



Lewes District Council

Statement of Accounts 2014/2015

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Lewes District Council Statement of Accounts 2014/15

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Introduction

Welcome to Lewes District Council's Statement of Accounts for 2014/15.

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 2014/15 (the 'Code') in putting together the Statement of Accounts for 2014/15. The accounts present a true and fair view of Lewes District Council's financial position for the financial year ended 31 March 2015. 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 Director of Corporate Services 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 2014/15 appears on page 106 of this document.

The Core Financial Statements

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

Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the Council, analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'Unusable Reserves' (i.e. those that hold unrealised gains and losses or timing differences). The 'Surplus or (deficit) 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 generally accepted accounting practices, 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 generally accepted accounting practices, 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.

Explanatory Foreword

This Foreword, which is not part of the Core Financial Statements, explains the Council's financial performance for the year ended 31 March 2015 when set against budgets approved for the setting of council tax and housing rents. It explains the major variations in spending plans for both revenue – the General Fund and the Housing Revenue Account – and for capital. It also provides information on the Council's financial health at 31 March 2015 as evidenced by asset values, balances, borrowing and reserves.

The Council's General Fund Revenue Account (for the provision of day to day services and the setting of council tax)

The table below shows the final net expenditure/income for 2014/15 analysed by statutory service area, as presented in the Council's published budget papers and excluding items which cannot be controlled by service managers such as depreciation.

	Budget £000	Actual £000	Variance £000
Central Services	1,243	1,089	(154)
Cultural and Related Services	2,360	2,185	(175)
Environmental and Regulatory Services	4,637	4,353	(284)
Highways and Transport Services	(317)	(321)	(4)
Housing (General Fund) Services	1,609	1,720	111
Planning Services	1,267	1,390	123
Corporate and Democratic Core and associated costs	1,966	2,274	308
Net cost of Service provision	12,765	12,690	(75)

The variations which led to the overall saving of £75,000 in the cost of Service provision when compared with the budget were:

	£000	£000
One-off costs of voluntary severance including pension strain	560	
Reduced cost of salaries	(393)	
Net increase in employee costs		167
Unused budgets for Service Priorities/Savings target released to Reserves		(134)
Additional expenditure: Projects funded from Reserves	481	
Projects funded from Grants	118	
Miscellaneous Service costs	337	936
Reduced Service income		705
Reduced Service expenditure		(1,103)
Increased Service income		(579)
Treasury Management		(48)
Increased allowance for doubtful debts		134
Ad-hoc grants and contributions received		(153)
Net saving		(75)

Explanatory Foreword

In addition to spending on services, contributions to Reserves were made in 2014/15 as shown below

	Budget £000	Actual £000	Variance £000
Net cost of Service provision	12,765	12,690	(75)
Transfers to Reserves	2,414	2,745	331
Total cost to be financed	15,179	15,435	256

The increase in the amount transferred to Reserves shown above is primarily the result of additional grants and contributions received, pending use in future years, (£133,000), and the carry-forward of unspent budgets at the year end (£157,000).

The following table shows the sources of General Fund financing in 2014/15.

	Budget £000	Actual £000	Variance £000
Use of Reserves	1,034	1,314	280
Use of Balance	748	789	41
Non-specific Government Grants	4,214	4,197	(17)
Retained Business Rates	2,445	2,397	(48)
Council Tax	6,738	6,738	0
Total Financing	15,179	15,435	256

The table below reconciles the General Fund Revenue Account, kept for setting a budget and council tax and for internal reporting, with the statutory reporting requirements set out in the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement:

General Fund Revenue Account – use of balance (above)	£'000
	789
<u>Statutory Reporting Summary</u>	
(Surplus) on the provision of services reported in the CIES (page 10)	(2,693)
Less (Surplus) in respect of the Housing Revenue Account included above (page 96)	6,379
Deficit on provision of General Fund services (page 8)	3,686
Adjustments between accounting basis and financing basis under regulations (page 8)	(2,606)
Net transfer to reserves (page 8)	(291)
General Fund Revenue Account - deficit for year (page 8)	789

The General Fund balance at 31 March 2015 stands at £1.552 million.

Explanatory Foreword

The Council's Housing Revenue Account (for the provision of day to day services to tenants of the Council's own stock of houses and flats and the setting of rents and service charges)

This table shows the original budget for the year, an in-year projection (which incorporates an enhanced methodology for accounting for rent income and depreciation used when closing the 2013/14 accounts) and actual performance.

	Budget £000	Projection £000	Actual £000	Variance £000
Operating Income	(16,440)	(16,668)	(16,658)	10
Operating Expenditure	10,508	11,566	12,121	555
Corporate and Democratic Core (share of whole Council costs)	657	657	850	193
Capital Financing and Interest Charges	4,818	4,163	3,777	(386)
(Surplus) for the year	(457)	(282)	90	372

The variations which led to the overall additional cost of £372,000 compared with the projection were:

Increase in rent income	£000 (19)
Increased spend on Revenue Repairs and Maintenance	1,023
Reduced spend on Capital Repairs and Maintenance	(385)
One-off cost of voluntary severance	228
Reduced Service Management cost including salaries	(547)
Reduced Corporate Management cost	(35)
Reduced spend on communal areas	(25)
Reduction in cost of insurance	(21)
Increased allowance for doubtful debts	24
Increase in contribution to Major Repairs Reserve	151
Miscellaneous net variations	(22)
Total variation	372

The following table reconciles the Housing Revenue Account, kept for setting a budget, rents and service charges and for internal reporting, with the statutory reporting requirements set out in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement:

Explanatory Foreword

	£'000
Housing Revenue Account - deficit for year	90
<u>Statutory Reporting Summary</u>	
(Surplus) on the provision of services reported in the CIES (page 10)	(2,693)
Add Deficit in respect of the General Fund Revenue Account included above (page 8)	(3,686)
(Surplus) on provision of Housing Revenue Account services (page 96)	(6,379)
Adjustments between accounting basis and financing basis under regulations (page 8)	6,469
Housing Revenue Account - deficit for year (page 8)	90

After withdrawing £90,000 to finance operating costs in the year, the balance at 31 March 2015 stands at £2.638 million.

The Council's Capital Programme (for the acquisition and enhancement of long term assets eg property, plant, and equipment)

Total capital expenditure managed through the 2014/15 Capital Programme was £9.901 million as listed below:

	£million
Housing Revenue Account Investment Programme	5.095
General Fund Housing Investment Programme	0.475
General Fund Other Services Investment Programme	4.331
Total Capital Expenditure	9.901

The largest items of expenditure were £1.422 million for the Big Park Project in Peacehaven, £1.292 million for the replacement and renewal of heating systems in Council owned houses and flats, and £1.271 million as a contribution towards the construction of the new University Technical College in Newhaven, a catalyst for regeneration in the town.

Capital expenditure was paid for from:

	£million
Major Repairs Reserve: money set aside from the Housing Revenue Account	4.891
Capital receipts: money from the sale of Council property	0.731
Grants and Contributions: from external partners, like the Government and property developers	2.032
Revenue Financing: contributions from the General Fund and Housing Revenue Account	1.959
Total Capital Financing	9.613
Unfinanced – supported by Lewes District Council pending future sale of council assets	0.288
	9.901

Explanatory Foreword

The Council chose to leave two projects unfinanced (i.e. supported by internal borrowing). It is planned to meet the costs of unfinanced projects from receipts generated by the future sale of surplus assets. The main unfinanced project was the construction of a new fire station and offices in Newhaven which will be completed in 2015/16. The building will be owned by East Sussex Fire Authority which will lease some of the office space to the Police and Crime Commissioner for Sussex and to Lewes District Council in return for capital contributions towards the costs of construction. In 2014/15 the Council made a contribution of £0.208 million.

The Council's financial health

The Balance Sheet on pages 11 and 12 shows a net increase of £7.368 million for the year.

Key movements in the year have been:

		£million
Property asset values	increase from revaluation of council housing and operational property	12.104
Investment property	increase from revaluation to reflect market value	1.645
Working capital	net increase in short term assets less short term liabilities	0.355
Long term borrowing	no new external borrowing was taken during the year	0.000
Pensions	increase in the liability assessed by the actuary of the cost of pensions payable in future	(7.211)
Other	net increase from other smaller movements	0.475
Net assets		7.368
General Fund Balance	planned reduction as detailed on page 4	(0.789)
General Fund Reserves	net decrease as detailed on pages 46 to 50	(0.291)
Housing Revenue Balance	reduction as detailed on page 6	(0.090)
Capital Receipts Reserve	net increase as detailed on page 41	1.336
Major Repairs Reserve	net reduction as detailed on page 41	(0.312)
Capital Grants Applied	net decrease as detailed on page 41	(0.016)
Revaluation Reserve	net gains from increases in property asset values (page 68)	9.675
Capital Adjustment Account	net increase in difference between capital financing and capital charges (page 69)	4.942
Pension Reserve	increase in the liability assessed by the actuary of the cost of pensions payable in future	(7.211)
Other	net increase from other smaller movements	0.124
Total Reserves		7.368

This year on year improvement in the Council's financial health means that it is well positioned to face the financial challenges that lie ahead over the medium term as Government financial support is withdrawn and the Council becomes increasingly reliant on generating its own sources of both revenue and capital income.

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	2,341	10,634	2,728	3,280	1,424	316	20,723	124,945	145,668
Movement in Reserves during 2014/15									
Surplus or (deficit) on the provision of services (page 10)	(3,686)	0	6,379	0	0	0	2,693	0	2,693
Other comprehensive income and expenditure (page 10)	0	0	0	0	0	0	0	4,675	4,675
Total comprehensive income and expenditure	(3,686)	0	6,379	0	0	0	2,693	4,675	7,368
Adjustments between accounting basis and funding basis under regulations (Note 8 pages 40 to 42)	2,606	0	(6,469)	1,336	(312)	(16)	(2,855)	2,855	0
Net increase or decrease before transfers to earmarked reserves	(1,080)	0	(90)	1,336	(312)	(16)	(162)	7,530	7,368
Transfers to or from earmarked reserves (Note 9 pages 46 to 50)	291	(291)	0	0	0	0	0	0	0
Increase or (decrease)	(789)	(291)	(90)	1,336	(312)	(16)	(162)	7,530	7,368
Balance at 31 March 2015	1,552	10,343	2,638	4,616	1,112	300	20,561	132,475	153,036

Movement in Reserves Statement

Restated	General Fund Reserves 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 2013	2,679	10,052	3,467	2,216	388	1,935	20,737	118,860	139,597
Movement in Reserves during 2013/14									
Surplus or (deficit) on the provision of services (page 10)	(2,358)	0	8,478	0	0	0	6,120	0	6,120
Other comprehensive income and expenditure (page 10)	0	0	0	0	0	0	0	(49)	(49)
Total comprehensive income and expenditure	(2,358)	0	8,478	0	0	0	6,120	(49)	6,071
Adjustments between accounting basis and funding basis under regulations (Note 8 pages 43 to 45)	2,602	0	(9,217)	1,064	1,036	(1,619)	(6,134)	6,134	0
Net increase or decrease before transfers to earmarked reserves	244	0	(739)	1,064	1,036	(1,619)	(14)	6,085	6,071
Transfers to or from earmarked reserves (Note 9 pages 46 to 50)	(582)	582	0	0	0	0	0	0	0
Increase or (decrease)	(338)	582	(739)	1,064	1,036	(1,619)	(14)	6,085	6,071
Balance at 31 March 2014	2,341	10,634	2,728	3,280	1,424	316	20,723	124,945	145,668

Comprehensive Income and Expenditure Statement

Restated 2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,683	635	1,048	Central services to the public	1,642	537	1,105
4,013	518	3,495	Cultural and related services	4,446	502	3,944
8,122	2,540	5,582	Environmental and regulatory services	7,428	2,045	5,383
2,889	1,861	1,028	Planning services	3,635	1,942	1,693
671	918	(247)	Highways and transport services	1,031	913	118
3,627	15,887	(12,260)	Local authority housing (Housing Revenue Account)	4,805	16,658	(11,853)
			Other housing services			
			- Housing Benefits	37,828	37,259	569
36,856	36,423	433	- Private sector housing	2,077	383	1,694
2,315	414	1,901	Corporate and democratic core	4,209	114	4,095
3,579	116	3,463	Non distributed costs	194	0	194
167	0	167				
63,922	59,312	4,610	Cost of Services	67,295	60,353	6,942
5,671	1,144	4,527	Other operating expenditure (Note 10)	6,473	98	6,375
2,556	887	1,669	Financing and investment income and expenditure (Note 11)	2,864	693	2,171
7,275	24,201	(16,926)	Taxation and non-specific grant income (Note 12)	7,662	25,843	(18,181)
79,424	85,544	(6,120)	(Surplus) on the provision of services	84,294	86,987	(2,693)
		(5,751)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(10,649)
		5,800	Remeasurement of net defined benefit liability			5,974
		49	Other comprehensive income and expenditure			(4,675)
		(6,071)	Total comprehensive income and expenditure			(7,368)

