as a visitor attraction without the museum.	Increased visitor numbers, spend and satisfaction levels at the Redoubt.
Seafront/Tourism Strategy	Update the Seafront Strategy utilising all of the feedback received through the Seafront Plan consultation. Utilise the research achieved through the destination profiling to shape priorities for the destination.	Eastbourne retains its share of the visitor markets.
Extension to the Arndale Shopping Centre	£85m scheme to provide 22 new retail units, 7 restaurants and a 9 screen cinema.	An enhanced retail and leisure offer for residents and visitors enabling the Town Centre to compete with neighbouring shopping destinations and associated increased spend and attracting new retailers and investment in the Town Centre. Local employment opportunities in both the construction and operation phases of development - the development will deliver 700FTE jobs in addition to construction jobs. A modern and attractive development with better designed, larger retail units.
Devonshire Park Redevelopment	£44m investment to establish Devonshire Park as a premier conference and cultural destination to include: • New welcome building • Restoration of Congress, Winter Garden and Devonshire Park theatres • Improved accessibility	Creation of new jobs: • 114 new local construction jobs as a result of the £40 million capital expenditure • 169 FTE additional jobs supported in Eastbourne as a result of the additional visitor spending. Additional visitor spend:

	• Improving tennis facilities • New conference/exhibition space and café facilities/break out rooms • Public realm improvement.	• Projected visitor spend from visitors is £13,419,183 per annum (excluding consequential effects and across the whole economy).
Wish Tower Restaurant	Deliver a flagship restaurant.	A new destination to improve the evening economy and a landmark building design in a unique location.
Sovereign Harbour Innovation Park (SHIP)	New contemporary business premises at Sovereign Harbour Innovation Park.	High quality, flexible contemporary business space and new commercial hub in a prestigious location and positive effects on employment, business start-ups and wage levels.
Marketing – EB Now (Pier grant project)	30 hotels and other locations to be supplied with onscreen live information about events in Eastbourne, shopping opportunities and discounts.	Increased attendance at events from visitors and increased awareness of and spend at local shops, restaurants and leisure facilities.

Quality Environment

Priority Vision:

By 2020:

- Eastbourne will have a high quality built and natural environment which highlights the cultural heritage and tourist offer of the Borough, surpassing other UK towns of a similar size
- We will have transformed the sites that are currently not used efficiently in our town centre
- Our public spaces will be distinctive, high quality, well maintained and create a sense of belonging
- Our open space will increase in quantity and quality, enabling the community to come together and enjoy its public spaces in a safe and secure way
- We will be moving towards becoming a low carbon town with a wide range of locally derived environmentally friendly initiatives, working with the Community Environment Partnership for Eastbourne
- The quantity of domestic waste will have significantly declined supported by a wide range of materials for recycling, and reducing waste
- Eastbourne will have a range of transport options including improved public transport, cycling and walking initiatives
- We will continue to develop the seafront and coastal links as a unique and outstanding natural resource for the community and tourists, in a way that ensures development enhances our cultural heritage and is beneficial to the environment.

Corporate Actions

Title	**Description**	**Desired Outcome**
Joint venture for Energy and Sustainability	Set up a joint venture between Eastbourne and Lewes Council and a private sector organisation to deliver local energy and sustainability ambitions for the next 20 – 30 years.	Deliver sustainability ambitions i.e. local energy and local food.
Park improvements (Green Flags and signage re-branding)	Hampden Park - Improvements to the main entrances and to the path network in Ham Shaw woods as recommended through the published Hampden Park Green Flag Management Plan.	To clearly define that vehicles are entering a park and retain the Green Flag for Hampden Park as an externally accredited quality award for green space.

	Old Town Rec - Improvements to the main entrances, tree planting and pollinating/biodiversity improvements.	Creation of a "welcoming" recreation ground with vistas throughout and to retain the Green Flag as an externally accredited quality award for Green Space.
	Manor Gardens - The Green Flag Award for this area will externally validate the Corporate "Quality Environment" objective. This green space has a strong and supportive Friends of Manor Gardens and Gildredge Park and will be the strongest contender to be successful in securing the award.	To increase the number of open spaces within Eastbourne successfully achieving Green Flag status and provide quality areas for local residents and visitors to enjoy.
	Create and "roll-out" standard, future proof signage throughout the parks and open spaces of Eastbourne.	Improved awareness and access to local parks and open spaces and continued success of the Green Flag Award.
Allotments improvements	Provide 2 new toilets within Manor Gardens and Marchants Field allotments and remove chain-link to install new, secure weldmesh fencing in Priory Road allotments.	To maintain reasonable security and welfare facilities for the tenants of the Council's allotments.
Town Centre Improvements	Significant improvements to the pedestrian environment in Terminus Road and Cornfield Road to be delivered alongside the extension to the Arndale Centre.	Better quality of open spaces within the town centre improving the shopping and leisure experience for residents and visitors.
Eastbourne Park Initiatives	Delivery of priority initiatives identified in the Eastbourne Park Supplementary Planning Document.	Conservation and enhancement of the existing environmental, ecological and archaeological characteristics of Eastbourne Park for future generations Sensitive management of the area to provide appropriate leisure and recreational uses to enhance the social and economic wellbeing of the local community and to attract more visitors to Eastbourne.
Enhancement of Open Downland	To invest in a range of initiatives and improvements to the Open Downland to improve accessibility and enhance Eastbourne as the gateway to the South Down National Park.	To ensure the Open Downland is accessible to all and to provide key improvements for the benefits of residents and visitors in line with the adopted Downland Management Plan.
Eastbourne Cycling and Walking Strategy	Work with East Sussex County Council to deliver an integrated Cycling and Walking Strategy for the town.	Enhanced provision for cycling and walking, improved accessibility and improved satisfaction with the local area.

Thriving Communities

Priority Vision:

By 2020:

- Eastbourne will have some of the lowest levels of crime in the South East and, as a result, our communities will feel safe
- Families and young people will be supported and have access to a wide range of activities and facilities to help them reach their full potential
- Our communities will have the resources they need to achieve high levels of volunteering and involvement in managing our neighbourhoods

- The housing market in Eastbourne will provide a wide range of quality homes including affordable housing for those in need
- Our communities will be active in developing priorities for: tourism, culture and sport including being involved in managing sports, leisure, creative and artistic activities; events and festivals; ensuring greater participation and opportunities to share and enjoy the widespread cultural provision in the Borough.

Corporate Actions

Title	Description	Desired Outcome
Active Eastbourne Strategy	Undertake a study of all the activities that take place across Eastbourne and understand what the trends and gaps are.	A strategy that will be used to shape the services and act as a potential tool to apply for funding/grants to improve health and quality of life of local residents.
Welfare Reform	To support those vulnerable residents affected by the government's Welfare Reform programme.	Residents are able to access and retain good quality accommodation and are able to meet their Council Tax liabilities.
Community Facilities	Supporting development and management of community buildings.	Sustainable development and management of facilities for community activities such as community centres, community library and Town Hall leading to improved community engagement and satisfaction with local area.
Young People	Supporting services to children and families through funding, partnership and networks.	A wide range of activities and opportunities for young people, improving levels of engagement and satisfaction.
Sovereign Harbour Community Centre	£1.6m scheme to provide a new contemporary community centre at Sovereign Harbour.	Improved facilities for residents and increased satisfaction with local area.
Shinewater Skate Park	Upgrade existing dated, modular jumps to a bespoke, specialist design/constructed concrete skate park.	Increased use and satisfaction with facilities and engagement with young people.
Improving local parks and playgrounds	Update play area within Seaside Rec and add new all-weather paths to Seaside Rec and Tugwell Park.	Improved play facilities, accessibility, use and satisfaction with local parks and playgrounds.
Tennis Development programme	Maximise use of the tennis courts across Eastbourne through a partnership operator. Introduce the Clubspark technology which provides data around court usage and profile of tennis players.	Development of "grass roots" tennis players and increased number of people playing tennis.
Customer Access Improvement (Go Digital)	A programme of interventions to encourage take-up of online services.	Reduction in demand through face to face and telephone channels.
Develop enhanced Housing Solutions service	A new service to help people gain the most appropriate accommodation to support a healthy and independent life.	Improve accommodation to allow people to remain independent longer. Reduce cost to the public purse. Reduce unnecessary hospital admissions and bed blocking.
Eastbourne Community Safety Partnership	Support the work of Eastbourne Community Safety Partnership.	Reduced levels and perception of crime and anti-social behaviour in the town and improved satisfaction with the area as a safe place to live.

Sustainable Performance

Priority Vision:

By 2020 Eastbourne Borough Council will:

- have developed a reputation in the South East Region for service excellence and innovation
- be recognised by its residents as being more customer driven and outcome focussed, delivering the services and standards that residents need most
- be acknowledged by its staff as an excellent employer providing real professional development opportunities
- benefit from a sustainable asset base contributing effectively to the delivery of public services
- be a valued service delivery partner to a variety of organisations across the public, private and voluntary sectors
- be a high performing local authority evidenced by sustained improvement against regulatory frameworks and inspection regimes.

Corporate Actions

Title	**Description**	**Desired Outcome**
Improved Asset Management processes – “Corporate Landlord”	A comprehensive restructuring of property budgets and staff to ensure central control and prioritisation, combined with an asset challenge programme to ensure non-operational assets deliver a good yield or are disposed of.	A sustainable and well maintained asset base strengthening the financial management of the authority.
Customer Access Improvement (Go Digital)	A programme of interventions to encourage take-up of online services.	Reduction in demand through face to face and telephone channels.
Joint Transformation Programme	A major programme to integrate the Eastbourne Borough Council and Lewes District Council workforces, and transform the service delivery model for both organisations.	Protect services whilst delivering £2.7m savings. Create a greater strategic presence in the region. Deliver high quality, modern services. Build greater resilience across the councils.

EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts comprises:

A Statement of Responsibilities - This statement defines the roles and responsibilities for preparing the accounts.

Independent Auditor's Report

The Core Accounting Statements:

- **Movement in Reserves Statement** – this statement shows the movements in the year of the different reserves held by the Council. It also provides the interaction of the economic costs and legislation and their impact on changes in the Council's reserves, showing the true cost of the provision of Council services funded by Council Tax payers.
- **Comprehensive Income and Expenditure Statement** – this statement sets out the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- **Balance Sheet** - this statement sets out the overall financial position of the Council as at 31 March 2018. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

The Supplementary Single Entry Financial Statements:

- **Housing Revenue Account** – this account reflects the statutory obligation to account separately for council housing provision. It shows the main elements of housing revenue expenditure – maintenance, administration and capital financing costs and how these are met by rents and other income.
- **Collection Fund** - this account reflects the statutory requirement to maintain a separate record of transactions in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to local authorities and the Government.

Group Accounts – These accounts show the material interests that the Council has in its subsidiary companies. The group accounts are structured in line with the Council's core accounting statements, and are accompanied by notes in the same way.

FURTHER INFORMATION

Summary financial information is published annually on the Council's website (www.eastbourne.gov.uk). Further information on any of the financial statements may be obtained from the Deputy Chief Executive, 1 Grove Road, Eastbourne, BN21 4TW.

Alan Osborne
Deputy Chief Executive
Statutory Section 151 Officer

ADOPTION OF THE ACCOUNTS

In accordance with Accounts and Audit Regulations the Chair of the meeting adopting the Statement of Accounts must sign and date the statement in order to confirm that the adoption process has been completed.

The Statement of Accounts for 2017/18 will be approved at the meeting of the Audit and Governance Committee to be held on 25 July 2018.

Signed

Councillor Colin Swansborough
Chair, Audit and Governance Committee

Date

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Council, 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.

The Deputy Chief Executive's 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.

Certificate of the Deputy Chief Executive

I certify that the Statement of Accounts presents the true and fair financial position of the Council as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Alan Osborne
Deputy Chief Executive
Statutory Section 151 Officer

Date 31 May 2018

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL

Opinion on the Council’s financial statements

To follow

MOVEMENT IN RESERVES STATEMENT

	General Fund	HRA Balance	Earmarked Reserves (note 15)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	**Total Usable Reserves**	Unusable Reserves (note 28)	**Total Reserves**
	£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Balance at 1 April 2016	**(3,283)**	**(3,678)**	**(8,300)**	**-**	**(6,050)**	**(4,283)**	**(25,594)**	**(181,451)**	**(207,045)**
Movement in Reserves 2016/17									
Total Comprehensive Expenditure and Income	2,680	(18,621)	-	-	-	-	**(15,941)**	(19,968)	**(35,909)**
Adjustments between accounting basis & funding basis under regulations (note 8)	(1,945)	17,145	-	(514)	889	(1,330)	**14,245**	(14,245)	**-**
Transfers (to)/from Earmarked Reserves (note 16)	(112)	788	(676)	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**623**	**(688)**	**(676)**	**(514)**	**889**	**(1,330)**	**(1,696)**	**(34,213)**	**(35,909)**
Balance at 31 March 2017 carried forward	**(2,660)**	**(4,366)**	**(8,976)**	**(514)**	**(5,161)**	**(5,613)**	**(27,290)**	**(215,664)**	**(242,954)**
Movement in Reserves 2017/18									
Total Comprehensive Expenditure and Income	4,070	(9,737)	-	-	-	-	**(5,667)**	(5,625)	**(11,292)**
Adjustments between accounting basis & funding basis under regulations (note 8)	(3,792)	8,539	-	(351)	(2,377)	846	**2,865**	(2,865)	**-**
Transfers (to)/from Earmarked Reserves (note 16)	(651)	376	275	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(373)**	**(822)**	**275**	**(351)**	**(2,377)**	**846**	**(2,802)**	**(8,490)**	**(11,292)**
Balance at 31 March 2018 carried forward	**(3,033)**	**(5,188)**	**(8,701)**	**(865)**	**(7,538)**	**(4,767)**	**(30,092)**	**(224,154)**	**(254,246)**

This statement shows the movements in the year on the different reserves held by the Council, analysed into "usable reserves" (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves. The purpose of individual reserves is set out in Note 2.19, and more details are given for earmarked and unusable reserves in Notes 16 and 29 respectively. The line entitled "Surplus or (deficit) on provision of services (accounting basis)" shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The line entitled "Net (Increase) / Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund Balance and the Housing Revenue Account balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2016/17 Restated					2017/18		
Exp.	Income	Net		Note	Exp.	Income	Net
£000	£000	£000			£000	£000	£000
12,758	(1,158)	11,600	Corporate Services		9,301	(581)	8,720
65,194	(57,404)	7,790	Service Delivery		63,202	(54,199)	9,003
2,262	(1,070)	1,192	Regeneration and Planning		4,686	(1,575)	3,111
9,220	(8,023)	1,197	Tourism and Enterprise		10,338	(5,967)	4,371
(2,769)	(16,398)	(19,167)	Housing Revenue Account		6,684	(16,263)	(9,579)
86,665	**(84,053)**	**2,612**	**Cost of Services**		**94,211**	**(78,585)**	**15,626**
215	-	215	Levy Payable		216	-	216
924	-	924	Payments to housing capital receipts pool		281	-	281
-	(514)	(514)	Gains on sale and de-recognition of non-current assets		-	(1,419)	(1,419)
1,139	**(514)**	**625**	**Other Operating Expenditure**		**497**	**(1,419)**	**(922)**
2,435	-	2,435	Interest payable & similar charges	22	2,764	-	2,764
1,160	-	1,160	Net Interest on the Net Defined Benefit Liability	29	1,150	-	1,150
-	(375)	(375)	Interest receivable	22	-	(650)	(650)
(177)	(536)	(713)	Investment Properties		833	(1,880)	(1,047)
1,135	(1,556)	(421)	Trading Accounts		1,595	(1,489)	106
4,553	**(2,467)**	**2,086**	**Financing and Investment Income and Expenditure**		**6,342**	**(4,019)**	**2,323**
-	(10,559)	(10,559)	Non-ringfenced grants and contributions	15	-	(11,467)	(11,467)
-	(7,863)	(7,863)	Council Tax income		-	(8,007)	(8,007)
10,124	(12,966)	(2,842)	Non Domestic Rates Income and Expenditure		10,330	(13,550)	(3,220)
10,124	**(31,388)**	**(21,264)**	**Taxation and Non-specific Grant Income and Expenditure**		**10,330**	**(33,024)**	**(22,694)**
102,481	**(118,422)**	**(15,941)**	**Surplus on Provision of Services**				**(5,667)**
		(24,870)	Surplus on revaluation of Property, Plant and Equipment Assets	28			(1,757)
		4,902	Re-measurement of the net defined benefit liability	29			(3,868)
		(19,968)	**Other Comprehensive I & E**				**(5,625)**
		(35,909)	**Total Comprehensive I & E**				**(11,292)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation in order to cover expenditure in accordance with regulations, and this definition of expenditure may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

BALANCE SHEET

31 March 2017		**Notes**	**31 March 2018**	
£000			£000	£000
312,641	Property, Plant & Equipment	18	336,403	
15,034	Heritage Assets	19	15,034	
5,627	Investment Property	20	23,893	
4,478	Intangible Assets	21	4,995	
238	Long Term Investments	12	323	
10,839	Long Term Debtors	24	13,668	
348,857	**Long Term Assets**			**394,316**
378	Assets Held for Sale		-	
107	Inventories		139	
11,515	Short Term Debtors	24	18,742	
1,857	Cash and Cash Equivalents	30	3,609	
13,857	**Current Assets**			**22,490**
(10,310)	Short Term Borrowing	22	(23,374)	
(9,578)	Short Term Creditors	25	(10,870)	
(562)	Short Term Provisions	26	(489)	
(116)	Revenue Grants Receipts in Advance	15	(13)	
(20,566)	**Current Liabilities**			**(34,746)**
(772)	Long Term Creditors	25	(204)	
(55,050)	Long Term Borrowing	22	(82,050)	
(43,372)	Other Long Term Liabilities	29	(45,560)	
(99,194)	**Long Term Liabilities**			**(127,814)**
242,954	**NET ASSETS**			**254,246**
(27,290)	Usable Reserves	27		(30,092)
(215,664)	Unusable Reserves	28		(224,154)
(242,954)	**TOTAL RESERVES**			**(254,246)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Council's net assets (assets less liabilities) are matched by the reserves that it holds. Reserves are reported in two categories: usable and unusable. Usable reserves are those that the Council may use to provide services, subject to the need to keep a prudent level of reserves and to any statutory limits on their use, such as the Capital Receipts Reserve only being used to fund capital expenditure or to repay debt. Unusable reserves are those that the Council is not able to use to provide services. This category includes reserves to hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the asset was sold, and reserves that hold timing differences shown in the section in the Movement in Reserves Statement labelled "Adjustments between accounting basis and funding basis under regulation."

