

Eastbourne Borough Council

Statement of Accounts 2019/20



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NARRATIVE REPORT BY CHIEF FINANCE OFFICER

I am very pleased to welcome you to Eastbourne Borough Council's Statement of Accounts for 2019/20, which gives me the opportunity to set the accounts in the context of the financial challenges being faced by the Council.

As ever, the Council is committed to delivering its key services and providing an environment where everyone works to create a confident and ambitious Borough.

These Statement of accounts have been prepared under unprecedented circumstances as the COVID pandemic has swept across the globe tragically resulting in loss of lives, economic hardship for individuals and businesses and suffering for many. In a very short space of time the Council has had to meet an increase in demand for its services from all sides, whilst contending with the challenges posed by the pandemic to the council's own workforce, to our key workers on the front line and with large numbers of our workforce working from home.

The Authority approved its 2019/20 net revenue budget on 20 February 2019. However, once the financial year was underway Eastbourne, like many other councils, experienced considerable difficulty in managing a number of pressures, particularly within temporary housing services and those services, which are directly influenced by wider economic factors. This was despite the allocation of considerable additional Council resources within the budget.

The accounts show that despite these pressures, through careful cost control and additional income and funding opportunities elsewhere, the financial challenges have been managed and a balanced outturn position has been delivered. This allowed the Council's balances to be increased and financial resilience to be maintained.

It is important to note that the deadlines for the preparation of the Accounts was changed for 2019/20. Having considered the impact of the COVID-19 pandemic and in consultation with key stakeholders, the Ministry of Housing, Communities and Local Government (MHCLG) introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

The draft Accounts must now be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit is now 30 November 2020 rather than 31 July 2020. The Accounts were submitted to the External Auditor on 24 July 2020 in accordance with internal timelines, and ahead of the revised statutory deadline. The Council will continue to follow best practice principles and submit the draft accounts to the Audit and Governance Committee to allow Members the opportunity to review them before they are asked to formally approve the Statement of Accounts. The review of the accounts is planned for the Audit and Governance Committee on 9 September 2020.

As regards this statement of accounts, it should be noted that the financial uncertainty which the council is facing does not impact on the going concern basis for the production of the accounts. The Code of Practice on Local Authority Accounting in the United Kingdom requires that all councils should produce their accounts on a going concern basis. This is a reflection of the statutory position, that local councils do not have the power to cease their operations (as would be the case for a private sector body which was in financial difficulty) and that local councils will continue to exist and to deliver local services for the foreseeable future.

Finance Service strives to continue to improve its procedures and processes and we have gladly taken on board the recommendations made by the External Auditor as part of the 2018/19 accounts audit.

The Council recognises that the financial work undertaken throughout 2019/20 focused primarily on delivering a balanced budget for 2019/20 and Members were advised of the budget gaps for each of the three years 2020/21 to 2022/23. Clearly, given the current operating climate, particularly with the uncertainty around the future funding for the Local Government sector, coupled with Brexit, there remains much work to do.

The Joint Transformation Programme has created the operational framework to facilitate change and support our efforts to balance the budget. The Council is committed to the regeneration of Eastbourne Town Centre and the wider Borough and this remains a key Council priority. A number of major schemes such as reopening of the Congress Theatre, as part of the Devonshire Quarter have been completed or are currently underway together with exciting longer-term proposals, which are at the development stage. This is aimed at revitalising the Eastbourne offer and the prosperity of the Borough.

I want to thank all of our Finance staff who have once again worked hard to close the accounts to a very high standard.

I also want to acknowledge the excellent work done to balance the 2019/20 budgets, and to monitor and manage the financial position of the Council throughout the financial year. Careful financial administration allows fully informed decision making when determining the best use of Council resources so that services of the best possible quality can be delivered

Homira Javadi CPFA, FCCA, ACCA

Chief Finance Officer (S151 Officer)

NARRATIVE REPORT BY CHIEF FINANCE OFFICER**INTRODUCTION**

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

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

- Understand the overarching financial position of the Council and the outturn for 2019/20;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The Narrative Report provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2020 and is structured as below:

- About Eastbourne
- Governance
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2019/20
- Staffing
- Future Plans
- Explanation of Financial Statements
- Further Information.

ABOUT EASTBOURNE**The Council**

Eastbourne Borough Council is one of five district and borough councils in East Sussex, each providing key services to their residents. These services include waste collection and recycling, environmental health, tourism, leisure and amenities, planning and collection of council tax.

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

Our Environment

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

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

The Community

Eastbourne has an estimated population of 103,745. Historically, it has attracted older people to come and live in the town. Compared to the region and nation as a whole, Eastbourne has a higher percentage of the population of pensionable age, 25.1% aged over 65 years old against a national average of 18.4%. However, this is changing and although Eastbourne still provides an attractive location for retirement, the town has also experienced considerable housing and economic development that has attracted a younger age group, leading to an increasingly more balanced community. We now have 32.2% of our population below the age of 30.

Eastbourne has a high proportion of people with a long-term health problem or disability at 22%. The national average is 17.9%. Four areas of Eastbourne fall within the most 10% deprived in England. These are found within the Devonshire, Langney and Hampden Park wards.

The Economy

Public administration, education and health are the largest employers in Eastbourne at 37.5% followed by wholesale and retail trade at 21%. Both sectors have greater concentrations in Eastbourne than East Sussex, the South East and Great Britain.

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

Average earnings for Eastbourne are £448 per week, which is lower than the national average of £482, but comparable with the average for East Sussex. The local unemployment rate in Eastbourne (3.9%) is slightly higher than in East Sussex (3.3%) and the South East (3.1%) but comparable to the national figure (4.0%).

The impact of COVID 19 towards the end of this financial year is likely to be significant, affecting the tourist economy and hospitality businesses, as well as employment rates.

HOW THE COUNCIL OPERATES

Eastbourne Borough Council is a complex organisation. Elected councillors direct our policies, which the Corporate Management Team (shared with Lewes District Council) then implements through the officers of the Council. There are 27 councillors representing 9 wards within the borough. Full Council elections take place every four years, most recently in May 2019. Composition of the Council is

Liberal Democrat Party (controlling political group)	18 Councillors
Conservative Party	9 Councillors

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

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

The 2020 Cabinet consists of the following members:

Councillor David Tutt	Leader of the council and chair of cabinet, and cabinet member for responsibilities aligned with the chief executive
Councillor Stephen Holt	Deputy leader cabinet member for financial services
Councillor Margaret Bannister	Cabinet member for tourism and leisure services

Councillor Jonathan Dow	Cabinet member for climate change
Councillor Alan Shuttleworth	Direct assistance services
Councillor Colin Swansborough	Cabinet member for place services and special projects
Councillor Rebecca Whippy	Cabinet member for disabilities and community safety

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

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

Supporting the work of councillors is the organisational structure of the Council headed by the Corporate Management Team (CMT). CMT is comprised of our most senior staff (officers) as follows:

Robert Cottrill	Chief Executive (Statutory Head of Paid Service)
Ian Fitzpatrick	Deputy Chief Executive
Tim Whelan	Director of Service Delivery
Phil Evans	Director of Tourism and Enterprise
Homira Javadi	Chief Finance Officer (Statutory Section 151 Officer)
Catherine Knight	Assistant Director of Legal and Democratic Services
Becky Cooke	Assistant Director of Human Resources and Transformation
Peter Finnis	Assistant Director of Corporate Governance (Statutory Monitoring Officer)

The Council appoints the three statutory posts of Head of Paid Service, Section 151 Officer and Monitoring Officer as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget.

Eastbourne Borough Council is supported by a workforce fully shared and integrated with Lewes District Council to provide more flexible, customer-focussed and cost-effective services. This was achieved via the phased Joint Transformation Programme (JTP) which has now concluded.

The JTP delivered considerable changes in technology that has enabled the scale of transformation needed by the councils. The two councils share a joint website (www.lewes-eastbourne.gov.uk) which continues to develop and become the main point of contact for many customers. An ongoing increase in the number of online transactions being completed demonstrates a positive direction of travel towards channel shift and the aspiration to be digital by default.

However, local democratic accountability is maintained with both councils remaining separate sovereign entities with their own distinct priorities.

CORPORATE PLAN

The Corporate Plan sets out our priorities and key projects covering the period 2020 to 2024. Refreshed annually (most recently in 2020) the four year plan sets out the key outcomes the Council will deliver with its partners for our Borough. The plan sets out the priority themes which reflect the vision to deliver a clean and attractive zero carbon town, producing less waste than before, with a high quality built environment, excellent parks and open spaces, served by a number of good transport options. To deliver this, the Council will work closely with partners such as East Sussex County Council, the East Sussex College Partnership, the Community Safety partnership, local charities and social enterprises as well as the local community.

The Plan is monitored and progress reported to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of our local communities. The Plan is available on the website <https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/>

CORPORATE RISK

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

The following strategic risks are reviewed by the Corporate Management team quarterly:

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

Title	Description	Internal Controls
Not being able to sustain a culture that supports organisational objectives and future development.	<ol style="list-style-type: none"> 1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud. 	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 1. Deliver a fit for purpose organisational culture. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.
Council prevented from delivering services for a prolonged period of time.	<ol style="list-style-type: none"> 1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people 	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 1. Adoption of best practice IT and Asset Management policies and procedures. <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. <p><u>Reduces Impact</u></p> <ol style="list-style-type: none"> 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	<ol style="list-style-type: none"> 1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event. 3. Work adversely affected by reduced staff numbers due to effects of pandemic virus. 	<p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. <p><u>Reduces Impact</u></p> <ol style="list-style-type: none"> 3. Ongoing and robust risk profiling of local area (demographic and geographic). 4. Review budget and reserves in light of risk profile.
Failure to meet regulatory or legal requirements	<ol style="list-style-type: none"> 1. Trust and confidence in the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties 	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation. 6. All managers are required to abide by the Council's procurement rules.

Title	Description	Internal Controls
		7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.
Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	<u>Reduces Likelihood</u> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to
The Council suffers a personal data breach by inadequate handling of data or by an IT incident	1. Trust and confidence in the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties 3. Deterioration of service performance as a result of regulatory intervention/penalties 4. Increased probability of compensation claims by persons affected by a personal data breach.	<u>Reduces Likelihood</u> 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course. 3. Ensure that the Data Protection Policy is regularly reviewed. 4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions. 5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements. 6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. <u>Reduces Impact</u> 1. Incident management procedures to mitigate loss or breach of data are in place.

The Strategic Risk Register quarterly review was reported to the Audit and Governance Committee on 4 March 2020 (next review in September 2020). The register includes a risk score, for the table above, based on the likelihood and the impact with a red, amber, green indicator. It compares the previous score to the current score. The report noted that the previous increase in risk value due to Brexit had been left in place, due to the ongoing lack of clarity on likely impacts and secondly that the Corona virus score will be increased if and when it becomes classed as pandemic.










SUMMARY OF ACHIEVEMENTS

In the 2019/20 financial year, the following key successes were delivered

- Environment First launched, with improved performance in waste service delivery;
- The story of Eastbourne Exhibit completed its inaugural year with 23,000 visitors;
- The New Welcome building opened, enhancing the town's conferencing offer;
- 12 one and two-bedroom affordable homes delivered by Aspiration Homes properties in Northbourne Road;
- Declaration of a climate emergency and formation of Eastbourne Carbon Neutral 2030;
- Regenerate Revo Gold Award for Eastbourne Town Centre, recognizing place making excellence, original investment and ingenuity by the Public Sector;
- Approval for the Downland Whole Estate Plan which aims to prioritise conservation and enhancement of the Downland Estate, while providing an income strategy;
- Adoption of pesticide and pollinator strategy aimed at achieving pollinator-friendly land management and a phased reduction in pesticide use;
- Disability inclusion fund established to kick-start interventions to help tackle the barriers experienced by children and adults with disabilities;
- Adoption of Eastbourne Housing Strategy 2020-2024 with a vision to deliver and maintain affordable, high quality homes and promote access to housing options;
- Increased wildflower planting and a reduction in the frequency of grass cutting to encourage re-wilding and biodiversity;
- Removal of dangerous trees infected with ash dieback;
- Launch of training grants scheme to deliver new employment, education and training initiatives;
- Holocaust Memorial Day event in the Welcome Building;
- Pop-up hotel school initiated, aimed at strengthening links between education and industry;
- Opening of Bistrot Pierre restaurant on the redeveloped Wish Tower site.

Key Performance Indicators

The following performance indicators have been used to track performance in the past year and progress has been reported through our Scrutiny Committee and Cabinet on a quarterly basis. 2019/20 has seen the embedding of changes made to the organization as part of the Joint Transformation Programme implemented the previous year. Performance has improved throughout the authority. The council continues to monitor performance closely and is taking proactive measures in response to the new challenges arising from the COVID-19 crisis.

Performance indicator	Target for 2019/20	Performance in 2019/20	
percentage of Major Planning Applications processed within 13 weeks	65%	83%	
percentage of minor planning applications processed within 8 weeks	75%	82%	
percentage of household waste sent for reuse, recycling and composting	38%	39.99%	
Number of households living in emergency (nightly paid) accommodation	Data only	148	Data only
Average void relet time (key to key)	20	17.8	
Revs and Bens: Average days to process new claims	22	20	
Percentage of phone calls answered within 60 seconds	80%	73.36	
Percentage of Council Tax collected during the year	97.06%	96.82%	
Percentage of Business Rates collected during the year	98.5%	97.07%	
Average days lost per FTE employee due to sickness	8 days	9.54 days	

FINANCIAL PERFORMANCE OF THE COUNCIL IN 2019/20

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

1. Comprehensive Income and Expenditure Account

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements, and discloses a 'deficit' for 2019/20 of £39.847m (split between General Fund deficit £53.538m and HRA surplus £13.691m). The Movement in Reserves Statement reconciles this IFRS 'deficit' together with other reserve transfers into a net decrease in the general fund balance of £4.240m (including ICE Limited – see Notes 4 and 5) and an HRA deficit of £0.064m.

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

2. General Fund

The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £12.9m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2019/20 of £246.77, being a 2.96% percent increase over 2018/19.

As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants, over and above budgeted receipts, to aid the Council's cash flow. The largest grant related to the section 31 Business Rates Relief Grant of £1,756,268. However, this grant which was due to be paid in 2020/21 and therefore has been treated as a receipt in advance.

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

General Fund	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Corporate Services	4,764	4,874	4,221	(653)
Service Delivery	4,947	5,334	5,266	(68)
Regeneration and Planning	(298)	313	803	490
Tourism and Enterprise	3,496	4,304	4,320	16
Other Income and Expenditure	151	151	-	(151)
Service Total	13,060	14,976	14,610	(366)
Capital Financing	1,763	530	1,382	852
Total Expenditure	14,823	15,506	15,992	486
Transfer to/(from) Reserves	-	43	(1,375)	(1,418)
Transfer from General Fund Balance	(1,277)	(2,207)	(1,528)	679
Budget Requirement	13,546	13,342	13,089	(253)
Council Tax	(8,637)	(8,637)	(8,637)	-
Business Rates	(4,594)	(4,313)	(4,043)	270
Government Grants	(315)	(392)	(409)	(17)
Total Funding	(13,546)	(13,342)	(13,089)	253

The General Fund Revenue outturn is a surplus of £253,000 against the revised budget. When the budget was originally set in February 2019 the Council estimated it would need to draw down £1.277m from the General Fund Reserve in order to balance the budget. The actual transfer was £1.528m. As a result of this movement the General Fund Balance as at 31 March 2020 was £2.025m (after including ICE adjustments a balance of £0.142m).

The coronavirus pandemic has markedly changed the financial outlook in the current financial year. Although there are a number of services where some costs and savings may be realised, these savings will fall well short of what will be required to offset additional costs and significantly reduced income. There are however many services where contractual commitments, homelessness, housing needs and impact of economic downturn are being honoured by the Council and additional expenditures are being incurred on changed models of service delivery. Income in most services including leisure services have been adversely impacted with a dramatic reduction to nil in numerous service areas.

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

Analysis of Major Variances	Variance £000's
Reduced transfer from General Fund Reserve	679
Net Capital Financing cost/investment income	404
Investment Properties – reduced rental income	324
Housing Delivery Team – shortfall on cost recovery	189
Catering – additional cost and under achievement on savings target	148
Development Control - increased agency costs	133
Elections (funded from General Fund Reserve)	119
Other minor net overspends	75
Additional transfer from Earmarked Reserves	(1,091)
Additional transfer from Non-Earmarked Reserves	(327)
ICT net savings	(235)
Estates & Property – operational building savings.	(147)
Events – net saving on staffing and other expenses	(145)
Customer Contract Team savings (mainly staffing)	(119)
Heritage and TIC's net underspending	(92)
Sports Delivery contract savings	(85)
Insurance savings	(83)
Total Net Underspend	(253)

The 2019/20 accounts include a disclosure note – the Expenditure and Funding Analysis (EFA), Note 7a to the Accounting Statements, which sets out the net amounts chargeable to the General Fund, HRA balances and Earmarked reserves for the year as compared to the amounts accounted for under generally accepted accounting practices shown in the Comprehensive Income and Expenditure Statement.

These amounts are analysed across the directorates of the Council on the same basis as shown in the outturn summary table above. However, some differences remain between the Directorate totals above and the General Fund Directorate totals shown in the EFA note; these are explained in the table below:

	GF & HRA Foreword	Drainage Levy	Trading Accounts	Investment Properties	Capital Adjustment Account	HRA and Earmarked Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Services	4,221	(230)	-	-	389	65	4,445
Service Delivery	5,016	-	339	-	-	-	5,355
Regeneration & Planning	803	-	3	1,339	1,496	-	3,641
Tourism & Enterprise	4,320	-	(283)	-	-	-	4,037
Housing Revenue Account	(1,787)	-	-	-	-	(444)	(2,231)
Service Total	12,573	(230)	59	1,339	1,885	(379)	15,247
Other Expenditure	-	230	(59)	(1,339)	-	-	(1,168)
Capital Financing costs	3,233	-	-	-	-	-	3,233
Council Tax	(8,637)	-	-	-	-	-	(8,637)
Business Rates	(4,043)	-	-	-	-	-	(4,043)
Government Grants	(409)	-	-	-	-	-	(409)
Other Income and Expenditure	(9,856)	230	(59)	(1,339)	-	-	(11,024)
Transfers to / (from) Reserves	(2,717)	-	-	-	(1,885)	379	(4,223)

3. Housing Revenue Account

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

At 31 March 2020 there were 3,382 dwellings provided for rent. Housing Associations are the second major provider, and the Council continues its work with them in order to meet new affordable housing requirements for Eastbourne.

For 2019/20 the Housing Revenue Account net position shows an overall deficit of £64,000 for the year against an expected budgeted deficit of £608,000 resulting in a favourable variance of £544,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2019/20:

HRA	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Income	(15,083)	(15,349)	(15,319)	30
Expenditure	13,338	13,435	13,532	97
Capital Financing & Interest	1,948	1,842	1,851	9
Contribution to Reserves	(200)	680	-	(680)
Total HRA	3	608	64	(544)

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

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

	£000
Reduced revenue funding of capital expenditure	(680)
Reduced contribution to Bad Debt Provision	(186)
Take up of under occupation scheme	(57)
Increased depreciation charge	66
Reduced rental income	357

4. Collection Fund

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

The overall Collection Fund is showing a deficit of £0.123m (Council tax surplus (£0.208m) and Business Rates deficit £0.331m) as at 31 March 2020 (compared to a deficit of £1.898m as at 31 March 2019).

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2020 forecast surplus for the Council Tax element of the fund of £0.481m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2020/21 leaving a balance of £0.273m to be recovered in 2021/22. This Council's share as at 31 March 2020 was £0.073m.

The forecast deficit for the Business Rate element of the fund was £0.073m, which will be collected from preceptors in proportion to their share of the business rate income during 2020/21 leaving a balance of £0.258m to be collected in 2021/22. This Council's share as at 31 March 2020 was £0.146m.