Balance Sheet


Restated 31 March 2014 £000		Note	31 March 2015 £000
212,078	Property, Plant and Equipment	Note 13	224,182
3,087	Heritage Assets	Note 14	2,574
4,248	Investment Property	Note 15	3,143
466	Intangible Assets	Note 16	380
1	Long Term Investments	Note 17	0
481	Long Term Debtors	Note 17	465
220,361	Long Term Assets		230,744
5,006	Short Term Investments	Note 17	1,006
0	Current Held for Sale Investment Property	Note 15	2,750
90	Inventories		100
3,732	Short Term Debtors	Note 18	3,663
5,886	Cash and Cash Equivalents	Note 19	13,349
14,714	Short Term Assets		20,868
(234)	Short Term Borrowing	Note 17	(235)
(4,519)	Short Term Creditors	Note 20	(6,617)
(417)	Provisions	Note 21	(659)
(121)	Capital Grants Receipts in Advance	Note 34	(829)
(5,291)	Short Term Liabilities		(8,340)
(1,193)	Long Term Creditors	Note 34	(1,378)
(56,673)	Long Term Borrowing	Note 17	(56,673)
(23,822)	Defined Pension Scheme Liability	Note 38	(31,033)
0	Other Long Term Liabilities	Note 17	(71)
(2,428)	Capital Grants Receipts in Advance	Note 34	(1,081)
(84,116)	Long Term Liabilities		(90,236)
145,668	Net Assets		153,036

Balance Sheet

Restated 31 March 2014 £000		31 March 2015 £000
2,341	General Fund Balance	1,552
10,634	Earmarked General Fund Reserves	10,343
2,728	Housing Revenue Account Balance	2,638
3,280	Capital Receipts Reserve	4,616
1,424	Major Repairs Reserve	1,112
316	Capital Grants Unapplied	300
20,723	Usable Reserves	20,561
	Note 22	
15,810	Revaluation Reserve	25,485
132,888	Capital Adjustment Account	137,830
20	Financial Instruments Adjustment Account	16
(23,822)	Pension Reserve	(31,033)
390	Deferred Capital Receipts	390
(199)	Collection Fund Adjustment Account	(88)
(142)	Accumulated Absences Account	(125)
124,945	Unusable Reserves	132,475
	Note 23	
145,668	Reserves	153,036

Certificate of the Responsible Financial Officer

In compliance with Part 3 regulation 8(2) of The Accounts and Audit (England) Regulations 2011 I certify that the Statement of Accounts for the financial year 2014/15 presents a true and fair view of the financial position of Lewes District Council at 31 March 2015 and of its income and expenditure for that year.

Signed  Alan Osborne
 Director of Corporate Services

Date 28th September 2015 Statutory Section 151 Officer

Cash Flow Statement

Restated 2013/14 £000		2014/15 £000
6,120	Net surplus or (deficit) on the provision of services	2,693
(1,765)	Cash flows from interest paid	(1,767)
98	Cash flows from interest received	106
2,553	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	8,072
(2,187)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 25)	(4,015)
<hr/>		<hr/>
4,819	Net cash flows from operating activities	5,089
(5,209)	Investing activities (Note 26)	(360)
632	Financing activities (Note 27)	2,734
<hr/>		<hr/>
242	Net increase in cash and cash equivalents	7,463
5,644	Cash and cash equivalents at the beginning of the reporting period.	5,886
<hr/>		<hr/>
5,886	Cash and cash equivalents at the end of the reporting period (Note 19)	13,349

Explanatory Notes to the Core Financial Statements

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

The accounting policies applied in 2014/15 are consistent with those applied in 2013/14

Prior Period Adjustments

The Council's new asset management system, which was acquired in 2013, was not fully implemented in time for the completion of the 2013/14 statement of accounts. As a consequence, some of the non-current asset accounting transactions which should have been processed in 2013/14 were not processed until 2014/15. This requires accounting adjustments to the published 2013/14 statement of accounts.

The effect of the accounting adjustments is set out within the tables below. The overall effect is to recognise a non-material increase in the value of Net Assets of £92,000 at 31 March 2014 which is matched by an equivalent increase in Reserves. However, within reserves there is a material change in the values of the revaluation reserve and the capital adjustment account, both of which are unusable reserves. This recognises the gains made by the Council arising from increases in the value of its assets rather than charging these gains to the Comprehensive Income and Expenditure Statement as had originally been the case.

There is no effect from these accounting adjustments on the Council's cash, as shown within the Cash Flow Statement below, or in the value of its Usable Reserves.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. However, in this case the prior period error did not impact on the opening Balance Sheet for 2013/14.

These changes impact on the Council's published 2013/14 core financial statements as follows:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

The restated figures are set out within the following tables:

Explanatory Notes to the Core Financial Statements

2013/14 Comprehensive Income and Expenditure Statement	Originally stated	Restated	Amount of restatement
	Net expenditure	Net expenditure	
	£000	£000	£000
Central services to the public	1,048	1,048	0
Cultural and related services	3,255	3,495	240
Environmental and related services	5,421	5,582	161
Planning services	1,708	1,028	(680)
Highways and transport services	(247)	(247)	0
Local authority housing (Housing Revenue Account)	(16,156)	(12,260)	3,896
Other housing services	2,334	2,334	0
Corporate and democratic core	3,134	3,463	329
Non distributed costs	167	167	0
Cost of Services	664	4,610	3,946
Other operating expenditure	3,871	4,527	656
Financing and investment income and expenditure	989	1,669	680
Taxation and non-specific grant income	(16,926)	(16,926)	0
(Surplus) on the provision of services	(11,402)	(6,120)	5,282
(Surplus) on revaluation of property, plant and equipment assets	(377)	(5,751)	(5,374)
Remeasurement of net defined benefit liability	5,800	5,800	0
Other comprehensive income and expenditure	5,423	49	(5,374)
Total comprehensive income and expenditure	(5,979)	(6,071)	(92)
2013/14 Movement in Reserves Statement	Originally stated	Restated	Amount of restatement
	£000	£000	£000
(Surplus) on the provision of services	11,402	6,120	(5,282)
Other comprehensive income and expenditure	(5,423)	(49)	5,374
Total comprehensive income and expenditure	5,979	6,071	92
Balance at 31 March 2014	145,576	145,668	92

Explanatory Notes to the Core Financial Statements

2013/14 Balance Sheet	Originally stated	Restated	Amount of restatement
	£000	£000	£000
Property, plant and equipment	212,050	212,078	28
Intangible assets	402	466	64
Net Assets	145,576	145,668	92
Revaluation reserve	10,436	15,810	5,374
Capital adjustment account	138,170	132,888	(5,282)
Reserves	145,576	145,668	92

2013/14 Cash Flow Statement	Originally stated	Restated	Amount of restatement
	£000	£000	£000
Net surplus on the provision of services	11,402	6,120	(5,282)
Adjustments to net surplus on the provision of services from non-cash movements	(2,729)	2,553	5,282
Net cash flows from operating activities	4,819	4,819	0

Note 2. ACCOUNTING POLICIES

1) General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015.

The Accounts and Audit (England) Regulations 2011 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 2014/15 (the 'Code') and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Explanatory Notes to the Core Financial Statements

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.

Explanatory Notes to the Core Financial Statements

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

Accounting for Non Domestic Rates (NDR)

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

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

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

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.

Explanatory Notes to the Core Financial Statements

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 fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis in accordance with statutory guidelines, locally 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account activity).

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.

Explanatory Notes to the Core Financial Statements

Termination Benefits

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

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

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

- The liabilities of the East Sussex County Council pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.2%. This is consistent with accounting requirements that liabilities should be discounted at a rate equivalent to the current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities. In arriving at the discount rate the scheme actuary has adopted an approach whereby a corporate bond yield curve is constructed based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology which is then adjusted to recognise the average weighted duration of the Council's benefit obligation.

Explanatory Notes to the Core Financial Statements

- The assets of the East Sussex County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities – current bid value
 - unquoted securities – professional estimate
 - unitised securities – current bid value
 - property – market value
- The change in the net pensions liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (i.e. net interest expense for the Council) – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
 - 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

Explanatory Notes to the Core Financial Statements

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) 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.

Explanatory Notes to the Core Financial Statements

For most of the borrowings that the Council has, this means that the amount presented on the Balance Sheet is the outstanding principal repayable (plus the accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. For the Council's Lender's Option Borrower's Option (LOBO) loan agreement, which has provision for stepped interest rates, interest charged to the Comprehensive Income and Expenditure Statement is the amount payable based on rates expected to prevail over the full term of the loan, presuming no exercise of options.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the 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.

Explanatory Notes to the Core Financial Statements

However, the Council has made a number of loans to employees (e.g. travel season tickets, car loans) which have been advanced at less than the market interest rate. These are defined as soft loans and the Code requires the difference between the market interest rate and the actual interest rate to be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement and added to the amortised cost of the loan on the Balance Sheet. However, the Council does not treat these as soft loans and therefore, in a departure from the Code, only credits the actual loan interest receivable to Financing and Investment Income and Expenditure, and makes no adjustment to the cost of the loan held on the Balance Sheet. The impact of this differing accounting treatment is not material to the Financial Statements.

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

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

Explanatory Notes to the Core Financial Statements

Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

8) Government Grants and Other Contributions

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

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

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

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

Explanatory Notes to the Core Financial Statements

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

9) Heritage Assets

Tangible heritage assets

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

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

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

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

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

Explanatory Notes to the Core Financial Statements

10) Intangible Assets

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

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

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

11) Inventories

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

12) 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 amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation (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

Explanatory Notes to the Core Financial Statements

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.

13) 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.

Explanatory Notes to the Core Financial Statements

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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Explanatory Notes to the Core Financial Statements

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 relevant service 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).

14) Overheads and Support Services

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

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

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

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

15) 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.

Explanatory Notes to the Core Financial Statements

16) 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.

Donated assets are measured initially at fair value.

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 – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Explanatory Notes to the Core Financial Statements

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

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

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

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

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).

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

Explanatory Notes to the Core Financial Statements

- qualified officer
- Infrastructure - straight line allocation over 20 years

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

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

Disposals

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

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

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 fixed 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.

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17) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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.

Contingent Assets

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

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

Explanatory Notes to the Core Financial Statements

18) 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.

19) Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset 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.

20) Value Added Tax (VAT)

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

Explanatory Notes to the Core Financial Statements

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS13 Fair Value Measurement – this standard provides a consistent definition of fair value as well as enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. This standard is not expected to have a material impact on the Statement of Accounts as the Council currently does not hold any surplus assets, and operational assets held as property, plant and equipment are outside the scope of IFRS13.
- IFRIC21 Levies – this standard provides guidance on levies imposed by Government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- Annual Improvements to IFRSs (2011-2013 Cycle) – these improvements are minor, principally improving clarification, and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

Note 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Explanatory Notes to the Core Financial Statements

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances 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 2015 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 £11.5 million. The effects of other changes in individual assumptions are set out within Note 38.
- **Impairment of Doubtful Debts:** the Council has included in its accounts an allowance for the impairment of doubtful debts of £0.993 million at 31 March 2015 based on an assessment of future recoverability. However if collection rates were to deteriorate an increase in the amount of the impairment would be required.
- **Property, Plant and Equipment:** assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Reductions in funding may make it difficult for the Council to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amounts of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.
- **Provisions:** the Council has made a provision of £0.659 million for its share of any successful appeals made by businesses against non-domestic rates charged in 2014/15 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.

Note 6. MATERIAL ITEMS OF INCOME AND EXPENSE

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

Explanatory Notes to the Core Financial Statements

Note 7. EVENTS AFTER THE BALANCE SHEET DATE

Non-adjusting events

The events explained in (a) and (b) below occurred after the balance sheet date and do not provide additional information about, nor represent a change in, conditions that existed at that date. Therefore, in accordance with International Accounting Standard 10 “Events after the reporting period”, both are non-adjusting post balance sheet events.

The financial statements do not reflect the possible financial consequences of the matters described below.

(a) On 8 July 2015 the UK chancellor announced a number of proposals that will impact on housing authorities including a change to the convergent rents formula that will be replaced with a formula that requires a 1% decrease in rents each year, for four years, commencing from 1 April 2016.

As per accounting policy 16, the Council carries its social housing properties at valuation. This valuation is determined as the Existing Use Value – Social Housing (EUV-SH). EUV-SH takes into account that the Council has committed to use the housing assets for social housing purposes and so represents a lower value than would be applied to comparable housing in the private sector. Overall it is expected that Government’s intentions will lead to a revaluation loss to be recognised in the 2015/16 financial statements, however, until further details of the intentions are made available the Council has been unable to determine the specific details of the financial impact.

(b) In June 2015, the Council entered into a development agreement with a property developer which will enable it to achieve the following:

- Increase the value of Council owned properties prior to financially beneficial disposal
- Make best use of assets to stimulate regeneration and realise community benefits
- Dispose of the maintenance liability of underperforming assets

Under the terms of this agreement the Council will seek to develop 29 sites which have been identified as under-utilised. The size and current usage of these sites covers a broad spectrum, ranging from small informal recreational spaces through to the land currently occupied by the Council’s Waste and Recycling Depot at Robinson Road, Newhaven. The proposals will see around 415 new homes built across Lewes District of which around 165 will be affordable. Some homes will be privately owned homes sold to the open market and the money from these sites will fund the construction of Council owned homes.

Explanatory Notes to the Core Financial Statements

The first set of planning applications will be submitted to Lewes District Council by the end of 2015, followed by a second phase of planning applications going before the South Downs National Park Authority in early 2016. It is hoped that construction on the Robinson Road site, which will be part of the first phase of applications, will commence in 2016.

