East Sussex County Council

Statement of Accounts

2014/15

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Additional Information

In addition to the Statement of Accounts, financial information can be gathered from the County Council's agendas and other publications, which are on display in the major public libraries in the County. Information on the County Council's budget and finances can also be found on the website, www.eastsussex.gov.uk

Further information on particular aspects of the County Council's finances or those of the Ashdown Forest Trust plus any of the following publications may be obtained from:

Head of Accounts and Pensions
P O Box 3
County Hall
Lewes, East Sussex
BN7 1UE

or by email to: finance@eastsussex.gov.uk

Notes to the Accounting Statements Index

Foreword

Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). To make the document as useful as possible to its audience and make meaningful comparisons between authorities the Code requires:

- all Statements of Accounts to reflect a consistent presentation;
- interpretation and explanation of the Statement of Accounts to be provided; and
- the Statement of Accounts and supporting notes to be written in plain language.

This Statement of Accounts comprises various sections and statements, which are briefly explained below:

- Foreword - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2014/15.
- The Statement of Responsibilities – this details the responsibilities of the Council and the Chief Finance Officer concerning the Council's financial affairs and the actual Statement of Accounts.
- The Independent Auditor's Report to the Council – this is provided by the external auditors, KPMG LLP, following the completion of the annual audit.
- Annual Governance Statement – the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2014/15. However, any significant events or developments that occur between 31 March 2015 and the date on which the Statement of Accounts is signed by the Chief Finance Officer must also be reported.
- The Core Accounting Statements, comprise:

  ~ The Movement in Reserves Statement (MiRS) - this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
  ~ The Comprehensive Income and Expenditure Statement (CIES) – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year.
  ~ The Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
  ~ The Cash Flow Statement – this summarises the changes in cash and cash equivalents of the Council during the reporting period.

- The Accounting Policies Note – this note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements.
- The Notes to the Accounting Statements provide supporting and explanatory information and are fundamentally important in the presentation of a true and fair view.
- The Pension Fund Accounts – the East Sussex Pension Fund is administered by the Council; however, the Pension Fund has to be completely separate from the Council's own finances. This statement is an extract from the Pension Fund Annual Report and summarises the financial position of the East Sussex Pension Fund, including all income and expenditure for 2014/15, assets and liabilities as at 31 March 2015.
- A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRSs), and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

The Code of Practice on Local Authority Accounting 2014/15 (the Code) highlights the following key updates/changes in accounting practice:

- A new Module – Other Accounting Themes has been included in the 2014/15 Code Guidance Notes to provide practitioners with specific guidance in particular areas and includes:
  - Accounting for schools in local authorities in England and Wales, providing detailed guidance to assist local authorities with the consolidation of schools income, expenditure, assets, liabilities and reserves in their single entity financial statements.
  - Relevant extant LAAP Bulletins, including:
    - LAAP Bulletin 99 Reserves and Balances
    - LAAP Bulletin 100 Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17, and
    - LAAP Bulletin 86 (Update) Componentisation of Property, Plant and Equipment

- Group Accounts – includes extensive revisions to reflect the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011, i.e. IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- The Carbon Reduction Commitment Energy Efficiency Scheme – updated for the consequences of the accounting requirements for the second phase of the scheme, which commenced in April 2014 and runs until March 2019.
- Presentation of financial statements – includes changes on the presentation of financial statements to reflect the amendments to IAS 1 in respect of the new requirements for comparative information and clarification regarding the complete list of financial statements.
- Dedicated Schools Grant (DSG) – the latest on the disclosure requirements for DSG
- Module has been augmented to reflect the latest thinking in a number of areas and practitioners' FAQs and provides additional clarification guidance and examples in areas such as frequency of valuations for property, plant and equipment, component accounting and impairment of assets.
- IAS 32 Financial Instruments – updated to reflect the amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities)

Financial Report

Setting the Revenue Budget for 2014/15 – the budget strategy

The Reconciling Policy, Performance and Resources (RPPR) process has been developed to bring together business and financial planning processes to allow Members to set priorities and to direct resources towards meeting those priorities. In times of reducing financial resources there is a need for complete clarity about what the County Council's priorities are and relentless focus on maximising the impact it can make on their achievement, working as one Council across all departments and services. The Council has identified four overarching priority outcomes:

- Driving economic growth;
- Keeping vulnerable people safe;
- Helping people help themselves; and
- Making best use of resources.

The Council's Medium Term Financial Plan (MTFP) is based on the assumption that the Council will be required to contribute to the Government's programme of deficit reduction for the foreseeable future. The current MTFP agreed by County Council, is based on an assessment of the likely income from central Government grants, business rates and Council Tax levels. This has led to the Council planning to make cash reduction in spending and savings are planned in the ratio 1:2:1 over the period.

Planned savings are extremely challenging, and will continue to mean major changes to what the Council does and how it does it. Such radical changes to services take time to plan. Changing what services the Council funds and how they are provided has a long lead time because of the need to: engage service users and others to help design services that work for them; develop self support infrastructure where services are being withdrawn; and manage risk to the most vulnerable people in our communities in particular on whom 75% of resources are spent. Tough decisions have been and will continue to need to be taken and managers need to be given as much certainty as possible about future funding levels in order for them to be able to plan creatively for the future, both within services and across the Council as a whole.

All these priorities are delivered through processes involving appropriate Corporate Management Team (CMT) / Cabinet / Council discussion and decision. Work started on developing the draft budget strategy for 2014/15 during the summer of 2013. This involved officers and Cabinet Members together looking at overall Council expenditure.

The final revenue budget for 2014/15 was presented to Council in February 2014. Overall, the budget set for 2014/15 sought to protect our priority service areas, and identified savings from our efficiencies with marginal appropriations from balances.

East Susssex Better Together

We're bringing health and social care together to improve services within our shared budget and meet the challenges of the future. The programme is called East Sussex Better Together (ESBT). ESBT involves lots of projects that affect all aspects of how people receive health and social care services.

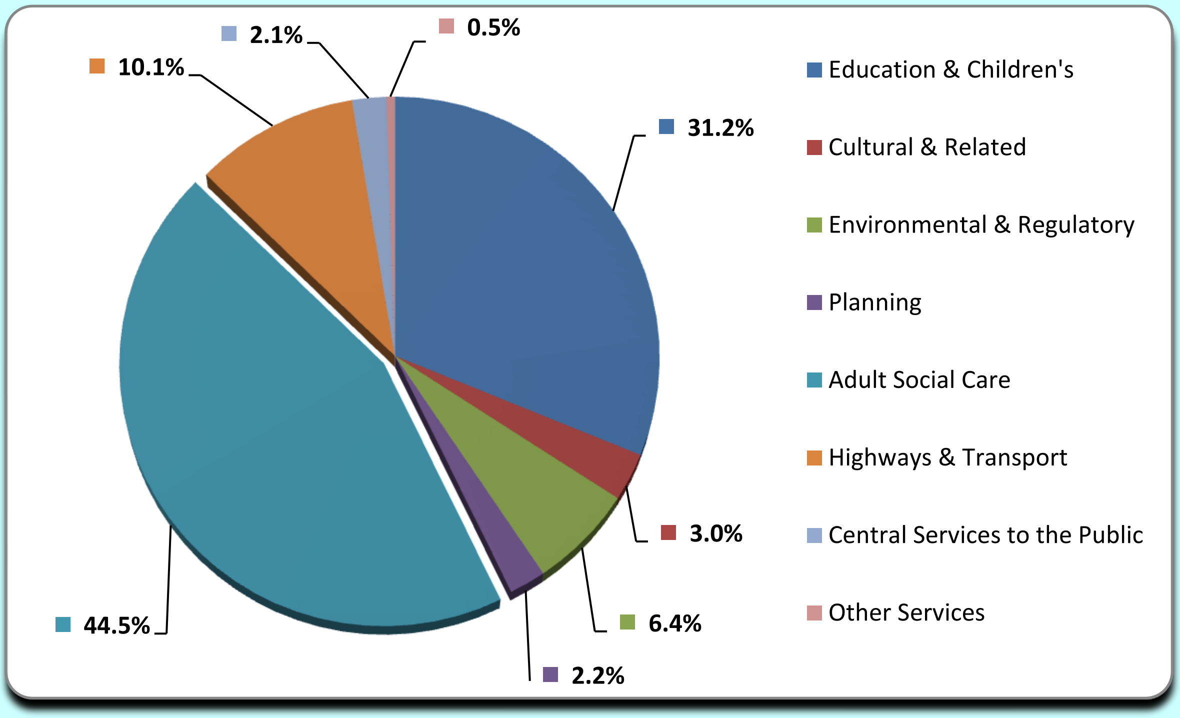
Health and social care systems across the country are facing significant challenges. The growing population, particularly in the over 65s, the increasing number of people living with long term conditions, advances in medical technology and rising patient and public expectations will make it difficult to meet demand within the resources we expect to receive and with the way services are currently provided.

The ESBT commissioners are committed to working together with staff, providers, local people and stakeholders to plan and develop the specific activities and changes to transform local health and social care services. This is also an opportunity for us to make the best use of community support currently provided by both the statutory and third sectors.

So how much was spent on the revenue account

The Comprehensive Income and Expenditure Statement (CIES) at page 19 show how the Council money is spent and where the money comes from, as summarised in the charts below.

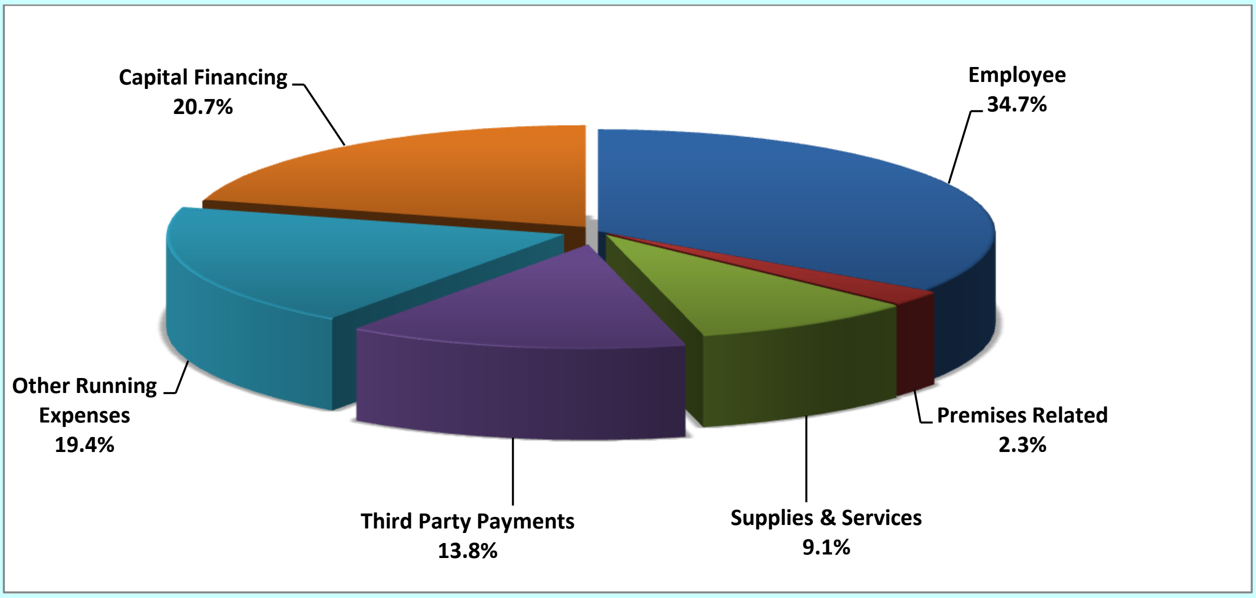
The Services Provided – Analysis of expenditure



Central Services to the Public include Central Services, Corporate and Democratic Core and Non Distributed costs line from the CIES. Education and Children's Services – include dedicated school grants/ budgets, special education, and children's social care.

In total, our net revenue expenditure was £389.64m. The chart below presents a full break down of how the money was spent:

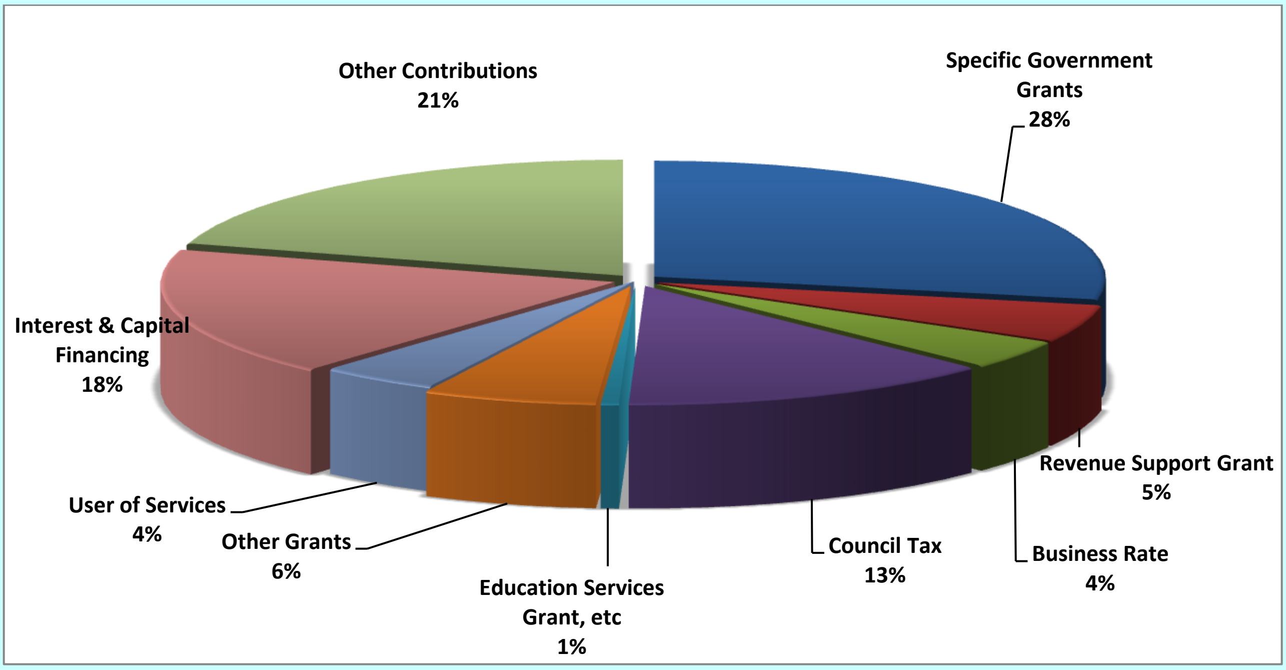
What the money was spent on



County Council services are staff intensive and employee costs account for 34.7% of the expenditure. Running expenses including costs of premises at 2.3%, supplies and services at 9.1%, and third party payments account for 13.8% with other expenses at 19.4%, Capital financing (the cost of borrowing, interest and repayments) and accounting for on-going Private Finance Initiative (PFI) within the ESCC Balance Sheet accounts for the remaining 20.7%.

Foreword

Where the money came from



The chart shows that 28% of our income came from Specific Government grants, RSG at 5%, 13% came from residents through the council tax, 11% from general grants, including business through the Business Rates, 18% relates to Interest/Capital Financing and 25% of our income came from users of our services and other contributions.

Analysis of the Revenue Budget

The Council's careful monitoring of budgets during the year has ensured that service pressure areas have been identified early and action taken by directorates to manage potential variations within their cash limited budgets. The table below shows actual spending of £384.83m during 2014/15, based on the total cost of providing services including charges for support services, treasury management, and use of assets.

Throughout 2014/15, the Council has been mindful of the need for further reductions in future years and managed the budgets accordingly. The Council as part of the MTFP refresh is now reviewing all over/underspends to assess the medium term implications. During this period of austerity, sound financial management is essential to ensure long term success and stability.

The current estimate of service spending and the net budget for the year was £385.81m, with total actual expenditure of £391.28m, i.e. services overspend of £5.47m, this is an improvement of £0.1m from the £5.6m overspend reported at quarter 3. There are, therefore, no new material variations. As previously reported this will be managed within the unused general contingency and the remaining inflation provision for 2014/15. Of the £30.4m savings planned for 2014/15 (net of £0.3m investments), £21.9m were made as planned and there were mitigating savings of £0.6m; a total of £22.5m of savings were delivered, £7.9m below target. In addition, there were slipped savings from 2013/14 of £2.4m, of these £2.0m were achieved in 2014/15, with £0.4m remaining unachieved.

The Council's general balance of £8.9m at the year end is in line with the target minimum level of 2.25% (actual 2.31%) of the net revenue budget set by the Council.

The analysis of revenue expenditure provided is for budgetary comparison purposes and does not agree directly to the analysis of expenditure contained in the CIES. The disparity arises because the CIES is presented in a prescribed Service Reporting Code of Practice (SeRCOP) format, based on standard accounting practices, which facilitate direct comparisons with other local authorities. For example, for external reporting purposes, the CIES includes gains and losses on the sale of fixed assets. The differences in presentation and convention may significantly affect the reported cost of services, but it has no effect on the total reported expenditure of the Council.

Foreword

The table below sets out the revenue budget for 2014/15 using the standard management reporting format and how these compare with outturn:

Departments	Current Estimate	Actual Outturn	Variation
	£m	£m	£m
Adult Social Care	172.50	174.88	(2.38)
Public Health	0.01	0.01	-
Governance and Community Services	2.97	2.91	0.06
Children's Services Department	124.33	124.55	(0.22)
Business Services Department	(3.24)	(0.27)	(2.97)
Communities, Economy, and Transport	89.24	89.20	0.04
Service Spend (incl. DSG Related)	**385.81**	**391.28**	**(5.47)**
Treasury Management, etc.	(1.39)	(6.45)	5.06
Net Expenditure	**384.42**	**384.83**	**(0.41)**

Financed from:

	£m	£m	£m
Revenue Support Grant	85.64	85.65	0.01
Business Rate Top-up	55.76	55.76	-
Business Rate Retention	10.98	10.98	-
Council Tax	219.58	219.58	-
Adjustments for earlier years	2.13	2.13	-
Education Services Grant (ESG)	6.10	6.41	0.31
Local Services Support Grant (LSSG)	0.86	0.86	-
Council Tax Transition Grant, etc.	1.86	1.96	0.10
Business Rate Surplus/Deficit	(0.31)	(0.32)	(0.01)
New Home Bonus Grant	1.82	1.82	-
	384.42	**384.83**	**0.41**

Balances:

	£m	£m
Opening	8.90	8.90
Added / (withdrawn) during the year	-	-
Closing	**8.90**	**8.90**

Earmarked Reserves

The financial statements also set out details of the Council's earmarked reserves, which are another essential tool to manage risk exposure and smooth the impact of major costs. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP Bulletin 99 - Local Authority Reserves and Balances.

The Council's reserves policy supports the Council's strategic agenda and corporate cross cutting priorities, and in particular:

- the challenges posed by a likely decade of austerity;
- uncertainty over the timing of reductions in government support;
- the requirement to manage significant organisational change;
- the heightened risk profile across public services delivery arrangements; and
- the emphasis planned on a unified organisation response.

Details of the Council's earmarked reserves can be found on page 48, Note 9 to the Accounting Statements. Current earmarked reserves held at 31 March 2015 totalled £144.3m. Of this £34.8m relates to reserves to meet the estimated future costs of managing the Private Finance Initiative (PFI) waste facility, £27.4m relates to capital programme, and £29.6m relates to services revenue grants and contributions set aside for future years. The remainder of the significant reserves are to help meet some of the cost of insurance liabilities reserve to manage litigation and other corporate risks not otherwise recognised.

The level of the County Council fund is consistent with the overall financial environment and the key financial risks faced by the Council. This risk assessment is carried out at least twice annually and takes account of circumstances at the time.

Foreword

The Capital Programme

In 2014/15 the County Council spent £119.1m gross (£90.6m net of external funding) on its roads, schools, and other capital projects. The original budget at the start of the year was £159.8m. Any budget not spent in the previous year due to project delays is brought forward at the start of the year and added to this amount.

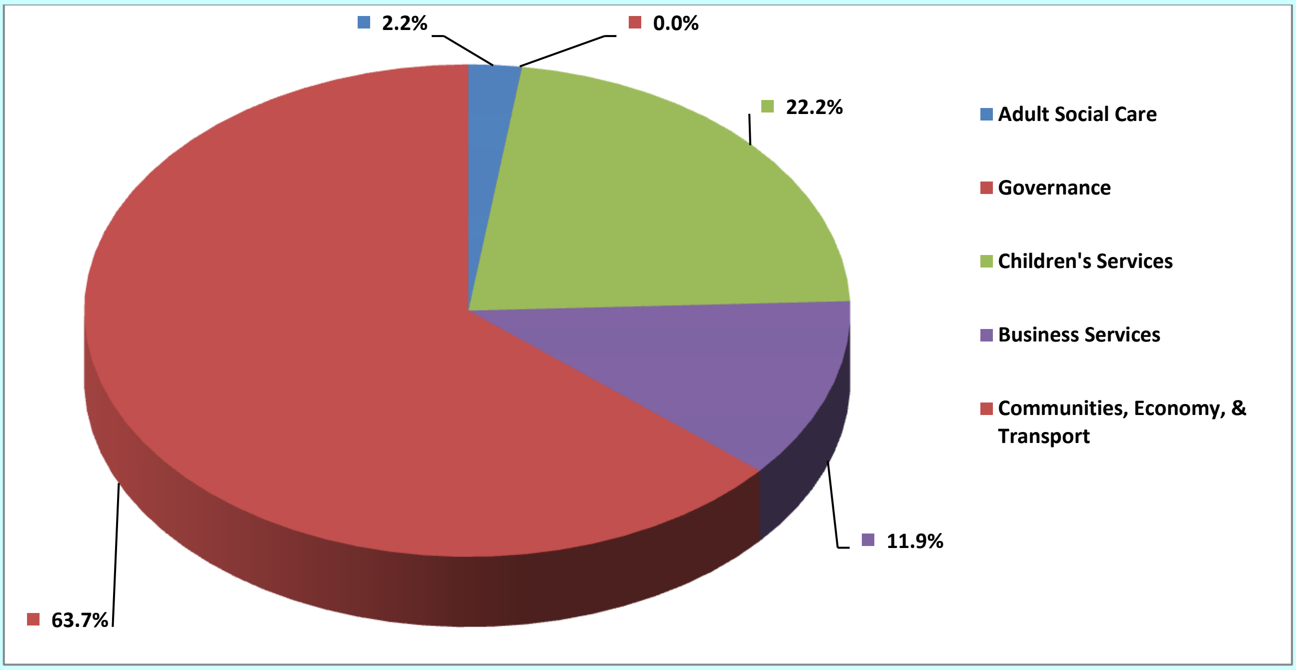
During the financial year the capital programme was subject to a thorough review and where necessary projects were re-profiled. These changes were submitted to Council for approval as part of the 2015-16 budget setting. Any variations formed the revised budgets against which future monitoring took place. The current programme is also updated through formal approved variations as and when better information becomes available or further external funding secured. The final revised budget for the year was £169.5m of which £38.3m was supported by scheme specific resources giving a net budget provision of £131.2m.

The net variation of £40.5m compared to the revised net budget represents a number of scheme delays including winter conditions on the Bexhill to Hastings Link Road, a review of the requirements for Hastings Library and a number of planning applications being rejected in respect of the school basic need programme of works.

During 2015/16 the County Council plans to invest £139m, the planned funding for this is:

	£m
Borrowing	29.8
Scheme Specific grants and contributions	26.4
Non specific grants	43.1
Capital Receipts	6.0
Use of reserves	17.7
Revenue contributions	16.2
Total resources	**139.2**

Capital expenditure represents money spent by the Council on purchasing, upgrading, and improving assets that will be of benefit to the community over many years



The Bexhill to Hastings Link Road

The larger schemes that took place during the year included The Bexhill & Hastings Link road, and the structural maintenance of roads throughout the county, and many other improvements to schools and roads. The main reason for building the road is to regenerate the most deprived area in the south east and one of the most deprived in the UK. £500 million will be spent on economic regeneration across East Sussex over the next four years. We believe the link road will support this regeneration and benefit residents and businesses by opening up access to land for housing, business developments and employment opportunities, and the road is expected to significantly reduce traffic. The scheme has been carefully designed to minimise impact on the countryside and protected areas. Close to the road, a 'greenway' will allow cyclists, walkers and horse riders to travel separately from motor traffic and enjoy the surrounding countryside.

The Bexhill to Hastings Link Road is expected to open later this year. While the exact opening date won't be known just yet, several parts of the project have now been completed, or are nearing completion. Across the site, landscaping work is in progress, including the planting of new shrubs and trees. The exact opening date of the link road is dependent on weather, deliveries by suppliers, unforeseen technical issues and seasonally restricted environmental work.

South East Local Enterprise Partnership (SELEP)

East Sussex County Council is part of the South East LEP (SELEP), which also covers Essex and Kent. SELEP focuses on creating opportunities for enterprise and addressing barriers to growth. It identifies 'skills' as a cross-cutting theme that is critical to businesses.

The SELEP Growth Deal brings national and local investment together and includes commitments to increase the pace of housing construction; coordinate local and national business support services; establish a new property investment fund; and deliver a considerable programme of local transport initiatives. Crucially, the Growth Deal also secures a commitment from the Government to boost local growth by improving our national transport links.

The Council has been granted a funding boost as a result of the expansion of the Government's Growth Deal scheme. The cash boost, to be delivered between 2016 and 2021, is part of a £46.1 million investment resulting from a successful bid for Growth Deal funding by the South East Local Enterprise Partnership (SELEP).

In addition to these direct East Sussex allocations, £2 million is being invested in a SELEP-wide project for coastal communities including Hastings, to deliver a package of housing regeneration initiatives. SELEP has developed plans to generate 200,000 private sector jobs, 100,000 new homes and transform transport and business infrastructure in the SELEP area over the next seven years.

East Sussex Pension Fund

During the year to 31 March 2015, the overall increase in the Fund due to positive performance in equity and other markets was estimated to be 14.6% compared to the average estimated increase in Local Authority funds of 13.2% per annum.

In line with the accounting standard IAS19, the Council's net liability for future pension payments, as shown in the Balance Sheet, has increased from £425.3m at the start of the year to £540.4m at 31 March 2015. Note 44 to the accounting statements provide detailed information.

The explanations for this significant change are as follows:

- In assessing liabilities for retirement benefits at 31 March 2014, the actuary assumed a discount rate of 1.5% real (4.3% nominal), which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2015, the actuary has advised that a rate of 0.8% real (3.2% nominal) is appropriate. The change in the real discount rate over the year has resulted in an increase in liabilities measured at today's prices of around £200.4m, included in the actuarial loss recognised for the year in the Movement in Reserves Statement (MiRS).

- Pensions in payment are increased each April in line with pension increase orders. The actuary's assessment of the scheme liabilities as at 31 March 2015 allows for the pension increase applied in April 2015 (1.2% p.a.). As this is lower than the pension increase assumption as at 31 March 2014 (2.8% p.a.), this results in a reduction in liabilities measured at today's prices of around £9.4m.

- Asset returns on the Fund in the year to 31 March 2014 were better than expected for the Council. As noted above, the increase in the Fund's assets due to investment performance was estimated to be 14.6%, compared to the expected return on assets at the start of the year of 4.3%.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS), and using the roll forward model, the actuarial estimate of the present value of funded liabilities is approximately £635.6m, £279.3m and £574.9m in respect of employee members, deferred pensioners, and pensioners respectively as at 31 March 2015. There is also a liability of approximately £42.5m in respect of LGPS unfunded pensions and £47.9m in respect of Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

Treasury Management Borrowing Facilities and Investments

The strategy for 2014/15, agreed in February 2014 was set against a background of market uncertainty and a prudent approach was taken with all investments.

The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the proposed capital programme and revenue budget dealt with elsewhere on the agenda. As will be clear from the global events, it is impossible in practical terms to eliminate all credit risk. This Council seeks to be as prudent as possible.

This Council has always adopted a prudent approach on its investment strategy and in the last few years, there have been changes to the list of the approved organisations used for investment of short term surpluses. This list is regularly reviewed to ensure that the Council is able to invest at the best available rates consistent with low risk; the organisations are regularly monitored to ensure that their financial strength and low risk has been maintained. The 2014/15 revised strategy continues the prudent approach and ensures that all investments were only to the highest quality rated banks and only up to a period of two years.

The Council's current strategy is to maintain external borrowing below the level of the CFR – known as internal borrowing. As at the end of 2014/15 the Council is showing an under borrowing position of £12m. This reflects the policy of avoiding new borrowing by running down spare cash balances, which has served the Council well over the last few years. Officers continue to review the need to borrow taking into consideration the potential increases in borrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

Capital expenditure levels, market conditions and interest rate levels continue to be monitored during the year in order to minimise borrowing costs over the medium to longer-term and maintain stability. Given the on-going cuts to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

East Sussex County Council and Surrey County Council Partnership - Orbis

East Sussex County Council and Surrey County Council propose to build upon the success to date and deliver significant and transformative change by working in partnership to provide a comprehensive set of business services to both authorities, operating as one function under the management of a Joint Committee. The proposed partnership will deliver resilient and sustainable services whilst providing savings to our authorities.