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

During 2019/20 the Council continued to work within a Business Rate Pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

5. Capital Programme

The Council's capital programme spending in the year was £33.8m compared with a revised budget of £40.2m. Capital programme expenditure has been financed as follows:

	£000
Capital Receipts	3,632
Grants & Contributions	2,583
Major Repairs Reserve	4,205
Financed from borrowing	23,333
Total	<u>33,753</u>

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

	Budget	Actual	Variance
	£000	£000	£000
Council Dwelling Improvements & building	6,545	4,529	(2,016)
Investment & Land Acquisition	5,105	3,545	(1,560)
Devonshire Park Development	6,262	5,473	(789)
Asset Improvements & building	850	909	59
Loans to Subsidiary Companies	13,398	13,774	376
IT & JTP	1,521	1,616	95
Disabled Facility and Private Sector Renewal Grants	1,473	998	(475)
Playground & Sports Facilities Improvements	2,345	610	(1,735)
Beach Management	349	154	(195)
Community Facilities	1,945	2,018	73
Other Schemes	369	128	(241)
Total Capital Programme Expenditure	<u>40,162</u>	<u>33,754</u>	<u>(6,408)</u>

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

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

6. Pensions

The East Sussex Pension Annual Report and Accounts 2019/20 state that the last year saw the latest triennial actuarial valuation for the Fund. Hymans Robertson calculated the Fund's assets at 31 March 2019 at £3.63bn. When compared to the projected liabilities of the Fund at £3.39bn, this represented a 107% funding level, indicating a strong solvency position, and reflecting strong investment returns. COVID-19 has negatively impacted on the Fund's valuation, as the global economy struggles to understand and respond to the pandemic. The fund is solvent but careful cash flow planning has become paramount. Investing in a genuinely diversified portfolio is even more important. However, the long-term 20-year assumptions within the valuation put the Fund in a strong position to weather the current uncertainties.

The Council's liability for future pension payments has decreased from £56.2m to £49.9m. The Defined Benefit Obligations have decreased by £25.4m from £221.1m to £195.7m and the net asset value has decreased by £19.2m from £165.0m to £145.8m. It is important to realise that this accounting change does not trigger an immediate change in contribution rates, as these are assessed with a longer term view of liabilities and of investment performance. In 2018/19, 14% of scheme assets were invested in Equities but this reduced to 8% in 2019/20. Investment Funds and Unit Trusts have increased from 73% in 2018/19 to 81% in 2019/20. The % share of Real Estate and Cash Holdings have remained fairly consistent year on year.

7. Treasury Management

The Council's external loan debt at 31 March 2020, comprising long and short-term borrowing, stood at £162.2m excluding accrued interest payable. This is made up of £126.9m repayable in more than one year and £37.7m repayable in less than one year. This is a net increase of £38.5m over the previous year, mainly as a result of additional borrowing. No short-term investments were held at 31 March 2020, the same as the previous year. The Council held cash balances as at 31 March 2020 of £3.5m, compared to £2.2m as at 31 March 2019.

STAFFING

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

Employees	2019/20	2018/19
Total number of current permanent full and part time employees	725	718
Total number of current temporary/fixed term employees	41	50
Total Number of Employees	766	768
Total number of employees expressed as full time equivalents	720.75	720.10
Posts	2019/20	2018/19
Total number of permanent full and part time posts	764	753
Total number of temporary/fixed term posts	40	50
Total number of posts	804	803
Total number of posts expressed as full time equivalents	760.48	753.43

Staff turnover was 12.76% in 2019/20 (16.5% in 2018/19). 12.1% (80.3% in 2018/19) of this turnover was through voluntary resignation (including requests for voluntary redundancy). When voluntary redundancies are excluded, this figure is 11.05%.

Sickness absence figures are:

	Number of Hours Lost	Number of Days Lost	Average Number of Days Lost per employee
2019/20	51,501	6,960	9.09
2018/19	43,460	6,182	8.05

➤ Medium Term Financial Plan

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2019/20 and the Medium Term Financial Strategy for the years through to 2023/24 were approved in February and July 2019 in the context of the Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2019/20.

The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.

The specific objectives of the MTFS are to:

- ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;

- plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;
- redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and
- maintain sufficient reserves and balances to ensure that the Council's long term financial health remains sound.

COVID-19 is having a widespread impact on the world. Local authority spending throughout the country has been effected and this has been particularly significant for district and borough councils. The impacts are yet to emerge fully and as yet, we don't have data across a range of factors important to the health, wellbeing and resilience of residents and communities. This is a picture which will develop further and possibly quite quickly. What we can say is that our expectations are that the COVID-19 will result in increased service demand, risk to council tax receipts and income from fees and charges. The full implications will feed through our revised MTFS and revised budget position for 2020/21 in September.

However, the Council Medium Term Financial Strategy sets out the Council's four-year spending and funding plans, and is the financial framework for the development of the detailed 2020/21 budget. The previous MTFS forecast budget gaps in each of the next four financial years as follows:

Descriptions	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Budget Forecast	13,883	14,480	15,535	16,615
External Funding	(13,114)	(12,970)	(12,917)	(12,910)
Annual Budget Gap	769	1,510	2,618	3,705
Cumulative Budget Gap	769	2,279	TBC	TBC

The MTFS was updated with the latest forecast position, which incorporates the on-going impact of any pressures and mitigations identified in the first quarter's budget monitoring from 2019/20 and newly identified budget pressures. The forecast budget gap for 2020/21 increased largely due to the impact of continuing housing demand, economic uncertainty and reduction on some key income streams. The Summary of the Revised MTFS Position are as follow:

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Adjusted Base Budget	15,698	13,034	14,766	15,585
Additional budget pressures/savings	(2,232)	1,732	819	859
Initial Budget Forecast	13,466	14,766	15,585	16,444
External Funding	(13,522)	(13,124)	(13,463)	(13,817)
Cumulative Budget (Surplus) / Gap	(56)	1,642	2,122	2,627

A typical financial planning cycle for the Council is a continual process of review and challenge of future years' budget assumptions over a medium term horizon. This is based on performance against the current year's budget, incorporating the costs and benefits of business change and responding to political and economic factors within the external environment. Following the publication of this account, work will continue to further validate and monitor delivery against all of the key budget assumptions for 2020/21 and beyond. Since the publication of the MTFS in July, the Council has reviewed its 2020/21 budget following consideration of the following areas:

- Priority objectives and service plan delivery;
- Planned business change and opportunities for increased value for money;
- Current levels of service demand and performance against budget; and
- The statutory environment that each directorate operates in.

The key financial assumptions within the MTFS have been refreshed to include the impact of:

- The capital strategy and rolling capital programme;

- Demographic and service demand pressures, which have been reviewed based on the latest national and local trends and management information available;
- Expenditure and income inflation indices, which have been reviewed using the latest economic data and contract information;
- An assessment of changes to government grants and funding;
- The Council's operational and financial performance with due regard given to the on-going impacts in 2020/21;
- Ongoing validation of MTFS savings proposals.

➤ Council Reserves

The council retains a level of earmarked reserves to fund specific schemes or one off items which are not included in revenue budgets or within the capital programme. There are also reserves for specific government funding that is carried forward from year to year. The council planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies. The level of General Fund Reserves are relatively low in comparison on Cipfa's Resilience Index measure and so the Council are working towards improving this position.

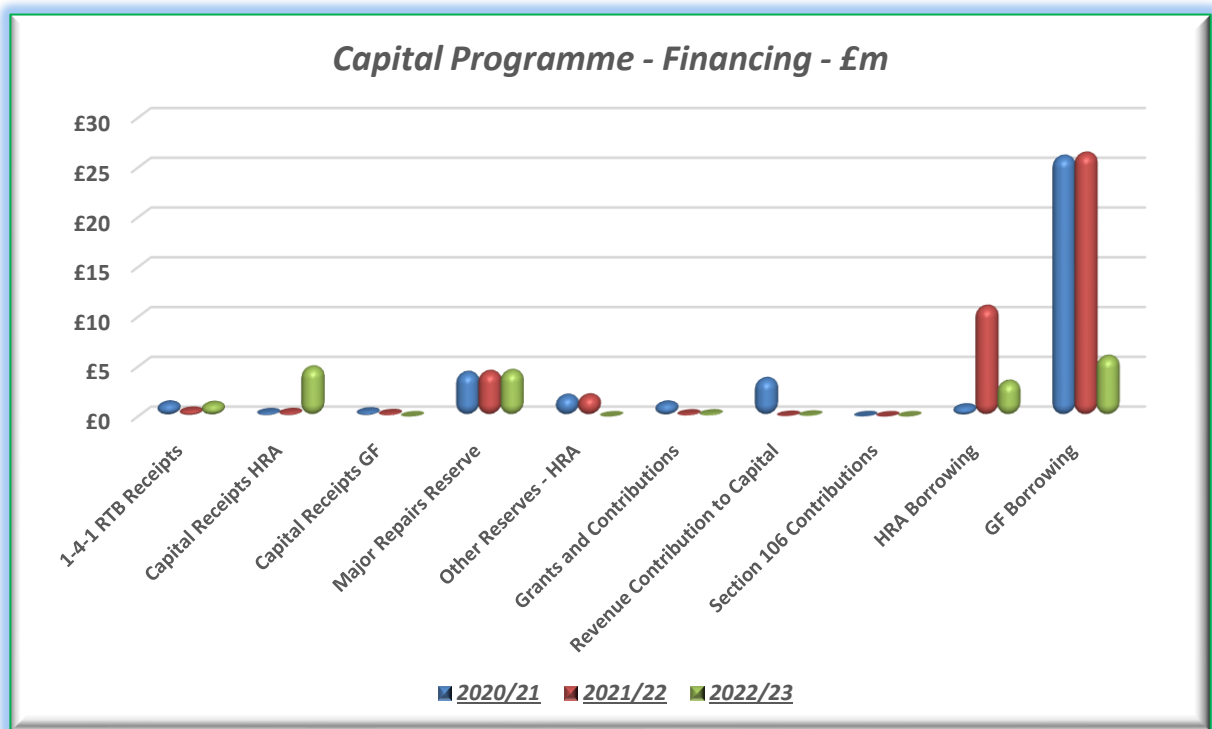
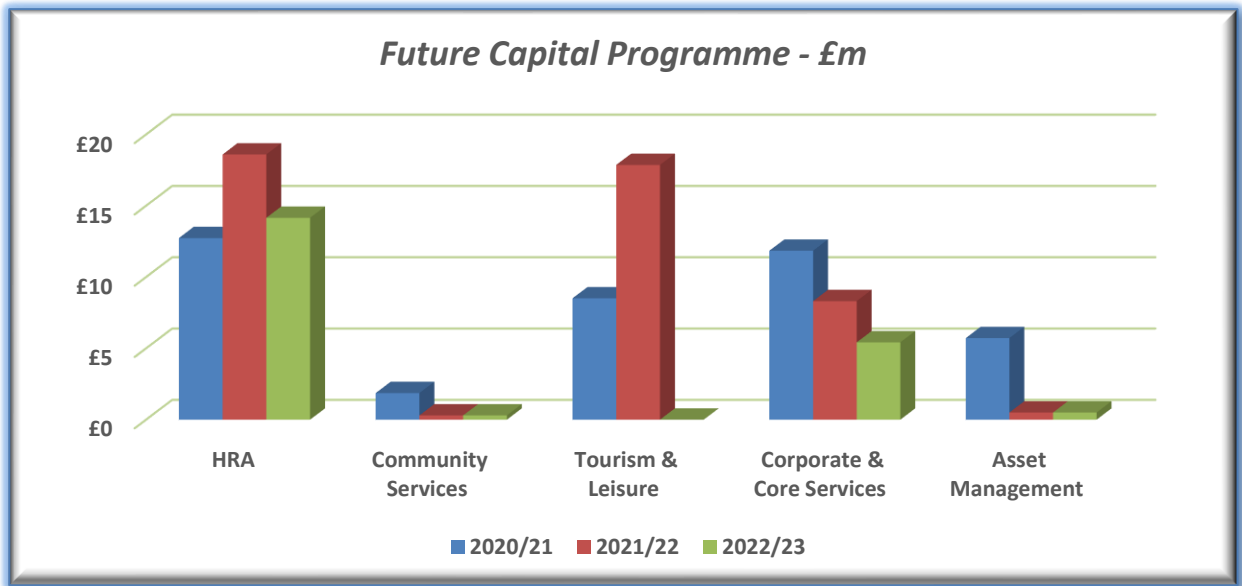
In the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, there is much less dependency on revenue grants from government, and thus its finances are more resilient at this time. Reserves have increased in readiness for investment in better quality housing, fire risk assessment works and to deal with potential risks.

➤ Capital Programme

The Capital Programme has been framed to deliver significant investment in infrastructure in the future. It is funded by Capital Receipts, Grants and Contributions, Reserves and Borrowing. The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

The Capital Programme for 2020/21 to 2022/23 is as follows:

	Estimate Total 2020/21	Estimate Total 2021/22	Estimate Total 2022/23
<u>Capital Programme</u>	£000	£000	£000
HRA	12,735	18,596	14,155
Community Services	1,866	300	300
Tourism & Leisure	8,510	17,862	-
Corporate & Core Services	11,847	8,314	5,423
Asset Management	5,721	500	500
Total Programme	40,679	45,572	20,378
<u>Financed By:-</u>			
1-4-1 RTB Receipts	1,306	635	1,262
Capital Receipts HRA	465	475	4,852
Capital Receipts GF	551	342	-
Major Repairs Reserve	4,307	4,403	4,493
Other Reserves - HRA	2,000	2,041	-
Grants and Contributions	1,300	300	300
Revenue Contribution to Capital	3,697	91	130
Section 106 Contributions	27	-	-
HRA Borrowing	1,001	10,951	3,418
GF Borrowing	26,025	26,334	5,923
Total Financing	40,679	45,572	20,378



➤ **COVID-19**

Any interested reader of the accounts is likely to have one question at the forefront of their mind this year when considering the Council’s accounts – what has been the impact of COVID-19?

Aside from the small amount (in relative terms) of expenditure incurred and income foregone at 31st March 2020, the most significant scope for a Covid-effect probably lies with those areas of the accounts that are most often associated with changes in market values: pensions accounting; property asset valuations; and investments in arms-length companies. In March 2020 the UK was placed in lock-down in an unprecedented step to limit the spread of the Coronavirus which was sweeping Europe. Many businesses were closed and the Government provided initial financial support in the order of £123 billion in loans, grants and business rates relief. In April 2020 the Budget Deficit increased by £62 billion to part fund these initiatives, amid warnings from the Bank of England of the worst recession since the 18th Century.

In response to the COVID-19 outbreak, The Ministry of Housing Communities and Local Government was clear that any council who made an immediate response to the COVID19 outbreak would be financially supported in their decision making by the government. In addition, the government has been making a series of ongoing policy announcements, which has meant that local authorities have had to respond quickly to new announcements and understand the financial implications arising.

A complex picture of initiatives has emerged, some of which have been supported by additional funding; some that will lead to reductions in both council tax and business rates receipts; some that require administration by local authorities of grants to businesses; and then a range of measures with wider financial implications for local authorities.

Immediately following the outbreak of COVID-19 and the announcement of a national lock-down, the Council diverted resources to assist and support the most vulnerable in the borough working in partnership with voluntary sector partners, and at the request of government, established a Community Hub helpline and related services which have been operating since 30 March 2020. It is intended that the Community Hub provision continues until the end of the lock-down period and possibly beyond.

On 19 March, the government allocated £1.6 billion to councils to assist with COVID-19 related support. The split between county and district authorities was 98:2. Eastbourne Borough Council received £64,321 from this allocation. The second round of emergency funding was announced on 28 April. This increased the allocation by another £1.6bn. The split between county and district authorities was 65:35. The Council's share of this allocation was £1.03m.

The Council's finances are very vulnerable in the current situation. Council Tax revenues could be impacted if taxpayers' financial circumstances are impacted and more people claim Council Tax Reduction discounts (CTR). Similarly, Business Rate revenues, excluding government support for expanded reliefs, could be impacted by the effect on the local economy and the visitor-driven economy both in the short and medium term depending on recovery.

Most concerning are fees and other commercial income as these are now a very large source of funding for council services. The pandemic will see many income streams being severely impacted by closures, or reduced business and tourism activity, and/or the general impact on the economy (e.g. commercial rents and planning fees).

In setting its budget and meeting the cost of its key services, the Council committed to a range of efficiency savings and additional income targets much of which are now unlikely to be delivered.

The Ministry of Housing, Communities & Local Government (MHCLG) recently collected financial data from local authorities to begin to understand the costs and income pressures facing local authorities. At this early stage these are difficult to estimate accurately, however, the assumptions included in our submission are under constant review and will be updated regularly.

Based on our current experience, the Council estimates that the additional costs arising from the pandemic so far, including delayed savings programmes, could be approximately £190k per week. This is an approximate impact and worse-case scenario which takes into account significant loss of income, additional costs including increased demand in homelessness and housing need. There will be some offset to these costs from reduced purchases of non-essential supplies and services, which is not anticipated to be significant. These costs may be mitigated more substantially by, for example, increased economic activity, income and employment levels associated with the easing of lockdown restrictions.

Conversely, if businesses and households continue to experience lower incomes then lower Council Tax, Business Rates and other income to the Council will remain below those anticipated in the Budget.

These longer term risks emphasise the importance of additional government financial support to local authorities as a consequence of the pandemic and the extra vital work we are carrying out in supporting vulnerable households and local businesses. These matters will be monitored closely and modelled with regular updates to members. It is also of considerable concern that the financial impacts on taxation, business rates and fee incomes could take a considerable amount of time to recover, giving rise to a significantly greater medium and longer term financial impact.

The Council will continue to closely monitor the impact COVID-19 is having on our budget in a timely manner. We are also continuing to lobby for additional funds to offset the budgetary costs of COVID-19. The government (MHCLG) have already set up 3 different monitoring processes via their DELTA on-line portal. These capture Business Rate Reliefs, Business Grants and general financial implications. Financial updates will be provided to the Cabinet and Members on an ongoing basis.

A report to Cabinet in July 2020, identified options for mitigation of the financial impacts on the Council and included:

- A. Continue to lobby central Government for additional funding in recognition of the impacts on Councils and their ability to deliver services. The Council is continually to actively work with other councils to lobby hard for additional funding;
- B. Make offsetting savings and efficiencies where possible including extending remote working, greater use of technology, review of capital programme and financing costs;
- C. Revisit saving and income generating targets – aimed at delivering as many of the targets as possible;
- D. Explore options to apply capitalisation to some of the costs and financial impacts to enable the Council to borrow and fund on a long term basis;
- E. Lobby government to agree to supported borrowing and annual contribution towards meeting the revenue payments;
- F. Temporary use of Reserves to close the gap. The Council has very limited capacity and can only make limited allocation from its reserves.

➤ **MHCLG financial support and capitalisation directive**

In August 2020, it became very clear that a July recovery and bounce back was no longer an option and the Council's Chief Finance Officer initiated a formal notification process with MHCLG asking for financial support or capitalisation directive. On 2nd February 2021, Luke Hall, MP and Minister of State for Regional Growth and Local Government in a letter addressed to Cllr Tutt, Leader of the Council, approved a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, for the financial year 2020/21 and up to £6m for 2021/22. The letter included "*With respect to the financial year of 2020/21, the Secretary of State is content to approve a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, subject to conditions. The conditions would be set out in the capitalisation direction when issued. With respect to the financial year of 2021/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £6m*". Again, such a direction may be subject to conditions, which would be set out in the capitalisation direction when issued.

