Lewes District Council

Statement of Accounts 2017/18

Contents

Introduction

Welcome to Lewes District Council's Statement of Accounts for 2017/18.

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

The Key Accounting Standards and Statements

The Council has followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the UK 2017/18 (the 'Code') in putting together the Statement of Accounts for 2017/18. The accounts present a true and fair view of Lewes District Council's financial position for the financial year ended 31 March 2018. The Council's accounting policies are outlined in this document and have been fairly and consistently applied. Proper and up to date accounting records have been kept and all reasonable steps to prevent and detect fraud and other irregularities have been taken.

The Deputy Chief Executive is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal control can be relied on to produce an accurate Statement of Accounts. His statement of assurance for 2017/18 appears on page 110 of this document.

The Core Financial Statements

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

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

Introduction

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

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

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

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

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

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

Narrative Report

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

- understand the financial position of Lewes District Council both at the end of the 2017/18 financial year and looking to the future;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- be assured that the financial position of the Council is sound and secure.

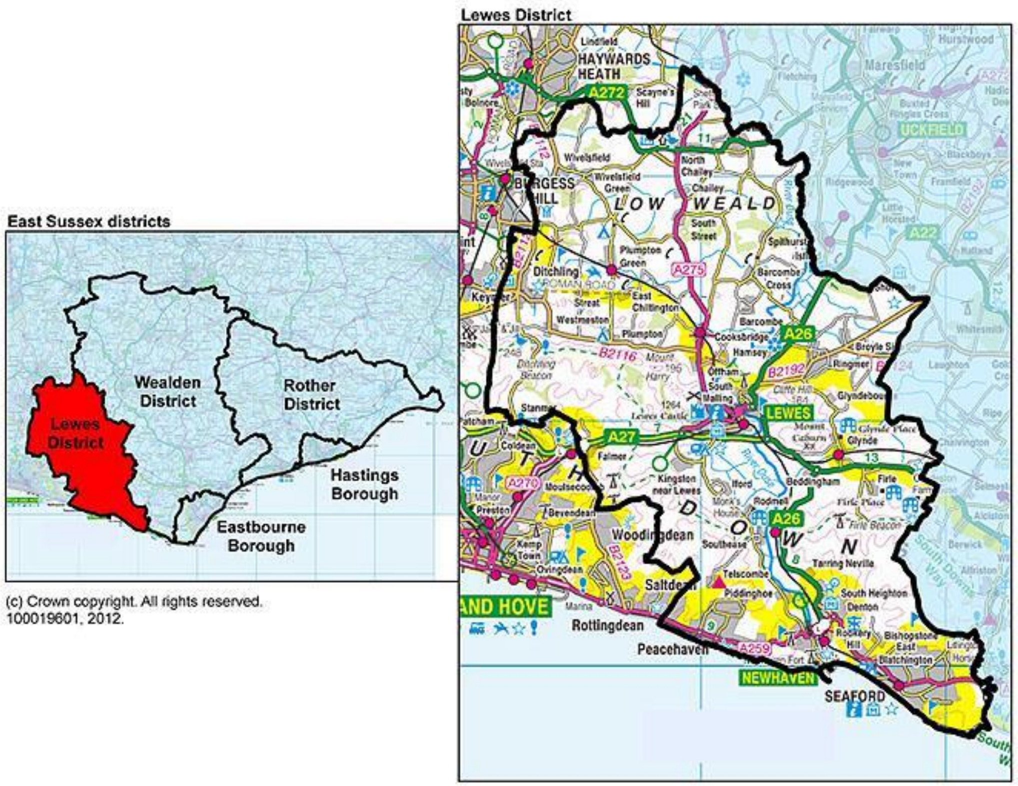
The Accounts and Audit Regulations 2015 came into force on 1 April 2015 setting out requirements that local authorities must follow when preparing and publishing their annual accounts. These regulations require the Council to publish draft accounts by 31 May. Members of the public can then inspect the draft accounts (and supporting documents) and raise any questions or concerns with an independent auditor. The Council must publish audited accounts by 30 July. The Council failed to publish its 2017/18 audited accounts by this date as a result of the late receipt from its external valuer of the revaluations of council property which are required to state the correct balance sheet values at 31 March 2018 and to record in other statements and notes to the accounts the correct movements in property values during the 2017/18 financial year.

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

- An Introduction to Lewes District
- Some key facts
- How the Council operates
- The 2017/18 Revenue Budget Process
- Financial Performance of the Council 2017/18 – Revenue spending
- Financial Performance of the Council 2017/18 – Capital spending
- Non-Financial Performance of the Council 2017/18
- Corporate Risks
- Future Plans

An Introduction to Lewes District

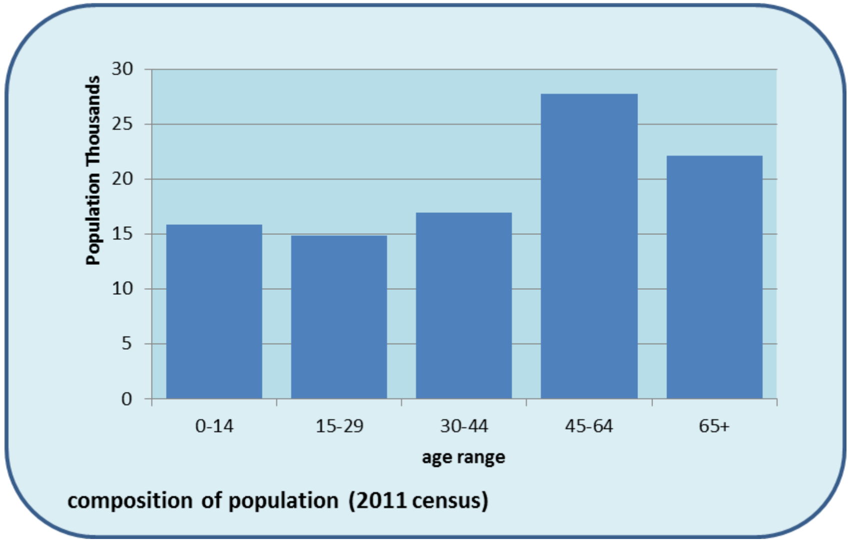
Lewes District Council is one of five district and borough councils in East Sussex, each providing similar services on behalf of their residents. These services include rubbish and recycling collections, environmental health, tourism, leisure and amenities, planning and collection of council tax. Unlike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



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

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

Some key facts



Lewes DC has a population of 97,500 (2011 census). 77% of residents live within the five urban areas of Lewes, Newhaven, Peacehaven, Seaford and Telscombe Cliffs/East Saltdean. The rest live in our 23 rural parishes. Our population is projected to grow by 14% by 2031. Life expectancy is higher than the East Sussex average. Around 21% of people are living with a limiting long-term illness or disability and 19% have a disability, with both ratios likely to rise over the next decade or so. There is a higher than average occurrence of ill-health and mental health issues (including dementia) in some of our coastal communities.

We benefit from an entrepreneurial economy with self-employment being a significant feature of our district, representing 20% of the economically active population. Over 43% of residents are employed in managerial, professional or technical roles.

Unemployment is well below the East Sussex average, as is the number of people who are economically inactive but looking for work. There is a lower than average proportion of self-employed people. Average full-time weekly earnings are £527, lower than the average for South East England (£590).

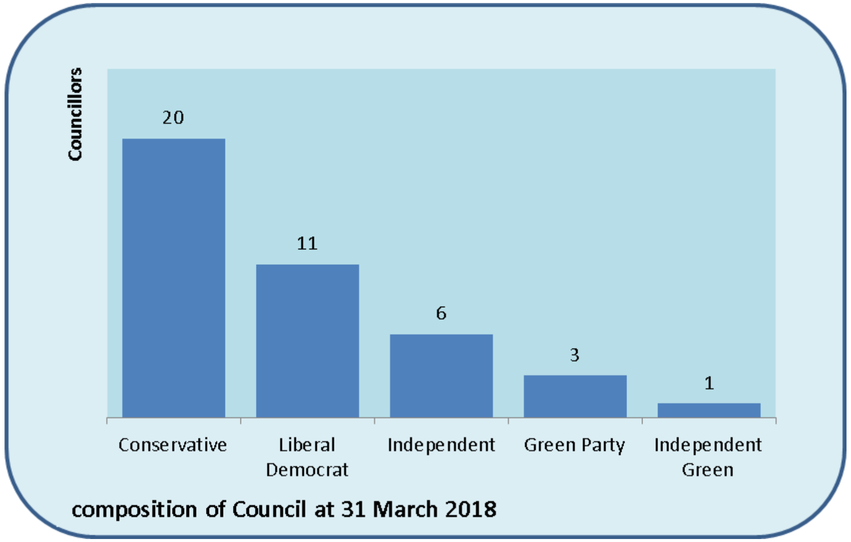
Micro-businesses (between 1 and 10 employees) account for 90% of all local businesses, which is the average for the region.

How the Council operates

Lewes DC is a complex organisation. Elected councillors direct our policies, which the Corporate Management Team (shared with Eastbourne Borough Council) then implements through the officers of the Council. There are 41 councillors representing 21 wards within the district. Full Council elections take place every four years, most recently in May 2015. The Conservative Party is the controlling political group, with 20 councillors.

All councillors meet together as the Council. Meetings of the Council are normally open to the public. Here councillors decide the Council's overall policies and set the budget each year. The Council appoints the members of the Scrutiny Committee and all other council committees – for example, the Audit and Standards Committee and the Planning Applications Committee. The Council considers recommendations made to it by the Cabinet and the Scrutiny Committee as to any changes in policy which might need to be made.

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



At 31 March 2018, Cabinet members were:

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

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

Councillor Bill Giles – Cabinet Member for Finance

Councillor Paul Franklin – Cabinet Member for Waste and Recycling

Councillor Tom Jones – Cabinet Member for Planning

Councillor Isabelle Linington – Cabinet Member for Environmental Impact

Councillor Ron Maskell – Cabinet Member for Housing

Councillor Tony Nicholson – Cabinet Member for Customers and Partners

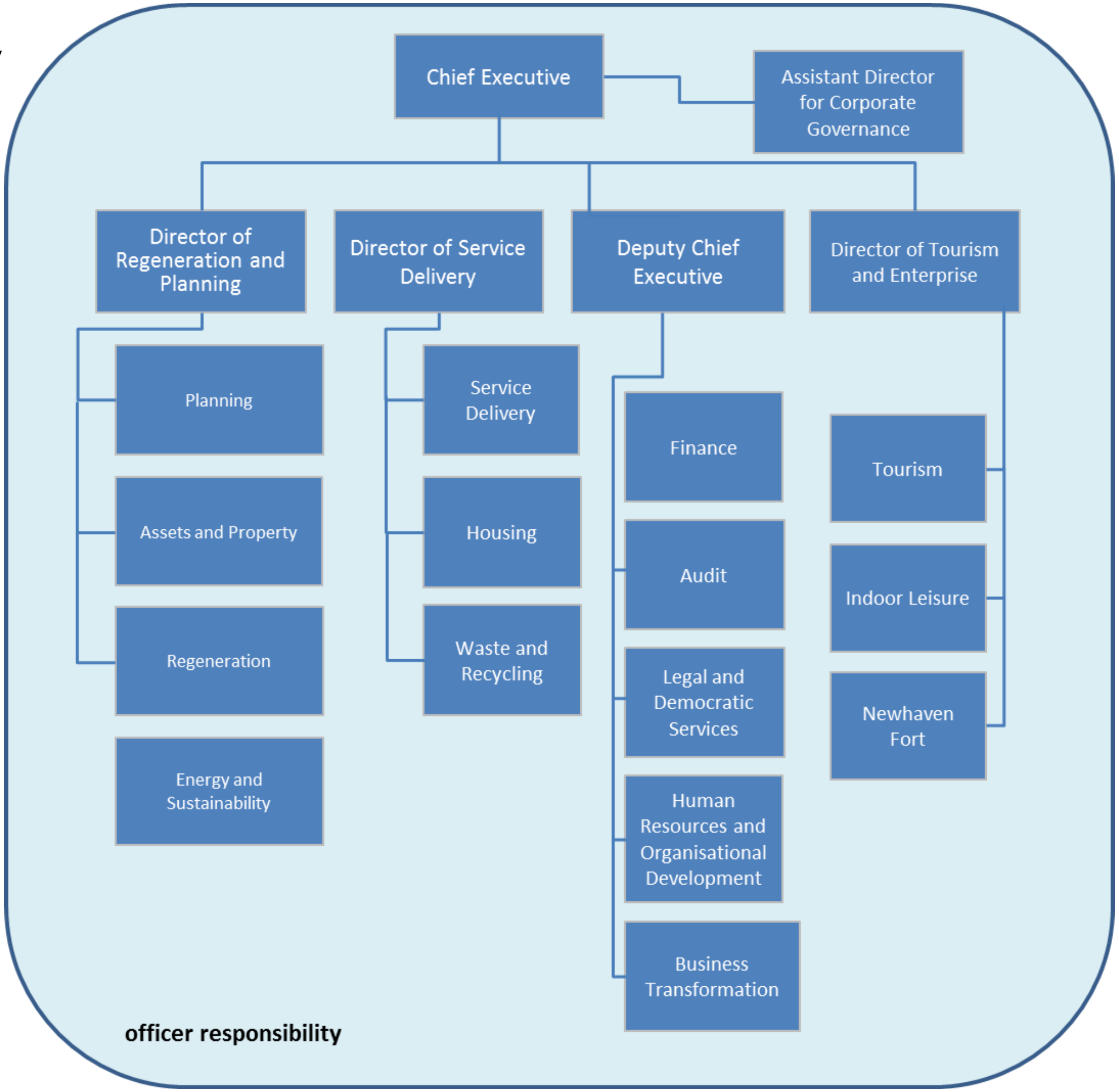
The Leader of the Council is responsible for discharging most day-to-day decisions, although the Leader may decide to delegate his/her powers to the Cabinet as a whole, to another individual member of the Cabinet, to a sub-committee of the Cabinet or to an officer.

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

A member of the Minority Group chairs the Scrutiny Committee.

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

The Chief Executive holds the statutory post of Head of Paid Service. The Council also appoints a Chief Finance Officer (Alan Osborne, Deputy Chief Executive) and Monitoring Officer (Catherine Knight, Assistant Director of Legal and Democratic Services) as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. Both of these officers are part of CMT, ensuring that the key statutory officers are represented at the most senior level of the Council.



Lewes DC is engaging in a Joint Transformation Programme (JTP). Under the JTP we are integrating our staff and services with Eastbourne Borough Council (EBC) to provide more flexible, customer-focussed and cost-effective services. Together, both councils will roll out smarter technology and smoother business processes enabling us to serve customers as speedily and efficiently as possible. Local democratic accountability will be maintained – the elected Councils will remain separate and set their own priorities. Over time, all services will be delivered by a joint workforce. Cabinet approved the three phase delivery of the Programme, Phase 1 commenced in September 2016, Phase 2 commenced in April 2017 and the timeframe for Phase 3 will be determined in Spring 2018. Activity within 2017/2018 centred on Phase 2 of the Programme, which aims to create joint teams to deliver the majority of public facing services. The Phase 2 recruitment process concluded at the end of November 2017 following over 400 interviews. This process was followed by activity to plan the mobilisation and transition for the new teams with all newly appointed staff moving into their new posts from 1 January 2018. In line with the councils' duty to minimise redundancies, to safeguard continuity of employment where possible, the number of compulsory redundancies resulting from Phase 2 was limited to 4. The remaining Phase 2 transitions will take place over the coming months and will conclude during 2018/19.

