

# **Eastbourne Borough Council**

## **Statement of Accounts 2021/22**

**(Unaudited)**



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I am pleased to welcome you to Eastbourne Borough Council's Statement of Accounts for 2021/22, which gives me the opportunity to set the accounts in the context of the financial challenges being faced by the Council.

The year beginning 1 April 2021 was in many ways challenging, following the prolonged impact of the COVID-19 pandemic. The pandemic was unprecedented both in terms of magnitude and the sheer breadth of the disruption to everyday life in the Borough.

Similar to the majority of local authorities, Eastbourne Borough Council (EBC) experienced significant financial challenges caused by the Covid-19 pandemic and, in light of Eastbourne's economic profile, its drastic impact on the authority's income from tourism, culture and leisure.

EBC was one of a number of local authorities to request exceptional financial support (EFS) from the government. Government agreed to £12.8m of financial flexibility (£6.8m in 2020/21 and £6.0m in 2021/22) by allowing the authority to capitalise its revenue shortfalls (capitalisation) during this time. The government agreement was subject to an external assurance review.

Alongside its request for EFS, the Council took early steps to mitigate the financial impacts of the pandemic. Central to these steps was the development and implementation of the Council's Recovery and Stabilisation Programme. This resulted in over £2.2m of reduction in EFS requirements for 2020/21 (reduced from £6.8m to £4.6m) and an estimated further reduction of £3.5m for 2021/22 (expected reduction from £6.0m to £2.5m).

Whilst COVID-19 has not disappeared, it is comforting that some sense of normality is returning and as unlikely as it would have seemed a year ago, there are new issues emerging and overtaking the pandemic both in terms of the media attention, public consciousness, and areas of immediate concern for Eastbourne residents, such as the current 'cost of living crisis' which has seen the cost of energy, fuel and food rise far in excess of rises in wage levels.

The impact of both the challenges and opportunities, on the Council and its financial position will be discussed in detail through the Statement of Accounts. However, I would like to highlight the work that the Council has undertaken during 2021/22 and continuing into 2022/23 to administer grants to support specific initiatives and individuals together with a range of Business Rate Relief and grant support to businesses. At the end of 2021/22, the Government provided over £6.2m of grant to enable the Council to issue in the early months of 2022/23, the £150 Council Tax Energy Rebate to residents to help alleviate the impact of the rising energy costs.

It is important to appreciate that many of the Council's underlying financial pressures have not reduced. Many of the services with significant adverse variances in 2021/22 continued the trend from previous years, reflecting increasing demand or reduced income for these services.

Furthermore, there is still considerable uncertainty about funding in the years ahead along with longer-term financial implications of the sharp increases in inflation and cost of living. We will continue to deliver improvements that will enable the Council to respond to the emerging challenges. A key part of this will include actively promoting Eastbourne's economic growth for the benefit of local people and businesses and to support its residents.

As with all budgets, uncertainty remains with regards to the delivery of savings and efficiencies, and pressures may arise from currently unknown risks such as the impact caused through various funding challenges.

The effects of the COVID-19 pandemic continue to be felt to varying degrees by every household, business, public sector and charitable organisation and although the most severe impacts of the pandemic have fortunately begun to reduce, the threat of a resurgence of a new variant cannot be discounted. However, the experience and lessons learned have ensured that the Council and the Finance Team are well prepared to respond to another emergency situation should it be required.

Throughout the year the Council's finances were closely monitored, and a range of corrective actions were put in place and implemented. A review of all service and financial plans was carried out to inform the Council's Priority Based Budgeting process and Recovery and Stabilisation Programme.

The priority during 2021/22 has therefore been to ensure that the Finance Service provided efficient and effective support to the Council in its continuing efforts to combat the effects of the Covid-19 pandemic, including supporting Eastbourne residents and businesses suffering from the associated economic impact, whilst still continuing to support the delivery of Members' vision and deliver the Council's priorities.

In conclusion, I am pleased that we have ended the year with a strong financial position. This is important given that, as mentioned above, the full long-term impact of the pandemic is unknown and the recent challenges presented by the conflict in Ukraine with its broader implications along with the current 'cost of living crisis' are expected to have a significant impact on the Council's finances as well as the finances of the residents of the Borough.

It is therefore essential that we are prudent and ensure that the financial position of the Council continues to be managed effectively. As always, I would like to conclude by recognising the hard work and dedication shown by the Finance and Internal Audit teams throughout the year. Along with colleagues across the Council they have worked diligently to support the provision of essential Council services. This is demonstrated by the overall outturn position. I am confident the Council will continue to carefully manage its financial position in 2022/23 and future years as evidenced by the production of this set of accounts and the work undertaken to set the 2022/23 budget along with the support provided in delivering key Council objectives.

The following Narrative Report is an important part of the accounts and provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2022.

**Homira Javadi CPFA, FCCA, ACCA**

Chief Finance Officer (S151 Officer)

**NARRATIVE REPORT BY CHIEF FINANCE OFFICER****INTRODUCTION**

As has been outlined in the Message from the Chief Finance Officer, the financial year 2021/22 has been like no other. Along with the rest of the country and indeed the world, Eastbourne Borough Council has had to manage the unprecedented challenges that COVID-19 has posed.

The 2021/22 financial year was marked by the work of the Council in continuing to support residents and businesses in dealing with the ongoing effects of COVID-19. As with all local authorities, Eastbourne BC continued to face additional costs in responding to the pandemic and shortfalls in its usual sources of income. Additional financial support from central government assisted the Council in ensuring that in-year budget pressures were contained within available resources. Challenging though it has been, the Council has responded well, delivering a wider range of new initiatives under the Recovery and Stabilisation programme, as well as continuing to deliver business as usual services, adapting provision to align to the circumstances.

The accounts for 2021/22 reflect the nature of the activity that has been undertaken to respond to the pandemic but also to continue to provide essential services. The financial pressures of the increased unforeseen activities were supported by extra Government grant funding and this has had an impact on the outturn for the year with the DULHC Capitalisation Directive.

This Narrative Statement will cover the impact of COVID in more detail in the following sections but will firstly outline key information about the Council to provide background context.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with 2021/22 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 2021/22;
- 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 2022 and is structured as below:

- About Eastbourne
- Governance
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2021/22
- 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 101,700. 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, 24.6% 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 31.6% of our population below the age of 30.

Around 22% of people are living with a limiting long-term illness and 20% have a disability, with both ratios likely to rise over the next decade or so. 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 39% followed by wholesale and retail trade at 19.5%. Both sectors have greater concentrations in Eastbourne than East Sussex, the South East and Great Britain.

Eastbourne has a similar proportion of individuals employed as managerial, senior officials and professionals, as the South East and Great Britain.