➤ **Going Concern**

There have been increasing demands for councils to assess their going concern status in recent years. This assessment has become more relevant with doubts being expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face and with some councils issuing warnings about their future financial viability. These concerns have gained greater weight following the COVID-19 outbreak and the significant impact that it has had on council finances. It is important to be clear that the Code of Practice under which local authorities operate confirms that councils have no ability to cease being a going concern. It would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis.

However, as part of putting these accounts together, alongside its overall response to COVID-19, the Council's financial monitoring and planning has continued focus on providing assurance that its financial position remains secure. This includes looking at the Covid related expenditure pressures, the direct impact on council income, assessment of any bad debt provisions and impairments required against existing debts and continued analysis of the Council's cashflow requirements. The calculation of the financial impact of COVID-19 is necessarily subjective and subject to change in the months after the balance sheet date, although early indications have highlighted an indicative gap of over £10m between the financial costs to the Council and the Government grant provided to fund these. The length and intensity of Covid related measures and society's response to the post-Covid environment will determine both the size of the gap in 2020/21 and the extent of any long-term financial impact. In the immediate future, the level of the Council's reserve balances is a good indicator of the its financial health and ability to withstand any short term shocks. In addition, the statutory environment in which local authorities operate means that, were an authority to encounter financial difficulties, the prospect would be that central government would implement alternative arrangements for the continuation of services or provide assistance to allow the recovery of any deficit over more than one year. In the light of this and in the opinion of the Chief Finance Officer, the Council remains in a steady financial position considering the statutory position held by local authorities and the relative strength of its sources of revenue. In the longer-term, the extent of recovery towards a more familiar post-Covid operational environment and the continued work to redefine a new local government funding mechanism provide significant uncertainty for the whole sector.

EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts comprises:

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

Independent Auditor's Report

The Core Accounting Statements:

- **Movement in Reserves Statement** – this statement shows the movements in the year of the different reserves held by the Council. It also provides the interaction of the economic costs and legislation and their impact on changes in the Council's reserves, showing the true cost of the provision of Council services funded by Council Tax payers.
- **Comprehensive Income and Expenditure Statement** – this statement sets out the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- **Balance Sheet** - this statement sets out the overall financial position of the Council as at 31 March 2020. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

The Supplementary Single Entry Financial Statements:

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

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

FURTHER INFORMATION

Summary financial information is published annually on the Council's website (www.lewes-eastbourne.gov.uk). Further information on any of the financial statements may be obtained from the Chief Finance Officer, Town Hall, Grove Road, Eastbourne, BN21 4UG.

Homira Javadi

Chief Finance Officer
Statutory Section 151 Officer

ADOPTION OF THE ACCOUNTS

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

The Audit and Governance Committee at its meeting on 1 March 2023 resolved to delegate authority to the Director of Finance and Performance (Chief Finance Officer – S151 Officer) in consultation with the Chair of the Committee to sign-off the audited Eastbourne Borough Council 2019/20 Statement of Accounts.

Signed

Councillor Robin Maxted

Chair, Audit and Governance Committee

Date 31 March 2023

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**The Council's Responsibilities****The Council is required to:**

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the 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 Local Authority 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;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts presents the true and fair financial position of the Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Homira Javadi
Chief Finance Officer
Statutory Section 151 Officer

Date: 31 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Opinion**

In our opinion the financial statements of Eastbourne Borough Council ('the Authority') and its subsidiaries ('the group'):

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's and the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the Authority and group Movement in Reserves Statements;
- the Authority and group Comprehensive Income and Expenditure Statements;
- the Authority and group Balance Sheets;
- the Authority and group Cash Flow Statements;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund Revenue Account; and
- the related notes to the accounting statements 1 to 32, notes to the Housing Revenue Account 1 to 8, notes to the Collection Fund Revenue Account 1 to 4, and notes to the group accounting statements 1 to 8.

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 (2019/20).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – material uncertainty related to land and buildings and investment properties

We draw attention to the Introduction to the Group Accounts and notes 5, 18, and 20 to the Group Accounting Statements, which describe the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's land and buildings, investment properties, and investment in Joint Ventures. As noted by the Council's external valuer, the outbreak has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of land and buildings, investment properties and investment in Joint Ventures at the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts and the annual governance statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS**Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources****Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Eastbourne Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether Eastbourne Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Eastbourne Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Eastbourne Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Sheriff (Key Audit Partner)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
03 April 2023

MOVEMENT IN RESERVES STATEMENT

h	General Fund	HRA Balance	Earmarked Reserves (note 16)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (note 28)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	(3,033)	(5,188)	(8,701)	(865)	(7,538)	(4,767)	(30,092)	(216,227)	(246,319)
Movement in Reserves 2018/19									
Total Comprehensive Income and Expenditure	6,088	(1,864)	-	-	-	-	4,224	2,704	6,928
Adjustments between accounting basis & funding basis under regulations (note 8)	(4,134)	1,210	-	(190)	(7)	2,164	(957)	957	-
Transfers (to)/from Earmarked Reserves (note 16)	(3,303)	(105)	3,408	-	-	-	-	-	-
(Increase) / Decrease in Year	(1,349)	(759)	3,408	(190)	(7)	2,164	3,267	3,661	6,928
Balance at 31 March 2019	(4,382)	(5,947)	(5,293)	(1,055)	(7,545)	(2,603)	(26,825)	(212,566)	(239,391)
Movement in Reserves 2019/20									
Total Comprehensive Income and Expenditure	53,538	(13,691)	-	-	-	-	39,847	(3,145)	36,702
Adjustments between accounting basis & funding basis under regulations (note 8)	(50,491)	13,376	-	(95)	1,288	655	(35,267)	35,267	-
Transfers from/(to) Earmarked Reserves (note 16)	1,193	379	(1,572)	-	-	-	-	-	-
Decrease / (Increase) in Year	4,240	64	(1,572)	(95)	1,288	655	4,580	32,122	36,702
Balance at 31 March 2020	(142)	(5,883)	(6,865)	(1,150)	(6,257)	(1,948)	(22,245)	(180,444)	(202,689)

This statement shows the movements in the year on the different reserves held by the Council, analysed into "usable reserves" (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves. The purpose of individual reserves is set out in Note 2.19, and more details are given for earmarked and unusable reserves in Notes 16 and 28 respectively. The line entitled "Total Comprehensive Expenditure and Income" shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2018/19			Note	2019/20		
Exp. £000	Income £000	Net £000		Exp. £000	Income £000	Net £000
7,372	(461)	6,911		7,978	(1,363)	6,615
59,321	(50,480)	8,841		56,323	(46,398)	9,925
5,099	(1,705)	3,394		7,596	(1,637)	5,959
11,332	(6,129)	5,203		54,234	(8,395)	45,839
8,389	(16,164)	(7,775)		(3,577)	(15,355)	(18,932)
91,513	(74,939)	16,574		122,554	(73,148)	49,406
222	-	222		230	-	230
281	-	281		281	-	281
11,204	(10,129)	1,075		5,740	(2,624)	3,116
11,707	(10,129)	1,578		6,251	(2,624)	3,627
3,022	-	3,022	22	3,879	-	3,879
212	-	212		298	-	298
-	(496)	(496)	4,5	3,318	-	3,318
1,237	-	1,237	29	1,402	-	1,402
-	(910)	(910)	22	-	(3,705)	(3,705)
1,572	(4,177)	(2,605)		(1,287)	(1,402)	(2,689)
2,378	(1,455)	923		1,937	(1,543)	394
8,421	(7,038)	1,383		9,547	(6,650)	2,897
-	(4,492)	(4,492)	15	-	(4,359)	(4,359)
-	(8,294)	(8,294)		-	(8,618)	(8,618)
11,044	(13,569)	(2,525)		12,010	(15,116)	(3,106)
11,044	(26,355)	(15,311)		12,010	(28,093)	(16,083)
122,685	(118,461)	4,224		150,362	(110,515)	39,847
		(2,563)	28			8,821
		5,267	29			(11,966)
		2,704				(3,145)
		6,928				36,702

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

BALANCE SHEET

31 March 2019		Notes	31 March 2020	
£000			£000	£000
341,624	Property, Plant and Equipment	18	310,481	
15,945	Infrastructure Assets	18	15,557	
15,034	Heritage Assets	19	14,702	
25,656	Investment Property	20	27,250	
6,279	Intangible Assets	21	6,446	
1,030	Long Term Investments	12	732	
3,500	Investment in Joint Venture	4,5	3,500	
26,895	Long Term Debtors	24	43,761	
435,963	Long Term Assets			422,429
-	Assets Held for Sale		-	
132	Inventories		141	
19,503	Short Term Debtors	24	24,420	
2,241	Cash and Cash Equivalents	30	3,459	
21,876	Current Assets			28,020
(27,447)	Short Term Borrowing	22	(35,638)	
(20,142)	Short Term Creditors	25	(13,739)	
(614)	Short Term Provisions	26	(835)	
(13)	Revenue Grants Receipts in Advance	15	(10)	
(48,216)	Current Liabilities			(50,222)
(69)	Long Term Creditors	25	-	
(96,617)	Long Term Borrowing	22	(126,903)	
(17,379)	Other Long Term Liabilities	25	(20,697)	
(56,167)	Long Term Liabilities Pensions	29	(49,938)	
(170,232)	Long Term Liabilities			(197,538)
239,391	NET ASSETS			202,689
(26,825)	Usable Reserves	27	(22,245)	
(212,566)	Unusable Reserves	28	(180,444)	
(239,391)	TOTAL RESERVES			(202,689)

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

Homira Javadi
Chief Finance Officer

CASH FLOW STATEMENT

2018/19 £000	CASH FLOW STATEMENT	2019/20 £000
(4,224)	Net Deficit on provision of services	(39,847)
30,827	Adjustment to net surplus on the provision of services for non-cash movements	35,505
(13,081)	Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	(5,207)
13,522	NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES	(9,549)
(32,617)	Investing Activities	(28,028)
17,727	Financing Activities	38,795
(1,368)	NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	1,218
3,609	Cash and cash equivalents at the beginning of the reporting period	2,241
2,241	CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIODS	3,459

31 March 2019 £000	COMPONENTS OF CASH AND CASH EQUIVALENTS	31 March 2020 £000
2,202	Bank Current Accounts	3,432
39	Cash held by the Authority	27
2,241	Total Cash and Cash Equivalents	3,459

Included in the inflow and outflow figures are recharges of expenditure incurred on behalf of Lewes DC and Eastbourne Homes Ltd of £15.1m (2018/19 £14.9m) and £4.4m (2018/19 £2.8m) respectively.

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

NOTES TO THE ACCOUNTING STATEMENTS**1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES**

There are no significant changes to the Code of Practice, which was 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.

PRIOR PERIOD ADJUSTMENT

No prior period adjustments were been made to the accounts.

2. ACCOUNTING POLICIES**2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the end of 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

2.2 Accruals of Expenditure and Income

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption and where the amounts are significant, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- A de-minimis level of £1,000 has been set for accruals. Income and expenditure below this amount may not be accrued as it is considered trivial.

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

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

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

Accounting for Council Tax

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

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

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

Accounting for Non Domestic Rates (NDR)

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

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

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

2.3 Cash and Cash Equivalents

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

2.4 Contingent Assets

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

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

2.5 Contingent Liabilities

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

2.6 Employee Benefits

Benefits Payable during Employment

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

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 and are charged on an accruals basis to the relevant service cost line in the CI&ES 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 General 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 majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on the iBoxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 2.6%.
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past services cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement;
 - net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the

beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurement comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council’s Pension Fund – cash paid as employer’s contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund Balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and the amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension 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 are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

2.7 Events after the Reporting Period

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

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

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

2.8 Exceptional Items and Prior-Period Adjustments

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

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

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

2.9 Financial Instruments

Financial 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 General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.
- 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 General 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

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) 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 is credited to the Financing and Investment Income and Expenditure line in the CIES 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 provisions require 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 CIES 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. 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 CIES.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of 5 years from 1/4/18) any unrealised gains or losses can be transferred via the Movement in Reserves Statement to a Pooled Investment Funds Adjustment Account in the Balance Sheet.

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

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments.

Loans have been grouped into three types for assessing loss allowances:

Group 1 – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required.

Group 3 - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the Balance Sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise. Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the General Fund balance and any gains or losses can be reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

2.10 Fair Value Measurement

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

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses External Valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council external Valuers takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

2.11 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line or taxation and non-specific grant income on the Comprehensive Income and Expenditure Statement.

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

2.12 Property Plant and Equipment

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

Categories

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

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred. Assets valued at less than £10,000 are not included on the balance sheet, provided that the total excluded has no material impact.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

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

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

Impairment

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the Comprehensive Income and Expenditure Statement is debited or credited with the net loss or gain on disposal. This net sum consists of two elements: the net book value written out of the balance sheet, and the sale proceeds. Although these amounts appear in the Comprehensive Income and Expenditure Statement, neither of them are properly debited nor credited to the General Fund or to the Housing Revenue Account. Further adjustments are therefore made through the Movement in Reserves Statement to reverse the effect on the General Fund and the Housing Revenue Account:

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

- Land – not subject to depreciation
- Council dwellings – initially calculated as a straight-line allocation over the life of the property as estimated by the valuer.
- Buildings – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment depreciated over the life of the type of asset, normally between 3 and 25 years.
- Community assets – not subject to depreciation.
- Surplus assets – not subject to depreciation.
- Assets under construction – not subject to depreciation.

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

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

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

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

Componentisation

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

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

2.13 Infrastructure Assets

Infrastructure assets are 'inalienable' assets, expenditure on which is only recoverable by continued use of the asset created, with no prospect of sale or alternative use. Examples include highways, bridges, coastal defences, water supply and drainage systems.

Eastbourne Borough Council is not the local highway authority under the Highways Act 1980 and this statutory duty is with East Sussex County Council. The County Council maintain the highways network infrastructure assets including carriageways, footways and cycle tracks, structures, street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

However, the borough council still has significant infrastructure assets due to its groyne sea defences. In addition, there are some minor access roads and paved areas.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of infrastructure assets are assessed by the finance team using industry standards where applicable as follows:

Asset	Useful Life
Sea Defences	40 years
Access Roads	40 years
Paved Areas	40 years

Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Regulations

Under accounting regulations, that came into force from 25 December 2022, a new accounting practice allows the council to elect to treat any component of any infrastructure which are owned as having a value of nil when it is replaced and therefore there is no requirement to remove any amount from its balance sheet in respect of the disposal of that component. The regulations will apply to all financial years up to and including 2024/25. The council is not required to but has elected to apply this accounting treatment.

2.14 Heritage Assets

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

Art Collection

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

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

Local History Collection

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

Heritage Assets – General

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

2.15 Investment Property

Investment properties are those assets that are held solely to earn rentals or for capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support Council policy objectives fall under the category of property, plant and equipment (see Note 2.12) and not investment property. Investment properties are initially measured at cost and subsequently at fair value being the price that would be received to sell such an asset in orderly transactions between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Cost of Services within the Comprehensive Income and Expenditure Statement. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.16 Intangible assets

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

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

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

2.17 Leases

Definition of a Lease

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

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

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

Finance Leases – Council Acting as Lessee

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

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

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

Operating Leases – Council Acting as a Lessee

Lease payments for operating leases are recognised as an expense on a straight-line basis over the lease term, even if this does not match the pattern of payments. (e.g. if there is a rent-free period at the commencement of the lease.)

Operating leases – Council acting as a lessor

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

2.18 Overheads

Support service costs (e.g. HR, Accountancy, Property) are included within the Corporate Services Department and are no longer recharged across services.

2.19 Provisions

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

- The Council has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

2.20 Reserves

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

Usable reserves comprise the following:

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

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

- Collection Fund Adjustment Account: the net amount of the Council's share of Council Tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account, and cannot be used until the following financial year.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.
- Capital Adjustment Account: this receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund.

- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Deferred Capital Receipts Reserve: this holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

2.21 Revenue Expenditure Financed From Capital Under Statute

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

2.22 Charges to Revenue for Non-current Assets

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

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

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

2.23 Value Added Tax

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

2.24 Inventories and Long Term Contracts

Where the value is significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

2.25 Interests in Companies and Other Entities (see Group Accounts page 97)

The Council has a material interest in five companies; Eastbourne Homes Limited (EHL), Eastbourne Housing Investment Company Limited (EHIC), Investment Company Eastbourne Limited (ICE), Eastbourne Downs Water Company Limited (EDWC) and South East & Environmental Services Limited (SEESL). These companies are wholly owned subsidiaries of the Council and the Council is therefore required to prepare Group Accounts. EHL is limited by guarantee and therefore no value is recognised for the investment in the Council's own single entity accounts. There have been no transactions for EDWC which was dormant during 2018/19.

Aspiration Homes LLP (AH) is a limited liability Partnership, a joint venture owned equally by Eastbourne BC and Lewes DC. It was set up during 2017/18 for the purpose of developing housing. Through ICE, the Council have a joint venture interest in Infrastructure Investments Leicester Limited (IIL). The Council also holds an immaterial associate interest in CloudConnX with 48% of voting B Shares but as these are not material they have not been consolidated into the Group Accounts.

2.26 Revenue Recognition

The Council accounts for revenue recognition in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). The principles of revenue recognition are determining if the transaction is an exchange or non exchange transaction. With non exchange transactions there is no or only nominal consideration in return. The obligating event is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged. There is a contract which creates right and obligations. Performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied. Examples include fees and charges for services, sale of goods and services provided by the authority.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2020. 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.

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

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 Statement of Accounts.

The implementation of IFRS 16 - Leases was due in 2020/21 (effective date 1 January 2020) but was deferred until 2021/22 and then deferred again until 2022/23. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is less than one year or the underlying asset has a low value. Transition work is underway but currently the impact of IFRS 16 cannot be reasonably estimated.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that as at 31 March 2020 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. As disclosed in Note 32, subsequent to the year-end, COVID-19 has had a significant impact upon the Council's financial position and provision of services, and the Council is continuing to review the impact on its facilities and services in future periods.
- The Chief Finance Officer conducts an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities). Contingent liabilities have been estimated based on past experience and legal advice provided.

- As described in the group accounts, Investment Company Eastbourne Limited ('ICE') is a wholly owned subsidiary of the Council. ICE is the principal guarantor of a £48m loan to Infrastructure Investments Leicester Limited ('IIL') and also the principal guarantor of a rental guarantee in respect of shortfalls of rental income in IIL. ICE has the option to acquire 49.5% of the shares of IIL for £1 at any time, as well as contractual rights over the management of that company and its property, St George's Tower ('the Property'), under a Development and Management Agreement. The Council is the ultimate guarantor for both of these guarantees, and under the arrangement ICE has agreed to pay the Council an initial £2m guarantee fee, the annual guarantee fee received from IIL, and the disposal proceeds received on eventual sale of the Property.
- The Council has assessed that these potential voting rights and contractual rights give it joint control over IIL and has accounted for its interest in that entity as a joint venture. The Council therefore have rights to the net assets of IIL and these are consolidated into the Council's Group Accounts under the equity method per IAS 28 Investments in Associates and Joint Ventures. Under this method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of the net assets of IIL. As at 31 March 2020, the initial investment of £3.500m (May 2018) has been adjusted to £3.797m (£3.436m at 31 March 2019).
- If the judgement had been that the Council did not have control over IIL, the Council would account for the investment in IIL as an investment at cost, and the call option as a derivative financial instrument.

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £585,000 for every year that useful lives had to be reduced.

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

As discussed in Notes 18 and 20 and the Introduction to the Group Accounts, the valuation of properties at 31 March 2020 is subject to increased uncertainty as a result of the COVID-19 pandemic, and valuations are therefore reported on the basis of a "material valuation uncertainty" as per the RICS Red Book. This affects the valuation of land and buildings, investment properties, and the value of assets held by the Council's Joint Ventures (and so the value recognised for the Council's Investment in Joint Ventures).

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured.

For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £17.5m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £1.5m and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £15.9m. Note 29 provides further details.