The JTP will deliver considerable changes in technology that will enable the scale of transformation needed by the councils. In 2017/2018 the migration of staff to a new IT network has been completed. A new joint website (www.lewes-eastbourne.gov.uk) was launched in November 2017and continues to develop and become the main point of contact for many customers. Initial results indicate an increase in the number ofonline transactions being completed; this demonstrates a positive direction of travel towards channel shift and the aspiration to be digital by default;

EBC became the sole employer for both councils on 1 February 2017, with the majority of this Council's staff transferring on that day. Staff in one team (Legal) have not transferred to EBC and the Council continues as their employer.

The Council reimburses EBC for the whole cost of employing those staff who transferred and are engaged solely in this Council's service provision. The cost of shared management or service delivery posts is apportioned between the two councils.

The scale of structural change is such that it is not appropriate to compare staff numbers between 2016/2017 and 2017/2018

Much, but not all, of the councils' policies on pay, benefits and pensions is based on the National Agreement on Pay and Conditions of Service agreed by the National Joint Council for Local Government Services. For most staff there is a nationally negotiated pay scale consisting of a large number of scale pay rates. We add a pay supplement to the national rates to reflect the higher cost of living in the South East and to keep our salaries competitive.

The Council Plan sets out our priorities and key projects covering the period 2016 to 2020. Refreshed annually (most recently in July 2017) the four year plan sets out the key outcomes the Council will deliver with its partners for our District. The Plan has been informed and developed in consultation with our residents, partners and other stakeholders. We monitor the Plan and report progress to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of our local communities. We publish the Plan on our website https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/

The 2017/18 Revenue Budget Process

The 2017/18 revenue budget process was heavily influenced by the continued need to make significant reductions in expenditure in the medium term whilst progressing Council priorities.

In December 2016, the Government released provisional details of the amounts of funding that would be available to councils in 2017/18. It confirmed that, nationally, council ‘spending power’ would reduce by an average of 1.1% compared with the previous year. Lewes DC’s reduction was 5.7%. The most significant reduction in spending power facing the Council would come as a result of the Government tailing back the Revenue Support Grant that it pays to the Council, from £0.99m to £0.37m. The Government signalled that any district council could approve a council tax increase of the higher of (a) less than 2% or (b) up to and including £5. Any proposed increase above that level would require approval by local taxpayers in a referendum.

In January 2017, the Scrutiny Committee considered the context of the 2017/18 budget setting round, including the reduction in Government funding. It noted the working assumption of a 1.9% council tax increase and the continuing need to make recurring savings in expenditure.

Cabinet met in February 2017, agreeing the core elements of the budget including a future savings plan, and proposals for the use of reserves and balances. On 23 February 2017, the Council approved the 2017/18 budget, including the amounts of Council Tax that would apply across the district, and the rent increase that would apply to council-owned homes. The Council continued with its policy of charging a general council tax applicable district-wide supplemented by an additional amount of council tax to recover ‘special expenses’. These special expenses are the cost of managing and maintaining parks and open spaces. The special expenses element of the council tax varies between towns and villages, depending on the location of each park or open space.

	2015/16	2016/17	2017/18
	£	£	£
District wide	172.11	175.41	178.74
Special expenses	17.50	15.20	16.31
Total tax requirement	189.61	190.61	195.05

Council Tax amounts (for a Band D property)

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

Narrative Report

In setting the budget, the Council also confirmed a savings plan spanning the 4 years from 2017/18 to 2020/21.

In total, the savings requirement for this period was set at £2.2m. Planned savings, categorised as delivered, deliverable or requiring significant work or investment to deliver, were valued at £2.3m, exceeding the target.

The 2020 Savings Plan	'17/18	'18/19	'19/20	'20/21	Total
	£'000	£'000	£'000	£'000	£'000
Savings Requirement	**641**	**913**	**605**	**38**	**2,197**
The plan					
Wave Leisure service fee reduction	105	104	104	105	418
Phasing out grant to Town and Parish Councils	30	30	30	30	120
Joint Transformation Programme (JTP)	300	300	300	0	900
Income generation – Commercial	0	200	0	0	200
Income generation – waste and recycling	206	0	0	0	206
Income generation - Regeneration	0	300	200	0	500
Total Savings Target	**641**	**934**	**634**	**135**	**2,344**
Surplus target over Savings Requirement	**0**	**21**	**29**	**97**	**147**

Delivered
Deliverable

In 2017/18, the JTP was expected to deliver savings of £0.3m, and £0.9m in total by 2020/21 (excluding savings to be allocated to the Housing Revenue Account, see below).

Through the year, Cabinet received Quarterly budget monitoring information, highlighting key variation, alongside performance reports setting out progress against the non-financial targets in the Council Plan.

Financial Performance of the Council in 2017/18 – Revenue spending

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

(a) Management area	(b) 2017/18 budget £'000	(c) 2017/18 actual £'000	(d) = (c)–(b) variance £'000
Director of Regeneration and Planning	361	48	(313)
Director of Service Delivery	8,209	8,515	306
Director of Tourism	663	591	(72)
Deputy Chief Executive	4,533	5,036	503
Corporate costs and income	685	1,634	949
Netting-off of reallocated costs included above	(3,303)	(3,855)	(552)
Net cost of service provision	**11,148**	**11,969**	**821**
Net Transfers to Reserves	704	601	(103)
Total cost to be financed	**11,852**	**12,570**	**718**

General Fund – budget and actual spend

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

We budgeted to spend £11.148m on services in 2017/18. The actual cost was higher than this at £11.969m, an increase against the budget of £0.821m.

A number of factors contributed to the overall saving, with additional one-off costs associated with the Joint Transformation Programme, for example, being offset by additional service income and the delivery of efficiency savings.

Important note: The Financial Performance information given on pages 11 to 15 has been prepared on a management accounting basis. It excludes technical accounting entries (e.g. in respect of General Fund depreciation, finance lease accounting) and items where the Council is acting as an agent (e.g. collecting council tax to fund Town and Parish Council precepts). As a result, amounts shown will vary from those in the formal Financial Statements set out on page 24 onwards which are prepared on a financial accounting basis. The Expenditure and Funding Analysis (page 50), in which activities are grouped in a similar but not identical way to those in the table above, identifies the adjustments between management and financial accounts. The Council's underlying financial position, including usable Reserves, is identical in its management and financial accounts.

	£'000	£'000
One-off of voluntary severance	535	
Temporary staff pending JTP transition	832	
Recharge to HRA re above	(363)	
Net increase in employee costs		1,004
Additional expenditure:		
- Recycling incl cost of rolling out co-mingled collection	368	
- JTP (net of HRA share)	439	
- Housing Benefits	283	
- Commercial and industrial premises costs	199	
- Business Rates income maximisation commission	65	
- Legal costs	97	1,451
Reduced Service income:		220
Sub-total to next column		**2,675**

	£'000	£'000
Sub-total from previous column		**2,675**
Reduced Service expenditure		
- Temporary accommodation	(64)	
- Newhaven EZone start-up	(63)	
- Other services (net)	(105)	
- Reserve funded projects deferred to 2018/19	(229)	(461)
Increased service income		
- Specific Government Grants and contributions net of use	(340)	
- Waste Collection incl Green Waste	(189)	
- CIL administration cost share	(132)	
- Car Parking	(59)	
- Taxi Licensing	(56)	
- Other services	(188)	(964)
Service Priority, transition and capital finance budgets not called on		(429)
Net cost of Service provision		**(821)**

General Fund variations against budget 2017/18

The £0.103m reduction in the net amount transferred to Reserves shown in the table on page 11 comprises £0.740m additional transfers into Reserves (primarily the result of transferring resources between the revenue budget and capital programmes to match expenditure and the transfer of Government grants received in 2017/18 ahead of future years' spending) offset by £0.843m increased use (primarily due to the costs associated with the JTP programme and rollout of a co-mingled recycling service).

Ref	Reserve	Balance at 1 April 2017	Contribution/ transfer 2017/18	Use 2017/18	Balance at 31 March 2018
		£'000	£'000	£'000	£'000
1	Strategic Change	(3,668)	(2,711)	3,029	(3,350)
2	Asset Maintenance	(2,591)	(343)	266	(2,668)
3	Vehicle and Equipment Replacements	(2,591)	772	374	(1,445)
4	Economic Regeneration	(274)	(80)	54	(300)
5	Revenue Grants and Contributions pending use	(400)	(191)	195	(396)
6	Unallocated Reserve	(2,288)	(31)	0	(2,325)
7	**General Fund total**	**(11,812)**	**(2,584)**	**3,918**	**(10,478)**

General Fund Reserves 2017/18

At the end of March 2018, the total amount held in General Fund Reserves was £10.478m. All but £2.325m has been committed as funding for specific initiatives that will take place in future years including the JTP; the replacement of vehicles and equipment at the end of life; or major cyclical property works e.g. the replacement of a swimming pool tank.

The General Fund's most significant sources of funding are from the Council Tax, Government Grants and Business Rates. Business Rates are shared with the Government, East Sussex County Council and East Sussex Fire Authority under a complex national 'retention' mechanism. In order to smooth the impact of business rates movements between years, we set aside in the Strategic Change Reserve £1.3m of business rates income received in 2017/18, including Government grants to compensate the Council for national relief schemes.

(a)	**(b) 2017/18 Budget £'000**	**(c) 2017/18 Actual £'000**	**(d) =(c) – (b) Variance £'000**
Retained Business Rates	(1,331)	(1,572)	(241)
Non-specific Government Grants	(3,165)	(3,673)	(508)
Council Tax	(7,356)	(7,356)	0
Total Financing	**(11,852)**	**(12,601)**	**(749)**

General Fund financing variations 2017/18

The overall net surplus between costs to financed (£12.570m) and available financing (£12.601m) is added to the General Fund Unallocated Reserve.

		£'000
Increased income from rents, contributions and interest		(90)
Increased expenditure:	- employees including support services	112
	- allowance for uncollectable rents	36
Reduced expenditure:	- repairs and replacements	(171)
	- grounds maintenance, cleaning, environmental enhancements	(48)
	- external advice	(95)
	- interest payments	(40)
JTP capital expenditure, employee costs and corporate recharge		1,020
Increase in contributions to Major Repairs Reserve		295
Miscellaneous net variations		(86)
Total variation		**933**

Housing Revenue Account variations against budget

The HRA financial performance for 2017/18 was a £0.933m net cost, compared with a break-even position projected at the time that the Council approved the budget, excluding an appropriate share of costs associated with the JTP project which would be made when the Council's overall JTP costs could be reasonably apportioned. That position has now been reached and an apportionment of £1.020m of all costs incurred to date was made in 2017/18. The HRA holds funding for these one-off costs within the Special Projects element of the HRA balance.

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

At 31 March 2018, we held £7.971m in HRA Reserves.

Ref	Reserve	Balance at 1 April 2017	Contribution/ transfer 2017/2018	Use 2017/2018	Balance at 31 March 2018
		£'000	£'000	£'000	£'000
1	Major Repairs Reserve	(4,934)	(5,468)	4,370	(6,032)
2	HRA Balance	(2,872)	0	933	(1,939)
3	**HRA total**	**(7,806)**	**(5,468)**	**5,303**	**(7,971)**

HRA Reserves 2017/18

Financial Performance of the Council in 2017/18 – Capital spending

Capital programme spending relates to the major repair, enhancement, construction or purchase of long-term property assets such as land, buildings and vehicles. The Council's Capital Programme is an allocation of financial resources (principally capital receipts from selling assets, grants or contributions received with specific conditions attached, and reserves) to these projects. In many cases these projects will span financial years, from initial design through to final completion.

	HRA housing £'000	Non-HRA housing £'000	General Fund £'000	Total £'000
Original allocation for year	5,681	975	8,023	14,679
Variations agreed in year including allocations c/fwd from 2016/17	3,862	509	6,708	11,079
Final allocation for the 2017/18 year and beyond	**9,543**	**1,484**	**14,731**	**25,758**
Less: Actual spend in 2017/18	(4,783)	(759)	(4,013)	(9,555)
Remaining allocations to be used in 2018/19 and beyond	**4,760**	**725**	**10,718**	**16,203**

Capital Programme 2017/18

In the year, the Council agreed increases in the Capital Programme which included £1.5m for the redevelopment of the Saxonbury site in Lewes (HRA) and £5.0m for loans to Lewes Housing Investment Company (LHIC) and Aspiration Homes (AH). LHIC is wholly-owned by the Council, and the Council owns a 50% share in AH, with Eastbourne BC owning the remainder.

We spent £9.555m in total in the year. HRA spending included £4.354m on major repairs and improvements to homes. The major elements of General Fund spending were £0.994m on the Joint Transformation Programme and £0.760m on vehicles and bins required for a new method of operating the domestic Recycling Service.

Reserves constituted the largest single source of finance. We left £0.939m unfinanced, using our ability to borrow for capital projects provided it is prudent and affordable to do so.

	£'000
Unfinanced (Borrowing to be repaid)	939
Capital Receipts	397
Reserves	6,336
Capital Grants	893
Developer and CIL Contributions	211
Other Capital Contributions	106
Capital Expenditure Financed from Revenue	673
Total	**9,555**

Capital programme financing 2017/18

Non-financial Performance of the Council in 2017/18

Lewes DC's financial performance does not stand alone from service delivery. The Council has an annual cycle for the preparation, implementation and monitoring of its business plans and budgets. This cycle enables us regularly to review the Council's work, and the targets it sets for performance, to ensure these continue to reflect customer needs and Council aspirations. . It is important to monitor and assess progress and performance on a regular basis, to ensure the Council continues to deliver priority outcomes and excellent services to its customers and communities.

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

A full report on the Council's progress and performance in respect of key projects and targets for 2017/18 can be found here. http://democracy.lewes-eastbourne.gov.uk/documents/s7847/Portfolio%20progress%20and%20performance%20report%202017-18%20-%20quarter%204.pdf

A brief summary is set out below and in the pages that follow.

In 2017/18:

- 14 of the Council's 18 key projects were either completed or on track at the end of the year. There are no serious project delays which constitute a serious risk to the Council
- 72% of the Council's performance targets were either met, exceeded or within acceptable levels during the year as a whole
- 6 performance indicators did not meet their targets

Delivery of key projects 2017/18

Regeneration and Business portfolio

- Key milestones achieved in the **Newhaven Enterprise Zone** include refurbishing 5,000m² of existing floorspace. This is around 1/3 of our target for the whole 25-year lifespan! £8m-plus of new private sector investment was attracted and 2,000m²-plus of new commercial floorspace was opened and a further 5,000m² is under construction.
- The **LEAP** business programme also had a number of highlights: 23 candidates attended business start-up training, 7 of whom have started up a business in the district with more expected to follow shortly.

People and Performance portfolio

- As part of the **Joint Transformation Programme**, in 2017/18 the Customer First; Homes First and Neighbourhood First brands were launched. A new joint website and intranet were also delivered. Report It Lewes & Eastbourne - an app to facilitate and speed up the reporting of environmental issues such as littering and dog fouling -launched across both the borough and district in February 2018.

Environmental Impact portfolio

- **Clear Ventures (the Joint Venture for Energy and Sustainability)** was set up in 2017/18 and has started its first LDC project: Springman House.
- **Co-mingled recycling** was introduced and is having a positive effect on recycling rates in the district.