Alan Osborne
Deputy Chief Executive

CASH FLOW STATEMENT

2016/17		2017/18	
£000		£000	£000
(11,426)	Taxation	(10,535)	
(54,987)	Government grants	(47,369)	
(6,239)	Housing rents	(5,963)	
(8,950)	Goods sold and services rendered	(7,948)	
(424)	Interest received	(642)	
(13,830)	Other receipts	(25,792)	
(95,856)	**Cash inflows from operating activities**		**(98,249)**
12,687	Employees	21,291	
41,244	Housing Benefit paid	38,684	
925	Capital Receipts Pool	282	
28,145	Payments for goods and services	27,884	
2,436	Interest paid	2,699	
11,261	Other operating costs	7,709	
96,698	**Cash outflows from operating activities**		**98,549**
842	**Net Cash Flows from operating activities**		**300**
22,274	Purchase property, plant & equipment, Investment property and intangible assets	47,263	
9,500	Purchase of short and long term investments	-	
-	Other investing activities	2,861	
(3,431)	Sales of property, plant & equipment, Investment property and intangible assets	(4,085)	
(9,500)	Sale of short and long term investments	-	
(6,192)	Other investing receipts	(10,108)	
12,651	**Net cash outflows from investing activities**		**35,931**
(19,000)	Cash receipts of borrowing	(74,890)	
6,000	Repayments of borrowing	34,890	
(397)	Other financing activities	2,017	
(13,397)	**Net cash inflows from financing activities**		**(37,983)**
96	**Net (increase) / decrease in cash and cash equivalents**		**(1,752)**
1,953	Cash and cash equivalents at the beginning of the reporting period		1,857
1,857	**Cash and cash equivalents at the end of the reporting period (Note 30)**		**3,609**

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the Council's operations are funded from taxation and grant income or from the recipients of the Council's services. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

NOTES TO THE ACCOUNTING STATEMENTS

1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES

The accounting policies applied in 2017/18 are consistent with those applied in 2016/17.

2. ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the end of 31 March 2018. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

2.2 Accruals of Expenditure and Income

We account for activity in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 the 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 payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.
- A de-minimis level of £1,000 has been set for accruals. Income and expenditure below this amount may not be accrued as it is considered trivial.

In cases where a full year's income & 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.

Housing Rents is billed and accounted for on a weekly basis, at the start of each week. No adjustment is made at year end to record income to 31 March unless the adjustment is material.

Housing Benefit Payments are made on a weekly basis. No adjustment is made to the accounts at year end to record payments to 31 March unless the adjustment is material.

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.

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 the delivery and payment dates.

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.

2.3 Cash and Cash Equivalents

The Council treats as "cash and cash equivalents" all money held as cash or in bank accounts (whether in surplus or overdrawn), including cash deposited in interest-bearing call accounts, repayable without penalty. Investments made for a period of less than one month are also accounted for in this category, rather than as investments.

2.4 Contingent Assets

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the Council, whose outcome is uncertain when the balance sheet is compiled.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.5 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

2.6 Employee Benefits

<u>Benefits Payable during Employment</u>

Accounting standards require that accruals for expenditure are made for short-term compensated absences, covering entitlement for annual leave, flexi-time and time in lieu. Short-term employee benefits are those due to be settled within 12 months of the year-end. Where considered material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made using an estimated average salary rate. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

<u>Termination Benefits</u>

Termination benefits include lump sum payments to departing employees, enhancements to retirement benefits, and salaries paid to the end of a notice period, when the employee ceases to provide services to the Council. We accrue for such payments at the point when a decision is made to terminate employment, rather than when the benefits fall due for payment.

<u>Post-Employment Benefits</u>

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 2.5%.
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into the following components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past services cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement;
    - 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 (asset) 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 obligation at the beginning of the period to the net 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.
- Re-measurement comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - 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 actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council's Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund Balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and the amounts payable to the fund but unpaid at the year-end.

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.

2.7 Events after the Reporting Period

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

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

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

2.8 Exceptional Items and Prior-Period Adjustments

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

Where the Code specifies a change of accounting policy, it is applied retrospectively to the previous financial year, so that the comparative figures for the opening and closing balance sheets for that year will be changed, along with the other accounting statements and the notes to the accounting statements.

Similar adjustments are made for any changes to accounting policies not directly specified by the Code, and to correct material errors in prior periods.

2.9 Financial Instruments

Financial Assets

The term "financial asset" covers cash and beneficial contractual rights to receive or exchange cash or liabilities.

Loans and Receivables

All of the Council's financial assets come within the category of "loans and receivables". These are financial assets that have fixed or determinable payments. The Council's balance sheet includes three groups of loans and receivables:

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance ("Trade accounts receivable") is included in the balance sheet under "short term debtors".
- Long term debtors represent obligation extending beyond one year.
- Cash held in current or call accounts, together with investments for periods of less than one month, is included in the balance sheet under "cash and cash equivalents".

Trade debtors are regularly assessed for possible non-payment, and an adjustment is made for possible impairment to the gross balance. Trade debtors do not include Council Tax, Business Rates and other debts receivable under statute.

Loans and receivables are initially measured at fair value, and carried at their amortised cost. Annual credits to 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. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan instrument.

Financial Liabilities

The term "financial liability" covers contractual obligations to deliver or exchange financial assets to another entity. The Council's balance sheet includes four groups of financial liabilities:

- Amounts payable to suppliers are included in creditors;
- Short-term creditors, comprising interest accrued at the balance sheet date on long term loans or credit sale agreements, but payable within the next financial year, and any principal repayments on these liabilities payable within the next financial year;
- Long term borrowing from various providers of finance;
- Long term liabilities arising from credit sales agreements.

Short term creditors do not include non-trade creditors, for example, HM Revenue & Customs, Government departments and the East Sussex Pension Scheme.

All of the Council's financial liabilities come under the grouping of "financial liabilities at amortised cost", as they have fixed or determinable payments.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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. For most of the borrowings that the Council has there is a single rate of interest payable throughout the life of the loan, meaning that the effective rate of the interest is the same as the original repayable rate. This means that the amount presented in the Balance Sheet under "long term borrowing" is the outstanding principal repayable. As the accrued interest at the year end is payable within one year of the balance sheet date, it is included under "short term borrowing". Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

2.10 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 either:

a) in the principal market for the asset or liability, or
b) 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 a 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 authority 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.

2.11 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 income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received.

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 or taxation and non-specific grant income on the Comprehensive Income and Expenditure Statement.

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

2.12 Property Plant and Equipment

Property plant and equipment consists of assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale).

Categories

- Council Dwellings – council houses owned by the Council.
- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure – bus shelters and sea defences.
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements, but which are not actively being marketed.
- Assets under construction – capital expenditure on an asset before it is brought into use.

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as 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 all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Council dwellings – current value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historic cost is normally used as a proxy.
- Infrastructure – depreciated at historic cost.
- Community Assets – depreciated at historic cost.

- Surplus assets - fair value, based on the highest and best use from a market participant's perspective.
- Assets under construction – historic cost.

We revalue assets included in the Balance Sheet at current value when there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment

The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

Where there is no balance in the revaluation reserve or insufficient balance the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Account. Where there is a balance of revaluation gains in the revaluation reserve the carrying amount of the asset is written off against that balance (up to the amount of the accumulated gains).

Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the Comprehensive Income and Expenditure Statement is debited or credited with the net loss or gain on disposal. This net sum consists of two elements: the net book value written out of the balance sheet, and the sale proceeds. Although these amounts appear in the Comprehensive Income and Expenditure Statement, neither of them are properly debited or credited to the General Fund or to the Housing Revenue Account. Further adjustments are therefore made through the Movement in Reserves Statement to reverse the effect on the General Fund and the Housing Revenue Account:

- Net book value written out – a transfer to credit the General Fund or the Housing Revenue Account and to debit the Capital Adjustment Account.
- Sale proceeds - a transfer is made to debit the General Fund and credit the Capital Receipts Reserve. A proportion of receipts relating to housing disposals is payable to the Government, and a transfer is made from the Capital Receipts Reserve to the General Fund to allow for this. The remainder of the proceeds remain in the Capital Receipts Reserve, and can only be used to reduce debt or to finance capital expenditure.

Any balance relating to the asset held in the Revaluation Reserve is also transferred to the Capital Adjustment Account.

Disposals for less than £10,000 are treated as revenue income within the Cost of Services in the Comprehensive Income and Expenditure Statement.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. The income from these disposals cannot be used for debt reduction or capital investment until it is actually received.

Depreciation

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

Depreciation is calculated on the following basis:

- Land – not subject to depreciation
- Council dwellings – initially calculated as a straight-line allocation over the life of the property as estimated by the valuer. However until 31 March 2018, if the Major Repairs Allowance (MRA) as calculated by the Housing Self Finance Settlement, is lower, then this is used as a reasonable proxy for depreciation.
- Buildings – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment depreciated over the life of the type of asset, normally between 3 and 25 years.
- Infrastructure –straight-line depreciation over periods of time between 10 and 40 years, as assessed at the time of the capital investment.
- Community assets – not subject to depreciation.
- Surplus assets – not subject to depreciation.
- Assets under construction – not subject to depreciation.

Depreciation on Council Dwellings is a proper charge to the Housing Revenue Account balance, but a corresponding transfer is made from the Capital Adjustment Account to the Major Repairs Reserve to finance capital investment.

Depreciation on other assets is charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but a not a proper charge against the General Fund or to the Housing Revenue Account. A transfer is therefore made from the Capital Adjustment Account to the General Fund or the Housing Revenue Account to reverse the impact.

Where new assets are acquired or brought into use, depreciation is charged from the start of the following year. Depreciation is charged for the full final year when assets are sold.

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Council Dwellings are componentised by reference to the 30 year business plan which identifies the key components to be replaced at regular intervals over the life of the asset, costs of all capital works and their projected timing. The major components are identified and depreciated over their useful economic life and any residual is treated as an extended life asset which is depreciated over 60 years.

2.13 Heritage Assets

The Council maintains an art collection and a local history collection which are held in support of the Council’s objective to increase the knowledge, understanding and appreciation of the arts and the history of the local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, except for the frequency of revaluations. Some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Council's Heritage Assets are accounted for as follows:

Art Collection

The art collection includes paintings and sketches and is reported in the Balance Sheet at insurance value, which was based on the external valuation carried out in 2012/13. The art collection will be revalued every 10 years, with an annual impairment review. The art collection is deemed to have indeterminate life and a high residual value, hence we do not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donations. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information.

Local History Collection

The Local History Museum, which comprises of the Eastbourne Archaeological Collection, The Eastbourne Local History Collection, The Eastbourne Photographic and Postcard Collection and The Eastbourne Local History and Archaeology Library and Research Resource is recognised on the balance sheet at insurance value as cost is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. The collection has been acquired mainly by donation over 100 years ago with some additional items being donated and purchased over the years.

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 2.12. We will occasionally dispose of Heritage Assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 2.12).

2.14 Investment Property

Investment properties are those assets that are held solely to earn rentals or for capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support Council policy objectives fall under the category of property, plant and equipment (see Note 2.12) and not investment property. Investment properties are initially measured at cost and subsequently at fair value being the price that would be received to sell such an asset in orderly transactions 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 re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Cost of Services within the Comprehensive Income and Expenditure Statement 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 the Capital Receipts Reserve.

2.15 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, normally comprising computer software. Internal costs incurred in developing such software are capitalised if they meet criteria to establish that these costs are an essential element of preparing the asset for use.

The initial value of intangible assets is amortised to the Comprehensive Income and Expenditure Statement over the estimated period of their useful life. This is normally taken as a period of 3-10 years, but an annual review is undertaken and the life is amended where necessary. The value of intangible assets is also reviewed on an annual basis, and an additional adjustment is made for impairment where necessary.

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

2.16 Leases

Definition of a Lease

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time. A finance lease is a lease that transfers substantially all of the risk and rewards incidental to ownership to the lessee. Any lease that does not come within this definition of a finance lease is accounted for as an operating lease.

The Council may also enter into an agreement which, while not itself a lease, nevertheless contains a right to use an asset in the same way as a lease. Such agreements are treated as either finance leases or operating leases as set out below.

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, however, the Council operates a de minimis level, so that all leases with a term of less than 10 years, or for assets valued at less than £10,000 are treated within the accounts as an operating lease.

Finance Leases – Council Acting as Lessee

Where the Council uses or occupies an asset held under a finance lease, the asset is recognised as such in the appropriate line in the balance sheet, subject to the de minimis limit noted in 2.12 above. The value recognised is the fair value, or (if lower) the present value of the minimum lease payments. This value is offset on the balance sheet by a creditor or long term liability for the leasing charge.

Lease payments are apportioned between interest payable as the finance charge and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

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 – Council Acting as a Lessee

Lease payments for operating leases are recognised as an expense on a straight-line basis over the lease term, 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.)

Operating leases – Council acting as a lessor

Income from operating leases is recognised on a straight-line basis over the lease term, even if this does not match the pattern of payments. (E.g. if there is a premium paid at the commencement of the lease.)

2.17 Overheads

The costs of overheads and support services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

2.18 Provisions

The Council recognises provisions to represent liabilities of uncertain timings or amounts. Provisions in the balance sheet represent cases where:

- The Council has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

2.19 Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement, but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support capital expenditure.
- Capital Grants and Contributions Unapplied Reserve: similarly the Council receives grants and contributions towards capital expenditure, and, if there are no conditions preventing their use, these are also credited to the Comprehensive Income and Expenditure Statement and immediately transferred into the Capital Grants and Contributions Unapplied Reserve until required to finance capital investment.
- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund or the Housing Revenue Account, and amounts are withdrawn as required to finance such expenditure. There are no restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- Housing Revenue Account: this is required to be maintained separately by legislation, to ensure that the provision of council housing is financed primarily from rental income and not from Council Tax.
- Major Repairs Reserve: this was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance can be used to finance capital investment.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

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

- Collection Fund Adjustment Account: the net amount of the Council's share of Council Tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account, and cannot be used until the following financial year.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.
- Capital Adjustment Account: this receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund.
- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Deferred Capital Receipts Reserve: this holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

2.20 Revenue Expenditure Financed From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets, is charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged, so there is no impact on the level of Council Tax.

2.21 Charges to Revenue for Non-current Assets

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

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

2.22 Value Added Tax

Value Added Tax (VAT) has not been included in the income and expenditure of the accounts unless it is irrecoverable.

2.23 Inventories and Long Term Contracts

Where the value is significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

2.24 Interests in Companies and Other Entities

The Council has a material interest in two companies; Eastbourne Homes Ltd (EHL), and Eastbourne Housing Investment Company Ltd (EHIC). Both companies are wholly owned subsidiaries of the Council and the Council is therefore required to prepare Group Accounts. EHL is limited by guarantee and therefore no value is recognised for the investment in the Council's own single entity accounts.

The Council holds a 70% of the share in Greencoat House Ltd but only 49% of the voting rights and 21% of the non-voting rights. Greencoat House Ltd is an Associate and has been included in the Council's single entity accounts as a Long Term Investment.

The Council also holds an immaterial associate interest in CloudConnX with 48% of voting B Shares. As these are not material they have not been consolidated into the Group Accounts.

3. ACCOUNTING POLICIES ISSUED BUT NOT YET ADOPTED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. None of the Council's subsidiary companies in the Group Accounts has such debt instruments.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

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 judgement made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Greencoat House Ltd has been deemed an associate rather than a subsidiary following an assessment under the determination of control as set out in IFRS 10.
- The Deputy Chief Executive and Financial Services Manager conduct an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities). Contingent liabilities have been estimated based on past experience and legal advice provided.

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 balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £256,000 for every year that useful lives had to be reduced.

Land and buildings are revalued every five years but a revaluation review is carried out annually which provides an indexation to be applied to some assets. Indexation is applied to a class of assets but does not take into account any individual assets and therefore the net book value at year end for some assets may change when a new professional valuation is carried out.

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £18.9m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £3.1m and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £15.6m.

Arrears - At 31 March 2018, the Council had a balance of all debtors for £36,429,000. A review of significant balances suggested that an impairment of doubtful debts of £4,019,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Business Rates - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2018. There is a risk that future appeals will exceed the estimation. A 1% increase in successful appeals would result an increase in the provision required of £127,000.

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

The Council has invested £21m into the purchase of Hampden Retail Park and commercial units at Victoria Mansions. These properties are let on a commercial basis and treated as investment properties providing an income to support the General Fund.

The Devonshire Park redevelopment has continued with spend in 2017-18 of £13.8m.

The Council's revenue accounts include salary costs relating to Lewes District Council (LDC) & Eastbourne Homes Ltd (EHL) which are recharged to them, but are shown in the Comprehensive Income and Expenditure Statement (CIES) gross. Other costs included in the CIES relating to LDC include costs for JTP amounting to £1.8m which have been recharged to LDC.

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7. EXPENDITURE AND FUNDING ANALYSIS

7.a. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 Restated				**2017/18**		
Net Expenditure Chargeable to the General Fund and HRA Balances	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund and HRA Balances**	**Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
5,894	5,689	11,600	Corporate Services	4,923	3,797	8,720
6,191	1,599	7,790	Direct Services	5,857	3,146	9,003
810	382	1,192	Regeneration, Planning Policy and Assets	2,436	675	3,111
3,150	(1,953)	1,197	Tourism and Enterprise	2,859	1,512	4,371
(3,501)	(15,666)	(19,167)	Housing Revenue Account	(2,875)	(6,704)	(9,579)
12,544	**(9,949)**	**2,612**	**COST OF SERVICES**	**13,200**	**2,426**	**15,626**
(13,285)	(5,268)	(18,553)	Other Income and Expenditure	(14,120)	(7,173)	(21,293)
(741)	**(15,217)**	**(15,941)**	**SURPLUS**	**(920)**	**(4,747)**	**(5,667)**
(15,261)			Opening General Fund and HRA Balance at 1 April	**(16,002)**		
(741)			Less Surplus on General Fund and HRA for year	(920)		
(16,002)			**Closing General Fund and HRA Balances at 31 March**	**(16,922)**		

For a split between the balance on the General Fund and HRA see the Movement in Reserves Statement.

7.b Note to the Expenditure and Funding Analysis

2016/17					2017/18			
Adjustments for Capital Purpose	**Net Changes for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**		**Adjustments for Capital Purpose**	**Net Changes for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
£000	£000	£000	£000		£000	£000	£000	£000
2,151	3,555		5,706	Corporate Services	702	3,095		3,797
1,546	53		1,599	Direct Services	2,168	978		3,146
375	7		382	Regeneration, Planning Policy and Assets	283	392		675
(1,977)	24		(1,953)	Tourism and Enterprise	1,125	387		1,512
(15,666)	-		(15,666)	Housing Revenue Account	(6,704)	-		(6,704)
(13,571)	**3,639**	**-**	**(9,932)**	**COST OF SERVICES**	**(2,426)**	**4,852**	**-**	**2,426**
(6,738)	1,163	307	(5,268)	Other Income and Expenditure	(8,859)	1,204	482	(7,173)
(20,309)	**4,802**	**307**	**(15,200)**	**Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit**	**(11,285)**	**6,056**	**482**	**(4,747)**

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
  - **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure –** the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- **Net change for the Pensions Adjustments** – Net change for the removal of pensions contributions and the addition of IAS 19 employee Benefits pension related expenditure and income.
  - **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
  - **For Financing and Investment income and expenditure** – the net interest on defined benefit liability is charged to the CIES.