The development agreement may lead to a revaluation gain to be recognised in the 2015/16 financial statements, along with the reclassification of some assets. However, the Council is unable to determine the specific details of the financial impact until proposals have been brought forward for each site, and planning applications submitted and approved.

The Statement of Accounts were authorised for issue by the Director of Corporate Services on 28th September 2015. Events taking place after this date are not reflected in the Financial Statements or notes.

Explanatory Notes to the Core Financial Statements

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

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

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

Explanatory Notes to the Core Financial Statements

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

Explanatory Notes to the Core Financial Statements

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

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2013/14 comparative figures – restated	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	1,756	4,383				(6,139)
Charges for impairment/(reversals) of non-current assets	214	(7,677)				7,463
Movements in the fair value of Investment Properties	(640)					640
Amortisation of Intangible Assets	227	4				(231)
Capital grants and contributions applied	(335)	(214)				549
Revenue expenditure funded from capital under statute	1,147					(1,147)
Amounts of non-current assets written off on disposal or sale as part of the gain to the Comprehensive Income and Expenditure Statement	109	1,062				(1,171)
Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement		2,434				(2,434)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(175)					175
Voluntary provision for the financing of capital investment		(1,185)				1,185
Capital expenditure charged against the General Fund and HRA balances	(822)	(1,517)				2,339

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2013/14 comparative figures	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(352)				352	
Application of grants to capital financing transferred to the Capital Adjustment Account					(1,971)	1,971
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	(2)	(1,948)	1,950			
Use of the Capital Receipts Reserve to finance new capital expenditure			(516)			516
Contribution from the Capital Receipts Reserve to finance the administrative costs of non-current asset disposals		25	(25)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	345		(345)			
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(4,387)		4,387		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,351)		3,351
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sales proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement		(390)				390

Explanatory Notes to the Core Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2013/14 comparative figures	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amortisation of premiums and discounts	1	3				(4)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,478	562				(3,040)
Employer's pensions contributions payable in the year	(1,624)	(372)				1,996
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated in accordance with statutory requirements	294					(294)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(19)					19
TOTAL ADJUSTMENTS FOR 2013/14	2,602	(9,217)	1,064	1,036	(1,619)	6,134

Explanatory Notes to the Core Financial Statements

Note 9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts transferred from the General Fund Balance to earmarked reserves to provide financing for future expenditure plans and the amounts transferred out from earmarked reserves to meet General Fund expenditure in 2014/15.

Earmarked General Fund Reserve (purpose of reserve)	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
Budget Carry Forward <i>(Where a project or service, which was to have been funded from a revenue budget, has not been completed at the year end, the unspent budget can, if required, be carried forward to fund that project or service in the following year)</i>	84	(25)	15	74	(74)	157	157
Building Control Charging Scheme <i>(Regulations require defined elements of building control to break-even over time. A trading account is prepared to cover these items, with the annual surplus/(deficit) added to or funded from this reserve)</i>	100	(19)	0	81	0	17	98
Change Management and Spending Power <i>(To support the Council's flexible retirement policy and assist with the budget realignment exercise and change programme)</i>	1,729	(952)	1,619	2,396	(1,830)	1,211	1,777
Clean and Green <i>(Balance of non-recurring funding set aside originally for clean & green initiatives)</i>	26	0	0	26	0	0	26

Explanatory Notes to the Core Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
Corporate Building Repairs <i>(To support the repairs programme for Council buildings)</i>	172	(32)	50	190	(21)	50	219
Housing Benefits Standards and Improvements <i>(To support improvements to the quality of the Benefits service)</i>	599	(55)	320	864	(4)	142	1,002
Insurance <i>(Meets the excess element of insurance claims and earmarks resources for the settlement of any liability arising from an insolvent run-off of Municipal Mutual Insurance not covered by a Provision)</i>	134	(9)	41	166	(16)	31	181
IT Replacement Equipment <i>(To support the IT replacement programme – merged with the Revenue Equalisation and Asset Maintenance reserve in 2013/14)</i>	124	(186)	62	0	0	0	0
Leisure Buildings Repairs <i>(To support works to Council operated parks, leisure and open space facilities)</i>	113	(63)	50	100	(56)	50	94
Leisure Trust <i>(To support future legal obligations under the operational arrangement with Wave Leisure Trust)</i>	209	(1)	50	258	(2)	50	306

Explanatory Notes to the Core Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
All Weather Pitch <i>(Supports future replacement)</i>	101	0	20	121	0	20	141
Leisure Trust Buildings Maintenance <i>(To support the Council's maintenance obligations set out in the legal agreement with Wave Leisure Trust)</i>	206	(88)	80	198	(14)	80	264
Newhaven Enterprise Centre <i>(To support the future replacement of equipment, etc)</i>	57	0	14	71	0	13	84
Community Safety Partnership Fund <i>(To support projects where the Council works in partnership with external agencies and community organisations)</i>	54	(31)	14	37	(19)	23	41
Housing and Planning Delivery Grant <i>(Balance of former Government Grant available to support specific Planning service initiatives over a number of years)</i>	71	(30)	0	41	0	0	41
Major Planning Applications <i>(To support the processing of major planning applications as and when they arise, or to fund the costs of appeals)</i>	56	0	0	56	0	0	56

Explanatory Notes to the Core Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
Private Sector Leasing and Homelessness Initiatives <i>(To support repairs to properties prior to return at the end of the lease period and homelessness initiatives across the district)</i>	37	(31)	22	28	(41)	21	8
Recycling <i>(To support expansion of the recycling service and to smooth out any fluctuations in recycling income within the annual budget)</i>	366	(12)	0	354	(22)	0	332
Revenue Equalisation and Asset Maintenance <i>(To support the backlog asset maintenance needs of the Council's non-housing property as well as items of regular but not annual expenditure)</i>	2,466	(800)	711	2,377	(602)	0	1,775
Business Rates Equalisation <i>(To support timing differences between income due and income receivable – created by a transfer from Revenue Equalisation and Asset Maintenance above)</i>	0	0	0	0	(68)	421	353
Southover Grange Gardens <i>(To support future improvement works)</i>	41	0	0	41	0	0	41
Vehicle Replacement <i>(To support the vehicle replacement programme)</i>	2,050	(362)	320	2,008	(7)	320	2,321

Explanatory Notes to the Core Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000
Strategic Priority Fund <i>(To support existing and developing projects)</i>	501	(115)	4	390	(205)	147	332
Denton Island Reclamation <i>(To support the regeneration project)</i>	75	0	0	75	0	0	75
Newhaven Fort Refurbishment <i>(To support a refurbishment programme)</i>	15	0	0	15	(15)	0	0
West Quay Development <i>(To support the regeneration programme)</i>	48	0	0	48	0	0	48
Specific Maintenance Funds <i>(Comprises amounts paid to the Council by third parties for specific maintenance purposes e.g. parks and open spaces)</i>	280	(10)	18	288	(1)	0	287
Revenue Grants and Contributions Unapplied <i>(Comprises amounts paid to the Council by Government departments and by third parties for specific service initiatives e.g. preventing repossessions)</i>	338	(56)	49	331	(158)	111	284
Total Earmarked Reserves on the Balance Sheet	10,052	(2,877)	3,459	10,634	(3,155)	2,864	10,343

Explanatory Notes to the Core Financial Statements

	Gross Expenditure £000	Gross Income £000	Restated 2013/14 Net Expenditure £000	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
Note 10. OTHER OPERATING EXPENDITURE						
Town and Parish Council Precepts	2,554	0	2,554	2,705	0	2,705
Grants to Town and Parish Councils	338	0	338	278	0	278
Payments to the Government Housing Capital Receipts Pool	345	0	345	360	0	360
(Gains) on the disposal of non-current assets	0	1,144	(1,144)	0	98	(98)
Loss on derecognition of components of HRA non-current assets	2,434	0	2,434	3,130	0	3,130
Total Other Operating Expenditure	5,671	1,144	4,527	6,473	98	6,375
Note 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE						
Interest payable and similar charges	1,766	0	1,766	1,767	0	1,767
Impairment/(Reverse impairment) of deposit	(7)	0	(7)	0	0	0
Net interest on the net defined benefit liability	770	0	770	1,058	0	1,058
Interest receivable and similar income	0	98	(98)	0	106	(106)
Income and expenditure in relation to investment properties and changes in fair value	27	789	(762)	39	587	(548)
Total Financing and Investment Income and Expenditure	2,556	887	1,669	2,864	693	2,171
Note 12. TAXATION AND NON SPECIFIC GRANT INCOME						
Council Tax Income	0	9,262	(9,262)	0	9,491	(9,491)
Non Domestic Rates income and expenditure	7,275	9,014	(1,739)	7,662	9,406	(1,744)
Non-ringfenced Government Grants	0	5,024	(5,024)	0	4,913	(4,913)
Capital Grants and Contributions	0	901	(901)	0	2,033	(2,033)
Total Taxation and Non Specific Grant Income	7,275	24,201	(16,926)	7,662	25,843	(18,181)

Explanatory Notes to the Core Financial Statements

Note 13. PROPERTY, PLANT AND EQUIPMENT Movement on Balances

Movements in 2014/15

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

Explanatory Notes to the Core Financial Statements

Property, Plant and Equipment

Movement on Balances, continued

Comparative movements in 2013/14 - restated

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
Cost or Valuation:	£000	£000	£000	£000	£000	£000
At 1 April 2013	161,341	42,197	9,633	11,024	1,561	225,756
Additions	4,991	1,610	2,335	36	17	8,989
Revaluation increases/(decreases) recognised in Revaluation Reserve	650	788	0	0	0	1,438
Impairment (losses) reversals recognised in Surplus/Deficit on Provision of Services	(29)	0	0	0	0	(29)
Derecognition – components written out and loss recognised in Surplus/Deficit on Provision of Services	(2,434)	0	0	0	0	(2,434)
Derecognition – disposals	(1,078)	0	(861)	0	0	(1,939)
Reclassifications	0	(2,200)	2,200	0	0	0
At 31 March 2014	163,441	42,395	13,307	11,060	1,578	231,781
Accumulated Depreciation and Impairment:						
At 1 April 2013	7,746	3,953	5,422	9,066	0	26,187
Depreciation charge	3,908	936	1,018	227	0	6,089
Depreciation written out to Revaluation Reserve	(3,883)	(429)	0	0	0	(4,312)
Impairment losses (reversals) recognised in Surplus/Deficit on Provision of Services	(7,706)	214	0	0	0	(7,492)
Derecognition – disposals	(17)	0	(752)	0	0	(769)
Reclassifications	0	(844)	844	0	0	0
At 31 March 2014	48	3,830	6,532	9,293	0	19,703
Net book value on Balance Sheet at 31 March 2014	163,393	38,565	6,775	1,767	1,578	212,078

Explanatory Notes to the Core Financial Statements

Depreciation

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

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

Capital Commitments

At 31 March 2015 the Council had entered into two commitments for the construction or enhancement of Property, Plant and Equipment with outstanding commitments of £0.798 million (there were no similar contractual commitments at 31 March 2014).

The outstanding commitments were:

- £0.686 million towards completing the construction of shared offices in Newhaven
- £0.112 million for the refurbishment of the Council's stock of houses and flats

Effects of Changes in Estimates

In 2014/15 the Council made no material changes to its accounting estimates for 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 fair value 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 2010 and are subject to annual desktop revaluation reviews at 31 March each year until the next full valuation review due at 1 April 2015. Other Land and Buildings were revalued by DVS at 1 April 2014 with the next full revaluation review due at 1 April 2019.

Explanatory Notes to the Core Financial Statements

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

- that properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown
- 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
- that inspection of those parts which have not been inspected would not cause the valuer to alter his opinion

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under construction £000	Total Property, Plant and Equipment £000
Carried at historical cost			13,146	11,142	1,595	345	26,228
Valued at fair value as at:							
31 March 2015	168,610	8,952					177,562
1 April 2014	1,205	36,852					38,057
Gross Book Value on Balance Sheet at 31 March 2015	169,815	45,804	13,146	11,142	1,595	345	241,847

Explanatory Notes to the Core Financial Statements

Note 14. HERITAGE ASSETS

Reconciliation of carrying value of heritage assets held by the Council	Land and Buildings £000	Civic Regalia £000	Works of Art and Museum Exhibits £000	Total Assets £000
Cost or Valuation:				
At 1 April 2014	2,866	19	776	3,661
Additions	33	0	0	33
Disposals	(1,325)	0	0	(1,325)
Revaluation increases recognised in Revaluation Reserve	329	0	0	329
Impairment (losses) reversals recognised in Surplus/Deficit on Provision of Services	351	0	0	351
At 31 March 2015	2,254	19	776	3,049
Depreciation and Impairment:				
At 1 April 2014	574	0	0	574
Depreciation charge	66	0	0	66
Disposals	(9)	0	0	(9)
Depreciation written out to Revaluation Reserve	(156)	0	0	(156)
At 31 March 2015	475	0	0	475
Net Book Value on the Balance Sheet at 31 March 2015	1,779	19	776	2,574
Cost or Valuation:	£000	£000	£000	£000
At 1 April 2013	2,866	19	776	3,661
Additions/(Disposals)	0	0	0	0
At 31 March 2014	2,866	19	776	3,661
Depreciation and Impairment:				
At 1 April 2013	524	0	0	524
Depreciation charge	50	0	0	50
At 31 March 2014	574	0	0	574
Net Book Value on the Balance Sheet at 31 March 2014	2,292	19	776	3,087

Explanatory Notes to the Core Financial Statements

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

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

Note 15. INVESTMENT PROPERTY

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Note 11 p51):

	2013/14	2014/15
	£000	£000
Rental income from investment property	(149)	(174)
Direct operating expenses arising from investment property	27	39
Net (gains) from fair value changes	(640)	(413)
Net (gain)	(762)	(548)

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:

	2013/14	2014/15
	£000	£000
Balance Sheet fair value at 1 April	3,608	4,248
Additions - capitalised expenditure	0	390
Reclassifications from Property, Plant and Equipment	0	842
Net gains from fair value changes	640	413
Balance Sheet fair value at 31 March	4,248	5,893
Represented on the Balance Sheet as:		
Long Term Assets – Investment Property	4,248	3,143
Short Term Assets – Current held for sale Investment Property	0	2,750

The Short Term Asset at 31 March 2015 is the Lewes House Development Site which was sold for £2.75million on 7 May 2015.