Housing portfolio

- 22 new homes were delivered under the **Local Growth Fund** and research into rural housing options was undertaken.

Planning portfolio

- Neighbourhood Plans: The Plumpton neighbourhood plan and the Ditchling, Streat & Westmeston plan was adopted in 2017/18.

Key performance indicators 2017/18

KPI Description	2017/18 Target	Performance in 2017/18	Status
Average working days lost due to sickness per FTE equivalent staff	9.0	10.12	
Percentage of invoices paid on time	98.0%	95.1%	
Percentage of Council Tax collected during the year	98.0%	98.23%	
Percentage of Business Rates collected during the year	98.5%	98.6%	
Number of households living in temporary accommodation	65	80	
Percentage of rent collected during the year	95.0%	98.32%	
The number of days taken to process new housing/council tax benefit claims	20	19	
Total number of days that families need to stay in emergency (nightly paid) accommodation	15	0	
Total number of households living in emergency (nightly paid) accommodation	15	9	

KPI Description	2017/18 Target	Performance in 2017/18	Status
Average number of days to re-let LDC Council homes (excluding temporary lets)	25	23	
Overall tenants' satisfaction	90%	84.32%	
Percentage of minor planning applications determined within 8 weeks (LDC/SDNP combined)	75%	81.90%	
Percentage of all planning appeals allowed (officer/committee decisions)	33%	50.0%	
Wave Leisure: Visitors to leisure centres	945,000	949,281	
Average time taken to answer telephone calls	30 secs	52 secs	

The performance indicators above 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 Council's 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.

Corporate Risks

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

Our most recent Strategic Risk Register (2017/18) identifies 9 key risks listed below along with a brief description.

- *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.

- *Changes to the economic and financial environment makes the Council economically less sustainable.*

  1. Economic development of the district suffers. 2. Council objectives cannot be met.

- *Unforeseen socioeconomic and /or demographic shifts creating significant changes in 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.

- *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.

- *Not being able to sustain a culture that supports organisational objectives and future*

  1. Decline in performance.2. Higher turnover of staff.

- *Council prevented from delivering services for a prolonged period of time.*

  1. Denial of access to property (including plant and equipment) 2. Denial of access to technology/information 3. Denial of access to a significant contract or partnership.

- *Council materially impacted by the effects of an event under the Civil Contingencies Act*

  1. Major incident caused by fire, flood or other disaster resulting in homelessness, disruption to Council services and local business community. 2. Service profile of the Council changes materially as a result of the impact of the event. 3. Cost profile of the Council changes materially as a result of the impact of the event.

- *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 Protection and Safeguarding. 7. Entering into contracts etc. without having adequate finance in place.

- *Commercial enterprises and new significant joint ventures 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.

Details of all these key risks and the mitigations that are in place can be found in the Report on Risk Management which the Audit and Standards Committee received on 19 March 2018 https://lewes.cmis.uk.com/cmis5/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/505/Meeting/748/Committee/192/Default.aspx

Future Plans

The General Fund budget for 2018/19 and the Medium Term Financial Strategy for the years through to 2021/22 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 2021/22. In our modelling we took into account the potential impact of inflation, pay and pension changes, as well as the delivery of the Joint Transformation Programme. We updated our savings target accordingly. Over the four year period to 2021/22, the General Fund savings requirement is now £1.764m in total. Our savings target is £1.833m of which £1.0m is to come from the Joint Transformation Programme.

In October 2015, the Government announced that by the end of the 5-year Parliament, local authorities would be able to keep 100% of the business rates that they raise locally. This represents a fundamental change in the way that local government is financed. In order to ensure that the reforms would be fiscally neutral, the main local government grants would be phased out and additional responsibilities devolved to local authorities.

	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**
Recurring Net Expenditure	10,777	11,167	10,828	10,978
Inflation	225	246	276	276
Total Budget Requirement with inflation	**11,002**	**11,413**	**11,104**	**11,254**
Savings targets (corporate)	(700)	(585)	(126)	(19)
Base Contribution to Reserves	865	0	0	0
Sub-total	**11,167**	**10,828**	**10,978**	**11,235**
Non-recurring items				
New Homes Bonus contribution to Reserve	649	490	323	224
Net Budget Requirement	**11,816**	**11,318**	**11,301**	**11,459**
Financed by:				
Council Tax	(7,568)	(7,669)	(7,853)	(8,041)
Retained Business Rates	(3,219)	(2,819)	(2,819)	(2,919)
Government Grants	(1,029)	(830)	(629)	(499)
Sources of Finance	**(11,310)**	**(11,318)**	**(11,301)**	**(11,459)**

General Fund Medium Term Finance Strategy projections

The draft legislative framework necessary to implement 100% business rates retention fell when the 2017 General Election was called and has not yet been re-introduced. However, in December 2017, the Government announced its intention to introduce at least 75% business rates retention in 2020/21 (a year later than planned). Alongside this, the Government is carrying out a local government 'Fair Funding Review' and stated that it was 'working towards an implementation date for the review of 2020/21 while keeping this under review as work progresses'. We are, therefore, carrying out our medium-term financial planning the context of significant uncertainty.

2018/19 is the third year in the four-year period across which the Government requires local authorities to reduce housing tenants' rents by 1% annually. This reduces HRA income by £0.15m each year or £3.8m in total in real terms over the period.

In 2016 the Government legislated to require every local housing authority to pay an annual levy, with the amount equal to the potential sale proceeds from selling higher value homes each year. This legislation is yet to be implemented and may no longer be a priority for the Government. We will update our 30-year housing business plan by June 2018 to reflect changes in costs and income that we can be most certain about, giving us a firm platform to model the impact of any changes to either resources or service delivery that the Government may announce: a Social Housing Green Paper is expected to be published in Summer 2018.

We are continuing to allocate significant amounts in our Capital Programme, which (as at June 2018) has a total value of £49m in 2018/19. Of particular importance are loans to facilitate housing investment by our related companies, regeneration schemes and the acquisition of commercial property to generate rent income in support of the budget.

	2018/19 £'000		**2018/19 £'000**
New Homes	3,027	Borrowing	34,976
Improvements to Council homes	6,601	Capital Receipts from asset sales	547
Recreation and play areas	94	Reserves	10,619
Conversions to increase capacity	532	Capital Grants	1,837
Total HRA Investment	**10,254**	Developer and Other Contributions	440
Private Sector Housing Support	245	General Fund Revenue contribution	188
Disabled Facilities Grants	1,534	HRA Revenue contribution	361
Total Private Sector Housing investment	**1,779**		
Loans for housing development	20,000		
Regeneration projects	6,271		
Commercial Property acquisition	5,233		
Commercial Property improvement	1,054		
Property Assets Major Works	1,441		
Waste and Recycling Service	1,111		
Vehicle, plant, equipment, IT replacement	506		
Parks, recreation and play areas	581		
Coastal defence, flood alleviation and air pollution projects	426		
Joint Transformation Programme	212		
Total General Fund Investment	**36,935**		
Total spending allocation	**48,968**	**Total Financing**	**48,968**

Capital Programme 2018/19

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	**(2,062)**	**(10,096)**	**(2,872)**	**(5,248)**	**(4,933)**	**(2,099)**	**(27,310)**	**(210,164)**	**(237,474)**
Movement in Reserves during 2017/18									
Total comprehensive income and expenditure	2,419	0	856	0	0	0	3,275	(14,929)	(11,654)
Adjustments between accounting basis and funding basis under regulations (Note 10 page 59)	(1,091)	0	77	(240)	(1,099)	(1,437)	(3,790)	3,790	0
Net increase or (decrease) before transfers to earmarked reserves	**1,328**	**0**	**933**	**(240)**	**(1,099)**	**(1,437)**	**(515)**	**(11,139)**	**(11,654)**
Transfers from earmarked reserves (Note 11 page 64)	(1,359)	1,359	0	0	0	0	0	0	0
(Increase) or decrease in 2017/18	**(31)**	**1,359**	**933**	**(240)**	**(1,099)**	**(1,437)**	**(515)**	**(11,139)**	**(11,654)**
Balance at 31 March 2018	**(2,093)**	**(8,737)**	**(1,939)**	**(5,488)**	**(6,032)**	**(3,536)**	**(27,825)**	**(221,303)**	**(249,128)**

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	**(2,066)**	**(10,719)**	**(2,726)**	**(7,593)**	**(2,157)**	**(100)**	**(25,361)**	**(181,142)**	**(206,503)**
Movement in Reserves during 2016/17									
Total comprehensive income and expenditure	(4,930)	0	(2,187)	0	0	0	(7,117)	(23,854)	(30,971)
Adjustments between accounting basis and funding basis under regulations (Note 10 page 59)	5,557	0	2,041	2,345	(2,776)	(1,999)	5,168	(5,168)	0
Net increase or (decrease) before transfers to earmarked reserves	**627**	**0**	**(146)**	**2,345**	**(2,776)**	**(1,999)**	**(1,949)**	**(29,022)**	**(30,971)**
Transfers to earmarked reserves (Note 11 page 64)	(623)	623	0	0	0	0	0	0	0
(Increase) or decrease in 2016/17	**4**	**623**	**(146)**	**2,345**	**(2,776)**	**(1,999)**	**(1,949)**	**(29,022)**	**(30,971)**
Balance at 31 March 2017	**(2,062)**	**(10,096)**	**(2,872)**	**(5,248)**	**(4,933)**	**(2,099)**	**(27,310)**	**(210,164)**	**(237,474)**

Comprehensive Income and Expenditure Statement

2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000		2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
5,110	(2,770)	**2,340**	Director of Regeneration and Planning	6,475	(2,778)	**3,697**
49,400	(39,827)	**9,573**	Director of Service Delivery	49,852	(40,107)	**9,745**
1,752	(173)	**1,579**	Director of Tourism	1,182	(174)	**1,008**
5,348	(239)	**5,109**	Deputy Chief Executive	5,641	(292)	**5,349**
11,699	(16,606)	**(4,907)**	Local authority housing (Housing Revenue Account)	14,788	(16,697)	**(1,909)**
1,088	(95)	**993**	Corporate costs and income	1,259	(73)	**1,186**
(2,778)	0	**(2,778)**	Corporate recharges	(3,070)	0	**(3,070)**
(2,671)	0	**(2,671)**	Material Item: Pension Service Cost Settlements	0	0	**0**
68,948	**(59,710)**	**9,238**	**Cost of Services**	**76,127**	**(60,121)**	**16,006**
4,507	(251)	**4,256**	Other operating expenditure (Note 12)	4,302	(361)	**3,941**
2,886	(994)	**1,892**	Financing and investment income and expenditure (Note 13)	2,904	(925)	**1,979**
7,872	(30,375)	**(22,503)**	Taxation and non-specific grant income (Note 14)	7,736	(26,387)	**(18,651)**
84,213	**(91,330)**	**(7,117)**	**(Surplus)/Deficit on the provision of services**	**91,069**	**(87,794)**	**3,275**
		(15,281)	Surplus on revaluation of property, plant and equipment assets (Note 22)			**(13,821)**
		(8,573)	Re-measurement of net defined benefit liability (Note 35)			**(1,108)**
		(23,854)	**Other comprehensive income and expenditure**			**(14,929)**
		(30,971)	**Total comprehensive income and expenditure**			**(11,654)**

Balance Sheet

31 March 2017 £000			31 March 2018 £000
285,706	Property, Plant and Equipment	Note 15	**294,676**
2,513	Heritage Assets	Note 16	**2,735**
9,711	Investment Property	Note 17	**9,472**
980	Intangible Assets		**1,601**
546	Long Term Debtors	Note 18	**755**
299,456	**Long Term Assets**		**309,239**
8,817	Short Term Investments	Note 18	**7,740**
97	Inventories		**78**
12,449	Short Term Debtors	Note 19	**8,724**
260	Cash and Cash Equivalents	Note 18	**3,600**
21,623	**Short Term Assets**		**20,142**
(355)	Cash and Cash Equivalents	Note 18	**0**
(4,234)	Short Term Borrowing	Note 18	**(234)**
(6,578)	Short Term Creditors	Note 20	**(8,024)**
(720)	Provisions		**(1,184)**
(11,887)	**Short Term Liabilities**		**(9,442)**
(1,384)	Long Term Creditors	Note 31	**(1,743)**
(56,673)	Long Term Borrowing	Note 18	**(56,673)**
(12,071)	Defined Pension Scheme Liability	Note 35	**(10,880)**
(392)	Other Long Term Liabilities	Note 18	**(532)**
(1,198)	Capital Grants Receipts in Advance	Note 31	**(983)**
(71,718)	**Long Term Liabilities**		**(70,811)**
237,474	**Net Assets**		**249,128**

Balance Sheet

31 March 2017 £000			31 March 2018 £000
(2,062)	General Fund Balance		**(2,093)**
(10,096)	Earmarked General Fund Reserves		**(8,737)**
(2,872)	Housing Revenue Account Balance		**(1,939)**
(5,248)	Capital Receipts Reserve		**(5,488)**
(4,933)	Major Repairs Reserve		**(6,032)**
(2,099)	Capital Grants Unapplied		**(3,536)**
(27,310)	**Usable Reserves**	Note 21	**(27,825)**
(58,774)	Revaluation Reserve		**(69,890)**
(163,341)	Capital Adjustment Account		**(161,670)**
(7)	Financial Instruments Adjustment Account		**0**
12,071	Pension Reserve		**10,880**
(546)	Deferred Capital Receipts		**(749)**
358	Collection Fund Adjustment Account		**102**
75	Accumulated Absences Account		**24**
(210,164)	**Unusable Reserves**	Note 22	**(221,303)**
(237,474)	**Reserves**		**(249,128)**

Certificate of the Responsible Financial Officer

In compliance with Part 3 regulation 9(3) of The Accounts and Audit Regulations 2015 I certify that the Statement of Accounts for the financial year 2017/18 presents a true and fair view of the financial position of Lewes District Council at 31 March 2018 and of its income and expenditure for that year.

Signed ....

Alan Osborne
Deputy Chief Executive

Date September 2018

Statutory Section 151 Officer

Cash Flow Statement

2016/17 £000		2017/18 £000
7,117	Net surplus/(deficit) on the provision of services	**(3,275)**
1,942	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements (Note 23)	**17,907**
(8,247)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities (Note 24)	**(3,991)**
812	**Net cash flows from operating activities** (Note 27)	**10,641**
(15,571)	Investing activities (Note 25)	**(3,943)**
4,482	Financing activities (Note 26)	**(3,003)**
(10,277)	**Net increase/(decrease) in cash and cash equivalents**	**3,695**
10,182	Cash and cash equivalents at the beginning of the reporting period	**(95)**
(95)	**Cash and cash equivalents at the end of the reporting period**	**3,600**

Components of Cash and Cash Equivalents

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

31 March 2017 £000		31 March 2018 £000
2	Cash held by the Council	**1**
258	Bank accounts	**1,599**
(355)	Bank overdraft	**0**
0	Short-term deposits	**2,000**
(95)	**Cash and Cash Equivalents on the Balance Sheet at 31 March**	**3,600**

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

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

Note 2. ACCOUNTING POLICIES

1) General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018.

The Accounts and Audit Regulations 2015 require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. Proper accounting practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 'Code') supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts are prepared on a going concern basis.