- **Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.
  - **The charge under Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7.c Expenditure and Income analysed by Nature

The authority's expenditure and income is analysed as follows:

2016/17 £000		2017/18 £000
	Expenditure	
19,850	Employees benefits expenses	17,868
89,981	Other services expenses	86,462
(9,171)	Depreciation, amortisation, impairment losses/(reversals)	3,790
2,435	Interest payments	2,763
215	Precepts and levies	216
924	Payments to the Housing Capital Receipts Pool	281
104,234	**Total expenditure**	**111,380**
	Income	
(33,415)	Fees, charges and other service income	(32,108)
(375)	Interest and investment income	(650)
(20,829)	Income from Council Tax and non-domestic rates	(21,557)
(65,042)	Government Grants and Contributions	(61,313)
(514)	Gain on the disposal of assets	(1,419)
(120,175)	**Total income**	**(117,047)**
(15,941)	Surplus on the Provision of Services	(5,667)

7.d Segmental Income

Fees, Charges and other Service Income received is analysed below:

2016/17		2017/18	
£000		£000	£000
(30)	**Corporate Services**		(34)
	Service Delivery		
(201)	Local Land Charges	(177)	
(490)	Recycling Credits	(500)	
(538)	Car Parks	(517)	
(304)	Development Control	(252)	
(1,790)	Recovery of Housing Benefit Overpayments	(1,246)	
(673)	Summons and Liability Orders	(318)	
(760)	Bed and Breakfast charges	(963)	
(419)	Solarbourne	(464)	
(2,058)	Crematorium and Cemetery fees	(2,027)	
(617)	Other Service Income	(747)	
			(7,211)
(1,494)	**Strategy, Planning and Regeneration**		(2,952)
	Tourism and Enterprise		
(313)	Seafront	(432)	
(391)	Tourism	(406)	
(624)	Events	(662)	
(4,894)	Theatres	(3,160)	
(624)	Sports	(589)	
(1,084)	Catering	(963)	
(207)	Other Service Income	(16)	
			(6,228)
(15,904)	**Housing Revenue Account**		(15,683)
(33,415)	**Total**		**(32,108)**

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8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund £000	HRA Balance £000	Major Repairs Reserve £000	Capital Receipts £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Note 28) £000
2016/17 Transactions:							
ADJUSTMENT TO THE REVENUE RESOURCES							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements							
• Pensions costs (transferred to/from the Pensions Reserve	(4,803)	-	-	-	-	(4,803)	4,803
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	(307)	-	-	-	-	(307)	307
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(3)	-	-	-	-	(3)	3
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):							
- Charges for depreciation and credits for impairment reversals of non-current assets	749	11,656	-	-	-	12,405	(12,405)
- Movements in the fair value of investment properties	216	-	-	-	-	216	(216)
- Amortisation of intangible assets	(679)	-	-	-	-	(679)	679
- Revenue expenditure funded from capital under statute	(2,314)	-	-	-	2,139	(175)	-
- Capital Grants and Contributions Received	6,198	147	-	-	(6,345)	-	-
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(943)	11,803	-	-	(4,206)	6,654	(6,654)
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	233	3,198	-	(3,431)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(924)	-	-	924	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,010	(4,010)	-	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	389	-	-	-	-	389	(389)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	101	249	-	-	-	350	(350)

	General Fund £000	HRA Balance £000	Major Repairs Reserve £000	Capital Receipts £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Note 28) £000
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(801)	(2,115)	-	-	-	(2,916)	2,916
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	(1,002)	5,342	(4,010)	(2,507)	-	(2,177)	2,177
ADJUSTMENTS TO CAPITAL RESOURCES							
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	2,998	-	2,998	(2,998)
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,496	-	-	3,496	(3,496)
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	3,311	3,311	(3,311)
Cash payments in relation to deferred capital receipts	-	-	-	(37)	-	(37)	37
Change in prior years financing	-	-	-	435	(435)	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	3,496	3,396	2,876	9,768	(9,768)
Total Adjustments 2016/17	**(1,945)**	**17,145**	**(514)**	**889**	**(1,330)**	**14,245**	**(14,245)**
2017/18 Transactions:							
ADJUSTMENT TO THE REVENUE RESOURCES							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements							
• Pensions costs (transferred to/from the Pensions Reserve	(6,056)	-	-	-	-	(6,056)	6,056
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	(482)	-	-	-	-	(482)	482
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(4)	-	-	-	-	(4)	4
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):							
- Charges for depreciation and credits for impairment reversals of non-current assets	(2,974)	2,556	-	-	-	(418)	418
- Movements in the fair value of investment properties	(792)	-	-	-	-	(792)	792
- Amortisation of intangible assets	(606)	(26)	-	-	-	(632)	632
- Revenue expenditure funded from capital under statute	(1,007)	(353)	-	-	1,023	(337)	337
- Capital Grants and Contributions Received	8,099	236	-	-	(8,335)	-	-
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(3,822)	2,413	-	-	(7,312)	(8,721)	8,721
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES							

	General Fund £000	**HRA Balance** £000	**Major Repairs Reserve** £000	**Capital Receipts** £000	**Capital Grants & Contributions Unapplied** £000	**Total Usable Reserves** £000	**Unusable Reserves (Note 28)** £000
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	14	4,072	-	(4,086)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(281)	-	-	281	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,174	(4,174)	-	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,279	-	-	-	-	1,279	(1,279)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	86	134	-	-	-	220	(220)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(413)	(2,254)	-	-	-	(2,667)	2,667
Contributions transferred to Revenue	(654)	-	-	-	654	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	31	6,126	(4,174)	(3,805)	654	(1,168)	1,168
ADJUSTMENTS TO CAPITAL RESOURCES							
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	1,432	-	1,432	(1,432)
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,823	-	-	3,823	(3,823)
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	7,504	7,504	(7,504)
Cash payments in relation to deferred capital receipts	-	-	-	(5)	-	(5)	5
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	3,823	1,427	7,504	12,754	(12,754)
Total Adjustments 2017/18	**(3,791)**	**8,539**	**(351)**	**(2,378)**	**846**	**2,865**	**(2,865)**

9. AUDIT FEES

The Council incurred the following fees relating to statutory external audit and inspection, together with other payments to the auditors:

2016/17 £000		2017/18 £000
68	Fees payable with regard to external audit services carried out by the appointed auditor	68
10	Fees payable to the appointed auditor for the certification of grant claims and returns	17
2	Fee payable in respect of other services	-
80		**85**

* In 2016/17 other services relate to the National Fraud Initiative exercise.

10. MEMBERS' ALLOWANCES

Allowances and expenses paid to Eastbourne's 27 Councillors during the year amounted to:

2016/17 £000		2017/18 £000
132	Members' Allowances	136
2	Conference and Travelling Expenses	2
134		**138**

11. OFFICERS' REMUNERATION

Senior Management Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	2017/18	137,645	3,850	22,928	**164,423**
	2016/17	132,978	3,850	25,447	**162,275**
Deputy Chief Executive	2017/18	101,396	-	17,897	**119,293**
	2016/17	98,675	76	19,849	**118,600**
Director of Service Delivery from July 2016 (was Senior Head of Community)	2017/18	95,950	-	16,935	**112,885**
	2016/17	92,075	3,288	18,915	**114,278**
Director of Regeneration and Planning (from October 2016)	2017/18	95,950	-	16,935	**112,885**
	2016/17	47,500	-	9,548	**57,048**
Director of Tourism and Enterprise from July 2016 (was Senior Head of Tourism and Enterprise)	2017/18	87,256	-	15,401	**102,657**
	2016/17	81,086	860	16,298	**98,244**
Assistant Director of Business Transformation from July 2016 until September 2017 (was Senior Head of Projects, Performance and Technology	2017/18	65,875	-	6,685	**72,560**
	2016/17	72,559	860	14,584	**88,003**
Assistant Director of HR and Transformation from October 2017 (was Assistant Director of HR and Organisational Development from July 2016)	2017/18	78,250	-	13,811	**92,061**
	2016/17	70,594	778	14,189	**85,561**
Assistant Director of Corporate Governance from July 2016 (was Senior Head of Corporate Development and Governance)	2017/18	73,423	-	12,959	**86,382**
	2016/17	68,905	2,379	14,155	**85,439**

The Assistant Director of Legal and Democratic Services is also a member of the Corporate Management Team but is not included in the above table as she is an employee of Lewes District Council. The above figures are gross of any recharges to LDC and EHL.

Senior Management costs are apportioned between the two Councils as follows:

	Eastbourne Borough Council	Lewes District Council	Eastbourne Homes Ltd
Chief Executive	50%	50%	
Deputy Chief Executive	40%	40%	20%
Director of Service Delivery	25%	50%	25%
Director of Regeneration and Planning	50%	50%	
Director of Tourism and Enterprise	80%	20%	
Assistant Director of Business Transformation	50%	50%	

The Assistant Director of Human Resources and Transformation is included in the SLA for Human Resources between the Council, Lewes District Council and Eastbourne Homes Ltd.

The Assistant Director of Corporate Governance is not a shared post and is 100% charged to the Council.

Remuneration Bands

The Council's other employees (excluding those in the Corporate Management table above) include employees from Lewes District Council who transferred to Eastbourne Borough Council from February 2017. Other employees who received more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2016/17 Number of Employees	2017/18 Number of Employees
£50,000 - £54,999	7 (1)	15 (4)
£55,000 - £59,999	1	8 (2)
£60,000 - £64,999	1	6 (2)
£65,000 - £69,999	-	1
£70,000 - £74,999	-	2 (2)
£90,000 - £94,999	-	2 (2)
Total	**9 (1)**	**34 (12)**

The figures in brackets relate to the number of employees who left during that year.

The number 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 by cost band		Total cost of exit packages in each band	
							£	£
Exit package cost band (including special payments)	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 -£20,000	8	12	24	45	32	57	235,740	537,410
£20,001 - £40,000	1	2	5	15	6	17	188,002	440,945
£40,001 - £80,000	-	-	3	4	3	4	158,635	212,338
Total cost included in bandings	**9**	**14**	**32**	**64**	**41**	**78**	**582,377**	**1,190,694**

Included in the table above are exit payments made to employees which were either fully or partly recharged to Lewes District Council and Eastbourne Homes Ltd. In 2017/18 Lewes District Council were recharged £583,065 (£108,077 2016/17) for their share of exit packages and Eastbourne Homes Ltd were recharged £47,507.

12. RELATED PARTIES

12.1 Definition

The term "related party" covers relationships between the Council and body or individual where one of the parties has the potential to control or influence the Council or be controlled or influenced by the Council.

12.2 Central Government

Central Government provides much of the Council's funding and determines its statutory framework. Details of transactions with Central Government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 15 (grants and contributions), 24 (debtors) and 25 (creditors).

12.3 East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 29. One Member is on the Pension Fund Investment Panel.

12.4 Eastbourne Homes Limited

The responsibility for the management of Eastbourne's council housing stock was transferred to Eastbourne Homes Ltd, an arm's length management company, on 1 April 2005. Eastbourne Homes Ltd is a company limited by guarantee without a share capital and is wholly owned by Eastbourne Borough Council. Its principal activities are to manage, maintain and improve the Council's housing stock.

The Council pays Eastbourne Homes Ltd a fee in accordance with the management agreement. In 2017/18 this fee was £7.261m, covering supervision and management and repairs. This compares with £7.211m paid in 2016/17. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £1,550,000 (£571,000 at 31 March 2017), while Eastbourne Homes Ltd owed the Council £942,000 (£296,000 at 31 March 2017).

The company's accounts are consolidated into the Group Accounts. Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at 1 Grove Road, Eastbourne, BN21 4TW.

The Deputy Chief Executive for the Council also acts as Director of Corporate Services at Eastbourne Homes Ltd.

12.5 Greencoat House Ltd

The Council is an investor in Greencoat House Ltd, a company limited by shares which is a holding company for Wealden & Eastbourne Lifeline Ltd (WEL, also known as Welbeing). The Council has a minority voting interest following the purchase of 49% of voting shares on 19 December 2013 at par value of £238,000. The Council bought further share during 2017-18 totalling £85,000. The Council also loaned the company £912,000 (at an initial coupon rate of 8% increasing by 0.5% annually until 1 January 18). This loan outstanding as at 31 March 2018 is £1,308,000 which includes capitalised interest of £396,000.

12.6 Eastbourne Leisure Trust

The Eastbourne Leisure Trust was set up to oversee the management and operation of the Sovereign Centre and Motcombe Pool, on which it holds a 15-year lease starting in 2004. The Trust is set up as an Independent Provident Society, without any local authority members. Members of staff at these centres are jointly employed by the Trust and the contractor, Serco. During the year Eastbourne Leisure Trust paid the Council £83,000 (2016/17 £83,000).

12.7 Members and senior officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 10 Eight members are also members of East Sussex County Council. Grants totalling £67,000 (£267,000 in 2016/17) were paid to voluntary organisations in which 7 Members (13 Members in 2016/17) had positions on the governing body.

	2016/17 £000	2017/18 £000
3VA Voluntary Action Eastbourne	31	-
Age Concern Eastbourne	7	5
Citizens Advice Bureau	115	-
Eastbourne & Wealden YMCA	40	-
Eastbourne Old Town Community Association	2	2
Eastbourne Sea Cadets	9	9
Hampden Park Bowling Club	2	2
Hampden Park Community Association	5	5
Langney Community Centre	10	10
Old Town Library	5	12
Salvation Army	30	-
The Trees Community Association	11	22
Total	**267**	**67**

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of Members interests are recorded in the Register of Members' Interests, open to public inspection at the Town Hall during office hours and also on the Council's website http://democracy.eastbourne.gov.uk/mgMemberIndexGroup.aspx?bcr=1&g=EastbourneCllrs&m=EastbourneCllrs

During 2017/18 works and services to the value of £74,000 (£75,000 in 2016/17) were commissioned from Jordan's Productions, a company in which one officer had an interest.

Details of payments to Members and officers are shown in notes 10 and 11.

12.8 CloudConnX

The Council is a minority (48% B class) shareholder in CloudConnX. The shares had only nominal value at the balance sheet date. In addition as at 31 March 2018 the Council has provided a commercial loan of £357,000 (£357,000 in 2016/17). Interest is charged on the loan at 1.5% above base rate for the loan period 2013-18. The Council's Chief Executive has been appointed a Director of the company.

12.9 Eastbourne Housing Investment Company Ltd (EHIC)

EHIC is a wholly owned subsidiary of the Council. EHIC has been set up to acquire, improve and let residential property at market rents. The Council has provided 16 (8 in 2016/17) commercial loans to EHIC totalling £9,522,150 (£8,615,300 in 2016/17) of which £8,299,300 (£5,735,000 in 2016/17) has been drawn down, for the purchase of various properties, at an interest rate of 4.5%. A working capital facility loan of £250,000 (£100,000 in 2016/17) has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2018 £160,000 (£65,000 in 2016/17) of the working capital facility loan had been drawn down. At the end of the year the Council owed EHIC £9,900 (£56,000 in 2016/17), while EHIC owed the Council £6,600 (£71,000 in 2016/17).

12.10 Lewes District Council

The Council is engaging in a Joint Transformation Programme (JTP) with Lewes DC under which staff and services are being integrated. The two Council's share a Corporate Management Team where the respective senior officers fulfil the same roles at both councils. 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 further shared services to follow in 2018/19 as part of the JTP. The Council now employs all of CMT and the majority of Lewes DC staff who were TUP'd to the Council during 2017/18 costs are recharged.

12.11 Aspiration Homes LLP

Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Eastbourne BC and Lewes DC. It was set up during 2016-17 for the purpose of developing housing. The Council has provided one commercial loans to AH totalling £1,700,000 of which £15,961 has been drawn down, for the purchase of property for development, at an interest rate of 4.5%. At the end of the year there were no outstanding debts between the Council and AH.

13. LEASING

Operating leases – Council acting as lessor

The table below analyses future minimum lease income expiring during the periods shown below:

2016/17 Minimum Lease Income		2017/18 Minimum Lease Income
£000		£000
1,308	Within one year	2,471
4,539	Between two and five years	8,371
43,162	Later than five years	42,260
49,009	**Total**	**53,102**

The lease income relates to various land and buildings owned by the Council and leased out on varying terms and conditions. The longest lease expires in 2111. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2017/18 was £3,368,000 (£1,919,000 in 2016/17). The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

14. OBLIGATIONS UNDER LONG TERM LEASES

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 12.6, to Eastbourne Leisure Trust for a period of 15 years from 2004. The Leisure Trust employs SERCO Leisure to manage the centres on a day to day basis. The Council retains the ownership of the centres, and also retains responsibility for their maintenance and improvement. These functions are also contracted to SERCO Leisure under contracts expiring in 2019/20. The Council has entered into three long term credit sale agreements with SERCO to renovate and improve the centres and to purchase items of capital equipment. The table below sets out the movements in the Council's obligations up to the end of 2017/18.

	Agreement 1	Agreement 2	Agreement 3	Total
Starting Date	October 2004	June 2008	June 2009	
Completion Date	May 2019	April 2019	April 2019	
	£000	£000	£000	**£000**
Total credit sales facility	**2,614**	**350**	**250**	**3,214**
Liability outstanding 31 March 2017	**(598)**	**(89)**	**(72)**	**(759)**
Drawn down 2017/18	-	-	-	**-**
Interest charge for 2017/18	(59)	(6)	(4)	**(69)**
Gross repayments for 2017/18	316	47	37	**400**
Liability outstanding 31 March 2018	**(341)**	**(48)**	**(39)**	**(428)**
Remaining facility 31 March 2018	**-**	**-**	**-**	**-**

2016/17 Future Minimum Payments	2016/17 Future Lease Liabilities		2017/18 Future Minimum Payments	2017/18 Future Lease Liabilities
£000	£000		£000	£000
399	(331)	Within one year	399	(370)
1,257	(428)	Between two and five years	60	(58)
1,656	**(759)**	**Total**	**459**	**(428)**

The Council has a long term credit agreement with Sopra Steria, for the implementation of a programme of projects, including the Council's Agile and Future Model projects. The agreement started 1 January 2007 and expires 31 December 2021. Sopra Steria provide services and equipment which is being repaid over 15 years.

Total credit sales facility	**2,651**
Liability outstanding 31 March 2017	**(534)**
Drawn down 2017/18	-
Gross repayments for 2017/18	192
Liability outstanding 31 March 2018	**(342)**
Remaining facility 31 March 2018	**413**

2016/17			2017/18	
Future Minimum Payments	**Future Lease Liability**		**Future Minimum Payments**	**Future Lease Liability**
£000	£000		£000	£000
190	(190)	Within one year	198	(197)
778	(344)	Between two and five years	577	(145)
968	**(534)**	**Total**	**775**	**(342)**

Amounts payable within one year are included in short term creditors and amounts payable in more than one year are included in long term creditors.

15. GRANTS AND CONTRIBUTIONS RECEIVABLE

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement.

	2016/17				2017/18	
Grants	**Contribs.**	**Total**		**Grants**	**Contribs.**	**Total**
£000	£000	£000		£000	£000	£000
			Grants and contributions within Cost of Services			
(48,725)	-	**(48,725)**	DWP Benefits grants	(46,275)	-	**(46,275)**
(1,059)	(4,699)	**(5,758)**	Other grants and contributions	(788)	(2,783)	**(3,571)**
(49,784)	**(4,699)**	**(54,483)**	**Total within Cost of Services**	**(47,063)**	**(2,783)**	**(49,846)**
			Grants and contributions within Taxation and non-specific grant income			
(1,752)	-	**(1,752)**	Revenue Support Grant	(944)	-	**(944)**
(467)	-	**(467)**	Section 31 Grant Small Business Rate Relief	(1,030)	-	**(1,030)**
(1,173)	-	**(1,173)**	New Homes Bonus	(852)	-	**(852)**
(160)	-	**(160)**	Localising C Tax Support Admin Subsidy	(147)	-	**(147)**
(185)	-	**(185)**	Coastal Communities	-	-	**-**
(366)	-	**(366)**	Housing Community Fund	-	-	**-**
(4,323)	(2,022)	**(6,345)**	Grants and contributions towards capital expenditure	(1,860)	(6,475)	**(8,335)**
(111)	-	**(111)**	Other	(159)	-	**(159)**
(8,537)	**(2,022)**	**(10,559)**	**Total within Taxation and non-specific grant income**	**(4,992)**	**(6,475)**	**(11,467)**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if not spent. The balances at year end were £13,000 (£116,000 in 2016/17).