Brexit – The UK left the European Union on 31 January 2020 but continued to abide by EU rules under a transition period. There is a high level of uncertainty about the implications of Britain leaving the European Union. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate.

However, this assumption needs to be revisited and reviewed regularly. Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Arrears - At 31 March 2020, the Council had a balance of all debtors for £53.0m (excluding ICE debtor £15.2m) including £28.6m long term and £24.4m short term. Write offs of Council Tax and Business Rates in 2019/20 totalled £0.91m, a significant increase on £0.19m the previous year. A review of the arrears balances has resulted in £5.1m being calculated as an appropriate expected credit loss (see Note 23 for further details). This includes £4.9m allowances for Council Tax, Business Rates, Rent arrears, Housing Benefit overpayments and general debts and £0.2m for long term loans. In the current economic climate it is not certain that the allowance will be sufficient.

Business Rate Appeals - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2020. There is a risk that future appeals will exceed the estimation. A 1% increase in successful appeals would result an increase in the provision required of £19,000.

Infrastructure Company Eastbourne Limited and Infrastructure Investments Leicester Limited – As a result of the arrangement with IIL described in the group accounts, the Council has been required to make a number of estimates and judgements in valuing the related loan and rental guarantees (shown in Note 25) and contract receivable (shown in Note 24). The loan guarantee and rental guarantee were valued on initial recognition based on the amounts received and receivable under the agreement, discounted to present value. In determining these accounting entries, the Council assumed:

- That the initial values of the guarantee fee (of £5.5m from IIL to ICE and £2m from ICE to the Council) and price paid for the share option over IIL (£3.5m) were at fair value.
- The value of the Property at May 2018, without the benefit of the rental guarantee, was £38.75m, based upon a valuation performed at the time.
- The growth in the value of the property over the 30 year life of the agreement (assumed to be 2% p.a. or less) will mean the value of the property on sale will be greater than £35m and below the £70m level at which the Council would receive an additional share of proceeds, and so the Council will receive £35m from the eventual disposal proceeds.
- Inflation (which affects the guarantee fee received each year, as well as guaranteed amounts) will be 2% p.a. over the life of the agreement.
- The appropriate discount rate for future cashflows is 5.58% p.a.
- Assumptions about the annual probability of default and recovery on default for loans to property companies.

The present value of amounts receivable at inception were recognised as a contract receivable and the discount is being unwound over the life of the agreement, less amounts received and adjustments for expected credit loss. The loan guarantee was valued at initial recognition based upon the probability of default, recovery on default, and the guaranteed amount over the life of the agreement, with the residual value attributed to the initial value of the rental guarantee.

Both the loan guarantee and rental guarantee are being amortised over the 30 year life of the agreement. Subsequent measurement of the contract receivable is on a fair value basis, as the Council is exposed to risks that are not associated with standard receivable instruments, including fluctuations in property valuations. The on-going measurement of these assets and liabilities will require reassessment of these assumptions each year.

The fair value of the guarantee at 31 March 2020 was measured at £20.7m, an increase of £3.3m on the previous year. The fair value of the long term debtor at 31 March 2020 was £15.2m, an increase of £2.5m on the previous year. An annual guarantee fee of £0.3m was received during 2019/20.

As discussed in Note 20, the valuation of properties at 31 March 2020 is subject to increased uncertainty as a result of the COVID-19 pandemic, and valuations are therefore reported on the basis of a "material valuation uncertainty" as per the RICS Red Book. This affects the valuation of the investment property held by IIL, and so the value recognised for the Council's investment in the Joint Venture.

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

In May 2018, the Council's wholly owned investment company, Investment Company Eastbourne Limited (ICE), entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. The Council has received £2.0m as the ultimate guarantor.

The Devonshire Park redevelopment has continued with capital spend in 2019/20 of £5.5m (£27.5m in 2018/19). The new Wish Tower Restaurant is under construction with capital spend in 2019/20 of £1.1m (£1.2m in 2018/19).

The Council's revenue accounts include salary costs relating to Lewes District Council (LDC) & Eastbourne Homes Ltd (EHL) which are recharged to them, but are shown in the Comprehensive Income and Expenditure Statement (CIES) net. Other costs included in the CIES relating to LDC include costs for JTP amounting to £510,000 which have been recharged to LDC.

7. EXPENDITURE AND FUNDING ANALYSIS

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

Net Expenditure Chargeable to the General Fund and HRA Balances	2018/19 Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	2019/20 Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
4,299	2,612	6,911	Corporate Services	2,736	3,879	6,615
5,444	3,397	8,841	Service Delivery	5,196	4,729	9,925
2,576	818	3,394	Regeneration and Planning	3,410	2,549	5,959
2,734	2,469	5,203	Tourism and Enterprise	3,743	42,096	45,839
(2,863)	(4,912)	(7,775)	Housing Revenue Account	(2,165)	(16,767)	(18,932)
12,190	4,384	16,574	Cost of Services	12,920	36,486	49,406
(10,890)	(1,460)	(12,350)	Other Income and Expenditure	(10,188)	629	(9,559)
1,300	2,924	4,224	Deficit on the Provision of Services	2,732	37,115	39,847
(16,922)			Opening General Fund and HRA Balance at 1 April	(15,622)		
1,300			Less: Deficit on General Fund and HRA for year	2,732		
(15,622)			Closing General Fund and HRA Balances at 31 March	(12,890)		

Note:

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

7.b Note to the Expenditure and Funding Analysis

2018/19				2019/20				
Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
870	1,742	-	2,612	Corporate Services	2,825	1,054	-	3,879
2,034	1,363	-	3,397	Service Delivery	2,716	2,013	-	4,729
312	506	-	818	Regeneration and Planning	1,928	621	-	2,549
2,060	409	-	2,469	Tourism and Enterprise	41,566	530	-	42,096
(4,912)	-	-	(4,912)	Housing Revenue Account	(16,767)	-	-	(16,767)
364	4,020	-	4,384	COST OF SERVICES	32,268	4,218	-	36,486
(2,394)	1,320	(386)	(1,460)	Other Income and Expenditure	(151)	1,519	(739)	629
				Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit				
(2,030)	5,340	(386)	2,924		32,117	5,737	(739)	37,115

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
 - **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- **Net change for the Pensions Adjustments** – Net change for the removal of pensions contributions and the addition of IAS 19 employee Benefits pension related expenditure and income.
 - **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
 - **For Financing and Investment income and expenditure** – the net interest on defined benefit liability is charged to the CIES.

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

7.c Expenditure and Income analysed by Nature

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

2018/19		2019/20
£000		£000
	Expenditure	
17,663	Employees benefits expenses	15,940
83,534	Other services expenses	88,883
6,759	Depreciation, amortisation, impairment losses and reversals	35,111
3,022	Interest payments	4,177
222	Precepts and levies	230
281	Payments to the Housing Capital Receipts Pool	281
11,204	Loss on the disposal of assets	5,740
122,685	Total expenditure	150,362
	Income	
(36,601)	Fees, charges and other service income	(35,591)
(910)	Interest and investment income	(3,705)
(21,863)	Income from Council Tax and non-domestic rates	(23,734)
(48,958)	Government Grants and Contributions	(44,861)
(10,129)	Gain on the disposal of assets	(2,624)
(118,461)	Total income	(110,515)
4,224	(Surplus) or Deficit on the Provision of Services	39,847

7.d Segmental Income

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

2018/19		2019/20	
£000		£000	£000
(21)	Corporate Services		(205)
	Service Delivery		
(155)	Local Land Charges	(125)	
(518)	Recycling Credits	(130)	
(500)	Car Parks	(433)	
(685)	Green Waste	(696)	
(1,115)	Recovery of Housing Benefit Overpayments	(1,262)	
(376)	Summons and Liability Orders	(333)	
(1,822)	Bed and Breakfast charges	(2,404)	
(2,006)	Crematorium and Cemetery fees	(1,823)	
(1,408)	Other Service Income	<u>(1,218)</u>	
(8,585)			(8,424)
	Regeneration and Planning		
(331)	Development Control	(288)	
(921)	Other Service Income	<u>(919)</u>	
(1,252)			(1,207)
	Tourism and Enterprise		
(1,066)	Seafront	(407)	
(486)	Tourism	(353)	
(593)	Events	(644)	
(2,721)	Theatres	(5,739)	
(459)	Sports	(213)	
-	Other Service Income	<u>(93)</u>	
(5,325)			(7,449)
(15,787)	Housing Revenue Account		(15,361)
(5,631)	Trading Accounts and Investment Properties		(2,945)
<u>(36,601)</u>	Total		<u>(35,591)</u>

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)
	£000	£000	£000	£000	£000	£000	£000
2018/19 Transactions:							
ADJUSTMENT TO THE REVENUE RESOURCES							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>							
• Pensions costs (transferred to/from the Pensions Reserve)	(5,340)	-	-	-	-	(5,340)	5,340
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	386	-	-	-	-	386	(386)
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	6	-	-	-	-	6	(6)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):							
- Charges for depreciation and credits for impairment reversals of non-current assets	(3,981)	900	-	-	-	(3,081)	3,081
- Movements in the fair value of investment properties	1,067	-	-	-	-	1,067	(1,067)
- Amortisation of intangible assets	(707)	(26)	-	-	-	(733)	733
- Revenue expenditure funded from capital under statute	(787)	(315)	-	-	783	(319)	319
- Capital Grants and Contributions Received	2,157	13	-	-	(2,170)	-	-
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(7,199)	572	-	-	(1,387)	(8,014)	8,014
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,998	1,076	-	(8,074)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(281)	-	-	281	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,352	(4,352)	-	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	925	-	-	-	-	925	(925)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	178	354	-	-	-	532	(532)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(4,005)	(5,144)	-	-	-	(9,149)	9,149

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)
	£000	£000	£000	£000	£000	£000	£000
Contributions transferred to Revenue	(538)	-	-	-	538	-	-
Revaluation of Share holdings	(212)	-	-	-	-	(212)	212
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	3,065	638	(4,352)	(7,793)	538	(7,904)	7,904
ADJUSTMENTS TO CAPITAL RESOURCES							
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	7,787	-	7,787	(7,787)
Use of Major Repairs Reserve to finance capital expenditure	-	-	4,162	-	-	4,162	(4,162)
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	3,013	3,013	(3,013)
Cash payments in relation to deferred capital receipts	-	-	-	(1)	-	(1)	1
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	4,162	7,786	3,013	14,961	(14,961)
Total Adjustments 2018/19	(4,134)	1,210	(190)	(7)	2,164	(957)	957
2019/20 Transactions:							
ADJUSTMENT TO THE REVENUE RESOURCES							
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>							
• Pensions costs (transferred to/from the Pensions Reserve)	(5,737)	-	-	-	-	(5,737)	5,737
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	739	-	-	-	-	739	(739)
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	-	-	-	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):							
- Charges for depreciation and credits for impairment reversals of non-current assets	(45,123)	12,493	-	-	-	(32,630)	32,630
- Movements in the fair value of investment properties	1,349	-	-	-	-	1,349	(1,349)
- Movements in the market value of investments	(298)	-	-	-	-	(298)	298
- Amortisation of intangible assets	(921)	(26)	-	-	-	(947)	947
- Revenue expenditure funded from capital under statute	(2,874)	-	-	-	-	(2,874)	2,874
- Amounts if non current assets written of on disposal or sale as part of the gain or loss on disposal	(154)	(5,586)	-	-	-	(5,740)	5,740
- Capital Grants and Contributions Received	1,775	153	-	-	(1,928)	-	-
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(51,244)	7,034	-	-	(1,928)	(46,138)	46,138

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)
	£000	£000	£000	£000	£000	£000	£000
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	582	2,042	-	(2,624)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(281)	-	-	281	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,300	(4,300)	-	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	452	-	-	-	-	452	(452)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	753	6,342	(4,300)	(2,343)	-	452	(452)
ADJUSTMENTS TO CAPITAL RESOURCES							
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	3,632	-	3,632	(3,632)
Use of Major Repairs Reserve to finance capital expenditure	-	-	4,205	-	-	4,205	(4,205)
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	2,583	2,583	(2,583)
Cash payments in relation to deferred capital receipts	-	-	-	(1)	-	(1)	1
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	4,205	3,631	2,583	10,419	(10,419)
Total Adjustments 2019/20	(50,491)	13,376	(95)	1,288	655	(35,267)	35,267

9. AUDIT FEES

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

2018/19 £000		2019/20 £000
(2)	Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year	(10)
22	Fees payable in respect of other services provided during the year	19
52	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	67
72		76

10. MEMBERS' ALLOWANCES

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

2018/19 £000		2019/20 £000
133	Members' Allowances	134
3	Conference and Travelling Expenses	2
136		136

11. OFFICERS' REMUNERATION**Senior Management Remuneration**

		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Shared Chief Executive	2019/20	141,123	2,660	24,970	168,753
	2018/19	136,306	3,354	24,120	163,780
Deputy Chief Executive (to 11 th November 2018)	2019/20	-	-	-	-
	2018/19	65,375	-	11,539	76,914
Chief Finance Officer (from 1st October 2018)	2019/20	89,318	-	15,765	105,083
	2018/19	43,784	-	7,728	51,512
Director of Service Delivery	2019/20	84,590	-	14,930	99,520
	2018/19	78,747	-	13,899	92,646
Director of Regeneration and Planning	2019/20	122,138	2,130	21,933	146,201
	2018/19	97,869	2,187	17,660	117,716
Director of Tourism and Enterprise	2019/20	95,098	-	16,785	111,883
	2018/19	91,173	-	16,092	107,265
Assistant Director of HR and Transformation	2019/20	87,992	-	15,531	103,523
	2018/19	82,365	-	14,537	96,902
Assistant Director of Corporate Governance	2019/20	78,547	-	13,864	92,411
	2018/19	75,978	-	13,410	89,388

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

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

	Eastbourne Borough Council	Lewes District Council	Eastbourne Homes Ltd
Shared Chief Executive	50%	50%	
Deputy Chief Executive	40%	40%	20%
Chief Finance Officer	40%	40%	20%
Director of Service Delivery	50%	50%	
Director of Regeneration and Planning	25%	50%	25%
Director of Tourism and Enterprise	80%	20%	
Assistant Director of Corporate Governance	90%	10%	

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

Remuneration Bands

The Council's other employees (excluding those in the Corporate Management table above) include employees from Lewes District Council who transferred to Eastbourne Borough Council from February 2018. Other employees who received more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2018/19 Number of Employees	2019/20 Number of Employees
£50,000 - £54,999	18 (5)	21
£55,000 - £59,999	9	14
£60,000 - £64,999	3 (1)	6
£65,000 - £69,999	2	1
£70,000 - £74,999	-	1
£80,000 - £84,999	2 (1)	1
£90,000 - £94,999	-	-
£110,000 - £114,999	1 (1)	-
Total	35 (8)	44

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	£	£
£0 -£20,000	6	2	17	9	23	11	228,966	97,538
£20,001 - £40,000	1	-	8	1	9	1	262,242	34,442
£40,001 - £80,000	-	-	3	-	3	-	190,348	-
Total cost included in bandings	7	2	28	10	35	12	681,556	131,980

Included in the table above are exit payments made to employees which were either fully or partly recharged to Lewes District Council and Eastbourne Homes Ltd. In 2019/20 Lewes District Council were recharged £62,475 (£359,946 2018/19) for their share of exit packages and Eastbourne Homes Ltd were recharged £4,483 (£36,034 2018/19).

12. RELATED PARTIES

12.1 Definition

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

12.2 Central Government

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

12.3 East Sussex Pension Scheme

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

12.4 Eastbourne Homes Limited

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

The Council pays Eastbourne Homes Ltd a fee in accordance with the management agreement. In 2019/20 this fee was £7.65m, covering supervision and management and repairs. This compares with £7.261m paid in 2018/19. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £641,000 (£889,000 at 31 March 2019), while Eastbourne Homes Ltd owed the Council £483,000 (£482,000 at 31 March 2019).

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

The Director of Regeneration & Planning for the Council also acts as Managing Director at Eastbourne Homes Ltd.

12.5 Members and senior officers

Members of the Council (27 Borough Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 10. Seven Members were also members of East Sussex County Council.

Members are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at the Town Hall during office hours. In addition, Members are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year.

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

Officers are obliged under the code of conduct in the Council's Constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer.

In addition, senior officers complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. All senior officers confirmed that they had no qualifying interests. During 2019/20 works and services to the value of £82,000 (£87,000 in 2018/19) were commissioned from Jordan's Productions, a company in which one officer had an interest.

12.6 CloudConnX

The Council is a minority (48% B class) shareholder in CloudConnX. The shares had only nominal value at the balance sheet date. In addition, as at 31 March 2020 the Council has provided a commercial loan of £357,000 (£357,000 in 2018/19). Interest is charged on the loan at 1.5% above base rate. The Council's Chief Executive has been appointed a Director of the company.

12.7 Eastbourne Housing Investment Company Ltd (EHIC)

EHIC is a wholly owned subsidiary of the Council. EHIC has been set up to acquire, improve and let residential property at market rents. The Council has provided 29 (34 in 2018/19) commercial loans to EHIC totalling £23,856,350 (£12,269,150 in 2018/19) of which £20,233,050 (£10,152,100 in 2018/19) has been drawn down, for the purchase of various properties, at an interest rate of 4.5%. A working capital facility loan of £250,000 (£250,000 in 2018/19) has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2020 none (£250,000 in 2018/19) of the working capital facility loan had been drawn down. At the end of the year the Council owed £6,300 to EHIC (nothing in 2018/19), while EHIC owed the Council £460,500 (£127,200 in 2018/19). The company's accounts are consolidated into the Group Accounts. Copies of Eastbourne Housing Investment Co Ltd's annual report and accounts can be obtained from their registered office at 1 Grove Road, Eastbourne, BN21 4TW. The Director of Regeneration & Planning and the Director of Service Delivery for the Council also act as Directors at Eastbourne Housing Investment Co Ltd.

12.8 Lewes District Council

The Council is engaging in a Joint Transformation Programme (JTP) with Lewes DC under which staff and services are being integrated. The Council now employs all of CMT and the majority of Lewes DC staff who were TUP'd to the Council during 2017/18 and costs are recharged to Lewes DC. Staff within Legal services remain employees of Lewes DC and services are provided to both Councils and costs recharged.

12.9 Aspiration Homes LLP

Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Eastbourne BC and Lewes DC. It was set up during 2016/17 for the purpose of developing housing. The Council has provided five commercial loans to AH totalling £5,468,000 (£4,001,000 2018/19) of which £3,715,550 (£965,000 2018/19) has been drawn down, for the purchase of property for development, at an interest rate of 4.5%. A working capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2020 £65,000 of the working capital facility loan had been drawn down. At the end of the year, the Council owed nothing to AH, while AH owed the Council £111,850. The company's accounts are consolidated into the Group Accounts. Copies of Aspiration Homes LLP's annual report and accounts can be obtained from their registered office at 1 Grove Road, Eastbourne, BN21 4TW.

12.10 South East Environmental Services Limited

South East Environmental Services Limited (SEESL) is a wholly owned subsidiary of the Council. SEESL has been set up to provide waste and recycling services. The Council has provided commercial loans to SEESL for £1,600,000 (£1,600,000 2018/19) of which £1,555,000 (£76,000 2018/19) has been drawn down, for the purchase of equipment, at an interest rate of 2% above Base Rate. At the end of the year the Council owed £364,000 to SEESL, while SEESL owed the Council £13,700.

12.11 Investment Company Eastbourne Limited

Investment Company Eastbourne Limited (ICE) is a wholly owned subsidiary of the Council. It was set up to enter into a deal with a private company in respect of a property in Leicester. There are no outstanding inter-company debts. See Group Accounts for further details.