2) Accruals of Income and Expenditure

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

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

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

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

Accounting for Council Tax

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

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.
The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

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

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return at the end of the financial 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 NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between delivery and payment dates. The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

3) Cash and Cash Equivalents

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

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

4) Charges to Revenue for Non-Current Assets

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

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

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

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

5) Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, honoraria and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable at the year-end because the difference between these and the wage and salary rates applicable in the following accounting year when the employee takes the benefit, will not be material. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the relevant service line in the Cost of Services section of the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of benefits or when the Council recognises costs for restructuring. When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits
Employees of the Council, other than those who have chosen to 'opt out', are members of the Local Government Pensions Scheme (LGPS), administered by East Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.
The Local Government Pensions Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Sussex County Council pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (iBoxx Sterling Corporates AA over 15 years index) chosen by the Actuary.
- The assets of the East Sussex County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – current bid value
  - unquoted securities – professional estimate
  - unitised securities – current bid value
  - property – market value
- The change in the net pensions liability is analysed into the following components:
  - Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - net interest on the net defined benefit liability (i.e. net interest expense for the Council) – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated his assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

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

6) Events after the Balance Sheet date

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

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

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

7) Fair Value Measurement

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

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

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

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

8) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

Available-for-Sale Assets

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

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

- instruments with quoted market prices – the market price

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

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

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

9) Government Grants and Other Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account (CAA). Amounts in the Capital Grants Unapplied Reserve are transferred to CAA once they have been applied to fund capital expenditure.

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

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

10) Heritage Assets

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

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

Land and buildings comprises two properties: Market Tower built in the 18th century and Newhaven Fort built in the 19th century. These assets are recognised, measured, impaired and depreciated in accordance with the Council's accounting policies on Property, Plant and Equipment.
Civic regalia is a static collection comprising the Chair's chain of office and several smaller badges of civic office. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Works of art and museum exhibits comprise artefacts held at Newhaven Fort and miscellaneous aesthetic items held at separate locations. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged. The Council's collection of works of art and exhibits is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage, and any impairment is recognised and measured in accordance with the general policies on impairment. Depreciation of Newhaven Fort is calculated on a straight-line allocation over the useful life of the asset as estimated by the valuer.

11) Investment property

Investment properties are those properties that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, based on the price that would be received to sell

such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation (and on disposal) are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) to the Capital Receipts Reserve.

12) Leases

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

The Council as Lessee

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).
The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets.

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

13) Overheads and Support Services

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

14) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes to accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. When a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative figures for the prior period.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

15) Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the asset will flow to the Council and the cost of the asset can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £10,000 are not included on the Balance Sheet, provided that the total excluded has no material impact.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

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

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

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

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

Gains before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer

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

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement (MiRS).
The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the CAA from the General Fund Balance in the MiRS.

16) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line.
Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

17) Reserves

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

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

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

18) Revenue Expenditure Funded From Capital Under Statute

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

19) Value Added Tax (VAT)

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not adopted.

- IFRS9 Financial Instruments – this 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 as available for sale, to amortised cost and fair value through other comprehensive income respectively based on contractual cash flows and business model for holding the assets. There are not expected to be any material changes in the measurement of financial assets. Assessment of Lewes District Council's financial assets does not anticipate any material increase in the level of impairment recognised. IFRS9 will be implemented for the 2018/19 financial year.
- IFRS15 Revenue from Contracts with Customers – this presents new requirements for the recognition of revenue based on a control based revenue recognition model. Lewes District Council does not expect there will be a material change in the value or timing of revenue recognised once IFRS15 is implemented. IFRS15 will be implemented for the 2018/189 financial year.
- IFRS16 Leases – CIPFA/LASAAC are currently consulting on the application of IFRS16 for local authorities. Based on the consultation this 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 exemption for low-value and short-term leases). Lewes District Council currently recognises on its balance sheet the higher value leases that are embedded within contracts for the provision of goods and services. The key change arising from IFRS16 will be in respect of leases currently classified as

operating leases. The value of the lease liability and right of use asset to be recognised will be based on the discounted value of outstanding lease payments. Outstanding commitments are disclosed in Note 34.

- IAS7 Statement of Cash Flows (Disclosure Initiative) – this 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 additional disclosure required for borrowings. IAS7 will be implemented for the 2018/19 financial year.

As stated above, these amendments are not expected to have any effect on the Council's Statement of Accounts.

Note 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

- **Pension Liability:** estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £6 million. The effects of other changes in individual assumptions are set out within Note 35.

- **Impairment of Doubtful Debts:** the Council has included in its accounts an allowance for the impairment of doubtful debts of £1.7 million at 31 March 2018 based on an assessment of future recoverability. However if collection rates were to deteriorate an increase in the amount of the impairment would be required.
- **Property, Plant and Equipment:** assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Reductions in funding may make it difficult for the Council to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amounts of the assets falls. The annual depreciation charge for buildings would increase in these circumstances. The Council operates a policy of revaluing its Property, Plant and Equipment on a rolling five year basis. Details of revaluations and the significant assumptions applied in estimating values of land and buildings are set out within Note 15.
- **Investment Property:** the Council operates a policy of revaluing its Investment Property on an annual basis. Details of the valuation basis employed are set out within Note 17.
- **Provisions:** the Council has made a provision of £1.2 million for its share of any successful appeals made by businesses against non-domestic rates charged in 2017/18 and earlier years. This is a best estimate based on the Valuation Office Agency list of ratings appeals and an analysis of successful appeals to date. If this estimate proves to be inaccurate an adjustment to the amount of the provision will be required in future financial statements.

Note 6. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expenditure in 2017/18 that are not disclosed elsewhere within the Statement of Accounts.

In 2016/17 following the large scale transfer of Lewes District Council staff to Eastbourne Borough Council with effect from 1 February 2017 the East Sussex County Council pension fund actuary undertook an estimate of the cost of the effects of settlement. The results of the estimate, which are shown in Note 35, are that the value of scheme assets transferred is £28.168 million and the value of scheme liabilities transferred is £30.839 million. The net effect of this movement - £2.671 million - is shown separately as Material Item: Pension Service Cost Settlement on the face of the Comprehensive Income and Expenditure Statement.

Note 7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Deputy Chief Executive on September 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impacts of this information. In June 2018 the Council purchased an investment property at a cost of £2.6m.

Note 8. EXPENDITURE AND FUNDING ANALYSIS

This note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council 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 (CIES).

Expenditure chargeable to General Fund and HRA balances	Adjustments between funding and accounting basis	2016/17 Net Expenditure in the CIES		Expenditure chargeable to General Fund and HRA balances	Adjustments between funding and accounting basis	**2017/18 Net Expenditure in the CIES**
£000	£000	£000		£000	£000	**£000**
(483)	2,823	**2,340**	Director of Regeneration and Planning	48	3,649	**3,697**
8,873	700	**9,573**	Director of Service Delivery	8,515	1,230	**9,745**
781	798	**1,579**	Director of Tourism	591	417	**1,008**
4,889	220	**5,109**	Deputy Chief Executive	5,036	313	**5,349**
(146)	(4,761)	**(4,907)**	Local authority housing (HRA)	933	(2,842)	**(1,909)**
1,167	(174)	**993**	Corporate costs and income	1,634	(448)	**1,186**
(3,581)	803	**(2,778)**	Corporate recharges	(3,855)	785	**(3,070)**
			Material Item:			
0	(2,671)	**(2,671)**	Pension Service Cost Settlements	0	0	**0**
11,500	**(2,262)**	**9,238**	**Cost of Services**	**12,902**	**3,104**	**16,006**
3,072	1,184	**4,256**	Other operating expenditure	3,278	663	**3,941**
(1)	1,893	**1,892**	Financing and investment income and expenditure	(1)	1,980	**1,979**
(15,893)	(6,610)	**(22,503)**	Taxation and non-specific grant income	(15,878)	(2,773)	**(18,651)**
(12,822)	**(3,533)**	**(16,355)**	**Other Income and Expenditure**	**(12,601)**	**(130)**	**(12,731)**
1,803	**(1,803)**	**0**	**Net transfers from reserves**	**1,960**	**(1,960)**	**0**
481	**(7,598)**	**(7,117)**	**(Surplus)/Deficit on provision of services**	**2,261**	**1,014**	**3,275**

2016/17 £000		2017/18 £000
(15,511)	**Opening General Fund and HRA balances**	**(15,030)**
481	**Deficit on General Fund and HRA balances in year**	**2,261**
(15,030)	**Closing General Fund and HRA balances**	**(12,769)**

For a split of the closing balance between General Fund and HRA see the Movement in Reserves Statement

Adjustments between funding and accounting basis to arrive at the Comprehensive Income and Expenditure Statement amounts:

2017/18	Adjustments for Capital Purposes (note 1) £000	Net Change for Pension Adjustments (note 2) £000	Other Differences (note 3) £000	Changes in Presentation (Note 4) £000	Total Adjustments £000
Director of Regeneration and Planning	3,074	0	0	575	3,649
Director of Service Delivery	1,492	0	0	(262)	1,230
Director of Tourism	417	0	0	0	417
Deputy Chief Executive	298	0	0	15	313
Local authority housing (HRA)	(1,996)	(87)	(759)	0	(2,842)
Corporate costs and income	(2,234)	(319)	(51)	2,156	(448)
Corporate recharges	0	26	759	0	785
Cost of Services	1,051	(380)	(51)	2,484	3,104
Other operating expenditure	492	0	0	171	663
Financing and investment income and expenditure	2,378	297	0	(695)	1,980
Taxation and non-specific grant income	(2,516)	0	(257)	0	(2,773)
Net transfers from reserves	0	0	0	(1,960)	(1,960)
Difference between General Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Deficit on the Provision of Services	1,405	(83)	(308)	0	**1,014**

Adjustments for capital purposes (note 1)

- Net Cost of Services – adjusts for depreciation and impairment and revaluation gains and losses
- Other operating expenditure – adjusts for capital disposals
- Financing and investment income and expenditure – adjusts for the statutory charges for capital financing
- Taxation and non-specific grant income – adjusts for capital grants and contributions

Net change for pension adjustments (note 2)

- Net Cost of Services – adjusts for the removal of employer pension contributions made and the replacement with current and past service costs
- Financing and investment income and expenditure – adjusts for net interest on the defined benefit liability

Other differences (note 3)

- Net Cost of Services – adjusts for presentational changes required for the statutory accounts and for accumulated absences
- Taxation and non-specific grant income – adjusts for the timing difference between council tax and business rates income determined at the start of the year under statutory regulations and the actual income due for the year

Further analysis and detail is provided in Note 10 Adjustments between accounting basis and funding basis under regulations

Changes in Presentation (note 4)

- These adjustments reconcile differences between how services are reported to the Council's Cabinet as part of financial reporting for management control purposes and how those services are required by the Code of Practice to be reported in the Comprehensive Income and Expenditure Statement.

Comparative figures for 2016/17	Adjustments for Capital Purposes (note 1) £000	Net Change for Pension Adjustments (note 2) £000	Other Differences (note 3) £000	Changes in Presentation (Note 4) £000	Total Adjustments £000
Director of Regeneration and Planning	1,247	25	0	1,551	2,823
Director of Service Delivery	1,537	91	0	(928)	700
Director of Tourism	796	2	0	0	798
Deputy Chief Executive	144	26	0	50	220
Local authority housing (HRA)	(3,984)	(552)	(225)	0	(4,761)
Corporate costs and income	(2,073)	(53)	(11)	1,963	(174)
Corporate recharges	0	578	225	0	803
Material Item: Pension Service Cost Settlements	0	(2,671)	0	0	(2,671)
Cost of Services	(2,333)	(2,554)	(11)	2,636	(2,262)
Other operating expenditure	983	0	0	201	1,184
Financing and investment income and expenditure	2,155	772	0	(1,034)	1,893
Taxation and non-specific grant income	(6,406)	0	(204)	0	(6,610)
Net transfers from reserves	0	0	0	(1,803)	(1,803)
Difference between General Fund and HRA surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus on the Provision of Services	(5,601)	(1,782)	(215)	0	(7,598)

Note 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:	**2016/17 £000**	**2017/18 £000**
Employees	14,081	**14,079**
Other service expenses	52,212	**51,596**
Depreciation, amortisation, impairment/(reversals), de-recognition of components	7,483	**12,325**
Interest payments	1,757	**1,752**
Precepts and levies	10,943	**11,014**
Payments to Housing Capital Receipts Pool	408	**303**
Material Item: Pension Service Cost Settlements	(2,671)	**0**
Total expenditure	**84,213**	**91,069**
Fees, charges and other service income	(25,137)	**(26,006)**
Interest and investment income	(124)	**(95)**
Income from council tax and non-domestic rates	(20,200)	**(20,198)**
Government grants and contributions	(45,618)	**(41,134)**
Gain on the disposal of assets	(251)	**(361)**
Total income	**(91,330)**	**(87,794)**
(Surplus) or Deficit on the provision of services	**(7,117)**	**3,275**

Fees, charges and other service income analysed by service segment

The Council receives income from a variety of sources including building control fees, car parking, planning fees, property rentals, recycling and trade waste. This income is analysed on a segmental basis below:

	2016/17 £000	**2017/18 £000**
Director of Regeneration and Planning	(3,444)	**(3,588)**
Director of Service Delivery	(4,472)	**(5,077)**
Director of Tourism	(146)	**(152)**
Deputy Chief Executive	(209)	**(257)**
Corporate costs and income	(260)	**(235)**
Local authority housing (HRA)	(16,606)	**(16,697)**
	(25,137)	**(26,006)**

Government grants and contributions analysed by service segment

The Council receives amounts of grants and contributions which is analysed on a segmental basis below:

	2016/17	2017/18
	£000	£000
Director of Regeneration and Planning	(50)	**(20)**
Director of Service Delivery	(35,336)	**(34,868)**
Director of Tourism	(27)	**(22)**
Deputy Chief Executive	(30)	**(35)**
Cost of Services	**(35,443)**	**(34,945)**
Taxation and non-specific grant income	**(10,175)**	**(6,189)**
	(45,618)	**(41,134)**

Note 10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

A description of each of the reserves against which the adjustments are made is set out below.

General Fund Balance
This is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year. The General Fund Balance is not available to be applied to the funding of Housing Revenue Account services.

Housing Revenue Account Balance
This reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part V1 of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Capital Receipts Reserve
This reserve holds the balance of proceeds from the disposal of land and other assets which are restricted by statue from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Major Repairs Reserve
The Council is required to maintain this reserve which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical HRA capital expenditure.

Capital Grants Unapplied
This reserve holds the balance of grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. Use of the balance is restricted by grant terms which determine the capital expenditure against which it can be applied.