Average (median) earnings for Eastbourne are £445 per week, which is lower than the national average of £509, and slightly lower than the average for East Sussex. The local unemployment rate in Eastbourne (4.8%) is higher than in East Sussex (3.4%) the South East (3.8%) and the national figure (4.5%).

The impact of COVID 19 was significant, affecting the tourist economy and hospitality businesses, as well as employment. The claimant rate for universal credit and job seekers allowance has however decreased to 4.7, as compared to 6.6 in the previous year.

## 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, the next full council election will be in 2023. Composition of the Council is as below:

Liberal Democrat Party (controlling political group)	18 Councillors
Conservative Party	8 Councillors
Independent	1 Councillor

All councillors meet together as the Council and 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 whom 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.

2022 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 culture services
Councillor Alan Shuttleworth	Direct assistance services
Councillor Colin Swansborough	Cabinet member for climate change, 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 and Director of Regeneration and Planning
Tim Whelan	Director of Service Delivery
Homira Javadi	Chief Finance Officer (Statutory Section 151 Officer)
Becky Cooke	Assistant Director of Human Resources and Transformation

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](http://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 RISK

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

Title	Description	Internal Controls
No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy unfit for purpose.	<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>3. Covid-19 has had a serious impact on the council's finances.</p> <p>4. The council's Recovery and Stabilisation programme fails to meet its objectives.</p> <p>5. Rising energy prices and inflation affecting the cost of living will affect the ability of customers to pay rent and council tax.</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> <p><u>Reduces Likelihood</u></p> <p>3. The council is currently in ongoing discussions with the Ministry of Housing, Communities and Local Government around financial support to cover costs related to expenditure on response to the Covid-19 pandemic.</p> <p>4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme, including the recommendations of the Cipfa Assurance Review.</p>
Unforeseen socio-economic and/or demographic shifts creating significant changes of	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p> <p>3. Council structure unsustainable and not fit for purpose.</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.</p>



demands and expectations.	4. Heightened likelihood of fraud.	Neighbourhood Management Schemes; Corporate Consultation Programme)
The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	<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>
Not being able to sustain a culture that supports organisational objectives and future development.	<p>1. Decline in performance.</p> <p>2. Higher turnover of staff.</p> <p>3. Decline in morale.</p> <p>4. Increase in absenteeism.</p> <p>5. Service failure</p> <p>6. Increased possibility of fraud.</p> <p>7. The council's Recovery and Stabilisation programme fails to meet its objectives.</p>	<p><u>Reduces Likelihood</u></p> <p>1. Build an organisational culture that supports equality and inclusivity through communication and support.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>3. Continue to develop communications through ongoing interactions with staff.</p> <p>4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.</p>
Council prevented from delivering services for a prolonged period of time.	<p>1. Denial of access to property</p> <p>2. Denial of access to technology/information</p> <p>3. Denial of access to people</p>	<p><u>Reduces Likelihood</u></p> <p>1. Adoption of best practice IT and Asset Management policies and procedures.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture.</p> <p><u>Reduces Impact</u></p> <p>3. Regularly reviewed and tested Business Continuity Plans.</p> <p>4. Regularly reviewed and tested Disaster Recovery Plan.</p>
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	<p>1. Service profile of the Council changes materially as a result of the impact of the event.</p> <p>2. Cost profile of the Council changes materially as a result of the impact of the event.</p> <p>3. Work adversely affected by reduced staff numbers due to effects of pandemic virus.</p> <p>4. Emergency caused by a climate change event (e.g. increased flooding risks)</p>	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Working in partnership with other public bodies.</p> <p>2. Robust emergency planning and use of Council's emergency powers.</p> <p><u>Reduces Impact</u></p> <p>3. Ongoing and robust risk profiling of local area (demographic and geographic).</p> <p>4. Review budget and reserves in light of risk profile.</p> <p><u>Reduces Likelihood</u></p> <p>5. Adoption of, and action to implement, the council's Climate Emergency Strategy.</p>

<p>Failure to meet regulatory or legal requirements</p>	<ol style="list-style-type: none"> <li>1. Trust and confidence in the Council is negatively impacted.</li> <li>2. Deterioration of financial position as a result of regulatory intervention/penalties.</li> <li>3. Deterioration of service performance as a result of regulatory intervention/penalties</li> </ol>	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> <li>1. Developing, maintaining and monitoring robust governance framework for the Council.</li> <li>2. The council has adopted and published an Asset Management Strategy (AMS) that set out how the council uses its land and property assets effectively to deliver its service and the rules by which the council can purchase assets in the future. These strategies are updated on a yearly basis as part of the Capital and Medium-Term Financial Strategies.</li> <li>3. Ensure there is full understanding the impact of new legislation.</li> <li>4. All managers are required to abide by the council's procurement rules.</li> </ol> <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> <li>5. Building relationships with regulatory bodies.</li> <li>6. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</li> <li>7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.</li> </ol>
<p>Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.</p>	<ol style="list-style-type: none"> <li>1. Unfamiliar activity with staff inexperienced in this area</li> <li>2. Council finances affected if projects do not meet financial expectations.</li> <li>3. Reputational damage if governance procedures are inadequate.</li> <li>4. Failure to abide by company law.</li> </ol>	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> <li>1. Hire suitably qualified/experienced staff to give legal and specialist support.</li> <li>3. Up or re-skill staff to maximise commercial opportunities.</li> </ol> <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> <li>3. Ensure that projects meet core principles.</li> <li>4. Ensure governance processes are set up and adhered to.</li> <li>5. Regular monitoring of the progress of enterprises in parallel with the (cross-party) Strategic Property Board and wider governance arrangements.</li> </ol>
<p>The Council suffers a personal data breach by inadequate handling of data or by an IT incident</p>	<ol style="list-style-type: none"> <li>1. Trust and confidence in the Council is negatively impacted.</li> <li>2. Deterioration of financial position as a result of regulatory intervention/penalties</li> <li>3. Deterioration of service performance as a result of regulatory intervention/penalties</li> <li>4. Increased probability of compensation claims by persons affected by a personal data breach.</li> </ol>	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> <li>1. Ongoing corporate training for data protection.</li> <li>2. Ensure all staff complete the e-learning Data Protection course.</li> <li>3. Ensure that the Data Protection Policy is regularly reviewed.</li> <li>4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions.</li> <li>5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements.</li> <li>6. Ensure the suite of IT policies is kept up to date.</li> </ol>

		<p>7. Ensure that IT security is in place and regularly tested.  <u>Reduces Impact</u></p> <p>8. Incident management procedures to mitigate loss or breach of data are in place.</p>
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## SUMMARY OF ACHIEVEMENTS