16. TRANSFER TO/ FROM EARMARKED RESERVES

Transfers from and (to) the General Fund and HRA to earmarked reserves are as follows:

Reserve	Bal 1 April 16	Movement 2016/17	Bal 31 March 17	Movement 2017/18	Bal 31 March 18
	£000	£000	£000	£000	£000
General Fund:					
General Earmarked Reserve	(413)	(42)	(455)	(17)	(472)
Strategic Change Reserve	(356)	349	(7)	-	(7)
Capital Programme	(2,137)	(436)	(2,573)	1,267	(1,306)
Revenue Grants Reserve	(1,109)	(310)	(1,419)	(80)	(1,499)
Regeneration Reserve	(1,053)	511	(542)	10	(532)
Devonshire Park Review Reserve	(1,000)	40	(960)	(528)	(1,488)
SHEP GF Properties Major Works Reserve	-	-	-	(1)	(1)
	(6,068)	**112**	**(5,956)**	**651**	**(5,305)**
HRA					
HRA Leaseholders Major Works Reserve	(476)	(14)	(490)	(20)	(510)
Riverbourne House Leaseholders Reserve	(4)	(9)	(13)	10	(3)
Housing Regeneration and Investment	(1,752)	(765)	(2,517)	(366)	(2,883)
	(2,232)	**(788)**	**(3,020)**	**(376)**	**(3,396)**
Total Earmarked Reserves	**(8,300)**	**(676)**	**(8,976)**	**275**	**(8,701)**

The purpose of the reserves is set out below:

General Reserve: this reserve is used where the Council carries forward under spent departmental budgets to the new financial year. This reserve will be reviewed and distributed between General Fund and Strategic Change Fund as appropriate, as part of the budget setting process.

Strategic Change: this reserve was set up to finance one off investments that are required for development or the release of ongoing efficiencies.

Capital Programme: this reserve is intended to be used for financing of one-off capital schemes.

Revenue Grants: this reserve is used to enable grants received in one financial year to be carried forward and used to finance revenue spending in future years.

Regeneration: this reserve was set up to support initiatives for growth.

Devonshire Park Review Reserve: this reserve has been set up to cover any revenue short falls for venues and services affected by the Devonshire Park Redevelopment Project.

SHEP GF Properties Major Works Reserve: this reserve was set up to create a Major Works Fund for Investment properties 51-53 Seaside.

HRA Leaseholders Major Works and Riverbourne House leaseholders: these reserves are for future maintenance.

Housing Regeneration and Investment Reserve: this reserve has been set up to receive any surpluses achieved over those required for the sustainability of the HRA Business Plan to be used for future investment in strategic housing related outcomes.

17. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The Capital Financing Requirement represents the Council's net need to borrow to finance its capital investment, made up of all funding of capital from loans in previous years, less amounts set aside each year for the redemption of debt.

2016/17			2017/18	
£000	£000		£000	£000
	75,088	**Opening Capital Financing Requirement**		**88,878**
		Capital Investment:		
4,185		Council dwellings	3,952	
1,138		Other land and buildings	1,855	
169		Vehicles plant furniture and equipment	825	
619		Infrastructure	315	
817		Community assets	111	
8,656		Assets under construction	17,653	
15,584		Total Property plant and equipment	24,711	
3,274		Investment property	19,058	
1,062		Intangible assets	1,149	
2,314		Revenue expenditure financed from capital under statute (REFFCUS)	1,224	
4,240		Loans and Advances	2,676	
-		Investment in shares and loans to Welbeing	85	
26,474		**Total capital investment**	**48,903**	
		Sources of finance:		
(2,998)		Capital receipts	(1,432)	
(766)		Grants and contributions towards REFFCUS	(887)	
(4,685)		Other grants and contributions	(7,504)	
		Sums set aside from Revenue:		
(3,496)		Major repairs reserve	(3,823)	
(389)		Revenue provision for repayment of debt	(1,279)	
(350)		Revenue Contribution to capital	(220)	
(12,684)		**Capital financing**	**(15,145)**	
	88,878	**Closing Capital Financing Requirement**		**122,636**
		Explanation of movements in year		
	13,790	Increase in underlying need to borrowing (unsupported by government financial assistance)		33,758
	13,790	**Increase in Capital Financing Requirement**		**33,758**

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown below:

31 March 2017		31 March 2018
£000		£000
179,026	Council Dwellings	194,414
89,679	Other Land and Buildings	94,765
6,612	Vehicles Plant Furniture and Equipment	6,717
17,619	Infrastructure	16,782
3,457	Community Assets	3,568
11,945	Assets Under Construction	24,364
118	Surplus Assets for Disposal	124
308,456	Total Property plant and equipment	340,734
15,034	Heritage Assets	15,034
5,627	Investment Property	23,893
4,478	Intangible Assets	4,995
378	Assets Held For Sale	-
238	Long Term Investments	323
10,318	Loans and Advances to Third Parties	12,994
(49,721)	Revaluation Reserve	(50,839)
(205,930)	Capital Adjustment Account	(224,498)
88,878	**Capital Financing Requirement**	**122,636**

18. PROPERTY PLANT AND EQUIPMENT

18.1 Movements in 2017/18

The table below shows the movements in the various categories for the year:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation at 1 April 2017	187,155	91,386	10,653	33,819	4,020	11,945	118	**339,096**
Additions	3,952	1,855	825	315	111	17,653	-	**24,711**
Revaluation increases recognised in the Revaluation Reserve	-	1,755	-	-	-	-	3	**1,758**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	6,730	344	-	-	-	-	3	**7,077**
De-recognition - Disposals	(1,917)	(103)	(1,619)	(314)	-	-	-	**(3,953)**
Assets reclassified	2,524	2,710	-	-	-	(5,234)	-	**-**
At 31 March 2018	**198,444**	**97,947**	**9,859**	**33,820**	**4,131**	**24,364**	**124**	**368,689**
Accumulated Depreciation and Impairment								
At 1 April 2017	(3,944)	(1,707)	(4,041)	(16,200)	(563)	-	-	**(26,455)**
Depreciation Charge	(4,158)	(2,622)	(720)	(838)	-	-	-	**(8,338)**
Depreciation written out to the Revaluation Reserve	-	842	-	-	-	-	-	**842**
De-recognition - disposal	41	5	1,619	-	-	-	-	**1,665**
At 31 March 2018	**(8,061)**	**(3,482)**	**(3,142)**	**(17,038)**	**(563)**	**-**	**-**	**(32,286)**
Net Book Value								
At 31 March 2018	190,383	94,465	6,717	16,782	3,568	24,364	124	**336,403**
At 31 March 2017	183,211	89,679	6,612	17,619	3,457	11,945	118	**312,641**

Movements in 2016/17:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	**£000**
Cost or Valuation at 1 April 2016	185,292	70,074	10,576	33,819	3,167	3,258	118	**306,304**
Additions	4,185	1,138	169	619	817	8,656	-	**15,584**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(15,224)	16,136	-	-	-	-	-	**912**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	15,666	4,032	-	-	-	-	-	**19,698**
De-recognition - Disposals	(2,168)	(200)	(60)	(619)	-	23	-	**(3,024)**
Assets Reclassified (to)/from Held for Sale	(378)	-	-	-	-	-	-	**(378)**
Assets reclassified	(218)	206	(32)	-	36	8	-	**-**
Balance at 31 March 2017	**187,155**	**91,386**	**10,653**	**33,819**	**4,020**	**11,945**	**118**	**339,096**
Accumulated Depreciation and Impairment								
At 1 April 2016	(15,727)	(6,319)	(3,349)	(15,362)	(563)	-	-	**(41,320)**
Depreciation Charge	(3,989)	(2,476)	(752)	(838)	-	-	-	**(8,055)**
Depreciation written out to the Revaluation Reserve	(5)	767	-	-	-	-	-	**762**
Impairment losses/(reversals) recognised in the Revaluation Reserve	15,724	6,314	-	-	-	-	-	**22,038**
De-recognition - disposal	53	7	60	-	-	-	-	**120**
At 31 March 2017	**(3,944)**	**(1,707)**	**(4,041)**	**(16,200)**	**(563)**	**-**	**-**	**(26,455)**
Net Book Value								
At 31 March 2017	183,211	89,679	6,612	17,619	3,457	11,945	118	**312,641**
At 31 March 2016	169,565	63,755	7,227	18,457	2,604	3,258	118	**264,984**

18.2 Valuation of Property

Three of the categories shown in the tables above (council dwellings, other land and buildings and surplus properties) are subject to periodic revaluation: all such assets are revalued at 5-year intervals. These were last valued as at 1 April 2016 by the Wilkes, Head & Eve. The next full revaluation, for all three categories of assets, is due to be carried out as at 1 April 2021.

An annual desk top revaluation review is carried out for all property to identify any material changes in value. As at 31 March 2018 the valuers advised an increase of 3.8% for council dwellings during 2017/18, excluding any consideration of capital expenditure. This has resulted in an upward revaluation of £6.7 million. The valuers also advised an increase of 4% for Other Land & Buildings valued at Depreciated Replacement Cost, which has resulted in an upward valuation of £1.8m.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra structure	Commun.	Assets Under Construction	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	**£000**
Carried at Historical Cost	10,590	4,683	6,717	16,782	3,568	24,364	-	66,704
Values at current value as at:								-
31 March 2016	-	13,623	-	-	-	-	-	13,623
31 March 2017	179,793	-	-	-	-	-	-	179,793
31 March 2018	-	76,159	-	-	-	-	124	76,283
Net Book Value	**190,383**	**94,465**	**6,717**	**16,782**	**3,568**	**24,364**	**124**	**336,403**

18.3 Depreciation

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

Council dwellings – 60 years
Other land and buildings – 15 – 60 years
Vehicles Plant and Equipment – 3 – 25 years
Infrastructure – 10 – 40 years.

18.4 Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £37,815,000 as detailed in the table below. Similar commitments at 31 March 2017 were £13,969,000.

	2018/19	**2019/20**	**2020/21**	**Total**
	£000	£000	£000	£000
Loan to Subsidiary Company	2,997	-	-	**2,997**
JTP / IT	1,497	-	-	**1,497**
Devonshire Park Project	28,595	2,785	299	**31,679**
Improvement of Council Dwellings	778	-	-	**778**
New Build & Asset Improvements	864	-	-	**864**
	34,731	**2,785**	**299**	**37,815**

Approximately £803,000 of the cost of JTP/IT will be recharged to Lewes DC.

19. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

	Historical Collection	Art Collection	Other	Buildings	Total
Cost or Valuation	£000	£000	£000	£000	**£000**
Balance at 1 April 2017	345	11,906	162	2,621	**15,034**
Balance at 31 March 2018	**345**	**11,906**	**162**	**2,621**	**15,034**

The equivalent figures for 2016/17 are shown below:

	Historical Collection	Art Collection	Other	Buildings	Total
Cost or Valuation	£000	£000	£000	£000	**£000**
Balance at 1 April 2016	345	11,906	162	701	**13,114**
Revaluations	-	-	-	1,920	**1,920**
Balance at 31 March 2017	**345**	**11,906**	**162**	**2,621**	**15,034**

The Art Collection was valued by professional external valuers in 2012/13. The Collection will be valued every 10 years and an annual review is carried out to ensure the value is not materially mis-stated. Heritage buildings were valued as at 1 April 2016 by an external professional valuer and will be revalued every 5 years. The historical collection has been valued with reference to the insurance value.

Acquisitions Policy

Towner, Eastbourne's contemporary art museum and centre for the visual arts in the South East, will continue to acquire objects in the following categories:

- Fine Art: paintings, watercolours, drawings, mixed media, photographs, prints and sculpture representative of the main developments in 19th and 20th century British art.
- Victorian Art: to complement the Towner Bequest.
- Works by important 20th century British artists, to enhance the exiting collection.
- Works and material by and relating to Eric Ravilious (1903-42).
- Works by South East regional artists.
- Topographical pictures relating to East Sussex and the Eastbourne area.
- European Art: to complement the existing collections, for example the Irene Law Bequest of 17th and 18th century Dutch and Flemish paintings and 18th century British art, The Lucy Carrington Wertheim Bequest of 20th century European paintings.
- Contemporary art by British and International artists complementing the existing collections.

Towner recognises its responsibility, in acquiring material, to ensure adequate conservation, documentation and proper use of such material and takes into account limitations on collecting imposed by such factors as inadequate staffing, storage and conservation resources. Acquisitions outside the current stated policy will only be made in very exceptional circumstances, and then only after proper consideration by the governing body of the museum itself, having regard to the interests of other museums.

Disposals Policy

The Council accepts the principle that there is a strong presumption against the disposal of any items in the Towner's collections. In those cases where Towner is free to dispose of an item it is agreed that any decision to sell or dispose of material from the collections should be taken only after due consideration. Once a decision to dispose of an item has been taken, priority will be given to retaining the item within the public domain and with this in view it will be offered first, by exchange, gift or sale to Registered museums before disposal to other interested individuals or organisations is considered.

Further information is available in Eastbourne Local History Museum and Towner's Acquisitions and Disposals Policy available from Towner.

HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

	2013/14 £000	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**
Cost of Acquisition of Heritage Assets					
Art Collection	29	-	-	-	-
Total Cost of Purchases	**29**	**-**	**-**	**-**	**-**
Value of Heritage Assets Acquired by Donation					
Art Collection	16	-	-	-	-
Total Donations	**16**	**-**	**-**	**-**	**-**

There were no disposals or impairments during the past 5 years.

20. INVESTMENT PROPERTIES

In 2017/18 the Council received £1,873,000 as rental income from investment properties, compared to £531,000 received in 2016/17. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The table below shows movements in the fair value for Investment Properties.

2016/17		**2017/18**
£000		£000
2,148	Balance at 1 April	5,627
3,049	Additions	19,067
(11)	Disposals / De-recognition	-
225	Expenditure on existing properties	(9)
216	Net gains/losses from fair value adjustments	(792)
5,627	**Balance at 31 March**	**23,893**

Fair Value Hierarchy
All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 2.10 Accounting Policy for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property
The current value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

Highest and Best Use
In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties
The Council's investment property has been valued as at 31 March 2018 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

21. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets also cover the initial purchased licences on implementation.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range between three and ten years.

The annual movements in the balance sheet figures for intangible assets are shown below:

2016/17 Net Total £000		2017/18 Gross £000	2017/18 Amortised £000	2017/18 Net Total £000
4,096	Balance 1 April	7,264	(2,786)	**4,478**
	Written down to services:			
(677)	Corporate Services	-	(604)	**(604)**
(3)	Direct Services	-	(3)	**(2)**
-	Housing Revenue Account	-	(26)	**(26)**
(680)		-	(633)	**(632)**
1,062	Added during year	1,149	-	**1,149**
382	Net transactions during the year	1,149	(633)	**517**
4,478	**Balance at 31 March**	**8,413**	**(3,419)**	**4,995**

22. FINANCIAL INSTRUMENTS

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

	Long-term 31 March 2017 £000	Long-term 31 March 2018 £000	Current 31 March 2017 £000	Current 31 March 2018 £000
Investments				
Cash in bank call accounts	-	-	1,857	3,609
Debtors				
Loans and receivables	10,839	13,668	4,983	7,380
Total Financial Assets	**10,839**	**13,668**	**6,840**	**10,989**
Borrowings				
Financial liabilities at amortised cost	(55,050)	(82,050)	(6,307)	(23,374)
Creditors				
Financial liabilities at amortised cost	(772)	(204)	(5,575)	(9,762)
Total Financial Liabilities	**(55,822)**	**(82,254)**	**(11,882)**	**(33,136)**

22.2 Income, expense, gains and losses

The table below sets out the interest and investment receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement.

2016/17 £000		2017/18 £000
(374)	Interest on financial assets: loans and receivables	(583)
(1)	Other interest	(67)
(375)	**Total Interest Receivable**	**(650)**
2,416	Interest on financial liabilities measured at amortised cost	2,739
19	Other interest payable	25
2,435	**Total Interest Payable**	**2,764**

22.3 Fair Value of financial assets and liabilities that are not measured at fair value for which fair value disclosures are required:

	Book Value	Quoted prices in active markets for identical assets (Level1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000	£000
Cash in bank call accounts	3,609	-	-	3,609	3,609
Trade accounts receivable	7,380	-	-	7,380	7,380
Long Term Debtors	13,668	-	-	13,668	13,668
Total Financial Assets	**24,657**	**-**	**-**	**24,657**	**24,657**
Public Works Loan Board	(67,550)	-	(99,059)	-	(99,059)
Loan Stock	(7,500)	-	(9,033)	-	(9,033)
Market Debt	(7,000)	-	(7,065)	-	(7,065)
Long Term Borrowing	**(82,050)**	**-**	**(115,157)**	**-**	**(115,157)**
Credit Sales Agreement	(58)	-	(264)	-	(264)
Other Long Term Creditors	(145)	-	-	(145)	(145)
Long Term Creditors	**(203)**	**-**	**(264)**	**(145)**	**(409)**
Market Debt	(23,000)	-	(23,075)	-	(23,075)
Add accrued interest	(359)	(359)	-	-	(359)
Mayor's Poor Fund	(15)	(15)	-	-	(15)
Short Term Borrowing	**(23,374)**	**(374)**	**(23,075)**	**-**	**(23,449)**
Credit sales agreement	(370)	-	(370)	-	(370)
Other Trade Creditors	(9,392)	-	-	(9,392)	(9,392)
Short Term Creditors	**(9,762)**	**-**	**(370)**	**(9,392)**	**(9,762)**
Total Financial Liabilities	**(115,389)**	**(374)**	**(138,866)**	**(9,537)**	**(148,777)**

The comparative figures for 31 March 2017 are in the table below.

	Book Value	Quoted prices in active markets for identical assets (Level1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000	£000
Cash in bank call accounts	1,857	1,857	-	-	1,857
Trade accounts receivable	4,983	-	-	4,983	4,983
Long Term Debtors	10,839	-	-	10,839	10,839
Total Financial Assets	**17,679**	**1,857**	**-**	**15,822**	**17,679**
Public Works Loan Board	(43,550)	-	(67,179)	-	(67,179)
Loan Stock	(7,500)	-	(9,554)	-	(9,554)
Market Debt	(4,000)	-	(4,137)	-	(4,137)
Long Term Borrowing	**(55,050)**	**-**	**(80,870)**	**-**	**(80,870)**
Credit Sales Agreement	(428)	-	(643)	-	(643)
Other Long Term Creditors	(344)	-	-	(344)	(344)
Long Term Creditors	**(772)**	**-**	**(643)**	**(344)**	**(987)**
Public Works Loan Board	(3,000)	-	(3,025)	-	(3,025)

Market Debt	(7,000)	-	(7,002)	-	(7,002)
Add accrued interest	(295)	(295)	-	-	(295)
Mayor's Poor Fund	(15)	(15)	-	-	(15)
Short Term Borrowing	**(10,310)**	**(310)**	**(10,027)**	**-**	**(10,337)**
Credit sales agreement	(330)	-	(330)	-	(330)
Other Trade Creditors	(5,245)	-	-	(5,245)	(5,245)
Short Term Creditors	**(5,575)**	**-**	**(330)**	**(5,245)**	**(5,575)**
Total Financial Liabilities	**(71,707)**	**(310)**	**(91,870)**	**(5,589)**	**(97,769)**

Long Term Debtors include a debt of £1,308,000 for Greencoat House which was repaid in 2018-19.