2017/18 Adjustments	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments 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 from the Pensions Reserve)	55	28				(83)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(2)	(5)				7
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	256					(256)
Holiday pay (transferred from the Accumulated Absences Reserve)	51					(51)
Reversal of entries included in the Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
• Charges for depreciation of non-current assets	(2,328)	(5,462)				7,790
• Charges for impairment/reversals of non-current assets	(2,330)	(1,199)				3,529
• Movements in the fair value of Investment Properties	(249)					249
• Amortisation of Intangible Assets	(202)	(6)				208
• Capital grants and contributions applied	206					(206)
• Revenue expenditure funded from capital under statute	(1,043)					1,043
• Amounts of non-current assets written off on de-recognition of components		(550)				550
• Amounts of non-current assets written off on disposal or sale as part of the gain on disposal	(11)	(768)				779
Total Adjustments to the Revenue Resources	**(5,597)**	**(7,962)**	**0**	**0**	**0**	**13,559**

2017/18 Adjustments

	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5	1,135	(950)			(190)
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(10)	10			
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(303)		303			
Posting of HRA resources to the Major Repairs Reserve		5,468		(5,468)		
Capital grants yet to be applied to expenditure (transfer to the Capital Grants Unapplied Account	2,440				(2,440)	
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	312					(312)
Voluntary provision for the repayment of debt (transfer to the Capital Adjustment Account)		807				(807)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,052	626				(2,678)
Total Adjustments between Revenue and Capital Resources	**4,506**	**8,026**	**(637)**	**(5,468)**	**(2,440)**	**(3,987)**

2017/18 Adjustments

	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			397			(397)
Use of the Major Repairs Reserve to finance capital expenditure				4,369		(4,369)
Application of capital grants to finance capital expenditure					1,003	(1,003)
Cash payments in relation to deferred capital receipts		13				(13)
Total Adjustments to Capital Resources	**0**	**13**	**397**	**4,369**	**1,003**	**(5,782)**
TOTAL ADJUSTMENTS FOR 2017/18	**(1,091)**	**77**	**(240)**	**(1,099)**	**(1,437)**	**3,790**

2016/17 comparative figures

	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments 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 from the Pensions Reserve)	1,394	388				(1,782)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(1)	(3)				4
Council tax and NNDR (transfers to or from the Collection Fund Adjustment Account)	205					(205)
Holiday pay (transferred from the Accumulated Absences Reserve)	11					(11)
Reversal of entries included in the Surplus on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):						
• Charges for depreciation of non-current assets	(2,154)	(5,154)				7,308
• Charges for impairment/reversals of non-current assets	(704)	1,374				(670)
• Movements in the fair value of Investment Properties	146					(146)
• Amortisation of Intangible Assets	(100)	(6)				106
• Capital grants and contributions applied	185	12				(197)
• Revenue expenditure funded from capital under statute	(1,351)					1,351
• Amounts of non-current assets written off on de-recognition of components	(59)	(827)				886
• Amounts of non-current assets written off on disposal or sale as part of the gain on disposal	(57)	(1,684)				1,741
Total Adjustments to the Revenue Resources	**(2,485)**	**(5,900)**	**0**	**0**	**0**	**8,385**

2016/17 comparative figures

	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19	1,970	(1,989)			
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(1)	(18)	19			
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(408)		408			
Posting of HRA resources to the Major Repairs Reserve		5,160		(5,160)		
Capital grants yet to be applied to expenditure (transfer to the Capital Grants Unapplied Account	6,216				(6,216)	
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	394					(394)
Voluntary provision for the repayment of debt (transfer to the Capital Adjustment Account)		807				(807)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,822					(1,822)
Total Adjustments between Revenue and Capital Resources	**8,042**	**7,919**	**(1,562)**	**(5,160)**	**(6,216)**	**(3,023)**

Adjustments between accounting basis and funding basis under regulations (continued)

2016/17 comparative figures

	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure			3,907			(3,907)
Use of the Major Repairs Reserve to finance capital expenditure				2,384		(2,384)
Application of capital grants to finance capital expenditure					4,217	(4,217)
Cash payments in relation to deferred capital receipts		22				(22)
Total Adjustments to Capital Resources	**0**	**22**	**3,907**	**2,384**	**4,217**	**(10,530)**
TOTAL ADJUSTMENTS FOR 2016/17	**5,557**	**2,041**	**2,345**	**(2,776)**	**(1,999)**	**(5,168)**

Note 11. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts transferred from the General Fund Balance to earmarked reserves to provide financing for future expenditure plans and the amounts transferred out from earmarked reserves to meet General Fund expenditure in 2017/18.

Earmarked General Fund Reserve *(purpose of reserve)*	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	**Balance at 31 March 2018 £000**
Asset Maintenance *(To support investment in the Council's non-housing property through programmes of maintenance, repair and replacement)*	(2,979)	480	(438)	(2,937)	281	(364)	**(3,020)**
Economic Regeneration *(To support growth of local business and enterprise)*	(351)	77	0	(274)	54	(80)	**(300)**
Revenue Grants and Contributions pending use *(Amounts paid to the Council by Government and third parties to support specific initiatives)*	(253)	96	(243)	(400)	195	(191)	**(396)**
Strategic Change *(To support the Council's Joint Transformation Programme of integration and shared services and its other programmes of change)*	(3,657)	2,631	(2,642)	(3,668)	2,257	(1,939)	**(3,350)**

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	**Balance at 31 March 2018 £000**
Vehicle and Equipment Replacement *(To support the ICT and vehicle replacement programme)*	(2,440)	169	(320)	(2,591)	1,146	0	**(1,445)**
Unallocated *(To provide additional support to initiatives determined by the Council)*	(1,039)	813	0	(226)	0	0	**(226)**
Total Earmarked Reserves on the Balance Sheet	**(10,719)**	**4,266**	**(3,643)**	**(10,096)**	**3,933**	**(2,574)**	**(8,737)**

	Gross Expenditure £000	Gross Income £000	2016/17 Net Expenditure £000	Gross Expenditure £000	Gross Income £000	**2017/18 Net Expenditure £000**
Note 12. OTHER OPERATING EXPENDITURE						
Town and Parish Council Precepts	3,071	0	3,071	3,278	0	**3,278**
Grants to Town and Parish Councils	201	0	201	171	0	**171**
Payments to the Government Housing Capital Receipts Pool	408	0	408	303	0	**303**
Gains on the disposal of non-current assets	0	(251)	(251)	0	(361)	**(361)**
Loss on de-recognition of components of HRA non-current assets	827	0	827	550	0	**550**
Total Other Operating Expenditure	**4,507**	**(251)**	**4,256**	**4,302**	**(361)**	**3,941**

Note 13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

			2016/17			**2017/18**
Interest payable and similar charges	1,757	0	1,757	1,752	0	**1,752**
Net interest on the net defined benefit liability	772	0	772	297	0	**297**
Interest receivable and similar income	0	(124)	(124)	0	(95)	**(95)**
Solar Panel Trading Account	116	(223)	(107)	118	(198)	**(80)**
Income and expenditure in relation to investment property and changes in fair value	241	(647)	(406)	737	(632)	**105**
Total Financing and Investment Income and Expenditure	**2,886**	**(994)**	**1,892**	**2,904**	**(925)**	**1,979**

Note 14. TAXATION AND NON SPECIFIC GRANT INCOME

			2016/17			**2017/18**
Council Tax Income	0	(10,106)	(10,106)	0	(10,474)	**(10,474)**
Non Domestic Rates income and expenditure	7,872	(10,094)	(2,222)	7,736	(9,724)	**(1,988)**
Non-ring fenced Government Grants	0	(3,769)	(3,769)	0	(3,673)	**(3,673)**
Capital Grants and Contributions	0	(6,406)	(6,406)	0	(2,516)	**(2,516)**
Total Taxation and Non Specific Grant Income	**7,872**	**(30,375)**	**(22,503)**	**7,736**	**(26,387)**	**(18,651)**

Note 15. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances

Movements in 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus Assets	Total Property Plant and Equipment
Cost or Valuation:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2017	219,389	48,704	15,491	11,320	1,602	2,206	7,567	306,279
Additions	3,832	569	2,675	80	0	514	0	7,670
Revaluation increases/(decreases) recognised in Revaluation Reserve	2,398	2,910	742	0	0	0	389	6,439
Revaluation (decreases) recognised in Deficit on the Provision of Services	(1,199)	(1,130)	0	0	0	0	(1,200)	(3,529)
Derecognition – components written out and loss recognised in Deficit on Provision of Services	(550)	0	0	0	0	0	0	(550)
Derecognition – disposals	(532)	0	(220)	0	0	0	0	(752)
Reclassifications	1,866	0	0	0	0	(1,866)	0	0
At 31 March 2018	**225,204**	**51,053**	**18,688**	**11,400**	**1,602**	**854**	**6,756**	**315,557**
Accumulated Depreciation and Impairment:								
At 1 April 2017	48	3,036	7,491	9,998	0	0	0	20,573
Depreciation charge	4,782	1,371	1,268	171	0	0	136	7,728
Depreciation written out to Revaluation Reserve on revaluation	(4,780)	(1,924)	(359)	0	0	0	(136)	(7,199)
Derecognition – disposals	(5)	0	(216)	0	0	0	0	(221)
At 31 March 2018	45	2,483	8,184	10,169	0	0	0	20,881
Net book value on Balance Sheet at 31 March 2018	**225,159**	**48,570**	**10,504**	**1,231**	**1,602**	**854**	**6,756**	**294,676**

Movement on Balances

Movements in 2016/17

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus Assets	Total Property Plant and Equipment
Cost or Valuation:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2016	206,817	46,627	15,202	11,216	1,602	645	3,950	286,059
Additions	2,245	2,693	559	104	0	3,432	2,907	11,940
Revaluation increases recognised in Revaluation Reserve	8,950	344	0	0	0	0	1,112	10,406
Revaluation increases/(decreases) recognised in Surplus on the Provision of Services	1,374	0	0	0	0	0	(704)	670
Derecognition – components written out and loss recognised in Surplus on Provision of Services	(826)	(1)	(59)	0	0	0	0	(886)
Derecognition – disposals	(1,042)	(657)	(211)	0	0	0	0	(1,910)
Reclassifications	1,871	(302)	0	0	0	(1,871)	302	0
At 31 March 2017	**219,389**	**48,704**	**15,491**	**11,320**	**1,602**	**2,206**	**7,567**	**306,279**
Accumulated Depreciation and Impairment:								
At 1 April 2016	27	2,120	6,483	9,762	0	0	0	18,392
Depreciation charge	4,533	1,184	1,190	236	0	0	104	7,247
Depreciation written out to Revaluation Reserve on revaluation	(4,504)	(267)	0	0	0	0	(104)	(4,875)
Derecognition – disposals	(8)	(1)	(182)	0	0	0	0	(191)
At 31 March 2017	**48**	**3,036**	**7,491**	**9,998**	**0**	**0**	**0**	**20,573**
Net book value on Balance Sheet at 31 March 2017	**219,341**	**45,668**	**8,000**	**1,322**	**1,602**	**2,206**	**7,567**	**285,706**

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

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

Capital Commitments
At 31 March 2018 the Council had outstanding commitments of £639,000 for the purchase of 4 waste collection vehicles.
At 31 March 2017 the Council had outstanding commitments of £635,000 for the construction or enhancement of Property, Plant and Equipment.

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

Council dwellings were revalued by DVS at 1 April 2015 and are subject to annual desktop revaluation reviews at 31 March each year until the next full valuation review due at 1 April 2020.
Other Land and Buildings were revalued by DVS at 1 April 2014 with the next full revaluation review due at 1 April 2019.
At 31 March 2018 desktop revaluation reviews were undertaken for garages and property valued at depreciated replacement cost.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets under construction	Surplus Assets*	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost			18,688	11,400	1,602	854		32,544
Valued at current value as at:								
31 March 2018	224,450	29,464					6,756	260,670
1 April 2015	754							754
1 April 2014		21,589						21,589
Gross Book Value on Balance Sheet at 31 March 2018	**225,204**	**51,053**	**18,688**	**11,400**	**1,602**	**854**	**6,756**	**315,557**

Non-operational Property, Plant and Equipment - Surplus Assets*

Fair Value Hierarchy

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

Valuation techniques used to determine Level 2 Fair Values

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

Highest and Best Use

In estimating the fair value of the Council’s Surplus Assets, the highest and best use has been used.
The current use of these buildings differs from their highest and best use because they are being held vacant and non-operational pending decisions by the Council on their future development or disposal.

Note 16. HERITAGE ASSETS

Reconciliation of carrying value of heritage assets held by the Council	Land and Buildings	Civic Regalia	Works of Art and Museum Exhibits	Total Assets
Cost or Valuation:	**£000**	**£000**	**£000**	**£000**
At 1 April 2017	2,310	19	776	**3,105**
Additions	100	0	0	**100**
Revaluation decreases recognised in Revaluation Reserve	(51)	0	0	**(51)**
At 31 March 2018	**2,359**	**19**	**776**	**3,154**
Depreciation and Impairment:				
At 1 April 2017	592	0	0	**592**
Depreciation charge	61	0	0	**61**
Depreciation written out to Revaluation Reserve on revaluation	(234)	0	0	**(234)**
At 31 March 2018	**419**	**0**	**0**	**419**
Net Book Value on the Balance Sheet at 31 March 2018	**1,940**	**19**	**776**	**2,735**
Cost or Valuation:	£000	£000	£000	£000
At 1 April 2016	2,289	19	776	3,084
Additions	21	0	0	21
At 31 March 2017	2,310	19	776	3,105
Depreciation and Impairment:				
At 1 April 2016	533	0	0	533
Depreciation charge	59	0	0	59
At 31 March 2017	592	0	0	592
Net Book Value on the Balance Sheet at 31 March 2017	1,718	19	776	2,513

Land and buildings comprises two properties - Market Tower and Newhaven Fort – which are included on the Balance Sheet at market value as assessed by the Council's external valuer at 1 April 2014. Newhaven Fort is depreciated based on a straight-line allocation over its life as estimated by the valuer. Market Tower is not depreciated as it has an indeterminate life.
Civic Regalia and Works of Art and Museum Exhibits are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Note 17. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Note 13 p65):

	2016/17	**2017/18**
	£000	**£000**
Rental income from investment property	(501)	(632)
Direct operating expenses arising from investment property	241	488
Net (gains)/losses from fair value changes	(146)	249
Net (gain)/loss	(406)	**105**

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

Summary of the movement in the fair value of investment properties over the year:	2016/17	**2017/18**
	£000	**£000**
Balance Sheet fair value at 1 April	4,321	**9,711**
Additions - capitalised expenditure	5,244	**260**
Disposals	0	**(250)**
Net gains/(losses) from fair value changes	146	**(249)**
Balance Sheet fair value at 31 March	9,711	**9,472**

Fair Value Hierarchy

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

Valuation techniques used to determine Level 2 Fair Values

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

Highest and Best Use

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

Valuation Process

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

Note 18. FINANCIAL INSTRUMENTS

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

	Long-term		Short-term	
	31 March 2017	**31 March 2018**	31 March 2017	**31 March 2018**
FINANCIAL ASSETS	£000	**£000**	£000	**£000**
Investments				
- loans and receivables	0	**0**	4,005	**4,003**
- available for sale financial assets	0	**0**	4,812	**3,737**
	0	**0**	8,817	**7,740**
Cash and Cash Equivalents				
- loans and receivables	0	**0**	260	**3,600**
- available for sale financial assets	0	**0**	0	**0**
	0	**0**	260	**3,600**
Debtors				
- loans and receivables	546	**755**	5,416	**1,844**
FINANCIAL LIABILITIES				
Borrowings - financial liabilities at amortised cost	56,673	56,673	4,234	**234**
Other Long Term Liabilities				
- finance lease liabilities at amortised cost	392	532	0	**0**
Cash and Cash Equivalents	0	0	355	**0**
Creditors - financial liabilities at amortised cost	0	0	4,271	**5,558**

The short-term debtors line on the Balance Sheet includes non-contractual debtors that do not meet the definition of a financial asset (see Note 19) and which are excluded from the table above.
The short-term creditors line on the Balance Sheet includes receipts in advance and non-contractual creditors that do not meet the definition of a financial liability (see Note 20) and which are excluded from the table above.
The long-term creditors line on the Balance Sheet does not meet the definition of a financial liability (see Note 31) and is excluded from the table above.