Our ambition is to create efficient, modern, agile and digitally enabled business services that will support our organisations and partner organisations through an unprecedented period of change and financial challenge in the public sector. We wish to build upon our successful partnership in procurement and shared services to create a fully integrated business services organisation called "Orbis" from April 2015.

Customer service and delivering public value will be at the core of what we do. Our public service values and ability to innovate and design services that are focused on improving the performance of our customers will set us apart from other support service organisations in both the public and private sectors. Through bringing together Surrey and East Sussex Business Services we will create sufficient scale that will allow us to recruit and retain the best staff, drive shared efficiencies and invest in new technology that might otherwise be prohibitively expensive for our organisations alone.

Our aim is to become the provider of choice for other public sector bodies and we expect the partnership to grow beyond the two county councils in the early stages of its development. We are actively engaged with other potential partners to that end. Business growth will in turn give us increased commercial leverage and will increase our volume of activity enabling orbis to drive down the costs of service delivery, whilst increasing sustainability and resilience.

Removal of Voluntary Controlled (VC) and Voluntary Aided (VA) Schools Assets

During 2014/15 we reviewed our previous accounting treatment of voluntary aided (VA) and voluntary control (VC) schools in the light of new guidance provided within the 2014/15 Code of Practice on Local Authority Accounting (Appendix E). Following internal review, it has been considered that the rewards and ownership of VA and VC schools asset lie more with the diocese than the County Council; that the rights to economic benefits and the rights to control these voluntary aided/controlled schools assets were not with the County Council and hence these assets should not be on the County Council's balance sheet. Following VA schools being previously derecognised within the 2008/09 accounts, the VC Schools assets have been removed from the 2014/15 balance sheet. Some land (school playing fields) belongs to the County Council and hence remains on the balance sheet. The decision was taken in consultation with our auditors.

CIPFA understands from the evidence provided by representatives of religious bodies that it is generally the case that these non-current assets are not owned by the school but by another legal body, i.e., the trustees. These trustees might be the diocese or other site trustees which might be individual representatives of the clergy. Where other circumstances exist e.g. ownership residing with the local authority (as a result of site transfers) local authorities and schools will need to assess these circumstances against the provisions of the Code on asset recognition.

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For the assets owned by religious bodies these assets are understood to be used under “mere” licences which pass no interest to the school and which are terminable by the trustees at any time without causal action. Section 30(11) of the School Standards and Framework Act 1998 provides that a reasonable period of notice must be given to allow for this termination i.e. a period of not less than two years in circumstances where termination of occupation would have the result that it is not reasonably practicable for the school to continue to be conducted in its existing site.

CIPFA’s understanding is that a “mere licence” is an authority to do something which would otherwise be inoperative, wrongful or illegal. As noted above a “mere” licence passes no interest, and a mere licence is always revocable. CIPFA’s understanding is that the licensee is given permission to use the land for the authorised purpose and effectively prevents that act from being a trespass. Unlike a lease, a mere licence does not create an estate in land. These licences are often not provided in written form.

Further details are available within notes 2a, 8, 13 and 26.

The Council’s Stewardship, Responsibilities and Financial Management Polices

The Council deals with considerable sums of public money. The Council’s Financial Regulations provide the framework within which financial control operates. To conduct its business efficiently, a council needs to ensure that it has sound financial management and procedures in place and that they are strictly adhered to. Strict compliance with these policies ensures that the Council’s policy objectives are pursued in a prudent and efficient way. These Financial Regulations provide clarity about the accountability of individuals – Cabinet; Members; the Chief Executive; the Monitoring Officer; the Chief Finance Officer and Service Directors.

There are five key areas covered by the Financial Regulations, these are:

1. General financial management and planning;
2. Accounting and audit arrangements;
3. Control of resources (finances, staffing, systems and contracts);
4. Banking, treasury, investment, and insurance;
5. External arrangements.

These Financial Regulations link with other internal regulatory documents forming part of the County Council’s Constitution, including Standing Orders, Standard Financial Procedures and Departmental Guidance and Procedures. This Statement of Accounts is part of that stewardship process, i.e., the process for being publicly accountable for public money. The responsibilities of the Council and its designated Chief Finance Officer, is set out in the Constitution.

The Annual Governance Statement, which accompanies this Statement of Accounts, covers more than just financial matters and is set out in full on pages 15 - 16.

Our financial framework relies upon the quality of the financial systems of the Council. There is a commitment continually to improve systems to ensure that budget holders receive information in the form and at the time they require and that key financial processes are managed efficiently and economically.

The Audit Opinion

The 2014/15 Audit Opinion and Certificate is available on pages 13 - 14.

Marion Kelly

Chief Finance Officer

4 June 2015

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts, which include the accounting statements for East Sussex Pension Fund.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy/Local Authorities (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the Council's financial position and its income and expenditure for the year ended 31 March 2015.

Marion Kelly

Chief Finance Officer
4 June 2015

Independent auditor’s report to the members of East Sussex County Council

We have audited the financial statements of East Sussex County Council for the year ended 31 March 2015 on pages 17 to 123. 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.

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for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
XX July 2015

1. Scope of responsibility

East Sussex County 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 County 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. In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of the County Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, East Sussex County Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website at www.eastsussexcc.gov.uk or can be obtained from the Council's Monitoring Officer. This statement also sets out how the County Council has complied with its Local Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. Purpose of the governance framework

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.

The code of corporate governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally the County Council's system of internal control is designed to identify and prioritise the risks to the achievement our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.

The Local Code of Corporate Governance and the system of internal control have been in place at East Sussex County Council for the year ended 31 March 2015 and up to the date of the approval of the statement of accounts.

3. Review of effectiveness

East Sussex County Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:

- the work of Members through the Cabinet, Committees including Governance Committee, Standards Committee, Audit Best Value and Community Services Scrutiny Committee, Scrutiny Committees generally and the full Council;
- the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
- the work of the Chief Operating Officer and the Chief Finance Officer;
- the work of the Monitoring Officer and the Statutory Officers' Group ;
- the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;
- the work of the internal audit service including their quarterly progress reports, on-going action tracking arrangements and overall annual report and opinion;
- the external auditors in their audit annual letter and annual governance report;
- the judgements of a range of external inspection and other statutory bodies including the Local Government Ombudsman, the Care Quality Commission and the Office for Standards in Education

4. Key elements of the governance and internal control environments

The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:

- a Council Plan that sets out our vision for the community and the outcomes we intend to achieve;
- an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer focus and efficiency;
- a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- financial management structures which promote ownership of financial issues within service departments;
- compliance with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Finance Officer;
- the Council's constitution which sets out clear arrangements for decision making, scrutiny, communication and the delegation of powers to officers and Members;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Procurement Standing Orders, Financial Regulations and Standard Financial Procedures;

- a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- Member committees with clear responsibilities for governance, audit and standards;
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

5. Assurance and Significant Governance Issues

No assurance can ever be absolute; however this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the County Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

As part of our review, we have not identified any gaps in assurance over key risks or significant governance issues.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively and meet changing legislative needs, reflect best practice and our intention to achieve excellence in all our activities. The Council, through the Directorate Assurance Statements and the Chief Finance Officer's Assurance Statement, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out on the attached annex A together with the department responsible for them.

The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan. The areas outlined in the attached annex A will be monitored through departmental business plans.

The Council has also identified a need to develop its approach to transparency and to respond to the Government's open data agenda which will be monitored and managed.

Actions plans are in place to address these issues, and their implementation will be monitored and reviewed during the year.

Cllr Keith Glazier
Leader and Chairman of the Governance Committee
21 July 2015

Becky Shaw
Chief Executive
21 July 2015

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	County Fund Balance	Schools Balance	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves - General	Earmarked Reserve – Revenue Grants	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013 (Notes 25 and 26)	**8,898**	**16,230**	**10,548**	**56,598**	**117,928**	**11,931**	**222,133**	**121,494**	**343,627**
Prior Period Adjustment (see Note 2a)	-	-	-	-	-	-	-	(66,704)	(66,704)
Restated Balance at 31 March 2013 (Notes 25 and 26)	**8,898**	**16,230**	**10,548**	**56,598**	**117,928**	**11,931**	**222,133**	**54,790**	**276,923**
Movement in Reserves during 2013/14									
Deficit on provision of services	(15,386)	-	-	-	-	-	(15,386)	-	(15,386)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-		(31,981)	(31,981)
Total Comprehensive Income and Expenditure	**(15,386)**	**-**	**-**	**-**	**-**	**-**	**(15,386)**	**(31,981)**	**(47,367)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	30,786	-	(16)	(3,219)	-	-	27,551	(27,551)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**15,400**	**-**	**(16)**	**(3,219)**	**-**	**-**	**12,165**	**(59,532)**	**(47,367)**
Transfers to / (from) Earmarked Reserves (Note 9)	(15,400)	(1,153)	-	-	(2,432)	18,985	-	-	-
Increase / (Decrease) in Year	**-**	**(1,153)**	**(16)**	**(3,219)**	**(2,432)**	**18,985**	**12,165**	**(59,532)**	**(47,367)**
Restated Balance at 31 March 2014 (Notes 25 and 26)	**8,898**	**15,077**	**10,532**	**53,379**	**115,496**	**30,916**	**234,298**	**(4,743)**	**229,555**

Movement in Reserves Statement

	County Fund Balance	Schools Balance	Capital Receipts Reserve	Capital Grants Unapplied	Earmarked Reserves - General	Earmarked Reserve – Revenue Grants	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 31 March 2014 (Notes 25 and 26)	**8,898**	**15,077**	**10,532**	**53,379**	**115,496**	**30,916**	**234,298**	**(4,743)**	**229,555**
Movement in Reserves during 2014/15									
Surplus on provision of services	(45,619)	-	-	-	-	-	(45,619)	-	(45,619)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(45,976)	(45,976)
Total Comprehensive Income and Expenditure	**(45,619)**	**-**	**-**	**-**	**-**	**-**	**(45,619)**	**(45,976)**	**(91,595)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	44,020	-	(4,451)	(12,042)	-	-	27,527	(27,527)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(1,598)**	**-**	**(4,451)**	**(12,042)**	**-**	**-**	**(18,092)**	**(73,503)**	**(91,595)**
Transfers to / (from) Earmarked Reserves (Note 9)	1,598	470	-	-	(729)	(1,339)	-	-	-
Increase / (Decrease) in Year	**-**	**470**	**(4,451)**	**(12,042)**	**(729)**	**(1,339)**	**(18,092)**	**(73,503)**	**(91,595)**
Balance at 31 March 2015 (Notes 25 and 26)	**8,898**	**15,547**	**6,081**	**41,337**	**114,767**	**29,577**	**216,207**	**(78,247)**	**137,960**

Comprehensive Income and Expenditure Statement

This statement shows the Council's accounting cost in the year of providing services in accordance with general accepted accounting practices rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. It summarises the resources that have been generated and consumed in providing the functions for which the Council is responsible, and demonstrates how the cost has been financed from general government grants and income from local taxpayers.

2013/14				2014/15		
Gross Expenditure (restated)	Gross Income (restated)	Net Expenditure (restated)		Gross Expenditure	Gross Income	Net Expenditure
£000	**£000**	**£000**		**£000**	**£000**	**£000**
444,660	(323,225)	121,435	Education and children's services	431,301	(315,786)	115,515
33,026	(1,809)	31,217	Cultural & related services	12,956	(3,455)	9,501
27,658	(5,809)	21,849	Environmental & regulatory services	32,063	(6,880)	25,183
11,393	(7,464)	3,929	Planning services	9,832	(1,127)	8,705
251,789	(72,986)	178,803	Adult social care	235,716	(54,834)	180,882
17,959	(17,793)	166	Public Health	30,955	(30,932)	23
48,557	(3,835)	44,722	Highways and transport services	52,401	(11,399)	41,002
758	(194)	564	Housing services	1,779	(198)	1,581
2,994	(1,729)	1,265	Central services to the public	2,345	(1,925)	420
3,136	(74)	3,062	Corporate and Democratic Core	3,694	(49)	3,645
1,268	(730)	538	Non Distributed Costs	3,476	(292)	3,184
843,199	**(435,648)**	**407,550**	**Cost of Services**	**816,518**	**(426,877)**	**389,641**
47,074	-	47,074	Other operating expenditure - Note 10	63,592	-	63,592
37,637	(1,862)	35,775	Financing and investment income and expenditure - Note 11	39,622	(2,798)	36,824
-	(475,013)	(475,013)	Taxation and non-specific grant income - Note 12	-	(444,438)	(444,438)
		15,386	**Deficit / (Surplus) on Provision of Services**			**45,619**
		(20,712)	Surplus on revaluation of non-current assets - Note 26			(51,881)
		52,693	Actuarial losses on pension assets or liabilities - Note 44			97,858
		31,981	**Other Comprehensive Income and Expenditure**			**45,977**
		47,367	**Total Comprehensive Income and Expenditure**			**91,596**

Note:

The Comprehensive Income and Expenditure Statement is produced in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Service Reporting Code of Practice (SERCOP) and the Code. This requires a standard analysis of service expenditure, to be shown at total cost, which includes charges for capital asset utilisation, apportionments of central costs, expenditure from funds and reserves and appropriate provision for pension costs.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 April 2013	Restated 31 March 2014			31 March 2015
£000	£000		Note	£000
797,195	785,302	Property, Plant & Equipment	13	806,458
516	516	Heritage Assets	16	645
1,381	1,448	Investment Property	14	1,419
2,028	2,679	Intangible Assets	15	5,543
1	1	Long Term Investments	19	1
652	1,615	Long Term Debtors	21	5,584
801,773	**791,561**	**Long Term Assets**		**819,650**
270,719	286,174	Short Term Investments	19	284,575
1,498	3,921	Assets Held for Sale	20	4,105
4,382	4,124	Payments in Advance	21	4,352
111	121	Inventories		55
45,990	46,178	Short Term Debtors	21	55,563
17,267	18,655	Cash and Cash Equivalents	22	2,163
339,967	**359,173**	**Current Assets**		**350,813**
(18,025)	(18,506)	Income in Advance	23	(16,416)
(7,055)	(5,407)	Short Term Borrowing	19	(5,383)
(21,327)	(18,946)	Bank overdraft and Accrued balance for third parties	22	(18,888)
(1,070)	(2,492)	Provisions	24	(1,323)
(82,033)	(81,665)	Short Term Creditors	23	(88,101)
(129,510)	**(127,016)**	**Current Liabilities**		**(130,111)**
(357,589)	(425,296)	Liabilities related to defined benefit pension schemes	44	(540,383)
(16,943)	(14,775)	Provisions	24	(14,269)
(262,943)	(258,989)	Long Term Borrowing	19	(255,035)
(4,038)	(4,425)	Capital Grants & Contributions Receipts in Advance	37	(5,343)
(93,794)	(90,678)	Other Long Term Liabilities	42	(87,362)
(735,307)	**(794,163)**	**Long Term Liabilities**		**(902,392)**
276,923	**229,555**	**Net Assets**		**137,960**
222,133	234,298	Usable Reserves	25	216,207
54,790	(4,743)	Unusable Reserves	26	(78,247)
276,923	**229,555**	**Total Reserves**		**137,960**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2015 and its Comprehensive Income and Expenditure Statement for the year then ended.

Marion Kelly

Chief Finance Officer, 4 June 2015

The Governance Committee approved the Statement of Accounts on 21 July 2015.

Cash Flow Statement

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

2013/14 £000	2013/14 Restated £000		2014/15 £000
(4,911)	15,386	Net (surplus) / deficit on the provision of services	45,619
(110,036)	(125,867)	Adjustments to net deficit on the provision of services for non-cash movements	(127,308)
81,521	81,521	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	60,536
(33,426)	(28,960)	Net cash inflow from Operating Activities (Note 27)	(21,153)
23,507	19,041	Investing Activities (Note 28)	28,774
6,150	6,150	Financing Activities (Note 29)	8,813
(3,769)	**(3,769)**	**Net (increase) / decrease in net cash and cash equivalents (Note 22)**	**16,434**
4,060	4,060	Net cash and cash equivalents at the beginning of the reporting period (Note 22)	291
291	**291**	**Net cash and cash equivalents at the end of the reporting period (Note 22)**	**16,725**

The Net Cash and cash equivalents figures above include 'Cash and cash equivalents' and 'Bank overdraft and Accrued balance for third parties'. The overall balance at 31 March 2015 is a net cash overdrawn position of £16.725m.

Notes to the Accounting Statements

1. Authorisation of the Statement of Accounts

Authorisation of Statement of Accounts - These accounts were authorised for issue by Marion Kelly, Chief Finance Officer, and the Statement of Accounts (approved on 21 July 2015) is published with an audit opinion.

2. Accounting Policies

i. General

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide legally binding guidance on Local Authority Accounting. The Statement of Accounts, which includes the accounting statements for East Sussex Pension Fund, summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted for the Council's Accounting Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the Code, the Council has disclosed the expected impact of new accounting standards that have been issued but not yet adopted.

ii. Accruals of Income and Expenditure

The accounts of the Council are prepared on an accruals basis. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

iii. Revenue Recognition

The authority accounts for revenue recognition in accordance with IAS 18 Revenue and IPSAS 23 Revenue from Non Exchange transactions (Taxes and Transfers) except where adaptations to fit the public sector are detailed in the Code. Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

This accounting policy does not apply to revenue arising from lease agreements (see separate accounting policy for Leases). Revenue, except that for a financial asset, is measured at the fair value of the consideration received or receivable.

iv. Debtors and Creditors

We record all material transactions on the basis of income and expenditure. In order to achieve this we account for actual or estimated debtors and creditors at the end of the year, except in two cases:

- Charges for utilities (gas, electricity and telephones) are not accrued, so long as we have paid for a full twelve months during each financial year;
- Accruals are generally not raised where amounts are immaterial, although managers' discretion may be used. This exception has no material effect on the financial statements.

Most accounts for Trust Funds are kept on a receipts and payments basis.

Lump sum payments relating to redundancy cases are accounted for in the period when the related decision was taken.

v. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held by the Council as part of its normal cash management including all deposit accounts with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are generally defined as short-term, highly liquid investments that are readily convertible to cash. They are held for short term cash flow requirements rather than for investment gain and have an insignificant risk of a change in their value.

The Code of Practice defines cash equivalents as highly liquid investments that are readily convertible to known amounts of cash and any investment that could be recalled the same day without penalty, which includes call accounts, money market funds and instant deposits. However, the Council uses these products for both short term cash flow requirements and investment gain purposes. The Council therefore defines only its accounts that are held for cash flow requirements as a cash equivalent used for short term cash flow requirements. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Short Term Investments are those investments that are not classified as a cash equivalent as they are held for investment gain purposes. The Council's annual Treasury Management Strategy sets out the type of investments that meet its security, liquidity and yield criteria.

vi. Exceptional Items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

viii. Charges to Revenue and Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment assets and Intangible assets during the year:

- Depreciation is provided for on all assets used by the relevant service with a determinable finite life (except for investment properties, assets under construction and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (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.

ix. Employee Benefits

Employee benefits are accounted for in accordance with the Code's interpretation of IAS 19 – Employee Benefits. This standard covers both benefits payable during and after employment.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

The Council contributes to three separate pension schemes that meet the needs of different groups of employees. The schemes are:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The Local Government Pension Scheme
- The NHS Pension Scheme, administered by the NHS Business Service Authority.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

Teachers' Pensions

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

Local Government Pensions Scheme

Most other employees can join the Local Government Pension Scheme. The Council administers the pension fund for all local authorities within the geographical area of East Sussex.

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

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

In assessing liabilities for retirement benefits at 31 March 2014, the actuary assumed a discount rate of 1.5% real (4.3% nominal), which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2015, the actuary has advised that a rate of 0.8% real (3.2% nominal) is appropriate.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate of fair value;
- unitised securities – current bid price;
- property – market value.

The change in the net pension's liability is analysed into seven 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 in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited 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;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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 (including teachers) 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.

x. Events After the Balance Sheet Date

The accounts have taken into consideration any material event after the balance sheet, which are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period for which the Council shall adjust the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);

- Those that are indicative of conditions that arose after the end of 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.

xi. Financial Instruments

Financial Liabilities

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

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

Where loans are replaced through restructuring, there are distinct accounting treatments, as follows:

- *Modification* - 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.
- *Substantially Different* - Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the County 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 County Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.
- *Early repayment of loans* - The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Comprehensive Income and Expenditure Statement upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years. These provisions are effected in the Movement in Reserves Statement on the County Fund Balance, after debits and credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

Financial Assets

Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. 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 all of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest will be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provision requires that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the 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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where the Council entered into financial guarantees that are not required to be accounted for as financial instruments, these guarantees will be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

xii. Foreign Currency Transaction

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiii. Government Grants and Contributions

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

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

Government grants and third party contributions and donations 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 in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

xiv. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council’s goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The expected useful life is normally seven years. 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 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 on disposal (for any sale proceeds greater than £10,000) the Capital Receipts Reserve. Capital receipts (if more than the de minimis level of £10,000) from the sale of assets are held in a reserve until they are required to finance capital expenditure.

xv. Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, which would require it to prepare group accounts alongside its own financial statements. The investments in the Council's accounts are shown at cost.

xvi. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the latest invoice price.

xvii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and on disposal (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xviii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises in its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of Property, Plant or Equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xix. 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. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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 (debited 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 County Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

The Council as Lessor (This is not currently applicable to the Council)

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 in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 (long-term debtor) asset in 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 County Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the County 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 County 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.

Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xx. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (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 – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

xxi. Property, Plant and Equipment

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

Recognition

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

Recorded as capital expenditure are all transactions that involve the purchase of new Property, Plant and Equipment or expenditure that adds to their value. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Otherwise individual items of vehicles and equipment are treated as capital if the value is over £20,000. If the value is less than this sum we charge it to revenue. The only exception being in respect of spending by schools from Devolved Formula capital grants which in accordance with the Department for Education Conditions of Grant is all treated as capital expenditure in the accounts with no lower limit.

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, including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – included within Land and Building (e.g. Schools caretaker houses);
- 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.

Assets included in the Balance Sheet at fair value are re-valued 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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.

Componentisation Policy

The Council ensures that the overall value of an asset is fairly apportioned over significant components that need to be accounted for separately and that their useful lives and the method of depreciation are determined on a reasonable and consistent basis. The Council's adopted componentisation policy is as follows:

- Each part of an item of Property Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the items is depreciated separately. Where there is more than one significant part of the same asset, which has the same useful life and depreciation method, such parts are grouped in determining the depreciation charge;

- Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles of capitalising expenditure with a de minimus level of £20,000;

- All components that have a different useful economic life from the main asset are identified separately – provided the amount is above the £20,000 de minimus level, and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised;

- De-recognition of a component of PP&E takes place when no future economic benefits are expected from its use (i.e. its service potential is used up) and it is removed from the Balance Sheet;

- For example, if a new roof is significant in relation to the total value of the asset, part of the existing carrying value of the building would be derecognised and then the new roof recognised. It would then be depreciated (in the following year) over the useful economic life.

- For revalued assets (as part of the rolling programme), the individual valuation sheets produced by the external valuers would be compared to the beacon analysis. If a particular asset conforms to the components identified in the beacon, and it is significant in relation to the total value, those percentages will be applied to the carrying value. If it does not conform to the beacon, revised percentages will be obtained;

- As each asset is valued as part of the rolling programme, then this componentisation policy will eventually be applied to all assets. However if there is any enhancement expenditure in the meantime then a material component could be recognised via this route;

- On componentisation, any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets and calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of assets with the exception of land and assets under construction.

The life expectancies of the assets and the depreciation are calculated on the following bases:

Operational land	Not depreciated as an infinite life expectancy
Operational buildings	Individually assessed by valuers (usually up to 60 years)
Vehicles	Individually assessed on acquisition (usually up to 10 years)
IT equipment	Individually assessed on acquisition (usually up to 5 years)
Other plant, furniture and equipment	Individually assessed on acquisition (usually up to 20 years)
Infrastructure	40 years for new roads, otherwise 20 years
Infrastructure land	Not depreciated as an infinite life expectancy
Community land	Not depreciated as an infinite life expectancy
Assets under construction	Not depreciated until the asset becomes operational
Surplus Buildings	Individually assessed by valuers
Surplus Land	Not depreciated as an infinite life expectancy

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

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 and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against Council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Trust / Foundation Schools

Schools Non-Current (fixed) Assets are recognised in the Balance Sheet where the Council directly owns the assets or where the School/Governing body own the assets or have had rights to use the assets transferred to them. Community Schools are owned by the Council and are, therefore, recognised on the Balance Sheet.

Of the Council's Voluntary Aided and Controlled schools, the majority are owned by the respective Diocese with no formal rights to use the assets passed to the School or Governing Bodies. As a result these schools are not recognised on the Balance Sheet.

There is, currently, one Voluntary Controlled school under the Council's ownership which is recognised on the Balance Sheet. Where the ownership of Trust/Foundation Schools lies with a charitable Trust, the school is not recognised on the Council's Balance Sheet. Where the ownership lies with the school/Governing Body the school is recognised on the Council's Balance sheet.

All other income, expenditure, assets, liabilities, reserves and cash flows of maintained schools are recognised in the Council's accounts.

xxii. Private Finance Initiative and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Any payments towards the operator's capital investment before the assets become operational (and recognised as Property, Plant and Equipment and finance leases) are included in debtors as a prepayment. When the asset is made available (i.e., operational), the prepayment is written out against the set aside PFI reserve.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge (based on Internal Rate of Return of 10.12% for Peacehaven Schools and 5.50% for the Joint Integrated Waste Management Service PFI Contract) on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, the profile of write-downs is calculated using the same principles as for a finance lease;
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out for the Joint Integrated Waste Management Service PFI Contract. This expenditure is recognised as revenue expenditure for Peacehaven Schools, where there are non-significant lifecycle replacements costs charged to prepayment.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the 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 in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Landfill Allowance Schemes

Landfill allowances, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal County Council (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination).

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Closed Landfill Sites

The Environment Agency's landfill permit requires restoration and after care of sites previously used for landfill. The Council continue to own a number of closed landfill sites and also retain responsibility for a number of sites that have been disposed of. Aftercare is usually required for a period of sixty years following the closure and restoration of the landfill site. Aftercare includes leachate management, gas management and environmental monitoring. The Council is required to recognise a provision as there is a legal present obligation arising from the past event of landfill. The amount recognised is the best estimate of the expenditure required to settle the obligation and is discounted to reflect the time value of money. See Note 2a for details of the prior period adjustment.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiv. 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.

xxv. 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, the cost of revenue expenditure funded from capital under statute is immediately charged to the revenue account for the appropriate service, and 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. In some cases, this includes expenditure on assets not owned by the Council, capital grants and on feasibility studies for schemes that may or may not take place.

In addition, the Government may direct the Council to treat as capital expenditure items, which would normally count as revenue. These would not result in an asset or an increase to the value of existing assets and are therefore treated as revenue expenditure funded from capital under statute.

xxvi. Value Added Tax (VAT)

VAT paid by the Council is only shown in the accounts as an amount recoverable from HM Customs and Revenue. VAT charged by the Council to its customers is payable to Customs and Revenue, and is therefore shown only as a reduction of the net amount payable.

xxvii. Interest Charges

We show the accrued interest associated with a loan as part of the carrying value of the loan. Loans are included on the Balance Sheet at amortised cost based on the Effective Interest Rate (EIR) method.

Where no EIR calculation has been undertaken, the accrued interest will be charged to the Income and Expenditure Accounts and added to the value of the loan. This will increase the carrying value of the loan until such time as the interest is paid.

xxviii. Redemption of Debt

There is a legal requirement for the Council to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of at least 4% of its total debt outstanding at the start of the year or an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. The Council adopted the Asset Life Method (annuity method) as a result of any PFI assets coming on the Balance Sheet and any related Minimum Revenue Provision (MRP) will be equivalent to the “capital repayment element” of the annual service charge payable to the PFI Operator and for finance leases. MRP will also be equivalent to the “capital repayment (principal) element” of the annual rental payable under the lease agreement. This is not a cost to the Comprehensive Income & Expenditure Statement but is charged to the County Fund through the Movement in Reserve Statement.

xxix. Pension Fund

Foreign income is translated into sterling at the exchange rate at the time of the transaction.

The expenditure of the Fund includes all valid benefit claims arising during the financial year.

xxx. Carbon Reduction Commitment (CRC)

Carbon Reduction Commitment (CRC) - This is a national scheme introduced by Central Government to incentivise organisations within the public and private sectors to reduce their carbon emissions. The scheme focuses specifically on buildings and the carbon emissions attributable are based on the organisations’ consumption of electricity, gas, and fuel oil.

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme is in Phase 2 and the Council (ESCC) has fallen below the threshold requirement, i.e., non-qualification for Phase 2 of the CRC Scheme.

xxxi. Capital Expenditure on Assets Owned by Others

The expenditure is charged to revenue on the basis of the benefit obtained by the service from the expenditure in that period. Any grant income that funded that expenditure is also credited to the relevant service.

Expenditure on academy or voluntary aided schools assets, i.e. properties not owned by the Council, are charged to the Comprehensive Income and Expenditure Statement, and legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as Property, Plant and Equipment. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

xxxii. Council Tax and Business Rates

Business rates and council tax are collected on behalf of the Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council. The Council as a precepting authority is required to show business rates and council tax income in the Comprehensive Income and Expenditure Statement on an accruals basis.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Council is also required to recognise its share of arrears, bad debt allowances, overpayments, prepayments, cash and business rates appeal provision in its Balance Sheet.

xxxiii. Heritage Assets

The Council's Heritage Assets are managed by East Sussex Record Office, which holds the historic and administrative archives for the County of East Sussex and, under an SLA agreement, for the City of Brighton & Hove. These comprise records dating from 1101 to the present and they are held for, increasing the knowledge, understanding and appreciation of the Council's history and local area, ensuring their preservation and providing public access to information recording the county's and city's heritage.