Additional disclosure - Eastbourne Leisure Trust

The Eastbourne Leisure Trust was set up to oversee the management and operation of the Sovereign Centre and Motcombe Pool, on which it holds a 15-year lease starting in 2004. The Trust is set up as an Independent Provident Society, without any local authority members. Members of staff at these centres are jointly employed by the Trust and the contractor, Serco. During the year Eastbourne Leisure Trust paid the Council £83,000 (2018/19 £83,000).

13. LEASINGOperating leases – Council acting as lessor

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

2018/19 Minimum Lease Income £000			2019/20 Minimum Lease Income £000	
2,543		Within one year	2,325	
8,067		Between two and five years	7,222	
40,749		Later than five years	40,177	
51,359	Total		49,724	

The lease income relates to various land and buildings owned by the Council and leased out on varying terms and conditions. The longest lease expires in 2111. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2019/20 was £3,079,000 (£3,068,000 in 2018/19). The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

14. OBLIGATIONS UNDER LONG TERM LEASES

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 12.5, to Eastbourne Leisure Trust for a period of 15 years from 2004. The Leisure Trust employs SERCO Leisure to manage the centres on a day to day basis. The Council retains the ownership of the centres, and also retains responsibility for their maintenance and improvement. These functions are also contracted to SERCO Leisure under contracts expiring in 2019/20. The Council has entered into three long term credit sale agreements with SERCO to renovate and improve the centres and to purchase items of capital equipment. The table below sets out the movements in the Council's obligations up to the end of 2019/20.

	Agreement 1	Agreement 2	Agreement 3	Total
Starting Date	October 2004	June 2008	June 2009	
Completion Date	May 2019	April 2019	April 2019	
	£000	£000	£000	£000
Total credit sales facility	2,614	350	250	3,214
Liability outstanding 31 March 2019	(52)	(4)	(3)	(59)
Interest charge for 2019/20	(1)	-	-	(1)
Gross repayments for 2019/20	53	4	3	60
Liability outstanding 31 March 2020	-	-	-	-

2018/19			2019/20	
Future Minimum Payments £000	Future Lease Liabilities £000		Future Minimum Payments £000	Future Lease Liabilities £000
60	(59)	Within one year	-	-
-	-	Between two and five years	-	-
60	(59)	Total	-	-

15. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

2018/19				2019/20		
Grants £000	Contribs. £000	Total £000		Grants £000	Contribs. £000	Total £000
			Grants and contributions within Cost of Services			
(38,785)	-	(38,785)	DWP Benefits grants	(35,911)	-	(35,911)
(1,674)	(4,007)	(5,681)	Other grants and contributions	(1,009)	(3,582)	(4,591)
(40,459)	(4,007)	(44,466)	Total within Cost of Services	(36,920)	(3,582)	(40,502)
			Grants and contributions within Taxation and non- specific grant income			
(445)	-	(445)	Revenue Support Grant	-	-	-
(1,299)	-	(1,299)	Section 31 Grant Small			
(339)	-	(339)	Business Rate Relief	(1,694)	-	(1,694)
(139)	-	(139)	New Homes Bonus	(183)	-	(183)
			Localising C Tax Support			
			Admin Subsidy	(131)	-	(131)
49	(2,219)	(2,170)	Grants and contributions towards capital expenditure	(1,345)	(911)	(2,256)
(100)	-	(100)	Other Grants	(95)	-	(95)
(2,273)	(2,219)	(4,492)	Total within Taxation and non-specific grant income	(3,448)	(911)	(4,359)
(42,732)	(6,226)	(48,958)	Total Grants & Contributions	(40,368)	(4,493)	(44,861)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if not spent. The balances at year end were £10,000 (£13,000 in 2018/19).

16. TRANSFER TO/ FROM EARMARKED RESERVES

Transfers from and (to) the General Fund and HRA to Earmarked Reserves are as follows:

Reserve	Balance 1 April 2018	Movement 2018/19	Balance 31 March 2019	Movement 2019/20	Balance 31 March 2020
	£000	£000	£000	£000	£000
General Fund					
General Earmarked Reserve	(472)	(34)	(506)	506	-
Strategic Change Reserve	(7)	(191)	(198)	(46)	(244)
Capital Programme Reserve	(1,306)	961	(345)	9	(336)
Revenue Grants Reserve	(1,499)	547	(952)	338	(614)
Regeneration Reserve	(532)	532	-	-	-
Devonshire Park Review Reserve	(1,488)	1,488	-	-	-
ICE Revenue Account Contribution	-	-	-	(1,750)	(1,750)
Commercial Reserve	-	-	-	(250)	(250)
SHEP GF Properties Major Works Reserve	(1)	-	(1)	-	(1)
Total	(5,305)	3,303	(2,002)	(1,193)	(3,195)
HRA					
HRA Leaseholders Major Works Reserve	(510)	(237)	(747)	(365)	(1,112)
Riverbourne House Leaseholders Reserve	(3)	(12)	(15)	(14)	(29)
Housing Regeneration and Investment	(2,883)	354	(2,529)	-	(2,529)
Total	(3,396)	105	(3,291)	(379)	(3,670)
Total Earmarked Reserves	(8,701)	3,408	(5,293)	(1,572)	(6,865)

The purpose of the reserves is set out below:

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

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

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

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

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

ICE Reserve: this reserve was set up to provide resources in the event of a claim under the provision of a guarantee by ICE (as principal guarantor) and the Council (as ultimate guarantor) for the Loan, and as the timing/amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain.

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

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

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

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

17. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

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

2018/19		2019/20
£000		£000
122,636	Opening Capital Financing Requirement	149,917
	Capital Investment:	
4,675	Council Dwellings	4,440
1,213	Other Land and Buildings	332
1,144	Vehicles, Plant, Furniture and Equipment	1,141
-	Community Assets	-
30,632	Assets under Construction	9,211
37,664	Total Property plant and equipment	15,124
288	Infrastructure Assets	204
-	Heritage Assets	-
695	Investment Property	245
2,825	Intangible Assets	1,114
785	Revenue expenditure financed from capital under statute	1,837
1,903	Loans and Advances	14,192
315	Grants of 1-4-1 Right to Buy Receipts	1,037
7	Investment in shares and loans to Welbeing	-
44,482	Total Capital Investment	33,753
	Sources of Finance:	
(7,787)	Capital Receipts	(3,632)
(782)	Grants and Contributions towards Refcus	(997)
(3,013)	Other Grants and Contributions	(1,586)
	Sums Set Aside from Revenue:	
(4,162)	Major Repairs Reserve	(4,205)
(925)	Revenue Provision for Repayment of Debt	(452)
(532)	Revenue Contribution to Capital	-
(17,201)	Total Financing	(10,872)
149,917	Closing Capital Financing Requirement	172,798
	Explanation of movements in the year	
27,281	Increase in underlying need to borrowing (unsupported by government financial assistance)	22,881
27,281	Closing Capital Financing Requirement	22,881

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

31 March 2019 £000		31 March 2020 £000
182,902	Council Dwellings	194,265
92,896	Other Land and Buildings	97,113
7,138	Vehicles Plant Furniture and Equipment	7,328
3,568	Community Assets	3,568
54,996	Assets Under Construction	8,059
124	Surplus Assets for Disposal	148
341,624	Total Property Plant and Equipment	310,481
15,945	Infrastructure	15,557
15,034	Heritage Assets	14,702
25,656	Investment Property	27,250
6,279	Intangible Assets	6,446
1,030	Long Term Investments	732
13,982	Loans and Advances to Third Parties	28,174
(49,872)	Revaluation Reserve	(40,238)
(219,761)	Capital Adjustment Account	(190,306)
149,917	Capital Financing Requirement	172,798

18. PROPERTY PLANT AND EQUIPMENT

18.1 Movements in 2019/20

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2019	194,851	97,919	10,937	4,131	54,996	124	362,958
Restatement	210	-	(427)	-	-	-	(217)
Restated at 1 April 2019	195,061	97,919	10,510	4,131	54,996	124	362,741
Additions	4,440	332	1,141	-	9,211	-	15,124
Revaluation increases recognised in the Revaluation Reserve	-	(15,384)	-	-	-	24	(15,360)
Revaluation increases recognised in the Deficit on the Provision of Services	454	(41,687)	-	-	-	-	(41,233)
De-recognition - Disposals	(5,690)	-	(694)	-	-	-	(6,384)
Assets reclassified	-	55,933	(185)	-	(56,148)	-	-
At 31 March 2020	194,265	97,113	10,772	4,131	8,059	148	314,488
Accumulated Depreciation and Impairment							
At 1 April 2019	(11,949)	(5,023)	(3,799)	(563)	-	-	(21,334)
Restatement	(210)	-	427	-	-	-	217
Restated at 1 April 2019	(12,159)	(5,023)	(3,372)	(563)	-	-	(21,117)
Depreciation Charge	(4,284)	(2,661)	(765)	-	-	-	(7,710)

Depreciation written out to the Revaluation Reserve	-	812	-	-	-	-	812
Impairment losses recognised in the Revaluation Reserve	-	6,872	-	-	-	-	6,872
Impairment losses recognised in the Deficit on the Provision of Services	16,339	-	-	-	-	-	16,339
De-recognition - disposal	104	-	693	-	-	-	797
At 31 March 2020	-	-	(3,444)	(563)	-	-	(4,007)
Net Book Value							
At 31 March 2020	194,265	97,113	7,328	3,568	8,059	148	310,481
At 31 March 2019	182,902	92,896	7,138	3,568	54,996	124	341,624

Movements in 2018/19:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets.	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2018	190,307	97,947	10,286	4,131	24,364	124	327,159
Additions	4,675	1,213	1,144	-	30,632	-	37,664
Revaluation increases recognised in the Revaluation Reserve	-	2,563	-	-	-	-	2,563
Revaluation increases recognised in the Surplus on the Provision of Services	5,253	(530)	-	-	-	-	4,723
De-recognition - Disposals	(5,384)	(3,274)	(493)	-	-	-	(9,151)
At 31 March 2019	194,851	97,919	10,937	4,131	54,996	124	362,958
Accumulated Depreciation and Impairment							
At 1 April 2018	(7,851)	(3,482)	(3,569)	(563)	-	-	(15,465)
Depreciation Charge	(4,337)	(2,781)	(723)	-	-	-	(7,841)
Depreciation written out to the Revaluation Reserve	-	875	-	-	-	-	875
De-recognition - disposal	239	365	493	-	-	-	1,097
At 31 March 2019	(11,949)	(5,023)	(3,799)	(563)	-	-	(21,334)
Net Book Value							
At 31 March 2019	182,902	92,896	7,138	3,568	54,996	124	341,624
At 31 March 2018	182,456	94,465	6,717	3,568	24,364	124	311,694

18.2 Infrastructure Assets

Infrastructure assets are measured using the historical cost basis and carried at depreciated historical cost. Infrastructure assets mainly include coastal defences with some highways and footpaths.

	2019/20		2018/19
	£000		£000
Cost or Valuation at 1 April 2019	33,807	Cost or Valuation at 1 April 2018	33,820
Additions	204	Additions	288
Revaluation increases recognised in the Revaluation Reserve	-	Revaluation increases recognised in the Revaluation Reserve	-
Revaluation increases recognised in the Surplus on the Provision of Services	-	Revaluation increases recognised in the Surplus on the Provision of Services	-
De-recognition - Disposals	(155)	De-recognition - Disposals	(301)
Assets Reclassified	400	Assets Reclassified	-
At 31 March 2020	34,256	At 31 March 2019	33,807
Accumulated Depreciation and Impairment At 1 April 2019	(17,862)	Accumulated Depreciation and Impairment At 1 April 2018	(17,038)
Depreciation Charge	(837)	Depreciation Charge	(837)
Depreciation written out to the Revaluation Reserve	-	Depreciation written out to the Revaluation Reserve	-
De-recognition - disposal	-	De-recognition - disposal	13
At 31 March 2020	(18,699)	At 31 March 2019	(17,862)
Net Book Value		Net Book Value	
31 March 2020	15,557	31 March 2019	15,945
31 March 2019	15,945	31 March 2018	16,782

18.3 Valuation of Property

Three of the categories shown in the tables above (council dwellings, other land and buildings and surplus properties) are subject to periodic revaluation: all such assets are revalued at 5-year intervals. These were last valued as at 1 April 2020 by the Wilks, Head & Eve. The next full revaluation, for all three categories of assets, is due to be carried out as at 1 April 2025.

The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid. The estimated remaining useful life of all operational assets is reviewed annually based on advice from valuers.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Properties	Total PPE	Infra structure
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	-	-	7,328	3,568	8,059	-	18,955	15,557
Values at current value as at:								
31 March 2020	194,265	97,113	-	-	-	148	291,526	-
Net Book Value	194,265	97,113	7,328	3,568	8,059	148	310,481	15,557

18.4 Depreciation

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

Council dwellings	60 years
Other land and buildings	15 to 60 years
Vehicles Plant and Equipment	3 to 25 years

18.5 Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £6,363,000 as detailed in the table below. Similar commitments at 31 March 2019 were £20,320,000.

	31 March 2020	31 March 2019
	£000	£000
Loans to subsidiary companies	5,451	6,156
JTP / IT	512	740
Devonshire Park Project	349	11,726
Improvement of Council Dwellings	-	587
New Build & Asset Improvements	31	1,111
Parks & Gardens	20	-
Total	6,363	20,320

Approximately £256,000 (£370,000 2018/19) of the cost of JTP/IT will be recharged to Lewes DC.

19. HERITAGE ASSETS

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

	Historical Collection	Art Collection	Other	Buildings	Total
Cost or Valuation	£000	£000	£000	£000	£000
Balance at 1 April 2019	345	11,906	162	2,621	15,034
Revaluations	-	-	10	(342)	(332)
Balance at 31 March 2020	345	11,906	172	2,279	14,702

The balances at 31 March 2018 and 31 March 2019 were the same as those at 1 April 2019.

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

Acquisitions Policy

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

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

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

Disposals Policy

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

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

HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

There have been no transactions during the past 5 years except revaluations in 2019/20 noted above.

20. INVESTMENT PROPERTIES

In 2019/20 the Council received £1,400,000 as rental income from investment properties, compared to £1,736,000 received in 2018/19. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2018/19		2019/20
£000		£000
23,893	Balance at 1 April	25,656
695	Additions	245
1,068	Net gains/losses from fair value adjustments	1,349
25,656	Balance at 31 March	27,250

Fair Value Hierarchy

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

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

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

Highest and Best Use

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2020 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid.

21 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets also cover the initial purchased licences on implementation. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range between three and ten years.

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

	Long-term		Current	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Cash & Cash Equivalents				
Amortised Cost	-	-	2,241	3,459
Investment in Joint Venture Debtors	3,500	3,500	-	-
Amortised Cost	14,296	28,556	10,505	12,994
Fair Value of Guarantee Assets	12,599	15,205	109	109
Total Financial Assets	30,395	47,261	12,855	16,562
Borrowings				
Financial liabilities at amortised cost	(96,617)	(126,903)	(27,447)	(35,638)
Creditors				
Financial liabilities at amortised cost	(69)	-	(12,091)	(7,422)
Fair Value of Guarantee Liabilities	(17,379)	(20,697)	-	-
Total Financial Liabilities	(114,065)	(147,600)	(39,538)	(43,060)

22.2 Income, expense, gains and losses

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

2018/19 £000		2019/20 £000
(542)	Interest on financial assets	(921)
(35)	Other interest	(40)
(577)	Total Interest Receivable	(961)
3,172	Interest on financial liabilities	4,006
62	Other interest payable	32
3,234	Total Interest Payable	4,038

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

	Book Value	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000	£000
Cash in bank call accounts	3,459	3,459	-	-	3,459
Trade accounts receivable	12,994	12,994	-	-	12,994
Other Debtors	109	-	109	-	109
Investment in Joint Venture	3,500	-	3,500	-	3,500
Long Term Debtors	43,761	28,556	15,205	-	43,761
Total Financial Assets	63,823	45,009	18,814	-	63,823

Public Works Loan Board	(124,903)	-	(129,515)	-	(129,515)
Loan Stock	-	-	-	-	-
Market Debt	(2,000)	-	(1,996)	-	(1,996)
Long Term Borrowing	(126,903)	-	(131,511)	-	(131,511)
Long Term Creditors	-	-	-	-	-
Other Long Term Liabilities	(20,697)	-	(20,697)	-	(20,697)
Public Works Loan Board	(761)	-	(761)	-	(761)
Market Debt	(34,500)	-	(34,857)	-	(34,857)
Accrued interest	(362)	(362)	-	-	(362)
Mayor's Poor Fund	(15)	(15)	-	-	(15)
Short Term Borrowing	(35,638)	(377)	(35,618)	-	(35,995)
Other Trade Creditors	(7,422)	(7,422)	-	-	(7,422)
Short Term Creditors	(7,422)	(7,422)	-	-	(7,422)
Total Financial Liabilities	(190,660)	(7,799)	(187,826)	-	(195,625)

The comparative figures for 31 March 2019 are in the table below.

	Book Value	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000	£000
Cash in bank call accounts	2,241	2,241	-	-	2,241
Trade accounts receivable	10,505	10,505	-	-	10,505
Other Debtors	109	-	109	-	109
Investment in Joint Venture	3,500	-	3,500	-	3,500
Long Term Debtors	26,895	14,296	12,599	-	26,895
Total Financial Assets	43,250	27,042	16,208	-	43,250
Public Works Loan Board	(87,117)	-	(122,560)	-	(122,560)
Loan Stock	(7,500)	-	(8,440)	-	(8,440)
Market Debt	(2,000)	-	(2,036)	-	(2,036)
Long Term Borrowing	(96,617)	-	(133,036)	-	(133,036)
Long Term Creditors	(69)	(69)	-	-	(69)
Other Long Term Liabilities	(17,379)	-	(17,379)	-	(17,379)
Market Debt	(27,000)	-	(27,133)	-	(27,133)
Accrued interest	(432)	(432)	-	-	(432)
Mayor's Poor Fund	(15)	(15)	-	-	(15)
Short Term Borrowing	(27,447)	(447)	(27,133)	-	(27,580)
Credit sales agreement	(59)	-	(59)	-	(59)
Other Trade Creditors	(12,032)	(12,032)	-	-	(12,032)
Short Term Creditors	(12,091)	(12,032)	(59)	-	(12,091)
Total Financial Liabilities	(153,603)	(12,548)	(177,607)	-	(190,155)

The fair value of Public Works Loan Board (PWLB) is higher than the book value because it is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to the PWLB above current market rates. The outstanding loans were taken at various dates between April 1995 and October 2019 at varying fixed interest rates between 1.5% and 8.9% (average rate 2.5%) for various terms.

At the time some of the loans were arranged, interest rates were much higher and these loans were taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference of £4,612,000 between the book value and market value for PWLB. The fair value of short term market debt is higher than the book value because £7,500,000 is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to the lender above current market rates. The loan was originally arranged in 1995 at a fixed interest rate of 8.75% for 25 years. At the time the loan was arranged interest rates were much higher and this loan was taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference £357,000 between the book value and market value for short term market debt, £314,000 of which relates to the loan of £7,500,000 which is due for repayment in 2020-21.

22.4 Valuation techniques applied to obtain fair value

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

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For financial assets, trade accounts receivable and long term debtors are reviewed to estimate the value at Level 1 based on past experience of bad debts. Cash in call accounts is held at book value.

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

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

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

23. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the Council might be requiring 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 rates and stock market movements.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which is available on the website.

There are significant financial risks of COVID-19 that will be felt into 2020/21 and later years due to the uncertainty surrounding its impact on residents and Council Tax collection rates, the slowdown in house building and the reduction in the Council Tax base and income and on businesses and Business Rates collection rates.

Credit Risk Management Practices

The Council's credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element.

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2019/20 was approved by Full Council on 20 February 2019 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £3m 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 2020 that this was likely to crystallise.