The fair value of Public Works Loan Board (PWLB) is higher than the book value because it is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to the PWLB above current market rates. The outstanding loans were taken at various dates between April 1995 and March 2018 at varying fixed interest rates between 1.92% and 8.875% (average rate 3.08%) for various terms. At the time some of the loans were arranged, interest rates were much higher and these loans were taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference of £31,509,000 between the book value and market value for PWLB.

The fair value of loan stock is higher than the book value because it is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to the lender above current market rates. The loan was originally arranged in 1995 at a fixed interest rate of 8.75% for 25 years. At the time the loan was arranged interest rates were much higher and this loan was taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference £1,533,000 between the book value and market value for loan stock.

The credit sales agreement relates to obligations under a long term leisure contract; see Note 14 for further details. There is a difference of £206,000 between the book value of the debt and the fair value. The book value represents the value of cash transactions only between the Council and SERCO which equate to an interest rate of 11%, but this does not reflect any added value received from SERCO within the contract as a whole, such as procurement and management of the capital projects including business continuity.

22.4 Valuation techniques applied to obtain fair value

All financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2 Inputs), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For financial assets, trade accounts receivable and long term debtors are reviewed to estimate the value at Level 3 based on past experience of bad debts. Cash in call accounts is held at book value.

The fair values valuations have been provided by the Council’s Treasury Management advisors, Capita. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, Capita has used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date.

The rates quoted in this valuation were obtained by Capita from the market on 31 March, using bid prices where applicable.

23. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria provided by the Council's Treasury Management advisors (Capita) creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. The Annual Investment Strategy also imposes a maximum sum of £5 million to be invested with any financial institution located within each category.

A copy of the Annual Investment Strategy is available on the Eastbourne Borough Council website.

The Council has invested funds in Greencoat House Ltd (£1,308,000), CloudConnX (£357,000) and Sea Change Sussex (£2,447,000) totalling £4,112,000. The risk of these companies failing to meet their commitments is minimised by maintaining representation on the board of Welbeing and CloudConnX. The loan to CloudConnX is supported by a fixed and floating charge over the assets. The loan to Sea Change Sussex loan is fully secured by a charge over land.

The Council has provided various commercial loans to Eastbourne Housing Investment Company Ltd (EHIC) a wholly owned subsidiary of the Council, totalling £9,772,150:

- £9,522,150 of which £8,299,300 has been drawn down, for the purchase and refurbishment of properties, at an interest rate of 4.5%. The loan is secured by a first charge on the properties purchased;
- £250,000 working capital facility, unsecured at an interest rate of 2% above Base Rate, of which £160,000 was drawn down as at 31 March 2018.

The Council deposited £1,000,000 in an interest bearing deposit account with Lloyds Bank in 2013-14 to support the Local Authority Mortgage Scheme. There is small risk that participating borrowers default on their mortgages. The risk to the Council is minimised as all borrowers must meet the Bank's strict lending criteria. As at 31 March 2018 nine loans had been completed; the indemnity limit for the Council was £165,000.

The following analysis summaries the Council's potential maximum exposure to risk on other financial assets:

	Amount as at 31 March 2018	Historic experience of default	Estimated maximum exposure to default at 31 March 2018	Estimated maximum exposure to default 31 March 2017
	£000		£000	£000
	A	B	(AxB)	
Customers	7,977	1%	80	55

The council does not generally allow credit for customers, such that the balance of debts past due but not impaired can be analysed by date as follows:

Aged debt analysis	**31 March 2017**	**31 March 2018**
	£000	£000
Less than three months	4,609	6,641
Three to four months	45	129
Four months to one year	340	419
More than one year	485	788
Total	**5,479**	**7,977**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods, shown in the table below, together with the maturity analysis of financial liabilities.

Banding	**31 March 2017**		**31 March 2018**		**Limits in each banding**
	£000	**%**	**£000**	**%**	
Less than one year	10,520	16%	23,567	22%	25%
Between one and two years	4,618	7%	5,204	5%	50%
Between two and five years	9,176	14%	14,021	13%	75%
Five to ten years	4,141	6%	1,521	1%	100%
More than ten years	37,888	57%	61,508	58%	100%
Total	**66,343**	**100%**	**105,821**	**100%**	

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to 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 variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement 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 on fixed rate borrowings 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 Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	236
Increase in interest receivable on variable rate investments	(47)
Impact on Surplus or Deficit on the Provision of Services	**189**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(22,111)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £323,000 (£238,000 in 2016/17) in Greencoat House Ltd (Welbeing). The Council is consequently exposed to losses arising from movements in the prices of the shares. As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

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

24. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2017 £000		31 March 2018 £000
1,243	Central government	5,397
3,421	Other local authorities	4,783
3	NHS	4
1,662	Public corporations and trading funds	2,542
5,186	Other entities and individuals	6,016
11,515	**Total**	**18,742**

Public corporations and trading funds includes all commercial trading organisations in both the public and private sectors.

Long-term debtors outstanding as at 31 March are:

31 March 2017 £000		31 March 2018 £000
10,726	Public corporations and trading funds	13,588
113	Other entities and individuals	80
10,839	**Total**	**13,668**

Under long term debtors for public corporations and other trading organisation the Council has investment of:

- £357,000 (2016/17 £357,000) in a company that will be providing telecommunication services primarily to the business sector in the locality. The Council currently has a charge over the assets of the company.
- £1,000,000 interest bearing deposit made to Lloyds Bank in 2013/14 to support the Local Authority Mortgage Scheme (LAMS). This scheme allows first time buyers who meet Lloyds

Bank's strict lending criteria but do not have a large deposit, to borrow funds. In the event of a default by a borrower in the first 5 years, the Council may be charged for losses to the Bank. The Council does not anticipate any defaults but interest on the Council's deposit will be used in the event of a claim.

- £850,000 loan funding in 2014/15 provided in partnership with East Sussex County Council to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the purchase of a site at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added this loan bringing the total outstanding to £933,017.

- £1,400,000 loan funding in 2015/16 to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the development of the Innovation Mall (Pacific House) at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added bringing the total outstanding to £1,514,436.

- £9,772,150 loan facility was agreed with Eastbourne Housing Investment Company, a wholly owned subsidiary of the council for the purchase and redevelopment of various properties. As at 31 March 2018 a sum of £8,459,300 was drawn down. These loans are due for repayment on a variety of dates, the last due date being in 2058.

- £1,700,000 loan facility was agreed with Aspiration Hoes LLP, a wholly owned subsidiary of Eastbourne Borough Council and Lewes District Council for the purchase and redevelopment of various properties. As at 31 March 2018 a sum of £15,961 was drawn down. This loans is due for repayment in 2058.

- £912,000 loan to Greencoat Ltd a holding company for Wealden & Eastbourne Lifeline Ltd (WEL also known as Welbeing). As at 31 March 2018 the loan outstanding is £1,308,072 which includes capitalised interest of £396,000.

25. CREDITORS

Short term creditors between different groupings of creditor as at 31 March are:

31 March 2017 £000		**31 March 2018** £000
(808)	Central government	(659)
(1,106)	Other local authorities	(819)
(4,949)	Public Corporations and other trading organisations	(6,004)
(2,715)	All other bodies	(3,388)
(9,578)	**Total**	**(10,870)**

Public corporations and trading organisations includes all commercial trading organisations in both the public and private sectors

Long term creditors between different groupings of creditor as at 31 March are:

31 March 2017 £000		**31 March 2018** £000
(772)	Public Corporations and other trading organisations	(204)
(772)	**Total**	**(204)**

Long Term Creditors in the balance sheet represent obligations extending beyond one year including:

- Three agreements between the Council and SERCO to renovate and improve two leisure centres (the Sovereign Centre and Motcombe Pool) and to purchase items of capital equipment. These two centres are leased to Eastbourne Leisure Trust (see Note 14), who employ SERCO to run the centres, while the Council, which retains the responsibility to maintain and improve the centres, employs SERCO to carry out these functions on its behalf.

- An agreement between the Council and Steria to provide IT services and purchase items of capital equipment.

26. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2018 are:

	Balance 1 April 17	Additions	Amounts used	Balance 31 March 18
	£000	£000	£000	£000
Business Rate Appeals	(562)	(1,049)	1,122	(489)
Total	**(562)**	**(1,049)**	**1,122**	**(489)**

Business Rates Appeals is to provide for the settlement of rateable value appeals made to the valuation office.

27. USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.19, and the annual movements for usable reserves are shown in the Movement in Reserves Statement. Details of Earmarked Reserves are shown at note 16.

28. UNUSABLE RESERVES

The table below sets out details of the movements and balances on individual unusable reserves: the "Total" figures are those included in the "Unusable Reserves" column of the Movement in Reserves Statement.

31 March 2017		31 March 2018
£000		£000
7	Deferred Capital Receipts Reserve	2
(761)	Collection Fund Adjustment Account	(1,244)
49,721	Revaluation Reserve	50,620
210,115	Capital Adjustment Account	220,386
(43,372)	Pension Reserve	(45,560)
(46)	Accumulated Absence Account	(50)
215,664	**Total Unusable reserves**	**224,154**

Deferred Capital Receipts Reserve

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

2016/17		2017/18
£000		£000
44	**Balance at 1 April**	**7**
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(37)	Transfer to the Capital Receipts Reserve upon receipt of cash	(5)
7	**Balance at 31 March**	**2**

Collection Fund Adjustment Account

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

2016/17		2017/18
£000		£000
(454)	**Balance at 1 April**	**(761)**
(307)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(483)
(761)	**Balance at 31 March**	**(1,244)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage 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.

2016/17		2017/18	
£000		£000	£000
26,196	**Balance at 1 April**		**49,721**
24,869	Upward revaluation of assets	1,758	
24,869	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**1,758**
(762)	Difference between fair value depreciation and historical cost depreciation	(842)	
(582)	Accumulated gains on assets sold or scrapped	(17)	
(1,344)	Amount written off to the Capital Adjustment Account		**(859)**
49,721	**Balance at 31 March**		**50,620**

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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement 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 enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

2016/17		2017/18	
£000		£000	£000
189,376	**Balance at 1 April**		**210,115**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
12,405	Charges for depreciation and impairment of non current assets	(418)	
(679)	Amortisation of intangible assets	(632)	
(2,139)	Revenue expenditure funded from capital under statute	(1,240)	
(2,916)	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	(2,650)	
6,671			**(4,940)**
1,344	Adjusting amounts written out of the Revaluation Reserve		842
8,015	**Net written out amount of the cost of non-current assets consumed in the year**		**(4,098)**
	Capital financing applied in the year:		
2,998	Use of the Capital Receipts Reserve to finance new capital expenditure	1,432	
3,496	Use of the Major Repairs Reserve to finance new capital expenditure	3,823	
4,253	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	903	
1,022	Application of grants to capital financing from the Capital Grants Unapplied Account	7,504	
389	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,279	
350	Capital expenditure charged against the General Fund and HRA balances	220	
12,508			**15,161**
216	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(792)
210,115	**Balance at 31 March**		**220,386**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17		2017/18
£000		£000
(33,667)	**Balance at 1 April**	**(43,372)**
(4,902)	Re-measurement of the net defined benefit liability/(asset)	3,746
(3,686)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(9,855)
(1,117)	Employer's pensions contributions and direct payments to pensioners payable in the year	3,921
(43,372)	**Balance at 31 March**	**(45,560)**

Accumulated Absences Account

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

2016/17		2017/18
£000		£000
(44)	**Balance at 1 April**	**(46)**
44	Settlement or cancellation of accrual made at the end of the preceding year	46
(46)	Amounts accrued at the end of the current year	(50)
(46)	**Balance at 31 March**	**(50)**

29. POST EMPLOYMENT BENEFITS

29.1 Participation in defined benefit pension plan

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The Council also has liabilities for discretionary payments for added years, etc. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

The East Sussex Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of East Sussex County Council. Policy is determined in accordance with the Pensions Funds Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note 2.6.

29.2 Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council Tax is based on the contributions payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2016/17		2017/18
£000		£000
	Service Cost comprising:	
2,512	Current Service Costs	6,939
14	Past Service Costs	580
	Financing & Investment Income & Expenditure	
1,160	Net Interest Expense	1,150
3,686	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**8,669**
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(17,761)	Return on Plan Assets (excluding the amount included in the net interest expense)	129
(2,332)	Actuarial Gains arising on changes in demographic assumptions	-
27,858	Actuarial (Gains) and losses arising on changes in financial assumptions	(3,728)
(2,863)	Other	(269)
4,902	**Other Comprehensive Income & Expenditure**	**(3,868)**
8,588	**Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement**	**4,801**
	Movement in Reserves Statement	
3,686	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	8,669
1,117	Actual amount (charged)/ credited to the General Fund Balance for pensions in the year	(2,613)
4,803	**Net adjustment in Movement in Reserves Statement**	**6,056**

29.3 Pensions Assets and Liabilities recognised in the balance Sheet

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

31 March 2017		31 March 2018
£000		£000
142,465	Fair value of employer assets	153,411
(180,554)	Present value of funded liabilities	(194,186)
(5,283)	Present value of unfunded liabilities	(4,785)
(43,372)	**Net liability arising from defined benefit obligation**	**(45,560)**

29.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

2016/17		2017/18
£000		£000
94,728	Opening fair value of assets	142,465
3,343	Interest income	3,681
	Re-measurement gain/(loss):	
17,761	The return on plan assets, excluding the amount included in the net interest expense	(129)
2,387	Contributions from employer - Funded	3,579
351	Contributions from employer - Unfunded	342
669	Contributions from employees into the scheme	1,146
(4,591)	Benefits paid - Funded	(4,587)
(351)	Benefits paid - Unfunded	(342)
28,168	Effect of business combinations and disposals	7,256
142,465	**Closing fair value of scheme assets**	**153,411**

29.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2016/17		2017/18
£000		£000
(128,395)	Opening balance at 1 April	(185,837)
(2,512)	Current service costs	(6,939)
(4,503)	Interest costs	(4,831)
(669)	Contributions from scheme participants	(1,146)
(32,023)	Effect of business combinations and disposals	(8,564)
	Re-measurement (gains) and losses:	
2,332	Actuarial losses arising from changes in demographic assumptions	-
(27,858)	Actuarial gains/losses arising from changes in financial assumptions	3,728
2,863	Other	269
(14)	Past service costs	(580)
4,591	Benefits paid - funded	4,587
351	Benefits paid - unfunded	342
(185,837)	**Closing Balance at 31 March**	**(198,971)**

29.6 Local Government Pension Scheme Assets comprised:

31 March 2017					31 March 2018			
Quoted prices in active markets	**Quoted prices not in active markets**	**Total**	**% of Total Assets**		**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**% of Total Assets**
£000	£000	£000			£000	£000	£000	
				Equity Securities:				
2,654	-	2,654	2%	Consumer	2,858	-	2,858	2%
1,405	-	1,405	1%	Manufacturing	1,513	-	1,513	1%
239	-	239	0%	Energy and utilities	258	-	258	0%
4,309	-	4,309	3%	Financial Institutions	4,640	-	4,640	3%
2,440	-	2,440	2%	Health and care	2,627	-	2,627	2%
2,030	-	2,030	1%	Information technology	2,186	-	2,186	1%
284	483	767	1%	Other	306	520	826	1%
13,361	**483**	**13,844**	**10%**	**Sub-total equity**	**14,388**	**520**	**14,908**	**10%**
				Debt Securities:				
-	3,948	3,948	3%	UK Government	-	4,251	4,251	3%
254	-	254	0%	Other	274	-	274	0%
254	**3,948**	**4,202**	**3%**	**Sub-total Debt Securities**	**274**	**4,251**	**4,525**	**3%**
				Private equity:				
-	**8,152**	**8,152**	**6%**	All	**-**	**8,779**	**8,779**	**6%**
				Real Estate:				
-	13,661	13,661	10%	UK Property	-	14,711	14,711	10%
-	**13,661**	**13,661**	**10%**	**Sub-total Real Estate**	**-**	**14,711**	**14,711**	**10%**
				Investment Funds & Unit Trusts:				
18	78,445	78,463	54%	Equities	19	84,473	84,492	54%
-	16,435	16,435	12%	Bonds	-	17,698	17,698	12%
-	143	143	0%	Hedge Funds	-	154	154	0%
211	-	211	0%	Commodities	227	-	227	0%
-	1,575	1,575	1%	Infrastructure	-	1,696	1,696	1%
-	155	155	0%	Other	-	167	167	0%
229	**96,753**	**96,982**	**67%**	**Sub-total Investment Funds & Unit Trusts**	**246**	**104,188**	**104,434**	**67%**
				Derivatives:				
-	30	30	0%	Foreign Exchange	-	32	32	0%
-	**30**	**30**	**0%**	**Sub-total Derivatives**	**-**	**32**	**32**	**0%**
				Cash & Cash Equivalents				
3,594	**2,000**	**5,594**	**4%**	All	**3,870**	**2,154**	**6,023**	**4%**
17,438	**125,027**	**142,465**	**100%**	**Total**	**18,777**	**134,634**	**153,411**	**100%**

The breakdown of assets in monetary terms in the table above have been shown to the nearest £1,000. The additional precision in the presentation of the figures has been included, but the sum of the values rounded to the nearest £1,000 (or 1%) may not equal the total value due to rounding.

29.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2016. The main assumptions used in their calculations are:

The significant assumptions used by the actuary have been:

2016/17		2017/18
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.8	Men	23.8
26.3	Women	26.3
2.4%	Rate of inflation	2.4%
2.8%	Rate of increase in salaries	2.8%
2.4%	Rate of Increase in Pensions	2.4%
2.5%	Rate for discounting scheme liabilities	2.6%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumption set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to 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 or decreases for men and women. In practice, this is unlikely to occur, and changes in some 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.

	Approximate % Increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	19,807
1 year increase in member life expectancy	3-5%	5,942-9,904
0.5% increase in the Salary Increase Rate	2%	3,110
0.5% Increase in the Pension Increase Rate	8%	16,405

29.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2017. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £3,500,000 expected contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2016

	Liability Split (£000) as at 31 March 2018	Liability Split (%) as at 31 March 2018	Weighted Average Duration
Active Members	90,250	46.5%	24.2
Deferred Members	37,449	19.3%	21.5
Pensioner Members	66,487	34.2%	10.7
Total	**194,186**	**100%**	**16.0**

30. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents is made up of the following elements:

31 March 2017		31 March 2018
£000		£000
24	Cash held by the Authority	32
1,833	Bank Current Accounts	577
-	Short-term deposits with banks	3,000
1,857	**Total Cash and Cash Equivalents**	**3,609**

31. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Municipal Insurance Limited
The Council's former insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council was set at £470,000. The Directors of MMI 'triggered' the Scheme of Arrangement under Section 425 of the Companies Act 1985 (now Section 899 of the Companies Act 2006) on 13 November 2012. Ernst & Young are now responsible for the management of the MMI business, affairs and assets. Ernst & Young have carried out a review of MMI assets and liabilities. A payment of £70,437 was made during 2013/14 and £46,958 during 2015/16 by the Council and the balance of £353,000 will continue to be a contingent liability.