The archives, ranging from a single piece of paper to thousands of documents, are held by the Council under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase. The majority of archives held by us are on deposit.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also present below. The Council's collections of heritage assets are accounted for as follows.

Art Collection

- The art collection is reported in the Balance Sheet at insurance replacement value as an estimate of market value. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence, the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost, and donations are recognised at fair value and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Equipment and other Artefacts

- The Council considers that obtaining valuations for the vast majority of equipment and other artefacts would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. Other than the small number of items that have been acquired recently, i.e., bequeathed to the Council, the Council does not recognise this collection of heritage assets on the Balance Sheet.
- The Council own the contents of Bentley Museum, which is recognised in the Balance Sheet in accordance with a valuation carried out by Sotheby's.
- Other collections held by the ESCC Records office are not recognised in the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £20,000. The majority of the collection was acquired by donation over a century ago.
- In addition, there is wealth of material available for study in East Sussex, thus drawing attention to groups of records, i.e., the records of businesses, and of societies; and the existence of some deposits, which are not yet fully listed. Again, the Council considers that due to the lack of comparable market values it is not possible to provide either cost or

valuation information for either the intangible or the tangible element of these assets. Consequently, the Council does not recognise the assets on the Balance Sheet.

Archaeology

- The Council does not consider that reliable cost or valuation information can be obtained for the items held by the Records Offices as the Council's Archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.
- The Council's acquisitions principally relate to the collection of donated assets. The Council does not (normally) make any purchases of archaeological items.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council general policies on impairments.

2a. Prior Period Adjustment, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments have been made to the Council's 2013/14 published financial statements in relation to the following:

Accounting for Schools

Following the introduction of new accounting standards on group accounts and consolidation, the Code of Practice requirements in relation to accounting for schools have changed. All maintained schools in the County are now considered to be entities controlled by the Council. As a result, all income, expenditure, assets and liabilities relating to each school is consolidated in to the Council's accounts.

As a result, the recognition of land and building assets used by each school has been reviewed to determine whether they should be accounted for on the Council's Balance Sheet. The Council has completed a school by school assessment across all maintained schools in the County to identify what arrangements in respect of ownership of these assets are in place and thus the required accounting treatment. The following arrangements were identified:

- The Council through directly own the assets
- The Council controls the assets through contracts such as PFI agreements
- The school or the school Governing Body own the assets
- A third party such as a religious body or Charitable Trust own the assets
- The Council, schools or school Governing Body have the rights to use the assets
- A third party such as a religious body or Charitable Trust have granted a licence to the school to use the assets.

As a result of this assessment, the land and building assets of Voluntary Controlled schools have been taken off the Council's Balance Sheet as they are owned by the Diocese. The Diocese has granted a licence to these schools to use the land and building assets but this does not result in a transfer of rights. The Council's Core Statements and relevant notes have been restated to reflect these changes.

The new accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party usually a Charitable Trust. As a result the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement (CIES). LAAP Bulletin 103 issued by CIPFA clarifies that the resulting gain or loss on transfer is recognised within the Financing and Investment Income and Expenditure line on the CIES. This gain or loss on disposal has previously been recognised in the Other Operating Expenditure line on the CIES. The Council's Core Statements and relevant notes have been restated to reflect this change

The legal framework and the agreements that have been entered into between the owners and the schools as entities and their governing bodies do not generally give the schools or the governing bodies' enforceable rights that would reflect any diminution of the rights that the owners have over their property because they are either not leases under IAS 17 Leases or do not contain assignation sufficient for an arrangement containing a lease under IFRIC 4 Determining Whether an Arrangement Contains a Lease. The trustees or owners assert their control over the property by permitting it to be used for precisely the purposes that the school as an entity wishes to use the asset. The trustees' objectives about how the asset is utilised are the same as those of the schools' governing bodies with both of their objectives being met. However, it is the trustees that must first decide that their asset is to be used for these purposes and who continue to have the rights to the resources in the asset. In practice their continued agreement to permit the schools as entities to use the assets means that the trustees (or owners) are perpetually reasserting this control and this has not been passed to the school.

The assets therefore would not be recognised as the assets of the school and not consolidated in local authority balance sheets.

This is a change in accounting policy as a result of guidance on the accounting for specific issue as required by the Code, and necessary amendments will be made to the Balance Sheet as at 31 March 2013 and hence to opening balances at 1 April 2013 to reflect amended opening balance for 2014/15 accounts. The restating of opening balance sheet will also affect the following notes to the core financial statements:

- Note 4 – Critical Judgements in applying accounting policies
- Note 8 – Adjustments between accounting basis and funding under regulations
- Note 13 – Property, Plant and Equipment
- Note 26 - Revaluation Reserve
- Note 26 - Capital Adjustment Account

Balance Sheet	**1 April 2013 [Published] £000**	**Voluntary Schools £000**	**Other Assets £000**	**1 April 2013 [Restated] £000**
Property, Plant & Equipment	863,993	(72,120)	5,322	797,195
Heritage Assets	497	-	19	516
Investment Property	1,381	-	-	1,381
Intangible Assets	2,028	-	-	2,028
Long Term Investments	1	-	-	1
Long Term Debtors	652	-	-	652
Long Term Assets	**868,552**	**(72,120)**	**5,341**	**801,773**
Short Term Investments	270,719	-	-	270,719
Assets Held for Sale	1,423	-	75	1,498
Payments in Advance	4,382	-	-	4,382
Inventories	111	-	-	111
Short Term Debtors	45,990	-	-	45,990
Cash and Cash Equivalents	17,267	-	-	17,267
Current Assets	**339,892**	**-**	**75**	**339,967**
Income in Advance	(18,025)	-	-	(18,025)
Short Term Borrowing	(7,055)	-	-	(7,055)
Bank overdraft and Accrued balance for third parties	(21,327)	-	-	(21,327)
Provisions	(1,070)	-	-	(1,070)
Short Term Creditors	(82,033)	-	-	(82,033)
Current Liabilities	**(129,510)**	**-**	**-**	**(129,510)**
Liabilities related to defined benefit pension schemes	(357,589)	-	-	(357,589)
Provisions	(16,943)	-	-	(16,943)
Long Term Borrowing	(262,943)	-	-	(262,943)
Capital Grants & Contributions Receipts in Advance	(4,038)	-	-	(4,038)
Other Long Term Liabilities	(93,794)	-	-	(93,794)
Long Term Liabilities	**(735,307)**	**-**	**-**	**(735,307)**
Net Assets	**343,627**	**(72,120)**	**5,416**	**276,923**
Usable Reserves	222,133	-	-	222,133
Unusable Reserves	121,494	(72,120)	5,416	54,790
Total Reserves	**343,627**	**(72,120)**	**5,416**	**276,923**

Balance Sheet	1 April 2014 [Restated]	2013/14 movements [Published]	Voluntary Schools	Other Assets	31 March 2014 [Restated]
	£000	£000	£000	£000	£000
Property, Plant & Equipment	797,195	10,122	(2,395)	(19,620)	785,302
Heritage Assets	516	-	-	-	516
Investment Property	1,381	67	-	-	1,448
Intangible Assets	2,028	651	-	-	2,679
Long Term Investments	1	-	-	-	1
Long Term Debtors	652	963	-	-	1,615
Long Term Assets	**801,773**	**11,803**	**(2,395)**	**(19,620)**	**791,561**
Short Term Investments	270,719	15,455	-	-	286,174
Assets Held for Sale	1,498	2,423	-	-	3,921
Payments in Advance	4,382	(258)	-	-	4,124
Inventories	111	10	-	-	121
Short Term Debtors	45,990	188	-	-	46,178
Cash and Cash Equivalents	17,267	1,388	-	-	18,655
Current Assets	**339,967**	**19,206**	**-**	**-**	**359,173**
Income in Advance	(18,025)	(481)	-	-	(18,506)
Short Term Borrowing	(7,055)	1,648	-	-	(5,407)
Bank overdraft and Accrued balance for third parties	(21,327)	2,381	-	-	(18,946)
Provisions	(1,070)	(1,422)	-	-	(2,492)
Short Term Creditors	(82,033)	368	-	-	(81,665)
Current Liabilities	**(129,510)**	**2,494**	**-**	**-**	**(127,016)**
Liabilities related to defined benefit pension schemes	(357,589)	(67,707)	-	-	(425,296)
Provisions	(16,943)	2,168	-	-	(14,775)
Long Term Borrowing	(262,943)	3,954	-	-	(258,989)
Capital Grants & Contributions Receipts in Advance	(4,038)	(387)	-	-	(4,425)
Other Long Term Liabilities	(93,794)	3,116	-	-	(90,678)
Long Term Liabilities	**(735,307)**	**(58,856)**	**-**	**-**	**(794,163)**
Net Assets	**276,923**	**(25,353)**	**(2,395)**	**(19,620)**	**229,555**
Usable Reserves	222,133	12,165	-	-	234,298
Unusable Reserves	54,790	(37,518)	(2,395)	(19,620)	(4,743)
Total Reserves	**276,923**	**(25,353)**	**(2,395)**	**(19,620)**	**229,555**

Comprehensive Income and Expenditure Statement	2013/14 Net Expenditure [Published]	Voluntary Schools Additions (Refcus) / Disposals	Voluntary Schools Depreciation	Voluntary Schools Revaluation Gains / Losses	Other Assets Restatement	2013/14 Net Expenditure [Restated]
	£000	£000	£000	£000	£000	£000
Education and children's services	120,523	4,466	(3,016)	(538)	-	121,435
Cultural & related services	11,596	-	-	-	19,621	31,217
Environmental & regulatory services	21,849	-	-	-	-	21,849
Planning services	3,929	-	-	-	-	3,929
Adult social care	178,803	-	-	-	-	178,803
Public Health	166	-	-	-	-	166
Highways and transport services	44,722	-	-	-	-	44,722
Housing services	564	-	-	-	-	564
Central services to the public	1,265	-	-	-	-	1,265
Corporate and Democratic Core	3,062	-	-	-	-	3,062
Non Distributed Costs	538		-	-		538
Cost of Services	**387,017**	**4,466**	**(3,016)**	**(538)**	**19,621**	**407,550**
Other operating expenditure	47,310	(236)	-	-	-	47,074
Financing and investment income and expenditure	35,775	-	-	-	-	35,775
Taxation and non-specific grant income	(475,013)	-	-	-	-	(475,013)
Deficit / (Surplus) on Provision of Services	**(4,911)**	**4,230**	**(3,016)**	**(538)**	**19,621**	**15,386**
Surplus on revaluation of non-current assets	(22,430)	-	-	1,718	-	(20,712)
Actuarial losses on pension assets or liabilities	52,693	-	-	-	-	52,693
Other Comprehensive Income and Expenditure	**30,263**	**-**	**-**	**1,718**	**-**	**31,981**
Total Comprehensive Income and Expenditure	**25,352**	**4,230**	**(3,016)**	**1,180**	**19,621**	**47,367**

3. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2015. 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 yet adopted.

The following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and 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. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC 21 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 proving 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.

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 Accounting Statements are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has developed certain criteria based on IAS 16 and IAS 40 in making judgements about whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes (i.e. Sackville House Lewes). If these portions could be sold separately (or leased out separately under a finance lease), the Council would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.
- Recognition of Government Grants and Contributions - Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. The Council has made a judgement that a grant or contribution will be classed as conditional if the terms include a repayment clause that require that the grant monies will be repaid if not used.
- Leases - The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- The Council in its capacity as the Pension Fund Administering Authority has in place arrangements requiring the Council to make specified payments to reimburse the Pension Fund for a loss it would incur if the 'Admission Body' fails to make payments due under the admission into Pension Fund Scheme Agreement (Financial guarantee contracts). The Admission Body has agreed to deposit a sum of money (£54,000) with the Council 'Administering Authority' in order to meet a level of risk exposure arising by virtue of any premature termination, or cessation, of the Admission Agreement which has been actuarially assessed to the satisfaction of the Council 'Administering Authority', the Scheme Employer and the Admission Body. This agreement is in place for policy reasons, and for ensuring the Council continues to provide pension fund administration.

- **Accounting for Schools – Balance Sheet Recognition of Schools**
  The Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

  Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school or school Governing Body.

  The Council has completed a school by school assessment across the different types of schools it controls within the County. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets.

- The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria.

  There are currently 6 types of schools within the County:

  - Community schools
  - Special schools
  - Voluntary Controlled (VC) schools
  - Voluntary Aided (VA) schools
  - Foundation (Trust) schools
  - Academy schools

  Community schools' staffs are appointed by the Council and the Council sets the admission criteria. These schools are, therefore, recognised on the Council's Balance Sheet.

  Legal ownership of VC school land and buildings usually rests with a charity, normally a religious body.

  Foundation Trust, Voluntary Aided, and Academy schools staff are appointed by the schools' governing body, who also set the admission criteria. Therefore, the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's balance sheet.

  For VA schools, legal ownership of the VA school land and buildings rests with the relevant Dioceses. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

  Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For a Foundation school, the school Governing Body has legal ownership of the land and buildings and thus are included on the Council's Balance Sheet. For the remaining Foundation Trust School, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

  Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not owned by the Council and not included on the Council's Balance Sheet. When a school held on the Council's Balance Sheet transfers to Academy status the Council treats this as an asset disposal for nil consideration. The disposal is completed on the date that the school converts to Academy status.

  The table below illustrates the number and type of schools within the County split by Primary, Secondary and Special schools:

Type of School	Primary	Secondary	Special	Total
Community	57	9	-	66
Special	-	-	8	8
Voluntary Controlled	47	-	-	47
Voluntary Aided	27	2	-	29
Foundation (Trust)	-	1	-	1
Academy	2	35	-	37
Total	**133**	**47**	**8**	**188**

- The Council acts as the administrator and coordinator of the concessionary fare scheme on behalf of West Sussex County Council. The relevant transactions between these two authorities have been accounted for in compliance with the features of an 'Agent' as contained within the CIPFA Code as the Council does not bear the risks and rewards of the arrangement.

- As at 31 March 2015, the Council's accounts with Ignis (Standard Life) and Insight Money Market Funds were the only two held for cash flow requirement reasons and are included in the cash and cash equivalents. The accounts held for cash flow purposes will continue to change dependent on the relevant movement in money market conditions and the Council's Treasury Management Strategy, i.e. relative yield, security and liquidity or changes in any relevant statutory guidance or code of practice. The Council's policy on the classification of cash and cash equivalent, and investments, is set out in the accounting policy note iv.

- Waste PFI is a service concession arrangement and ownership of the Property, Plant and Equipment assets will pass to the Council at the end of the contract. Where assets are jointly owned, the Council recognises two thirds of the fair value and Brighton and Hove City Council one third.

5. Assumptions made about the future and other major sources of estimation uncertainty

The accounting statements contain estimates and assumptions about the future or events that are otherwise uncertain, which affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates are made taking into account historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. This means that the Council is required to make estimates and assumptions. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or in future periods if it also affects future periods.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment.	The Council estimates the useful lives of Property, Plant and Equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of Property, Plant, and Equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of Property, Plant, and Equipment is based on external technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Property, Plant and Equipment would increase recorded expenses and decrease non-current assets.	The total depreciation and amotisation charged in 2014/15 is £32.9m and the net book value of property, plant and equipment at 31 March 2015 is £806.5m. If the useful life of assets reduces, depreciation increases and the carrying amount of each asset falls. It is estimated that the annual depreciation charge for non-current assets would increase by £2.8m for every 1 year that useful lives had to be reduced.
	Impairment/reversal of impairment - The Council has significant investments in Property, Plant and Equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, thus requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future use. Assets/properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least annually.	The Council carries out an annual impairment review of its asset base, which takes in to account such factors as the current economic climate. The level of impairment charged in 2014/15 to the Surplus on Provision of Services is £33.8m and £22.2m to the Revaluation Reserve.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Allowance for doubtful debts	The Council makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Where the expectation is different from the original estimate, such difference will affect the carrying value of receivables.	An estimate of the likely uncollectability of outstanding debtors is made each year and a charge made to the Comprehensive Income and Expenditure Statement. Debtors are then carried on the Balance Sheet net of this allowance. The increase in allowance for bad debts set aside in 2014/15 is £0.3m.
Pension Liability	The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. When estimating the present value of defined pension benefit obligations that represent a gross long-term liability in the Balance Sheet, and, indirectly, the period's net pension expense in the Comprehensive Income and Expenditure Statement, the actuary makes a number of critical assumptions affecting these estimates. Most notably, assumptions include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries, life expectancy, and the annual rate of compensation increase, which have a direct and potentially material impact on the amounts presented. Significant changes in these assumptions between periods can have a material effect on the financial statements. However, the assumptions interact in complex ways.	The value of the Pensions Liability is calculated by a qualified Actuary in accordance with current accounting requirements and based on the information provided by the Pension Fund. During 2014/15, the Council's actuary advised that the net pension's liability has increased from £425.3m at the start of the year to £540.4m at 31 March 2015. Note 44 to the Accounting Statements provide detailed information.
Provisions and Reserves	The recognition of provisions involves assumptions about the probability, amount, and timing of an outflow of resources embodying economic benefits. To the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made, a provision is recognised. The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. Insurance Provision & Reserve - This estimate of the potential liability is provided through an independent review undertaken according to standard actuarial techniques, (JLT Public Sector Risks) based on outstanding claims already submitted (provision) and an estimate of potential claims that have yet to be made (reserve). An increase over the forthcoming year in either the total number of claims or the estimated average settlement would each have an effect on the provision needed.	In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the Council's provisions is set out in Note 24.
Contingent liabilities	The Council has had to make an informed estimate of the likely liability the Council could face if certain events happened in the future. These estimates have been made by an appropriate officer or qualified specialist where appropriate.	Details of the Council's contingent liabilities are set out in Note 45.
Decommissioning landfill sites	The Council has 19 closed landfill sites that require restoration and aftercare. An accounting model has been developed to determine the required provision for these future costs taking into consideration the annual costs relating to leachate removal and water quality monitoring. The Council has a legal obligation to restore, monitor and maintain landfill sites.	The Code requires that the costs have to be balanced by a provision, which meets the requirements of IAS 37. The Council has a set aside £9.9m provision (see Note 24), which it believes is appropriate based on local circumstances, including risks and major environmental initiatives being undertaken.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2014-15 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015. The estimate has been calculated using the data provided by the five district authorities across East Sussex, using the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2015.	Business Rates appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2014/15 has been calculated at £0.551m.

6. *Material items of income and expenses*

The Council has disposed of the following property, plant and equipment from its Balance Sheet as ten Schools obtained academy status and one trust status during 2014/15. This is included within losses on disposals of non-current assets of £63.1m (see Note 10). The assets were transferred for no consideration and the amounts are recognised as losses on disposal.

School	Type	Type of School	£000
Blacklands, Hastings	Academy	Primary	3,607
Churchwood, Hastings	Academy	Primary	3,083
Hollington, Hastings	Academy	Primary	5,019
Little Ridge, Hastings	Academy	Primary	3,321
Robsack Wood, Hastings	Academy	Primary	2,537
Rye, Rye	Academy	Primary	4,276
Saxon Mount, Hastings	Academy	Special	2,826
Silverdale, Hastings	Academy	Primary	4,366
Tideway, Newhaven	Academy	Secondary	11,273
Torfield, Hastings	Academy	Special	2,390
Priory, Lewes	Trust	Secondary	11,325
Total			**54,023**

7. *Events after the Balance Sheet date*

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 21 July 2015. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provide information about conditions existing at 31 March 2015, the figures in the accounting statements have been adjusted in all material respects to reflect the impact of this information. The financial statements have not been adjusted for the following events that took place after 31 March 2015 as they provide information that is relevant to an understanding of the Council's financial position, but do not relate to existing conditions at that date.

- Academy Schools – the following four schools have or are expected to convert to Academy status in 2015/16. The net book value of their property, plant and equipment will be written out of the Council's balance sheet at the date of conversion. The net book values at 31 March 2015 are shown in the table below.

School	Type of School	Date of Conversion	£000
College Central, Eastbourne	Pupil Referral Unit	July 2015	809
Cuckmere House, Seaford	Special	July 2015	4,695
New Horizons, St Leonards	Special	July 2015	2,674
St Mary's, Horam	Special	July 2015	4,010
Total			**12,188**

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 recognised by the Council in the year 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.

2014/15	**Usable Reserves**			
	County Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£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 and impairment of non-current assets	66,182	-	-	(66,182)
Revaluation gains on Property Plant and Equipment that reverse previous impairment charged to the Comprehensive Income Expenditure Statement	(8,497)	-	-	8,497
Movements in the market value of Investment Properties	28	-		(28)
Amortisation of intangible assets	481	-	-	(481)
Capital grants and contributions applied	(70,065)	-	-	70,065
Revenue expenditure funded from capital under statute	22,184	-	-	(22,184)
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	65,600	-	-	(65,600)
Donated Assets Account	(115)			115
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(14,695)	-	-	14,695
Capital expenditure charged against the General Fund	(42,056)	-	-	42,056
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	12,042	-	(12,042)	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(2,513)	2,513	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		(6,964)	-	6.964
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement	50,386	-	-	(50,386)
Employer's pensions contributions and direct payments to pensioners payable in the year	(33,157)	-	-	33,157
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,473)	-	-	1,473
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 the year in accordance with statutory requirements	(312)	-	-	312
Total Adjustments	**44,020**	**(4,451)**	**(12,042)**	**(27,527)**

Restated 2013/14	Usable Reserves			
	County Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£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 and impairment of non-current assets	68,165	-	-	(68,165)
Revaluation gains on Property Plant and Equipment that reverse previous impairment charged to the Comprehensive Income Expenditure Statement	(2,755)	-	-	2,755
Movements in the market value of Investment Properties	(67)	-		67
Amortisation of intangible assets	1,064	-	-	(1,064)
Capital grants and contributions applied	(82,935)	-	-	82,935
Revenue expenditure funded from capital under statute	19,083	-	-	(19,083)
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	48,371	-	-	(48,371)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(15,355)	-	-	15,355
Capital expenditure charged against the General Fund	(19,643)	-	-	19,643
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,219	-	(3,219)	-
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(1,805)	1,805	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		(1,821)	-	1,821
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement	47,358	-	-	(47,358)
Employer's pensions contributions and direct payments to pensioners payable in the year	(32,344)	-	-	32,344
Adjustment primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,229)	-	-	1,229
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 the year in accordance with statutory requirements	(341)	-	-	341
Total Adjustments	**30,786**	**(16)**	**(3,219)**	**(27,551)**

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

Earmarked Reserves	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Capital Programme	**26,284**	(20,088)	11,811	**18,007**	(24,687)	34,043	**27,363**
Corporate Waste	**45,844**	(8,284)	13,559	**51,119**	(19,000)	2,724	**34,843**
Service Development	**4,134**	(1,371)	992	**3,755**	(1,402)	1,357	**3,710**
Financing	**13,817**	(1,220)	2,500	**15,097**	(3,936)	3,246	**14,407**
Infrastructure	**6,288**	(708)	6,500	**12,080**	(6,479)	1,196	**6,797**
Insurance	**4,631**	(1,492)	1,958	**5,097**	-	1,254	**6,351**
General Risk	**3,667**	(750)	-	**2,917**	(525)	-	**2,392**
Schools	**3,343**	(1,218)	383	**2,508**	(34)	-	**2,474**
Service	**6,296**	(8,794)	4,081	**1,583**	(4,976)	4,024	**631**
Transformation	**3,624**	(291)	-	**3,333**	(336)		**2,997**
Public Health	**-**	-	-	**-**	-	12,802	**12,802**
Sub-Total	**117,928**	**(44,216)**	**41,784**	**115,496**	**(61,375)**	**60,646**	**114,767**
Revenue Grants and Contributions	**11,931**	(11,979)	30,964	**30,916**	(30,916)	29,577	**29,577**
Total	**129,859**	**(56,195)**	**72,748**	**146,412**	**(92,291)**	**90,223**	**144,344**

Types of Reserve

Capital Programme reserve — To provide resources which may be used for capital spending, and in recognition of the reducing forecasts of capital receipts.

Corporate Waste reserve — To smooth the large year-on-year budget increases that will be needed to finance the Waste PFI project over the whole life of the service.

Service development reserve — This fund is to enable the Council to respond to the most urgent corporate service priorities along with enabling the development of services as required. The reserve includes some specific reserves:

- High Weald -To provide for future spending commitments in the High Weald Area of Outstanding Natural Beauty
- On street car parking
- Claverham Adult Education
- ACRES - The Adult College of Rural East Sussex consortium, comprising 5 colleges and the Council's Governance and Community Services Department, provides adult learning services in East Sussex
- Public Health Re-Commissioning
- Roundabouts sponsorship
- Schools Intervention Support

Financing reserve — This is to enable the effective management of the medium-term financial strategy by managing cash flow across financial years; along with providing funding to invest to save and attract other sources of income. This includes previous reserves held for redundancies, waste and minerals, strategies and invests to save.

Infrastructure reserve	This fund is to enable the Council to fund infrastructure necessary to enable development across the County. This includes – • ICT corporate system development and cross organisational developments. • Strategic Economic Development - To provide support for Council projects that promote economic development and an increase in businesses, including providing guarantees. • CBOSS - To meet the cost of developing the corporate back office systems and services.
Insurance reserve	To cater for internal insurance and risk management on Council services. Self Insurance through this reserve is more economical than external insurance for these classes of risks.
General Risk reserve	To manage the potential financial consequences of risks recognised in the Council's risk management arrangements. This aims to cover risks that the Council may need to manage the potential financial consequences, some of which will be while remedial action is taken to remedy the situation e.g. short term. This has due regard to the strategic risk registers, and includes previous specific service risk reserves held for Adult Social Care service risks; extreme weather risks.
Schools reserve	Balances in respect of delegated school budgets, extended schools and virtual college.
Service reserves	Funds set aside for specific purposes in respect of individual Council services. A proportion of departmental underspends are held in the Corporate Service Reserve and may be used for projects that are focussed on the corporate priorities as set out within the Council's Business Plan.
Transformation reserve	This funds the transformation programme to change, protect and improve Council services. The Council is in the process of implementing a programme office and it is likely that many of the programmes being managed through that office will be funded through this reserve.
Revenue Grants and Contributions reserve	These are grants and contributions that have been received with no conditions attached but are yet to be applied to expenditure. The Council has earmarked these revenue grants and contributions until they are applied.
Public Health	The Public Health Reserve represents income from Government received which have no conditions attached, and set aside for the health and wellbeing of the local communities under the Government's healthcare.

Balances held by Schools under a scheme of delegation

The Schools balances reserve holds the balances held by the Council's schools under a scheme of delegation. These reserves are held by each individual school and are used to provide education to the pupils of that school. They are not used for any other purpose. Additional information on Dedicated School Grants and Schools Balances are detailed within Note 38.

The following table shows the level of reserves held by the Schools:

	Balance at 1 April 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Balances held by Schools	**16,230**	(1,304)	151	**15,077**	(358)	828	**15,547**

10. Other Operating Expenditure

	2013/14	2014/15
	£000	£000
Ashdown Forest Conservators	75	76
Sussex Sea Fisheries	301	300
Environment Agency (flood defence)	131	130
Losses on the disposal of non-current assets	46,567	63,086
Total	**47,074**	**63,592**

Note - The 2014/15 losses on the disposal of non-current assets figure of £63.1m (£46.8m 2013/14) includes the removal of ten schools from the Balance Sheet, that have attained Academy status at a value of £42.7m (details are included in Note 6) plus the removal of a school that has gained Trust status with a value of £11.3m.

11. Financing and Investment Income and Expenditure

	2013/14	2014/15
	£000	£000
Interest payable and similar charges	21,647	21,341
Net interest on the net defined liability	16,058	18,253
Interest receivable and similar income	(1,395)	(2,268)
(Increase) / Decrease in Fair Value of Investment Properties	(67)	28
Surplus on Trading Undertakings	(468)	(530)
Total	**35,775**	**36,824**

12. Taxation and Non Specific Grant Income

	2013/14	2014/15
	£000	£000
Council tax income	213,583	219,577
Council tax adjustment	3,549	3,662
Non domestic rates	54,697	55,762
Business Rate Retention	11,033	10,976
Revenue Support Grant	98,569	85,645
Education Services Grant (ESG)	7,045	6,412
Council Tax Transition Grant, etc.	2,393	1,957
Local Services Support Grant (LSSG)	1,095	863
Council Tax Freeze Grant	2,435	-
New Home Bonus	1,296	1,816
Business Rate Deficit	(398)	(370)
Donated Assets	-	116
Capital grants and contributions	79,716	58,022
Total	**475,013**	**444,438**

Note
Local Services Support Grant is a general grant under Section 31 of the Local Government Act 2003. The Council has the freedom to use it to meet its locally identified priorities.