The Council has invested funds in, CloudConnX (£357,000) and Sea Change Sussex (£2,597,000) totalling £2,954,000. The risk of these companies failing to meet their commitments is minimised by maintaining representation on the board of Welbeing and CloudConnX. The loan to CloudConnX is supported by a fixed and floating charge over the assets. The loan to Sea Change Sussex loan is fully secured by a charge over land.

The Council has provided various commercial loan facilities to Eastbourne Housing Investment Company Limited (EHIC) a wholly owned subsidiary of the Council, totalling £24,106,350:

- £23,856,350 of which £20,233,050 has been drawn down, for the purchase and refurbishment of properties, at an interest rate of 3% - 4.5%. The loans are secured by a first charge on the properties purchased;
- £250,000 working capital facility, unsecured at an interest rate of 2% above Base Rate, none of which was drawn down as at 31 March 2020.

The Council has provided various commercial loan facilities to Aspiration Homes LLP, a partnership jointly owned by the Council and Lewes District Council, totalling £5,568,000:

- £5,468,000 of which £3,715,550 has been drawn down, for the development of new properties, at an interest rate of- 4.5%. The loans are secured by a first charge on the properties purchased;

- £100,000 working capital facility, unsecured at an interest rate of 2% above Base Rate, of which £65,000 was drawn down as at 31 March 2020.

The Council has provided a commercial loan facility to South East Environmental Services Limited (SEESL), a wholly owned subsidiary of the Council, totalling £1,600,000 of which £1,555,000 has been drawn down for the purchase of waste fleet vehicles. The loan is unsecured and interest is charged at the rate of 2% above Base Rate.

ICE Limited is the principal guarantor of a £48m loan to IIL, and is also principal guarantor of a rental guarantee in respect of shortfalls of rental income in IIL. The fair value of the guarantee at 31 March 2020 was £20.7m (£17.4m at 31 March 2019). ICE also paid £3.5m for an option to acquire 49.5% of the shares of IIL for £1 at any time, as well as contractual rights over the management of that company and its property, St George's Tower, Leicester.

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 ratings in accordance with parameters set by the Council. The following analysis summarises the Council's potential maximum exposure to risk on other financial assets:

	Amount as at 31 March 2020	Historic experience of default	Estimated maximum exposure to default at 31 March 2020	Estimated maximum exposure to default 31 March 2019
	£000		£000	£000
	A	B	(AxB)	
Customers	14,527	1%	145	115

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

Aged debt analysis	31 March 2019	31 March 2020
	£000	£000
Less than three months	9,273	12,051
Three to four months	162	158
Four months to one year	999	869
More than one year	1,090	1,179
Total	11,524	14,257

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during the year are as follows:

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2019	-	-	4,539	4,539
Change in credit loss	6	189	339	534
Closing balance at 31 March 2020	6	189	4,878	5,073

12 Month ECL includes treasury investments but there is no ECL as the investments are either call accounts or local authority investments which are exempt. Lifetime ECL includes third party loans, but no allowance has been made for loans to subsidiary companies of the Council. Lifetime ECL simplified includes debtor system invoices and other debtor accruals including council house rents. Council tax and business rates are non financial assets and the provision for bad debts is calculated separately and based on incurred losses.

Collateral – During the reporting period the council held no collateral as security.

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 CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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 2019 £000	31 March 2020 £000
Less than one year	12,856	16,562
Between one and two years	30,395	47,261
Total	43,251	63,823

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 treasury 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;
- rescheduling of the existing debt;
- 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 is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

Banding	31 March 2019		31 March 2020		Limits in each banding
	£000	%	£000	%	
Less than one year	28,074	23%	37,714	23%	75%
Between one and two years	9,404	8%	5,214	3%	75%
Between two and five years	8,981	7%	10,739	7%	75%
Five to ten years	6,889	5%	13,976	9%	100%
More than ten years	70,339	57%	94,521	58%	100%
Total	123,687	100%	162,164	100%	

Market risk**Interest rate risk**

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise;
- investments at fixed rates – the fair value of the assets will fall.

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

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

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	409
Increase in interest receivable on variable rate investments	(63)
Impact on Surplus or Deficit on the Provision of Services	346
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(21,790)

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

Price risk

The Council does not generally invest in equity shares but during 2019/20 did have shareholdings to the value of £732,000 (£323,000 in 2018/19) in Doro. The shareholding was part of the settlement relating to the sale of the Council's interest in Greencoat House Ltd (Welbeing) on 31st May 2018. The Council is consequently exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

The Council has a shareholding in Doro in Swedish Krona as part of the settlement in the sale of Greencoat House Ltd (Welbeing). There is exposure to loss and gain arising from movements in exchange rates.

24. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2019		31 March 2020	
£000		£000	
867	Trade Receivables	1,282	
428	Prepayments	362	
5,135	Debtors for Local Taxation	5,850	
13,073	Other Receivable Amounts	16,926	
<hr/>		<hr/>	
19,503	Total	24,420	

Long-term debtors outstanding as at 31 March are:

31 March 2019		31 March 2020	
£000		£000	
26,895	Other Receivable Amounts	43,761	
<hr/>		<hr/>	
26,895	Total	43,761	

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

- £357,000 (2018/19 £357,000) in a company that will be providing telecommunication services primarily to the business sector in the locality. The Council currently has a charge over the assets of the company. A £5,000 expected credit loss adjustment has been allowed for with this loan (see Note 23 for further details).
- £850,000 loan funding in 2014/15 provided in partnership with East Sussex County Council to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the purchase of a site at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added to this loan bringing the total outstanding to £989,916. A £72,000 expected credit loss adjustment has been allowed for with this loan.
- £1,400,000 loan funding in 2015/16 to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the development of the Innovation Mall (Pacific House) at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added bringing the total outstanding to £1,606,794. A £117,000 expected credit loss adjustment has been allowed for with this loan.
- £24,106,350 loan facility was agreed with Eastbourne Housing Investment Company, a wholly owned subsidiary of the council for the purchase and redevelopment of various properties. As at 31 March 2020 a sum of £20,233,050 was drawn down. These loans are due for repayment on a variety of dates, the last due date being in 2059.
- £5,568,000 loan facility was agreed with Aspiration Homes LLP, a partnership wholly owned by The Council and Lewes District Council for the purchase and redevelopment of various properties. As at 31 March 2020 a sum of £3,780,550 was drawn down. This loan is due for repayment in 2058. These loans are due for repayment on a variety of dates, the last due date being in 2059.
- £1,600,000 loan facility was agreed with South East Environmental Services Ltd, a wholly owned subsidiary of the council for the purchase waste fleet vehicles. As at 31 March 2020 a sum of £1,555,000 was drawn down. This loan is due for repayment in 2030.
- £15,205,656 long term contract receivable (plus £109,167 short term receivable) relating to a guarantee arrangement provided to IIL Ltd in respect of an investment property in Leicester as detailed in Notes 4 and 5.

25. CREDITORS

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

31 March 2019 £000		31 March 2020 £000
(10,641)	Trade payables	(4,520)
(9,501)	Other payables	(9,219)
<u>(20,142)</u>	Total	<u>(13,739)</u>

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

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

31 March 2019 £000		31 March 2020 £000
(69)	Other payables	-
<u>(69)</u>	Total	<u>-</u>

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

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

Other Long Term Liabilities

- £19,479,231 liability for a rental guarantee and £1,217,989 liability for a loan guarantee provided to IIL Ltd, a total of £20,697,220, in respect of an investment property in Leicester as detailed in Notes 4 and 5.

26. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2020 are:

	Balance 1 April 19 £000	Additions £000	Amounts used £000	Balance 31 March 20 £000
Business Rate Appeals	(614)	(363)	142	(835)

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

27. USABLE RESERVES

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

28. UNUSABLE RESERVES

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

31 March 2019 £000		31 March 2020 £000
2	Deferred Capital Receipts Reserve	1
(858)	Collection Fund Adjustment Account	(119)
49,872	Revaluation Reserve	40,238
219,761	Capital Adjustment Account	190,306
(56,167)	Pension Reserve	(49,938)
(44)	Accumulated Absence Account	(44)
212,566	Total Unusable reserves	180,444

Deferred Capital Receipts Reserve

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

2018/19 £000		2019/20 £000
2	Balance at 1 April	2
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)
	- Transfer to the Capital Receipts Reserve upon receipt of cash]
2	Balance at 31 March	1

Collection Fund Adjustment Account

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

2018/19 £000		2019/20 £000
(1,244)	Balance at 1 April	(858)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	739
(858)	Balance at 31 March	(119)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains are:

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

2018/19 £000		2019/20 £000	£000
50,620	Balance at 1 April		49,872
<u>2,563</u>	Upward / (downward) revaluation of assets	<u>(8,821)</u>	
2,563	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(8,821)
(875)	Difference between fair value depreciation and historical cost depreciation	(813)	
<u>(2,436)</u>	Accumulated gains on assets sold or scrapped	<u>-</u>	
(3,311)	Amount written off to the Capital Adjustment Account		(813)
49,872	Balance at 31 March		40,238

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2018/19		2019/20
£000		£000 £000
212,459	Balance at 1 April	219,761
	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	
(3,081)		(32,630)
(733)	Amortisation of intangible assets	(947)
(1,102)	Revenue expenditure funded from capital under statute	(2,874)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
<u>(11,204)</u>		<u>(5,740)</u>
(16,120)		(42,191)
<u>3,311</u>	Adjusting amounts written out of the Revaluation Reserve	<u>813</u>
(12,809)	Net written out amount of the cost of non-current assets consumed in the year	(41,378)
	Capital financing applied in the year:	
	Use of the Capital Receipts Reserve to finance new capital expenditure	
7,787		3,632
	Use of the Major Repairs Reserve to finance new capital expenditure	
4,162		4,205
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
782		997
	Application of grants to capital financing from the Capital Grants Unapplied Account	
3,013		1,586
	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	
925		452
	Capital expenditure charged against the General Fund and HRA balances	
<u>532</u>		<u>-</u>
17,201		10,872
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	
1,067		1,349
	Principal Repayment of Loans	
2,055		-
	Movements in the market value of Investments debited or credited to the Comprehensive Income and Expenditure Statement	
(212)		(298)
<u>219,761</u>	Balance at 31 March	<u>190,306</u>

Pension Reserve

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

2018/19		2019/20
£000		£000
(45,560)	Balance at 1 April	(56,167)
(5,267)	Re-measurement of the net defined benefit (asset) / liability	11,966
	Reversal of items relating to retirement benefits debited or	
	credited to the Surplus or Deficit on the Provision of Services	
(9,480)	in the Comprehensive Income and Expenditure Statement	(10,130)
	Employer's pensions contributions and direct payments to	
4,140	pensioners payable in the year	4,393
<u>(56,167)</u>	Balance at 31 March	<u>(49,938)</u>

Accumulated Absences Account

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

2018/19		2019/20
£000		£000
(50)	Balance at 1 April	(44)
	Settlement or cancellation of accrual made at the end of the	
50	preceding year	-
(44)	Amounts accrued at the end of the current year	-
<u>(44)</u>	Balance at 31 March	<u>(44)</u>

29. POST EMPLOYMENT BENEFITS**29.1 Participation in defined benefit pension plan**

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The Council also has liabilities for discretionary payments for added years, etc. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

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

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

The actuary has confirmed that an adjustment to the obligations as at 31 March 2020 was applied to allow for the expected impact of the McCloud case (age discrimination) at that date. No adjustment was applied to the obligations as at 31 March 2020 in respect of the Goodwin case (survivor benefits).

29.2 Transactions relating to post-employment benefits

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

2018/19		2019/20
£000		£000
	Service Cost comprising:	
7,235	Current Service Costs	8,571
1,008	Past Service Costs	157
	Financing & Investment Income & Expenditure	
1,237	Net Interest Expense	1,402
9,480	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	10,130
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
(7,264)	Return on Plan Assets (excluding the amount included in the net interest expense)	22,529
-	Actuarial Gains arising on changes in demographic assumptions	(6,187)

12,498	Actuarial Losses / (Gains) arising on changes in financial assumptions	(18,971)
33	Other Experience	(9,337)
5,267	Other Comprehensive Income & Expenditure	(11,966)
14,747	Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	(1,836)
Movement in Reserves Statement		
9,480	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	10,130
(4,140)	Actual amount charged to the General Fund Balance for pensions in the year	(4,393)
5,340	Net adjustment in Movement in Reserves Statement	5,737

29.3 Pensions Assets and Liabilities recognised in the balance Sheet

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

31 March 2019		31 March 2020	
£000		£000	
164,979	Fair value of employer assets	145,813	
(216,499)	Present value of funded liabilities	(191,782)	
(4,647)	Present value of unfunded liabilities	(3,969)	
(56,167)	Net liability arising from defined benefit obligation	(49,938)	

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

2018/19		2019/20	
£000		£000	
153,411	Opening fair value of assets	164,979	
3,990	Interest income	3,961	
Re-measurement gain/(loss):			
7,264	The return on plan assets, excluding the amount included in the net interest expense	(22,529)	
3,808	Contributions from employer - Funded	4,077	
332	Contributions from employer - Unfunded	316	
1,211	Contributions from employees into the scheme	1,287	
(4,705)	Benefits paid - Funded	(5,962)	
(332)	Benefits paid - Unfunded	(316)	
164,979	Closing fair value of scheme assets	145,813	

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

2018/19		2019/20
£000		£000
(198,971)	Opening balance at 1 April	(221,146)
(7,235)	Current service costs	(8,571)
(5,227)	Interest costs	(5,363)
(1,211)	Contributions from scheme participants	(1,287)
	Re-measurement gains and (losses):	
-	Actuarial Gains arising on changes in demographic assumptions	6,187
(12,498)	Actuarial (losses) / gains arising from changes in financial assumptions	18,971
(33)	Other	9,337
(1,008)	Past service costs	(157)
4,705	Benefits paid - funded	5,962
332	Benefits paid - unfunded	316
(221,146)	Closing Balance at 31 March	(195,751)

29.6 Local Government Pension Scheme Assets comprised:

31 March 2019				31 March 2020			
Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
£000	£000	£000		£000	£000	£000	
Equity Securities:							
1,963	-	1,963	1%	-	-	-	0%
1,350	-	1,350	1%	-	-	-	0%
389	-	389	1%	-	-	-	0%
1,839	-	1,839	1%	-	-	-	0%
299	-	299	0%	-	-	-	0%
322	-	322	0%	-	-	-	0%
6,162	-	6,162	4%	-	-	-	0%
Sub-total equity							
Debt Securities:							
-	3,993	3,993	2%	-	-	-	0%
-	3,055	3,055	2%	-	1,287	1,287	1%
-	7,048	7,048	4%	-	1,287	1,287	1%
Sub-total Debt Securities							
Private equity:							
-	10,146	10,146	6%	-	9,612	9,612	7%
Real Estate:							
-	15,453	15,453	9%	-	13,385	13,385	9%
-	15,453	15,453	9%	-	13,385	13,385	9%
Sub-total Real Estate							
Investment Funds & Unit Trusts:							
-	91,069	91,069	55%	-	49,494	49,494	34%
-	27,148	27,148	17%	-	25,062	25,062	17%
-	107	107	0%	-	-	-	0%
279	-	279	0%	-	-	-	0%
-	978	978	1%	-	2,648	2,648	2%
-	34	34	0%	-	41,629	41,629	28%
279	119,336	119,615	73%	-	118,833	118,833	81%
Sub-total Investment Funds & Unit Trusts							
Derivatives:							
-	(19)	(19)	0%	-	-	-	0%
-	(19)	(19)	0%	-	-	-	0%
Sub-total Derivatives							
Cash & Cash Equivalents							
6,579	(5)	6,574	4%	2,465	231	2,696	2%
13,020	151,959	164,979	100%	2,465	143,348	145,813	100%
Total				Total			

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

29.7 Basis for Estimating Assets and Liabilities

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

The significant assumptions used by the actuary have been:

2018/19	Mortality assumptions:	2019/20
	Longevity at 65 for current pensioners:	
22.1	Men	21.6
24.4	Women	23.9
	Longevity at 65 for future pensioners:	
23.8	Men	22.5
26.3	Women	25.3
2.5%	Rate of inflation	1.9%
2.9%	Rate of increase in salaries	1.9%
2.5%	Rate of Increase in Pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumption set out in the table above. (See also Note 5) The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate % Increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	17,542
1 year increase in member life expectancy	3-5%	7,623 - 12,705
0.5% increase in the Salary Increase Rate	1%	1,509
0.5% Increase in the Pension Increase Rate	8%	15,909

29.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

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

The Council anticipates paying £3,859,000 expected contributions to the scheme in 2020/21.

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

	Liability Split (£000) as at 31 March 2020	Liability Split (%) as at 31 March 2020
Active Members	72,589	37.9%
Deferred Members	42,574	22.2%
Pensioner Members	76,519	39.9%
Total	191,682	100%

The duration of the Council's funded liabilities is 20 years.

30. CASH AND CASH EQUIVALENTS

The Balance Sheet includes:

2018/19 £000		2019/20 £000
39	Petty Cash	27
<u>2,202</u>	Cash and Cash Equivalents	<u>3,432</u>
2,241	Total	3,459

The deficit on the provision of services has been adjusted for the following non cash movements:

2018/19 £000		2019/20 £000
7,804	Depreciation	7,736
(4,723)	Impairment and (reversal) of impairment and valuation movements	24,894
733	Amortisation	947
6,333	Increase / (Decrease) in creditors	(4,258)
79	(Increase) / Decrease in Debtors	(5,165)
7	Decrease / (Increase) in Inventories	(9)
5,340	Movement in pension liability	5,737
11,204	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	5,740
4,050	Other non-cash items charged to the net deficit on the provision of services (including Financial Guarantee)	(117)
<u>30,827</u>	Adjustment for Non-Cash Movements included in the provision of services	<u>35,505</u>

The deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

£000		£000
(8,651)	Proceeds from short and long term investments	-
(1,479)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,624)
(2,951)	Other items for which the cash effects are investing or financing activities	(2,583)
<u>(13,081)</u>	Adjustment for items that are investing and financing activities	<u>(5,207)</u>
£000	Investing Activities	£000
(38,595)	Purchase of property, plant and equipment, investment property and intangible assets	(18,972)
(4,742)	Purchase of short-term and long-term investments	-
(3,397)	Other payments for investing activities	(14,268)
1,479	Proceeds from sales of property, plant and equipment, investment property and intangible assets	2,624
8,651	Proceeds from short and long term investments	-
3,987	Other receipts from investing activities	2,588
<u>(32,617)</u>	Net cash flows from investing activities	<u>(28,028)</u>

£000	Financing Activities	£000
63,000	Cash receipts of short and long-term borrowing	85,875
(840)	Other (receipts) / payments from financing activities	248
<u>(44,433)</u>	Repayment of short and long-term borrowing	<u>(47,328)</u>
<u>17,727</u>	Net cash flows from financing activities	<u>38,795</u>

Reconciliation of Liabilities arising from Financing Activities	1 April 2019	Financing Cash Flows	Non Cash Changes	31 March 2020
	£000	£000	£000	£000
Long Term Borrowings	(96,617)	(38,547)	8,261	(126,903)
Short Term Borrowings	(27,447)	-	(8,191)	(35,638)
Net cash outflow from financing activities	<u>(124,064)</u>	<u>(38,547)</u>	<u>70</u>	<u>(162,541)</u>

31. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Municipal Insurance Limited

The Council's former insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council was set at £470,000. The Directors of MMI 'triggered' the Scheme of Arrangement under Section 425 of the Companies Act 1985 (now Section 899 of the Companies Act 2006) on 13 November 2012. Ernst & Young are now responsible for the management of the MMI business, affairs and assets. Ernst & Young have carried out a review of MMI assets and liabilities. A payment of £70,437 was made during 2013/14, £46,958 during 2015/16 and £83,245 during 2019/20 (total £200,640) by the Council and the balance of £269,360 will continue to be a contingent liability.