Local Authority Mortgage Scheme (LAMS)
The Council has deposited £1m with Lloyds bank to support the Local Authority Mortgage Scheme. This is a cash backed guarantee to cover any claims in the event of default by a mortgagor. Any future claims are not currently quantifiable but as at 31 March 2018 the maximum liability was £165,000. See explanation of credit risk in Note 24.

Towner Trust
On 1st July 2014 16 staff employed by the council who were members of the LGPS were TUPEd to the Towner Trust. The council retains a liability of any deficit that may arise in the future from the pension liability of the Towner Trust. The value of any future liability cannot be accurately determined.

Eastbourne Borough Football Club (EBFC)
As freeholder of the EBFC football pitch, the Council has provided a guarantee for EBFC in respect of a finance agreement to improve the football pitch. The maximum liability is £500,000.

Bedfordwell Road

The Council purchased land at Bedfordwell Road on 24 March 2017. Overage, capped at £1m, may be payable under certain circumstances.

Contingent Assets

Overpaid VAT
A number of Councils are in the process of legal action against Royal Mail and HM Revenue and Customs to recover VAT on postal services. The Council has claims amounting to £804,000 for VAT on Postal Services. The case is currently subject to legal decision.

32. POST BALANCE SHEET EVENT

On 31st May 2018 the Council sold its shares in Greencoat House for £5,974,000. The Council also received £1,332,000 to repay the outstanding Long term Debt including capitalised interst.

HOUSING REVENUE ACCOUNT (HRA)

2016/17 £000		2017/18 £000
	Income	
(14,228)	Dwelling Rents	(14,011)
(433)	Non-Dwelling Rents	(378)
(1,196)	Charges for Services and Facilities	(1,213)
(541)	Contributions Towards Expenditure	(661)
(16,398)	**Total Income**	**(16,263)**
	Expenditure	
472	Repairs and Maintenance	941
8,010	Supervision and Management	7,898
292	Rents, rates, taxes and other charges	333
(11,656)	Depreciation, Amortisation and Impairment Reversals of Non Current Assets	(2,530)
	Movement in the allowance for bad debts	14
36	Debt Management Costs	28
(2,846)	**Total Expenditure**	**6,684**
(19,244)	**Net Income for HRA Services as included in the whole authority Income and Expenditure Statement**	**(9,579)**
76	HRA services share of Corporate and Democratic Core	65
(19,168)	**Net Income for HRA Services**	**(9,514)**
(1,082)	(Gain) or Loss on sale of HRA assets	(1,817)
1,799	Interest Payable and Similar Charges	1,856
(23)	Interest and Investment Income	(25)
(147)	Capital Grants and Contributions Received	(236)
(18,621)	**Surplus) for the Year**	**(9,736)**

MOVEMENT ON THE HRA STATEMENT

2016/17 £000	2016/17 £000		2017/18 £000	2017/18 £000
	(3,678)	Housing Revenue Account balance brought forward		(4,366)
(18,621)		Surplus on HRA Income and Expenditure Statement	(9,736)	
		Adjustments between accounting and funding basis:		
249		Capital expenditure financed by the HRA	134	
147		Capital Grants and Contributions received	236	
(2,115)		Reverse non-current assets written off on disposal	(2,254)	
3,198		Proceeds from sales of non-current assets	4,071	
11,656		Transfer from Capital Adjustment Account	2,177	
4,010		Transfer to Major Repairs Reserve	4,174	
(1,476)			(1,198)	
788		Transfers to earmarked reserves	376	
	(688)	Increase in year on HRA		(822)
	(4,366)	**Housing Revenue Account balance carried forward**		**(5,188)**

The Housing Revenue Account (HRA) records revenue income and expenditure relating to the Council's own housing stock. The account is "ring fenced" as there are statutory controls over the transfers which can be made between the HRA and the Council's General Fund. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs - and how these are met by rents and other income.

The Council has transferred responsibility for the management of its housing stock to Eastbourne Homes Ltd, as outlined in Note 12.4 above.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2017		31 March 2018
	Houses and Bungalows	
16	- one bedroom	16
533	- two bedrooms	526
1,128	- three bedrooms	1116
50	- four or more bedrooms	51
1,727	**Total Houses and Bungalows**	**1,709**
	Flats	
1,030	- one bedroom	1,029
532	- two bedrooms	538
5	- three or more bedrooms	5
129	- bed-sits	129
1,696	**Total Flats**	**1,701**
3,423	**All Dwellings**	**3,410**

In addition the Council has shared ownership arrangements covering 19.5 full property equivalents (19.5 at 31 March 2017). The Council no longer has any properties under short-term property leases.

The Council's Balance Sheet includes the following HRA assets:

	31 March 2017 £000	31 March 2018 £000
Dwellings	183,211	194,414
Other Land and Buildings	1,153	1,137
Total	**184,364**	**195,551**

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilkes, Head & Eve as at 1 April 2016, which resulted in a market vacant possession value of the housing stock at 1 April 2016 of £537m, and after disposals the value is £525m as at 1 April 2016. The vacant possession of garages is £2.6m (68 garages sold). The 2017/18 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value (68% and 32% in 2015/16).The Government considers that the difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing council housing at less than open market rents.

3. MAJOR REPAIRS RESERVE (MRR)

This reserve was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance can be used to finance capital investment.

2016/17 £000	MAJOR REPAIRS RESERVE	2017/18 £000
-	Balance as at 1 April	(514)
3,496	Financing of Capital Expenditure	3,823
(4,010)	Depreciation	(4,174)
(514)	**Balance as at 31 March**	**(865)**

4. CAPITAL EXPENDITURE AND FINANCING

The table below summarises the total capital expenditure for the year, and the sources of finance.

2016/17		2017/18
£000		£000
5,762	**Total Capital Expenditure**	**6,627**
	Funding:	
625	Borrowing	949
141	Government Grant	264
238	Capital Receipts	784
3,496	Major Repairs Reserve	3,823
(6)	Earmarked Reserves	147
(12)	Revenue Contributions	-
797	S106 Contributions	85
483	Other Contributions	575
5,762	**Total Funding**	**6,627**

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2016/17		2017/18
£000		£000
2,313	Right to Buy Sales of Houses and Flats	2,886
884	Other Sales	1,160
-	Repayment of Right to Buy Discount	26
3,197		**4,072**

6. DEPRECIATION

2016/17		2017/18
£000		£000
3,994	Dwellings	4,158
16	Other Land and Buildings	16
4,010	**Total HRA Assets**	**4,174**

7. REVALUATION OF HRA STOCK

A full revaluation of HRA stock was carried out by Wilks Head & Eve as at 1 April 2016 which resulted in an increase in value of £36m. Further market changes and investment in council dwellings have occurred since and the current market value of HRA stock is disclosed in Note 1 above. An annual desk top revaluation review is carried out for all property to identify any material changes in value. As at 31 March 2018 the valuers advised an increase of 3.8% for council dwellings during 2017/18, excluding any consideration of capital expenditure. This has resulted in an upward revaluation of £6.7 million

8. RENT ARREARS

Rent arrears at 31 March 2018 amounted to £553,000 compared with £532,000 at 31 March 2017. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2017/18 former tenant arrears of £39,000 were written off (£41,000 in 2016/17).

The Council has an impairment allowance for doubtful debts of £144,000 at 31 March 2018 (£130,000 at 31 March 2017).

COLLECTION FUND REVENUE ACCOUNT

2016/17 £000 Restated		2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
	Income			
59,075	Income collectable from Council Tax	-	61,998	61,998
32,645	Income collectable from Non-Domestic Rates	33,321	-	33,321
	Transitional Relief	556	-	556
	Contribution towards previous year's Collection Fund Deficit			
856	Central Government	427	-	427
154	East Sussex County Council	77	-	77
685	Eastbourne Borough Council	341	-	341
17	East Sussex Fire Authority	9	-	9
93,432	**Total Fund Income**	**34,731**	**61,998**	**96,729**
	Expenditure			
	Precepts, Demands and Shares			
17,474	Central Government	17,865	-	17,865
45,216	East Sussex County Council	3,216	44,588	47,804
21,658	Eastbourne Borough Council	14,292	7,901	22,193
5,004	Sussex Police Authority	-	5,221	5,221
3,263	East Sussex Fire Authority	357	2,999	3,356
92,615		35,730	60,709	96,439
126	Business Rates Costs of Collection	126	-	126
208	Transitional Relief	-	-	-
	Charges to Collection Fund			
908	Allowance for Appeals	2,624	-	2,624
(953)	Backdated changes in Rateable Values	(2,807)	-	(2,807)
(69)	Write-offs of uncollectable amounts	277	82	359
(26)	Allowance for impairment of doubtful debts	(74)	395	321
(140)		20	477	497
	Apportionment of previous year's Collection Fund Surplus			
988	East Sussex County Council	-	713	713
184	Eastbourne Borough Council	-	130	130
118	Sussex Police Authority	-	85	85
70	East Sussex Fire Authority	-	50	50
1,360		-	978	978
94,169	**Total Fund Expenditure**	**35,876**	**62,164**	**98,040**
737	**Movement on Fund Balance**	**1,145**	**166**	**1,311**
	COLLECTION FUND BALANCE			
206	Balance at 1st April	2,376	(1,433)	943
737	(Surplus)/Deficit for the year	1,145	166	1,311
943	**Balance as at 31st March**	**3,521**	**(1,267)**	**2,254**

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:

		2017/18
		£000
Gross amount of Council Tax		79,183
Less	Council Tax Support Scheme	(7,745)
	Discounts	(7,369)
	Exemptions	(1,974)
	Disabled Relief	(97)
Net Yield from Council Tax		61,998

Council Tax Base

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings), was calculated as follows:

Band	Chargeable Dwellings	Est Taxable Properties	Ratio to Band D	Band D Equiv	Yield £000
A Dis Red	13	8	5/9	4	7
A	8,284	4,793	6/9	3,195	5,718
B	12,829	9,397	7/9	7,309	13,080
C	10,560	8,528	8/9	7,580	13,565
D	8,432	7,301	9/9	7,301	13,066
E	4,437	4,030	11/9	4,926	8,816
F	1,997	1,852	13/9	2,675	4,787
G	1,100	1,025	15/9	1,708	3,057
H	51	47	18/9	94	168
	47,703	**36,981**		**34,792**	**62,264**
Less average 2.5% reduction to allow for collection losses etc.				(868)	(1,554)
Council Tax Base				**33,924**	**60,710**

The estimated and actual tax base figures can vary due to the various effects of banding appeals, new properties, demolished properties and entitlements to discounts.

Comparison of Actual versus Theoretical gross Yields:

Tax base (as above)	A	33,923.7
Band D Council Tax 2017/18 (Budget report)	B	£1,789.59
Theoretical gross yield	A x B	£60,709,514
Actual gross yield (as above)	C	£61,998,410
Theoretical gross yield - actual gross yield	(A x B) – C	(£1,288,895)

2. INCOME FROM BUSINESS RATE PAYERS

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency multiplied by a uniform business rate set nationally by Central Government. The table below shows the total rateable value and multipliers.

		2016/17	2017/18
Total non-domestic rateable value	£m	82.7	90.4
Multiplier	p	49.7	47.9
Multiplier (Small businesses)	p	48.4	46.6
Product	£m	38.4	40.5

The gross yield before adjustments represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements.

The business rates share payable in 2017/18 was estimated before the start of the financial year as £35.7m. These sums have been paid into 2017/18 and charged to the collection fund in year. This council's share is £14.3m.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	**COUNCIL TAX**			**NON-DOMESTIC BUSINESS RATES**		
	Precept	**Distribution of prior years deficit**	**Total**	**Share**	**Distribution of prior years surplus**	**Total**
	£000	£000	£000			
Eastbourne Borough Council	7,902	130	8,032	14,292	(341)	13,951
Central Government	-	-	-	17,865	(427)	17,438
East Sussex County Council	44,588	713	45,301	3,216	(77)	3,139
Sussex Police	5,221	85	5,306	-	-	-
East Sussex Fire Authority	2,999	50	3,049	357	(9)	348
Total	60,710	978	61,688	35,730	(854)	34,876

When the retained business rates income scheme was introduced, Central Government set a baseline funding level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive the baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. Any sums above the baseline funding are subject to a levy payment, for this Council this is 50%. The amounts for this Council are as follows:

	2016/17	2017/18
	£000	£000
Actual Business Rate income due	13427	13,517
Tariff payment	(10,124)	(10,330)
	3304	3,187
Baseline Funding	(3,342)	(3,419)
Amount below baseline	(39)	(232)

4. COLLECTION FUND BALANCE

The table below shows the balances on the Collection Fund and how they relate to each precepting authority:

	COUNCIL TAX		BUSINESS RATES	
	31 March 17	31 March 18	31 March 17	31 March 18
	£000	£000	£000	£000
Eastbourne Borough Council	(192)	(165)	951	1,409
Central Government	-	-	1,189	1,761
East Sussex County Council	(1,043)	(930)	213	102
Sussex Police Authority	(124)	(109)	-	-
East Sussex Fire Authority	(73)	(63)	24	35
Surplus (Deficit)	(1,432)	(1,267)	2,377	3,307

The preceptors' share of the deficit on the Collection Fund is shown in the Council's balance sheet as part of the debtor's figures. This Council's share is included on the balance sheet under Collection Fund adjustment account.

GLOSSARY

This glossary helps to define some of the terms and phrases found in these accounts.

Accounting Period
The length of time covered by the accounts, in the case of these accounts the year from 1 April to 31 March.

Accrual
A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

Actuarial Gains and Losses
Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Balances
These represent the accumulated surplus of revenue income over expenditure.

Budget
An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

Budget Requirement
The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

Capital Charge
A charge to service revenue accounts to reflect the cost of non-current assets (previously referred to as fixed assets) used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of non-current assets (fixed assets) that will be of use or benefit to the Council in providing its services for more than one year. Capital expenditure also includes Revenue expenditure financing from Capital under Statue.

Capital Adjustments Account
The capital adjustments account records the resources set aside to finance capital expenditure and offsets the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or by disposal.

Capital Receipts
Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

Cash Equivalents
Generally short term, highly liquid investments readily convertible into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund
A fund administered by the Council as a "Charging Authority". The Council Tax and Non-Domestic Rates are paid into this fund. The Council Tax and NDR demand of the Council and the precepts of

other public bodies are paid out of the fund. Any surplus or deficit is shared between the various authorities.

Corporate and Democratic Core
These are the activities that a local authority engages in specifically because it is a democratically elected decision making body. These costs are not apportioned to services but are shown here. Examples of costs are Councillors' allowances, Committee support and time spent by professional officers in giving policy advice.

Council Tax Freeze Grant
A grant payable to any local authority that contains any increase in net costs in 2012/13 and 2017/18 to the equivalent to a 1% increase in council tax.

Creditors
The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period but not paid for.

Current Service Cost
The increase of the present value of a defined benefit scheme's liabilities expected to arise from employee service in the accounting period.

Debtors
Amounts owed to the Council but unpaid at the Balance Sheet date.

Depreciation
The measure of the cost or revalued amount of the benefit of the fixed asset that have been consumed during the period.

Expected Rate of Return on Pensions Assets
The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fees and Charges
The income raised by charging for goods, services or the use of facilities.

General Fund
The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

Heritage Asset
A tangible asset with historical, artistic, scientific, technological or environmental qualities that is held and maintained principally for it contribution to knowledge and culture.

Housing Revenue Account
A separate account, maintained by law, which accounts for the income and expenditure related to the Council's housing stock. The General Fund cannot subsidise the Housing Revenue Account and vice versa.

Intangible Assets
Non-current assets (fixed assets) that do not have physical substance but are identifiable and controlled by the Council. Examples are software and licences.

Leasing
A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Levy
A contribution payable by law to Internal Drainage Boards for land drainage.

Minimum Revenue Provision

An amount to be set aside each year from revenue to repay the principal amounts of external loans outstanding.

Non-Current Asset (previously known as Fixed Asset)
Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non Domestic Rates (NDR) (also known as Business Rates)
Non Domestic Rates are levied on businesses within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

Precept
The amount levied by various Authorities that is collected by the Council on their behalf. The precepting Authorities in Eastbourne are East Sussex County Council, Sussex Police Authority and East Sussex Fire.

Provisions
Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

Public Works Loans Board
A Government body that provides loans to local authorities.

Reserves
The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revaluation Reserve
The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation adjustments.

Revenue Expenditure
The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

Revenue Expenditure financed from Capital under Statute (REFFCUS)
Expenditure that can be classified as capital expenditure but which does not result in the acquisition of a tangible or physical asset.

Revenue Support Grant
Central Government financial support towards the general expenditure of local authorities.

Specific Government Grants
Central Government financial support towards particular services which is “ring fenced”, i.e. can only be spent on a specific service area or items.

EASTBOURNE BOROUGH COUNCIL

AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2018

23 July 2018

BDO

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WELCOME

We have pleasure in presenting our Audit Completion Report to the Audit and Governance Committee. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2018, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Governance Committee. At the completion stage of the audit it is essential that we engage with the Audit and Governance Committee on the results of audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We look forward to discussing these matters with you at the Audit and Governance Committee meeting on 25 July 2018, and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. This report has been prepared solely for the use of the Audit and Governance Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

In communicating with those charged with governance of the Council and the Group, we consider those charged with governance of subsidiary entities to be informed about matters relevant to their entity. Please let us now if this is not appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

OVERVIEW

This summary provides an overview of the audit matters that we believe are important to the Audit and Governance Committee in reviewing the results of the audit of the financial statements of the Council and consolidated entities (together the ‘Group’) and use of resources of the Council for the year ended 31 March 2018.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

AUDIT SCOPE AND OBJECTIVES	
Audit status	We are in the process of completing our audit procedures in accordance with the planned scope. Our objectives have been achieved subject to resolution of matters set out in the outstanding matters section below.
Audit risks update	No additional significant audit risks were identified during the course of our audit procedures subsequent to our Audit Plan to you dated 26 February 2018.
Materiality	Our final materiality is £2.1 million for the Council and £2.2 million for the Group. We have increased our materiality levels by £100,000 for the Council and £200,000 for the Group accounts, compared to the materiality levels reported in our Audit Plan, as a result of an increase in gross expenditure this year.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.
Group audit	Our approach as designed to ensure we obtained the required level of assurance across the components of the Group in accordance with ISA (UK) 600 (Audits of Group Financial Statements). Our audit work in this area is in progress. To summarise our audit coverage: • Total expenditure: >99% full audit, <1% specific procedures • Total assets: >99% full audit, <1% specific procedures.

OVERVIEW

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified two material misstatements, which management has agreed to amend in the final financial statements: • £13.262 million overstatement of net cost of services income and expenditure as a result of incorrectly accounting for recharges to Lewes District Council under the Joint Transformation Programme on a gross basis instead of on a net basis as appropriate for a joint operation • £3.904 million overstatement of council dwellings due to incorrect indexation applied at 31 March 2018, as the market did not move in the way that the valuer forecast prior to year end. These adjustments will decrease the surplus on provision of services by £3.904 million but will not have any impact on the general fund balance as capital adjustments are reversed out to unusable capital reserves. We also identified a material misstatement in the capital commitments disclosure.
Unadjusted audit differences	Our audit identified one unadjusted audit difference this year, which when combined with the effect of an uncorrected audit difference from last year that impacts on this year's expenditure, would increase the surplus on provision of services by £462,000, if corrected. This would have no impact on the general fund balance as it is a capital item that would be reversed to capital reserves.
Control environment	Our audit did not identify any significant deficiencies in internal controls.
KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES	
Sustainable finances	While there is a recognised funding gap in the Medium Term Financial Strategy (MTFS), we are satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFS. All of the required savings for 2018/19 have been identified.