13. Property, Plant, and Equipment

Movements in 2014/15:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2014	**494,596**	**170,423**	**315,488**	**1,929**	**7,855**	**61,429**	**1,051,720**	**117,310**
Prior Period Adjustment	(74,860)	(21,853)	-	-	-	(1,554)	(98,267)	-
Restated at 1 April 2014	**419,736**	**148,570**	**315,488**	**1,929**	**7,855**	**59,875**	**953,453**	**117,310**
Additions	19,104	2,703	36,603	12	6	34,313	92,741	358
Revaluation increases recognised in the Revaluation Reserve	35,581	7,892	-	-	1,069	-	44,542	1,826
Revaluation decreases recognised in the Revaluation Reserve	(20,482)	(1,201)	-	-	(544)	-	(22,227)	(11)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	6,657	1,522	-	-	320	-	8,499	-
Revaluation decreases recognised in the deficit on the Provision of Services	(41,003)	(424)		-	(1,308)	-	(42,735)	-
Derecognition – disposals	(2,075)	(3,396)	-	-	(1,523)	1,555	(5,439)	-
Derecognition – academy & trust schools	(49,899)	(14,139)	-	-	-	(1,222)	(65,260)	-
Assets reclassified within PPE	(23,649)	21,553	-	-	2,096	-	-	-
Assets reclassified (to)/from Held for Sale	(2,700)	(141)	-	-		-	(2,841)	-
Other movements in cost or valuation – assets under construction	5,204	1,104	-	-	-	(6,308)	-	-
At 31 March 2015	**346,474**	**164,043**	**352,091**	**1,941**	**7,971**	**88,213**	**960,733**	**119,483**
Accumulated Depreciation and Impairment								
At 1 April 2014	**(31,085)**	**(27,363)**	**(118,805)**	**-**	**(351)**	**-**	**(177,604)**	**(7,812)**
Prior Period Adjustment	5,660	3,794	-	-	-	-	9,454	**-**
Restated at 1 April 2014	**(25,425)**	**(23,569)**	**(118,805)**	**-**	**(351)**	**-**	**(168,150)**	**(7,812)**
Depreciation charge	(9,927)	(9,783)	(12,594)	-	(75)	-	(32,379)	(4,292)
Depreciation written out to the Revaluation Reserve	13,553	15,846	-	-	152	-	29,551	1,503
Revaluation losses recognised in the deficit on the Provision of Services	8,670	211	-	-	52	-	8,933	-

Movements in 2014/15:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
Assets reclassified within PPE	2,327	(2,272)	-	-	(55)	-	-	-
Assets reclassified to Held for Sale	-	-	-	-	-	-	-	-
Derecognition – disposals	(1,319)	57	-	-	134	-	(1,128)	-
Derecognition - Academy & Trust Schools	5,846	3,052	-	-	-	-	8,898	-
At 31 March 2015	**(6,275)**	**(16,458)**	**(131,399)**	**-**	**(143)**	**-**	**(154,275)**	**10,601**
Net Book Value								
At 31 March 2015	**340,199**	**147,585**	**220,692**	**1,941**	**7,828**	**88,213**	**806,458**	**108,882**
Restated at 31 March 2014	**394,311**	**125,001**	**196,683**	**1,929**	**7,504**	**59,875**	**785,303**	**109,498**
31 March 2014	**463,511**	**143,060**	**196,683**	**1,929**	**7,504**	**61,429**	**874,116**	**109,498**

Movements in 2013/14:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2013	**531,980**	**151,695**	**290,056**	**1,916**	**8,371**	**47,160**	**1,031,178**	**118,026**
Additions	17,083	5,345	25,432	13	-	40,193	88,066	73
Revaluation increases recognised in the Revaluation Reserve	18,593	913	-	-	1,663	-	21,169	354
Revaluation decreases recognised in the Revaluation Reserve	(5,674)	-	-	-	(84)	-	(5,758)	(1,143)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	2,676	-	-	-	317	-	2,993	-
Revaluation decreases recognised in the deficit on the Provision of Services	(18,519)	(310)	-	-	-	-	(18,829)	-
Derecognition – disposals	(2,411)	(9,041)	-	-	(492)	-	(11,944)	-
Derecognition – academy & trust schools	(41,667)	(10,081)			-	-	(51,748)	-
Assets reclassified within PPE	(32,137)	31,813	-	-	324	-	-	-
Assets reclassified (to)/from Held for Sale	(1,009)	-	-	-	(1,910)	-	(2,919)	-

Movements in 2013/14:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
Other movements in cost or valuation – assets under construction	25,835	89	-	-	-	(25,924)	-	-
At 31 March 2014	**494,750**	**170,423**	**315,488**	**1,929**	**8,189**	**61,429**	**1,052,208**	**117,310**
Accumulated Depreciation and Impairment								
at 1 April 2013	**(32,977)**	**(27,765)**	**(105,845)**	**-**	**(598)**	**-**	**(167,185)**	**(5,936)**
Depreciation charge	(13,666)	(10,855)	(12,960)	-	(164)	-	(37,645)	(4,290)
Depreciation written out to the Revaluation Reserve	6,922	66	-	-	31	-	7,019	2,112
Revaluation losses recognised in the deficit on the Provision of Services	4,053	86	-	-	-	-	4,139	302
Assets reclassified to Held for Sale	64	19	-	-	17	-	100	-
Derecognition – disposals	161	8,759	-	-	29	-	8,949	-
Derecognition - Academy & Trust Schools	4,204	2,327	-	-	-	-	6,531	-
At 31 March 2014	**(31,239)**	**(27,363)**	**(118,805)**	**-**	**(685)**	**-**	**(178,092)**	**(7,812)**
Net Book Value								
at 31 March 2014	**463,511**	**143,060**	**196,683**	**1,929**	**7,504**	**61,429**	**874,116**	**109,498**
at 31 March 2013	**499,003**	**123,930**	**184,211**	**1,916**	**7,773**	**47,160**	**863,993**	**112,090**

Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of Property, Plant, and Equipment, with the exception of land, community assets, surplus land and assets under construction.

The useful lives used in the calculation of depreciation are set out in the accounting policies - Note 2.

Capital Commitments

Over the three year period, 2015/16 to 2017/18, the Council is planning to spend a gross capital expenditure of £303m. A large part of this, some £89m is planned to be funded using scheme specific resources such as government grants and contributions from external organisations. The approved capital programme shows that in 2015/16 the council plans to spend £139m, of which £24m is supported by scheme specific resources.

Having adjusted for actual outturn in 2014/15, slippage on projects and for provisions where there is no on-going commitment, the gross commitment profiles for schemes in progress at 1 April 2015 are shown below:

2015/16	2016/17	2017/18	Total
£102.9m	£14.3m	£6.1m	**£123.3m**

Examples of the gross costs to the Council of completing some of the larger projects already underway at 31 March 2015 include:

Department/Scheme	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Adult Social Care				
Social Care Information System	2.2	-	-	2.2
Children's Services				
Schools Basic Need	33.3	10.1	-	43.4
Business Services				
Property Agile Works	5.3	-	-	5.3
Communities, Economy & Transport				
Highways Structural Maintenance	23.3	-	-	23.3
Integrated Transport	3.1	2.4	2.4	7.9
Bexhill to Hastings Link Road	13.1	0.8	3.7	17.6
Broadband	13.6	1.0	-	14.6

Valuation of Property, Plant, and Equipment (PPE)

The Council operates a policy of revaluing its Property, Plant, and Equipment on a rolling 5-year basis, with the aim of revaluing all of its assets within this period. The Council also reviews the asset register each year, and, if necessary adjusts the value of assets if significant impairment has been identified.

Freehold and leasehold properties regarded by the Council as operational, together with surplus assets, are valued on the basis of open market value for the existing use or where this cannot be assessed because there was no market value, the depreciated replacement cost. This is in line with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Buildings are depreciated in line with the estimated life expectancies of the assets.

Furniture, equipment, plant, and machinery values were initially calculated either as an assessed proportion of the valuation of the buildings or, in the case of properties valued at open market value, as an assessed rate per square metre. Together with intangible assets, they are updated in line with capital expenditure, and depreciated in line with the estimated lives of the assets.

Infrastructure and community assets are not revalued. They were initially shown on the basis of outstanding loan debt at 1 April 1994. They are updated in line with capital expenditure and, in the case of infrastructure, depreciated in accordance with the expected life of the asset created or enhanced.

Non-operational land and buildings are valued at the same time and in the same way as operational assets.

The following statement shows the progress of the Council's programme for the revaluation of land, buildings and plant. The valuations are carried out by an external firm of valuers, Montagu Evans and Wilkes, Head and Eve (a member of Chartered Surveyors and Town Planners), on behalf of the Council. The valuation dates are at 31 March each year. In addition to the valuation certificate, the valuers provide an annual Impairment Report.

To ensure, under a rolling programme, that the asset carrying values are not materially different to their fair values at the Balance Sheet date, the Council has revalued its entire asset (land and building) portfolio in 2014/15 (with the exception of some specilaised Waste and Waste PFI assets that were last valued in 2012/13). With a change in valuer in 2013/14, this has also ensured that all assets valued over the past five years have now been valued on exactly the same basis. From 2015/16, the Council will move to a three year rolling programme cycle and minimise the risk of selective revaluation and different valuation judgements being applied to the same class of asset.

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Valued at historical cost	-	15,386	-	15,386
Valued at fair value in:				
31 March 2015	284,997	113,235	7,971	406,203
31 March 2014	-	-	-	-
31 March 2013	61,477	35,422	-	96,899
31 March 2012	-	-	-	-
31 March 2011	-	-	-	-
Total Current Value	**346,474**	**164,043**	**7,971**	**518,488**

14. Investment Properties

The Council has offices at Sackville House, Lewes, but leases out areas of the building to external organisations. The lease arrangements are classified as investment properties as they are held solely to earn rental income. The following items of income have been accounted for in the Comprehensive Income and Expenditure Statement:

	2013/14	2014/15
	£000	**£000**
Rental income from investment property	252	326
Total	**252**	**326**

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 repairs, maintenance or enhancement.

The Council measures investment property at fair value; interpreted as the amount that would be paid for the asset in its highest and best use (i.e. market value). The Council's valuers have carried out investment property valuations. The following table summarises the movement in the fair value of investment properties over the year:

	2013/14	2014/15
	£000	**£000**
Balance at start of the year	1,381	1,448
Gains from fair value adjustments	159	267
Losses from fair value adjustments	(92)	(296)
Balance at end of the year	**1,448**	**1,419**

15. Intangible Assets

The Council accounts for its software as Intangible Assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible Assets represent purchased software licences and are valued at acquisition cost and written off over the period of the licence. The Council has no material intangible asset trademarks, artistic originals, or patents.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £0.48m charged to revenue in 2014/15 (£1.06m in 2013/14) was charged to the ICT – Business Services cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14	2014/15
	£000	**£000**
Balance at start of year:		
Gross carrying amounts	10,374	11,996
Accumulated amortisation	(8,346)	(9,317)
Net carrying amount at start of year	**2,028**	**2,679**
Purchases	1,715	3,345
Amortisation for the period	(1,064)	(481)
Net carrying amount at end of year	**2,679**	**5,543**
Comprising:		
Gross carrying amounts	12,089	15,341
Accumulated amortisation	(9,410)	(9,798)
	2,679	**5,543**

There are sixteen items of capitalised software in the financial statements:

	Carrying Amount		Remaining Amortisation (Years)
	31 March 2014	31 March 2015	
Description	**£000**	**£000**	
Agile	-	76	7
Application Compliance Management	-	98	7
Atrium	71	131	6 & 7
Carefirst	442	1,433	6 & 7
Desktop Anywhere	810	1,524	5 & 7
HRMS Financials	253	222	7
ICT Service Management Tool	116	138	6 & 7
Library Management System	45	51	6 & 7
LogRhythm	-	26	7
Microsoft Enterprise Agreement	76	886	2 & 7
Microsoft Enterprise Solution	407	349	6
Microsoft Premier	-	50	7
Microsoft ExchangeServer	179	154	6
On Line Payments	52	123	6 & 7
ROCS	88	-	-
SEND	37	56	6 & 7
SAP Software	27	22	7
SSA/RAS	56	89	6 & 7
Web Content Management System	20	92	6 & 7
Windows Server	-	23	7
Total	**2,679**	**5,543**	

- Microsoft Enterprise Agreement, which offers a predictable and affordable annual payment that is fixed and also provides the flexibility to adapt to changing and different user requirements with full access to the latest Microsoft Enterprise software products.
- SAP Software - SAP is the electronic Enterprise Resource Planning (ERP) system used by the Council for managing financial transactions and Human Resources. This broadly covers Human Resource administration and payroll transactions; financial and management accounting; and purchasing transactions ranging from paying and raising invoices to buying goods.
- ROCS – This is a software solution from Bentley systems providing an Integrated Highways Management Solution with systems covering highway maintenance and inspections, public enquires and the management of infrastructure assets. Investment in this software was part of the overall programme to improve highway services to the public, which involved adopting new ways of working to deliver a more integrated, customer oriented service.
- HRMS Financials - To improve and modernise the Council's service delivery functions.
- Desktop Anywhere – Remote access servers.
- SSA/RAS – Supported Self Assessment/Resource Allocation System to assess care need.
- Carefirst – Adult Social Care and Children's Services client information.
- Atrium – Corporate Property Asset Management system.
- Agile technology - For agile to work the technology needs to support everyone in different ways, so that employers are connected wherever they work. The agile and ICT teams are looking at portable devices, remote access to business systems, new telephone and communications systems, electronic document management, application compliance management, microsoft premier and Windows Server

16. Heritage Assets

The Council has identified the following heritage assets:

- East Sussex Record Office which preserves and makes accessible records relating to the County and its people;
- Schools Library and Museum Service (SLAMS) which provides library services, historical artefacts and advice for all teachers at all schools in East Sussex and Brighton;
- An art collection within offices at County Hall, Lewes;
- Chattels at Bentley House, Halland;
- Listed buildings and monuments owned by the Council or on Council land.

No individual item in the Record Office or SLAMS is valued at more than £20,000 which is the Council's de-minimus level for capital expenditure to be recognised as an asset in the Balance Sheet. For assets where information on cost or value is not available and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the assets are not included on the Balance Sheet.

Reconciliation of the carrying value of Heritage Assets held over the past five years:

Heritage Assets	Art Collection	Bentley House Chattels	The Sugar Loaf Folly	Battle Abbey Estate Archives	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**
1 April 2011	**31**	**-**	**-**	**-**	**31**
Revaluation loss	(18)	-	-	-	(18)
31 March 2012	**13**	**-**	**-**	**-**	**13**
Reclassification from PPE	-	644	-	-	644
Revaluation loss	-	(160)	-	-	(160)
31 March 2013	**13**	**484**	**-**	**-**	**497**
Revaluation loss	**-**	**-**	**-**	**-**	**-**
31 March 2014 (Restated)	**13**	**484**	**19**	**-**	**516**
Donated Asset	**-**	**-**	**-**	**116**	**116**
Revaluation gain	**-**	**-**	**13**	**-**	**13**
31 March 2015	**13**	**484**	**32**	**116**	**645**

The Art Collection was revalued in 2011/12 at £13,000. During 2012/13, the chattels at Bentley House, Halland were reclassified from Property, Plant & Equipment to Heritage Assets and revalued down to £484,000. In 2014/15, The Sugar Loaf Folly was recognised at £32,000 and the Battle Abbey Estate Archives were donated at a value of £116,000.

Heritage Assets – Further Information

East Sussex Record Office, The Keep

The East Sussex Record Office holds the historic and administrative archives for the County of East Sussex and, under an agreement, for the City of Brighton & Hove. These comprise records dating from 1101 to the present and they are held for the express purpose of ensuring their preservation and providing public access to resources recording the county's and city's heritage. The archives, ranging from a single piece of paper to thousands of documents, include paper and parchment, books, maps, photographs and modern media, and are held by us under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase. The majority of archives held are on deposit. Obtaining a valuation of all these assets would be a lengthy, resource intensive and costly exercise, and therefore no valuation was obtained.

East Sussex Schools Library and Museum Service

The Artefact loan box collection was established in 1962 and developed throughout the 1960's and 1970's. Record keeping consisted of hand written ledgers with rather sparse information about the provenance of items. Most were purchased or gifted from individuals or other museums. Many of the artefacts have been presented in wooden loan boxes which are available for schools to borrow as part of a subscription service. The loan boxes are catalogued using the same computerised management system as for book loans. There are still a large number of items owned by the service which are not included in loan boxes.
The collection has a wide scope, including Natural history e.g. taxidermy specimens, British wildlife, Fossils and minerals, Historical artefacts, both original items e.g. small mummified animals, Roman and Greek items, flints and tools, and museum standard models e.g. model of the 'Victory', replica Viking helmet, Geographical and cultural items e.g. bronzes and beadwork from Africa, textiles and masks from South East Asia and Art and design e.g. samples of fabric, ceramics, large collection of posters depicting well known works of art. There are also some travelling displays which are large sets that can be constructed in schools depicting a Victorian classroom, laundry or kitchen and a World War Two living room with many original artefacts. These items have not been included in the accounts because the Council does not consider that a reliable cost or valuation information can be obtained for these items, due to the diverse nature of these items and lack of comparable market values.

Art Collection

The Art Collection consists of four oil on canvas paintings, three dating from the 1880's and one more recent. It includes a portrait of Henry Thomas Pelham by Frank Holl, a portrait of John George Dodson by Frank William Warwick Topham, Lewes from Chapel Hill by Edmund Niemann and a portrait of HM Queen Elizabeth II by Amanda Bigden. The Council's external valuer for its art work (Gorringes Auction House) carried out a full valuation of the collection of paintings in 2011/12 with the valuations based on those for insurance replacement purposes.

Chattels at Bentley House, Halland

Bentley House, Halland including the Motor Museum and Wild Fowl Reserve is owned by the Bentley Trust. However some of the contents of the house are under the ownership of East Sussex County Council. The contents or chattels include furniture, furnishings paintings and sculptures. The last valuation, based on a March 2011 inventory, was undertaken by Sotheby's who provided a saleroom estimate for each item.

Listed Buildings

The Council has reviewed its listed buildings register and established that a number of the buildings are being used for the delivery of services. These buildings therefore continue to be included as operational Property, Plant, and Equipment on the Council's Balance Sheet. In addition there are a number of listed buildings that are non operational assets and are not included in the Council's Balance Sheet as there is no cost or value information available and the cost of obtaining that information outweighs the benefits to the user of the Statement of Accounts. The assets are The Sugar Loaf folly, Dallington, Remains of Wayside Cross, Firle, Albert Memorial Well, Frant and Walls around Castle Precincts Car Park, Lewes.

Battle Abbey Estate Archives

The Battle Abbey Estate Archives date from 1101 to the 20th century. The earliest records relate to the period when the lands were owned by Battle Abbey before its dissolution in 1538 but the majority date from the 18th century onwards when the estates were owned by the Webster family.

17. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute represents capital expenditure on assets which are not owned by the Council (e.g. adapting the homes of people with disabilities). Revenue Expenditure Funded from Capital Under Statute is written off in the year in which the expenditure is incurred. However, the financing cost, in terms of interest and Minimum Repayment Provision, is deferred over a number of years. In 2014/15, £22.184m (£19.083m in 2013/14) of the Council's capital investment related to Revenue Expenditure Funded from Capital Under Statute (Note 8), and all was written off in the year the expenditure was incurred.

18. Impairment and Revaluation Losses

To determine if there has been any material downward valuation in assets, the Council undertook an impairment review for properties not part of those selected for valuation in the current year. In 2014/15, the Council has recognised a revaluation loss of £33.8m (£14.7m in 2013/14) in the Comprehensive Income and Expenditure Statement and £22.2m (£5.8m in 2013/14) in the Revaluation Reserve, in relation to its land and buildings, including Schools. The recoverable amount of the assets have been reduced to their value in use, which was determined by assessing how much the Council would have to pay to acquire the service potential of the assets that is actually now capable of being used. The reversal of revaluation losses taken to the Comprehensive Income and Expenditure Statement in 2014/15 totalled £8.498m (£2.993m 2013/14). The net charge to the Comprehensive Income and Expenditure Statement of revaluation losses less reversals was £25.303m (£11.697m 2013/14).

19. Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£000	£000	£000	£000
Financial Assets				
Investments				
Loans and receivables	1	1	286,174	284,575
Cash and Cash Equivalents	-	-	18,655	2,163
Debtors				
Loans and receivables	1,615	5,585	32,479	40,026
Total Financial Assets	**1,616**	**5,586**	**337,308**	**326,764**

	Long Term		Current	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£000	£000	£000	£000
Financial Liabilities				
Borrowings				
Financial liabilities at amortised cost	(258,989)	(255,035)	(5,407)	(5,383)
Bank overdraft and accrued balance for third parties	-	-	(18,946)	(18,889)
Other Long Term Liabilities				
PFI and finance lease liabilities at amortised cost	(90,622)	(87,300)	-	-
Financial Guarantees at amortised cost	(55)	(61)	-	-
Long Term Creditors at amortised cost	(1)	(1)	-	-
Total Other Long Term Liabilities	**(90,678)**	**(87,362)**	**-**	**-**
Creditors				
PFI and finance lease liabilities at amortised cost	-	-	(3,117)	(3,322)
Financial liabilities at amortised cost	-	-	(65,028)	(71,435)
Total Financial Liabilities	**(349,667)**	**(342,397)**	**(92,498)**	**(99,029)**

Income, Expense, Gains and Losses

2013/14	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000
Interest expense	(21,647)	-	(21,647)
Total expense in Deficit on the Provision of Services	**(21,647)**	-	**(21,647)**
Interest income	-	1,395	1,395
Total income in Deficit on the Provision of Services	-	**1,395**	**1,395**
Net gain / (loss) for the year	**(21,647)**	**1,395**	**(20,252)**

2014/15	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£000	£000	£000
Interest expense	(21,341)	-	(21,341)
Total expense in Deficit on the Provision of Services	**(21,341)**	-	**(21,341)**
Interest income	-	2,268	2,268
Total income in Surplus on the Provision of Services	-	**2,268**	**2,268**
Net gain / (loss) for the year	**(21,341)**	**2,268**	**(19,073)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets (represented by loans and receivables), long term debtors and long term creditors are carried in 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 ranges of interest rates at 31 March 2014 of 3.7% to 8.6% for loans from the PWLB and 3.7% to 4.4% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities at amortised cost

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Borrowings	(264,396)	(316,875)	(260,418)	(374,135)
Bank overdraft and accrued balance for third parties	(18,946)	(18,946)	(18,889)	(18,889)
PFI and Finance Lease Liabilities at amortised cost	(90,622)	(90,622)	(87,301)	(87,301)
Financial Guarantee	(54)	(54)	(61)	(61)
Long Term Creditors	(1)	(1)	(1)	(1)
Current Creditors	(65,028)	(65,028)	(74,757)	(74,757)
Total	**(439,047)**	**(491,526)**	**(441,427)**	**(555,144)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. At 31 March 2014, low discount rates would add additional premiums to restructure existing debt because the rate on the debt to be repaid is more than the current rate on borrowing for the same maturity period. Current creditors are carried at cost, as this is a fair approximation of their value.

Financial Assets: Loans and Receivables

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Investments	286,174	286,174	284,575	284,575
Cash and Cash Equivalents	18,655	18,655	2,163	2,163
Debtors	34,095	34,095	45,612	45,612
Total	**338,924**	**338,924**	**332,350**	**332,350**

The fair value of the assets is equal to the carrying amount because the Council's portfolios of investments are all short term. Current debtors are carried at cost, as this is a fair approximation of their value.

20. Assets held for Sale

	2013/14	2014/15
	£000	£000
Restated balance outstanding at start of year	1,498	3,921
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,820	2,841
Additions	-	14
Revaluation gains recognised in Revaluation Reserve	-	-
Revaluation losses recognised in Provision of Services	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	-
Assets sold	(397)	(2,671)
Balance outstanding at year end	**3,921**	**4,105**

21. Current & Long Term Debtors and Payments in Advance

	31 March 2014	31 March 2015
	£000	£000
Current Debtors		
Central Government Bodies	11,517	4,881
Other Local Authorities	11,442	22,189
NHS Bodies	434	3,592
Other Entities and Individuals	22,785	24,901
Total	**46,178**	**55,563**
Long Term Debtors		
Higher Education Institution	1,120	1,079
South East Local Enterprise Partnership (SELEP)	-	4,200
Other	495	305
Total	**1,615**	**5,584**

Allowance for debts impairment - The Council makes allowance for impairment of debts based on an assessment of the recoverability of receivables. An increase in the provision for bad debt adjustment of £0.288m was made in 2014/15, bringing the total allowance for impairment to £1.48m at 31 March 2015. These amounts are netted off the figures shown for other entities and individuals above. Management specifically review all debts, and evaluate the adequacy of the allowance for impairment of receivables. However, most categories of the Council's debtors are not subject to substantial fluctuation and past experience is used within material limits to judge the percentages of each type of debt that will not eventually be recovered.

In addition, there are allowances for impairment in respect of Council Tax & Business Rates debtors which are assessed by the District Councils in their role as Council Tax collection authorities. At 31 March 2015 the Council's share of these allowances amounts to £6.814m (£7.443m at 31 March 2014) out of its share of Council Tax & Business Rates debts totalling £15.315m (£15.324m at 31 March 2014).

Payment In Advance

	31 March 2014	31 March 2015	Movement
	£000	£000	£000
Leasing payments in advance	232	182	(50)
Other Local Authorities	-	2	2
Other Entities & Individuals	3,892	4,168	276
Total	**4,124**	**4,352**	**228**

22. Cash and Cash Equivalents, Bank overdraft and accrued balances for third parties

	31 March 2014 £000	31 March 2015 £000	Movement £000
Cash in hand	151	156	5
Short-term deposits	18,504	2,007	(16,497)
Total Cash and Cash Equivalents	**18,655**	**2,163**	**(16,492)**
Imputed cash adjustment for pooled budget re the purchase of integrated community equipment	(648)	(711)	(63)
Bank overdraft	(3,884)	(1,945)	1,939
Accrued balance at bank and for third parties	(14,414)	(16,232)	(1,818)
Total bank overdraft and accrued balance for third parties	**(18,946)**	**(18,888)**	**59**
Net cash and cash equivalent balances / (overdrawn)	**(291)**	**(16,725)**	**(16,434)**

Note 32 sets out some details of the arrangements under which the Council ‘hosts’ the finances of pooled arrangements for Pooled Budgets (with Clinical Commissioning Boards). These arrangements relate to a number of different organisations and it is necessary to allocate their balance sheets between the different participants. The result of adjusting the balances for debtors, creditors, etc. is to create an imbalance, which represents the difference between the cash actually held by the Council and the share of the arrangements’ cash, which is eventually allocable to the Council. This difference is recorded above as ‘imputed cash’.

The Council manages and invests its cash balances with the aim of achieving a balance at the bank as close as possible to zero. As it manages cash balances on behalf of the East Sussex Fire Authority and some trust funds alongside its own balances, the Council allows its own balances to become overdrawn if there is cash held in its own bank accounts on behalf of the other authorities, which results in a notional overdrawn balance because cheques and BACS payments are recorded when they are drawn, rather than when they are presented at the bank.

The accrued balance for third parties shown above was made up as follows:

	31 March 2014 £000	31 March 2015 £000
East Sussex Fire Authority	(14,160)	(16,127)
Trust Funds	(254)	(105)
Accrued balance at bank and for third parties	**(14,414)**	**(16,232)**

The pooled bank balances at 31 March 2015 include £25.0m (£23.7m at 31 March 2014) relating to bank accounts operated by schools under local management arrangements.

23. Creditors and Income in Advance

Creditors

	31 March 2014 £000	31 March 2015 £000
Central Government Bodies	7,205	6,705
Other Local Authorities	8,009	8,935
NHS Bodies	2,758	3,326
Public Corporations and Trading Funds	5	-
Other Entities and Individuals	63,689	69,135
Total	**81,665**	**88,101**

Income in Advance

	31 March 2014 £000	31 March 2015 £000
Other Local Authorities	2,728	2,632
NHS Bodies	8,444	6,629
Other Entities and Individuals	7,334	7,155
Total	**18,506**	**16,416**

24. Provisions

Provisions are amounts set aside in the Accounting Statements for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The provision has been established for material liabilities of uncertain timing. The following table shows the level of the Council's provisions:

Long Term Provisions	31 March 2014 £000	Additional provisions £000	Amounts used £000	31 March 2015 £000
Insurance claims	4,443	-	(397)	4,046
Section 117 liabilities	800	-		800
Closed Landfill Sites	9,532	-	(109)	9,423
Total	**14,775**	**-**	**(506)**	**14,269**

Short Term Provisions	31 March 2014 £000	Additional provisions £000	Amounts used £000	31 March 2015 £000
Adult Social Care legal costs	122	-	-	122
Adult Social Care Redundancies	101	132	(101)	132
Governance & Community Services Redundancy	92	-	(92)	-
School Restructure	21	-	(21)	-
Carbon Reduction Commitment	360	-	(360)	-
Municipal Mutual Insurance (MMI)	819	-	(791)	28
NNDR Appeals	487	64	-	551
Closed Landfill Sites	490	-	-	490
Total	**2,492**	**196**	**(1,365)**	**1,323**

Total Provisions	**17,267**	**196**	**(1,871)**	**15,592**

Closed Landfill Sites - The Council has 19 closed landfill sites that require restoration and aftercare. An accounting model has been developed to determine the required provision for these future costs taking into consideration the annual costs relating to leachate removal, gas monitoring and water quality monitoring. The Council has a legal obligation to restore, monitor and maintain landfill sites.