In the 2021/22 financial year, the following key successes were delivered:

- Restoration of **Victoria Mansions**
- **Delivered Fishermen's Quay at Sovereign Harbour;**
- **Levelling Up Fund** – 'Linking Town Centre Regeneration with a Strengthened Visitor Economy @Victoria Place and @Towner' - £19.8m funding
- **Welcome Back Fund** – delivered a wide range of projects, events and initiatives with a total spend of £248k
- **Solar Together scheme (autumn of 2021)**- to enable the installation of PV panels, battery storage and EV charge points within the able to pay private-sector housing market – likely to result in 60 PV installations, 25 domestic batteries and 20 EV charge points.
- **Electric vehicle charge point contract** in final stages of procurement
  - to install approximately 18 7kW charge points by the end of 2022 for the use of residents and medium/long-stay visitors.
- **15 new wildflower seed areas**, including turning an unused bowling green, into a wildflower meadow
- **Pevensey Bay to Eastbourne Coastal Management Scheme** (Environment Agency in partnership with EBC) - 100 million flagship coastal flood and erosion risk management project for Pevensey Bay to Eastbourne - will deliver protection to an estimated 10,000 residential properties as well as key infrastructure, local businesses, heritage sites and nature conservation areas.
- **Biodiversity strategy adopted in 2021**
- **Council tax Hardship scheme** - awarded c£900k
- **Changing Places Facilities Funding** – secured £140k to deliver facilities in The Congress Theatre, Sovereign Harbour Community Centre and Langney Shopping Centre
- **Walking Festival** held in September 2021
- **Litter and fly-tipping reduction strategy implemented**
- **£420k Safer streets fund project delivered** in Devonshire ward. Further funding awarded for Gildridge Park for 2022.
- **Distributed £233k Household Support Fund** between Dec 21 & March 2022, providing direct financial assistance to help over 1,000 residents through the cost of living crisis
- **Recovery and Stabilisation programme** established to deliver savings and essential digital improvements
- **Implemented Chatbot digital assistant** on the councils' website.

## 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.

Performance has improved in many areas, particularly around customer service (benefits processing and call answering times). 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 2021/22	Performance in 2021/22	
Percentage of Major Planning Applications processed within 13 weeks	65%	90%	
Percentage of minor planning applications processed within 8 weeks	75%	73%	
Percentage of household waste sent for reuse, recycling and composting	45%	40.01%	
Number of households living in emergency (nightly paid) accommodation	Data only	144	Data only
Average void relet time (key to key)	20	39.3	
Revs and Bens: Average days to process new claims	22	21	
Percentage of phone calls answered within 60 seconds	80%	36.18%	
Percentage of Council Tax collected during the year	96.06%	96.29%	
Percentage of Business Rates collected during the year	97.50%	96.44%	
Average days lost per FTE employee due to sickness	8 days	8.86 days	

## FINANCIAL PERFORMANCE OF THE COUNCIL IN 2021/22

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

### 1. Comprehensive Income and Expenditure Account

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements and discloses a 'surplus' for 2021/22 of £7.957m (split between General Fund deficit £11.211m and HRA surplus £19.168m). The Movement in Reserves Statement reconciles this IFRS 'surplus' together with other reserve transfers into a net decrease in the general fund balance of £0.145m and an HRA increase of £0.042m.

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 £19.3m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2021/22 of £256.74, being a 2.0% percent increase over 2020/21.

The 2021/22 budget was prepared during one of the most challenging and uncertain times due to the ongoing impacts of Covid19 on the Council's finances, staff, residents, and local economy. Government spending to combat Covid19 and mitigate its impact on businesses and individuals has led to record

levels of public sector borrowing, and there is continuing uncertainty over the core funding that will be available to local authorities over the medium term.

One of the key outcomes of the Corporate Plan is achieving a robust financial strategy, the 2021/22 budget and medium-term financial strategy was aligned to the Council's 5 Strategic priorities.

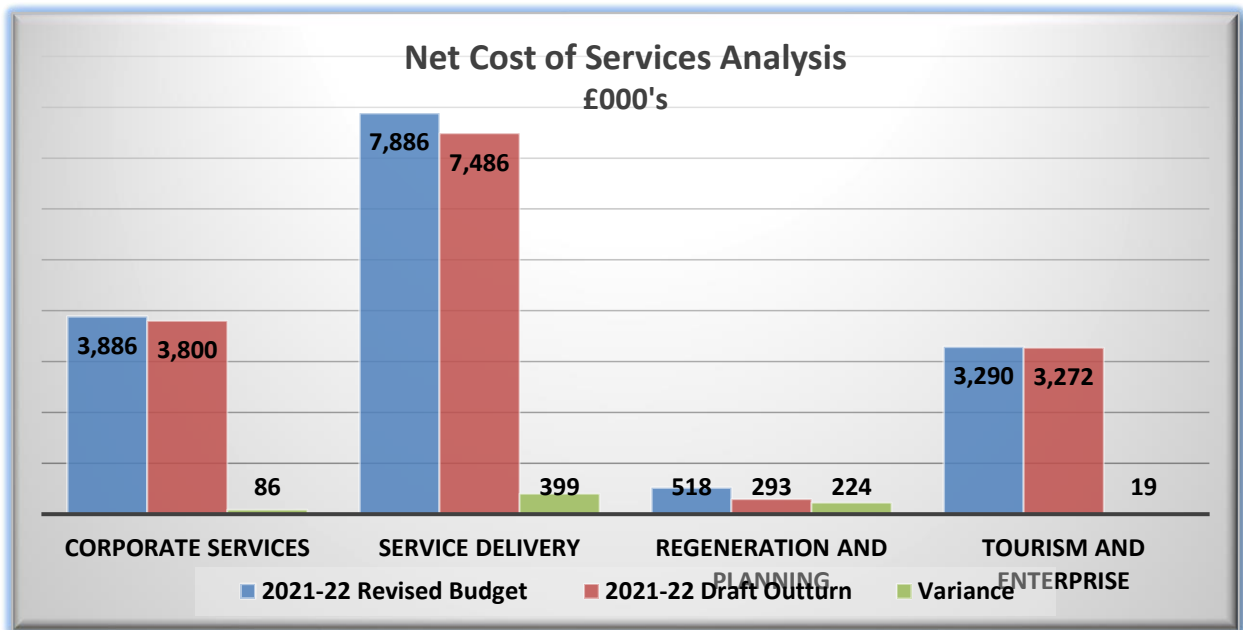
A summary of the General Fund provisional outturn position is shown below in the format used for management accounting and reported to Members throughout the year:

<b>Summary Draft Outturn 2021/22</b>	<b>2021/22 Revised Budget</b>	<b>2021/22 Draft Outturn</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Corporate Services	3,886	3,800	(86)
Service Delivery	7,886	7,486	(399)
Regeneration and Planning	518	293	(224)
Tourism and Enterprise	4,406	4,387	(19)
Culture Recovery Grant	(1,116)	(1,116)	-
<b>Net Cost of Services</b>	<b>15,580</b>	<b>14,852</b>	<b>(728)</b>
Recovery and Reset	1,233	1,233	0
Accrual to allocate	0	236	236
Levy Payable	237	237	0
Contingency	250	-	(250)
Covid grants	(598)	(1,298)	(700)
Capitalisation Direction	(4,400)	(2,498)	1,902
Capital Financing	2,374	1,208	(1,166)
<b>Other Operating Income &amp; Expenditure</b>	<b>(903)</b>	<b>(882)</b>	<b>21</b>
<b>Net Revenue Expenditure</b>	<b>14,677</b>	<b>13,970</b>	<b>(707)</b>

The actual in the table above is the revenue outturn position reported to Cabinet and is based on funding before any accounting adjustments under government regulations. The General Fund Revenue outturn is a surplus of £707k against the revised budget.

The various major variances between the revised budget and the actual net expenditure includes:

- (£438k) Case Management re-structure and move to customer contact
- (£803k) -staff moved to customer contact
- (£354k) additional grant
- £221k Bereavement services, reduced income
- £998k Customer and Neighbourhood services have restructured -due to realignment of services from specialist services and case management.
- (£140k) Regeneration with contributions from external funds
- (£125k) Planning in year vacancies
- (£472k) Corporate Landlord, increase energy costs of £300k are being offset against (£772k) of income.
- £520k due to additional costs of Grove Road and deferred rental income
- £118k at Stage Door pub increased staff costs for table service
- (£473k) Theatres performed better than expected against a reduced revised budget -Overall benefited from Cultural Recovery Grant.



As a result of this movement the General Fund Balance as at 31 March 2022 was £3.998m.

Reserves Summary 2021/22	1 April 2021 £000	31 March 2022 £000
General	(16)	(16)
Strategic Change	(20)	(10)
Capital Programme	(336)	(336)
Revenue Grants & Contributions	(1,064)	(1,492)
Regeneration	-	(12)
ICE Reserve	(1,800)	(2,070)
Commercial	(742)	(937)
SHEP GF Properties Major Works	(1)	(1)
Business Rates Equalisation	(1,104)	-
Cost of Living Emergency Response	-	(250)
Inflation	-	(200)
Fuel and Energy	-	(150)
Arrears and Bad Debt	-	(400)
Cultural Recovery	-	(756)
Budget Carry Forwards	-	(2,161)
<b>Total</b>	<b>(5,083)</b>	<b>(8,791)</b>
Collection Fund (timing difference)	(9,056)	(4,530)
<b>Total General Fund</b>	<b>(14,139)</b>	<b>(13,321)</b>
<b>Housing Revenue Account</b>		
HRA Leaseholders Major Works Reserve	(813)	(644)
Riverbourne House Leaseholders Reserve	(29)	-
Housing Regeneration and Investment	(2,529)	(2,529)
<b>Total HRA</b>	<b>(3,371)</b>	<b>(3,173)</b>
<b>Total Earmarked Reserves</b>	<b>(17,510)</b>	<b>(16,494)</b>
<b>General Fund Unallocated Reserve</b>	<b>(3,228)</b>	<b>(3,998)</b>

The 2021/22 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 and Earmarked reserves balances 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.

### 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 2022 there were 3,373 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 2021/22 the Housing Revenue Account net position shows an overall surplus (pre capital financing adjustments) of £372,000 for the year against an expected budgeted surplus of £360,000 resulting in a favourable variance of £12,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2021/22:

HRA	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Income	(15,614)	(15,654)	(15,626)	28
Expenditure	13,661	13,697	13,622	(75)
Capital Financing & Interest	1,564	1,597	1,632	35
Contribution to Reserves	-	-	-	-
<b>Total HRA Surplus</b>	<b>(389)</b>	<b>(360)</b>	<b>(372)</b>	<b>(12)</b>

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:

Descriptions	Variance £000's
Additional rental income	(74)
Additional service charges income	(142)
Reduced contribution to bad debt provision	(203)
Increased depreciation & impairment charge	296
Net increased management and supervision costs	167
Increased loan interest cost	23
<b>Total Variances</b>	<b>67</b>

### 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 Council Tax element shows the opening surplus has increased by £385k during the year to £890k as at 31 March 2022. 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 2022 forecast surplus for the Council Tax element of the fund is £908k and will be distributed to precepting bodies pro rata to their Band D Council Tax during 2022/23. The Council's share of the estimated surplus is £109k.

The NNDR element shows the opening deficit has decreased by £15.48m during the year to £12.45m as at 31 March 2022. Collection Fund surpluses or deficits declared by the billing authority in relation to NNDR Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2022 forecast deficit for the NNDR element of the fund is £9.9m and will be recovered from precepting bodies per the agreed distribution percentages during 2022/23. The Council's share of the estimated deficit is £3.981m.

As part of the Government's response to the Covid-19 pandemic and the impact it is having on Local Government finances, it has implemented three-year phasing of 2020/21 collection fund deficits. This means that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets. This will be factored into the calculations to determine the Collection Fund surplus/deficit position in December/January.

The local government finance regime was previously 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 2021/22 the Council worked 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.

The government continues to work towards transferring control to local authorities over the locally generated business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020. In order to test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the government invited local authorities in England to apply to become 75% business rates retention pilots in 2020/21. The East Sussex Pool became one of the pilot pools for 2020/21.