OVERVIEW

AUDIT OPINION	
Financial statements	Subject to the successful resolution of outstanding matters set out on page 6, we anticipate issuing an unmodified opinion on the Council financial statements and the consolidated Group financial statements for the year ended 31 March 2018.
Other information	We propose issuing an unmodified opinion on the consistency of the other information in the Statement of Accounts with the financial statements and our knowledge.
Annual Governance Statement	We have no exceptions to report in relation to the consistency of the Annual Governance Statement with the financial statements or our knowledge.
Use of resources	We anticipate issuing an unmodified opinion on the arrangements in place to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2018.
OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND GOVERNANCE COMMITTEE	
Whole of Government Accounts (WGA)	The Council is below the audit threshold of £500 million for a full assurance review of the WGA Data Collection Tool.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Management letter of representation	The draft management letter of representation, to be approved and signed, is set out in Appendix VI.

OUTSTANDING MATTERS

At the time of drafting this report we are in the process of completing our audit work for the year ended 31 March 2018, and anticipate issuing an unmodified opinion on the Council financial statements and the consolidated Group financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Governance Committee meeting at which this report is considered:

1	Clearance of outstanding issues on the audit queries tracker currently with management
2	Audit of journals in the final quarter of the year
3	Audit of the Group Accounts
4	Audit of financial instruments
5	Audit of the Cash Flow Statement
6	Audit of related parties disclosures
7	Letter of assurance from the auditor of the pension fund over the controls for providing accurate membership data and cash flows to the actuary
8	Final review and approval by you of the Statement of Accounts
9	Engagement lead and independent quality control reviews
10	Subsequent events review
11	Management letter of representation, as attached in Appendix VI to be approved and signed

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual. By its nature, there are no controls in place to mitigate the risk of management override.	We have: • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements for the first nine months; we need to compete this testing for the last quarter of the year	No issues were identified from our review of the appropriateness of journal entries in the first nine months of the year. We will update the Audit and Governance Committee on the findings of our review of journals in the final quarter and other adjustments to the financial statements.
			• Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud	Our work on accounting estimates has not identified any evidence of bias.
			• Obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual.	We have not identified any unusual transactions in journals reviewed to date.

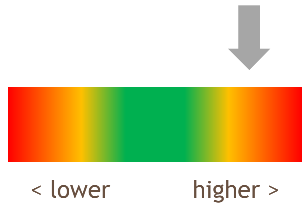
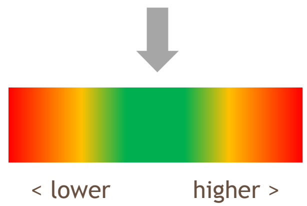
KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	**Revenue and expenditure recognition**	Under auditing standards there is a presumption that income recognition presents a fraud risk. Our Audit Plan identified a risk in relation to the existence and accuracy of fees and charges credited to net cost of services recorded in the Comprehensive Income and Expenditure Statement (CIES) throughout the year and the cut-off of this income at year end. In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 (PN10), issued by the Financial Reporting Council. PN10 states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure.	We have: • Tested an increased sample of fees and charges income credited to the net cost of services to underlying documentation and confirmed the existence and accuracy of transactions throughout the year • Tested a sample of receipts either side of year end, to confirm that income has been recorded in the correct period and that all income that should have been recorded at year end has been • Tested a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period.	We did not identify any issues in our testing of revenue from fees and charges credited to the net cost of services. We did not identify any issues in our testing of receipts either side of year end. We did not identify any issues in our testing of expenditure either side of year end.

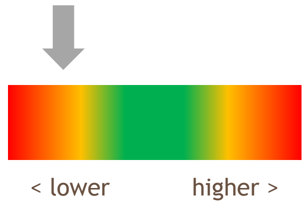
KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Valuation of non-current assets	Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. The Council appointed an external valuer to carry out a year end desktop review on all property categories. Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, our Audit Plan identified a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year end.	We have: • Reviewed the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert	From our review of the instructions provided to the valuer, the valuer's reports and central assurance regarding the work on the valuer commissioned by the National Audit Office, we are satisfied that we can rely on the management expert.
			• Confirmed that the basis of valuation for assets valued in year is appropriate, including checking that investment properties and surplus assets have been valued at 'highest and best use'	We confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements. We noted that the Council had incorrectly applied indexation to the heating, roof and electrical components of two theatres, thereby overstating land and buildings by £202,000. Management has agreed to amend this in the final financial statements.
			• Reviewed the reasonableness of assumptions used in the valuations against indices and price movements for classes of assets, and the Council's critical assessment of the external valuer's conclusions.	Our consideration of assumptions used and valuation movements are set out on the next two pages.

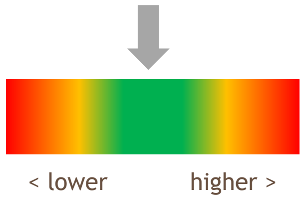
KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Land, buildings, dwellings and investment property valuations		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**IMPACT**
Land and buildings are valued by reference to existing use market values Dwellings are valued by reference to open market value less a social housing discount Investment properties are valued by reference to highest and best use market value Some specialist buildings are valued at depreciated replacement cost (DRC) by reference to building indices	The Council appointed an external valuer to carry out a year end desktop review on all property categories. This resulted in a net upwards revaluation movement of £13.783 million in the year for property, plant and equipment (£11.823 million as impairment reversals to the surplus on provision of servicers and £1.960 million to the revaluation reserve) and a loss of £792,000 for investment properties in the draft financial statements submitted for audit. **Council dwellings** The valuer estimated that council dwellings had increased by 6% in the year, which resulted in the Council recognising revaluation gains of £10.634 million. This is higher than the UK House Price index for Eastbourne, which indicates an increase of 3.8% for the year. We challenged the valuer's assumptions and he confirmed that his estimate was made in January 2018 when he assumed that prices would continue to remain consistent in the last two months of the year. He acknowledged that the market data now indicates that there was an unusual and unexpected dip over the final two months of the year, which has resulted in the lower average change of between 3% and 4% being reported. As a result, council dwellings were overstated by £3.904 million at year end, if an index of 3.8% is applied. As this is a material difference, management has agreed to amend the financial statements. **Other land and buildings valued on depreciated replaced cost basis** The valuer estimated that specialised properties increased by 4% in the year, which resulted in the Council recognising revaluation gains of £3.143 million. These assets comprise mainly museums, tennis centres, leisure centres, theatres, chapels, crematoria and public conveniences. We requested further information from the valuer to support the 4% index and the valuer provided the RICS regionalised (for East Sussex) BCIS data, which indicated increases ranging from 3.23% to 5.73% for the different types of properties held by the Council within this category. The average 4% index applied is considered to be within a reasonable range in comparison to this data.	 

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Land, buildings, dwellings and investment property valuations (continued)		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**IMPACT**
As above	**Other land and buildings valued on an existing use basis** The valuer estimated that there was no increase in the value of non-specialised properties in the year, therefore the Council did not apply any indexation on assets valued on an existing use basis. Assets that fall within this category comprise mainly non-development land, community assets and car parks. We challenged the valuer regarding the reasonableness of the 0% uplift. For car parks, the valuer confirmed that they are valued on a receipt and expenditure basis, based on three years' prior information, and would only be materially affected if the charging structure changed significantly or an individual asset changed materially, such as if part of the car park closed or an extension was added. We are satisfied that there have not been any significant changes of this nature to car parks, and therefore it is considered appropriate that no indexation has been applied. For community assets and non-development land, the valuer's estimate is based on the assumption that there have been no marked charges to rental values or yields for these property types within the portfolio over the year and therefore no indexation required. However, our review of the movement in the MSCI capital index shows an average of 4.7% increase since the last formal valuation at 1 March 2016. In assessing the appropriateness of the Council's nil indexation approach, we have set a reasonable range, based on our professional judgement and taking into account the reliability and quality of the market information available. Accepting a tolerance of 3% either side of the MSCI capital index, to allow for location and other factors, we have calculated that other land and buildings valued on an existing use basis are stated at a value that is £401,000 below what we have estimated as a reasonable range for the value. The Code only requires revaluations to be undertaken with sufficient regularity to be materially accurate and does not require valuations where the movement is not material. Whilst this estimated difference is not material, we are required to include it in our schedule of audit differences to ensure that the aggregate of potential differences is not material. Therefore, this has been included as an estimated audit difference in Appendix I *(misstatement 2)*.	

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES		
Land, buildings, dwellings and investment property valuations (continued)		
ESTIMATE	**HOW RISK WAS ADDRESSED BY OUR AUDIT**	**IMPACT**
As above	**Investment properties** The fair value loss of £792,000 recognised in the financial statements represents an overall decrease of 14% compared to the opening balance at 1 April 2017. Hampden Retail Park comprises £16.982 million of the closing balance of £23.893 million on investment properties. This property decreased in value by £2.119 million compared to the price that the Council paid for it in May 2017. The original valuation provided by the valuer indicated an even lower valuation but it was challenged by management and the valuer subsequently provided a revised valuation. Movements in other investment properties varied significantly, as would be expected for fair values based on highest and best use, from -2% to 11%.	

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	**Pension liability assumptions**	The net pension liability comprises the Council's share of the market value of assets held in the East Sussex County Council's Pension Fund and the estimated future liability to pay pensions. An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. Our Audit Plan identified a risk that the membership data and cash flows provided to the actuary at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.	We have: • Agreed the disclosures to the information provided by the pension fund actuary • Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data • Sought assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary (this is not yet available at the time of drafting our report) • Checked whether any significant changes in membership data have been communicated to the actuary	No issues were identified in the financial statements disclosures when compared to the actuary's report. Our review of assumptions used to estimate the value of the pension liability concluded they are not unreasonable (see next page). We used the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions. We are currently awaiting this assurance report from the pension fund auditor, to provide assurance over the 2016 data for the last full valuation and in the roll-forward valuations. We require the letter as part of our audit. We will provide the Audit and Governance Committee with an update on the findings from the letter of assurance, when we receive it. Our review of the actuary's report found that it incorrectly excluded the bulk transfer of assets and liabilities from the Eastbourne Homes Limited (EHL) scheme. The EHL scheme closed on 31 July 2017 when the company's staff transferred to the Council. As a result, the Council obtained a revised report from the actuary that included the bulk transfer-in. This has resulted in an increase in the liability by £1.208 million, with a corresponding increase in the credit for re-measurement of the net defined pension liability by £1.186 million and an increase in the interest charge by £22,000. Management has agree to amend this in the final financial statements, together with a number of other disclosure updates within the pensions note.

KEY AUDIT AND ACCOUNTING MATTERS

SIGNIFICANT ACCOUNTING ESTIMATES

Pension liability assumptions

ESTIMATE

The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows

HOW RISK WAS ADDRESSED BY OUR AUDIT

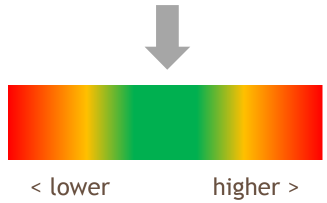
As at 31 March 2018 net pension liabilities disclosed in the Balance Sheet increased by £2.18 million (after the amendment noted on the previous page) compared to the balance at 31 March 2017. The increase related mainly to the transfer in of EHL staff. The majority of other assumptions remained consistent between the years other than an increase in the discount rate (this reduced the liability).

The actuary has used the following assumptions to value the future pension liability:

	Actual used	Actuary range	PwC assessment of actuary range to market expectations
CPI increase	2.4%	2.4%	Reasonable
Salary increase	2.8%	--	Scheme and employer specific – appears reasonable in context of CPI/RPI
Pension increase	2.4%	2.4%	Reasonable
Discount rate	2.6%	2.6-2.7%	Reasonable
Mortality - LGPS:			
- Male current	22.1 years	21.5-22.8	Reasonable
- Female current	24.4 years	24.1-25.1	Reasonable
- Male retired	23.8 years	23.7 – 24.4	Reasonable
- Female retired	26.3 years	26.2 – 26.9	Reasonable

The assumptions used all fall within the acceptable range for the actuary.

IMPACT



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KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Group Accounts	The Council holds 49% of the voting rights and 21% of the non-voting rights in Welbeing. This is considered to be an associate, as the Council has significant influence but not control over this organisation. Historically the Council has not included this organisation in its Group Accounts, as its transactions have not been material. Welbeing has now completed its fourth year of operation and it is possible that accumulated retained profits have increased to a material level. This would require the transactions to be included in the Council's Group Accounts, using equity accounting. In addition, the Council has an interest in a new joint housing investment partnership with Lewes District Council, Aspiration Homes Limited. The Council's share of the joint arrangement depends on the value and timing of transactions in the new company. If material, an assessment will need to be made as to whether the joint arrangement comprises a joint venture or a joint operation under International Financial Reporting Standard 10 *Consolidated Financial Statements* and Group Accounts will need to be prepared. Our Audit Plan identified a risk that income, expenditure, assets and liabilities in the Group Accounts will not be complete if the Council does not account for its share of material transactions in Welbeing and Aspiration Homes Limited.	We will: • Review the financial statements and management accounts of Welbeing and Aspiration Homes Limited and assess whether management has fully considered the need to include its interest in these entities in its Group Accounts • If they are required to be included in the Group Accounts, determine whether the Council has appropriately accounted for its interest in these entities, taking account of the nature and underlying substance of the joint arrangement.	We are awaiting receipt of the management accounts for Welbeing and Aspiration Homes Limited. We have, therefore, not been able to determine whether they are required to be included in the Group Accounts or complete our audit work in this area.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	**Recharges between the Council and Lewes District Council and redundancy costs**	The Council has undergone a major Joint Transformation Programme (JTP) with Lewes District Council to merge frontline services and back office functions. In February 2017, the vast majority of Lewes District Council employees were transferred onto the Council's payroll. There are recharging arrangements in place for each of the four key service areas (Corporate Management Team, Information Technology, Human Resources and Asset Management) and for employees outside of these services. On a monthly basis, the Council calculates, based on these arrangements, the amount to be recharged via invoice back to Lewes District Council. Legal Services are held within Lewes District Council and the Council is recharged for these services. We understand that the recharge percentages may change when budgets are realigned in 2017/18. Given that this is the first full year of these recharge arrangements, there remains a risk over the accuracy of expenditure in the Comprehensive Income and Expenditure Statement.	We have reviewed the reasonableness and accuracy of the recharge arrangements in place between the councils, seeking assurance that the Council's share of the costs is in line with approved recharge arrangements.	We obtained the recharge tracker and confirmed that there are arrangements in place to maintain the spreadsheet on a monthly basis and recharge Lewes District Council via invoices. For the service lines that were set us as shared service arrangements in phase one of the JTP, there are set percentages in place for the amounts recharged, which are between 40% and 50% per service. As further shared services and greater integration between Council staff has developed during the year, the Council has moved away from recharging Lewes District Council 100% of the hosted payroll cost and is allocating payroll and some non-payroll costs between the councils on a shared service basis. Our testing has confirmed that costs are split between 40% and 50% dependent on the service line. In our prior year audit, we confirmed from review of Cabinet minutes and discussions with management of both Councils that delegated authority was given the Deputy Chief Executive to determine the appropriate split of JTP costs and benefits. Internal Audit concluded in their main accounting system review that Shared Service Agreements are not filed with the recharges working papers as supporting documentation for costs split between the councils. Whilst we have found no evidence of unreasonable recharges between the councils, we have repeated Internal Audit's recommendation in Appendix I as there is scope to strengthen the governance arrangements in this area.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	**Recharges between the Council and Lewes District Council and redundancy costs (continued)**	As above.	As above.	Our audit noted that amounts recharged to Lewes District Council were recorded on a gross basis within the Comprehensive Income and Expenditure Statement, and comparatives had been restated in the draft financials statements to also record prior year recharges on a gross basis, in a separate line within net cost of services. Following discussions with management, it was agreed that the Council is acting in an agent capacity in these joint operations, sharing the risks and rewards with Lewes District Council, and therefore it is appropriate for each council to recognise its share of income and expenditure on a net basis. As a result, current year net cost of services income and expenditure in the draft financial statements are both overstated by £13.262 million. Management has agreed to amend this in the final financial statements. Our audit also found that the Council had recharged Lewes District Council £1.772 million for its share of the revenue costs funded from capital under statute (REFCUS) of the JTP and IT project, with the expenditure being included in new cost of services and the associated recharge recorded as a revenue contribution within non-ringfenced grants and contributions. Management has agreed to net these off in the final financial statements. In addition, our audit found that the Council had included an amount of £1.115 million for Lewes District Council's share of the IAS 19 pension adjustment within the other rechargeable costs line in the Comprehensive Income and Expenditure Statement. This will be moved to the corporate services line in the final financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	**Recharges between the Council and Lewes District Council and redundancy costs (continued)**	There is also a risk that redundancies resulting from the JTP may not be appropriately accounted and disclosed for in line with CIPFA's Code of Practice on Local Authority Accounting 2017/18.	We reviewed the completeness and accuracy of redundancy accruals and provisions and exit package disclosures.	Our audit of exit packages has not identified any issues.

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
1	Property, plant and equipment note	Our audit identified the following issues in respect of the property, plant and equipment note, which management has agreed to amend in the final financial statements: • Three buildings with a total net book value of £98,000 have been demolished but not removed from the fixed asset register or the accounts • The number of garages recognised as disposals in the fixed asset register and draft accounts was 42, instead of actual disposals of 68, with the result that other land and building were overstated by £127,000 • The disclosure of cost/valuation of assets in Note 18.2 is materially incorrect • The narrative in Note 18.2 does not set out the indexation applied at year end for assets valued on a depreciated replacement cost basis or consideration of price movements for assets valued on an existing use basis • The disclosure of capital commitments in Note 18.4 is overstated by £2.378 million for the Devonshire Park project, due to uncontracted costs being included for smaller suppliers, and the disclosure for improvement of council dwellings is understated by £315,000. We have included a recommendation in Appendix II relating to the accurate and timely provision of asset information to Finance.
2	Debtors note	The disclosure of the loan to Eastbourne Housing Investment Company Limited in Note 24 is overstated by £1.827 million as it includes an amount repaid in respect of a property transferred to Aspiration Homes LLP during the year. Management has agreed to amend this in the final financial statements.
3	Contingent liabilities	Our audit identified a few misstatements in the disclosures regarding Municipal Insurance Limited: • The year of payment for the £70,000 was incorrect as it was 2013/14, not 2014/15 • An additional payment of £47,000 made in 2015/16 was not disclosed • The retention levy of £50,000 should be added so that the numbers reconcile in the note. Management has agreed to amend this in the final financial statements.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	AUDIT FINDINGS
4	Recharges to Eastbourne Homes Limited	Our audit noted that amounts totalling £1.739 million recharged to Eastbourne Homes Limited were recorded on a gross basis within the Comprehensive Income and Expenditure Statement. Following a transfer of Eastbourne Homes Limited staff into the Council during 2017/18, the Council now recharges the company for the staff costs that it incurs on its behalf. The Council is considered to be acting in an agency capacity and therefore it is appropriate for the Council to net the recharges off against the associated expenditure. As a result, net cost of services income and expenditure in the draft financial statements are overstated by £1.739 million. Management has agreed to amend this in the final financial statements.
5	Audit fees	The disclosure of audit fees payable for the certification of grant claims and returns is understated by £9,000 for the current year and approximately £10,000 for the prior year (our work on the 2016/17 claim is still in progress and a final fee will be agreed on completion of this work). Management has agreed to amend this in the final financial statements.
6	Subsequent events	The Council sold its investment in Greencoat Limited (Welbeing) for £5.974 million in May 2018, after legal costs and settlement of the long term debtor of £1.308 million. Management has agreed to disclose this in the subsequent events note in the final financial statements.
7	Housing Revenue Accounts (HRA) notes	Our audit identified the following issues in respect of the HRA notes, which management has agreed to amend in the final financial statements: • The disclosed vacant possession value is materially misstated • The rent arrears balance disclosed is net of impairment allowance; the gross amount disclosed should be disclosed.