The provision for insurance claims (Pre 1997 & Post 1997 liabilities) represents an estimate of the amounts which the Council will have to pay for claims arising before 31 March 2014, but where the exact amount and the date of payment are uncertain.

Between 1993 and 2000, the Council charged clients for the provision of services under Section 117 of the Mental Health Act 1993. A court case subsequently established that it was illegal to make such charges. The Council is obliged to repay these charges, together with interest therefore a provision has been set up to allow for the future repayment of all outstanding cases.

Municipal Mutual Insurance Limited (MMI) was the main Local Authority Insurer up until they entered administration in 1992. Being a mutual company, the members, including the Council, signed up to a 'Scheme of Arrangement', meaning once all claims have been discharged any outstanding assets would be distributed to the members, or conversely, the members would meet the cost of any liabilities, once all assets had been utilised.

The provision for Adult Social Care (ASC) legal costs relates to cases where the Council is liable for the costs, but the amount and/or settlement date has yet to be determined.

Redundancy ASC – the provision relates to the potential costs associated with an Employment Tribunal ruling for a member of staff, and to the liability arising from the Voluntary Redundancy Scheme, for staff where approval to leave the Council under this scheme has been granted but for whom the leaving date will be in 2015/16.

The NNDR appeals provision represents amounts set aside to meet potential future liabilities for Business Rates Appeals. Local Authorities are liable for successful appeals against business rates charged to businesses in 2012-13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised as a best estimate of the amount that businesses have been overcharged up to 31 March 2015.

25. Usable Reserves

The Council holds a number of usable reserves, being those reserves that the Council can use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

County Fund & School Balances - The County Fund and School balances shows the resources available to meet future running costs – see Note 9 for school balances.

Earmarked Reserves - The Council holds a number of earmarked reserves which are used to earmark resources for specific projects/purposes; see Note 9 for a breakdown of General Fund earmarked reserves.

Capital Receipts Reserve – see note below.

Capital Grant & Contributions Unapplied Account – see note below. This account holds capital grants (with either no conditions or where conditions have been met) received by the Council where expenditure is yet to be incurred.

	31 March 2014 £000	31 March 2015 £000
Usable Capital Receipts Reserve	10,532	6,081
Capital Grants & Contributions Unapplied	53,379	41,337
Earmarked Reserves	115,496	114,767
Earmarked Reserves – Revenue Grant & Contribution	30,916	29,577
County Fund balances	8,898	8,898
School Balances	15,077	15,547
Total Usable Reserves	**234,298**	**216,207**

Capital Receipts Reserve

The capital receipts reserve holds the proceeds of non-current asset sales available to meet future capital investment. The Capital Receipts Reserve is only used to fund capital expenditure or repay debt. Capital receipts are held in this reserve until such time they are used to finance capital expenditure.

	2013/14 £000	2014/15 £000
Balance at 1 April	**10,548**	**10,532**
Amounts receivable during the year	1,805	2,514
Amounts applied to finance new capital investment	(1,821)	(6,965)
Net Transfer to the Capital Receipts Reserve	(16)	(4,451)
Balance at 31 March	**10,532**	**6,081**

Capital Grants and Contributions Unapplied Account

The capital grants and contributions account holds grants and contributions available to meet future capital investment. The grants and contributions are held in this reserve until such time they are used to finance capital expenditure.

	2013/14 £000	2014/15 £000
Balance at 1 April	**56,598**	**53,379**
Amounts receivable during the year	75,039	53,914
Amounts applied to finance new capital investment	(78,258)	(65,956)
Net Transfer to the Capital Unapplied Account	(3,219)	(12,042)
Balance at 31 March	**53,379**	**41,337**

26. Unusable Reserves

	31 March 2014 £000	Restated 31 March 2014 £000	31 March 2015 £000
Revaluation Reserve	128,349	113,047	145,775
Capital Adjustment Account	382,942	309,524	316,594
Financial Instruments Adjustment Account	(23)	(23)	(23)
Collection Fund Adjustment Account	4,446	4,446	5,919
Accumulated Absences Account	(6,441)	(6,441)	(6,129)
Pensions Reserve	(425,296)	(425,296)	(540,383)
Total Unusable Reserves	**83,977**	**(4,743)**	**(78,247)**

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.

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	2013/14 £000	Restated 2013/14 £000	2014/15 £000	£000
Balance at 1 April	**125,817**	**125,817**		
Prior Period Adjustment	-	(14,255)		
Restated Balance at 1 April	**125,817**	**111,562**		**113,047**
Upward revaluation of assets	28,188	26,302	74,107	
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(5,758)	(5,590)	(22,226)	
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	22,430	20,712	51,881	51,881
Difference between fair value depreciation and historical cost depreciation	(5,252)	(4,603)	(7,093)	
Accumulated gains on assets sold or scrapped	(14,646)	(14,624)	(12,060)	
Amount written off to the Capital Adjustment Account	(19,898)	(19,227)		(19,153)
Balance at 31 March	**128,349**	**113,047**		**145,775**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction, or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert 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 enhancement. The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant, and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14 £000	Restated 2013/14 £000	2014/15 £000	2014/15 £000
Balance at 1 April	**356,854**	**356,854**		
Prior Period Adjustment	-	(52,450)		
Restated Balance at 1 April	**356,854**	**304,404**		**309,524**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(37,645)	(34,629)	(32,379)	
Revaluation losses on non-current assets	(14,690)	(33,536)	(33,803)	
Revaluation loss reversals on non-current assets	2,993	2,755	8,497	
Amortisation of intangible assets	(1,064)	(1,064)	(481)	
Revenue expenditure funded from capital under statute	(14,617)	(19,083)	(22,184)	
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(48,608)	(48,371)	(65,600)	
	(113,631)	**(133,928)**		**(145,950)**
Adjusting amounts written out of the Revaluation Reserve	19,898	19,227		19,153
Net written out amount of the cost of non-current assets consumed in the year	**(93,733)**	**(114,701)**		**(126,797)**
Capital financing applied in the year				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,821	1,821	6,964	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	82,934	82,934	70,065	
Statutory provision for the financing of capital investment charged against the General Fund balance	15,356	15,356	14,695	
Capital expenditure charged against the General Fund balances	19,643	19,643	42,056	
	119,754	**119,754**		**133,780**
Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	67	67		(28)
Movements in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-	-		115
Balance at 31 March	**382,942**	**309,524**		**316,594**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses 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 on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2015 will be charged to the General Fund over a specific period.

	2013/14 £000	2014/15 £000
Balance at 1 April	**(23)**	**(23)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	-
Balance at 31 March	**(23)**	**(23)**

Pensions Reserve

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

	2013/14 £000	2014/15 £000
Balance at 1 April	**(357,589)**	**(425,296)**
Remeasurement of the net defined liability	(52,693)	(97,858)
Benefits credited to the Provision of Services in the Comprehensive Income and Expenditure Statement	(47,358)	(50,386)
Employer's pension contributions charged to General Fund Balance	32,344	33,157
Balance at 31 March	**(425,296)**	**(540,383)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Council Tax and Business Rates income is collected on behalf of the Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council.

	2013/14 £000	2014/15 £000
Balance at 1 April	**3,217**	**4,446**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,627	1,529
Amount by which business rates income debited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(398)	(56)
Balance at 31 March	**4,446**	**5,919**

Accumulated Absences Account

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

	2013/14 £000	2014/15 £000
Balance at 1 April	**(6,782)**	**(6,441)**
Settlement or cancellation of accrual made at the end of the preceding year	6,782	6,441
Amounts accrued at the end of the current year	(6,441)	(6,129)
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	341	312
Balance at 31 March	**(6,441)**	**(6,129)**

27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £000	2013/14 Restated £000	2014/15 £000
Net (Surplus) / Deficit on the Provision of Services	**(4,911)**	**15,386**	**45,619**
Adjust for non-cash movements			
Depreciation	(37,645)	(34,629)	(32,379)
Impairment and downward revaluations	(14,690)	(13,915)	(33,803)
Reversal of previous years revaluation losses	2,992	2,755	8,497
Amortisation of Intangible Assets	(1,064)	(1,064)	(481)
Financial Guarantee Adjustments	-	-	(6)
Decrease in Interest Creditors	4,283	4,283	25
Increase in Creditors	(203)	(203)	(2,848)
Increase in Interest Debtors	105	105	401
Increase / (Decrease) in Debtors	(1,015)	(1,015)	14,419
Increase / (Decrease) in Inventories	10	10	(66)
Movement in Pension Liability	(15,014)	(15,014)	(17,229)
Contributions from Provisions	746	746	1,675
Donated Assets Account	-	-	115
Carrying amount of non-current assets sold or derecognised	(48,608)	(67,993)	(65,600)
Upward / (Downward) revaluation in Investment Property Values	67	67	(28)
Adjust for items that are investing or financing activities			
Capital grants and contributions credited to provision of services	79,716	79,716	58,022
Net adjustments from the sale of short term investments	-	-	-
Proceeds from the sale of PPE, Investment Property and Intangible assets	1,805	1,805	2,514
Net Cash inflow from Operating Activities	**(33,426)**	**(28,960)**	**(21,153)**

Operating activities within the Cash Flow Statement include the following cash flows relating to interest

	2013/14 £000	2014/15 £000
Interest receivable	(1,395)	(3,118)
Opening debtor	(70)	(175)
Closing debtor	175	575
Cash flow interest received	**(1,290)**	**(2,718)**

	2013/14 £000	2014/15 £000
Interest payable	21,647	21,341
Opening creditor	(5,556)	(1,273)
Closing creditor	1,273	1,248
Cash flow interest paid	**17,364**	**21,316**

28. Cash Flow Statement – Investing Activities

	2013/14 £000	2013/14 Restated £000	2014/15 £000
Purchase of Property, Plant & Equipment (PPE)	88,066	83,600	92,742
Purchase of Intangible Assets & Assets Held for Sale	1,715	1,715	3,358
Opening Capital Creditors	7,787	7,787	6,137
Closing Capital Creditors	(6,137)	(6,137)	(7,548)
Purchase of short-term investments	15,350	15,350	-
Long Term loans granted	1,120	1,120	4,200
Proceeds from the sale of short-term investments	-	-	(2,000)
Proceeds from the sale of PPE and Intangible Assets	(1,805)	(1,805)	(2,514)
Other capital cash receipts	(156)	(156)	(231)
Capital Grants Received	(82,433)	(82,433)	(65,370)
Net cash outflow from investing activities	**23,507**	**19,041**	**28,774**

29. Cash Flow Statement – Financing Activities

	2013/14 £000	2014/15 £000
Cash receipts of short and long term borrowing	-	-
Appropriation to the Collection Fund Adjustment Account	1,716	1,536
Repayments of short and long term borrowing	1,318	3,954
Payments for the reduction of finance lease liabilities	-	-
Payments for the reduction of long term PFI Liabilities	3,116	3,323
Net cash outflow from financing activities	**6,150**	**8,813**

30. Amounts reported for resource allocation decisions

The Council Chief Operating Decision Maker is the Cabinet. Both elected representatives (councillors) and paid employees (council officers) work together to supply these services for East Sussex.

The Cabinet is responsible for most day-to-day Council decisions, while the full Council is responsible for agreeing the main policies and priorities for all services, including the Council's budget. They do this by setting the overall policies and strategies for the Council and by monitoring the way in which these are implemented. In addition, the Council is responsible for ensuring that our business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively.

The Council's spending against its Revenue and Capital Programmes is monitored throughout each year and regularly reported to Cabinet. This is supported by a comprehensive monitoring system, with Chief Officers responsible for their departments' budget management. In year budget monitoring is an important guide to setting the budget for the following year and also enables final accounts to be produced quickly, accurately and in accordance with the legislative requirements.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Cabinet on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- charges in relation to capital expenditure (depreciation, revaluation and impairment losses) are based on estimates whereas actual charges to services are included in the Comprehensive Income and Expenditure Statement
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to departments.

The income and expenditure of the Council's principal departments recorded in the budget reports for the year is as follows:

2014/15 Department Income and Expenditure	Adult Social Care	Public Health	Governance & Community Services	Children's Services	Business Services	Communities, Economy, & Transport	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(78,706)	(234)	(8,260)	(323,509)	(57,236)	(49,946)	**(517,891)**
Government grants	(1,890)	(30,504)	(308)	(273,422)	(1,852)	(8,514)	**(316,490)**
Total Income	**(80,596)**	**(30,738)**	**(8,568)**	**(596,931)**	**(59,088)**	**(58,460)**	**(834,381)**
Employee expenses	49,897	1,672	4,816	230,516	19,290	20,005	**326,196**
Other service expenses	191,949	28,360	3,710	190,887	38,404	116,576	**569,886**
Support service recharges	13,633	714	2,947	300,084	1,123	11,082	**329,583**
Total Expenditure	**255,479**	**30,746**	**11,473**	**721,487**	**58,817**	**147,663**	**1,225,664**
Net Expenditure	**174,883**	**8**	**2,904**	**124,556**	**(271)**	**89,203**	**391,284**

2013/14 Department Income and Expenditure	Adult Social Care	Public Health	Governance & Community Services	Children's Services	Business Services	Communities, Economy, & Transport	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(65,716)	(351)	(5,795)	(348,308)	(48,555)	(62,249)	**(530,974)**
Government grants	(7,713)	(17,402)	(305)	(284,518)	-	(4,657)	**(314,595)**
Total Income	**(73,429)**	**(17,753)**	**(6,100)**	**(632,826)**	**(48,555)**	**(66,906)**	**(845,569)**
Employee expenses	50,841	1,543	4,670	244,493	20,464	20,233	**342,244**
Other service expenses	199,309	15,950	3,930	193,533	26,217	122,644	**561,583**
Support service recharges	13,423	414	334	312,473	2,811	10,757	**340,212**
Total Expenditure	**263,573**	**17,907**	**8,934**	**750,499**	**49,492**	**153,634**	**1,244,039**
Net Expenditure	**190,144**	**154**	**2,834**	**117,673**	**937**	**86,728**	**398,470**

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

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

	2013/14	2014/15
	£000	£000
Net expenditure in the Department Analysis	**398,470**	**391,284**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	100,985	224,188
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(91,906)	(225,831)
Cost of Services in Comprehensive Income and Expenditure Statement	**407,550**	**389,641**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of department 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.

2014/15	Department Analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(517,891)	-	46,400	361,104	**(110,387)**	-	**(110,387)**
Net surplus on trading undertakings	-	-	-	-	-	(531)	**(531)**
Interest and investment income	-	-	-	-	-	(2,268)	**(2,268)**
Donated Assets	-	-	-	-	-	(116)	**(116)**
Council tax	-	-	-	-	-	(219,577)	**(219,577)**
Revenue Support Grant	-	-	-	-	-	(85,645)	**(85,645)**
Business Rate Retention	-	-	-	-	-	(10,976)	**(10,976)**
Business Rate Top-up	-	-	-	-	-	(55,763)	**(55,763)**
Education Services Grant (ESG)	-	-	-	-	-	(6,412)	**(6,412)**
Council Tax Transition Grant, etc.	-	-	-	-	-	(1,957)	**(1,957)**
Local Services Support Grant (LSSG)	-	-	-	-	-	314	**314**
Council Tax Freeze Grant	-	-	-	-	-	(863)	**(863)**
New Home Bonus	-	-	-	-	-	(1,816)	**(1,816)**
Council Tax/Business Rate Adjustment	-	-	-	-	-	(3,605)	**(3,605)**
Government grants and contributions	(316,490)	-	-	-	**(316,490)**	(58,022)	**(374,512)**
Total Income	**(834,381)**	**-**	**46,400**	**361,104**	**(426,877)**	**(447,237)**	**(874,114)**
Employee expenses	326,196	39,422	(74,592)	-	**291,026**		**291,026**
Other service expenses	569,886	58,329	(151,239)	(31,521)	**445,454**		**445,454**
Support Service recharges	329,582		-	(329,582)	**-**		**-**
Depreciation, amortisation and impairment	-	57,853	-	-	**57,853**		**57,853**
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	-	22,184	-	-	**22,184**		**22,184**
Pensions interest cost and net return on assets	-	-	-	-	-	18,254	**18,254**
Interest Payable and Similar Charges - Leases/PFI schemes	-	-	-	-	-	6,898	**6,898**
Interest Payments	-	-	-	-	-	14,443	**14,443**
Precepts & Levies	-	-	-	-	-	506	**506**
Changes in fair value of investment properties	-	-	-	-	-	28	**28**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	63,086	**63,086**
Total operating expenses	**1,225,666**	**177,788**	**(225,831)**	**(361,103)**	**816,517**	**103,215**	**919,732**

2014/15	Department Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Surplus or deficit on the provision of services	**391,284**	**177,788**	**(179,431)**	**-**	**389,641**	**(344,022)**	**45,619**

2013/14	Department Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(530,973)	-	6,805	403,116	**(121,052)**	-	**(121,053)**
Net surplus on trading undertakings	-	-	-	-	-	(469)	**(469)**
Interest and investment income	-	-	-	-	-	(1,395)	**(1,395)**
Income from council tax	-	-	-	-	-	(216,734)	**(216,734)**
Non-Domestic Rates	-	-	-	-	-	(54,697)	**(54,697)**
Business Rate Retention	-	-	-	-	-	(11,033)	**(11,033)**
Revenue Support Grants	-	-	-	-	-	(98,569)	**(98,569)**
Education Services Grant (ESG)	-	-	-	-	-	(7,045)	**(7,045)**
Council Tax Transition Grant, etc.	-	-	-	-	-	(2,392)	**(2,392)**
Local Services Support Grant (LSSG)	-	-	-	-	-	(1,095)	**(1,095)**
Council Tax Freeze Grant	-	-	-	-	-	(2,435)	**(2,435)**
New Home Bonus						(1,295)	**(1,295)**
Government grants and contributions	(314,596)	-	-	-	**(314,596)**	(79,952)	**(394,548)**
Total Income	**(845,569)**	-	6,805	**403,116**	**(435,648)**	**(477,111)**	**(912,760)**
Employee expenses	342,244	40,957	(56,674)	-	**326,527**	-	**326,527**
Other service expenses	496,559	(18,724)	(42,036)	(62,904)	**372,895**	-	**372,896**
Support Service recharges	340,212	-	-	(340,212)	**-**	-	**-**
Depreciation, amortisation and impairment	65,024	64,135	-	-	**129,159**	(67)	**129,092**
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	-	14,617	-	-	**14,617**	-	**14,617**
Pensions interest cost and net return on assets	-	-	-	-	-	16,058	**16,058**
Interest Payable and Similar Charges - Leases/PFI schemes	-	-	-	-	-	7,052	**7,052**
Interest Payments	-	-	-	-	-	14,595	**14,595**
Precepts & Levies	-	-	-	-	-	507	**507**
Net premiums for early repayment of loans	-	-	-	-	-	-	-
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	46,803	**46,803**

2013/14	Department Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Total expenditure	**1,244,039**	**100,985**	**(98,710)**	**(403,116)**	**843,198**	**84,948**	**928,147**
Surplus on the provision of services	**398,470**	**100,985**	**(91,905)**	**-**	**407,550**	**(392,163)**	**15,386**

East Sussex County Council departments and responsibilities

The Council’s five departments and their main responsibilities are:

- Adult Social Care – provide social care services for residents over 16, including residential care and sensory care services.
- Public health is responsible for improving and protecting health and reducing health inequalities, covering health protection, health improvement, and health service quality improvement.

- Governance Services – provides overall governance aspects of the council including legal and constitutional arrangements.
- Children's Services – provide social care for people under 16, state education and other childcare services.
- Business Services – responsible for managing our finances, IT, human resources, procurement and property.
- Communities, Economy and Transport – responsible for community services such as libraries and registrars, customer access/services roads, transport planning, economy and the East Sussex environment.

31. Trading Operations

The Council has trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council’s services to the public, whilst others are support services to the Council’s services to the public. The Council provides various services to bodies including district and parish councils, Sussex Police and Crime Commissioner and East Sussex Fire Authority, under the provisions of section 1 of the above Act. The scale of these operations is small in relation to the Council’s expenditure generally and can be summarised as follows:

The table below analyses the figure shown in the Comprehensive Income and Expenditure Account as the net effect of trading accounts:

	2013/14			2014/15		
	Expenditure £000	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
County Catering Service	340	(319)	21	563	(648)	(85)
County Transport Group	1,545	(2,094)	(549)	1,110	(1,654)	(544)
Chiltern	33	(6)	27	40	(4)	36
Hospitality Hub	27	(6)	21	27	(6)	21
Sidley Café	30	(14)	16	28	(12)	16
1970 Act	1,740	(1,744)	(4)	1,617	(1,591)	26
Total	**3,715**	**(4,183)**	**(468)**	**3,385**	**(3,915)**	**(530)**

Note

The 1970 Act includes Legal Services, County Records, School Library Service, Music Tuition, Street Lighting, Lewes Car Parking Scheme, Occupational Health, Financial Services and Property Services.

32. Pooled Budgets - Partnership Schemes under Section 75 of the National Health Services Act 2006

In 2014/15 the Council participated in partnership schemes involving pooled budget arrangements under Section 75 of the National Health Service Act 2006 with the following partners: Eastbourne, Hailsham & Seaford CCG; Hastings & Rother CCG; High Weald, Lewes & Havens CCG.

- The **Integrated Community Equipment Service** scheme which started in September 2004 comprises the Council as host agency and the East Sussex Downs and Weald CCG and Hastings and Rother CCG.

The financial transactions of these schemes can be summarised as follows:

	2013/14 Expenditure	2013/14 Income	2013/14 ESCC Contribution	2014/15 Expenditure	2014/15 Income	2014/15 ESCC Contribution
	£'000	£'000	£'000	£'000	£'000	£'000
Arrangement						
Integrated Community Equipment	3,767	(3,767)	(1,884)	3,852	(3,852)	(1,926)
Total	**3,767**	**(3,767)**	**(1,884)**	**3,852**	**(3,852)**	**(1,926)**

Note
Clinical Commissioning Boards were abolished on 31 March 2013 under the Health & Social Care Act 2012 with clinical commissioning groups to take over their responsibilities.

33. Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2013/14 £000	2014/15 £000
Salaries (Basic allowances)	531	537
Members - NI & Pension	108	115
Special responsibility allowances	198	199
Expenses	34	43
Total	**871**	**894**

The table below shows the actual amounts paid to individual members in the 2014/15 financial year (excluding employer NI & pension contributions). The amounts to which Members are entitled, including the basic allowance for every member and expenses for special responsibilities, travel, phones etc., are published annually and form part 6 of our Constitution.

Actual amounts paid to individual members in 2014/15

Member	Members Basic Allowance	Special Responsibility Allowance	Travel by Car	Fares and Subsistence
Cllr Alan Shuttleworth	10,950	-	576	-
Cllr Barry Taylor	10,950	-	-	-
Cllr Bob Standley	10,950	-	867	-
Cllr David Elkin	10,950	17,029	2,756	473
Cllr Frank Carstairs	10,950	-	-	-
Cllr Ian Buchanan	10,950	-	-	-
Cllr Jeremy Birch	10,950	-	-	-
Cllr Jim Sheppard	10,950	-	73	-
Cllr John Hodges	10,950	-	1,181	-
Cllr John Ungar	10,950	-	421	-
Cllr Kim Forward	10,950	-	1,070	-

Member	Members Basic Allowance	Special Responsibility Allowance	Travel by Car	Fares and Subsistence
Cllr Michael Ensor	10,950	6,081	-	-
Cllr Michael Wincott	10,950	-	539	24
Cllr Mike Blanch	10,950	6,081	627	23
Cllr Mike Pursglove	10,950	-	782	29
Cllr Peter Charlton	10,950	-	-	-
Cllr Philip Howson	10,950	4,869	482	-
Cllr Richard Stogdon	10,950	6,081	1,601	122
Cllr Rosalyn St Pierre	10,950	-	-	-
Cllr Roy Galley	10,950	-	1,097	-
Cllr Ruth O'Keeffe	10,950	-	-	-
Cllr Steve Wallis	10,950	-	140	-
Cllr Sylvia Tidy	10,950	14,597	1,972	40
Cllr Trevor Webb	10,950	4,869	-	91
Cllr. Angharad Davies	10,950	-	1,962	73
Cllr. Bill Bentley	10,950	14,597	2,484	103
Cllr. Carl Maynard	10,950	14,597	2,609	95
Cllr. Carla Butler	10,950	-	-	-
Cllr. Carolyn Lambert	10,950	-	-	-
Cllr. Charles Clark	10,950	-	-	-
Cllr. Christopher Dowling	10,950	14,597	1,345	49
Cllr. Claire Dowling	11,528	-	279	-
Cllr. Colin Belsey	10,950	12,162	2,625	187
Cllr. Daniel Shing	10,950	-	131	-
Cllr. David Tutt	10,950	12,162	511	149
Cllr. Francis Whetstone	10,950	-	-	-
Cllr. Godfrey Daniel	10,950	6,081	1,150	6
Cllr. John Barnes	10,950	-	-	-
Cllr. Kathryn Field	10,950	6,081	1,462	204
Cllr. Keith Glazier	10,950	24,327	3,375	143
Cllr. Laurence Keeley	10,950	-	1,071	59
Cllr. Michael Phillips	10,950	-	-	-
Cllr. Nicholas Bennett	10,950	14,597	3,072	13
Cllr. Patrick Rodohan	10,950	-	490	-
Cllr. Peter Pragnell	10,950	6,081	-	-
Cllr. Philip Scott	10,950	-	133	-
Cllr. Rupert Simmons	10,950	14,597	3,586	285
Cllr. Stephen Shing	10,950	-	374	-
Cllr. Stuart Earl	10,950	-	423	-
Total	**537,128**	**199,486**	**41,266**	**2,168**

34. Officers' Remuneration

The following table sets out information about the remuneration of those senior managers who influence the decisions of the Council as a whole. In addition, the disclosures below include all Senior Officers whose salary is more than £150,000 per year. The remuneration paid to the Council's senior employees is as follows:

Senior Employees Remuneration 2014/15

	Notes	Salary, Fees and Allowances	Bonuses	Expenses Allowances (incl. Benefit in Kind)	Compensation of Loss of Employment	Employer's Pension Contributions	**Total**
		£	£	£	£	£	**£**
Chief Executive - Becky Shaw		184,738	-	-	-	37,502	222,240
Chief Operating Officer		130,634	-	-	-	26,519	157,153
Director of Adult Social Care		137,775	-	2,467	-	27,968	168,210
Director of Transport, Environment and Economy	1	134,859	-	2,080	-	27,968	164,907
Director of Public Health	2	102,883	-	-	-	14,404	117,287
Assistant Chief Executive		87,436	-	-	-	17,749	105,185
Director of Children's Services	3	123,142	-	-	-	24,998	148,140
Chief Finance Officer		104,614	-	-	-	21,237	125,851

Notes:
1. Director of Transport, Environment and Economy - Pension Contributions based on salary before salary sacrifice of £137,775.00
2. Director of Public Health - NHS Pension Scheme not LGPS
3. Director of Childrens Services - commenced 22 April 2014 (No payments made in 2014/15 to the interim Director of Childrens Service's prior to permanent appointment of the current post holder)

Senior Employees Remuneration 2013/14

	Notes	Salary, Fees and Allowances	Bonuses	Expenses Allowances (incl. Benefit in Kind)	Compensation of Loss of Employment	Employer's Pension Contributions	**Total**
		£	£	£	£	£	**£**
Chief Executive – Becky Shaw		182,909	-	-	-	36,765	219,674
Chief Operating Officer	1	121,106				24,342	145,448
Director of Adult Social Care and Health	2	133,521	9,655	1,344	-	28,761	173,281
Director of Communities, Economy and Transport		128,003	-	1,054	-	26,315	155,372
Director of Public Health	3	40,343	-	-	-	5,010	45,353
Acting Director of Public Health	4	77,983	-	-	-	10,918	88,901
Assistant Chief Executive	5	35,019	-	-	-	7,039	42,058
Assistant Chief Executive	6	63,996	-	-	10,457	12,145	86,598
Interim Director of Children's Services	7	189,404	-		-	-	189,404
Director of Children's Services	8	27,940	-	29	-	4,722	32,691
Chief Finance Officer	9	57,256	-		-	11,508	68,764

Notes:
1. Commenced employment 15 April 2013
2. Bonuses - relates to 7.5% Honorarium for period September 2012 to 31 August 2013 (paid in August 2013)
3. Terminated employment 30 June 2013
4. Commenced as acting Director 01 July 2013 - only earnings in senior position stated
5. Appointed to senior position from 1 November 2013 - only earnings in senior position stated
6. Terminated employment 31 October 2013
7. Appointed interim Director from October 2013 - not an employee, engagement via agency.
8. Terminated employment 2 June 2013
9. Commenced employment 12 September 2013

The Council's employees receiving more than £50,000 remuneration for the year in bands of £5,000, excluding employer's pension contributions were:

Remuneration band	2013/14 Number of employees			2014/15 Number of employees		
	Non - Schools	Schools	**Total**	Non - Schools	Schools	**Total**
£50,000 to £54,999	31	73	**104**	39	70	**109**
£55,000 to £59,999	24	48	**72**	27	44	**71**
£60,000 to £64,999	30	31	**61**	35	29	**64**
£65,000 to £69,999	7	14	**21**	3	20	**23**
£70,000 to £74,999	10	9	**19**	3	13	**16**
£75,000 to £79,999	3	5	**8**	3	4	**7**
£80,000 to £84,999	2	1	**3**	5	2	**7**
£85,000 to £89,999	2	3	**5**	3	2	**5**
£90,000 to £94,999	1	3	**4**	1	2	**3**
£95,000 to £99,999	1	1	**2**	-	1	**1**
£100,000 to £104,999	1	1	**2**	2	1	**3**
£105,000 to £109,999	-	-	**-**	2	1	**3**
£110,000 to £114,999	1	-	**1**	-	-	**-**
£115,000 to £119,999	-	-	**-**	-	-	**-**
£120,000 to £124,999	2	-	**2**	1	-	**1**
£125,000 to £129,999	1	1	**2**	1	-	**1**
£130,000 to £134,999	-	1	**1**	1	-	**1**
£135,000 to £139,999	-	-	**-**	1	-	**1**
£140,000 to £144,999	1	-	**1**	1	-	**1**
£145,000 to £149,999	-	-	**-**	-	1	**1**
£150,000 to £154,999	-	-	**-**	-	-	**-**
£155,000 to £159,999	-	-	**-**	-	-	**-**
£160,000 to £164,999	-	-	**-**	-	-	**-**
£165,000 to £169,999	-	-	**-**	-	-	**-**
£170,000 to £174,999	-	-	**-**	-	-	**-**
£175,000 to £179,999	-	-	**-**	-	-	**-**
£180,000 to £184,999	1	-	**1**	1	-	**1**

35. Termination Benefits & Exit Packages

The Council normally offers both voluntary early retirement and voluntary redundancy as part of organisational restructures undertaken in accordance with the Managing Change Suite of Policies. In addition, there is a Voluntary Severance Scheme, which allows Council employees to apply for voluntary severance. Its purpose is to help ensure the efficient running of the Council, to help the Council reach its cost reduction targets and to minimise the need for compulsory redundancies in the future.