Explanatory Notes to the Core Financial Statements

Note 16. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system (when it is accounted for along with the hardware within Property, Plant and Equipment). The intangible assets include purchased software licenses and associated costs only. The Council does not include as Intangible Assets any internally generated software like web development, the costs of which are charged to the Comprehensive Income and Expenditure Statement in the year incurred. All software is given a finite useful life, based on assessments of the period that it is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 7 years but where appropriate a lesser period is used. The carrying amount of intangible assets is amortised on a straight-line basis.

Amortisation of £304,000 was charged to revenue in 2014/15. £180,000 was charged direct to services within Cost of Services on the Comprehensive Income and Expenditure Statement, whereas £124,000 was charged to the Information Technology section and then absorbed as an overhead across services within the Cost of Services.

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

	Restated 2013/14 £000	2014/15 £000
Balance at 1 April		
gross carrying amounts	1,110	1,478
accumulated amortisation	(782)	(1,012)
Net carrying amount at 1 April	328	466
Additions in the year	368	218
Amortisation for the year	(230)	(304)
Net carrying amount at 31 March	466	380
Balance at 31 March 2015		
gross carrying amounts	1,478	1,696
accumulated amortisation	(1,012)	(1,316)
Net carrying amount at 31 March	466	380

Explanatory Notes to the Core Financial Statements

Note 17. FINANCIAL INSTRUMENTS

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

	Long-term		Short-term	
	31 March 2014 £000	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000
Investments:				
- loans and receivables	1	0	5,006	1,006
Cash and Cash Equivalents				
- loans and receivables (cash)			466	4,347
- loans and receivables (cash equivalents)			5,420	3,002
- available for sale financial assets (cash equivalents)			0	6,000
	0	0	5,886	13,349
Debtors				
- loans and receivables	481	465	0	0
- financial assets carried at contract amounts	0	0	2,963	2,502
Total included in Debtors	481	465	2,963	2,502
Borrowings				
- financial liabilities at amortised cost	56,673	56,673	234	235
Other Long Term Liabilities				
- finance lease liabilities at amortised cost	0	71	16	18
Creditors				
- financial liabilities carried at contract amounts	0	0	3,676	4,618

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 18) and which are excluded from the table above.

Explanatory Notes to the Core Financial Statements

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 34) and is excluded from the table above.

Income, Expense, Gains and Losses

	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2013/14	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2014/15
	£000	£000	£000	£000	£000	£000
Interest expense	1,766	0	1,766	1,767	0	1,767
Impairment losses	0	(7)	(7)	0	0	0
Total expense in (Surplus) or Deficit on the Provision of Services	1,766	(7)	1,759	1,767	0	1,767
Interest income	0	(98)	(98)	0	(106)	(106)
Total income in (Surplus) or Deficit on the Provision of Services	0	(98)	(98)	0	(106)	(106)
Net (gain)/loss for the year	1,766	(105)	1,661	1,767	(106)	1,661

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated fair values have been calculated using the equivalent market interest rates at 31 March 2015
- no early repayment or impairment is recognised

Explanatory Notes to the Core Financial Statements

- fair values are based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial Assets				
Long-term Investments	1	1	0	0
Long-term Debtors	481	481	465	465
Short-term Investments	5,006	5,006	1,006	1,006
Short-term Debtors	2,963	2,963	2,502	2,502
Cash and cash equivalents	5,886	5,886	13,349	13,349

Cash and cash equivalents includes £6 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.

Financial Liabilities

Borrowings – market loan*	5,108	6,429	5,109	7,756
Borrowings – Public Works Loan Board (PWLB)*	51,799	52,228	51,799	60,320
Other Long-term Liabilities – finance leases	0	0	71	71
Short-term Creditors	3,676	3,676	4,618	4,618

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

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 2015) from a commitment to pay interest to the lender above current market rates.

The lender of the market loan was unable to provide a fair value directly so it has been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded

Explanatory Notes to the Core Financial Statements

options. The Lender's options have been valued according to a proprietary model, and the Council's (Borrower's option) to repay has been valued at zero on the assumption that this option would only be available when market rates are higher than the loan rate.

The fair value on the PWLB loans has been provided directly by the PWLB and is based on the equivalent interest rates in place on 31 March 2015.

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 2015) 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

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 2014/15 deposits in banks and building societies were limited to UK banks and building societies that had minimum Fitch (or equivalent) credit ratings of 'A' long term and 'F1' short term. Deposits were allowed for periods up to 1 year with a maximum exposure limit of £3 million per institutional group.

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

In respect of amounts receivable from our customers, the Council's collection performance is extremely high. Each year an assessment is made of the potential maximum level of default against the amount owed for each class of debt (e.g. council tax, non-domestic rates, rents, sundry debtors). This assessment takes account of both age and value of individual debts. Note 18 shows the total value of customer debt at the year end, along with the allowance for non-collection.

Explanatory Notes to the Core Financial Statements

An aged analysis of the operational debtors shown in Note 18 for Other Entities and Individuals analysed between housing benefit overpayments, housing rents and sundry debtors is shown in the table below:

	Housing Benefit Overpayments at 31 March 2014 £000	Housing Rents at 31 March 2014 £000	Sundry Debtors at 31 March 2014 £000	Housing Benefit Overpayments at 31 March 2015 £000	Housing Rents at 31 March 2015 £000	Sundry Debtors at 31 March 2015 £000
Less than 3 months	137	54	858	309	81	622
3 months to 6 months	72	126	265	173	51	258
6 months to 12 months	198	62	46	172	62	45
More than 12 months	1,019	125	213	964	265	206
	1,426	367	1,382	1,618	459	1,131

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

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council may be required to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

An analysis of the remaining contractual maturities of financial liabilities at 31 March is as follows:	Restated 2014 £000	2015 £000
Up to five years	12,337	13,279
Between five and ten years	21,543	23,270
Between ten and fifteen years	18,555	16,227
Between fifteen and twenty years	14,915	14,586
Between twenty and twenty five years	13,238	12,894
Between twenty five and thirty years	8,499	8,265
More than thirty years	6,800	6,575
	95,887	95,096

The liability which is shown as maturing after 30 years is a single loan. This is a Lenders Option Borrowers Option loan, which has a final maturity date in April 2054. The lender has the option to review and increase the loan rate every four years but if at a review

Explanatory Notes to the Core Financial Statements

date the lender proposes to increase the rate, then the Council can exercise its option to repay the loan. If this were to be the case the Council would either take a replacement loan from the PWLB or bank or reduce the money available for investment at that time. At the review date of 5 April 2012 the Lender did not exercise the option to vary the interest rate and the loan will continue at 4.5% until the next review date in April 2016.

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

Market Risk

Interest rate risk

The Council is exposed to 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. 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 fair value of the liabilities 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.

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 £200,000 in interest receivable, and a net £150,000 impact on the Surplus on the Provision of Services. The impact on the fair value of fixed rate borrowings would have been a decrease of £7.4 million.

Price and foreign exchange risk

The Council does not generally invest in equity shares but held £6million in available for sale financial assets at 31 March 2015. 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 little exposure to loss arising from movements in exchange rates.

Explanatory Notes to the Core Financial Statements

Note 18. DEBTORS

	2013/14		2014/15	
	£000	£000	£000	£000
Contractual Debtors:				
Central Government Bodies		483		0
Other Local Authorities		62		131
Other Entities and Individuals:				
Sundry Debtors	2,808		2,749	
less allowance for non-collection	(496)	2,312	(508)	2,241
Housing Rents	367		459	
less allowance for non-collection	(261)	106	(329)	130
Contractual Debtors net of impairment		2,963		2,502
Payments in Advance and Non-Contractual Debtors				
Central Government Bodies		391		646
Other Entities and Individuals:				
Payments in Advance		0		115
Council Taxpayers	297		324	
less allowance for non-collection	(84)	213	(83)	241
Non-domestic ratepayers	254		232	
less allowance for non-collection	(89)	165	(73)	159
Non-Contractual Debtors net of impairment		769		1,161
Debtors net of impairment on the Balance Sheet at 31 March		3,732		3,663

Note 19. CASH AND CASH EQUIVALENTS

	2013/14	2014/15
	£000	£000
The balance of cash and cash equivalents is made up of the following elements:		
Cash held by the Council	5	2
Bank accounts	461	4,345
Short-term deposits	5,420	9,002
Cash and Cash Equivalents on the Balance Sheet at 31 March	5,886	13,349

Explanatory Notes to the Core Financial Statements

Note 20. CREDITORS

	2013/14 £000	2014/15 £000
Contractual Creditors:		
Central Government Bodies	363	438
Other Local Authorities	537	750
Other Entities and Individuals	2,634	3,305
Short-term Employee Benefits (value of untaken leave)	142	125
Contractual Creditors	<u>3,676</u>	<u>4,618</u>
Receipts in Advance and Non-Contractual Creditors:		
Central Government Bodies	214	1,161
Other Local Authorities	211	460
Council Taxpayers	81	156
Non-Domestic Ratepayers	135	71
Housing Rents	202	151
Receipts in Advance and Non-Contractual Creditors	<u>843</u>	<u>1,999</u>
Creditors on the Balance Sheet at 31 March	<u>4,519</u>	<u>6,617</u>

Note 21. PROVISIONS

	2013/14 £000	2014/15 £000
Balance at 1 April	41	417
Additional provisions made in the year	417	242
Amount used in the year	(41)	0
Provisions on the Balance Sheet at 31 March	<u>417</u>	<u>659</u>

The provision made at 31 March 2015 represents the Council's share of the allowance made for non-domestic rates appeals.

Explanatory Notes to the Core Financial Statements

Note 22. USABLE RESERVES

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

Note 23. UNUSABLE RESERVES

The Council's unusable reserves consist of:

	Restated 2013/14 £000	2014/15 £000
Revaluation Reserve	15,810	25,485
Capital Adjustment Account	132,888	137,830
Financial Instruments Adjustment Account	20	16
Pension Reserve	(23,822)	(31,033)
Deferred Capital Receipts	390	390
Collection Fund Adjustment Account	(199)	(88)
Accumulated Absences Account	(142)	(125)
Unusable Reserves on the Balance Sheet at 31 March	124,945	132,475

A description of the nature and purpose of each unusable reserve, 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 the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

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

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

Explanatory Notes to the Core Financial Statements

Revaluation Reserve

	Restated 2013/14 £000	2014/15 £000	£000
Balance Sheet at 1 April	10,437		15,810
Upward revaluation of assets	6,284	11,454	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(533)	(805)	
Surplus/(deficit) on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	5,751		10,649
Difference between fair value depreciation and historical cost depreciation	(358)	(248)	
Accumulated gains on assets sold or scrapped	(20)	(726)	
Amount written off to the Capital Adjustment Account	(378)		(974)
Balance Sheet at 31 March	<u>15,810</u>		<u>25,485</u>

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 fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

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

Explanatory Notes to the Core Financial Statements

Capital Adjustment Account

	Restated 2013/14 £000	2014/15 £000
Balance Sheet at 1 April	125,443	132,888
Reversal of items relating to capital expenditure debited or credited to Comprehensive Income & Expenditure Statement:		
• Charges for depreciation of non-current assets	(1,756)	(1,896)
• Charges for impairment/(reversals) of non-current assets	7,463	7,568
• Amortisation of Intangible Assets	(227)	(290)
• Transfer to offset Housing Revenue Account contribution to the Major Repairs Reserve	(4,387)	(4,579)
• Revenue expenditure funded from capital under statute (REFCUS)	(1,147)	(3,218)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,171)	(2,337)
• Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement	(2,434)	(3,157)
	(3,659)	(7,909)
Adjusting amounts written out of the Revaluation Reserve	378	974
Net written out amount of the cost of non-current assets consumed in the year	(3,281)	(6,935)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	516	731
• Use of the Major Repairs Reserve to finance new capital expenditure	3,351	4,891
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	549	1,544
• Application of grants to capital financing from the Capital Grants Unapplied Account	1,971	477
• Statutory provision for the financing of capital investment charged against the General Fund Balance	175	164
• Voluntary provision for the financing of capital investment charged against the Housing Revenue Account (HRA) Balance	1,185	1,698
• Capital expenditure charged against the General Fund and HRA Balances	2,339	1,959
	10,086	11,464
Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	640	413
Balance Sheet at 31 March	132,888	137,830

Explanatory Notes to the Core Financial Statements

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans.