Towner Trust

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

Eastbourne Borough Football Club (EBFC)

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

Bedfordwell Road

The Council purchased land at Bedfordwell Road on 24 March 2018. Overage, capped at £1m, may be payable under certain circumstances.

The COVID-19 pandemic

The COVID-19 pandemic has had a major impact on the Council, although the financial impact will be primarily in 2020/21. The most significant impacts have been loss of car parking income, commercial rent deferrals, loss of income from leisure facilities and other fees and charges. The Council has incurred additional expenditure to ensure key services such as homelessness prevention, and leisure services expenditure/loss of income. The Council has received some Government funding towards the additional costs and reduced income. The final financial impact will depend on the level of Government funding received and how quickly services are able to return to pre COVID-19 operating levels. Whilst the Council's un-ringfenced General Fund reserve would have some capacity to absorb some of the financial impact, a robust financial plan will be required to ensure the sustainability of the council's finances are maintained and this will form a substantial part of the financial resilience recovery work.

Investment Company Eastbourne Limited (ICE)

In May 2018, the Council's wholly owned investment company, ICE, entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. Whilst the Council will be potentially liable to pay CLI future lease payments if a default event occurs it is unclear when exactly this type of event would occur and therefore difficult to establish what the potential liability would be. The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, a default event would also give rise to circumstances that are reflected as a Contingent Asset. As at 31st March 2020 there were no conditions or events which would trigger any liability.

Devonshire Park

Ongoing negotiations with relevant parties.

Contingent Assets**Overpaid VAT**

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

Investment Company Eastbourne Limited (ICE)

In May 2018, the Council's wholly owned investment company, ICE, entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. At the end of the loan term, and assuming no default event occurs, the property will be jointly marketed and sold, with ICE being entitled to stipulated amounts and proportions of the net sale proceeds. The timing and value of the net sale proceeds are both uncertain. ICE also has two options which allow it to acquire 49.5% of the shares of the company for £1 at any time, and 100% of the shares of the company, or the property, in the event of a default on the loan. The timing of these events, and the value of the shares and the property at that time, are uncertain.

32. POST BALANCE SHEET EVENTS**COVID-19**

The World Health Organisation declared the novel coronavirus outbreak as a global pandemic on 11 March 2020. On 23 March 2020, the Prime Minister announced the first lockdown in the UK and ordered people to stay at home. On 10 May, a conditional plan for lifting lockdown was announced and in June, schools and non essential shops began to re-open. On 18 July, local authorities gained additional powers to enforce social distancing and in August an 'Eat Out to Help Out' scheme began. However by September, a 'rule of six' gathering was introduced and the PM announced new restrictions including a return to working from home and a 10pm curfew for the hospitality sector. On 5 November a second lockdown began to protect the NHS. On 2 December 2020, the second lockdown ended with a tier restriction system. The vaccination programme began in December. During a 5 day Christmas period, upto three households were allowed to meet.

On 6 January 2021, a third national lockdown began. In February the PM published a roadmap for lifting the lockdown and by March schools began to reopen and limited outdoor gatherings were allowed. Further restrictions were relaxed and by July most legal limits on social contact had been removed and the final closed sectors of the economy reopened. However following the spread of the Omicron variant in December 2021, face masks became compulsory in most indoor public places and NHS covid passes mandatory in specific settings. In February 2022, the PM made a statement on the government's strategy for living with COVID as the peak of the Omicron wave had passed, hospitalisations fell and the link between infection and severe disease weakened by the vaccination programme.

MHCLG financial support and capitalisation directive

In August 2020, it became very clear that a July recovery and bounce back was no longer an option and the Council's Chief Finance Officer initiated a formal notification process with MHCLG asking for financial support or capitalisation directive.

On 2nd February 2021, Luke Hall, MP and Minister of State for Regional Growth and Local Government in a letter addressed to Cllr Tutt, Leader of the Council, approved a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, for the financial year 2020/21 and up to £6m for 2021/22.

The letter included:

With respect to the financial year of 2020/21, the Secretary of State is content to approve a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, subject to conditions. The conditions would be set out in the capitalisation direction when issued. With respect to the financial year of 2021/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £6m. Again, such a direction may be subject to conditions, which would be set out in the capitalisation direction when issued.

Eastbourne Leisure Trust

As a result of the COVID-19 pandemic the leisure sector has effectively been shut down. This had a significant impact on the Eastbourne Leisure Trust and Serco, to such an extent that felt they could no longer operate the Sovereign Centre and as a result terminated the agreement and handed the site back to the Council on 14 June 2020. A total of 128 staff were TUPE'd back to the Council, 124 of which continued to be furloughed. Officers are currently investigating options for the future of the Centre in light of the current economic environment.

HOUSING REVENUE ACCOUNT (HRA)

2018/19		2019/20
£000		£000
	Income	
(14,174)	Dwelling Rents	(13,823)
(42)	Non-Dwelling Rents	(113)
(1,504)	Charges for Services and Facilities	(1,383)
(444)	Contributions Towards Expenditure	(36)
(16,164)	Total Income	(15,355)
	Expenditure	
732	Repairs and Maintenance	3
7,955	Supervision and Management	8,612
422	Rents, rates, taxes and other charges	211
(874)	Depreciation, Amortisation and Impairment Reversals of Non Current Assets	(12,467)
66	Movement in the allowance for bad debts	(23)
20	Debt Management Costs	22
8,321	Total Expenditure	(3,642)
(7,843)	Net Income for HRA Services as included in the whole authority Income and Expenditure Statement	(18,997)
68	HRA services share of Corporate and Democratic Core	65
(7,775)	Net Income for HRA Services	(18,932)
4,068	(Gain)/loss on sale of HRA assets	3,544
1,918	Interest Payable and Similar Charges	1,883
(62)	Interest and Investment Income	(32)
(13)	Capital Grants and Contributions Received	(154)
(1,864)	Surplus for the Year	(13,691)

MOVEMENT ON THE HRA STATEMENT

2018/19		2019/20
£000	£000	£000
	(5,188)	(5,947)
	(Surplus)/Deficit on HRA Income and Expenditure Statement	(13,691)
	Adjustments between accounting and funding basis:	
354	Capital expenditure financed by the HRA	-
13	Capital Grants and Contributions received	154
(5,144)	Reverse non-current assets written off on disposal	(5,586)
1,076	Proceeds from sales of non-current assets	2,042
4,911	Transfer from Capital Adjustment Account	16,766
(654)		(315)
(105)	Transfers (to)/from earmarked reserves	379
(759)	Increase in year on HRA	64
(5,947)	Housing Revenue Account closing balance	(5,883)

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

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

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2019		31 March 2020
	Houses and Bungalows	
16	- one bedroom	16
522	- two bedrooms	517
1113	- three bedrooms	1107
51	- four or more bedrooms	51
1,702	Total Houses and Bungalows	1,691
	Flats	
1,031	- one bedroom	1,025
537	- two bedrooms	533
4	- three or more bedrooms	4
129	- bed-sits	129
1,701	Total Flats	1,691
3,403	All Dwellings	3,382

In addition the Council has shared ownership arrangements covering 19 full property equivalents (19.5 at 31 March 2019). The Council no longer has any properties under short-term property leases.

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

	31 March 2019	31 March 2020
	£000	£000
Dwellings	181,803	194,265
Other Land and Buildings	1,099	1,181
Total	182,902	195,446

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilkes, Head & Eve as at 31 March 2020, which resulted in a market vacant possession value of the housing stock at 31 March 2020 of £569m. The vacant possession of garages is £2.7m. The 2019/20 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value. The Government considers that the difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing council housing at less than open market rents.

3. MAJOR REPAIRS RESERVE (MRR)

This reserve was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account; where capital expenditure is funded from the MRR the MRR is debited and the Capital Adjustment Account credited.

2018/19		2019/20
£000		£000
(865)	Balance as at 1 April	(1,055)
4,162	Financing of Capital Expenditure	4,205
(4,352)	Depreciation	(4,300)
(1,055)	Balance as at 31 March	(1,150)

4. CAPITAL EXPENDITURE AND FINANCING

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

2018/19		2019/20
£000		£000
5,099	Total Capital Expenditure	4,529
	Funding:	
-	Borrowing	-
-	Government Grant	-
158	Capital Receipts	171
4,162	Major Repairs Reserve	4,205
357	Earmarked Reserves	-
422	Other Contributions	153
5,099	Total Funding	4,529

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2018/19		2019/20
£000		£000
1,064	Right to Buy Sales of Houses and Flats	1,929
13	Other Sales	99
-	Repayment of Right to Buy Discount	15
1,077		2,043

6. DEPRECIATION

2018/19		2019/20
£000		£000
4,336	Dwellings	4,284
16	Other Land and Buildings	16
4,352	Total HRA Assets	4,300

7. REVALUATION OF HRA STOCK

A full revaluation of HRA stock was carried out by Wilks Head & Eve as at 31 March 2020, which resulted in an increase in value of £13m. The current market value of HRA stock is disclosed in Note 1 above.

8. RENT ARREARS

Rent arrears at 31 March 2020 amounted to £1,025,000 (£909,000 at 31 March 2019). These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2019/20 former tenant arrears of £5,000 were written off (£42,000 in 2018/19).

The Council has an impairment allowance for doubtful debts of £187,000 at 31 March 2020 (£209,000 at 31 March 2019).

COLLECTION FUND REVENUE ACCOUNT

2018/19 Total		Business Rates	2019/20 Council Tax	Total
£000		£000	£000	£000
	Income			
65,837	Income collectable from Council Tax	-	69,114	69,114
34,526	Income collectable from Non-Domestic Rates	36,272	-	36,272
574	Transitional Relief	412	-	412
	Contribution towards previous year's Collection Fund Deficit			
1,485	Central Government	914	-	914
267	East Sussex County Council	164	-	164
1,188	Eastbourne Borough Council	731	-	731
30	East Sussex Fire Authority	18	-	18
103,907	Total Fund Income	38,511	69,114	107,625
	Expenditure			
	Precepts, Demands and Shares			
18,157	Central Government	8,788	-	8,788
51,127	East Sussex County Council	9,140	49,881	59,021
22,759	Eastbourne Borough Council	15,468	8,579	24,047
5,700	Sussex Police & Crime Commissioner	-	6,602	6,602
3,489	East Sussex Fire Authority	1,758	3,256	5,014
101,232		35,154	68,318	103,472
129	Business Rates Costs of Collection	129	-	129
	Charges to Collection Fund			
853	Allowance for Appeals	364	-	364
(540)	Backdated changes in Rateable Values	-	-	-
186	Write-offs of uncollectable amounts	675	234	909
314	Allowance for impairment of doubtful debts	262	257	519
813		1,301	491	1,792
	Apportionment of previous year's Collection Fund Surplus			
1,012	East Sussex County Council	-	336	336
179	Eastbourne Borough Council	-	58	58
118	Sussex Police & Crime Commissioner	-	40	40
68	East Sussex Fire Authority	-	22	22
1,377		-	456	456
103,551	Total Fund Expenditure	36,584	69,265	105,849
(356)	Movement on Fund Balance	(1,927)	151	(1,776)
	COLLECTION FUND BALANCE			
2,255	Balance at 1st April	2,258	(359)	1,899
(356)	(Surplus)/Deficit for the year	(1,927)	151	(1,776)
1,899	Balance as at 31st March	331	(208)	123

NOTES TO THE COLLECTION FUND**1. INCOME FROM COUNCIL TAX****Amounts receivable from Council Taxpayers:**

	2019/20
	£000
Gross amount of Council Tax	87,495
Less: Council Tax Support Scheme	(7,721)
Discounts	(8,185)
Exemptions	(2,378)
Disabled Relief	(97)
Net Yield from Council Tax	69,114

Council Tax Base

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

Band	Chargeable Dwellings	Est Taxable Properties	Ratio to Band D	Band D Equiv	Yield £000
A Dis Red	14	8	5/9	4	8
A	8,334	5,017	6/9	3,345	6,573
B	12,850	9,621	7/9	7,483	14,705
C	10,571	8,660	8/9	7,698	15,128
D	8,445	7,359	9/9	7,359	14,461
E	4,456	4,057	11/9	4,959	9,745
F	2,015	1,889	13/9	2,729	5,363
G	1,106	1,031	15/9	1,718	3,376
H	50	44	18/9	88	173
	47,841	37,686		35,383	69,532
Less average 1.75% reduction to allow for collection losses etc.				(618)	(1,214)
Council Tax Base				34,765	68,318

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

Comparison of Actual versus Theoretical Gross Yields:

Tax base (as above)	A	34,765.3
Band D Council Tax 2019/20 (Budget report)	B	£1,965.13
Theoretical gross yield	A x B	£68,318,334
Actual gross yield (as above)	C	£69,113,966
Theoretical gross yield - actual gross yield	(A x B) - C	(£795,632)

2. INCOME FROM BUSINESS RATE PAYERS

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

		2018/19	2019/20
Total non-domestic rateable value	£m	91.2	93.6
Multiplier	p	49.3	50.4
Multiplier (Small businesses)	p	48.0	49.1
Product	£m	33.3	36.3

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

The business rates share payable in 2019/20 was estimated before the start of the financial year as £36.3. These sums have been paid into 2019/20 and charged to the collection fund in year. This council's share is £14.5m.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	Precept	COUNCIL TAX		NON-DOMESTIC BUSINESS RATES		
		Distribution of prior years deficit	Total	Share	Distribution of prior years surplus	Total
	£000	£000	£000	£000	£000	£000
Eastbourne Borough Council	8,579	58	8,637	15,468	(731)	14,737
Central Government	-	-	-	8,788	(913)	7,875
East Sussex County Council	49,881	336	50,217	9,140	(164)	8,976
Sussex & Crime Commissioner	6,602	40	6,642	-	-	-
East Sussex Fire Authority	3,256	22	3,278	1,758	(18)	1,740
Total	68,318	456	68,774	35,154	(1,826)	33,328

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

	2018/19 £000	2019/20 £000
Actual Business Rate income due	14,909	16,710
Tariff payment	(10,693)	(12,362)
	4,216	4,348
Baseline Funding	(3,513)	(3,594)
Amount above (below) baseline	703	754

4. COLLECTION FUND BALANCE

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

	COUNCIL TAX		BUSINESS RATES	
	31 March 19 £000	31 March 20 £000	31 March 19 £000	31 March 20 £000
Eastbourne Borough Council	(46)	(27)	903	146
Central Government	-	-	1,129	83
East Sussex County Council	(265)	(151)	203	85
Sussex Police & Crime Commissioner	(31)	(20)	-	-
East Sussex Fire Authority	(17)	(10)	23	17
(Surplus) / Deficit	(359)	(208)	2,258	331

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

GROUP ACCOUNTS**Introduction**

The purpose of the main accounting statements is as set out in the accounting statements above for the Council alone. The accounting Code of Practice requires the same disclosures to be made for group accounts as for the Council's own accounts. Where notes have not been included in the group accounts, the impact is not considered to be material.

The outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid.

Eastbourne Homes Ltd and Eastbourne Housing Investment Company Limited

As set out in Note 12.4 and 12.8 above, Eastbourne Homes Ltd (EHL) and Eastbourne Housing Investment Company Ltd (EHIC) are wholly owned subsidiaries of the Council, and group accounts are therefore prepared to combine the accounts of the Council and the two companies. Transactions and indebtedness between the Council and the companies have been eliminated in the preparation of these accounts.

South East Independent Living Limited

South East Independent Living Ltd (SEILL), is a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL and their accounts have been incorporated with the accounts of EHL. The principal activity of SEILL is the delivery of a short term housing floating support service for people of 65 and over who live in Eastbourne, Lewes or Wealden district.

South East Environmental Services Limited

South East Environmental Services Limited (SEESL), a private limited company, was incorporated 31st August 2018. It is a wholly owned by the Council and has been set up to provide waste and recycling services. The accounts of SEESL have not been included in the Group accounts as the impact is not considered as material.

Aspiration Homes LLP

Aspiration Homes LLP (AH) is a limited liability partnership incorporated 30 June 2017 and commenced trading 21 December 2017. There is an Executive Committee made up of 6 members (3 EBC and 3 LDC). AH is jointly owned by Eastbourne BC and Lewes DC with joint control. It has therefore been consolidated into the group accounts as a joint venture under the equity method with each authority including their share of rights to the net assets of the company.

Investment Company Eastbourne Limited and Infrastructure Investments Leicester Limited

In May 2018, the Council's wholly owned the Investment Company Eastbourne Limited (ICE) entered into a deal with a private company, Infrastructure Investments Leicester Ltd (IIL), in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee.

The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, this supports the Council income generation activities to help provide services and improve their financial position.

IIL owns and operates the Property, known as St George's Tower, which is a large and predominately commercial building in Leicester. IIL also acts as a landlord and leases the building to a number of tenants, which include a hotel, a gym, student facilities and commercial offices. IIL is a privately-owned company, which was incorporated and is registered in England.

IIL refinanced its previous loans from Investec Bank and Leicester City Council with a £48m, 30-year loan provided by Canada Life (the Loan) in respect of the Property (the Scheme). As part of the refinancing arrangements, Eastbourne Borough Council (the Council) was approached by the Shareholders to provide a guarantee in respect of the Loan via a special purpose vehicle, ICE, which is a wholly owned subsidiary of the Council. ICE acts as the principal guarantor, with the Council being the ultimate guarantor (the Guarantee).

In return for providing the Guarantee, ICE received from IIL a £5.5m initial guarantee fee upfront and will receive a £0.3m annual guarantee fee (which is indexed annually on RPI but up to a 4.4% cap). ICE paid a £2m initial guarantee fee to the Council and pays the annual guarantee fee on to the Council. The Council (as ultimate guarantor), ICE and IIL entered into a Development and Asset Management Agreement (DAMA) which outlines the responsibilities of each party with respect to the management of the Property and the guarantee fees attributable to ICE. Under the DAMA, ICE will receive the guarantee fee before any payment of the asset management fee.

As part of the Guarantee arrangement, ICE purchased a share option from the IIL's for a sum of £3.5m, whereby ICE is entitled to acquire, at any time (irrespective of whether the loan is in default), 49.5% of the issued share capital of IIL for £1, and to receive 100% of the shares of the company, or the property, in the event of a default on the loan. At the end of the loan term, and assuming no default event occurs, the property will be jointly marketed and sold. ICE is entitled to a preferential priority waterfall on the sale, after 30 years, i.e., first £35m to go to ICE, the balance up to £70m is to the remaining shareholders of IIL and any amount over £70m will be split equally across all shareholders of IIL.

The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, a default event would also give rise to an entitlement to receive 100% of the shares of IIL or the Property. As at 31st March 2020 there were no conditions or events which would trigger any liability.

IIL is accounted for as a joint venture under the equity method in the Group Accounts. The £3.5m investment in the joint venture was recognised at cost in May 2018. The investment has subsequently been adjusted to £3.797m for the Council's 49.5% share of IIL's post acquisition gains or losses for the period to March 2020 (£3.436m March 2019). As noted on page 97, there is a 'material valuation uncertainty' over property valuations, which affects the value of the St Georges Tower investment property, and so the equity accounted investment value of the investment in the Group accounts.

The loan guarantee and rental guarantee are shown as Other Long Term Liabilities in Note 25. The contract receivable in respect of the transaction is shown in Note 24 within Long-Term Debtors. The first instalment of the annual income fee was paid in 2019/20. In accounting for the transaction the Council has made a number of critical judgements and estimates which are disclosed in Notes 4 and 5.

Greencoat House Limited

The Council's interest in Greencoat House Ltd were sold during 2018-19.

CloudConnX Limited

The Council owns 48% of the B shares in CloudConnX and has significant influence, but not control. The accounts of CloudConnX have not been included in the Group accounts as the effect is immaterial.