KEY AUDIT AND ACCOUNTING MATTERS

MATTERS REQUIRING ADDITIONAL CONSIDERATION

We comment below on other matters requiring additional consideration:

	AUDIT AREA	AUDIT FINDINGS
1	Fraud	Whilst the directors have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud. We will seek confirmation from those charged with governance on whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the Audit Plan on 7 March 2018.
2	Internal audit	We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.
3	Related parties	We are required to consider if the disclosures in the financial statements concerning related party transactions are complete, accurate and in line with the requirements of the accounting standards. We are in the process of agreeing the related party note to supporting working papers and declaration forms, reviewing the ledger to ensure accuracy of the stated figures and carrying out companies' house searches to confirm completeness of the disclosures. We will update the Audit and Governance Committee when we have completed our work in this area.

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	We are satisfied that the other information in the Statement of Accounts is consistent with the financial statements and our knowledge.
2	We are required to report by exception if the Annual Governance Statement does not meet the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government Framework' (2016 Edition) published by CIPFA/SOLACE or is misleading or inconsistent with other information that is forthcoming from the audit.	We have no matters to report in relation to the Annual Governance Statement's compliance with relevant guidance.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to the Audit and Governance Committee.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Council’s internal audit function has issued a number of observations and recommendations on the Council’s control environment during 2017/18. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control, which we are required to report to you.

We are not aware of any significant deficiencies in the Council’s internal controls in 2017/18.

We have identified other deficiencies in controls that have been discussed with management and included in the action plan at Appendix II.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
1	Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 14 June 2018. The Council submitted its DCT by the approved extended deadline of 20 July 2018. We will submit the relevant section of the assurance statement to the National Audit Office (NAO) by the auditors' deadline of 31 August 2018.

USE OF RESOURCES

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We reported our risk assessment, which included use of resources significant risks, in the 2017/18 Audit Plan issued in February 2018. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

Key: ■ Significant risk

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances	The update to the Medium Term Financial Strategy (MTFS) to 2019/20 has forecast further reductions in Government core grant funding, falling New Homes Bonus funding from 2017/18 and annual inflationary and pay award pressures. Budget gaps have been identified in 2017/18 (£1.143 million), 2018/19 (£1.022 million) and 2019/20 (£1.011 million), resulting in an average level of required savings of £1.058 million per annum over the period. The Council currently has a number of major development / transformation programmes in place to either help facilitate these savings or create additional revenue streams in the medium term, to close the budget gaps. In our Audit Plan we identified a risk that the MTFS does not adequately take account of the investment costs and savings associated with these projects, and that the Council does not have appropriate arrangements to monitor progress in delivering benefits from these projects against the MTFS. As a starting point for assessing the effectiveness of the Council's arrangement for ensuring sustainable finances, we reviewed current year outturn and the Council's reserves position.	**General Fund** The Council has a track record of delivering underspends in the General Fund. In 2017/18, the Council originally budgeted for a decrease in the general fund of £1.143 million, before transfers from earmarked reserves. There were some variances in the year but the final position against the revised budget was an underspend of £434,000. This was largely due to overachievement of income targets in a few areas and an underspend on the refuse collection contract. The general fund balance at 31 March 2018 is £3.033 million, an increase of £373,000 from the balance at 31 March 2017. This remains above the £2 million minimum level recommended by the Section 151 Officer. The balance on general fund earmarked reserves at 31 March 2018 is £5.305 million, a decrease of £651,000 from the balance at 31 March 2017. This amounts to a net decrease of £278,000 in combined general fund reserves in the year. The decrease in earmarked reserves largely related to £1.267 million use of capital reserves set aside for financing one-off capital schemes, partly offset by a £528,000 increase in the Devonshire Park review reserves set up to cover any revenue shortfalls from the Devonshire Park redevelopment project. **Housing Revenue Account** The balance on the Housing Revenue Account (HRA) increased by £822,000 in 2017/18, to £5.188 million at 31 March 2018, which is £449,000 higher than budgeted. This is largely due to the take up of under occupation scheme and reduction in provision for bad debt requirement. The HRA balance is considered sufficiently robust to support the housing self-financing 30 year business plan. **Collection Fund** The council tax balance in the Collection Fund remained in surplus by £1.267 million at 31 March 2018, despite a deficit of £166,000 incurred in the year. The Council's share of the closing surplus is £165,000, a trivial variance compared to 2016/17. The Council collected £33.321 million of non-domestic rates during the year. Under the non-domestic rates retention scheme the Council retains 40% of this, after deducting the £10.330 million for tariff payment payable to the Government and the Council's share of the £1.223 million provision for non-domestic rate appeals. A deficit of £1.145 million was incurred during the year, and the overall position is a deficit of £3.521 million. This is largely due to charges for appeals against valuations, including in particular a number of large backdated appeal refunds totalling £2.8 million made during the year. As a result, the overall Collection Fund is in deficit by £2.2654 million at 31 March 2018, which is a deterioration on the prior year deficit balance of £943,000. However, we are satisfied that the Collection Fund is being adequately monitored and managed.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances (continued)	We reviewed the assumptions used in the MTFS for investment costs and savings associated with major development/ transformation programmes. We also reviewed the Council's arrangements for monitoring the progress of these programmes against the budgeted savings targets.	**Medium term financial strategy** The Council achieved £803,000 of its budgeted savings target for the year of year of £981,000. A key component of this is savings from the Joint Transformation Programme (JTP) with Lewes District Council, although this under-achieved by £175,000 against the budget. Management expects the shortfall to be made up during 2018/19. An updated MTFS from 2018 – 2021 was approved by Cabinet in July 2018. Revised budget gaps have been identified in 2018/19 (£1.350 million), 2019/20 (£775,000), 2020/21 (£1.478 million) and 2021/22 (£765,000), resulting in an average level of required savings of £1.1 million per annum over the four year period. This is a similar level of average savings compared to the previous MTFS update. The savings for 2018/19 have been identified and relate largely to planned new income streams, the JTP shared transformation programme and procurement savings. **Joint transformation programme with Lewes District Council to provide joint services** As reported above, the Council is currently in the process of undergoing a major Transformation Programme with Lewes District Council, both in the provision of frontline services and the organisation of back office functions. This is being delivered over three phases. Following the implementation of phase one in 2016/17, which covered management and corporate activity, phase two was implemented in 2017/18, covering frontline services and delivery of further savings. Phase three is planned for 2018/19, with an ongoing review of support services and planned savings of £800,000. Although the exact savings figure for phase two will not be established until the final vacant roles are recruited, we do not have any significant concerns regarding achievement of the savings targets. Good progress has been made on key technology projects to align the two councils. During the year the Customer First; Homes First and Neighbourhood First brands were launched. A new joint website and intranet were also delivered. Delivery of the transformation is being managed within the £6.8m budget and overall the £2.8m of savings for JTP Phases 1 and 2 are on track to be achieved. Challenges within the programme are known and being managed to ensure successful delivery of the overall programme goals. The Programme has a clear governance structure led by a Programme Board and regular meetings. We note that the savings targets currently only include staff costs. A number of other savings are expected by the councils but are not included in the MTFS expectations, as they cannot yet be quantified.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances (continued)	As above.	**Major project for the enhancement of the current Devonshire Park Complex** The Council has embarked on a major project to significantly improve the Devonshire Park complex. The project includes restoring the Devonshire Park Theatre, Winter Garden and Congress Theatre, demolishing the existing Congress suite buildings and Devonshire Park pavilions and creating a new reception building, and improvements to the International Tennis Court. When it is fully operational, the investment will provide an opportunity to manage the site as a single entity, as currently the functions of the theatres, catering and events are all managed as separate units within the Tourism and Enterprise Directorate. The project is being funded by a combination of borrowings and capital receipts. Construction is currently in line with the construction programme agreed in the main contract, with completion expected by March 2019 and opening in spring 2019. The project needed a budget increase in 2017/18 and an increase of £4.360 million capital expenditure in 2018/19 was agreed by Cabinet in March 2018. **Redevelopment of the Sovereign Centre leisure facilities** In 2016/17 Cabinet approved the construction of a new leisure centre to replace the current Sovereign Centre, and to include £24.48 million in the capital programme to fund construction. The objective of the project is to secure a new centre to meet the needs of residents and visitors while reducing the current annual cost. The procurement process to select an operator for the new Sovereign Centre commenced in May 2017 but the Council subsequently discontinued the process after having considered alterative options. In July 2018, Cabinet approved a revised design for the new centre and the budget was increased to £28.3 million for construction, professional fees, framework costs, surveys and other enabling costs. This estimate includes provision for contingency and inflation and debt charges while the centre is under construction. The net cost to the Council under the revised plans, after debt costs, are estimated to be lower than the current annual cost.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances (continued)	As above.	The MTFS does not currently assume any net saving from the scheme, although it also does not allow for any growth in the cost of the service. Management is currently seeking further advice on the optimal financial structure for a new operator contract. **Joint housing investment partnership with Lewes District Council** Aspiration Homes was incorporated in June 2017 as a Limited Liability Partnership with Lewes District Council, with the primary purpose of delivering new affordable housing. In February 2018, Cabinet approved a loan facility of £10 million from the Council to Aspiration Homes to enable it fund its development costs. An initial programme to develop new sites has been agreed and in July 2018 Cabinet approved the allocation of £6.9 million to fund these projects. This would leave £3.1 million of the initial loan facility available for further affordable housing development opportunities. The loans would be secured against the property assets of Aspiration Homes and interest paid to the Council by Aspiration Homes will be credited to the General Fund. The Council will need to borrow to cover these loans but management has assessed that the cost of servicing any such new general fund borrowing will be less than the interest payments received from Aspiration Homes, generating a net income stream for the Council. The new housing will also assist the Council in meeting its wider economic and regeneration aims and address housing need. The Council has a housing strategy feasibility budget of £200,000 for site assessments related to housing development in respect of Aspiration Homes Limited and the Council's other housing subsidiaries. **Joint venture for energy and sustainability** The Council has set up a procurement and delivery framework, called Clear Futures. It was developed jointly with Lewes District Council in a contractual joint arrangement with Robertson Capital Projects Limited and AECOM Limited, who were approved as the preferred bidders during the procurement process in 2017/18.

USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
Sustainable finances (continued)	As above.	The aim is to deliver a range of innovative developments to meet environmental ambitions whilst also ensuring resilience against future energy and sustainability. Management expects the joint venture to offer significant advantages in accelerating the delivery of projects, as a low risk option for the Council. In July 2017, Cabinet also approved the setting up of a new Joint Board for Energy & Sustainability combined with Lewes District Council, which will be overseen through a "Strategic Partnering Agreement". The development of future new homes by Aspiration Homes Limited and the development of the new leisure centre, as reported above, will both primarily be through the Clear Futures joint venture. A new Wish Tower restaurant is also being delivered through the Clear Futures joint venture. The design development is being finalised by the architects, and a preferred contractor has been appointed. Opening of the restaurant is planned for April 2019. This also supports the Council's regeneration objectives. A pipeline of other projects for the Clear Futures joint venture is being developed. **Conclusion** We are satisfied that the MTFS takes accounts of the investment costs associated with the Council's major transformational projects, and once these scheme are further established, management should be in a better place to forecast all of the associated savings going forward.

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Governance Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Our audit identified two material misstatements, which management has agreed to amend in the final financial statements:

- £13.262 million overstatement of net cost of services income and expenditure as a result of incorrectly accounting for recharges to Lewes District Council under the Joint Transformation Programme on a gross basis instead of on a net basis as appropriate for a joint operation
- £3.904 million overstatement of council dwellings due to incorrect indexation applied at 31 March 2018, as the market did not move in the way that the valuer forecast prior to year end.

These adjustments will decrease the surplus on provision of services by £3.904 million but will not have any impact on the general fund balance as capital adjustments are reversed out to unusable capital reserves.

We also identified a material misstatement in the capital commitments disclosure, which management has agreed to amend in the final financial statements.

UNADJUSTED AUDIT DIFFERENCES

Our audit identified one unadjusted audit difference this year, which when combined with the effect of a rolled forward prior year unadjusted misstatement, would increase the surplus on provision of services by £462,000, if corrected. You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement, although we also request that you correct the current year audit difference even though not material.

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APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		STATEMENT OF FINANCIAL POSITION	
		DR	CR	DR	CR
	£'000	£'000	£'000	£'000	£'000
Surplus on provision of services before adjustments	(5,667)				
DR Opening general fund reserves				61	
CR Expenditure	(61)		(61)		
(1) *Impact of brought forward unadjusted misstatements (net understatement of expenditure in the prior year meaning an overstatement of expenditure in the current year; this could not be corrected in the current year by way of a prior year adjustment as it is not material)*					
DR Property, plant and equipment: Other land and buildings				401	
CR Expenditure (all services)	(401)		(401)		
DR General fund				401	
CR Capital adjustment account					(401)
(2) *Potential understatement of land and buildings valued on an existing use basis as a result of not applying any indexation for the year (estimated misstatement)*					
TOTAL UNADJUSTED AUDIT DIFFERENCES	(462)	-	(462)	863	(401)
Surplus on provision of services if adjustments accounted for	(6,129)				

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Other deficiency in internal control

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Service level agreements	Internal Audit raised a recommendation that service level agreements should be created to verify the split of salaries between the Council and Lewes District Council. Income and expenditure may be misstated if there is not sufficient clarity around agreed recharges.	Management should ensure implementation of that Internal Audit's recommendation that service level agreements should be created to verify the split of salaries between the Council and Lewes District Council.	Delegated authority has been given to the Deputy Chief Executive (DCE) to allocate cost as deemed appropriate. As the process of transition for JTP2 is still underway, it is not possible to determine the final allocation of costs between the authorities. The interim costs have been shared on a 50/50 basis in most cases ensuring that neither authority is in a worse financial position than before shared services was implemented. The budget realignment process is virtually completed and once the final costs are known a document will be drawn up for each service identifying how costs are to be shared and submitted to the DCE for formal approval.	Head of financial Services	September 2018

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Property demolitions	Our audit found that three buildings with a total net book value of £98,000 had been demolished but not removed from the fixed asset register or the accounts. We also found that the number of garages recognised as disposals in the fixed asset register and draft accounts was 42, instead of actual disposals of 42, with the result that other land and building were overstated by £127,000 There is a risk of material misstatement in the accounts if information on asset disposals and demolitions is not provided to Finance on a timely basis.	Controls should be strengthened such that all property disposals and demolitions are notified to the finance team on a timely basis.	For the 2018/19 final accounts, the Head of Property will be asked to confirm all disposals and demolitions.	Head of financial Services	March 2019

APPENDIX III: MATERIALITY

MATERIALITY - COUNCIL

	FINAL	PLANNING
Materiality	£2,100,000	£2,000,000
Clearly trivial threshold	£42,000	£40,000

Planning materiality of £2 million was based on 2% of gross expenditure, using prior year gross expenditure.
We have increased our final materiality level by £100,000, as a result of an increase in gross expenditure this year.

MATERIALITY - GROUP

	FINAL	PLANNING
Materiality	£2,200,000	£2,000,000
Clearly trivial threshold	£44,000	£40,000

Planning materiality of £2 million was based on 2% of gross expenditure, using prior year gross expenditure.
We have increased our final materiality level by £200,000, as a result of an increase in gross expenditure this year.

APPENDIX IV: INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2018.

Details of services, other than audit, provided by us to the Council and the Group during the period and up to the date of this report were provided in our Audit Plan. We understand that the provision of these services was approved by the Audit and Governance Committee in advance in accordance with the Council's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2017/18 FINAL PROPOSED £	2017/18 PLANNED £	2016//17 FINAL £	COMMENTS
Code audit fee	67,781	67,781	67,781	
Fee for reporting on the housing benefits subsidy claim	11,310**	11,310	20,000*	*This is an estimated fee for 2016/17 against the planned fee of £11,310 included in our Audit Plan, as our work on the benefits subsidy claim is in progress. We will discuss our cost over-runs and proposed additional fees with management when our work is complete, and report back to the Audit and Governance Committee on the agreed position. Additional fees are also subject to agreement by Public Sector Audit Appointments Limited. ** The fee for 2017/18 will depend on whether or not issues occurring in respect of the 2016/17 claim re-occur in the 2017/18 claim, and could be impacted by any other issues that may arise.
TOTAL AUDIT AND CERTIFICATION FEES	**79,091**	**79,091**	**87,781**	
Fees for reporting on other government grants: Pooling of housing capital receipts return	1,500	1,500	1,500	
Fees for other non-audit services	-	-	-	
NON-AUDIT ASSURANCE SERVICES	**1,500**	**1,500**	**1,500**	
TOTAL ASSURANCE SERVICES	**80,591**	**80,591**	**89,281**	

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

TO BE TYPED ON CLIENT HEADED NOTEPAPER
BDO LLP
55 Baker Street
London
WIU 7EU

[Date]

Dear Sirs

Financial statements of Eastbourne Borough Council for the year ended 31 March 2018

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2018 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Deputy Chief Executive and Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2018 and of its income and expenditure and cash flows for the year then ended 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date, other than those which have already been disclosed in the 'Events after the reporting period' note to the financial statements, which either require changes to be made to the figures included in the financial statements or to be disclosed in the note. Should any material events of this type occur, we will advise you accordingly.

APPENDIX V: DRAFT LETTER OF REPRESENTATION

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We note the unadjusted items you identified. We consider the potential and actual differences to be immaterial in the context of the financial statements taken as a whole.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable:

(a) Pension fund

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of inflation (RPI): 3.4%
- Rate of increase in salaries: 2.8%
- Rate of increase in pensions: 2.4%
- Rate of discounting scheme liabilities: 2.6%
- Take up option to convert the annual pension into retirement grant:
  - Pre 31 March 2008: 50%
  - Post April 2008: 75%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

(b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

We confirm that the valuations, including desktop valuations, applied in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and are not materially misstated at year end. In particular, we are satisfied that:

- Council dwellings are based on existing use prices discounted for social housing
- Specialised operational land and buildings where there is no market based evidence of current value are based on rebuild index prices
- Non-specialised operational land and buildings are based on existing use prices.

We are satisfied that investment properties have been appropriately valued at fair value, based on highest and best use.

(c) Allowance for non-collection of receivables
We are satisfied that the impairment allowances for council tax receivables, business rates receivables and housing benefit overpayments are reasonable, based on write-off rates or collection rate data.

(d) NDR Provision
We are satisfied that the provision for NDR is reasonable.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

APPENDIX VI: DRAFT LETTER OF REPRESENTATION

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Alan Osborne

Deputy Chief Executive (Chief Finance Officer)

[Date]

Councillor Swansborough

Chair of the Audit and Governance Committee

Signed on behalf of the Audit and Governance Committee

[Date]

APPENDIX VII: AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing all necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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