## 5. Capital Programme

The Council's capital programme spending in the year was £29.763m, compared with a revised budget of £37.612m, giving a net underspend of £7.849m. A key part of its recovery programme, the Council made significant reductions to the programme in order to reduce its borrowing levels and the corresponding capital financing costs. The main areas of capital programme expenditure are set out below:

2021/22 Capital Programme Summary	Original Estimate	Revised Estimate	Actual	Variance
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
HRA	19,820	9,251	6,947	(2,304)
Other Housing	4,602	15,712	14,084	(1,628)
Community Services	1,901	1,929	1,314	(615)
Tourism & Leisure	500	160	353	193
Corporate & Core Services	2,951	2,758	2,147	(611)
Capitalisation Directive	6,000	4,400	2,498	(1,902)
Regeneration	-	692	51	(641)
Asset Management	3,479	2,710	2,369	(341)
<b>Total Programme</b>	<b>39,253</b>	<b>37,612</b>	<b>29,763</b>	<b>(7,849)</b>
<b>Financed By: -</b>				
Capital Receipts	2,495	1,085	906	(179)
1-4-1 RTB Receipts	4,806	5,500	5,074	(426)
Grants and Contributions	5,224	4,604	3,886	(718)
Major Repairs Reserve	4,348	6,924	4,927	(1,997)
Revenue Contribution to Capital	3,085	576	576	-
Section 106 Contributions	27	27	-	(27)
GF Borrowing	11,382	18,896	13,988	(4,908)
HRA Borrowing	7,886	-	406	406
<b>Total Financing</b>	<b>39,253</b>	<b>37,612</b>	<b>29,763</b>	<b>(7,849)</b>

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

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

## 6. Pensions

The Council's liability for future pension payments has reduced from £68.5m to £48.0m. The Defined Benefit Obligations have decreased by £2.1m from £244.5m to £242.4m and the net asset value has increased by £18.4m from £176.0m to £194.4m. It is important to realise that this accounting change does not trigger an immediate change in contribution rates, as these are assessed with a longer-term view of liabilities and of investment performance.

## 7. Treasury Management

The Council's external loan debt at 31 March 2022, comprising long and short-term borrowing, stood at £160.2m excluding accrued interest payable. This is made up of £154.75m repayable in more than one year and £5.45m repayable in less than one year. This is a net increase of £0.8m over the previous year, mainly as a result repayment of outstanding loan and capital programme re-profiling.

No short-term investments were held at 31 March 2022, the same as the previous year. The Council held cash balances as at 31 March 2022 of £9.5m, compared to £3.5m as at 31 March 2021.

### STAFFING

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

<b>Employees</b>	<b>2021/22</b>	<b>2020/21</b>
Total number of current permanent full and part time employees	739	736
Total number of current temporary/fixed term employees	23	29
<b>Total Number of Employees</b>	<b>762</b>	<b>765</b>
Total number of employees expressed as full-time equivalents	689	705
<b>Posts</b>	<b>2021/22</b>	<b>2020/21</b>
Total number of permanent full and part time posts	739	711
Total number of temporary/fixed term posts	23	29
<b>Total number of posts</b>	<b>762</b>	<b>740</b>
Total number of posts expressed as full-time equivalents	704	711

Staff turnover was 14.7% in 2021/22 (16.3% 2020/21).

Sickness absence for 2021/22:

<b>Number of Hours Lost</b>	<b>Number of Days Lost</b>	<b>Average Number of Days Lost per employee</b>
45,983	6,214	8.86 (6.37 days 2020/21)

### FUTURE PLANS

#### ➤ Medium Term Financial Plan

The Council's Medium-Term Financial Strategy (MTFS) is a summary of the Council's key financial information, including the budget challenges over the period 2022/23 to 2024/25 and our approach to addressing them.

It sets out the approach to establishing a sustainable and resilient financial base to support delivery of Council policies and priorities. It also highlights the financial risks and issues which have to be tackled, including ongoing reductions in Government funding.

In February 2021 Cabinet approved the previous version of the MTFS which was based on the objectives of the Corporate Plan. It set out the latest resource projections and estimates of expenditure and updates MTFS forecasts in anticipation of service & financial planning for 2022/23.

Key changes since the January 2021 budget report include:

- Updated forecast for the assumptions for Recovery and Reset Programme of Savings and additional Income;
- Updated forecast for pay, cost inflation and to reflect the outturn position for 2020/21;
- Updated forecasts for council tax and business rates income following confirmation of the measures announced by the Government to mitigate COVID-19 impacts on the collection fund;
- Updated forecast for borrowing costs to reflect the Capital Programme outturn and Capitalisation assumptions; and
- Updated assumptions on continuation of the additional Government grants awarded in the 2020/21 settlement.

Medium Term Financial Strategy Objectives are to help us:

- Provide a robust financial framework to assist decision-making processes;
- Manage council finances within the context of a forward-looking service & financial planning framework;
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities;
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three;
- Maintain council tax resource levels;
- Set a balanced budget and continue to maintain the council's financial resilience;
- Maintain the General Fund reserve at a minimum of £2m, which equates to 13% of the annual net Revenue Budget to cover significant unforeseen expenditure;
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy and will be reviewed annually;
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing and affordability limits;
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy;
- Demonstrate probity, prudence and strong financial control and manage financial risks;
- Pursue opportunities for securing external funding; and
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

### **Local Government Finances**

According to the Institute of Fiscal Studies, councils will continue to face demand pressures on their day-to-day services, some pre-existing, others made more significant by the lasting impact of COVID- 19 – all against weaker prospects for income, such as local taxation, fees and charges.

As part of its recent analysis commissioned by the LGA, the IFS estimated that councils face cost pressures of nearly £9 billion by 2023/24 in comparison to the 2019/20 starting point. When considering other pressures set out in its report, such as the fragility of the adult social care provider market and the impact of a future revaluation of pension funds, this could lead to a funding gap of £5.3 billion by 2023/24 even if council tax increases by 2 per cent each year and grants increase in line with inflation.

### **Local Government Funding – Current Position**

The last three-year Spending Review was in 2015, covering the financial years 2016/17, 2017/18 and 2018/9. The anticipated 2018 Spending Review never took place and departmental budgets were instead 'rolled over' into 2019/20, while the Spending Review in 2019 was also cancelled and replaced by an interim Spending Round that set out current spending by departments for one financial year (2021/22) and capital investment plans for two financial years (2021/22 and 2022/23).

Spending Review was then delayed from July to November 2020 to enable the Government to remain focused on responding to the COVID-19 pandemic. Spending Review is expected in autumn 2021 and there is some speculation that this may be a multi-year settlement, however that is to be confirmed.

In June 2021 the Government launched a consultation which could see business rates revaluations take place every three years instead of the current five. The consultation is part of the fundamental review of business rates which the Treasury now indicated will not conclude in 2021 as previously planned, instead publishing 'preliminary conclusions in the autumn ahead of 'final conclusions' next spring. Between 1990 and 2010, business rates revaluations took place every five years.

The 2015 revaluation was postponed until 2017 and in May 2021, the 2021 revaluation was postponed until 2023 to reduce uncertainty for businesses affected by COVID-19. The Treasury argues that making revaluations more frequent would ensure they better reflect changing economic conditions.

### **Service & Financial Planning:**

Government Funding Assumptions For the purposes of preparing this MTFS and the 2022/23 budget the following has been assumed:

- No changes to total local government funding as a result of Spending Review;
- The most far-reaching funding changes will be delayed until at least 2023/24;
- Council taxbase growth of up to 0.5% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5; and a taxbase reduction of 0.5% as a result of increased Council Tax Reduction Scheme cases; and
- Funding from New Homes Bonus to cease in 2022/23 (no new allocations).