Income, Expense, Gains and Losses	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Financial assets: available for sale	Total 2016/17	**Financial liabilities measured at amortised cost**	**Financial assets: loans and receivables**	**Financial assets: available for sale**	**Total 2017/18**
	£000	£000	£000	£000	**£000**	**£000**	**£000**	**£000**
Interest expense	1,757	0	0	1,757	**1,752**	**0**	**0**	**1,752**
Total expense in (Surplus)/Deficit on the Provision of Services	1,757	0	0	1,757	**1,752**	**0**	**0**	**1,752**
Interest income	0	(82)	(42)	(124)	**0**	**(72)**	**(23)**	**(95)**
Total income in (Surplus)/Deficit on the Provision of Services	0	(82)	(42)	(124)	**0**	**(72)**	**(23)**	**(95)**
Net (gain)/loss for the year	1,757	(82)	(42)	1,633	**1,752**	**(72)**	**(23)**	**1,657**

Fair Values of Assets and Liabilities

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

The fair values calculated in line with accounting policy 7 in Note 2 are as follows:	Fair Value Level	31 March 2017 Balance Sheet	31 March 2017 Fair value	**31 March 2018 Balance Sheet**	**31 March 2018 Fair value**
Financial Assets		£000	£000	**£000**	**£000**
Long-term Debtors	1	546	546	**755**	**755**
Short-term Investments – loans and receivables	2	4,005	4,005	**4,003**	**4,003**
Short-term Investments – available for sale	1	4,812	4,812	**3,737**	**3,737**
Short-term Debtors	1	5,416	5,416	**1,844**	**1,844**
Cash and cash equivalents	1	260	260	**3,600**	**3,600**

Short-term Investments includes £3.7 million in available for sale financial assets. In a departure from accounting policy 7 in Note 2, the balance sheet value and the fair value are held as the same because the difference between the two is not material.

	Fair Value	31 March 2017		**31 March 2018**	
	Level	Balance Sheet	Fair Value	**Balance Sheet**	**Fair Value**
Financial Liabilities		£000	£000	**£000**	**£000**
Borrowings – market loan*	2	5,108	8,027	**5,108**	**7,722**
Borrowings – Public Works Loan Board (PWLB)*	2	51,799	59,602	**51,799**	**57,625**
Borrowings – short-term	2	4,000	4,000	**0**	**0**
Other Long-term Liabilities – finance leases	2	392	392	**532**	**532**
Cash and cash equivalents	1	355	355	**0**	**0**
Short-term Creditors	1	4,271	4,271	**5,558**	**5,558**

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

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- for Public Works Loan Board (PWLB) loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (Level 2)
- for the market loan payable, because the lender was unable to provide a fair value directly it has been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate.
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair value of the Council's borrowings is higher than the carrying amount because the interest rates payable are more than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) from a commitment to pay interest to the lender above current market rates.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Council's annual Treasury Management Strategy (last updated in February 2018) focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written statements within its treasury management strategy covering interest rate risk, security of capital, and liquidity of investments.

Credit Risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. This risk is minimised through the Council's Investment Strategy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria in accordance with the credit ratings services provided by Fitch, Moody's and Standard and Poor. During 2017/18 deposits in banks and building societies were limited to UK banks and building societies that had minimum Fitch (or equivalent) credit ratings of 'BBB+' long term. Deposits were allowed for periods up to 1 year with a maximum exposure limit of £2 million per institutional group.

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

In respect of amounts receivable from our customers, the Council's collection performance is extremely high. Each year an assessment is made of the potential maximum level of default against the amount owed for each class of debt (e.g. council tax, non-domestic rates, rents, sundry debtors). This assessment takes account of both age and value of individual debts. Note 19 shows the total value of customer debt at the year end, along with the allowance for non-collection.

The Council does not generally allow extended credit for its customers so some of the balance included in Note 19 is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	Housing Benefit Overpayments at 31 March 2017 £000	Housing Rents at 31 March 2017 £000	Sundry Debtors at 31 March 2017 £000	**Housing Benefit Overpayments at 31 March 2018 £000**	**Housing Rents at 31 March 2018 £000**	**Sundry Debtors at 31 March 2018 £000**
Less than 3 months	140	24	240	**191**	**25**	**283**
3 months to 6 months	184	39	22	**198**	**38**	**34**
6 months to 12 months	304	38	69	**266**	**39**	**80**
More than 12 months	1,490	535	221	**1,547**	**625**	**242**
	2,118	636	552	**2,202**	**727**	**639**

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Liquidity Risk

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

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

	2017	**2018**
	£000	**£000**
Less than one year	5,722	**1,726**
Between one and two years	1,722	**1,726**
Between two and five years	10,166	**10,152**
Between five and ten years	25,609	**27,071**
Between ten and fifteen years	17,604	**15,244**
Between fifteen and twenty years	13,925	**13,581**
Between twenty and twenty five years	8,966	**8,732**
Between twenty five and thirty years	1,125	**1,125**
More than thirty years	6,125	**5,900**
	90,964	**85,257**

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

Market Risk

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

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

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

The Council carries out its borrowing and investment activity within parameters set out in its Treasury and Investment Strategies, which assess interest rate exposure to feed into the annual budget process. When setting its base budget the Council assumed no increase in the interest rate currently earned on new deposits and holds a buffer against fluctuations within the General Fund Working Balance. In this way, the funding of core services is less exposed to interest rate risk. Interest rate and investment income forecasts are updated regularly throughout the year, allowing significant changes to be reflected in updated budget projections.
If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been an increase of £50,000 in interest payable, an increase of £207,000 in interest receivable, and a net £157,000 impact on the Deficit on the Provision of Services. The impact on the fair value of fixed rate borrowings would have been a decrease of £6.7 million.

Price and foreign exchange risk
The Council does not generally invest in equity shares but held £3.7 million in available for sale financial assets at 31 March 2018. The Council is, therefore, exposed to losses arising from movements in the prices of the available for sale financial assets but this is mitigated by not trading the assets in an active market and holding them short-term and to maturity.

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

Note 19. DEBTORS

	31 March 2017		31 March 2018	
	£000	£000	£000	£000
Central Government Bodies		7,269		**4,608**
Other Local Authorities		748		**760**
Other Entities and Individuals:				
Sundry Debtors	3,008		**3,238**	
Community Infrastructure Levy Developer Contributions	1,528		**304**	
Housing Rents	636		**727**	
Council Taxpayers	414		**496**	
Non-domestic Ratepayers	454		**347**	
		6,040		**5,112**
		14,057		**10,480**
less allowances for non-collection:				
Sundry Debtors	(909)		**(964)**	
Housing Rents	(460)		**(525)**	
Council Taxpayers	(117)		**(145)**	
Non-domestic Ratepayers	(122)		**(122)**	
		(1,608)		**(1,756)**
Debtors net of impairment on the Balance Sheet at 31 March		12,449		**8,724**

Note 20. CREDITORS

	31 March 2017	**31 March 2018**
	£000	**£000**
Central Government Bodies	406	**1,216**
Other Local Authorities	2,313	**2,932**
Other Entities and Individuals	3,069	**2,805**
Receipts in Advance	790	**1,071**
Creditors on the Balance Sheet at 31 March	6,578	**8,024**

Note 21. USABLE RESERVES

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

Note 22. UNUSABLE RESERVES

The Council's unusable reserves consist of:

	31 March 2017	**31 March 2018**
	£000	**£000**
Revaluation Reserve	(58,774)	**(69,890)**
Capital Adjustment Account	(163,341)	**(161,670)**
Financial Instruments Adjustment Account	(7)	**0**
Pension Reserve	12,071	**10,880**
Deferred Capital Receipts	(546)	**(749)**
Collection Fund Adjustment Account	358	**102**
Accumulated Absences Account	75	**24**
Unusable Reserves on the Balance Sheet at 31 March	(210,164)	**(221,303)**

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

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

(a) Revaluation Reserve

	2016/17	**2017/18**	
	£000	**£000**	**£000**
Balance Sheet at 1 April	(45,642)		**(58,774)**
Upward revaluation of assets	(15,424)	**(19,720)**	
Downward revaluation of assets and impairment losses/(reversals) not charged to the Surplus/Deficit on the Provision of Services	143	**5,899**	
Surplus on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(15,281)		**(13,821)**
Difference between fair value depreciation and historical cost depreciation	732	**476**	
Accumulated gains on assets sold or scrapped	1,417	**2,229**	
Amount written off to the Capital Adjustment Account	2,149		**2,705**
Balance Sheet at 31 March	(58,774)		**(69,890)**

Capital Adjustment Account

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

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

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

(b) Capital Adjustment Account	2016/17	**2017/18**
	£000	**£000**
Balance Sheet at 1 April	(158,040)	(163,341)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement CIES):		
• Charges for depreciation of non-current assets – General Fund	2,154	**2,328**
• Debits/(Credits) for impairments/(reversals) of non-current assets	(670)	**3,529**
• Amortisation of Intangible Assets – General Fund	100	**202**
• Transfer to offset Housing Revenue Account contribution to the Major Repairs Reserve	5,160	**5,468**
• Revenue expenditure funded from capital under statute (REFCUS)	1,351	**1,043**
• Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	1,741	**779**
• Amounts of non-current assets written off on de-recognition of components to the Comprehensive Income and Expenditure Statement	886	**550**
	10,722	**13,899**
Adjusting amounts written out of the Revaluation Reserve	(2,149)	**(2,705)**
Net written out amount of the cost of non-current assets consumed in the year	8,573	**11,194**
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(3,907)	**(397)**
• Use of the Major Repairs Reserve to finance new capital expenditure	(2,384)	**(4,369)**
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(197)	**(206)**
• Application of grants to capital financing from the Capital Grants Unapplied Account	(4,217)	**(1,003)**
• Statutory provision for the financing of capital investment charged against the General Fund Balance	(394)	**(312)**
• Voluntary provision for the financing of capital investment charged against the Housing Revenue Account (HRA) Balance	(807)	**(807)**
• Capital expenditure charged against the General Fund and HRA Balances	(1,822)	**(2,678)**
	(13,728)	**(9,772)**
Movements in the fair value of Investment Properties (debited) or credited to the CIES	(146)	**249**
Balance Sheet at 31 March	(163,341)	**(161,670)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pay 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.

(c)	**Pensions Reserve**	2016/17	**2017/18**
		£000	**£000**
	Balance Sheet at 1 April	22,426	**12,071**
	Remeasurements of the net defined benefit liability	(8,573)	**(1,108)**
	Reversal of items relating to retirement benefits debited or (credited) to the (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(133)	**543**
	Employer's pension contributions payable in the year	(1,649)	**(626)**
	Balance Sheet at 31 March	12,071	**10,880**

Note 23. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS/DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

	2016/17 £000	**2017/18 £000**
Depreciation	7,308	**7,789**
Impairment and (reversal) of impairment and valuation movements	(670)	**3,529**
Fair value adjustments for investment properties	(146)	**249**
Amortisation	106	**208**
Increase in impairment for bad debts	140	**148**
Increase in Creditors	756	**1,542**
(Increase)/Decrease in Debtors	(6,196)	**3,653**
(Increase)/Decrease in Inventories	(12)	**19**
(Decrease) in Provisions	(40)	**0**
Movement in pension liability	(1,782)	**(83)**
Carrying amount of non-current assets sold or derecognised	2,627	**1,139**
Other non-cash items	(149)	**(286)**
Adjustments for non-cash movements	1,942	**17,907**

Note 24. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS THAT ARE INVESTING AND FINANCING ACTIVITIES

	2016/17 £000	**2017/18 £000**
Proceeds from sales of property, plant & equipment, investment property and intangible assets	(1,971)	**(1,131)**
Capital grants	(6,406)	**(2,646)**
Reduction/(Increase) of outstanding liabilities relating to finance leases	130	**(214)**
Adjustments for items that are investing and financing activities	(8,247)	**(3,991)**

Note 25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2016/17	**2017/18**
	£000	**£000**
Purchase of property, plant and equipment, investment property and intangible assets	(18,317)	**(8,510)**
Purchase of short-term investments	(154,776)	**(99,423)**
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,971	**1,131**
Proceeds from short-term investments	148,995	**2,431**
Capital Grants received	6,556	**100,428**
Net cash out flows from investing activities	(15,571)	**(3,943)**

Note 26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2016/17	**2017/18**
	£000	**£000**
Cash receipt/(payment) of short-term borrowing	4,000	**(4,000)**
Other receipts/(payments) from financing activities – increase/(decrease) in preceptors' share of council tax cash collected net of precepts and surpluses paid	428	**(1,148)**
Cash (payments)/receipts for the reduction/increase of the outstanding liabilities relating to finance leases	(130)	**214**
Other receipts from financing activities – increase in preceptors' share of non-domestic rates collected net of precepts and surpluses paid	184	**1,931**
Net cash in flows/out flows from financing activities	4,482	**(3,003)**

Note 27. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:	2016/17	**2017/18**
	£000	**£000**
Interest paid	(1,729)	**(1,752)**
Interest received	68	**95**

Note 28. MEMBERS' ALLOWANCES

The Council paid £208,000 in allowances to Members of the Council (District Councillors) during 2017/18 and £5,000 in expenses. The comparative figures for 2016/17 were £205,000 and £5,000.

Note 29. OFFICERS' REMUNERATION

Lewes District Council (LDC) shares a Corporate Management Team of senior officers with Eastbourne Borough Council (EBC). LDC continues to directly employ one senior management officer – the Assistant Director of Legal and Democratic Services – whereas all other senior management officers are directly employed by EBC.
The table below reports the total remuneration of the senior management team during 2017/18.

Post	Salary £	Expenses and Allowances £	Total excluding pension contribution £	Pension Contribution £	Total including pension contribution £
Chief Executive	**137,645**	**3,850**	**141,495**	**22,928**	**164,423**
Deputy Chief Executive	**101,396**	**0**	**101,396**	**17,897**	**119,293**
Director of Service Delivery	**95,950**	**0**	**95,950**	**16,935**	**112,885**
Director of Regeneration and Planning	**95,950**	**0**	**95,950**	**16,935**	**112,885**
Director of Tourism and Enterprise	**87,256**	**0**	**87,256**	**15,401**	**102,657**
Assistant Director of Legal and Democratic Services	**84,789**	**0**	**84,789**	**15,262**	**100,051**
Assistant Director of HR and Transformation	**78,250**	**0**	**78,250**	**13,811**	**92,061**
Assistant Director of Business Transformation (left in September 2017)	**65,875**	**0**	**65,875**	**6,685**	**72,560**

The comparative figures for 2016/17 set out below have been restated from those published in the 2016/17 Statement of Accounts to align with the new Corporate Management Team structure so that meaningful comparisons may be made.

2016/17 Restated					
Chief Executive	132,978	3,850	136,828	25,447	162,275
Deputy Chief Executive	98,675	76	98,751	19,849	118,600
Director of Service Delivery	92,075	3,288	95,363	18,915	114,278
Director of Regeneration and Planning	94,302	0	94,302	19,753	114,055
Director of Tourism and Enterprise	81,086	860	81,946	16,298	98,244
Assistant Director of Legal and Democratic Services	79,700	5,121	84,821	17,433	102,254
Assistant Director of HR and Transformation	70,594	778	71,372	14,189	85,561
Assistant Director of Business Transformation	72,559	860	73,419	14,584	88,003

LDC reimburses an agreed proportion of each senior employee employed by EBC as follows:

	LDC proportion of EBC remuneration %
Chief Executive	50
Deputy Chief Executive (Chief Financial Officer for both LDC and EBC)	40
Director of Service Delivery	50
Director of Regeneration and Planning	50
Director of Tourism and Enterprise	20
Assistant Director of Business Transformation	50

The remunerations for the Assistant Director of Legal and Democratic Services and the Assistant Director of HR and Transformation are included within shared services for Legal and Human Resources respectively for which separate recharge arrangements apply.