Premiums and discounts are taken to the Comprehensive Income and Expenditure Statement when they are incurred, but are reversed out of the General Fund and Housing Revenue Account Balances to this Account in the Movement in Reserves Statement. Over time, the income and/or expense is posted back to the General Fund and Housing Revenue Account Balances in accordance with statutory arrangements for spreading the burden on council tax. In the General Fund's case, this period is the unexpired term that was outstanding on the loans when they were redeemed, but for the Housing Revenue Account it is a maximum of 10 years or the unexpired term if that is less than 10 years.

Financial Instruments Adjustment Account

	2013/14	2014/15
	£000	£000
Balance Sheet at 1 April	24	20
Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund and Housing Revenue Account Balances in accordance with statutory requirements	(4)	(4)
Balance Sheet at 31 March	20	16

Explanatory Notes to the Core Financial Statements

Pensions Reserve

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

	2013/14 £000	2014/15 £000
Balance Sheet at 1 April	(16,978)	(23,822)
Remeasurements of the net defined benefit liability	(5,800)	(5,974)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,040)	(3,284)
Employer's pension contributions payable in the year	1,996	2,047
Balance Sheet at 31 March	(23,822)	(31,033)

Deferred Capital Receipts Reserve

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

	2013/14 £000	2014/15 £000
Balance Sheet at 1 April	0	390
Transfer of deferred sales proceeds credited as part of the gain on disposal to the Comprehensive Income and Expenditure Statement	390	0
Balance Sheet at 31 March	390	390

Explanatory Notes to the Core Financial Statements

Collection Fund Adjustment Account

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

	2013/14 £000	2014/15 £000
Balance Sheet at 1 April	95	(199)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(294)	111
Balance Sheet at 31 March	<u>(199)</u>	<u>(88)</u>

Accumulated Absences Account

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

	2013/14		2014/15	
	£000	£000	£000	£000
Balance Sheet at 1 April		(161)		(142)
Settlement or cancellation of accrual made at the end of the preceding financial year	161		142	
Amounts accrued at the end of the current financial year	<u>(142)</u>		<u>(125)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		19		17
Balance Sheet at 31 March		<u>(142)</u>		<u>(125)</u>

Explanatory Notes to the Core Financial Statements

Note 24. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

	Restated 2013/14	2014/15
	£000	£000
Depreciation	6,139	6,461
Impairment and (reversal) of impairment and valuation movements	(7,463)	(7,568)
Amortisation	231	304
Increase/(decrease) in impairment for bad debts	10	63
Increase/(decrease) in Creditors	(1,003)	2,283
(Increase)/decrease in Debtors	(842)	23
(Increase)/decrease in Inventories	34	(10)
Movement in pension liability	1,126	1,237
Carrying amount of non-current assets sold or derecognised	2,611	5,494
Other non-cash items	1,710	(215)
Adjustments for non-cash movements	2,553	8,072

Note 25. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS THAT ARE INVESTING AND FINANCING ACTIVITIES

	2013/14	2014/15
	£000	£000
Proceeds from sales of property, plant & equipment, investment property and intangible assets	(1,925)	(1,877)
Capital grants	(590)	(2,033)
Reduction of outstanding liabilities relating to finance leases	96	(105)
Other items for which the cash effects are investing or financing cash flows	232	0
Adjustments for items that are investing and financing activities	(2,187)	(4,015)

Explanatory Notes to the Core Financial Statements

Note 26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2013/14	2014/15
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(9,767)	(6,238)
Purchase of short-term and long-term investments	(115,400)	(97,600)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,925	1,877
Proceeds from short-term and long-term investments	117,744	101,601
Other receipts from investing activities	289	0
Net cash out flows from investing activities	(5,209)	(360)

Note 27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013/14	2014/15
	£000	£000
Other receipts from financing activities – increase/(decrease) in preceptors' share of council tax cash collected net of precepts and surpluses paid	374	1,852
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(96)	105
Other payments for financing activities	354	777
Net cash in flows from financing activities	632	2,734

Explanatory Notes to the Core Financial Statements

Note 28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA *Service Reporting Code of Practice*. However, internal reports are prepared on a different basis from the accounting policies used in the Financial Statements.

In particular:

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

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

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

Explanatory Notes to the Core Financial Statements

Income and Expenditure Analysis for 2013/14 restated

	Central services £000	Cultural services £000	Environmental & Regulatory £000	Highways Transport £000	Housing services £000	Planning services £000	Corporate & Democratic £000	Other services £000	HRA £000	Total £000
Fees, charges & other income	(652)	(741)	(2,034)	(919)	(1,316)	(2,447)	(67)	(1,391)	(15,919)	(25,486)
Government grants	(140)	(15)	(318)	0	(35,231)	(60)	(45)	0	0	(35,809)
Total Income	(792)	(756)	(2,352)	(919)	(36,547)	(2,507)	(112)	(1,391)	(15,919)	(61,295)
Employees	610	631	3,988	55	1,241	1,631	1,525	69	1,730	11,480
Other service expenses	576	2,368	2,166	562	36,249	840	310	3,383	4,964	51,418
Support service recharges	613	240	551	24	583	716	937	49	1,070	4,783
Total Expenditure	1,799	3,239	6,705	641	38,073	3,187	2,772	3,501	7,764	67,681
Net Expenditure	1,007	2,483	4,353	(278)	1,526	680	2,660	2,110	(8,155)	6,386

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

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

	Restated 2013/14 £000	2014/15 £000
Net expenditure in the analysis	6,386	5,610
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the analysis	212	3,301
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(1,988)	(1,969)
Cost of Services on the Comprehensive Income and Expenditure Statement	4,610	6,942

Explanatory Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

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

2014/15	Income and Expenditure Analysis	Services and Support Services not in Analysis	Amounts not reported for decision making	Amounts not included in CIES	Cost of Services in CIES	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other income	(26,463)	0	0	2,037	(24,426)	0	(24,426)
Interest and investment income	0	0	0	0	0	(693)	(693)
Income from Council Tax	0	0	0	0	0	(9,491)	(9,491)
Income from Non-Domestic Rates	0	0	0	0	0	(9,406)	(9,406)
Government grants and contributions	(35,927)	0	0	0	(35,927)	(6,946)	(42,873)
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	(98)	(98)
Total Income	(62,390)	0	0	2,037	(60,353)	(26,634)	(86,987)
Employee expenses	11,603	0	988	(54)	12,537	1,058	13,595
Other service expenses	52,956	0	(129)	(3,910)	48,917	317	49,234
Support Service recharges	3,441	0	0	(42)	3,399	0	3,399
Depreciation, amortisation and impairment/(reversals)	0	0	2,442	0	2,442	0	2,442
Derecognition of components	0	0	0	0	0	3,130	3,130
Interest payments	0	0	0	0	0	1,767	1,767
Precepts and Levies	0	0	0	0	0	10,367	10,367
Payments to Housing Capital Receipts Pool	0	0	0	0	0	360	360
Total Expenditure	68,000	0	3,301	(4,006)	67,295	16,999	84,294
(Surplus) or deficit on the provision of services	5,610	0	3,301	(1,969)	6,942	(9,635)	(2,693)

Explanatory Notes to the Core Financial Statements

2013/14 comparative figures restated:

	Income and Expenditure Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to Cabinet for decision making £000	Amounts not included in CIES £000	Cost of Services in CIES £000	Corporate Amounts £000	Total £000
Fees, charges and other income	(25,486)	0	0	1,995	(23,491)	(149)	(23,640)
Interest and investment income	0	0	0	0	0	(738)	(738)
Income from Council Tax	0	0	0	0	0	(9,262)	(9,262)
Income from Non-Domestic Rates	0	0	0	0	0	(9,014)	(9,014)
Government grants and contributions	(35,809)	0	(12)	0	(35,821)	(5,925)	(41,746)
Gain on Disposal of Property, Plant and Equipment	0	0	0	0	0	(1,144)	(1,144)
Total Income	(61,295)	0	(12)	1,995	(59,312)	(26,232)	(85,544)
Employee expenses	11,480	0	190	(45)	11,625	780	12,405
Other service expenses	51,418	0	(22)	(3,905)	47,491	350	47,841
Support Service recharges	4,783	0	0	(40)	4,743	5	4,748
Depreciation, amortisation and impairment /(reversals)	0	0	56	7	63	(7)	56
Derecognition of components	0	0	0	0	0	2,434	2,434
Interest payments	0	0	0	0	0	1,766	1,766
Precepts and Levies	0	0	0	0	0	9,829	9,829
Payments to Housing Capital Receipts Pool	0	0	0	0	0	345	345
Total Expenditure	67,681	0	224	(3,983)	63,922	15,502	79,424
	6,386	0	212	(1,988)	4,610	(10,730)	(6,120)

Explanatory Notes to the Core Financial Statements

Note 29. TRADING OPERATIONS

The Council operates six Industrial Estates in Lewes, Newhaven and Seaford. In addition, the Newhaven Business Centre operates units for start-up and small businesses.

The financial performance of these two operations is:

	2013/14			2014/15		
	Turnover	Expenditure	(Surplus)	Turnover	Expenditure	(Surplus)
	£000	£000	£000	£000	£000	£000
Industrial Estates	(676)	94	(582)	(672)	118	(554)
Newhaven Business Centre	(365)	267	(98)	(381)	275	(106)
	<u>(1,041)</u>	<u>361</u>	<u>(680)</u>	<u>(1,053)</u>	<u>393</u>	<u>(660)</u>

These figures are included within Planning Services in the Comprehensive Income and Expenditure Statement.

Note 30. AGENCY SERVICES

The Council entered into an agency agreement under Section 101 of the Local Government Act 1972 on 1 April 2011 with the newly formed South Downs National Park (SDNP), to provide Development Management Services (i.e. the provision of planning services) for a period of 3 years. In 2014/15 costs of £472,000 were recharged to SDNP (£481,000 in 2013/14). In addition to the agency agreement the Council and SDNP agreed to work in partnership on planning policy in order to complete the Local Development Framework (LDF) Core Strategy for Lewes District which includes areas for which the SDNP is now the planning authority. Under this separate partnership arrangement, costs of £6,000 were recharged to SDNP in 2014/15 (£69,000 in 2013/14).

The Council has let a contract to provide grounds maintenance services in parks, open spaces and recreation grounds throughout the District. Included within this contract are parks, open spaces and recreation grounds belonging to a number of town and parish councils where letting and managing individual small contracts directly would not be cost effective. The Council is therefore providing an agency service to the individual town and parish councils which are recharged for the costs relating to their particular shares of the overall contract. In 2014/15 costs of £279,000 were recharged (£220,000 in 2013/14).

In 2014/15 the Council spent £129,000 on facilitating the European Parliamentary election all of which was reimbursed. In 2013/14 the Council spent £130,000 on facilitating the East Sussex County Council election and £21,000 on Town and Parish Council elections, all of which was reimbursed.

Expenditure and income relating to agency services is excluded from the Comprehensive Income and Expenditure Statement.

Explanatory Notes to the Core Financial Statements

Note 31. MEMBERS' ALLOWANCES

The Council paid £193,000 in allowances to Members of the Council (District Councillors) during 2014/15 and £5,000 in expenses. The comparative figures for 2013/14 were £190,000 and £6,000.

Note 32. OFFICERS' REMUNERATION

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

Post	Financial Year	Salary	Mileage allowance and other expenses	Benefits in kind	Compensation for Loss of Office	Total excluding pension contribution	Pension contribution	Total including pension contribution
		£000	£000	£000	£000	£000	£000	£000
Chief Executive	2014/15	103	1	4	0	108	22	130
	2013/14	103	1	4	0	108	22	130
Director of Service Delivery (new post from 7 November 2013)	2014/15	88	0	0	0	88	19	107
Director of Business Strategy and Development (new post from 11 November 2013)	2014/15	87	0	0	0	87	18	105
Assistant Director of Corporate Services (formerly Corporate Head – Legal and Democratic Services)	2014/15	73	0	5	0	78	16	94
	2013/14	73	0	4	0	77	16	93
Director of Finance (post deleted following retirement on 23 March 2015)	2014/15	51	3	0	0	54	11	65
	2013/14	53	3	0	0	56	11	67

The Director of Corporate Services is not shown above as the post holder is employed by Eastbourne Borough Council under a sharing arrangement.