The Council terminated the contracts of 254 employees during 2014/15, incurring costs of £2.54m (219 terminations at a cost of £2.88m in 2013/14). An analysis of the numbers and amounts broken down by pay band and split between compulsory redundancies and other departures for both 2014/15 and 2013/14 are shown in the tables below.

Exit Packages 2014/15

Exit package cost Band	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
less than £20,000	103	713	122	879	225	1,592
£20,000 to £39,999	12	288	12	350	24	638
£40,000 to £59,999	1	58	1	49	2	107
£60,000 to £79,999	1	72	2	134	3	206
£80,000 to £99,999	-	-	-	-	-	-
£100,000 to £149,999	-	-	-	-	-	-
£150,000 to £199,999	-	-	-	-	-	-
£200,000 to £249,999	-	-	-	-	-	-
Total	**117**	**1,131**	**137**	**1,412**	**254**	**2,543**

The total cost of £2.54m in the table above is the amount that has been charged to the Comprehensive Income and Expenditure Statement in 2014/15. There were no provision amounts for exit packages charged to the Comprehensive Income and Expenditure Statement in 2014/15.

Exit Packages 2013/14

Exit package cost Band	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
less than £20,000	71	545	95	617	166	1,162
£20,000 to £39,999	25	658	16	466	41	1,124
£40,000 to £59,999	7	328	4	197	11	525
£60,000 to £79,999	1	77	-	-	1	77
£100,000 to £149,999	-	-	-	-	-	-
£150,000 to £199,999	-	-	-	-	-	-
£200,000 to £249,999	-	-	-	-	-	-
Total	**104**	**1,608**	**115**	**1,280**	**219**	**2,888**

36. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Accounting Statements, certification of grant claims, statutory inspections and for non-audit services provided by the Council's external auditors, KPMG for services rendered during the year.

	2013/14	2014/15		
	£000 Total	£000 KPMG	£000 AC	£000 Total
Fees payable to with regard to external audit services carried out by the appointed auditor for the year	113	111	4	115
Fees payable for Inspection Work	-	15	-	15
Fees payable for Tax Advisory	-	2	-	2
Fees payable for the certification of grant claims and returns 2013/14	4	7	-	7
Fees payable for the certification of grant claims and returns for the year	-	9	-	9
Total	**117**	**144**	**4**	**148**

37. Grant Income

The Council credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

		2013/14		2014/15
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
Council Tax		217,132		223,239
Business Rates		65,332		66,368
Revenue Support Grant:				
General	98,569		85,645	
New Homes Bonus	1,296		1,816	
Local Services Support	1,095		863	
Education Support	7,045		6,412	
Council Tax Transition & Other	2,392		1,957	
Council Tax Freeze	2,436		-	
		112,833		96,693
Donated Assets – Battle Abbey Estate Archives		-		116
Recognised capital grants and contributions		79,716		58,022
Total		**475,013**		**444,438**
Grants Credited to Services				
Dedicated Schools		262,142		246,745
Young Peoples Learning Agency & Sixth Forms		4,689		4,135
Private Finance Initiative		4,755		4,755
Pupil Premium		10,864		13,054
Public Health		23,460		30,504
Other		9,932		17,297
Total		**315,842**		**316,490**

Note – the Dedicated Schools Grant figure is the total of DSG after Academy Recoupment and Carry Forward as per Note 38.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them which could require them to be returned to the giver. The balances at the year-end are as follows:

	31 March 2014	31 March 2015
	£000	£000
Current Liabilities – Receipts in Advance		
Revenue Grants & Contributions	1,748	-

	31 March 2014	31 March 2015
	£000	£000
Long Term Liabilities – Receipts in Advance		
Capital Grants & Contributions	4,425	5,343

38. Dedicated Schools Grant

The Council’s expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of education services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2014/15 before Academy recoupment			331,833
Academy figure recouped for 2014/15			(75,991)
Total DSG after Academy recoupment for 2014/15			**255,842**
Plus: Brought Forward from 2013/14			7,945
Less: Carry forward to 2015/16 agreed in advance			(3,098)
Agreed initial budgeted distribution in 2014/15	**64,597**	**196,092**	**260,689**
In year adjustments	536	(9,632)	(9,096)
Final budgeted distribution for 2014/15	**65,133**	**186,460**	**251,593**
Less: Actual central expenditure	(62,160)		(62,160)
Less: Actual ISB deployed to schools		(186,460)	(186,460)
Plus: Local authority contribution for 2014/15	589	-	589
Carry forward to 2015/16 agreed in advance	3,098		3,098
Carry forward to 2015/16	**6,660**	**-**	**6,660**

School Reserve

The total value of the Individual Schools Budget (the budget which is delegated to schools) for 2014/15 was £196.1m. Schools carried forward (reserve) a net total of £15.5m (7.9%) at the end of the financial year at 31 March 2015, which was a decrease of £0.5m compared to 31 March 2014. Table below shows the numbers and value of schools with surplus and deficits.

		Primary	Secondary	Special	Total
All schools with surpluses					
Number of schools	**No.**	**132**	**12**	**8**	**152**
Total surplus	£000	10,479	4,062	1,151	15,692
All schools with deficits					
Number of schools	**No.**	**3**	**-**	**-**	**3**
Total deficit	£000	(21)	-	-	(21)
Carry forward	**£000**	**10,458**	**4,062**	**1,151**	**15,671**
Less Capital Loan to Schools	£000	(83)	(41)	-	(124)
Net carry forward	**£000**	**10,375**	**4,021**	**1,151**	**15,547**

This reserve represents unspent balances remaining at the year-end against school's delegated budgets. The main reasons why schools hold balances are - anticipation of future budget pressures usually arising from pupil variation, to fund specific projects such as building work and IT and to hold a contingency for reasons of prudence. These balances are committed to be spent on the education service and are not available to the Council for general use.

39. Related Parties

The Council is obliged to disclose material transactions with related parties, a term that includes central government, the Pension Fund, some partnerships, as well as any financial relationships with Members and Chief Officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the Council might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resources allocation decisions, and further details are shown in Note 37. Grant receipts in advance at 31 March 2015 are shown in Note 37.

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. None of the Chief Officers and Members had any interests in any related party transactions during the year. The Register of Members' Interests is held at County Hall, Lewes, and is open to public inspection. The total of members' allowances paid in 2014/15 is shown in Note 33.

Other Public Bodies

During 2014/15, the Pension Fund had an average balance of £2.6m deposited with the Council, and paid £16.8k interest for these deposits. The Council charged the Fund £1.2m for expenses incurred in administering the Fund.

The Council is involved in several partnerships under Section 75 of the National Health Services Act 2006. Details of these arrangements are shown in Note 32.

Entities controlled or significantly influenced by the Council

The Council acts as sole trustee for the Ashdown Forest Trust (see Note 48), for the balances held by the Council at 31 March 2015.

The High Weald Unit of the Economy, Transport and Environment Department rented part of the Woodland Enterprises Centre from Woodland Enterprises Ltd (see Note 49) at an annual rent of £11,295 (£15,180 2013/14). There were no long term debts to the company at 31 March 2015.

40. 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 and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

The Council accounts fully for depreciation of assets in line with accounting standards in the Comprehensive Income & Expenditure Statement, but it is legally obliged to provide for the repayment of a proportion of its Capital Financing Requirement (the Minimum Revenue Provision) in its charge to taxpayers.

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

	2013/14	2013/14 Restated	2014/15
	£000	£000	£000
Opening Capital Financing Requirement	**387,303**	**387,303**	**372,910**
Property, Plant and Equipment	88,066	83,600	92,742
Intangible assets	1,715	1,715	3,345
Assets Held for Sale	-	-	14
Revenue Expenditure Funded from Capital under Statute	14,617	19,083	22,184
Total capital investment	**104,398**	**104,398**	**118,285**
Capital receipts	(1,821)	(1,821)	(6,964)
Government grants and contributions	(82,935)	(82,935)	(70,065)
Revenue financing	(19,643)	(19,643)	(42,056)
Total financing other than from loans	**(104,399)**	**(104,399)**	**(119,085)**
Long Term capital debtors	963	963	3,970
Net investment financed from loans			
Minimum Revenue Provision (MRP) for the repayment of loans	(15,355)	(15,355)	(14,695)
Closing Capital Financing Requirement	**372,910**	**372,910**	**361,385**

Explanation of movements in year	2013/14 £000	2013/14 Restated £000	2014/15 £000
Decrease in underlying need to borrow, that is not supported by government financial assistance	(14,393)	(14,393)	(11,526)

41. Leases

Authority as Lessee

Finance Leases - As at 31 March 2015, the Council has no assets classed as finance leases.

Operating Leases - The Council leases land and buildings and vehicles, plant, furniture and equipment under operating leases. The lease period of land and buildings is typically 10 to 15 years, vehicles 5 to 7 years and equipment 3 to 5 years.

The future minimum lease payments payable in future years are:

	31 March 2014	31 March 2015
	£000	£000
Not later than one year	3,504	3,385
Later than one year and not later than five years	11,193	10,513
Later than five years	23,524	21,544
Total	**38,221**	**35,442**

The expenditure charged to Net Cost of Services during the year in relation to these leases was:

	2013/14	2014/15
	£000	£000
Vehicles	384	291
Schools Equipment	929	953
Land and Buildings	2,710	2,573
Total	**4,023**	**3,817**

Other payments for the renting and hiring of facilities in 2014/15 was £0.014m (£0.121m 2013/14).

Authority as Lessor

Operating Leases - The Council leases out property under operating leases for the following purposes:

- schools and community centres for sports and other community uses
- depots in relation to service contracts
- properties surplus to requirements that are awaiting disposal.

The future minimum lease payments receivable in future years are:

	31 March 2014	31 March 2015
	£000	£000
Not later than one year	1,598	1,868
Later than one year and not later than five years	447	48
Later than five years	32	12
Total	**2,077**	**1,928**

The total income received from leasing, renting and hiring of facilities in 2014/15 was £2.716m (£2.429m 2013/14).

42. Other long term liabilities, including Private Finance Initiatives and Similar Contracts

Other Long Term Liabilities in the Balance Sheet consist of:

	31 March 2014 £000	31 March 2015 £000
Long Term PFI Liabilities	90,622	87,301
Financial Guarantee	55	60
Long Term Creditors	1	1
Total	**90,678**	**87,362**

Value of PFI assets at each balance sheet date and analysis of movement in those values:

Peacehaven PFI	Schools	Telscombe Cliffs	Meridian	Peacehaven Secondary	Peacehaven Heights	Total
		£000	£000	£000	£000	£000
Value of Assets						
1 April 2014		**5,506**	**233**	**12,676**	**3,310**	**21,725**
Transfers		-	-	-	-	-
Additions		-	2	(5)	11	8
Revaluations		952	-	1,977	788	3,717
Depreciation		(177)	(7)	(406)	(219)	(809)
31 March 2015		**6,281**	**228**	**14,242**	**3,890**	**24,641**

Note - In September 2013, Hoddern Junior School and Peacehaven Infants School amalgamated to become Peacehaven Heights Primary School.

Waste PFI	Hollingdean WTS & MRF	Crowborough HWRS	Maresfield WTS & HWRS	Whitesmith Composting Facility	Newhaven Energy Recovery Facility	Pebsham HWRS	Total
	£000	£000	£000	£000	£000	£000	£000
Value of Assets							
1 April 2014	**7,316**	**1,941**	**2,271**	**6,291**	**68,536**	**1,418**	**87,773**
Additions	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Depreciation	(300)	(78)	(83)	(218)	(2,811)	(42)	(3,532)
31 March 2015	**7,016**	**1,863**	**2,188**	**6,073**	**65,725**	**1,376**	**84,241**

Details of payments to be made under PFI contracts

Waste PFI

In conjunction with Brighton and Hove City Council, the Council jointly entered into a 25 year agreement, on the 31st March 2003, for the provision of an integrated waste management service with Southdown Waste Services Ltd. In 2009/10 the agreement extended by a further 5 years to 31 March 2033. Based on a projected 2.5% annual inflation rate the details of the payments due to be made are detailed below.

	Reimbursement of capital expenditure	Interest	Service Charge	Total
	£000	£000	£000	£000
Within 1 year: 2015/16	2,655	4,265	18,481	**25,401**
Within 2 to 5 years: 2016/17 to 2019/20	12,326	15,602	79,271	**107,199**
Within 6 to 10 years: 2020/21 to 2024/25	15,502	15,982	116,217	**147,701**
Within 11 to 15 years: 2025/26 to 2029/30	26,652	10,092	128,169	**164,913**
Within 16 to 20 years: 2030/31 to 2032/33	20,237	2,269	85,949	**108,455**
Total	**77,372**	**48,210**	**428,087**	**553,669**

Peacehaven Schools PFI

The Council has a contract with Peacehaven Schools Ltd (PSL) under the Private Finance initiative to provide a new secondary school and replace or refurbish four primary schools in Peacehaven and Telscombe Cliffs. The first school became operational in January 2000. Based on actual inflation to 31 March 2014, and assuming a 3.0% inflation rate for the remaining life of the contract, the payments to be made are set out below:

	Reimbursement of capital expenditure	Interest	Service Charge	Contingent Rent	Total
	£000	£000	£000	£000	£000
Within 1 year: 2015/16	667	1,351	1,514	412	**3,944**
Within 2 to 5 years: 2016/17 to 2019/20	3,421	4,650	6,524	1,987	**16,582**
Within 6 to 10 years: 2020/21 to 2024/25	6,642	3,447	9,318	3,328	**22,735**
Within 11 to 15 years: 2025/26 to 2029/30	2,521	335	2,908	1,135	**6,899**
Total	**13,251**	**9,783**	**20,264**	**6,862**	**50,160**

All operational PFI contracts are now accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual. The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The deferred liability as at 31 March 2015 is £90.62m (£77.37m for Waste PFI, and £13.25m for Peacehaven Schools PFI), and as at 31 March 2014 was £93.74m (£79.88m for Waste PFI, and £13.86m for Peacehaven Schools PFI). That part of the deferred liability due to be repaid in the next year is included under short term creditors in the Balance Sheet with the balance being shown under Other Long Term Liabilities. The breakdown between short term and long term liabilities is shown in the table below.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

Values of liabilities resulting from PFI at each balance sheet date and analysis of movement in those values are shown below. During 2012/13 the Pebsham household waste recycling site became operational at a value of £973,000 which was offset by the remaining balance of £361,000 in the Waste PFI Prepayment Reserve and thereby generating a net increase in liability of £612,000.

In all cases the authority has the right to use the assets provided by the PFI contractor and is entitled to receive the services specified within each contract. Each of the PFI contracts contain a payment mechanism whereby the authority only pays for the services it receives

On expiry of the contracts the assets created under the PFI arrangements automatically revert to the authority at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation. There have been no material changes to any of the PFI contracts in the reporting period.

	Waste PFI	Schools PFI	Total	Included in Short Term Creditors	Included in Long term Liabilities
	£000	£000	£000	£000	£000
Balance outstanding at 1 April 2014	**79,883**	**13,856**	**93,739**	**3,117**	**90,622**
New operational assets	-	-	-	-	-
Use of prepayment reserve	-	-	-	-	-
Lease principal repayment	(2,511)	(605)	(3,116)	205	(3,321)
Balance outstanding at 31 March 2015	**77,372**	**13,251**	**90,623**	**3,322**	**87,301**

43. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme - Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2014/15, the Council incurred a total of £13.3m payable to the Teachers' Pension Agency in respect of teacher's pension costs, which represents 14.1% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increase which amounted to £2.7m. These figures compare to an amount of £14.30m payable in 2013/14 (14.1% of pensionable pay), and £3.0m for added years pensions payable to former teachers.

This is a defined benefit scheme, and although it is unfunded, the Agency uses a notional fund as the basis for calculating the employer's contribution rate. However, it is not possible to identify the Council's share of the underlying liabilities of the scheme for its own employees. For the purposes of these accounts, it is therefore accounted for as a defined contribution scheme.

The Council is responsible for the costs of the additional benefits awarded upon early retirement, and these benefits are fully accrued in the liability included in the Balance Sheet.

At 31 March 2015, the Council owed £1.81m to the Teachers' Pension Agency for employer's and employees' contributions to the Teachers' Pension Scheme (£1.89m 31 March 2014).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 44.

NHS Pension Scheme - During 2013/14, NHS Staff transferred to the Council. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Council paid £0.122m to the NHS Pension Scheme in respect of former NHS staff retirement benefits, and there was £0.02m contributions remaining payable at the year end.

44. Defined Benefits Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The Accounting Policies note explains that the Council participates in two schemes, the Local Government Pension Scheme and the Teachers' Pension Scheme. The Teachers' Pension Scheme is administered nationally, and the Comprehensive Income and Expenditure Statement contain actual contributions made to the scheme. The Local Government Scheme is administered through the East Sussex Pension Fund, and in addition, the Council has liabilities for discretionary payments for added years, and other benefits, both for local government employees and for teachers. These are charged as an expense to the accounts of the Council, rather than those of the Pension Fund.

Transactions Relating to Post-employment Benefits - We recognise the cost of retirement benefits 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 we are required to make against council tax is based on the contributions made in the year, so the real cost of retirement benefits is reversed out through the General Fund via the Movement in Reserves Statement and the contributions made in the year are included. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2013/14 £000	2014/15 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
• current service cost	30,879	31,748
• past service costs	421	385
• (gain) / loss from settlements	-	
Financing and Investment Income and Expenditure		
Net interest expense	16,058	18,253
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**47,358**	**50,386**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	28,494	(93,392)
• Actuarial gains and losses arising on changes in demographic assumptions	22,218	-
• Actuarial gains and losses arising on changes in financial assumptions	30,753	200,428
• Other (if applicable)	(28,772)	(9,178)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**100,051**	**148,244**
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	(67,707)	(115,087)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	**32,344**	**33,157**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Present Value of the define benefit obligations: Local Government Pension Scheme	(995,381)	(1,091,825)	(1,263,248)	(1,338,145)	(1,580,330)
Fair value of plan assets in the Local Government Pension Scheme	767,516	791,625	905,659	912,849	1,039,947
Deficit in the scheme: Local Government Pension Scheme	**(227,865)**	**(300,200)**	**(357,589)**	**(425,296)**	**(540,383)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £1,580.3m (£1,338.1m in 2013/14) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £540.4m (£425.3m in 2013/14).

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over a 20 year period, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £32.1m (£31.3m in 2013/14).

Based on the current benefit structure of the Local Government Pension Scheme (LGPS), and using the roll forward model, the actuarial estimate of the present value of funded liabilities as at 31 March 2015 is employee members £635.6m (£467.5m at 31 March 2014), deferred pensioners £279.3m (£231.1m) and pensioners £574.9m (£544.0m). There is also a liability of approximately £42.5m (£39.5m) in respect of LGPS unfunded pensions and £47.9m (£45.9m) in respect of Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2013/14 £000	2014/15 £000
Opening balance at 1 April:	**1,263,248**	**1,338,145**
Current Service Cost	30,879	31,748
Interest Cost	56,674	57,363
Contributions by scheme participants	8,599	8,752
Re-measurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	22,218	-
• Actuarial gains/losses arising from changes in financial assumptions	30,753	200,428
• Other	(28,772)	(9,178)
Past Service Cost	421	385
Losses/(gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(40,619)	(41,968)
Liabilities extinguished on settlements	-	-
Unfunded Benefits paid	(5,256)	(5,345)
Closing balance at 31 March	**1,338,145**	**1,580,330**

Reconciliation of fair value of the scheme assets:

	2013/14 £000	2014/15 £000
Opening fair value of scheme asset at 1 April:	**905,659**	**912,849**
Interest Income	40,616	39,110
Re-measurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(28,494)	93,392
• Other	5,256	5,345
The effect of changes in foreign exchange rates	-	-
Contributions from employer	27,088	27,812
Contributions from employees into the scheme	8,599	8,752
Benefits paid	(40,619)	(41,968)
Unfunded benefits paid	(5,256)	(5,345)
Closing fair value of scheme assets at 31 March	**912,849**	**1,039,947**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £132.5m (2013/14: £12.1m).

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2013/14 £000	%	Fair value of scheme assets 2014/15 £000	%
Cash and cash equivalents	**27,653**	**3**	**37,308.8**	**4**
Equity instruments:				
By industry type				
• Consumer	44,469	5	41,038	4
• Manufacturing	22,607	2	27,414	3
• Energy and utilities	23,791	3	27,438	3
• Financial institutions	50,084	5	59,737	6
• Health and care	27,005	3	41,853	4
• Information technology	24,625	3	44,582	4
•	14,486	2	136	-
Sub-total equity	**207,067**	**23**	**242,198**	**24**
Bonds:				
By sector				
• Government	12,837	1	16,517	2
• Other	12,115	1	10,638	1
Sub-total bonds	**24,952**	**2**	**27,155**	**3**
Private equity:				
All	71,809	8	57,478	6
Overseas				
Sub-total private equity	**71,809**	**8**	**57,478**	**6**
Other investment funds:				
• UK Property	82,250	9	107,306	10
• Overseas Property	-	-		
Sub-total other investment funds	**82,250**	**9**	**107,306**	**10**
Investment funds and unit trusts:				
• Equities	434,856	49	472,518	45
• Bonds	59,253	6	67,736	6
• Hedge Funds	1,796	-	1,164	-
• Commodities	-	-	2,538	-
• Infrastructure	-	-	20,679	2
• Other	2,689	-	4,069	-
Sub-total Investment funds and unit trusts	**498,594**	**55**	**568,704**	**53**
Derivatives:				
• **Foreign exchange**	**524**	**-**	**(203)**	**-**
Total assets	**912,849**	**100**	**1,039,947**	**100**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the calculations in the latest full valuation of the scheme as at 31 March 2013 rolled forward to the Balance Sheet date allowing for the different assumptions required by accounting standards.

The principal assumptions used by the actuary have been:

	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.2 Years	
Women	24.4 Years	
Longevity at 65 for future pensioners		
Men	24.2 Years	
Women	26.7 Years	
Rate of increase in salaries	4.60%	2.30%
Rate of inflation/increase in pensions	2.80%	2.40%
Rate for discounting scheme liabilities	4.30%	3.20%

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 the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some 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:	Impact on the Defined Benefit Obligation in the Scheme	
	Approximate increase to Employer	Approximate monetary amount
	%	**£000**
0.5% decrease in Real Discount Rate	10	159,115
1 year increase in member life expectancy	3	47,410
0.5% increase in the Salary Increase Rate	3	44,827
0.5% increase in the Pension Increase Rate	7	111,020

At 31 March 2015, the Council owed £2.99m (£2.95m 31 March 2014) to the Pension Fund in respect of employer's and employees' contributions.

Details of the East Sussex Pension Fund, for which a full actuarial valuation was last carried out at 31 March 2013, can be found on pages 94 to 123.

Impact on the Authority's Cash Flows

The objectives of the scheme are set out in East Sussex Pension Fund's Funding Strategy Statement (FSS), dated March 2014. In summary, these are;

- to ensure the long-term solvency of the Fund;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund;
- to reflect the different characteristics of different employers in determining contribution rates; and
- to use reasonable measures to reduce the risk from an employer defaulting on its pension obligations.

The Fund has agreed a strategy with its Actuary to achieve a funding level of 100% over the next 21 years. The funding level for the Fund is monitored on a regular basis. The next triennial valuation is due to be completed on 31 March 2016.

The 2013 actuarial valuation took account of the changes made under the Public Service Pensions Act 2013. In particular, the Local Government Pension Scheme Regulations 2013 introduced a new career average revalued earnings scheme from 1 April 2014. Benefits accrued under the provisions set out in the previous LGPS Regulations are protected, i.e. the accrual of benefits under the new career average revalued earnings structure applies for post 1 April 2014 service only.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation or at any other time as instructed to do so by the Fund. The contributions payable over the period to 31 March 2017 are set out in the Rates and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Employer, please refer to the 2013 actuarial valuation report dated 28 March 2014.

I estimate the Employer's contributions for the period to 31 March 2016 will be approximately £27.075m. The weighted average duration of the defined benefit obligation for scheme members as at the date of the 2013 valuation was 17.9 years.

45. Contingent Liabilities

The High Court may ask the Council to pay an estimated cost of £200,000 regarding the Newhaven West Beach case, the amount of the obligation cannot be measured reliably.

There is an estimated cost claim for £150,000 on the dispute with Knowles Ltd which arose out of building contracts with Farnrise. The amount of the obligation cannot be measured reliably and the final amount is unlikely to exceed the above figure and could be less.

NNDR Appeals - The Council has made a provision for NNDR Appeals based upon its best estimates (provided to the Council by the billing authorities) of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

46. Contingent Assets

A claim of compound interest from HMRC, which has been lodged at the High Court for a sum in excess of £300,000, and the other relates to an overpaid VAT on car parking. The first claim is on hold pending the outcome of the Littlewoods case, which is likely to be referred to the European Court of Justice.

A claim regarding VAT paid on off-street car parking charges, has been lodged with the First Tier Tribunal (Tax) for £190,117 for a refund of tax. The claim is on hold pending a judgement on the Isle of Wight Council and other such cases; this is due to be heard in the Court of Appeal in November 2015.

47. Nature and extent of risks arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing strategies and policies to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members in addition to the half-yearly treasury management report.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Full Council on 11 February 2014 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2014/15 was set at £480 million. This is the maximum limit of external borrowings or other long term liabilities;

- The Operational Boundary was expected to be £460 million. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable rate interest rate exposure were set at 100% and 15% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt are shown under the Refinancing and Maturity Risk section of this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody and Standard & Poors Ratings services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council's Treasury Management is kept under constant review and due to the exceptional risks of the international financial crisis the strategy was amended a number of times between 2008/09 and 2014/15. Whilst the recent credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. The credit criteria in respect of financial assets held by the Council at 31 March 2015 are detailed below:

Officers regularly review the investment portfolio, counterparty risk and construction, and use market data, information on government support for banks and the credit ratings of that government support. Latest market information is arrived at by reading the financial press and through city contacts as well as access to the key brokers involved in the London money markets. The Council in addtion to other tools uses the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative credit worthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands provided they are domiciled in the UK or AAA countries only:

- Yellow 2 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

Y	*P*	*B*	*O*	*R*	*G*	*N/C*
Up to 2yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 mths*	*Up to 100days*	*Not used*

The Capita Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal parameters.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £284.0m and cash deposits of £2.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period. In October 2008, the Icelandic banking sector defaulted on its obligations but the Council had no funds invested in this sector. All the Council's deposits are made through the London Money Markets. As at 31 March 2015, the Council's investments and cash deposits included £226.0m with UK banks and £60m with Svenska Handlebanken, a Swedish bank. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The following analysis summaries the Council's maximum exposure to credit risk from customers, based on experience of default and adjusted to reflect current market conditions.