The Assistant Director of Legal and Democratic Services is the Monitoring Officer for both LDC and EBC.

The number of other employees receiving more than £50,000 remuneration for the year is set out below.
Remuneration comprises a combined total including salary, redundancy and benefits in kind but excluding pension contributions.

Remuneration Band	2016/17 number of employees	**2017/18 number of employees**	Number of employees leaving the council in 2017/18
£50,000 - £54,999	2	**14**	4
£55,000 - £59,999	5	**5**	2
£60,000 - £64,999	0	**6**	2
£65,000 - £69,999	1	**1**	0
£70,000 - £74,999	0	**2**	2
£90,000 - £94,999	0	**2**	2
	8	**30**	12

The Joint Transformation Programme has consolidated the two staffing structures previously employed by LDC and EBC into one single shared structure. This, together with the exit packages agreed as part of the process of transformation, has resulted in a year on year increase in the numbers shown in the table above.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies is:

	Compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**
	no.	**no.**	no.	**no.**	no.	**no.**	£000	**£000**
£0 - £20,000	1	0	8	32	9	32	92	337
£20,001 - £40,000	0	0	6	4	6	4	171	109
£40,001 - £60,000	0	0	1	2	1	2	52	88
£60,001 - £80,000	0	0	1	0	1	0	68	0
Total	1	**0**	16	**38**	17	**38**	383	**534**

Note 30. EXTERNAL AUDIT COSTS

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

	2016/17	**2017/18**
	£000	**£000**
Fees payable with regard to external audit services carried out by the appointed auditor for the year	46	**46**
Fees payable for the certification of grant claims and returns for the year	22	**17**
	68	**63**

Note 31. GRANT INCOME

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

	2016/17	**2017/18**
Non-ringfenced Government Grants:	£000	**£000**
- Revenue Support	995	**375**
- New Homes Bonus	1,597	**1,252**
- Non-Domestic Rate Relief	581	**1,488**
- Housing Benefit Administration	446	**409**
- Other minor grants	150	**149**
	3,769	**3,673**
Capital Grants and Contributions towards capital expenditure		
- Coast to Capital LEP	3,500	**0**
- Community Infrastructure Levy Developer Contributions	1,639	**1,316**
- East Sussex County Council	842	**1,016**
- Other minor capital grants and contributions	425	**184**
	6,406	**2,516**
Total credited to Taxation and Non-specific Grant Income	10,175	**6,189**

	2016/17	**2017/18**
Government Grants credited to Services:	£000	**£000**
- Housing Benefit	34,739	**34,010**
- Discretionary Housing Payment	166	**259**
- Other minor grants	538	**676**
Total credited to Cost of Services	35,443	**34,945**
Total credited to the Comprehensive Income and Expenditure Statement	45,618	**41,134**

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

The balances held as **Capital Grants Receipts in Advance** were as follows:	31 March 2017 £000	**31 March 2018 £000**
Held as Short Term Liabilities	0	**0**
Section 106 agreement - to provide sports and recreation facilities in Peacehaven	131	**94**
Section 106 agreement - to provide or improve outdoor playing space facilities in the area of Wivelsfield	295	**225**
Section 106 agreement - to provide or improve outdoor playing space facilities in Peacehaven	191	**192**
Other Section 106 agreements where each financial contribution is less than £100,000	466	**455**
Government grants	115	**17**
Held as Long Term Liabilities	1,198	**983**
Total value of balances held as Capital Grants Receipts in Advance at 31 March	1,198	**983**

Long Term Creditors

Section 106 agreements between developers and the Council which include amounts given for education, highways and other services for which East Sussex County Council (ESCC) is the responsible local authority, are held by the Council until ESCC has developed plans that will satisfy the conditions set out in the agreement. At that point ESCC will request release of the funds from the Council. Until that occurs the Council holds the monies as long term creditors because it cannot determine when ESCC will develop its plans and request the release of funds. The amount held at 31 March 2018 is £1.743 million (£1.384 million at 31 March 2017). Other than Section 106 agreement monies held on behalf of ESCC the Council has no other long term creditors.

Note 32. RELATED PARTIES

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

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

Central Government - Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 31 Grant Income.

Elected Members of the Council - Members of the Council (41 District Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 28. 5 Members were also members of East Sussex County Council.

Members are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at Southover House, Southover Road, Lewes during office hours.
In addition, Members are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. All Members confirmed that they had no qualifying interests.

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

Officers of the Council - Officers are obliged under the code of conduct in the Council's Constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer. In addition, senior officers complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. All senior officers confirmed that they had no qualifying interests

Other Public Bodies (subject to common control by Government)

- East Sussex County Council - the Council participates in the East Sussex Pension Scheme which is administered by ESCC. Details of the Council's annual contributions to the Scheme, together with other relevant information, are set out in Note 35.
- Eastbourne Borough Council (EBC) - the Council is engaging in a Joint Transformation Programme (JTP) with EBC under which staff and services are being integrated over a number of financial years. The two Councils have shared a Corporate Management Team since 2016 and from January 2018 the majority of staff (with the exception of the Waste and Recycling Service teams) have been working across both councils. The remaining teams will be integrated by the end of 2018. All staff are employed by EBC with the exception of those who provide Legal services to the councils, who this Council employs. EBC charges the Council for an appropriate share of the employment and operational cost of the staff that it employs.
- Saxon House - alongside the East Sussex Fire Authority (ESFA) and Sussex Police, the Council was a partner in the setting up of a shared facility in Newhaven which opened in January 2016. The Council has a lease to use a portion of the building for which it paid ESFA a service charge of £34,000 in 2017/18 (£31,000 in 2016/17).

Non-Public Bodies

- Wave Leisure Trust (trading as Wave Leisure Ltd), a charitable company established in 2006 to operate the Council's indoor leisure facilities which it continues to do. The company has also operates the Council's Newhaven Fort historic visitor attraction and, with the Council is working on a project to improve the facility, supported by grant from the Heritage Lottery Fund. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2017/18 the Council paid Wave Leisure Ltd service fees of £418,000 (£522,000 in 2016/17). No services were provided by the Council to the Company in 2017/18 but a contribution of £20,000 was received towards the future replacement of an all-weather pitch. With effect from April 2017 LDC has provided a guarantee to a leasing company with which Wave has entered into various fixed term equipment hire agreements, to be triggered in the event that Wave defaults on its obligations. The guarantee is up to a maximum of £500,000 across four agreements. Step In Agreements give LDC an indemnity from Wave in the event that LDC has to meet its obligations under the guarantee.

Entities Controlled or Significantly Influenced by the Council

- Lewes Housing Investment Company (LHIC) - LHIC is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC has been set up to acquire, improve and let residential property at market rents. Although the 2017/18 capital programme included £2.5m as potential commercial loan funding to LHIC to facilitate property purchases, this facility was not drawn down and has rolled forward into 2018/19. No payments were made to, or monies received from, LHIC during 2017/18 and no amounts were owing to, or owed by, LHIC at the end of the year.
- Aspiration Homes (LLP) (AH) - AH is a limited liability Partnership owned equally by Eastbourne BC and Lewes DC. Incorporated in June 2017, AH has been set up for the purpose of developing housing to be let at affordable rent. Although the 2017/18 capital programme included £2.5m as potential commercial loan funding to AH to facilitate property purchases, this facility was not drawn down and has rolled forward into 2018/19. No payments were made to, or monies received from, LHIC during 2017/18 and no amounts were owing to, or owed by, LHIC at the end of the year.

Note 33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016/17 £000	**2017/18** **£000**
Opening Capital Financing Requirement	71,531	**77,042**
Capital Investment		
- property, plant and equipment	11,940	**7,670**
- heritage assets	21	**100**
- investment properties	5,244	**260**
- intangible assets	683	**830**
- revenue expenditure funded from capital under statute (REFCUS)	1,351	**1,043**
	19,239	**9,903**

Sources of Finance		
- capital receipts	(3,907)	**(397)**
- Government grants and other contributions	(4,414)	**(1,172)**
- Major Repairs Reserve	(2,384)	**(4,369)**
- direct revenue contributions	(1,822)	**(2,678)**
- sums set aside from revenue for the repayment of debt	(1,201)	**(1,119)**
	(13,728)	**(9,735)**
Closing Capital Financing Requirement	77,042	**77,210**
Increase in Capital Financing Requirement	5,511	**168**
Explanation of movements in year:		
- increase/(decrease) in underlying need to borrow	5,641	**(45)**
- increase/(decrease) in lease liability	(130)	**213**
Increase in Capital Financing Requirement	5,511	**168**

Note 34. LEASES

Council as Lessor

Operating leases

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

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

	31 March 2017	**31 March 2018**
	£000	**£000**
Not later than one year	1,090	**1,077**
Later than one year and not later than five years	3,859	**3,873**
Later than five years	30,134	**30,043**
Total	35,083	**34,993**

Note 35. POST EMPLOYMENT BENEFITS

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered by East Sussex County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments and assets. The total contribution comprises a fixed monetary amount and an amount calculated as a percentage of salary costs. Discretionary post-retirement benefits on early retirement are an unfunded benefit arrangement under which liabilities are recognised when awards are made. There is no plan assets built up to meet these discretionary pension liabilities.

Transactions Relating to Post-employment Benefits

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

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

	2016/17	**2017/18**
Service Cost	£000	**£000**
- current service cost	(1,758)	**(246)**
- past service cost (including curtailments)	(8)	**0**
- effect of settlements (on transfer of staff to Eastbourne Borough Council on 1 February 2017)	2,671	**0**
Total Service Cost	905	**(246)**
Financing and Investment Income and Expenditure		
- interest income on plan assets	2,798	**1,746**
- interest cost on defined benefit obligation	(3,570)	**(2,043)**
Total Net Interest	(772)	**(297)**
Total Post Employment Benefits credited/(charged) to (Surplus)/Deficit on the provision of services	133	**(543)**

	2016/17 £000	**2017/18 £000**
Remeasurement of the net defined benefit liability comprising:		
- return on plan assets (excluding the amount included in the net interest expense)	13,376	**(41)**
- actuarial gains/(losses) arising on changes in financial assumptions	(12,226)	**1.144**
- changes in demographic assumptions	1,174	**0**
- other experience and actuarial adjustments	6,249	**5**
Total remeasurements recognised in Other comprehensive income and expenditure	8,573	**1,108**
Total Post Employment Benefits credited to Comprehensive Income and Expenditure Statement	8,706	**565**
Movement in Reserves Statement:		
- reversal of net charges/(credits) made to the (Surplus)/Deficit on the provision of services for post employment benefits in accordance with the Code	133	**(543)**
- actual amounts charged against General Fund and HRA Balances for pensions in the year		
• employer's contributions payable to pension scheme	1,572	**550**
• discretionary benefits arrangements (unfunded pensions)	77	**76**
	1,782	**83**

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	31 March 2017 £000	**31 March 2018 £000**
Fair value of employer assets	71,433	**70,044**
Present value of funded liabilities	(82,463)	**(79,941)**
Present value of unfunded liabilities	(1,041)	**(983)**
Net liability arising from defined benefit obligation	(12,071)	**(10,880)**

	2016/17 £000	**2017/18 £000**
Reconciliation of the movements in the fair value of scheme assets		
Opening fair value of scheme assets	85,381	**71,433**
Interest income	2,798	**1,746**
Remeasurement gain/(loss) - return on plan assets (excluding the amount included in the net interest expense)	13,376	**(41)**
Contributions from employer	1,649	**626**
Contributions from employees into the scheme	487	**47**
Benefits paid	(4,013)	**(3,691)**
Unfunded benefits paid	(77)	**(76)**
Effect of settlements - assets transferred	(28,168)	**0**
Closing fair value of scheme assets	71,433	**70,044**

	2016/17 £000	**2017/18 £000**
Reconciliation of present value of the scheme liabilities (defined benefit obligation)		
Opening fair value of scheme liabilities	107,807	**83,504**
Current service cost	1,758	**246**
Interest cost	3,570	**2,043**
Contributions from scheme members	487	**47**
Remeasurement losses:		
- actuarial (gain)/losses arising on changes in financial assumptions	12,226	**(1,144)**
- actuarial (gain) arising from changes in demographic assumptions	(1,174)	**0**
- other	(6,249)	**(5)**
Past service cost	8	**0**
Benefits paid	(4,013)	**(3,691)**
Unfunded benefits paid	(77)	**(76)**
Effect of settlements – liabilities extinguished	(30,839)	**0**
Closing fair value of scheme liabilities	83,504	**80,924**

Pension Scheme Assets comprised:

Asset Category	Period ended 31 March 2017 Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	**Period ended 31 March 2018 Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Percentage of Total Assets**
Equity Securities	£000	£000	£000		**£000**	**£000**	**£000**	
Consumer	1,331	0	1,331	2%	**1,305**	**0**	**1,305**	**2%**
Manufacturing	704	0	704	1%	**691**	**0**	**691**	**1%**
Energy and Utilities	120	0	120	0%	**118**	**0**	**118**	**0%**
Financial Institutions	2,161	0	2,161	3%	**2,118**	**0**	**2,118**	**3%**
Health and Care	1,223	0	1,223	2%	**1,199**	**0**	**1,199**	**2%**
Information Technology	1,018	0	1,018	1%	**998**	**0**	**998**	**1%**
Other	142	243	385	0%	**140**	**237**	**377**	**1%**
Debt Securities								
UK Government	0	1,979	1,979	3%	**0**	**1,941**	**1,941**	**3%**
Other	127	0	127	0%	**125**	**0**	**125**	**0%**
Private Equity								
All	0	4,088	4,088	6%	**0**	**4,008**	**4,008**	**6%**
Real Estate								
UK Property	0	6,850	6,850	10%	**0**	**6,717**	**6,717**	**10%**
Equities	9	39,333	39,342	55%	**8**	**38,569**	**38,577**	**55%**
Bonds	0	8,240	8,240	12%	**0**	**8,081**	**8,081**	**11%**
Hedge Funds	0	72	72	0%	**0**	**70**	**70**	**0%**
Commodities	106	0	106	0%	**104**	**0**	**104**	**0%**
Infrastructure	0	790	790	1%	**0**	**774**	**774**	**1%**
Other	0	78	78	0%	**0**	**76**	**76**	**0%**
Derivatives								
Foreign Exchange	0	15	15	0%	**0**	**15**	**15**	**0%**
Cash and Cash Equivalents								
All	1,802	1,002	2,804	4%	**1,767**	**983**	**2,750**	**4%**
Totals	8,743	62,690	71,433	100%	**8,573**	**61,471**	**70,044**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the East Sussex County Council pension fund being based on the latest full valuation of the scheme at 31 March 2016.

The significant assumptions used by the actuary have been:

	2016/17	**2017/18**
Mortality assumptions:		
- longevity for current pensioners - men	22.1 yrs	**22.1 yrs**
- longevity for current pensioners - women	24.4 yrs	**24.4 yrs**
- longevity for future pensioners - men	23.8 yrs	**23.8 yrs**
- longevity for future pensioners - women	26.3 yrs	**26.3 yrs**
Rate of inflation	2.4%	**2.4%**
Rate of increase in salaries	2.8%	**2.8%**
Rate of increase in pensions	2.4%	**2.4%**
Rate for discounting scheme liabilities	2.5%	**2.6%**

Sensitivity Analysis

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

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

Change in assumptions at 31 March 2018	**Approximate percentage increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in real discount rate	7%	5,936
0.5% increase in the salary increase rate	0%	80
0.5% increase in the pension increase rate	7%	5,832

Impact on the Council's cash flows

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

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

The Council anticipates paying contributions of £603,000 to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16.3 years.