Explanatory Notes to the Core Financial Statements

Posts formerly within the Corporate Management Team that have been deleted following restructure in 2013/14:

Corporate Head - Housing	2013/14	73	0	4	0	77	16	93
Director of Planning & Environmental Services	2013/14	66	0	3	0	69	14	83
Corporate Head - Communities & Enterprise	2013/14	51	0	1	40	92	11	103

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

Remuneration band	2013/14 Number of employees	2014/15 Number of employees
£50,000 - £54,999	2	2
£55,000 - £59,999	2	2
£60,000 - £64,999	1	0
£75,000 - £79,999	0	1

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

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	no.	no.	no.	no.	no.	no.	£000	£000
£0 - £20,000	0	0	19	32	19	32	214	350
£20,001 - £40,000	0	0	4	13	4	13	121	366
£40,001 - £60,000	0	0	1	1	1	1	44	41
£60,001 - £80,000	2	0	0	0	2	0	133	0
Total	2	0	24	46	26	46	512	757

Explanatory Notes to the Core Financial Statements

Note 33. 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:

	2013/14 £000	2014/15 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	55	57
Fees payable for the certification of grant claims and returns for the year	13	22
	<u>68</u>	<u>79</u>

Note 34. GRANT INCOME

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

	Restated 2013/14 £000	2014/15 £000
Non-ringfenced Government Grants:		
- Revenue Support Grant	2,945	2,326
- Council Tax Freeze Grant	75	75
- New Homes Bonus Grant	878	1,176
- Non-Domestic Rate Relief Grants	433	716
- Housing Benefit Administration subsidy	593	522
- Other grants of less than £100,000 each	100	98
	<u>5,024</u>	<u>4,913</u>
Capital Grants and Contributions towards capital expenditure	901	2,033
Total credited to Taxation and Non-specific Grant Income	<u>5,925</u>	<u>6,946</u>
Government Grants credited to Services:	£000	£000
- Housing Benefit subsidy	34,902	35,366
- Food Waste Collection	311	152
- Discretionary Housing Payment subsidy	176	129
- Housing Benefit Fraud grant	92	128
- Other grants of less than £100,000 each	340	152
Total credited to Cost of Services	<u>35,821</u>	<u>35,927</u>
Total credited to the Comprehensive Income and Expenditure Statement	<u>41,746</u>	<u>42,873</u>

Explanatory Notes to the Core Financial Statements

The Council has received three Government grants together with 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** at 31 March were as follows:

	2014 £000	2015 £000
Held as Short Term Liabilities		
Government grant (DCLG) - coastal communities	0	730
Section 106 agreements where each financial contribution is less than £100,000	121	99
	<hr/>	<hr/>
	121	829
Held as Long Term Liabilities		
Section 106 agreement - to provide sports and recreation facilities in Peacehaven	847	460
Section 106 agreement - to provide or improve outdoor playing space facilities in the area of Wivelsfield	291	293
Section 106 agreement - to acquire land for the provision of open/outdoor play space in Peacehaven	404	0
Section 106 agreement - to provide a sports pitch and pavilion within open space land in Peacehaven	505	0
Other Section 106 agreements where each financial contribution is less than £100,000	352	281
Government grant (DEFRA) - coast protection	21	39
Government grant (DEFRA) - contaminated land	8	8
	<hr/>	<hr/>
	2,428	1,081
	<hr/>	<hr/>
Total value of balances held as Capital Grants Receipts in Advance at 31 March	2,549	1,910

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 2015 is £1.378 million (£1.193 million at 31 March 2014). Other than Section 106 agreement monies held on behalf of ESCC the Council has no other long term creditors.

Explanatory Notes to the Core Financial Statements

Note 35. 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
- Elected Members of the Council
- Officers of the Council
- Other Public Bodies
- Other Non-Public Bodies
- Entities Controlled or Significantly Influenced by the Council

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 34 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 2014/15 is shown in Note 31. 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.

The Council awards grants to a number of organisations, e.g. Lewes and Seaford Citizen's Advice Bureau, 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.

Explanatory Notes to the Core Financial Statements

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 are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year.

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 East Sussex County Council. Details of the Council's annual contributions to the Scheme, together with other relevant information, is set out in Note 38.
- Eastbourne Borough Council - the Council has an arrangement with Eastbourne Borough Council for sharing officers between the two councils. The Council's Director of Business Strategy and Development also acts as the Senior Head of Regeneration, Planning and Assets at Eastbourne Borough Council. Eastbourne Borough Council's Chief Finance Officer also acts as Lewes District Council's Director of Corporate Services and fulfils the role of statutory section 151 officer at both councils, and Eastbourne's Head of Operational Development fulfils the same role at Lewes District Council.
A number of other officers below senior level are shared between the two councils.
With effect from 1 April 2015 the two councils entered into arrangements to share legal services, with all staff employed by Lewes District Council, and to share human resources with all staff employed by Eastbourne Borough Council.
With effect from 1 July 2015 the two councils entered into an arrangement to share printing services with all staff employed by Eastbourne Borough Council.
- University Technical College – alongside the University of Brighton, the Aldridge Foundation and Veolia Environmental Services (UK), the Council is a partner in the setting up of a UTC in Newhaven which is due to open in September 2015. In 2014/15 the Council contributed £1.271 million towards the cost of constructing a new college building.

Other Non-Public Bodies

The Council has a close relationship with Wave Leisure Trust (trading as Wave Leisure Ltd), a charitable company established originally to operate the Council's indoor leisure facilities from 1 April 2006. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2014/15 the Council paid Wave Leisure Ltd a service fee of £627,000 (£653,000 in 2013/14) and received £43,000 from the company for services provided and a contribution towards the future replacement of an all-weather pitch. With effect from 1 May 2015 the company also operates the Council's Newhaven Fort facility.

Entities Controlled or Significantly Controlled by the Council

There were no entities controlled or significantly controlled by the Council in 2014/15.

Explanatory Notes to the Core Financial Statements

Note 36. 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.

	2013/14 £000	2014/15 £000
Opening Capital Financing Requirement	71,032	71,449
Capital Investment		
- property, plant and equipment	8,989	6,147
- heritage assets	0	33
- investment properties	0	390
- intangible assets	368	218
- revenue expenditure funded from capital under statute (REFCUS)	1,147	3,218
Sources of Finance		
- capital receipts	(516)	(731)
- government grants and other contributions	(2,521)	(2,032)
- major repairs reserve	(3,351)	(4,891)
- direct revenue contributions	(2,339)	(1,959)
- sums set aside from revenue for the repayment of debt	(1,360)	(1,862)
Closing Capital Financing Requirement	<u>71,449</u>	<u>69,980</u>
Increase/(Decrease) in Capital Financing Requirement	417	(1,469)
Explanation of movements in year:		
- increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	513	(1,574)
- increase/(decrease) in finance lease liability	(96)	105
Increase/(Decrease) in Capital Financing Requirement	<u>417</u>	<u>(1,469)</u>

Explanatory Notes to the Core Financial Statements

Note 37. LEASES

Council as Lessee

Finance Leases

The Council has acquired vehicles, printers, photocopiers and a franking machine under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment on the Balance Sheet at the following net values:

	31 March 2014 £000	31 March 2015 £000
Vehicles	15	16
Printers and photocopiers	0	54
Franking machine	0	15
Total held as Vehicles, Plant, Furniture and Equipment	15	85

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

	31 March 2014 £000	31 March 2015 £000
The minimum lease payments are made up of the following amounts		
- finance lease liabilities (net present value of minimum lease payments)	16	89
- finance costs payable in future years	0	17
Minimum lease payments	16	106

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Not later than one year	16	25	16	18
Later than one year and not later than five years	0	81	0	71
Total	16	106	16	89

Explanatory Notes to the Core Financial Statements

Operating leases

The Council has acquired the use of contract cars, private properties and land and buildings by entering into operating leases.

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

	31 March 2014	31 March 2015
	£000	£000
Not later than one year	329	258
Later than one year and not later than five years	311	178
Later than five years	22	17
Total	662	453

Minimum lease payments recognised as an expense in 2014/15 amounted to £360,000 (£390,000 in 2013/14).

Council as Lessor

Finance Leases

The Council has not leased any items of Property, Plant and Equipment under a finance lease.

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 2014	31 March 2015
	£000	£000
Not later than one year	852	894
Later than one year and not later than five years	2,889	2,874
Later than five years	31,632	31,129
Total	35,373	34,897

The minimum lease payments receivable do not include contingent rents. In 2014/15 the Council recognised a contingent rent of £40,000 as income in respect of its interest in Newhaven Town Centre Property Management (£42,000 in 2013/14).

Explanatory Notes to the Core Financial Statements

Note 38. POST EMPLOYMENT BENEFITS

Participation in Pension Schemes

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

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

Transactions Relating to Post-employment Benefits

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

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

	2013/14 £000	2014/15 £000
Service Cost		
- current service cost	(2,181)	(2,167)
- past service cost (including curtailments)	(89)	(89)
Total Service Cost	(2,270)	(2,256)
Financing and Investment Income and Expenditure		
- interest income on plan assets	3,267	3,229
- interest cost on defined benefit obligation	(4,037)	(4,257)
Total Net Interest	(770)	(1,028)
Total Post Employment Benefits charged to Surplus or deficit on the provision of services	(3,040)	(3,284)

Explanatory Notes to the Core Financial Statements

	2013/14 £000	2014/15 £000
Remeasurement of the net defined benefit liability comprising:		
- return on plan assets (excluding the amount included in the net interest expense)	436	7,711
- actuarial losses arising on changes in demographic assumptions	(1,894)	0
- actuarial losses arising on changes in financial assumptions	(2,765)	(14,515)
- other	(1,577)	830
Total remeasurements recognised in Other comprehensive income and expenditure	(5,800)	(5,974)
Total Post Employment Benefits charged to Comprehensive Income and Expenditure Statement	(8,840)	(9,258)
Movement in Reserves Statement:		
- reversal of net charges made to the Surplus or deficit on the provision of services for post employment benefits in accordance with the Code	(3,040)	(3,284)
Actual amount charged against General Fund and HRA Balances for pensions in the year		
- employer's contributions payable to pension scheme	1,914	1,964
- discretionary benefits arrangements (unfunded pensions)	82	83
	1,996	2,047

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:

	£000	£000
Fair value of employer assets	75,833	85,361
Present value of funded liabilities	(98,583)	(115,289)
Present value of unfunded liabilities	(1,072)	(1,105)
Net liability arising from defined benefit obligation	(23,822)	(31,033)

Explanatory Notes to the Core Financial Statements

	2013/14 £000	2014/15 £000
Reconciliation of the movements in the fair value of scheme assets		
Opening fair value of scheme assets	73,167	75,833
Interest income	3,267	3,229
Remeasurement gain - return on plan assets (excluding the amount included in the net interest expense)	436	7,711
Contributions from employer	1,996	2,047
Contributions from employees into the scheme	583	596
Benefits paid	(3,534)	(3,972)
Unfunded benefits paid	(82)	(83)
Closing fair value of scheme assets	75,833	85,361
Reconciliation of present value of the scheme liabilities (defined benefit obligation)		
Opening fair value of scheme liabilities	90,145	99,655
Current service cost	2,181	2,167
Interest cost	4,037	4,257
Contributions from scheme members	583	596
Remeasurement losses:		
- actuarial loss arising from changes in demographic assumptions	1,894	0
- actuarial losses arising on changes in financial assumptions	2,765	14,515
- other	1,577	(830)
Past service cost	89	89
Benefits paid	(3,534)	(3,972)
Unfunded benefits paid	(82)	(83)
Closing fair value of scheme liabilities	99,655	116,394

Explanatory Notes to the Core Financial Statements

Pension Scheme Assets comprised:

Asset Category	Period ended 31 March 2014				Period ended 31 March 2015			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
Equity Securities	£000	£000	£000		£000	£000	£000	
Consumer	3,694	0	3,694	5%	3,353	16	3,369	4%
Manufacturing	1,878	0	1,878	2%	2,118	133	2,251	3%
Energy and Utilities	1,976	0	1,976	3%	2,252	0	2,252	3%
Financial Institutions	4,161	0	4,161	5%	4,903	0	4,903	6%
Health and Care	2,243	0	2,243	3%	3,435	0	3,435	4%
Information Technology	2,046	0	2,046	3%	3,659	0	3,659	4%
Other	1,080	124	1,204	2%	11	0	11	0%
Debt Securities								
UK Government	0	1,066	1,066	1%	0	1,356	1,356	2%
Other	0	1,007	1,007	1%	0	873	873	1%
Private Equity								
All	0	5,965	5,965	8%	0	4,718	4,718	6%
Real Estate								
UK Property	419	6,414	6,833	9%	0	8,808	8,808	10%
Investment Funds and Unit Trusts								
Equities	90	36,035	36,125	48%	431	38,354	38,785	45%
Bonds	2,882	2,040	4,922	7%	3,432	2,128	5,560	7%
Hedge Funds	149	0	149	0%	63	33	96	0%
Commodities	223	0	223	0%	209	0	209	0%
Infrastructure	0	0	0	0%	0	1,697	1,697	2%
Other	0	0	0	0%	0	334	334	0%
Derivatives								
Foreign Exchange	0	44	44	0%	0	(17)	(17)	0%
Cash and Cash Equivalents								
All	0	2,297	2,297	3%	0	3,062	3,062	3%
Totals	20,841	54,992	75,833	100%	23,866	61,495	85,361	100%

Explanatory Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the East Sussex County Council pension fund being based on the latest full valuation of the scheme at 31 March 2015.

The significant assumptions used by the actuary have been:

	2013/14	2014/15
Mortality assumptions:		
- longevity at 65 for current pensioners - men	22.2yrs	22.2yrs
- longevity at 65 for current pensioners - women	24.4yrs	24.4yrs
- longevity at 65 for future pensioners - men	24.2yrs	24.2yrs
- longevity at 65 for future pensioners - women	26.7yrs	26.7yrs
Rate of inflation	2.8%	2.4%
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%

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 2015	Approximate percentage increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	10%	11,469
1 year increase in member life expectancy	3%	3,492
0.5% increase in the salary increase rate	3%	3,256
0.5% increase in the pension increase rate	7%	7,969

Explanatory Notes to the Core Financial Statements

Impact on the Council's cash flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2015. 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

The Council anticipates paying contributions of £1,890,000 to the scheme in 2015/16.