The Council does not generally allow credit for its customers, however £20.5m in 2014/15 (£10.0m 2013/14) is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2014	31 March 2015
	£000	**£000**
Less than three months	7,491	17,187
Three to five months	456	892
Five months to one year	355	543
More than one year	1,722	1,890
Total	**10,024**	**20,512**

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2014	31 March 2015
	£000	**£000**
Less than one year (current assets)	337,309	326,764
Between one and two years	1,615	5,586
	338,924	**332,350**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities, including the minimum and maximum limits for fixed interest rates maturing in each period, is as follows:

	Approved Minimum Limit %	Approved Maximum Limit %	31 March 2014 £000	31 March 2015 £000
Less than one year (current liabilities)	0%	25%	92,497	99,028
Between one and two years	0%	40%	16,234	17,673
Between two and five years	0%	60%	30,716	31,368
Between five and ten years	0%	80%	51,255	54,474
More than ten years	0%	80%	251,462	238,883
			442,164	**441,426**

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 interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitors market and forecasts interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect in 2014/15 would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	20
Impact on Comprehensive Income and Expenditure	20

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £0.02 million (£1.9 million in 2013/14) represents the immediate impact on the Council investments that are on variable rate, but ignores the impact of short-term fixed rate investments. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

The Council has a 19% interest in Woodland Enterprises, a company limited by guarantee, which was set up to create prosperity in woodland and wood industries through sustainable development. The total assets less current liabilities of the Company were £835,712 at 31 March 2013. The legal liability of the County Council is limited to £1. As no amount has been invested in this company, since it is limited by guarantee, and investments are carried at cost, the Council has not recognised any amount as an investment in this company.

Price risk - The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

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

48. Trust Funds

The Council administers various funds for the benefit of individuals or groups of people. The income of such funds is not available for general use and the accounts are kept separate from those of the Council.

The term 'trust fund' includes money held on behalf of individuals, such as Social Services clients. In these cases, the holding is virtually a personal bank account and is not invested by the Council. The Council holds monies and acts as sole trustee for the following trusts:

- Music Trust: for the provision of tuition in music;
- Robertsbridge Youth Centre: interest from money raised by the sale of land at the youth centre, applied towards youth services in Robertsbridge;
- Lewes Educational Charity: interest from money raised by the sale of former educational premises, applied towards education in Lewes and the surrounding area;
- How Scholarship: assistance to individuals in the Borough of Hastings;
- Wright Legacy: for the purchase of particular classes of books for Eastbourne Library;
- The Ashdown Forest is held on trust for the purposes of promoting the conservation of the Ashdown Forest as an amenity and place of resort for members of the public. An independent examination of the Trust Fund accounts is provided by external auditors.

The transactions during the year of all the funds are summarised below:

	2014/15			
	Opening Balance £000	**Income £000**	**Expenditure £000**	**Closing Balance £000**
Sole trustee funds				
Music Trust	654	-	(21)	633
Robertsbridge Youth Centre	104	1	-	105
Lewes Educational Charity	43	2	(2)	43
How Scholarship	5	-	-	5
Wright Legacy	2	-	-	2
Total sole trustee funds	**808**	**3**	**(23)**	**788**
Ashdown Forest Trust	1,375	71	(90)	1,356
General trust funds	64	-	-	64
Bequests	80	-	(60)	20
Comforts funds	75	20	(14)	81
Safe Custody	52	-	(52)	-
Total trust funds	**2,454**	**94**	**(239)**	**2,309**

49. Landfill Allowance Trading Scheme

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradable landfill allowances to waste disposal authorities to allow them to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The scheme final year is 2012/13. The allowances are reflected at fair value and are subsequently re-valued each financial year.

As at 31 March 2014, the council had 58,621 surplus permits from 2013-14, valued at £nil. The Council sold 11,104 surplus permits to other local authorities for £4,442 - an average of 40p per permit. £1,505 of this income was paid to Brighton and Hove City Council as part of the Joint Working Agreement between the two Councils.

Surplus allowances were not banked into the 2013/14 year - 2012/13 was the final year of the LATS regulations - surplus allowances were automatically transferred into the National Cancellation Account.

50. Closed Landfill Sites

A former or closed landfill site is an area that has previously been used to dispose of rubbish from the construction industry, commercial businesses and households. The closed site will have ceased accepting rubbish and will be restored. When a landfill site is originally granted planning permission, the future land use is sometimes agreed as part of the planning application. If not, the site will usually be restored so that it can be used for either recreational purposes or for agriculture such as grazing.

To ensure closed landfill sites are safe, they are regularly monitored. The Council currently monitors 19 closed landfill sites of which most are over 30 years old and closed in the 1980's. The Council is responsible for aftercare costs as there is a slight risk from leachate (toxic water) and escaped gases such as methane, carbon dioxide and other gases which may be flammable. in accordance with Environment Agency legislation has made a provision for a past event of up to 60 years for future aftercare costs for each site. The provision is the best estimate of the expenditure required to settle the obligation. Over the remaining aftercare life for each site, the Council will charge aftercare costs to the provision and so reduce the liability. At 31 March 2015 the liability had reduced to £9.91m (£10.02m at 31 March 2014).

The Council own the freehold or part freehold of nine of the nineteen sites and in accordance with IAS 16 Property, Plant & Equipment and the Council's own accounting policy (see accounting policy xxi on page 30), has recognised the land value in the Balance Sheet. One of the sites was already on the Council's Balance Sheet as it is on school land and the remaining eight sites are valued as Property, Plant & Equipment at £2.8m at 31 March 2015 (£0.7m at 31 March 2014).

Introduction

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. New regulations came into force on 1 April 2008 with the rules of the scheme split between two separate sets of regulation; the Local Government Pension Scheme (Benefits, Membership, and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 and provide the statutory basis within which the Scheme can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Although a national pension scheme, set up for the benefit of local government employees the LGPS is in fact administered locally. The LGPS is open to all employees of the County Council, District, Borough, and Unitary Authorities in East Sussex, as well as Colleges of Further Education, Town and Parish Councils and a small number of charitable organisations who have applied to be treated as “admission bodies”.

In addition, the Scheme allows employees of private contractors to remain in the Scheme where they are providing a service or assets in connection with the functions of a scheme employer, in accordance with the specific requirements of the LGPS Regulations. The scheme is not open to teachers or fire fighters, as these groups of employees have separate pension schemes.

Currently within the East Sussex Pension Fund, there are 107 participating employers. A full list of participating employers is given in Note 27.

Fund Account for Year Ended 31 March 2015

2013/14 £000	2013/14 £000		Notes	2014/15 £000	2014/15 £000
		Dealings with Members, Employers and Others directly involved in the Fund			
		Contributions			
(85,915)		From Employers	7	(87,237)	
(27,012)		From Members		(26,761)	
	(112,927)				(113,998)
	(9,290)	Transfers in from other funds	8		(5,592)
	(122,217)				(119,590)
	114,518	Benefits Payable	9		111,993
	7,475	Payments to and on account of leavers	10		98,183
	121,993				210,176
	(224)	**Net (additions)/withdrawals from dealings with members**			**90,586**
	9,632	**Management expenses**	11		**10,037**
		Returns on investments			
	(24,616)	Investment income	12		(26,856)
	694	Taxes on Income	13		621
	(120,750)	Profit and losses on disposal of investments and changes in the market value of investments	15a		(341,397)
	(144,672)	Net returns on investments			**(367,632)**
	(135,264)	**Net Increase in fund during the year**			**(267,009)**
	(2,344,276)	Add Opening Net Assets of the Scheme			(2,479,540)
	(2,479,540)	Closing net assets of the scheme			**(2,746,549)**

This analysis of the costs of managing the East Sussex Pension Fund has been prepared in accordance with CIPFA guidance.

Net Assets Statement for the year ended 31 March 2015

31 March 2014 £000		Notes	31 March 2015 £000
2,393,629	Investment Assets	15	2,667,422
2,470	Other Investment Balances	20	3,758
80,934	Cash deposits	15	81,220
2,477,033			**2,752,400**
(2,338)	Investment Liabilities	21	(12,486)
9,800	Current Assets	20	10,570
(4,955)	Current Liabilities	21	(3,935)
2,479,540	**Net assets of the fund available to fund benefits at the period end**		**2,746,549**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2015 and of the movements for the year then ended.

Marion Kelly
Chief Finance Officer
4 June 2015

The Governance Committee approved the Statement of Accounts on 21 July 2015.

Notes to the East Sussex Pension Fund Accounts

1. Description of the Fund

The East Sussex Pension Fund ("the fund") is part of the Local Government Pension Scheme and is administered by East Sussex County Council. The County Council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

It is a contributory defined benefit pension scheme administered by East Sussex County Council to provide pensions and other benefits for pensionable employees of East Sussex County Council, the district councils in East Sussex County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and Fire fighters are not included as they come within other national pension schemes.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the East Sussex Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 106 employer organisations within East Sussex Pension Fund including the County Council itself, as detailed below:

East Sussex Pension Fund	31 March 2014	31 March 2015
Number of employers participating in the scheme	99	106
Number of employees		
County Council	9,442	8,993
Other employees	13,207	13,695
Total	**22,649**	**22,688**
Number of pensioners		
County Council	7,428	7,671
Other employers	9,565	9,446
Total	**16,993**	**17,117**
Deferred pensioners		
County Council	11,321	12,360
Other employers	12,852	13,397
Total	**24,173**	**25,757**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 12.9% to 31.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final Pensionable salary	Each year worked is worth 1/60 x final Pensionable salary
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off -tax Free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid Paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the East Sussex Pension Fund Website.

2. Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2014/15 financial year and its position at year-end as at 31 March 2015. The accounts have been prepared in accordance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008, the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 issued by CIPFA which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector and the Financial Reports of Pension Schemes Statement of Recommended Practice.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

The Pension Fund publishes a number of statutory documents, including a Statement of Investment Principles, a Funding Strategy Statement, Governance Policy Statement, Communications Policy Statement, Employers Contributions, Responsibilities of Key Parties, and Statements of Compliance. Copies can be obtained by contacting the Council's Accounts and Pensions team or alternatively are available from - http://www.eastsussex.gov.uk

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their Additional Voluntary Contributions (see below) to purchase additional scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on a receipts basis in accordance with the terms of the transfer agreement.

c) Investment income

i. Interest income - Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. Dividend income - Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii. Distributions from pooled funds - Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv. Movement in the net market value of investments - Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Pension Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

All investment management expenses are accounted for an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2014/15, £1.3m of fees is based on such estimates (2013/14: £0.0m).

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of asset are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities are recorded at net market value based on their current yields.

iii) The fair value of investments for which market quotations are not readily available is determined as follows:

- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date. The value of over-the-counter contract options is based on quotations from an independent broker. Where this is not available, the value is provided by the Custodian using generally accepted option-pricing models with independent market data.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

m) Additional voluntary contributions

East Sussex Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 22).

4: Critical judgments in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2015 was £153.9 million (£128.1 million at 31 March 2014).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

Use of Financial Instruments

The Fund uses financial instruments to manage its exposure to specific risks arising from its investments. In applying the accounting policies set out within the notes that accompany the financial statements 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 based around determining a fair value for the alternative investments shown in the Net Asset Statement. It is important to recognise valuations for these types of investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements that involve many factors.

Forward exchange contract adjustments

In line with LGPS accounting guidance foreign exchange forward contracts are disclosed on a net basis. A gross basis was used in the prior year. This disclosure change has no impact on the net assets of the fund and no adjustment has been made to the prior year comparator figures.

5: Future assumptions and other estimated uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments 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 fund 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, for the 2013 Valuation the actuary advised that: • A 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £253 million (9%). • A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £78 million (3%). • A 0.5% increase in the assumed prices inflation (increase in pensions) would increase the value of liabilities by approximately £197 million (7%). • A 1 year increase in assumed life expectancy would increase the liability by approximately £87 million (3%).

Item	Uncertainties	Effect if actual results differ from assumptions
Debtors	At 31 March 2015, the fund had a balance of sundry debtors of £2.3 million. The fund makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable.	Where the expectation is different from the original estimate, such difference will affect the carrying value of receivables.
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £153.9 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers.

6: Events after the balance sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7: Contributions Receivable

	2013/14	2014/15
	£000	£000
By category		
Employers	85,915	87,237
Members	27,012	26,761
Total	**112,927**	**113,998**
By authority		
Scheduled bodies	63,059	62,033
Admitted bodies	7,805	9,620
Administrative Authority	42,063	42,345
Total	**112,927**	**113,998**
By Type		
Employee’s normal contributions	27,012	26,761
Employer’s normal contributions*	67,650	83,555
Employer’s deficit recovery contributions*	16,925	3,104
Employer’s augmentation contributions	1,340	578
Total	**112,927**	**113,998**

*A new Rates and Adjustments Certificate came into effect from 1 April 2014 following the 31 March 2013 actuarial valuation. The new rates payable by employers were set in line with the funding strategy, as documented in the Funding Strategy Statement dated March 2014.

The total employer contribution rates payable from 1 April 2014 were split as follows:

- the amount required to meet the expected cost of benefit accrual, as determined at the 2013 valuation, expressed as a percentage of pensionable pay, and
- The amount payable towards the recovery of any past service deficit, expressed as monetary amounts.

Implementation of the funding strategy at the 2013 valuation led to a slight increase in the total employer contributions received over the 2014/15 year (relative to the 2013/14 year). The element of total contributions expressed as a percentage of pensionable pay (i.e. in respect of the expected cost of benefit accrual) increased from 16% for the 2013/14 year (i.e. the future service rate from the 2010 valuation) to 19.4% for the 2014/15 year (i.e. the future service rate from the 2013 valuation). As a result, the portion of total contributions expressed as a percentage of pay increased in the 2014/15 year, leading to a reduction in the share of total contributions expressed as a monetary amount.

8: Transfers in from other pension funds

	2013/14	2014/15
	£000	£000
Group transfers	2,952	719
Individual transfers	6,338	4,873
Total	**9,290**	**5,592**

9: Benefits payable

	2013/14	2014/15
	£000	£000
By category		
Pensions	92,736	95,040
Commutation and lump sum retirement benefits	19,634	15,584
Lump sum death benefits	2,148	1,369
Total	**114,518**	**111,993**
By authority		
Scheduled bodies	65,299	61,933
Admitted bodies	3,861	3,962
Administrative Authority	45,358	46,098
Total	**114,518**	**111,993**

10: Payments to and on account of leavers

	2013/14	2014/15
	£000	£000
Refunds to members leaving service	9	160
Group transfers*	1,122	95,097
Individual transfers	6,344	2,926
Total	**7,475**	**98,183**

*During 2014/15 the Ministry of Justice (MoJ) merged the 35 probation trust pension funds into a single fund hosted within the Local Government Pension Scheme. The MoJ appointed the Greater Manchester Pension Fund (GMPF) to manage the assets and liabilities of these 35 trusts. As part of this merger the Surrey and Sussex Probation Board's assets and liabilities were transferred to the GMPF the value of this group transfer was £95m.

11: Administrative expenses

	2013/14	2014/15
	£000	£000
Administrative costs	1,127	1,085
Oversight and governance costs	630	572
Investment management expenses	7,875	8,380
Total	**9,632**	**10,037**

This analysis of the costs of managing the East Sussex Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The investment management expenses above include £273.4k in respect of transaction costs.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 15a).

The external auditor appointed to audit the fund is KPMG their fee for 2014/15 was £27k (£30k 2013/14) and this is included within oversight and governance costs. Fees include only the statutory audit of the fund and no non-audit services have been provided.

12: Investment income

	2013/14	2014/15
	£000	£000
Fixed interest securities	1,900	1,543
Index linked securities	600	594
Equity dividends	11,520	12,352
Private equity income	19	7
Pooled property investments	7,189	9,149
Pooled investments - unit trusts and other managed funds	2,983	2,672
Interest on cash deposits	374	524
Class Actions	31	15
Total	**24,616**	**26,856**

The 2013/14 figures have been represented to ensure the presentation of this note is in line with CIPFA guidance.

13: Taxes on income

	2013/14	2014/15
	£000	£000
Withholding tax - equities	(404)	(382)
Withholding tax - pooled	(290)	(239)
Total	**(694)**	**(621)**

14: Investment expenses

	2013/14	2014/15
	£000	£000
Management fees	7,727	8,277
Custody fees	148	103
Total	**7,875**	**8,380**

This analysis of the investment expenses of managing the East Sussex Pension Fund during the period has been prepared in accordance with CIPFA guidance.

During the year, the Pension Fund incurred fees of £2.4m (£2.1m in 2013/14) on its private equity investments and fees of £0.8m (£0.8m in 2013/14) on its infrastructure investments. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund. As such, any amounts paid as fees will be reflected in a reduction of the distributions received.

15: Investments

	2013/14	2014/15
	£000	£000
Investment assets		
Fixed interest securities	162,880	180,186
Index Linked	58,659	245,968
Equities	596,116	692,429
Pooled Investments	1,139,887	1,033,431
Pooled property investments	244,451	287,569
Private equity/infrastructure	181,777	215,199
Commodities	6,631	6,842
Multi Asset	3,228	5,798
Derivative contracts:		
Forward Currency Contracts	316	207
	2,393,945	**2,667,629**
Cash deposits with Custodian	80,934	81,220
Other Investment balances (Note 20)	2,154	3,551
Total investment assets	**2,477,033**	**2,752,400**
Investment Liabilities (Note 21)	(2,327)	(10,973)
Derivative Contracts - Forward Currency	(11)	(1,513)
Total Investment Liabilities	**(2,338)**	**(12,486)**
Net investment assets	**2,474,695**	**2,739,914**

The 2013/14 figures have been represented to ensure the presentation of this note is in line with CIPFA guidance.

15a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	**162,880**	37,219	(37,867)	17,954	**180,186**
Index Linked	**58,659**	195,656	(28,694)	20,347	**245,968**
Equities	**596,116**	120,689	(170,522)	146,146	**692,429**
Pooled investments	**1,139,887**	2,072	(198,456)	89,928	**1,033,431**
Pooled property investments	**244,451**	22,730	(14,195)	34,583	**287,569**
Private equity/infrastructure	**181,777**	29,316	(30,593)	34,699	**215,199**
Commodities	**6,631**	-	-	211	**6,842**
Multi Asset	**3,228**	6,263	-	(3,693)	**5,798**
	2,393,629	**413,945**	**(480,327)**	**340,175**	**2,667,422**
Derivative contracts					
■ Futures	-	-	-	-	-
■ Purchased/written options	-	-	-	-	-
■ Forward currency contracts	**305**	7,886	(9,824)	327	**(1,306)**
	2,393,934	**421,831**	**(490,151)**	**340,502**	**2,666,116**
Other investment balances:					
■ Cash deposits	**80,934**			895	**81,220**
■ Other Investment Balances	**2,154**				**3,551**
■ Investment Liabilities	**(2,327)**				**(10,973)**
Net investment assets	**2,474,695**			**341,397**	**2,739,914**

	Market value 1 April 2013	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£000	£000	£000	£000	£000
Fixed interest securities	**156,837**	1,936	-	4,107	**162,880**
Index Linked	**64,412**	16,404	(17,630)	(4,527)	**58,659**
Equities	**459,951**	496,935	(388,033)	27,263	**596,116**
Pooled investments	**1,209,533**	98,567	(238,696)	70,483	**1,139,887**
Pooled property investments	**192,773**	47,660	(16,336)	20,354	**244,451**
Private equity/infrastructure	**185,765**	19,996	(25,113)	1,129	**181,777**
Commodities	**11,998**	635	(2,832)	(3,170)	**6,631**
Multi Asset	**1,297**	8,408	(5,410)	(1,067)	**3,228**
	2,282,566	**690,541**	**(694,050)**	**114,572**	**2,393,629**
Derivative contracts					
■ Futures	-	632	-	(632)	-
■ Purchased/written options	**202**	-	(124)	(78)	-
■ Forward currency contracts	**(1,104)**	5,296	(11,058)	7,171	**305**
	2,281,664	**696,469**	**(705,232)**	**121,033**	**2,393,934**
Other investment balances:					
■ Cash deposits	**58,468**			(283)	**80,934**
■ Other Investment Balances	**80,284**				**2,154**
■ Investment Liabilities	**(81,629)**				**(2,327)**
Net investment assets	**2,338,787**			**120,750**	**2,474,695**

The 2013/14 figures have been represented to ensure the presentation of this note is in line with CIPFA guidance.

Transaction costs incurred during the year total £273.4k (£819k in 2013/14). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

15b: Analysis of investments (excluding derivative contracts)

	2013/14 £000	2014/15 £000
Fixed interest securities		
UK		
Corporate quoted	162,880	180,186
	162,880	**180,186**
Index linked Securities		
UK		
Public sector quoted	35,580	209,174
Overseas		
Public sector quoted	23,079	36,794
	58,659	**245,968**
Equities		
UK		
Quoted	75,434	87,439
Unquoted	12,936	10,603
Overseas		
Quoted	507,746	594,387
	596,116	**692,429**
Pooled funds - additional analysis		
UK		
Unit trusts	654,420	538,178
Overseas		
Unit trusts	485,467	495,253
	1,139,887	**1,033,431**
Pooled property investments	244,451	287,569
Private equity/infrastructure	181,777	215,199
Commodities	6,631	6,842
Multi Asset	3,228	5,798
	436,087	**515,408**
	2,393,629	**2,667,422**

The 2013/14 figures have been represented to ensure the presentation of this note is in line with CIPFA guidance.

Analysis of derivatives

Objectives and policies for holding derivatives

Derivatives can be used to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the fund and the various investment managers.

a) Futures

The scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock markets. The fund can participate in forward currency contracts in order to reduce the volatility associated with fluctuating currency rates.

c) Options

The fund wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. During the year the fund bought equity option contracts that protect it from falls in value in the main markets in which the scheme invests.

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
Greater than 2 months	GBP	6,153	EUR	(8,270)	163	-
Greater than 2 months	GBP	46,686	USD	(71,071)	-	(1,213)
Greater than 2 months	EUR	8,270	GBP	(5,987)	28	(24)
Greater than 2 months	GBP	19,913	JPY	(3,585,214)	15	(270)
Up to 2 months	USD	1,366	GBP	(919)	1	-
Up to 2 months	GBP	38	USD	(57)	-	-
Up to 2 months	JPY	143,605	GBP	(810)	-	(3)
Up to 2 months	GBP	514	SGD	(1,048)	-	(1)
Up to 2 months	GBP	530	CAD	(999)	-	(2)
Up to 2 months	GBP	281	HKD	(3,232)	-	-
					207	(1,513)
Net forward currency contracts at 31 March 2015						**(1,306)**
Prior year comparative						
Open forward currency contracts at 31 March 2014					316	(11)
Net forward currency contracts at 31 March 2014						**305**

Investments analysed by fund manager

	Market value 31 March 2014		Market value 31 March 2015	
	£000	%	£000	%
Prudential M&G	96,060	3.9%	112,502	4.1%
East Sussex Pension Fund Cash	22,975	0.9%	25,337	0.9%
UBS Infrastructure Fund	22,035	0.9%	22,081	0.8%
Prudential Infracapital	31,621	1.3%	39,237	1.4%
Legal & General	647,469	26.3%	631,265	23.1%
M&G UK Financing Fund	12,936	0.5%	10,603	0.4%
Schroders Property	247,740	10.0%	294,110	10.7%
Harbourvest Strategies	60,042	2.4%	69,800	2.5%
Adams St Partners	68,433	2.8%	85,379	3.1%
M&G Absolute Return Bonds	66,828	2.7%	67,699	2.5%
Ruffer LLP	229,982	9.3%	256,733	9.4%
Lazard Asset Management	344,862	13.9%	410,206	15.0%
Newton Investment Management	233,496	9.4%	249,719	9.1%
Longview Partners	136,926	5.5%	174,558	6.4%
State Street Global Advisers	253,290	10.2%	290,685	10.6%
	2,474,695		**2,739,914**	

The following investments represent more than 5% of the investment assets of the scheme -

Security	Market Value 31 March 2014	% of total fund	Market value 31 March 2015	% of total fund
	£000		£000	
State Street Fundamental Index	253,325	10.2%	290,724	10.6%
L&G UK Equity Index	398,147	16.1%	270,937	9.9%
Newton Real Return (Pooled Fund)	233,832	9.4%	250,075	9.1%
L&G Over 5 year Index Gilt Linked	-	-	144,327	5.3%
L&G North America Equity Index	129,967	5.3%	116,763	4.3%

15c: Stock Lending

The East Sussex Fund has not operated a Stock Lending programme since 13th October 2008.

16: Financial instruments

16a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2014				31 March 2015		
Market value Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Market value Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
162,880	-	-	Fixed interest securities	180,186	-	-
58,659	-	-	Index linked	245,968	-	-
596,116	-	-	Equities	692,429	-	-
1,139,887	-	-	Pooled investments	1,033,431	-	-
244,451	-	-	Pooled property investments	287,569	-	-
181,777	-	-	Private equity/infrastructure	215,199	-	-
6,631	-	-	Commodities	6,842	-	-
3,228	-	-	Multi Asset	5,798	-	-
316	-	-	Derivative contracts	207	-	-
-	80,934	-	Cash	-	81,220	-
2,154	-	-	Other investment balances	3,551	-	-
-	9,800	-	Debtors	-	10,570	-
2,396,099	**90,734**	**-**	**Total Financial Assets**	**2,671,180**	**91,790**	**-**
			Financial liabilities			-
(11)	-	-	Derivative contracts	(1,513)	-	-
(2,327)	-	-	Other investment balances	(10,973)	-	-
-	-	(4,955)	Creditors	-	-	(3,935)
(2,338)	**-**	**(4,955)**	**Total Financial Liabilities**	**(12,486)**	**-**	**(3,935)**
2,393,761	**90,734**	**(4,955)**	**Total Financial Instruments**	**2,658,694**	**91,790**	**(3,935)**

The 2013/14 figures have been represented to ensure the presentation of this note is in line with CIPFA guidance.

16b: Net gains and losses on financial instruments

	31 March 2014	31 March 2015
	£000	£000
Financial assets		
Fair value through profit and loss	113,902	340,180
Loans and receivables	(286)	890
Financial liabilities		
Fair value through profit and loss	7,133	327
Total	**120,750**	**341,397**

16c: Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

	31 March 2014		31 March 2015	
	Carrying value	Fair value	Carrying value	Fair value
	£000	£000	£000	£000
Financial assets				
Fair value through profit and loss	2,396,099	2,396,099	2,671,180	2,671,180
Loans and receivables	90,734	90,734	91,790	91,790
Total financial assets	**2,486,833**	**2,486,833**	**2,762,970**	**2,762,970**
Financial liabilities				
Fair value through profit and loss	(2,338)	(2,338)	(12,486)	(12,486)
Financial liabilities at amortised cost	(4,955)	(4,955)	(3,935)	(3,935)
Total financial liabilities	**(7,293)**	**(7,293)**	**(16,421)**	**(16,421)**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

16d: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which East Sussex Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.
The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2015	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,764,750	294,505	611,925	2,671,180
Loans and receivables	91,790	-	-	91,790
Total financial assets	**1,856,540**	**294,505**	**611,925**	**2,762,970**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(12,486)	-	-	(12,486)
Financial liabilities at amortised cost	(3,935)	-	-	(3,935)
Total financial liabilities	**(16,421)**	**-**	**-**	**(16,421)**
Net financial assets	**1,840,119**	**294,505**	**611,925**	**2,746,549**

Values at 31 March 2014	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets				
Financial assets at fair value through profit and loss	1,643,063	241,032	512,004	**2,396,099**
Loans and receivables	90,734	-	-	**90,734**
Total financial assets	**1,733,797**	**241,032**	**512,004**	**2,486,833**
Financial liabilities				
Financial liabilities at fair value through profit and loss	(2,338)	-	-	**(2,338)**
Financial liabilities at amortised cost	(4,955)	-	-	**(4,955)**
Total financial liabilities	**(7,293)**	**-**	**-**	**(7,293)**
Net financial assets	**1,726,504**	**241,032**	**512,004**	**2,479,540**

17: Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in the market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels;
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk
Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses form shares sold short is unlimited. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis
Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Asset Type	Potential Market Movements (+/-)
Index linked Bonds	5%
Other Bonds	10%
UK equities	17%
Overseas equities	20%
Overseas equity unit trusts	20%
Pooled property investments	15%
Private Equity	29%
Infrastructure funds	16%
Commodities	14%
Cash	1%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	Value as at 31 March 2015	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and Cash Equivalents	81,220	1%	82,032	80,408
Investment portfolio assets:				
Index Linked Bonds	245,968	5%	258,266	233,670
Other Bonds	180,186	10%	198,205	162,167
UK equities	636,219	17%	744,376	528,062
Overseas equities	594,387	20%	713,264	475,510
Overseas equity unit trusts	495,254	20%	594,305	396,203
Pooled property investments	287,569	15%	330,704	244,434
Private equity	153,880	29%	198,505	109,255
Infrastructure funds	61,319	16%	71,130	51,508
Commodities	6,842	14%	7,800	5,884
Multi Asset	5,798	0%	5,798	5,798
Net derivative assets	(1,306)	0%	(1,306)	(1,306)
Investment income due	2,010	0%	2,010	2,010
Amounts receivable for sales	1,526	0%	1,526	1,526

Amounts payable for purchases	(9,132)	0%	(9,132)	(9,132)
Total assets available to pay benefits	**2,741,740**		**3,197,483**	**2,285,997**

Asset Type	Value as at 31 March 2014	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
Cash and Cash Equivalents	80,934	1%	81,743	80,125
Investment portfolio assets:				
Total Bonds	221,539	10%	243,693	199,385
UK equities	742,790	17%	869,064	616,516
Overseas equities	507,746	19%	604,218	411,274
Overseas equity unit trusts	485,467	19%	577,706	393,228
Pooled property investments	244,451	15%	281,119	207,783
Private equity	128,121	28%	163,995	92,247
Infrastructure funds	53,656	16%	62,241	45,071
Commodities	6,631	14%	7,559	5,703
Multi Asset	3,228	0%	3,228	3,228
Net derivative assets	305	0%	305	305
Investment income due	1,787	0%	1,787	1,787
Amounts receivable for sales	359	0%	359	359
Amounts payable for purchases	(671)	0%	(671)	(671)
Total assets available to pay benefits	**2,476,343**		**2,896,346**	**2,056,340**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2014	As at 31 March 2015
	£000	£000
Cash with Custodian	80,934	81,220
Cash balances	(882)	(246)
Fixed interest securities	162,880	180,186
Total	**242,932**	**261,160**

Interest rate risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. An 100 basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment adviser has advised that this is consistent with an annual one standard deviation move in interest rates, where interest rates are determined by the prices of fixed interest UK government bonds.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Carrying amount as at 31 March 2015	Effect on asset values	
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash and cash equivalents	81,220	-	-
Cash balances	(246)	-	-
Fixed interest securities	180,186	1,802	(1,802)
Total change in assets available	**261,160**	**1,802**	**(1,802)**

Asset type	Carrying amount as at 31 March 2014	Effect on asset values	
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash and cash equivalents	80,934	-	-
Cash balances	(882)	-	-
Fixed interest securities	162,880	1,629	(1,629)
Total change in assets available	**242,932**	**1,629**	**(1,629)**

This analysis of the interest rate risk for the East Sussex Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Income Source	Amount receivable in year ending 31 March 2015	Effect on income values	
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash deposits/cash and cash equivalents	524	810	(810)
Fixed interest securities	1,537	-	-
Total change in assets available	2,061	810	(810)

Income Source	Amount receivable in year ending 31 March 2014	Effect on income values	
		+ 100 BPS	- 100 BPS
	£000	£000	£000
Cash deposits/cash and cash equivalents	374	801	(801)
Fixed interest securities	1,900	-	-
Total change in assets available	**2,274**	**801**	**(801)**

This analysis of the interest rate risk for the East Sussex Pension Fund during the period has been prepared in accordance with CIPFA guidance.