Note 36. CONTINGENT LIABILITIES

At 31 March 2018 the Council had two material contingent liabilities:

- The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations.
  At 31 March 2018 the pension liability of Wave Leisure Ltd is £1,127,000 (£1,093,000 at 31 March 2017). The council has also given a guarantee in respect of leases which Wave Leisure entered into 2017/18, as disclosed in Note 32.

- In March 2017 legal proceedings were issued against the Council in relation to the termination of agreements which had been entered into with them and another partner. During 2017/18 the Council has been liable for costs of all legal advice and representation from its external lawyers and counsel, initially in complying with case management directions, and subsequently in relation to alternative dispute resolution (ADR) and potentially a settlement. All costs are included within the Comprehensive Income and Expenditure Statement. The Council will continue to incur legal costs in 2018/19. If ADR proves unsuccessful, the litigation will proceed to a liability trial, scheduled to take place between May 2019 and July 2019. Should this trial go ahead, and should the Court find the Council to be liable in relation to the claim, a second trial would be held (at a date not yet decided) to determine the actual value of damages payable to the claimant. Any such liability would become payable during 2019/20 at the earliest.

HRA INCOME AND EXPENDITURE STATEMENT

2016/17 £000		£000	2017/18 £000
	Income		
14,785	Dwelling rents	**14,822**	
427	Non-dwelling rents	**423**	
1,211	Charges for services and facilities	**1,295**	
183	Contributions towards expenditure	**157**	
16,606			**16,697**
	Expenditure		
4,873	Repairs and maintenance	**5,130**	
2,829	Supervision and management (including special services)	**2,678**	
175	Rents, rates, taxes and other charges	**164**	
5,160	Depreciation of non-current assets (Note 3)	**5,468**	
(1,374)	Impairment and (impairment reversals) of non-current assets (Note 4)	**1,199**	
40	Debt management costs	**45**	
(4)	Movement in the allowance for impairment of debtors	**104**	
11,699			**14,788**
(4,907)	**Net income of HRA services in the Comprehensive Income & Expenditure Statement**		**(1,909)**
793	HRA share of Corporate and Democratic Core		**759**
(569)	HRA share of Pension Service Cost Settlements		**0**
(4,683)	**Net income of HRA Services**		**(1,150)**
	HRA share of operating income and expenditure in the Comprehensive Income and Expenditure Statement:		
(290)	Gain on sale of HRA non-current assets	**(357)**	
827	Loss on derecognition of components of HRA non-current assets	**550**	
1,839	Interest payable and similar charges	**1,815**	
(32)	Interest and investment income	**(48)**	
164	Net interest on the net defined benefit pension liability	**59**	
(12)	Capital grants and contributions receivable	**(13)**	
2,496			**2,006**
(2,187)	**(Surplus)/Deficit for the year on HRA services**		**856**

Housing Revenue Account and explanatory notes

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

2016/17 £000	MOVEMENT ON THE HRA STATEMENT	2017/18 £000	2017/18 £000
(2,726)	Balance on the HRA at 1 April		**(2,872)**
(2,187)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement		**856**
	Adjustments between accounting basis and funding basis under statute:		
5,160	- transfer to the Major Repairs Reserve (MRR) equal to the depreciation and amortisation charged to HRA	**5,468**	
(5,160)	- transfer from the Capital Adjustment Account	**(5,468)**	
1,374	- reversal of impairment and impairment reversals taken to the HRA	**(1,199)**	
(827)	- reversal of loss on de-recognition of components of HRA non-current assets	**(550)**	
290	- reversal of gain on sale of HRA non-current assets	**357**	
(3)	- amortisation of premiums and discounts	**(5)**	
12	- reversal of capital grants and contributions	**13**	
27	- reversal of items relating to retirement benefits charged to the HRA Income and Expenditure Statement	**(108)**	
361	- employer's pensions contributions payable in the year	**136**	
0	- capital expenditure funded by the HRA	**626**	
807	- voluntary provision for the financing of capital investment	**807**	
2,041			**77**
(146)	Net (increase)/decrease in year on the HRA		**933**
(2,872)	Balance on the HRA at 31 March		**(1,939)**

Note 1. STOCK OF SOCIAL HOUSING

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

		2017	**2018**
Houses and Bungalows			
	0 bedroom	0	**1**
	1 bedroom	213	**212**
	2 bedroom	634	**639**
	3 bedroom	869	**870**
	4 bedroom	69	**69**
	5 bedroom	3	**3**
	6 bedroom	1	**1**
		1,789	**1,795**
Flats			
	bedsits	138	**138**
	1 bedroom	683	**692**
	2 bedroom	541	**539**
	3 bedroom	47	**47**
	4 bedroom	4	**4**
		1,413	**1,420**
Total stock of social housing at 31 March		3,202	**3,215**

In addition the Council had at 31 March 2018 shared ownership arrangements covering 7 properties and 1 property (partly) sold under the Right to Buy scheme.

Note 2. VALUE OF HRA NON-CURRENT ASSETS

The value of HRA non-current assets shown in the table below is included within the Balance Sheet.

	31 March 2017 £000	**31 March 2018 £000**
Council Dwellings – houses, bungalows and flats		
- social housing	215,489	**220,138**
- affordable housing	1,303	**2,195**
- shared ownership	1,332	**1,364**
- leaseholds	52	**53**
	218,176	**223,750**
Other Land and Buildings		
- garages	9,022	**10,410**
- other land and buildings	833	**823**
Vehicles, Plant, Furniture and Equipment	1,407	**2,367**
Infrastructure Assets	596	**499**
Community Assets	43	**43**
Surplus Assets	2,150	**2,150**
Total Property, Plant and Equipment	232,227	**240,042**
Investment Property	1,000	**663**
Intangible Assets	17	**12**

Council Dwellings Valuation Basis

Council Dwellings are valued, for resource accounting purposes, according to their existing use for social housing. Under this method, the open market value of the stock is reduced by a regional adjustment factor determined in accordance with Government guidance to reflect the status of the properties as social housing. The details of the factor used and the corresponding open market (vacant possession) values of council dwellings are set out below.

Council Dwellings Let at Social Rents

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 (also 67% and 33% in 2016/17).

The open market (vacant possession) valuation of these dwellings at the valuation date of 31 March 2018 was £667 million. The difference between this and the balance sheet value of £220 million represents the economic cost to Government of providing Council housing at less than open market values. The comparative figures at 31 March 2017 were £653 million and £215 million.

Council Dwellings Let at Affordable Rents

A total of 24 dwellings included in the stock at 31 March 2018 (13 at 31 March 2017) are let on an ‘affordable rent’ basis, which is closer to market rent values than ‘social rents’. Consequently, a different regional adjustment factor is required in determining the existing use valuation as social housing for these dwellings. The adjustment factor used has been determined by a professional valuer in accordance with Government Guidance.

The regional adjustment factor used for dwellings let at ‘affordable rent’ is 50% thereby reducing the balance sheet value of these dwellings to 50% of their open market value. The regional adjustment factor for 2016/17 was also 50%.

The open market (vacant possession) valuation of these dwellings at the valuation date of 31 March 2018 was £4.4 million. The difference between this and the balance sheet value of £2.2 million represents the economic cost to Government of providing Council housing at less than open market values. The comparative figures at 31 March 2017 were £2.6 million and £1.3 million.

Shared Ownership Dwellings

A total of 8 dwellings included in the stock at 31 March 2018 are held on a ‘shared ownership’ basis, with the tenant paying rent on the share retained by the Council. The overall proportion retained by the Council at 31 March 2018 is 4.9 dwellings which is the same as at 31 March 2017.

The open market (vacant possession) valuation of these dwellings at 31 March 2018 was £2.2 million. The difference between this and the balance sheet value of £1.4 million represents the value of the share purchased by former tenants. The comparative figures at 31 March 2017 were £2.1 million and £1.3 million.

Note 3. DEPRECIATION

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

The amounts of depreciation charged to the HRA Income and Expenditure Statement are as follows:	2016/17	**2017/18**
	£000	**£000**
Depreciation on council dwellings	4,512	4,761
Depreciation on other land and buildings	278	304
Depreciation on vehicles, plant, furniture and equipment	211	237
Depreciation on infrastructure assets	110	115
Depreciation on surplus assets	43	45
Amortisation of intangible assets	6	6
Total Depreciation charged to the HRA	5,160	**5,468**

Note 4. IMPAIRMENT

Impairment charges made to the HRA Income and Expenditure Statement are as follows:	2016/17	**2017/18**
	£000	**£000**
Impairment resulting from revaluation losses in excess of balances held in the revaluation reserve	1,195	**2,008**
Reversal of prior year impairment against revaluation gains recognised in the year	(2,569)	**(809)**
Total Impairment/(reversals) debited/(credited) to the HRA	(1,374)	**1,199**

Note 5. FUNDING OF CAPITAL EXPENDITURE

The totals of HRA capital expenditure and capital financing during the year is summarised as follows:	2016/17	**2017/18**
	£000	**£000**
Capital expenditure		
- on council dwellings	2,245	**3,524**
- on council dwellings: assets under construction	3,605	**396**
- on other land and buildings	42	**1**
- on vehicles, plant, furniture and equipment	151	**1,780**
- on infrastructure	50	**18**
	6,093	**5,719**
Sources of capital financing		
- from the Major Repairs Reserve	2,384	**4,369**
- from revenue contributions	0	**589**
- from grants and contributions	18	**2**
- from the capital receipts reserve	1,476	**159**
Total Capital Financing	3,878	**5,119**
Unfinanced – supported by Lewes District Council	2,215	**600**
	6,093	**5,719**

Note 6. MAJOR REPAIRS RESERVE

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

	2016/17	**2017/18**
	£000	**£000**
Balance at 1 April	(2,157)	**(4,933)**
Amounts transferred from the HRA		
- equal to the depreciation amount charged to the HRA Income and Expenditure Statement	(5,160)	**(5,468)**
Amounts used to finance HRA capital expenditure	2,384	**4,369**
Balance at 31 March	(4,933)	**(6,032)**

Collection Fund Statement and explanatory notes

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

2016/17 £000		2017/18 £000	2017/18 £000
	Income		
	Council tax		
64,711	- Income receivable from tax payers		**67,878**
	Non-domestic rates (Business rates)		
24,849	- Income receivable from rate payers	**24,133**	
12	- Transitional protection payments receivable from Central Government	**456**	
24,861			**24,589**
	Contribution towards previous year's estimated non domestic rates deficit		
800	- Central Government		
640	- Lewes District Council	**693**	
144	- East Sussex County Council	**554**	
16	- East Sussex Fire Authority	**125**	
1,600		**14**	
			1,386
91,172	**Total Income**		**93,853**
	Expenditure		
	Council Tax Precepts		
44,814	- East Sussex County Council	**47,771**	
9,895	- Lewes District Council	**10,367**	
5,331	- Sussex Police and Crime Commissioner	**5,594**	
3,104	- East Sussex Fire Authority	**3,213**	
63,144			**66,945**

2016/17 £000		2017/18 £000	2017/18 £000
	Contribution from previous year's estimated Council Tax surplus		
771	- East Sussex County Council	**1,207**	
172	- Lewes District Council	**266**	
92	- Sussex Police and Crime Commissioner	**143**	
55	- East Sussex Fire Authority	**84**	
1,090			**1,700**
	Impairment of Council Tax		
214	- increase in allowance for non-collection		**244**
64,448	**Council Tax Expenditure**		**68,889**
12,917	Central Government share of Non-Domestic Rates income		**12,228**
	Local Government share of Non-Domestic Rates income:		
10,334	- Lewes District Council	**9,782**	
2,325	- East Sussex County Council	**2,201**	
258	- East Sussex Fire Authority	**245**	
12,917			**12,228**
	Impairment of Non-Domestic Rates		
184	- movement in allowance for uncollectable sums	**102**	
(100)	- movement in provision for appeals	**1,160**	
84			**1,262**
131	Transfer to the General Fund – allowance for the collection of non-domestic rates		**130**
0	Transfer to the General Fund – amount retained in respect of Newhaven Enterprise Zone		**478**
26,049	**Non-Domestic Rates Expenditure**		**26,326**
90,497	**Total Expenditure**		**95,215**

2016/17 £000	(Surplus)/Deficit for the year	**2017/18 £000**
(263)	- Council Tax	**1,011**
(412)	- Non-Domestic Rates	**351**
(675)		**1,362**

£000 Total	Movement on Collection Fund Balances	£000 Council Tax	£000 Non-Domestic Rates	£000 Total
481	Balance at 1 April	(1,792)	1,598	(194)
(675)	(Surplus)/Deficit for the year	1,011	351	1,362
(194)	Balance at 31 March	(781)	1,949	1,168

Note 1. COUNCIL TAX BASE

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

The calculation for 2017/18 is as follows:	Chargeable dwellings	Band D ratio	Band D dwellings
Band A	2,363	6/9	1,577
Band B	4,076	7/9	3,170
Band C	10,661	8/9	9,477
Band D	8,396	9/9	8,396
Band E	5,171	11/9	6,320
Band F	2,786	13/9	4,024
Band G	2,187	15/9	3,646
Band H	201	18/9	402
	35,841		**37,012**
Collection rate for 2017/18			98.2%
Tax Base for 2017/18			**36,346**

Note 2. NON-DOMESTIC RATES

The total non-domestic rateable value at 31 March 2018 was £71.7 million (£65.3 million at 31 March 2017).
The increase resulted from the Government’s national revaluation exercise which took effect on 1 April 2017.
The standard national non-domestic rate multiplier for 2017/18 was 47.9p; reduced to 46.6p for qualifying small businesses.
The multipliers for 2016/17 were 49.7p and 48.4p respectively.

Statement of Responsibilities

Authorisation of the Statement of Accounts

The Deputy Chief Executive released this Statement of Accounts on September 2018. Events between the balance sheet date and September 2018 were considered before this Statement of Accounts was approved.

The Council's Responsibilities - the Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

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 Code.

The Deputy Chief Executive has also:

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

DEPUTY CHIEF EXECUTIVE CERTIFICATE - I certify that the Statement of Accounts set out in pages 24 to 109 gives a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

Alan Osborne, Deputy Chief Executive *September 2018*

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

The audit of the Statement of Accounts has not yet taken place.

The Council’s accounts are subject to external audit by Janine Combrinck, Director RI/Public Sector Assurance, BDO LLP 55 Baker Street, London W1U 7EU.

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Opinion on the Council’s financial statements

To follow on completion of Audit.

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

To follow on completion of Audit.

Certificate of completion of the audit

To follow

Index of Explanatory Notes

Explanatory Notes to the Core Financial Statements

Index of Explanatory Notes

Contact details

The information in this document can be made available in large print, on audio tape or disk, or in another language upon request.
Contact the Council on 01273 471600 or email finance@lewes-eastbourne .gov.uk
For more information about the annual Statement of Accounts please contact:

Pauline Adams,
Head of Finance
Southover House,
Southover Road,
Lewes BN7 1AB
Telephone: 01273 471600