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

Note 39. CONTINGENT LIABILITIES

At 31 March 2015 the Council had three material contingent liabilities:

- The Council's former insurer, Municipal Mutual Insurance Limited, ceased to provide new cover from 1994. A scheme of arrangement with its creditors was set up with the aim of funding any outstanding claims. The Board of Directors of MMI decided to trigger the Scheme of Arrangement in 2012/13. The estimated maximum potential claw back at 31 March 2015 is £230,000 which remains a contingent liability until such time as MMI issues any further formal levy notices for claw back.
- 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 2015 the pension liability of Wave Leisure Ltd is £2,059,000 (£1,343,000 as at 31 March 2014).
- The Council has agreed a Voluntary Severance and Early Retirement Scheme as part of its comprehensive change programme and to assist with the need to make recurring budget savings. The scheme is employee led, subject to the agreement of the Council, and allows for payments to be made to enable a mutually agreed exit on the grounds of efficiency. The Council expects further exits to be mutually agreed in 2015/16 and beyond but cannot be certain about the number, cost and timing of each future exit.

Explanatory Notes to the Core Financial Statements

Note 40. CONTINGENT ASSETS

At 31 March 2015 the Council had one material contingent asset:

- The Council has made a claim against HM Revenue and Customs (HMRC) that the payment of interest on overpaid VAT regarding charges for leisure services is made on a compound basis. HMRC has settled claims made by the Council for the repayment of overpaid VAT output tax and has paid interest on those claims without compounding the amount due. The Council has instigated legal proceedings against HMRC for the payment of interest on a compound basis.

Note 41. CHARITY ACCOUNTS

The Comprehensive Income and Expenditure Statement includes the following grants payable to two charities for which the Council's Members are trustees:

	2013/14	2014/15
	£000	£000
Stanley Turner Recreation Ground	97	88
Mountfield Pleasure Ground Trust	60	84

Housing Revenue Account and explanatory notes

Restated 2013/14 £000	HRA INCOME AND EXPENDITURE STATEMENT	2014/15 £000
		£000
	Income	
14,061	Dwelling rents	14,903
446	Non-dwelling rents	442
948	Charges for services and facilities	1,118
432	Contributions towards expenditure	195
15,887		16,658
	Expenditure	
3,736	Repairs and maintenance	4,513
2,846	Supervision and management (including special services)	2,782
264	Rents, rates, taxes and other charges	143
4,387	Depreciation of non-current assets (Note 3)	4,579
(7,677)	Impairment/(reversals) of non-current assets (Note 4)	(7,316)
30	Debt management costs	30
41	Movement in the allowance for impairment of debtors	74
3,627		4,805
(12,260)	Net (income) of HRA services in the Comprehensive Income & Expenditure Statement	(11,853)
815	HRA share of Corporate and Democratic Core	861
30	HRA share of Pension Curtailments	30
(11,415)	Net (income) of HRA Services	(10,962)
	HRA share of operating income and expenditure in the Comprehensive Income and Expenditure Statement:	
(1,251)	(Gain) or loss on sale of HRA non-current assets	(590)
2,434	Loss on derecognition of components of HRA non-current assets	3,130
(214)	Capital Grants and Contributions	0
1,855	Interest payable and similar charges	1,878
(26)	Interest and investment income	(26)
139	Net interest on the net defined benefit pension liability	191
		4,583
(8,478)	(Surplus) or deficit for the year on HRA services	(6,379)

Housing Revenue Account and explanatory notes

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

MOVEMENT ON THE HRA STATEMENT			
2013/14		£000	2014/15 £000
			£000
(3,467)	Balance on the HRA at 1 April		(2,728)
(8,478)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(6,379)
	Adjustments between accounting basis and funding basis under statute:		
4,387	- transfer to the Major Repairs Reserve (MRR) equal to the depreciation amount charged to HRA	4,579	
(4,387)	- transfer (from) the Capital Adjustment Account to offset the above transfer to the MRR	(4,579)	
7,677	- reversal of impairment losses and impairment reversals charged/(credited) to the HRA	7,316	
(2,434)	- reversal of loss on derecognition of components of HRA non-current assets	(3,130)	
1,251	- reversal of gain on sale of HRA non-current assets	590	
214	- reversal of capital grants and contributions	0	
(3)	- amortisation of premiums and discounts	(3)	
(562)	- reversal of items relating to retirement benefits charged to the HRA Income and Expenditure Statement	(624)	
372	- employer's pensions contributions payable in the year	392	
1,517	- capital expenditure funded by the HRA	230	
1,185	- voluntary provision for the financing of capital investment	1,698	
9,217			6,469
739	Net (increase) or decrease in year on the HRA		90
(2,728)	Balance on the HRA at 31 March		(2,638)

Housing Revenue Account and explanatory notes

Note 1. STOCK OF SOCIAL HOUSING

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

	2014	2015
Houses and Bungalows		
1 bedroom	211	211
2 bedroom	633	633
3 bedroom	895	882
4 bedroom	63	67
5 bedroom	3	3
6 bedroom	1	1
	<u>1,806</u>	<u>1,797</u>
Flats		
bedsits	132	132
1 bedroom	703	701
2 bedroom	534	534
3 bedroom	48	48
4 bedroom	4	4
	<u>1,421</u>	<u>1,419</u>
Total stock of social housing at 31 March	<u>3,227</u>	<u>3,216</u>

In addition the Council had at 31 March 2015 shared ownership arrangements covering 8 properties and 1 property (partly) sold under the Right to Buy scheme.

Housing Revenue Account and explanatory notes

Note 2. VALUE OF HRA NON-CURRENT ASSETS

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

The change in the valuations of council dwellings arose following a desk top revaluation of council dwellings and garages which was undertaken by the Council's appointed valuer, DVS, at 31 March 2015.

	2014 £000	2015 £000
Council Dwellings		
- houses, bungalows and flats	162,221	168,610
Other Land and Buildings		
- garages	7,144	8,952
- other land and buildings	504	746
Vehicles, Plant, Furniture and Equipment	1,479	1,498
Infrastructure Assets	769	725
Community Assets	34	43
Total Property, Plant and Equipment	172,151	180,574
Investment Property	0	935
Intangible Assets	15	32

The vacant possession value of council dwellings within the HRA at 31 March 2015 was £526.8 million as valued by DVS, compared with a value of £168.6 million for its existing use as social housing. The difference of £358.3 million represents the economic cost of providing housing at less than open market rents. Use as social housing is valued at 32% of open market value as at 1 April 2010, the date of the last full valuation, which equates to a 68% reduction.

Housing Revenue Account and explanatory notes

Note 3. DEPRECIATION

Depreciation on council dwellings is based on the building value of an average dwelling as assessed by the Council's external valuer (DVS), which is then analysed into its significant components by council officers in line with the Council's housing investment strategy. The useful lives and replacement costs of each significant component within the average building value - e.g. roof, windows, bathroom, kitchen, walls and structure, etc - is calculated by officers to arrive at an annual sum which is multiplied by the number of dwellings to arrive at the depreciation charge.

The amounts of depreciation charged to the HRA Income and Expenditure Statement are as follows:	2013/14	2014/15
	£000	£000
Depreciation on council dwellings	3,884	4,012
Depreciation on other land and buildings	238	254
Depreciation on vehicles, plant, furniture and equipment	159	185
Depreciation on infrastructure assets	102	114
Amortisation of intangible assets	4	14
Total Depreciation charged to the HRA	4,387	4,579

Note 4. IMPAIRMENT

Impairment charges made to the HRA Income and Expenditure Statement are as follows:	2013/14	2014/15
	£000	£000
Reversal of prior year impairment against revaluation gains recognised in the year	(7,677)	(7,316)
Total Impairment/(reversals) charged/(credited) to the HRA	(7,677)	(7,316)

Housing Revenue Account and explanatory notes

Note 5. FUNDING OF CAPITAL EXPENDITURE

The totals of HRA capital expenditure and capital financing during the year is summarised as follows:	2014 £000	2015 £000
Capital expenditure		
- on council dwellings	4,990	4,787
- on other land and buildings	247	71
- on vehicles, plant, furniture and equipment	199	174
- on infrastructure	0	38
- on intangible assets (computer software)	0	25
	5,436	5,095
Sources of capital financing		
- from the Major Repairs Reserve	3,351	4,891
- from revenue contributions	1,362	160
- from grants and contributions	214	24
- from the capital receipts reserve	140	20
Total Capital Financing	5,067	5,095
Unfinanced – supported by Lewes District Council pending future sale of council assets	369	0
	5,436	5,095

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.

	2014 £000	2015 £000
Balance at 1 April	(388)	(1,424)
Amounts transferred from the HRA		
- equal to the depreciation amount charged to the HRA Income and Expenditure Statement	(4,387)	(4,579)
Amounts used to finance HRA capital expenditure	3,351	4,891
Balance at 31 March	(1,424)	(1,112)

Housing Revenue Account and explanatory notes

Note 7. CAPITAL RECEIPTS

The total of capital receipts generated from disposals of HRA land, houses, flats and other property during the year is as follows:

	2014	2015
	£000	£000
Sale of Council dwellings (under the right to buy)	1,898	1,265

Note 8. PENSIONS RESERVE

In accordance with International Accounting Standard 19 and the requirements of the Code of Practice, the cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make to the Housing Revenue Account is based upon the cash payable into the pension fund for the year in accordance with the statutory requirements governing the Local Government Pension Scheme. The Movement on the Housing Revenue Account Balance reconciles these two different amounts under the heading of adjustments between accounting basis and funding basis under statute.

Note 9. RENT ARREARS

The following table provides information and an analysis on the values of rent arrears at 31 March and the provision made in respect of uncollectable debts at the same date.

	2014	2015
	£000	£000
Current tenants		
- dwellings	250	300
- garages	3	2
	<hr/>	<hr/>
	253	302
Former tenants		
- dwellings	111	139
- garages	3	4
	<hr/>	<hr/>
	114	143
Total rent arrears at 31 March	<hr/>	<hr/>
	367	445
Allowance for impairment of debts	261	315

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.

2013/14 £000		2014/15 £000	2014/15 £000
	Income		
	Council tax		
57,205	- Income receivable from tax payers	58,897	
0	- Transitional protection payments receivable from Central Government	16	
2	- Transfer from the General Fund for transitional relief (flood relief)	0	
57,207			58,913
	Non-domestic rates (Business rates)		
23,873	- Income receivable from rate payers	24,339	
22	- Transitional protection payments receivable from Central Government	22	
23,895			24,361
81,102	Total Income		83,274
	Expenditure		
	Council Tax Precepts		
39,887	- East Sussex County Council	40,942	
2,819	- East Sussex Fire Authority	2,893	
9,182	- Lewes District Council	9,379	
4,767	- Sussex Police and Crime Commissioner	4,893	
56,655			58,107
	Contribution towards previous year's estimated Council Tax surplus		
282	- East Sussex County Council	282	
20	- East Sussex Fire Authority	20	
65	- Lewes District Council	65	
33	- Sussex Police and Crime Commissioner	34	
400			401

Collection Fund Statement and explanatory notes

2013/14		2014/15
£000	Impairment of Council Tax	£000
57	- increase in allowance for non-collection	108
57,112	Council Tax Expenditure	58,616
11,653	Central Government share of Non-Domestic Rates income	11,678
	Local Government share of Non-Domestic Rates income:	
2,098	- East Sussex County Council	2,102
233	- East Sussex Fire Authority	233
9,322	- Lewes District Council	9,343
11,653		11,678
	Impairment of Non-Domestic Rates	
190	- movement in allowance for uncollectable sums	114
1,042	- movement in provision for appeals	605
1,232		719
128	Transfer to the General Fund – allowance for the collection of non-domestic rates	129
24,666	Non-Domestic Rates Expenditure	24,204
81,778	Total Expenditure	82,820
	(Surplus)/Deficit for the year	
(95)	- Council Tax	(297)
771	- Non-Domestic Rates	(157)
676		(454)

Collection Fund Statement and explanatory notes

2013/14 £000	Movement on Collection Fund Balances	£000	£000	2014/15 £000
		Council Tax	Non-Domestic Rates	Total
(583)	Balance at 1 April	(678)	771	93
676	(Surplus)/Deficit for the year	(297)	(157)	(454)
93	Balance at 31 March	(975)	614	(361)

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 2014/15 is as follows:

	Chargeable dwellings	Band D ratio	Band D dwellings
Band A	2,082	6/9	1,388
Band B	3,643	7/9	2,834
Band C	9,964	8/9	8,857
Band D	8,139	9/9	8,139
Band E	5,076	11/9	6,204
Band F	2,726	13/9	3,937
Band G	2,117	15/9	3,528
Band H	201	18/9	401
	33,948		35,288
Collection rate for 2014/15			98.25%
Tax Base for 2014/15			34,670

Note 2. NON-DOMESTIC RATES

The total non-domestic rateable value at 31 March 2015 was £64.1 million (£64.4 million at 31 March 2014).

The standard national non-domestic rate multiplier for 2014/15 was 48.2p; reduced to 47.1p for qualifying small businesses.

The multipliers for 2013/14 were 47.1p and 46.8p respectively.

Statement of Responsibilities

Authorisation of the Statement of Accounts

The Director of Corporate Services will release this Statement of Accounts on ~~27~~²⁸ September 2015. Events between the balance sheet date and ~~27~~²⁸ September 2015 were considered before this Statement of Accounts was approved.