Eastbourne Downs Water Company Limited

EDWC, a private limited company, was incorporated 24 August 2016. The company is wholly owned by Eastbourne Borough Council. There have been no transactions during the period to 31 March 2020 and the company is currently dormant. The principal activity of EDWC will be to supply water to Downland Farms. The company is exempt from the requirement to prepare individual accounts under section 394A, or to file individual accounts under 448A of the Companies Act 2006.

GROUP MOVEMENT IN RESERVES STATEMENT

	EBC Usable Reserves	EBC Unusable Reserves	Total EBC Reserves	Share of Reserves of Subsidiaries and Joint Ventures	Total Group Reserves
	£000	£000	£000	£000	£000
Balance at 1 April 2018	(30,092)	(216,227)	(246,319)	(1,629)	(247,948)
Movement in Reserves 2018/19					
Total Comprehensive Income and Expenditure	4,224	2,704	6,928	(1,049)	5,879
Adjustments between accounting basis & funding basis under regulation (note 8)	(957)	957	-	-	-
Transfers (to)/from Earmarked Reserves	-	-	-	-	-
Decrease / (Increase) in Year	3,267	3,661	6,928	(1,049)	5,879
Balance at 31 March 2019	(26,825)	(212,566)	(239,391)	(2,678)	(242,069)
Movement in Reserves 2019/20					
Total Comprehensive Income and Expenditure	39,847	(3,145)	36,702	(604)	36,098
Adjustments between accounting basis & funding basis under regulation (note 8)	(35,267)	35,213	(54)	54	-
Transfers (to)/from Earmarked Reserves	-	-	-	-	-
Decrease / (Increase) in Year	4,580	32,068	36,648	(550)	36,098
Balance at 31 March 2020	(22,245)	(180,498)	(202,743)	(3,228)	(205,971)

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2018/19			2019/20			
Expend £000	Income £000	Net £000		Expend £000	Income £000	Net £000
7,372	(461)	6,911	Corporate Services	7,978	(1,363)	6,615
59,321	(50,480)	8,841	Service Delivery	56,323	(46,398)	9,925
5,099	(1,705)	3,394	Regeneration and Planning	7,596	(1,637)	5,959
11,332	(6,129)	5,203	Tourism and Enterprise	54,234	(8,395)	45,839
16,810	(24,501)	(7,691)	Housing Revenue Account (incl EHL)	4,509	(22,060)	(17,551)
99,934	(83,276)	16,658	Cost of Services	130,640	(79,853)	50,787
222	-	222	Levy Payable	230	-	230
281	-	281	Payments to housing capital receipts pool	281	-	281
11,204	(10,129)	1,075	Losses / (Gains) on sale and de-recognition of non-current assets	5,740	(2,624)	3,116
11,707	(10,129)	1,578	Other Operating Expenditure	6,251	(2,624)	3,627
3,022	-	3,022	Interest payable & similar charges	3,879	-	3,879
212	-	212	Fair Value movement in shares	298	-	298
-	(496)	(496)	Fair Value of Financial Guarantee contract	3,318	-	3,318
1,240	-	1,240	Net Interest on the Net Defined Benefit Liability	1,407	-	1,407
-	(539)	(539)	Interest receivable & Other Investment Income	-	(3,113)	(3,113)
1,713	(5,627)	(3,914)	Investment Properties	(808)	(3,299)	(4,107)
2,378	(1,455)	923	Trading Accounts	1,937	(1,543)	394
8,565	(8,117)	448	Financing and Investment Income and Expenditure	10,031	(7,955)	2,076
-	(4,492)	(4,492)	Non-specific grants and contributions	-	(4,359)	(4,359)
-	(8,294)	(8,294)	Council Tax income	-	(8,618)	(8,618)
11,044	(13,569)	(2,525)	Business Rates Retention	12,010	(15,116)	(3,106)
11,044	(26,355)	(15,311)	Taxation and non-specific grant income	12,010	(28,093)	(16,083)
		3,373	Deficit on Provision of Services			40,407
		(246)	Joint Ventures accounted for on an equity basis			(1,298)
		14	Tax Expenses			401
		3,141	Group (Surplus) or Deficit on Provision of Services			39,510
		(2,563)	(Surplus) or Deficit on revaluation of Property, Plant and Equipment Assets			8,821
		5,301	Re-measurement of the net defined benefit liability			(12,233)
		2,738	Other Comprehensive Income and Expenditure			(3,412)
		5,879	Total Comprehensive Income and Expenditure			36,098

GROUP BALANCE SHEET

31 March 2019		Notes	31 March 2020
£000			£000
341,624	Property, Plant & Equipment	2	310,481
15,945	Infrastructure Assets		15,557
15,034	Heritage Assets		14,702
36,754	Investment Property	3	49,722
6,279	Intangible Assets		6,446
1,030	Long Term Investments		732
4,081	Investment in Joint Ventures		4,983
16,593	Long Term Debtors	4	23,528
437,340	Long Term Assets		426,151
-	Assets Held for Sale		-
132	Inventories		141
18,241	Short Term Debtors	4	21,923
6,199	Cash and Cash Equivalents		7,368
24,572	Current Assets		29,432
(27,447)	Short Term Borrowing		(35,638)
(21,365)	Short Term Creditors	5	(15,645)
(614)	Short Term Provisions		(835)
(13)	Revenue Grants Receipts in Advance		(10)
(49,439)	Current Liabilities		(52,128)
(69)	Long Term Creditors		-
(96,617)	Long Term Borrowing		(126,903)
(17,379)	Other Long Term Liabilities		(20,697)
(56,339)	Long Term Liabilities Pensions	6	(49,884)
(170,404)	Long Term Liabilities		(197,484)
242,069	NET ASSETS		205,971
(29,503)	Usable reserves		(25,473)
(212,566)	Unusable Reserves		(180,498)
(242,069)	TOTAL RESERVES		(205,971)

GROUP CASH FLOW STATEMENT

2018/19 £000	GROUP CASH FLOW STATEMENT	2019/20 £000
(3,141)	Net Deficit on provision of services	(39,510)
33,375	Adjustment to net deficit on the provision of services for non-cash movements	45,232
(13,081)	Adjustment for items included in the net deficit on the provision of services that are investing and financing activities	(5,207)
17,153	NET CASH (OUTFLOWS) / INFLOWS FROM OPERATING ACTIVITIES	515
(34,388)	Investing Activities	(38,141)
17,727	Financing Activities	38,795
492	NET INCREASE IN CASH AND CASH EQUIVALENTS	1,169
5,707	Cash and cash equivalents at the beginning of the reporting period	6,199
6,199	CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	7,368

COMPONENTS OF CASH AND CASH EQUIVALENTS		
£000		£000
6,160	Bank Current Accounts	7,341
39	Cash held by the Authority	27
6,199	TOTAL CASH AND CASH EQUIVALENTS	7,368

NOTES TO THE GROUP ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies set out in Note 2 to the Eastbourne Borough Council accounts also apply to the group accounts. Where necessary, the accounts of Eastbourne Homes Ltd have been adapted to align them with the Council's policies.

2. PROPERTY PLANT AND EQUIPMENT

The table below shows the reconciliation of opening and closing balances and the movements in various categories for the year.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2019	194,851	97,919	10,937	4,131	54,996	124	362,958
Restatement	210	-	(427)	-	-	-	(217)
Restated at 1 April 2019	195,061	97,919	10,510	4,131	54,996	124	362,741
Additions	4,440	332	1,141	-	9,211	-	15,124
Revaluation increases recognised in the Revaluation Reserve	-	(15,384)	-	-	-	24	(15,360)
Revaluation increases recognised in the Deficit on the Provision of Services	454	(41,687)	-	-	-	-	(41,233)
De-recognition - Disposals	(5,690)	-	(694)	-	-	-	(6,384)
Assets reclassified	-	55,933	(185)	-	(56,148)	-	-
At 31 March 2020	194,265	97,113	10,772	4,131	8,059	148	314,488
Accumulated Depreciation and Impairment							
At 1 April 2019	(11,949)	(5,023)	(3,799)	(563)	-	-	(21,334)
Restatement	(210)	-	427	-	-	-	217
Restated at 1 April 2019	(12,159)	(5,023)	(3,372)	(563)	-	-	(21,117)
Depreciation Charge	(4,284)	(2,661)	(765)	-	-	-	(7,710)
Depreciation written out to the Revaluation Reserve	-	812	-	-	-	-	812
Impairment losses recognised in the Revaluation Reserve	-	6,872	-	-	-	-	6,872
Impairment losses recognised in the Deficit on the Provision of Services	16,339	-	-	-	-	-	16,339
De-recognition - disposal	104	-	693	-	-	-	797
At 31 March 2020	-	-	(3,444)	(563)	-	-	(4,007)

Net Book Value

At 31 March 2020	194,265	97,113	7,328	3,568	8,059	148	310,481
At 31 March 2019	182,902	92,896	7,138	3,568	54,996	124	341,624

Movements in 2018/19:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets.	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2018	190,307	97,947	10,286	4,131	24,364	124	327,159
Additions	4,675	1,213	1,144	-	30,632	-	37,664
Revaluation increases recognised in the Revaluation Reserve	-	2,563	-	-	-	-	2,563
Revaluation increases recognised in the Surplus on the Provision of Services	5,253	(530)	-	-	-	-	4,723
De-recognition - Disposals	(5,384)	(3,274)	(493)	-	-	-	(9,151)
At 31 March 2019	194,851	97,919	10,937	4,131	54,996	124	362,958

Accumulated Depreciation and Impairment

At 1 April 2018	(7,851)	(3,482)	(3,569)	(563)	-	-	(15,465)
Depreciation Charge	(4,337)	(2,781)	(723)	-	-	-	(7,841)
Depreciation written out to the Revaluation Reserve	-	875	-	-	-	-	875
De-recognition - disposal	239	365	493	-	-	-	1,097
At 31 March 2019	(11,949)	(5,023)	(3,799)	(563)	-	-	(21,334)

Net Book Value

At 31 March 2019	182,902	92,896	7,138	3,568	54,996	124	341,624
At 31 March 2018	182,456	94,465	6,717	3,568	24,364	124	311,694

The valuation of properties at 31 March 2020 is subject to increased uncertainty as a result of the COVID-19 pandemic, and valuations are therefore reported on the basis of a "material valuation uncertainty" as per the RICS Red Book. This affects the valuation of land and buildings, investment properties, and the value of assets held by the Council's Joint Ventures (and so the value recognised for the Council's Investment in Joint Ventures).

3. INVESTMENT PROPERTIES

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

2018/19		2019/20
£000		£000
32,166	Balance at 1 April	36,754
2,924	Additions	10,358
(458)	Disposals / De-recognition	-
2,122	Net gains/losses from fair value adjustments	2,610
36,754	Balance at 31 March	49,722

Note

Loan drawdown facilities are available from the Council (parent company) to enable the purchase of assets.

4. SHORT TERM DEBTORS

Short term debtors outstanding as at 31 March are:

31 March 2019		31 March 2020
£000		£000
867	Trade Receivables	1,282
428	Prepayments	362
5,135	Debtors for Local Taxation	5,850
11,811	Other Receivable Amounts	14,429
18,241	Total	21,923

Long term debtors outstanding as at 31 March are:

31 March 2019		31 March 2020
£000		£000
16,593	Other Receivable Amounts	23,528
16,593	Total	23,528

The balance at 31 March 2020 includes receivables in relation to the ICE/IIL guarantees.

5. SHORT TERM CREDITORS

The table below analyses the short-term liabilities between different groupings of creditor.

31 March 2019		31 March 2020
£000		£000
(10,641)	Trade payables	(4,520)
(10,724)	Other payables	(11,125)
(21,365)	Total	(15,645)

6. POST EMPLOYMENT BENEFITS6.1 Participation in defined liability pension plan

Details of the Council's participation in the East Sussex Pension Fund are set out in Note 30, and employees of Eastbourne Homes Ltd have the same access to the benefits of the scheme. EHIC has no employees.

6.2 Transactions relating to post-employment benefits

The following transactions have been made in the Group Comprehensive Income and expenditure statement:

2018/19		2019/20
£000		£000
	Service Cost comprising:	
7,303	Current Service Costs	8,636
1,008	Past Service Costs	160
	Financing & Investment Income & Expenditure	
1,240	Net Interest Expense	1,407
9,551	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	10,203
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(7,337)	Return on Plan Assets (excluding the amount included in the net interest expense)	22,697
-	Actuarial Gains arising on changes in demographic assumptions	(6,217)
12,605	Actuarial Gains and losses arising on changes in financial assumptions	(19,092)
33	Other	(9,621)
5,301	Other Comprehensive Income & Expenditure	(12,233)
14,852	Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	(2,030)
	Movement in Reserves Statement	
9,551	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	10,203
(4,177)	Actual amount (charged)/ credited to the General Fund Balance for pensions in the year	(4,425)
5,374	Net adjustment in Movement in Reserves Statement	5,778

6.3 Pensions Assets and Liabilities recognised in the balance sheet

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

31 March 2019		31 March 2020
£000		£000
166,022	Fair value of employer assets	146,741
(217,714)	Present value of funded liabilities	(192,656)
(4,647)	Present value of unfunded liabilities	(3,969)
(56,339)	Net liability arising from defined benefit obligation	(49,884)

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

2018/19		2019/20
£000		£000
154,315	Opening fair value of assets	166,022
4,015	Interest income	3,986
	Re-measurement gain/(loss):	
7,337	The return on plan assets, excluding the amount included in the net interest expense	(22,697)
	The effect of changes in foreign exchange rates	
3,845	Contributions from employer - Funded	4,109
332	Contributions from employer - Unfunded	316
1,220	Contributions from employees into the scheme	1,295
(4,710)	Benefits paid - Funded	(5,974)
(332)	Benefits paid - Unfunded	(316)
166,022	Closing fair value of scheme assets	146,741

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

2018/19		2019/20
£000		£000
(199,979)	Opening balance at 1 April	(222,361)
(7,303)	Current service costs	(8,636)
(5,255)	Interest costs	(5,393)
(1,220)	Contributions from scheme participants	(1,295)
	Re-measurement (gains) and losses:	
-	Actuarial gains arising from changes in demographic assumptions	6,217
(12,605)	Actuarial gains/(losses) arising from changes in financial assumptions	19,092
(33)	Other	9,621
(1,008)	Past service costs	(160)
4,710	Benefits paid - Funded	5,974
332	Benefits paid - Unfunded	316
(222,361)	Closing Balance at 31 March	(196,625)

7. CASH AND CASH EQUIVALENTS

The deficit on the provision of services has been adjusted for the following non cash movements:

2018/19	Adjustment to Net Deficit on the provision of services for non-cash movements	2019/20
£000		£000
7,804	Depreciation	7,736
(5,778)	Impairment and (reversal) of impairment and valuation movements	23,633
733	Amortisation	947
7,370	Increase / (Decrease) in creditors	(3,575)
2,843	(Increase) / Decrease in Debtors	6,001
7	(Increase) / Decrease in Inventories	(9)
5,374	Movement in pension liability	5,778
(232)	Share of Joint Ventures	(1,210)
11,204	Carrying amount of non-current assets sold or de-recognised	5,740
4,050	Other non-cash items (including Financial Guarantee)	191
33,375	Adjustment for Non-Cash Movements included in the provision of services	45,232

The deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

£000		£000
(8,651)	Proceeds from short term and long term investments	-
(1,478)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,624)
(2,952)	Other items for which the cash effects are investing or financing activities	(2,583)
(13,081)	Adjustment for items that are investing and financing activities	(5,207)

£000	Investing Activities	£000
(40,824)	Purchase of property, plant and equipment, investment property and intangible assets	(29,085)
(4,742)	Purchase of short-term and long-term investments	-
(3,397)	Other payments for investing activities	(14,268)
1,936	Proceeds from sales of property, plant and equipment, investment property and intangible assets	2,624
8,651	Proceeds from short term and long term investments	-
3,988	Other receipts from investing activities	2,588
(34,388)	Net cash flows from investing activities	(38,141)

£000	Financing Activities	£000
63,000	Cash receipts of short and long-term borrowing	85,875
(44,433)	Repayment of short and long-term borrowing	(47,328)
(840)	Other (receipts) / payments from financing activities	248
17,727	Net cash flows from financing activities	38,795

Reconciliation of Liabilities arising from Financing Activities	1 April 2019	Financing Cash Flows	Non Cash Changes	31 March 2020
	£000	£000	£000	£000
Long Term Borrowings	(96,617)	(38,547)	8,261	(126,903)
Short Term Borrowings	(27,447)	-	(8,191)	(35,638)
Net cash outflow from financing activities	(124,064)	(38,547)	70	(162,541)

8. TRANSACTIONS BETWEEN EASTBOURNE BOROUGH COUNCIL AND EASTBOURNE HOMES LIMITED, EASTBOURNE HOUSING INVESTMENT COMPANY LIMITED and ASPIRATION HOMES LIMITED LIABILITY PARTNERSHIP

Eastbourne Borough Council pay **Eastbourne Homes Limited** a fee in accordance with an agreement to manage and maintain the Council's housing stock, including capital works. EHL obtained services from Eastbourne Borough Council under various Service Level Agreements. These include financial ledger systems, parks & gardens, information technology and Chief Finance Officer.

	2018/19	2019/20
	£000	£000
Income		
Housing Management contract	7,261	7,650
Other contracts	142	2
Expenditure		
Service Level Agreements	786	700
Fees payable by EHL to EBC	2,251	2,536
Recharges		
Capital Works at cost	4,977	4,480
Debtor		
Amount due from Eastbourne Borough Council	734	2,684
Creditor		
Amount due to Eastbourne Borough Council	1,146	2,580

One of the seven Board Directors of EHL are residents in properties maintained by Eastbourne Homes and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne.

South East Independent Living Limited (SEILL), a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL and their accounts have been consolidated within the statement of accounts for EHL. SEILL has net assets at 31 March 2020 of £307,670 (£22,671 at 31 March 2019) and turnover of £852,188 (£962,848 2018/19).

Eastbourne Housing Investment Company Limited (EHIC) was incorporated on 1 May 2015 and commenced trading in November 2015. There are five Directors made up of three Members, one senior Council officers and one EHL Director This company is wholly owned by the Council. EHIC has net assets at 31 March 2020 of £1,397,436 (£592,879 at 31 March 2019) and turnover of £635,655 (£395,737 2018/19). EHIC were provided with loans from the Council of £20,233,050 as at 31 March 2020 (£10,302,100 as at 31 March 2019).

Aspiration Homes LLP (AH) was incorporated on 30 June 2017. It had net assets at 31 March 2020 of £1,325,999 (£645,371 at 31 March 2019) and turnover of £284,069 (£nil 2018/19). AH were provided with loans and working capital from the Council of £4,695,443 as at 31 March 2020 (£985,000 as at 31 March 2019).

GLOSSARY

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

Accounting Period

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

Accrual

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

Actuarial Gains and Losses

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

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

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

Budget Requirement

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

Capital Charge

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

Capital Expenditure

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

Capital Adjustment Account

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

Capital Receipts

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

Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

A fund administered by the Council as a "Charging Authority". The Council Tax and Non-Domestic Rates are paid into this fund. The Council Tax and NDR demand of the Council and the precepts of other public bodies are paid out of the fund. Any surplus or deficit is shared between the various authorities.

Corporate and Democratic Core

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

Creditors

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

Current Service Cost

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

Debtors

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

Depreciation

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

Expected Rate of Return on Pensions Assets

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

Fees and Charges

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

General Fund

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

Heritage Asset

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

Housing Revenue Account

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

Intangible Assets

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

Leasing

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

Levy

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

Minimum Revenue Provision

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

Non-Current Asset

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non Domestic Rates (NDR) (also known as Business Rates)

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

Precept

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

Provisions

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

Public Works Loans Board

A Government body that provides loans to local authorities.

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure financed from Capital under Statute (Refcus)

Expenditure that can be classified as capital expenditure but which does not result in the acquisition of a tangible or physical asset.

Revenue Support Grant

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

Specific Government Grants

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