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the land (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the fund and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the fund's currency exposure as at 31 March 2015 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31 March 2014 £000	Asset value as at 31 March 2015 £000
Overseas index linked	23,079	36,794
Overseas quoted securities	507,746	594,387
Overseas unit trusts	485,467	495,253
Total overseas assets	**1,016,292**	**1,126,434**

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

This assumes no diversification with other assets, and in particular, interest rates remain constant.

A 13% strengthening/weakening of the UK pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2015	Change to net assets available to pay benefits	
		+13%	-13%
	£000	£000	£000
Overseas Index Linked	36,794	41,577	32,011
Overseas quoted securities	594,387	671,657	517,117
Overseas unit trusts	495,253	559,636	430,870
Total change in assets available	**1,126,434**	**1,272,870**	**979,998**

Currency exposure - asset type	Asset value as at 31 March 2014	Change to net assets available to pay benefits	
		+13%	-13%
	£000	£000	£000
Overseas Index Linked	23,079	26,079	20,079
Overseas quoted securities	507,746	573,753	441,739
Overseas unit trusts	485,467	548,578	422,356
Total change in assets available	**1,016,292**	**1,148,410**	**884,174**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risks are represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits in recent years.

Summary	Asset value as at 31 March 2014 £000	Asset value as at 31 March 2015 £000
Money market funds		
NTGI Global Cash Fund	80,209	71,519
Bank deposit accounts		
Non NT cash accounts	103	6,000
Bank current accounts		
NT custody cash accounts	622	3,701
Total overseas assets	**80,934**	**81,220**

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The fund has immediate access to its pension fund cash holdings and the fund also has access to an overdraft facility for short-term cash needs. This facility is only used to meet timing differences on pension payments. As these borrowings are of a limited short-term nature, the fund's exposure to liquidity risk is considered negligible.

All financial liabilities at 31 March 2015 are due within one year.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18: Funding arrangements

The latest actuarial valuation of the fund was carried out as at 31 March 2013. The purpose of the triennial valuation is to calculate the contribution rates required to be made by each employer participating in the fund which together with investment growth will be sufficient to meet the fund's future liabilities. The 2013 valuation shows the fund has a past service deficit, being 81% funded in respect of past liabilities. This compares with 87% funded at the 2010 valuation.

East Sussex Pension Fund ("the Fund")

Actuarial Statement for 2014/15

This statement has been prepared in accordance with Regulation 57 (1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2014. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £2,344 million, were sufficient to meet 81% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £541 million. Individual employers' contributions for the period 1 April 2014 to 31 March 2017 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the valuation report dated 28 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2013 valuation were as follows:

Financial assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount rate	4.6%	2.1%
Pay increases	4.3%	1.8%
Price inflation/Pension increases	2.5%	-

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners*	24.2 years	26.7 years

*Figures assume members aged 45 as at the 2013 valuation.

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from East Sussex County Council, the Administering Authority to the Fund.

Experience over the period since April 2013

Experience has been worse than expected over the year to 31 March 2015 (excluding the effect of any membership movements). Real bond yields have fallen dramatically and the effect of this has been only partially offset by the effect of strong asset returns, meaning that funding levels are likely to have worsened and deficits increased over this period.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

19: Actuarial present value of promised retirement benefits

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2014/15 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the East Sussex Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	31 Mar 2014 £m	31 Mar 2015 £m
Present value of Promised Retirement Benefits	3,385	4,031

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. I estimate this liability at 31 March 2015 comprises £1,893m in respect of employee members, £732m in respect of deferred pensioners and £1,405m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2015 is to increase the actuarial present value by £537m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2014 % p.a.	31 Mar 2015 % p.a.
Inflation / Pension Increase Rate	2.8%	2.4%
Salary Increase rate	4.6%	4.3%
Discount Rate	4.3%	3.2%

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.4 years
Future Pensioners*	24.2 years	26.7 years

*Future pensioners are assumed to be currently aged 45

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

20: Current assets

	31 March 2014 £000	31 March 2015 £000
Other Investment Balances		
Sales inc Currency	675	1,734
Investment Income Due	1,443	1,685
Recoverable Taxes	344	324
Managers Fee Rebate	8	15
Total	**2,470**	**3,758**

	31 March 2014 £000	31 March 2015 £000
Current Assets		
Contributions receivable from employers and employees	8,267	8,243
Sundry Debtors	1,533	2,327
Total	**9,800**	**10,570**

21: Current liabilities

	31 March 2014 £000	31 March 2015 £000
Investment Liabilities		
Purchases including currency	(682)	(10,645)
Managers Fees	(1,656)	(1,841)
Total	**(2,338)**	**(12,486)**

	31 March 2014	31 March 2015
	£000	£000
Current Liabilities		
Pension Payments (inc Lump Sums)	(1,426)	(988)
Cash	(882)	(246)
Professional Fees	(8)	(21)
Admin/CBOSS Recharge	(1,013)	(1,173)
Sundry Creditors	(1,626)	(1,507)
Total	**(4,955)**	**(3,935)**

22: Additional voluntary contributions

	Market value 31 March 2014	Market value 31 March 2015
	£000	£000
Prudential	14,568	14,992

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. In 2014/15 some members of the pension scheme paid voluntary contributions and transfers in of £1.512m (£1.496m 2013/14) to Prudential to buy extra pension benefits when they retire. £1.925m was disinvested from the AVC provider in 2014/15 (£2.571m 2013/14). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

23: Related party transactions

East Sussex County Council

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently there is a strong relationship between the council and the pension fund.

Each member of the pension fund committee is required to declare their interests at each meeting.

The Treasurer of the Pension Fund and members of the County Council and the Investment Panel have no material transactions with the Pension Fund.

The Council incurred costs in administering the fund and charged £1.2m to the fund in 2014/15 (£1.0m in 2013/14). The Council`s contribution to the fund was £42.3m in 2014/15 (£42.1m in 2013/14). All amounts due to the fund were paid in the year. At 31 March 2015 the Pension Fund bank account was overdrawn by £0.246m. The average invested throughout the year was £2.7m (£1.4m in 2013/14) and earned interest of £0.017m in 2014/15 (£0.005m in 2013/14).

Key management personnel

The Chief Finance Officer of East Sussex County Council holds the key position in the financial management of the East Sussex Pension Fund.

24: Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2015 totalled £115.3m (31 March 2014: £122.4m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment.

At 31 March 2015 the unfunded commitment was £111.5m for private equity, and £3.8m for infrastructure. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2015.

Sussex Careers Limited – a Community Admission Body in the Fund until 12 November 2008, supplied careers advisory services on behalf of both East Sussex County Council and Brighton & Hove City Council. Sussex Careers is now in the process of being wound up, and its assets will be distributed to its creditors, including the Fund which is the major creditor. These are not sufficient to meet their deficit of approximately £3.6 million.

The Valuation Tribunal Service – a Scheduled Body in the Fund – ceased on 22 November 2011 on the retirement of their last active member. Discussions are ongoing at a national level with the Department of Communities and Local Government (DCLG) with regards to consolidating VTS in one single fund.

25: Contingent assets

Twenty-one admitted body employers in the Fund hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. In addition to these bonds, pension's obligations in respect of nine other admitted bodies are covered by:

- 5 guarantees by local authorities participating in the Fund;
- 2 Parent company guarantee;
- 2 deposits, equal to the value of the bond required, held by East Sussex County Council.

At 31 March 2015 the Fund has invested £196.5 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £14.4 million in the M&G UK Companies Financing fund and £54.8 million in the infrastructure funds managed by UBS and M&G.

Following Rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund is pursuing the recovery of tax paid on certain dividends. If successful this may be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

26: Impairment losses

During 2014/15 the fund has not recognised any impairment losses.

27: East Sussex Pension Fund – Active Participating Employers

Employer	Contribution Rate					
	2013/14		2014/15		2015/16	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	18.5%	-	19.0%	-	19.3%	249,000
East Sussex County Council	19.3%	424,000	19.3%	1,179,000	19.3%	1,999,000
East Sussex Fire & Rescue Service	18.9%	-	19.4%	-	19.9%	-
Eastbourne Borough Council	19.1%	264,000	19.1%	314,000	19.1%	367,000
Hastings Borough Council	20.6%	144,000	20.6%	194,300	20.6%	248,800
Lewes District Council	20.5%	46,500	20.5%	97,000	20.5%	151,700
Rother District Council	19.7%	307,100	19.7%	355,900	19.7%	408,300
University of Brighton	18.7%	-	18.7%	-	18.7%	-
Wealden District Council	18.0%	409,800	18.5%	427,400	19.0%	445,700
Other Scheduled Bodies						
ARK Schools Hastings	19.6%	5,960	19.6%	1,040	19.6%	-
Aurora Academies Trust	19.9%	10,600	19.9%	16,600	19.9%	18,500
Beacon Academy	20.6%	-	20.7%	4,400	20.7%	10,400
Bexhill Academy	20.7%	28,800	20.7%	25,300	20.7%	24,500
BHCC Bilingual Primary School	12.9%	5,400	12.9%	5,300	12.9%	5,200
Brighton Aldridge Community Academy	17.9%	-	18.4%	-	18.5%	4,400
Cavendish Academy	18.2%	22,300	18.2%	20,200	18.2%	17,900
City Academy Whitehawk	21.6%	1,590	21.6%	280	21.6%	-
Diocese of Chichester Academy Trust	26.4%	-	26.4%	-	26.4%	-
Eastbourne Academy	19.4%	-	19.9%	-	19.9%	4,700
Eastbourne Homes Ltd	17.5%	-	18.0%	-	18.5%	-
Gildredge House Free School	16.6%	7,200	16.6%	6,700	16.6%	6,200
Glyne Academy	23.4%	-	23.4%	-	23.4%	-
Hailsham Academy	17.3%	23,800	17.3%	20,800	17.3%	17,600
King Church of England Free School	13.7%	980	13.7%	960	13.7%	930
Marshlands Academy	18.9%	2,200	18.9%	2,300	18.9%	2,400

Employer	Contribution Rate					
	2013/14		2014/15		2015/16	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Ore Village Primary Academy	16.6%	7,510	16.6%	6,540	16.6%	5,470
Pebsham Academy	17.2%	4,300	17.2%	3,500	17.2%	2,700
Portslade Aldridge Community Academy	18.2%	1,100	18.2%	6,600	18.2%	12,700
Ratton Academy	20.6%	-	21.1%	-	21.6%	-
Ringmer Academy	18.8%	-	19.3%	-	19.8%	-
Rye Academy	24.0%	-	23.5%	-	23.0%	-
Seaford Academy	21.6%	12,300	21.6%	9,100	21.6%	6,300
Seahaven Academy	19.3%	5,800	19.3%	6,100	19.3%	6,400
Surrey & Sussex Probation Board	18.1%	62,000	-	-	-	-
The Hastings Academies Trust	18.6%	-	19.1%	-	19.6%	-
Torfield & Saxon Mount Academy Trust	20.6%	-	21.1%	-	21.6%	-
White House Academy	16.0%	1,600	16.0%	1,700	16.0%	1,700
William Parker Academy	19.6%	5,120	19.6%	-	19.6%	-
Town and Parish Councils (pool)						
Battle Town Council	20.1%	-	20.6%	-	21.1%	-
Chailey Parish Council	20.1%	-	20.6%	-	21.1%	-
Chiddingly Parish Council	20.1%	-	20.6%	-	21.1%	-
Conservators of Ashdown Forest	20.1%	-	20.6%	-	21.1%	-
Crowborough Town Council	20.1%	-	20.6%	-	21.1%	-
Ewhurst Parish Council	20.1%	-	20.6%	-	21.1%	-
Fletching Parish Council	20.1%	-	20.6%	-	21.1%	-
Forest Row Parish Council	20.1%	-	20.6%	-	21.1%	-
Hailsham Town Council	20.1%	-	20.6%	-	21.1%	-
Hartfield Parish Council	20.1%	-	20.6%	-	21.1%	-
Heathfield & Waldron Parish Council	20.1%	-	20.6%	-	21.1%	-
Hurst Green Parish Council	20.1%	-	20.6%	-	21.1%	-
Lewes Town Council	20.1%	-	20.6%	-	21.1%	-
Maresfield Parish Council	20.1%	-	20.6%	-	21.1%	-
Newhaven Town Council	20.1%	-	20.6%	-	21.1%	-
Newick Parish Council	20.1%	-	20.6%	-	21.1%	-
Peacehaven Town Council	20.1%	-	20.6%	-	21.1%	-
Pett Parish Council	20.1%	-	20.6%	-	21.1%	-
Plumpton Parish Council	20.1%	-	20.6%	-	21.1%	-
Polegate Town Council	20.1%	-	20.6%	-	21.1%	-
Ringmer Parish Council	20.1%	-	20.6%	-	21.1%	-
Rye Town Council	20.1%	-	20.6%	-	21.1%	-
Salehurst & Robertsbridge Parish Council	20.1%	-	20.6%	-	21.1%	-
Seaford Town Council	20.1%	-	20.6%	-	21.1%	-
Sussex Inshore Fisheries & Conservation Authority	20.1%	-	20.6%	-	21.1%	-
Telscombe Town Council	20.1%	-	20.6%	-	21.1%	-
Uckfield Town Council	20.1%	-	20.6%	-	21.1%	-
Westham Parish Council	20.1%	-	20.6%	-	21.1%	-
Willingdon & Jevington Parish Council	20.1%	-	20.6%	-	21.1%	-
Colleges						
Bexhill College	17.0%	-	17.5%	-	18.0%	-
Brighton, Hove & Sussex Sixth Form College	17.0%	-	17.5%	-	18.0%	-
City College, Brighton	17.4%	42,000	17.4%	68,000	17.4%	96,000
Plumpton College	17.0%	-	17.5%	-	18.0%	-
Sussex Coast College	17.5%	-	18.0%	-	18.4%	2,700
Sussex Downs College	16.0%	-	16.5%	-	17.0%	-
Varndean Sixth Form College	17.0%	-	17.5%	-	18.0%	-
Community Admission Bodies						
Amicus Horizon	17.5%	310,000	17.5%	388,000	17.5%	472,000

Employer	Contribution Rate					
	2013/14		2014/15		2015/16	
	Payroll %	Amount £	Payroll %	Amount £	Payroll %	Amount £
Brighton Dome & Festival	31.0%	-	31.0%	-	31.0%	-
Care Quality Commission	21.3%	-	21.8%	-	22.3%	-
De La Warr Pavilion Charitable Trust	25.1%	-	27.0%	1,900	27.0%	5,500
East Sussex Energy, Infrastructure & Development Ltd (ESEID)	22.1%	-	21.2%	-	20.4%	-
Hastings Business Operations Limited (HBOL)	17.2%	-	18.6%	-	20.0%	-
Hove & Portslade CAB	21.5%	-	21.5%	-	21.5%	-
Sussex Archaelogical Society	24.2%	31,400	24.2%	35,600	24.2%	40,100
Sussex County Sports Partnership	15.8%	-	15.8%	-	15.8%	-
Sussex Housing & Care	20.0%	59,300	20.0%	123,700	20.0%	193,500
University of Sussex	30.9%	112,700	-	-	-	-
Transferee Admission Bodies						
Accent Catering Services Ltd	21.4%	-	21.4%	-	21.4%	-
Amey	22.9%	-	19.1%	-	15.2%	-
BHCC - Peyton and Byrne	21.1%	-	20.9%	-	20.7%	-
Curchill - Cavendish	26.2%	200	26.2%	1,100	26.2%	2,100
Civica ICT - William Parker	15.9%	-	15.9%	-	15.9%	-
Eastbourne Homes - SEILL	22.6%	-	22.6%	-	22.6%	-
Eastbourne Leisure Trust	20.9%	-	21.2%	11,700	21.2%	25,000
EBC - Towner	19.2%	-	19.2%	-	19.2%	-
Eden Foodservice	19.3%	-	16.1%	-	13.0%	-
Education Futures Trust	21.9%	-	21.9%	-	21.9%	-
ESCC - Care at Home	21.5%	-	17.3%	-	13.0%	-
ESCC – Churchill	20.7%	-	23.3%	-	26.0%	-
ESCC - Health Management Ltd (HML)	20.0%	-	20.0%	-	20.0%	-
ESCC - John O'Conner Ltd	19.9%	1,600	16.8%	-	13.0%	-
ESCC - NSL Limited	24.3%	-	23.9%	-	23.5%	-
European Electronique Ltd	14.5%	14,700	14.5%	24,700	14.5%	35,600
May Gurney Ltd	22.8%	-	24.7%	-	25.4%	3,000
Mears Ltd	24.9%	5,200	24.9%	25,400	24.9%	47,300
MyTime Active Ltd	20.1%	3,400	20.1%	10,900	20.1%	19,000
Wave Leisure Trust Ltd	18.8%	-	20.9%	13,100	20.9%	56,300
WDC - ISS Limited	26.4%	-	26.4%	-	26.4%	-
WDC - Kier	24.8%	-	24.4%	-	24.0%	-
WDC - Richardson	21.8%	-	21.0%	-	20.3%	-
WDC - Wealden Leisure	22.1%	17,600	22.1%	111,200	22.1%	212,900
BHCC - Wealden Leisure	20.1%	-	22.6%	4,000	22.6%	19,000
White Rock Theatre	22.4%	8,500	22.4%	18,600	22.4%	29,700

28: Investment Performance

The County Council uses an independent Investment performance measurement service, provided by the WM Company which measures the performance of the Fund compared with 85 other local authority pension funds. Pension Fund investment is a long term business so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	**15.0**	**11.2**	**8.4**	**7.9**
Benchmark	**11.9**	**9.5**	**7.2**	**7.5**
Relative	**2.7**	**1.6**	**1.2**	**0.4**

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	**15.0**	**11.2**	**8.4**	**7.9**
Local Authority Average	**13.2**	**11.0**	**8.7**	**7.9**
Relative	**1.6**	**0.1**	**(-0.3)**	**0.0**

The Fund outperformed the average local authority fund over the year by 1.6% (0.3% underperformance 2013/14), ranking the East Sussex Fund in the 22nd percentile (59th percentile 2013/14) in the local authority universe. Over three years the fund outperformed by 0.1% (0.7% underperformance 2013/14) and was placed in the 44th percentile (81th percentile 2013/14). Over five years the fund underperformed by 0.3% (0.8% underperformance 2012/13) and was placed in the 67th percentile (77th percentile 2013/14). Over ten years the fund relative performance was in line with the local authority fund average 0.0% (0.2% underperformance 2013/14) and was placed in the 50th percentile (52th percentile 2013/14).

Relative performance is calculated on a geometric basis as follows:

((1 + Fund Performance) / (1 + Benchmark Performance)) - 1

As opposed to the simpler arithmetic method as the geometric method makes it possible to directly compare long term relative performance with shorter term relative performance.

Glossary

Academy Schools

Academies are independently-managed, all-ability schools which operate outside the control of the local authority.

Accounting Standards

A set of rules about how accounts are to be kept. By law, local authorities must follow "proper accounting practices" which are set out both in acts of parliament and in professional codes and statements of recommended practice.

Accruals

Provision made at the year-end to bring into account outstanding debtors, creditors, etc., in order to show income and expenditure as it is earned or incurred.

Actuarial Gains and Losses

The change in pension liabilities since the previous year, caused either by events differing from the previous forecast, or a change in actuarial assumptions.

Actuarial Valuation

A review of the Pension Fund normally carried out at 3-year intervals, which assesses the contributions required from employing bodies in order to maintain the Fund's ability to pay benefits in future years to pensioners, contributors and their dependants.

Admitted Bodies

Bodies whose staff can become members of the Pension Fund by virtue of an admission agreement made between the Pension Fund and the relevant body (contrasting with Scheduled Bodies – see below).

Amortisation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of intangible assets are consumed during the year, calculated from the estimated life expectancy and any residual value.

Bad Debt Provision

Amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

Balances

A working balance maintained as a cushion against unexpected expenditure during the year. It is the amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

Business Rates Retention

Under the new Business Rates Retention scheme, Councils will retain a 50% share of all and any additional business rates they get above a determined baseline. This potentially provides a direct local incentive to encourage growth within local boundaries.

Capital / Capital Expenditure / Capital Receipts

Capital expenditure pays for the acquisition of assets or the enhancement (rather than maintenance) of existing assets. It is financed mainly from borrowing, and charged to revenue over a number of years. We plan for capital expenditure over several years in the published capital programme. The term 'capital receipts' covers income from the sale of assets, together with grants and contributions received specifically for financing the capital programme. Capital receipts can only be used for capital purposes, and not to support the revenue budget.

Cash Equivalents

These are investments, which amount to short term deposits.

Community Assets

These are assets, which the County Council intends to hold in perpetuity and have no determinable finite useful life.

Community Schools

In a community school, the local education authority owns the land and buildings, but the governing body is responsible for running the school. The local education funds the school, employs the staff, provides support services and determines and administers the admissions policy. The pupils have to follow the national curriculum.

Contingent Assets and Liabilities

A statement of a possible gain or loss to the Council, which is contingent upon the outcome of an event, which is not known for certain when the accounts are drawn up.

Corporate and Democratic Core (CDC)

Corporate and Democratic Core is defined as the two divisions of Democratic Representation and Management and Corporate Management .

Corporate Management

Corporate management concerns those activities and costs that provide the infrastructure that allows services to be provided, whether by the Council or not, and the information that is required for public accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services. There are no subdivisions recommended for corporate management.

County Fund

The main revenue fund of the County Council into which is paid income from the council tax precept, grants and charges for services and from which is met the cost of providing services.

Creditors

Amounts owed by the County Council but not paid at the date of the Balance Sheet.

Currencies

Japanese Yen (JPY), British Pound (GBP), Canadian Dollar (CAD), Swiss Franc (CHF), European Euro (EUR), Swedish Kroner (SEK) and United States Dollar (USD).

Curtailments

This heading covers the additional cost arising from the early payment of pension benefits when an employee is made redundant. The full estimated discounted cost is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this is offset by a transfer from the Pensions Reserve.

Debtors

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

Defined Benefit and Contribution Pension Schemes

Pension schemes generally fall into one of these two categories. Defined Benefit schemes are those such as the Local Government Pension Scheme, where the benefits to employees are based on their final salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities. Defined Contribution schemes are those where the employer's liability is restricted to the amount that they contribute. As the Teachers' Pension Scheme is administered nationally, it is treated in local authority accounts as a Defined Contribution scheme, but is actually a defined benefits scheme.

Democratic Representation and Management

This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. To give authorities maximum flexibility in reflecting their own constitutional arrangements, there are no recommended subdivisions of service.

Depreciation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of property, plant and equipment are consumed during the year, calculated from the estimated life expectancy and any residual value.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources. The auditor KPMG were appointed by the Public Sector Audit Appointments Ltd to carry out an audit of the Council's accounts.

Equities

Ordinary shares issued by companies.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The concept of fair value is used in many accounting standards including the IFRS covering acquisition, valuation of assets, and financial instruments, but it is not limited to these.

Foundation Schools

In foundation schools, the land and buildings are owned by a governing body, who are also responsible for running the school. The local education authority funds the school. The governing body employs the staff and buys in and administers most of the support services. The pupils have to follow the national curriculum. The admissions policy is determined and administered by the governing body, in consultation with the local education authority.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the local authority museum.

Impairment

Impairment to assets may be physical in nature, such as damage by fire, or caused by a general or specific reduction in prices during the financial year.

Infrastructure

This term covers capital investment on assets such as roads and rights of way.

Intangible Assets

This term includes such items as development expenditure or goodwill, but for local authorities it actually only covers licences for the use of computer software.

IFRS

International Financial Reporting Standards

Leasing

A method of obtaining the use of assets: a rental charge is paid for a specified period, but under operating lease conditions the asset remains the property of the lessor and the County Council has no rights to purchase. Finance leases transfer substantially all the risks and rewards of ownership.

Levies

A contribution which the County Council is required to make towards the costs of the Environment Agency (for flood defence), the Ashdown Forest Conservators and Sussex Sea Fisheries.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Council Tax Support (LCTS)

As part of the major changes to the Welfare Benefits system, from 1st April 2013, Council Tax Benefit ended and was replaced by a new scheme called Localised Support for Council Tax or Council Tax Support. Both systems are means tested which means that they compare your income and capital against an assessment of your needs. The new scheme largely is decided by each Council rather than nationally by Central Government.

Minimum Revenue Provision

An amount, prescribed by Government, to be set aside from revenue for the redemption of debt.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet. The NBV is the historical cost or current value less any accumulated depreciation.

Net Worth

The total of all assets less the total of all liabilities. It helps to determine the value of an entity and is also known as Total Net Assets or Total Equity.

Non-Distributed Costs

These are costs which the County Council has to bear, but which do not support any statutory services. This includes three elements of the pension cost (Past Service Cost, Settlements, and Curtailments) which are defined elsewhere, and the costs of properties, which have been declared surplus and are awaiting disposal.

Non-Domestic Rates

A charge on commercial and industrial buildings fixed by the Government and reallocated to local authorities.

Post Balance Sheet Events

A statement of the financial implications of an event taking place after the Balance Sheet date, which has a material effect on the County Council's financial position at the balance sheet date.

Prior Period Adjustments

Material adjustments that is applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Equity

Investments into new and developing companies and enterprises, which are not publicly traded on a recognised stock exchange.

Private Finance Initiative (PFI)

A long-term contractual public-private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

Property, Plant and Equipment (PP&E)

Property, plant and equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. PP&E is a summation of all the Council's purchases of property, plant, and pieces of equipment to that point in time, less any depreciation.

Provisions

Provisions are made for liabilities and losses which have already been incurred at the date of the balance sheet, and for which the amount or dates on which they will arise can be reliably measured.

Public Works Loan Board (PWLB)

A Government agency, which provides the main source of borrowing for local authorities.

Related Parties

This term covers individuals or bodies with which the County Council has a close economic relationship. It includes Members and Chief Officers, Government departments that provide funding, and other bodies that are involved in partnerships with the County Council.

Reserves

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

Revenue

Recurring expenditure principally on pay, running costs of buildings, equipment, and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be charged to capital but does not result in a tangible asset.

Scheduled Bodies

Local authorities and other similar bodies whose staff automatically qualify to become members of the Pension Fund.

Service Reporting Code of Practice for Local Authorities (SeRCOP)

The code gives a mandatory definition of total cost and the divisions of service at which total cost must be aggregated when presenting cost based information and performance indicators in a published format. SeRCOP provides guidance/support the objective to establish the widest range of financial reporting requirements, in order that data consistency and comparability are achieved. SeRCOP particularly aims to meet the demands of both the Best Value and the Transparency initiatives and its various stakeholders.

Settlements

These are adjustments to the County Council's pension liability arising from bulk transfers of employees. The full estimated discounted cost or gain is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this amount is offset by a transfer from the Pensions Reserve.

Unusable Reserves

This include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve) adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

Usable Reserves

This includes the revenue and capital resources available to meet future expenditure (e.g. the County General Balances, Earmarked Reserves, and the Capital Receipts Reserve).

Voluntary Schools

These schools are also called religious or faith schools and there are two types: voluntary controlled and voluntary aided. In a voluntary controlled school, the land and buildings are owned by a charity often a religious organisation such as a church. The charity appoints some of the members of the governing body, but the local education authority is responsible for running the school. The school is funded by the local education authority who also employ the staff and provide support services and determine the admissions policy. The pupils have to follow the national curriculum. With a voluntary aided school, the governing body is responsible for running the school, the school is funded partly by the local education authority, partly by the governing body and partly by the charity. The governing body employs the staff and the pupils have to follow the national curriculum. The admissions policy is determined and administered by the governors in consultation with the local education authority.