The Authority's Responsibilities - the Authority 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 Director of Corporate Services
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

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



Chair of the Audit and Standards Committee, ~~27~~²⁸ September 2015

The Director of Corporate Services Responsibilities - the Director of Corporate Services is responsible for the preparation of the authority'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 Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The Director of Corporate Services has also:

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

CHIEF FINANCIAL OFFICER'S CERTIFICATE - I certify that the draft Statement of Accounts set out in pages 8 to 105 provides a true and fair view of the financial position of the Council at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.



Alan Osborne, Director of Corporate Services, ~~27~~²⁸ September 2015

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

Opinion on the Council's financial statements

We have audited the financial statements of Lewes District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Head of Resources and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of

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

performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Lewes District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Opinion on other matters

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

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice for Local Government Bodies (March 2010) requires us to report to you if:

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

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

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

Respective responsibilities of the Council and auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

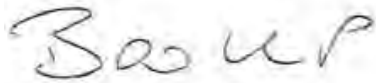
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Lewes District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate of completion of the audit

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



Robert Grant

For and on behalf of BDO LLP, Appointed Auditor

London, UK

Date: 30 September 2015

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

Annual Governance Statement

Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework, Delivering Good Governance in Local Government. A copy of the Code is on our website at <http://www.lewes.gov.uk/council/3748.asp> or can be obtained from the Head of Audit, Fraud and Procurement, Southover House, Southover Road, Lewes, East Sussex BN7 1AB. This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

The purpose of the Governance Framework

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

Annual Governance Statement

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are described below.

The Council sets out its vision, priorities, projects and planned performance in the Council Plan. Underpinning this is a number of key strategies, programmes, service delivery and project plans which provide detailed commitments in terms of the Council's services and activities. The Medium Term Finance Strategy looks ahead five years and sets out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities.

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

Following organisational changes in 2014/15, the Council has reviewed its Performance Management Framework to reflect new business planning and performance management arrangements. Performance and project management is supported by the corporate software system (Covalent). The Council has a Data Quality Policy and Strategy aimed at ensuring performance information and other data is valid, accurate, complete, timely and relevant. Progress and performance information is reported to Corporate Management Team, Scrutiny Committee, and Cabinet each quarter. In addition, during 2014/15, new monthly service level performance monitoring arrangements were introduced. Progress on key transformation projects (which form part of the Nexus Programme) is closely monitored by the Nexus Board. The quality of services is reviewed through regular consultation with, and feedback from, service users in the form of survey research, comments and complaints.

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

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

Annual Governance Statement

The Audit and Standards Committee role includes promoting and maintaining high standards of conduct of Councillors. In July 2012 the Council revised its Code of Conduct for Councillors and the procedures for dealing with complaints about the conduct of Councillors in accordance with the provisions contained in the Localism Act 2011.

Standards of behaviour and conduct of Councillors and officers are governed by Member and Officer Codes of Conduct, the Anti-Fraud and Corruption Strategy, Whistle Blowing Policy, Anti Bribery Policy, Disciplinary and Grievance procedures and the Dignity at Work Policy. A Core Values and Behaviours Statement was agreed in April 2013, following extensive consultation with staff. These guidance documents and procedures are the subject of training/awareness raising for staff and Councillors and are made available via the Council's intranet. The Council adopted a Competency Framework in January 2014 and is now part of the performance management and appraisal systems.

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

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

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

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

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

Annual Governance Statement

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

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

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

The Council has a corporate complaints procedure with supporting systems to record, monitor, investigate and report complaints. Information on complaints is monitored by service managers and high level information is reported to Cabinet through the quarterly performance report.

A Councillors' induction programme takes place every four years after a District Council Election. Individual Councillors' training needs are reviewed annually and specialist training on specific areas of activity are organised by officers as required e.g. IT, planning and scrutiny matters. Each year all Council committees are invited to identify training needs/issues arising from their work programme. Training needs for each member of staff are assessed as part of the annual appraisal process.

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

The Council has put in place guidance for partnership working and has identified a small number of strategic partnerships which require more robust governance arrangements, including an annual review by lead officers. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

Annual Governance Statement

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

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

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Council who have responsibility for the governance environment, the annual report of the Head of Audit, Fraud and Procurement, and also the work of external auditors and other review agencies and inspectorates as outlined below.

The Head of Audit, Fraud and Procurement reports regularly to the Audit and Standards Committee on the work of Internal Audit, on governance and internal control, and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2014/15, the overall standards of internal control were satisfactory. Whilst recommendations have been made to improve management controls, there were no instances in which internal control issues created significant risks for the Council. This was reported to Cabinet at its September 2015 meeting.

In March 2008 the Audit Committee approved the local Code of Corporate Governance. The local Code is reviewed annually by the Head of Audit, Fraud and Procurement and senior officers taking into account the requirements of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. The Code was reviewed in December 2014 and it was concluded that the Council continues to have satisfactory arrangements in place for corporate governance. The Code will next be reviewed in December 2015.

The Council has undergone some significant organisational change during 2014/15. It has embarked on a Transformation Programme which will see a number of far reaching developments. This programme has brought about changes in organisational structures, staffing and the way services are delivered. It is overseen by Corporate Management Team and Councillors. Managers are working to ensure that the control environment keeps pace with these changes.

The year end Performance Report for 2014/15 was considered by both the Scrutiny Committee and Cabinet in June 2015 providing a high level summary of progress and performance. The Council's Strategic Plan and service priorities for 2014/15 were determined as part of a review of portfolio responsibility following the Annual Council Meeting in May 2014. These were communicated via the website and internally through LDC News, the Corporate Briefing and Infolink. The newly established

Annual Governance Statement

Business Strategy and Performance Team is responsible for overseeing the Council's business planning, project management and performance management arrangements to ensure efficient and effective delivery of the Transformation Programme and improvement targets over the short to medium term.

Cabinet received the Annual Report on Risk Management at its March 2015 meeting. The Audit and Standards Committee receives updates on risk management at every meeting. The reports during 2014/15 noted that most risks are mitigated by the effective operation of controls or other measures. Whilst there are some risks that are outside the Council's control, such as a major incident, flu pandemic, a downturn in the national economy or a major change in government policy or legislation, the Council has sound planning and response measures to mitigate the impact of such events and continues to monitor risks and the effectiveness of controls.

The Scrutiny Committee has met eight times since April 2014. At its January 2015 meeting it received the 2015/16 Revenue Budgets and Capital Programme so that it could make recommendations to Cabinet with regard to the budget setting process. Cabinet considered these recommendations at its February 2015 meeting.

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

The Council's Business Continuity Plan (BCP) was updated in September 2014. There is a risk that a loss of IT services would mean that the priorities for restoration of services that are set out in the BCP may not be achieved in all circumstances. This risk is partially mitigated through preventative measures, and more effective mitigation is gradually being put in place with the significant upgrading of the Council's IT infrastructure and with the introduction of IT shared services with Eastbourne Borough Council.

As part of the Council's internal assurance framework the Council's Corporate Management Team have confirmed the proper operation of internal controls including compliance with the Constitution in those service areas for which they are responsible. In addition they have confirmed that there are no cases reported under the Council's Whistleblowing Policy. A joint annual statement by the Monitoring Officer and Chief Finance Officer (Section 151) has confirmed that there were no significant governance issues for the Council in 2014/15.

Under the Code of Practice for Local Authority Accounting 2012/13 the Council is required to confirm that its financial management arrangements conform with governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (2010). The Council's arrangements conform with the requirements of the Statement and this has been confirmed by the Director of Corporate Services (Section 151).

Annual Governance Statement

In the first half of 2014/15, the Fraud Investigations Team dealt with cases of Benefits fraud until that role was transferred to DWP/SFIS. Since November 2014, the Team has successfully investigated cases of housing tenancy and Council Tax fraud, and has identified for action a number of premises that are not paying the correct business rates. Summaries of the cases investigated and the outcomes were included in the Annual Report on the Council's work to combat Fraud and Corruption for 2014/15, which was presented to the Audit and Standards Committee in September 2015.

There have been no cases where the Audit and Standards Committee has found a District Councillor to be in breach of the Council's Code of Conduct.

During April 2014, the Chief Executive commissioned an independent investigation by the then Head of Audit and Performance. The aim of the investigation was to determine whether in the course of one particular property project officers and Councillors had acted in accordance with their roles and responsibilities as set out in the Council's Constitution. As reported to the Audit and Standards Committee at its December 2014 meeting the investigation found no breaches of the Council's Code of Conduct by Councillors. However, the investigation highlighted the need for both Councillors and officers to clearly understand how development proposals of this type should be handled and how relationships with developers should be managed. The programme of major regeneration projects which is underway has required Councillors and officers to work in ways not previously envisaged, and the report identified that further guidance and training was required to address this. Such guidance and training has since been provided.

A review of the Council's strategic partnerships was undertaken and the results of this work were reported to the Audit and Standards Committee in June 2013. In February 2015 Cabinet agreed service level agreements (SLA's) for three strategic partnerships with voluntary and community associations. These have enhanced monitoring and governance arrangements of these partnerships to which the Council has awarded funding. The guidance for partnership working is also subject to review to take account of the changing nature of the partnerships that the Council is involved in and is due to be completed by the end of 2015.

Customer complaints and compliments continue to be monitored as part of monthly performance monitoring and management arrangements for the Service Delivery Directorate.

The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The results of these reviews by the Council's external auditor, BDO, have helped inform the opinion on the internal control environment. The recent results are summarised below.

Annual Audit Letter for 2013/14 (October 2014) – This report summarises the key issues from the work carried out by BDO during the year, and was presented to the December 2014 meeting of the Committee. The key issues were:

Annual Governance Statement

- BDO issued an unqualified true and fair opinion on the financial statements for 2013/14.
- BDO identified three misstatements in relation to revaluations of land and buildings and the accounting for the value of additions to HRA Council dwellings. Appropriate amendments were made to the financial statements. As these corrections relate to capital transactions and valuations there was no impact on the General Fund or HRA balance.
- BDO did not identify any significant deficiencies in internal controls but, working with Internal Audit, BDO observed instances where purchase orders were either in excess of the officer's formal authorisation limits or were placed by officers not on the authorised signatory list. Management has agreed to review and strengthen this control.
- BDO were satisfied that the Council has robust systems and processes to manage financial risks and opportunities effectively and to secure a stable financial position that enables it to continue to operate for the foreseeable future, and BDO therefore issued an unqualified value for money conclusion.
- BDO noted that the Council maintains healthy levels of earmarked reserves and balances, and Members have agreed a policy to use reserves to fund investments and non-recurring expenditure.
- BDO were satisfied that the Annual Governance Statement (AGS) was not inconsistent or misleading with other information they were aware of from the audit of the financial statements and complies with *'Delivering Good Governance in Local Government' (CIPFA/Solace)*.
- BDO noted that the Council's Whole of Government Accounts (WGA) submission is below the threshold for audit and they were required only to review the total amounts in the Data Collection Tool for property, plant and equipment and for the net pension liability. BDO reported that the values in the Data Collection Tool were consistent with the audited financial statements.
- The Medium Term Financial Strategy was updated during the year and Members continue to consider options for achieving additional savings, with these likely to arise from the continued organisational development process and Programme Nexus.
- BDO have completed their review of the Housing Pooled Capital Receipts 2013/14 and have no matters to report.
- BDO reported on the results of the most recent grant claims and returns certification report that covered three returns for 2012/13 amounting to £67 million. The Housing Pooled Capital Receipts return and National Non Domestic Rates returns were certified without amendment or qualification. The BDO audit of the Housing and Council Tax Benefits subsidy claim for 2012/13 found a number of errors in processing. Following further discussion and the provision of additional supporting information by the Council, DWP amended its assessment of the impact on the claim and made a deduction of approximately £4,000 from the final settlement.

Annual Governance Statement

Grant Claims and Returns Certification for year ended 31 March 2014 (March 2015). The report was presented to the March 2015 meeting of the Committee. The key points were:

- The audit found errors in the administration of benefits involving non-HRA rent rebates, HRA rent rebates and rent allowances. The Council had already recognised the issues in the administration of benefits, and a review of the management and control structures was carried out in the summer of 2014. The Council believes that the results for the second half of 2014/15 will show material improvements from those that were the subject of the BDO report.
- The audit identified deficiencies in the Council's systems and controls around the identification of uncashed payments, and the writing back of these within the subsidy form. The Council will work with BDO to identify and put in place systems and processes that alleviate the weaknesses identified.
- As a result of the errors found in administering benefits, BDO qualified the claim across all benefit expenditure types. The additional work required to be completed by the Council and BDO meant that the audited claim was submitted to DWP two months after the deadline date.
- BDO and the Council will agree a timetable for completing the work on the next subsidy claim to assist both parties in planning and completing the audit on a timely basis.
- The certification of the returns for the Pooling of Housing Capital Receipts was completed satisfactorily, and the claim was submitted as unqualified and without amendment.

Audit Plan 2014/15 (March 2015) – The letter set out the scope of the audit work for the review of the financial year 2014/15, the fees, a risk assessment and key outputs. This was presented to the Audit and Standards Committee at its March 2015 meeting.

Significant governance issues

We have been advised by the Audit and Standards Committee on the implications of the result of the review of the effectiveness of the Governance Framework.

There are no significant governance issues to report for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.



Councillor Andy Smith,
Acting Leader of the Council.

September 2015



Jenny Rowlands,
Chief Executive.

September 2015

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Contact details

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

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