➤ **Summary of MTFS 2021-2025 - General Fund**

The MTFS sets out the Council's four-year spending and funding plans and is the financial framework for the development of the detailed 2022/23 budget. A summary of the revised position, including the updated savings requirement, is as follows:

	<b>2021/22</b> <b>£000</b>	<b>2022/23</b> <b>£'000</b>	<b>2023/24</b> <b>£'000</b>	<b>2024/25</b> <b>£'000</b>	<b>2025/26</b> <b>£'000</b>
Budget Forecast	14,676	16,106	16,979	16,728	16,697
Expected Funding	(14,676)	(16,106)	(15,504)	(15,841)	(16,185)
<b>Initial Budget Gap</b>	<b>0</b>	<b>0</b>	<b>1,475</b>	<b>888</b>	<b>512</b>
Additional savings required	0	0	(590)	(621)	(358)
Recovery of income and funding announcements	0	0	(885)	(266)	(154)
<b>Budget Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

➤ **The COVID19 Pandemic**

In 2020, the Council's financial position like many other public and private sector organisations was put under severe stress by the pandemic. In addition to seeking £12.8m of Capitalisation (over two years 2020/21- 2021/22) from the government and in order to address its financial difficulties, the Council has implemented a major Recovery and Reset programme. It aims to ensure that it makes the required savings and transform the Council. The Council is on track to deliver £2.4m of savings and additional income in 2021/22 and a further £4m in 2022/23 – reducing its net expenditure by over £6m per annum.

Planning for a post COVID council is very challenging. Since there are many unknowns and yet to be tested assumptions. These assumptions will be monitored on an ongoing basis to ensure any deviations from the budgetary estimates are addressed as promptly as possible.

The MTFS includes a clear reserves policy to help with strengthening the Council's financial resilience and its capacity to mitigate future unforeseen 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 generally only uses 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 2021/22 to 2024/25 is as follows:

<b>Summary of Capital Programme 2021 to 2025</b>				
	<b>Estimate Total 2021/22</b>	<b>Estimate Total 2022/23</b>	<b>Estimate Total 2023/24</b>	<b>Estimate Total 2024/25</b>
<b>Capital Programme</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
HRA	9,251	18,210	19,529	20,697
Other Housing	15,712	1,461	-	-
Community Services	1,929	2,145	1,970	1,550
Tourism & Leisure	160	150	150	-
Corporate & Core Services	5,337	935	250	250
Regeneration	2,512	8,817	14,284	-
Asset Management	2,711	3,764	620	480
<b>Total Programme</b>	<b>37,612</b>	<b>35,482</b>	<b>36,803</b>	<b>22,977</b>
<b>Financed By: -</b>				
Capital Receipts HRA	658	963	1,011	511
1-4-1 RTB Receipt	5,500	629	50	-
Capital Receipts GF	427	606	250	250
Grants and Contributions	4,604	9,630	18,454	5,742
Major Repairs Reserve	6,924	4,548	4,691	4,845
Revenue Contribution to Capital	576	2,934	45	174
Section 106 Contributions	27	-	-	-
GF Borrowing	18,896	8,282	2,395	485
HRA Borrowing	-	7,890	9,907	10,970
<b>Total Financing</b>	<b>37,612</b>	<b>35,482</b>	<b>36,803</b>	<b>22,977</b>

Capital programme recognises the significant spending limitations within the Finance Settlement for 2021/22 and the impact of the pandemic on the resources available. Therefore, the programme is revised to prioritise delivery to incorporate those projects that are either a statutory requirement or are essential to the delivery of the Council's key priorities whilst reducing demand on its borrowing requirements. The programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured. The programme has been compiled taking account of the following main principles, to:

- maintain an affordable four-year rolling capital programme;
- reduce external borrowing;
- ensure capital resources are aligned with the Council's key priorities;
- maximise available resources by actively seeking external funding and disposal of surplus assets; and
- not to anticipate receipts from disposals until they are realised or have a high degree of certainty to realise.

The current economic climate also places further emphasis on ensuring that the levels of capital receipts are maximised through improved asset management and through the sale of surplus and under used assets. The Council recognises disposal of its surplus assets is key to its overall financing of capital investment and at the same time reduce the demand on the revenue costs of capital.

### ➤ Recovery and Stabilisation Programme

Since 2020, the R&S programme has been the vehicle through which the council has co-ordinated its response to the Covid-19 pandemic and the subsequent impact on the economy (both for the council and the borough). R&S oversees and guides the priority activity to address the challenges of the council's new operational context in a sustainable way, and to respond to the changing needs and demands of residents.

Over the last 2 years, the R&S programme has made strong progress in leading and delivering the changes required in support of the council's response to the Covid-19 pandemic and the work to manage the budget shortfall over the life of the Medium-Term Financial Strategy (MTFS) period.

Following the capitalisation direction from central government in early 2021 in response to the extreme financial pressures being experienced, and the subsequent external assurance review being undertaken in the summer of 2021 and the resulting report being published in December, Cabinet agreed in February 2022 that the process of monitoring progress of the external assurance review will be undertaken as part of the R&S activity. Since that time, Corporate Management Team (CMT) has regularly considered the assurance review and progress against the associated recommendations at its twice-weekly Recovery and Stabilisation Oversight meetings.

The table below sets out the R&S savings plan which was revised to £2.258m and identified within the 2021/22 budgets alongside the actual delivery £1.902m.

<b>R&amp;S Programme 2021/22</b>	<b>2021/22 Planned</b>	<b>2021/22 Delivered</b>	<b>Additional Savings</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Total savings	2,258.25	2,467.05	208.8
Revised Budget Target	(850.00)	(850.00)	-
<b>Over/(Underachieved)</b>	<b>1,408.25</b>	<b>1,617.05</b>	<b>208.8</b>

The original target of £850,000 was increased to £2.258m, and the relevant budgets adjusted to be delivered in 2021/22. The actual delivery against these specific targets is £2.467m, which has been delivered recurrently. Additional and one-off savings have been achieved within 2021/22, and the allocation of these savings and the ability for these to be on-going will be reviewed. Savings targets for 2022/23 will continue to be monitored in line with the economic recovery. Additional pressure, due to the increased inflation and increased fuel prices, will increase the funding gap, and opportunities to deliver further efficiencies will be explored.

### ➤ CIPFA FM Code of Practice

CIPFA has developed the Financial Management Code (FM Code) 'designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.' The FM code has several components including six Principles of Good Financial Management, setting the benchmark against which all financial management should be judged.

The CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management (FM) Code's intention is to help create a culture of strong financial management and address the financial pressures that councils are facing. The self-regulation approach is also to prevent local authorities 'failing' and avoid any need for any external control or reductions in current powers. By complying with the principles and standards within the Code, the Council will be able to demonstrate its financial sustainability

In 2021/22, the Chief Finance Officer (S151) has taken account of the requirements of the CIPFA Financial Management Code and has acknowledged the approaches to Value for Money and the Council's financial resilience. A significant amount of the Code activities implementation are part of the Finance, Internal Audit, and other department team's current activities and the Section 151 Officer has reached the overall conclusion that the Eastbourne Borough Council is compliant with the principles of the Code.

The Chief Finance Officer has identified the Council's long-term financial viability as the key risk area regarding future compliance with the Code and this is being assessed through a combination of: the budget setting process; the Medium Term Financial Strategy; regular reviews of the Council's capital programme; Treasury Management Strategy and the provision of clear and regular financial updates/training to Members. The council has a satisfactory record of financial management and so, analysing the council's structures, processes and procedures against the FM Code's Financial Management Standards, shows a reasonable level of compliance with these principles. However, there are areas where further actions/consideration needs to be given to ensure full compliance with every aspect of the FM Code.

➤ **Corporate Plan**

The Corporate Plan sets out our priorities and key projects covering the period 2020 to 2025. Refreshed annually, the four-year plan sets out the key outcomes the Council will deliver with its partners for our Borough. The Plan has been informed and developed in consultation with our residents, partners and other stakeholders. We monitor the Plan and report progress to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of our local communities. We publish the Plan on our website <https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/>

➤ **Key Financial Impact of COVID-19**

The Council has played a significant role in responding to COVID-19, in supporting businesses and the most vulnerable in our communities as well as running essential services.

The financial impact of COVID-19 has been an evolving picture throughout 2021/22 and this will continue into 2022/23. The Council initially forecast additional costs in 2021/22 in the region of £6.0m including homelessness prevention, deferred savings, redeployment costs, support for the Leisure services, additional Personal Protection Equipment (PPE), community grants and cleaning costs. However, due to measures put in place, the overall net requirement of £2.5m represents a reduction of £3.5m when compared to the £6.0m capitalisation direction approved by DULHC.

The Council's income streams have also been affected, with material projected losses relating to admissions, sales, trade waste, car parking, planning income, and rental income.

The Council's capital programme has also been severely impacted by COVID-19 with several projects having to be reviewed, reduced and rephased. The financial impact of COVID-19 for 2021/22 and beyond is difficult to predict; income streams have been reviewed and revised where appropriate. The programme may also be impacted by supply difficulties, for example increased costs from suppliers or additional cost of construction, labour, and PPE.

The Council is reviewing how its most critical services are provided, to determine which are required to still be operational in the same way even during a global pandemic and further to this, determine how to provide opportunities to new services in response to local needs as a reaction to the emergency situation. The changing environment and "new normal" in which we now find ourselves requires the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. The response by the community, voluntary and third sector has been significant in supporting residents and the Council is harnessing how this can continue for the future. This forms a key feature of the Council's Priority Based Budgeting and assessing its vision for the future.

➤ **DLUHC financial support and capitalisation directive**

The Council's finances were closely reviewed as part of the 2021/22 budget setting process including its reserves, the future risks and challenges faced by the Council as a result of COVID-19 and other service pressures. This includes identifying significant funding gaps for 2021/22 and future years, for which plans continue to be developed in order to address these gaps. In order to both maintain its resilience in the face of ongoing and future financial pressures and deliver a major change programme to transform its services, the Council will need to access additional financial resources. Capitalisation is a process that allows Councils to treat certain revenue (day-to-day) costs as capital expenditure and hence to spread those costs over a number of years to avoid further reduction in reserves, which are required to fund a major change programme.

Similar to other local authorities, the Council took the opportunity to hold discussions with DULHC about seeking permission for a Capitalisation Directive to help in dealing with 2021/22 deficit. Other councils that have been harder hit by Covid-19 have also requested support using this means. Following the Council seeking further support, the Minister of State for Regional Growth and Local Government in a letter addressed to the Leader of the Council, approved a total capitalisation direction to fund revenue expenditure as follow-

- 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 set out in the capitalisation direction. *Actual revenue expenditure that was capitalised in 2020/21 was £4.6m.*
- With respect to the financial year of 2021/22, the Secretary of State is minded approving 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. *The 2021/22 expected actual revenue expenditure that will be capitalised is estimated to be £2.5m.*

Both capitalisation directions are conditional, and should the Council fail to meet the conditions then the Government may choose to withdraw the direction. The capitalisation is planned to be funded by using capital resources. The Council intends to generate sufficient 'surplus' capital receipts to fund the capitalisation direction in order to avoid incurring additional cost of borrowing to fund revenue expenditure.

#### ➤ **Financial Reporting & Governance - Future Changes**

- IFRS 16 Leases including adoption in 2022/23-Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom CIPFA/LASAAC has issued its preliminary decision and feedback statement. This decision has subsequently been considered by the government's Financial Reporting Advisory Board (FRAB). FRAB's advice to CIPFA/LASAAC was that it agreed with the deferral of IFRS 16 Leases until 1 April 2024 but that the Code had to allow and encourage local authorities to adopt the standard in the preceding reporting periods.
  - CIPFA/LASAAC followed this with a decision to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023.
  - DLUHC consulted in late 2021 on proposed changes to the MRP regulations. In the proposal it determined that from April 2023, an authority must not reduce its MRP by using capital receipts instead of making a prudent charge to the revenue account via Regulation 23 (use of capital receipts) and must not exclude portions of their debt from the MRP determination.
  - The CIPFA Prudential Code for Capital Finance 2021 edition (Prudential Code) was issued in December 2021. One of the most significant changes was the clarification that local authorities are not permitted to borrow primarily for financial return. The Prudential Code does not require local authorities to sell current commercial investments. However, authorities that hold commercial assets with a borrowing need should determine exit viability for commercial investments in lieu of taking borrowing.
  - The introduction of a new objective that refers to the need for commercial investments to be proportionate and that the capital strategy should include reference to environmental sustainability etc.
- The Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2021 edition (Treasury Management Code) has also been amended to reflect latest practices and issues including investment management practices and other recommendations relating to non-treasury investments are required under the clauses to be formally adopted.



- **ADOPTION OF THE ACCOUNTS**

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

The Statement of Accounts for 2021/22 will be approved at the meeting of the Audit and Governance Committee to be held on 28 September 2022.

Signed

**Councillor Robin Maxted**  
Chair, Audit and Governance Committee

Date XX/XX/2022

**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 2022 and its income and expenditure for the year ended 31 March 2022.

**Homira Javadi**  
Chief Finance Officer  
Statutory Section 151 Officer

Date XX/08/2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**TO FOLLOW**

**MOVEMENT IN RESERVES STATEMENT**

	General Fund	HRA Balance	Earmarked Reserves (note 15)	Earmarked Reserves – Collection Fund (note 15)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves (note 28)	Unusable Reserves (note 29)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2020</b>	<b>(142)</b>	<b>(5,883)</b>	<b>(6,865)</b>	<b>-</b>	<b>(1,150)</b>	<b>(6,257)</b>	<b>(1,948)</b>	<b>(22,245)</b>	<b>(180,444)</b>	<b>(202,689)</b>
<b>Movement in Reserves 2020/21</b>										
Total Comprehensive Expenditure and Income	16,288	(17,148)	-	-	-	-	-	(860)	11,572	10,712
Adjustments between accounting basis & funding basis under regulations (note 8)	(30,319)	17,243	-	-	(1,510)	1,713	506	(12,367)	12,367	-
Transfers (to)/from Earmarked Reserves	10,945	338	(1,589)	(9,056)	84	(722)	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(3,086)</b>	<b>433</b>	<b>(1,589)</b>	<b>(9,056)</b>	<b>(1,426)</b>	<b>991</b>	<b>506</b>	<b>(13,227)</b>	<b>23,939</b>	<b>10,712</b>
<b>Balance at 31 March 2021</b>	<b>(3,228)</b>	<b>(5,450)</b>	<b>(8,454)</b>	<b>(9,056)</b>	<b>(2,576)</b>	<b>(5,266)</b>	<b>(1,442)</b>	<b>(35,472)</b>	<b>(156,505)</b>	<b>(191,977)</b>
<b>Movement in Reserves 2021/22</b>										
Total Comprehensive Expenditure and Income	10,298	(19,168)	-	-	-	-	-	(8,870)	(49,284)	(58,154)
Adjustments between accounting basis & funding basis under regulations (note 8)	(10,152)	19,325	-	-	(22)	3,975	(2,539)	10,587	(10,587)	-
Transfers (to)/from Earmarked Reserves	(916)	(199)	(3,510)	4,526	-	-	99	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(770)</b>	<b>(42)</b>	<b>(3,510)</b>	<b>4,526</b>	<b>(22)</b>	<b>3,975</b>	<b>(2,440)</b>	<b>1,717</b>	<b>(59,871)</b>	<b>(58,154)</b>
<b>Balance at 31 March 2022</b>	<b>(3,998)</b>	<b>(5,492)</b>	<b>(11,964)</b>	<b>(4,530)</b>	<b>(2,598)</b>	<b>(1,291)</b>	<b>(3,882)</b>	<b>(33,755)</b>	<b>(216,376)</b>	<b>(250,131)</b>

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 15 and 29 respectively. 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**

2020/21				2021/22		
Exp	Income	Net	Note	Exp	Income	Net
£000	£000	£000		£000	£000	£000
10,179	(1,028)	9,151		8,391	(1,120)	7,271
15,889	(16,004)	(115)		2,665	(4,150)	(1,485)
55,222	(44,112)	11,110		55,509	(43,720)	8,789
4,737	(2,193)	2,544		8,852	(1,890)	6,962
5,348	(1,152)	4,196		10,895	(9,592)	1,303
(5,576)	(15,774)	(21,350)		(5,626)	(15,760)	(21,386)
4,585	-	4,585		2,498	-	2,498
<b>90,384</b>	<b>(80,263)</b>	<b>10,121</b>		<b>80,184</b>	<b>(76,232)</b>	<b>3,952</b>
			<b>Cost of Services</b>			
234	-	234		238	-	238
248	-	248		314	-	314
5,983	(925)	5,058		8,216	(2,319)	5,897
1,683	(1,683)	-		-	-	-
<b>8,148</b>	<b>(2,608)</b>	<b>5,540</b>		<b>8,768</b>	<b>(2,319)</b>	<b>6,449</b>
			<b>Other Operating Expenditure</b>			
2,459	-	2,459	23	3,109	-	3,109
581	-	581		(760)	-	(760)
196	-	196		-	-	-
1,522	-	1,522	30	1,561	-	1,561
-	(3,805)	(3,805)	23	-	(1,435)	(1,435)
3,539	(1,540)	1,999		1,899	(1,474)	425
1,463	(859)	604		2,341	(2,166)	175
<b>9,760</b>	<b>(6,204)</b>	<b>3,556</b>		<b>8,150</b>	<b>(5,075)</b>	<b>3,075</b>
			<b>Financing and Investment Income and Expenditure</b>			
-	(19,572)	(19,572)	14	-	(13,681)	(13,681)
-	(8,746)	(8,746)		-	(8,975)	(8,975)
12,233	(3,992)	8,241		11,180	(10,870)	310
<b>12,233</b>	<b>(32,310)</b>	<b>(20,077)</b>		<b>11,180</b>	<b>(33,526)</b>	<b>(22,346)</b>
			<b>Taxation and Non-specific Grant Income and Expenditure</b>			
		<b>(860)</b>	<b>Surplus on Provision of Services</b>			<b>(8,870)</b>
		(418)	29			(21,832)
		11,989	30			(27,452)
		<b>11,571</b>	<b>Other Comprehensive I &amp; E</b>			<b>(49,284)</b>
		<b>10,711</b>	<b>Total Comprehensive I &amp; E</b>			<b>(58,154)</b>

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**

<b>31 March 2021 £000</b>		<b>Notes</b>	<b>31 March 2022 £000</b>	<b>£000</b>
338,690	Property, Plant & Equipment	17	377,386	
14,702	Heritage Assets	18	14,883	
24,846	Investment Property	20	25,257	
4,838	Intangible Assets	21	3,531	
3,500	Investment in Joint Venture	4/5	3,500	
49,443	Long Term Debtors	25	49,387	
<b>436,019</b>	<b>Long Term Assets</b>			<b>473,944</b>
922	Assets Held for Sale	22	379	
-	Short Term Investments		9,500	
105	Inventories		144	
41,459	Short Term Debtors	25	31,857	
4,423	Cash and Cash Equivalents	31	5,361	
<b>46,909</b>	<b>Current Assets</b>			<b>47,241</b>
(40,327)	Short Term Borrowing	23	(46,549)	
(40,637)	Short Term Creditors	26	(41,686)	
(889)	Short Term Provisions	27	(493)	
(106)	Revenue Grants Receipts in Advance	14	(10)	
<b>(81,959)</b>	<b>Current Liabilities</b>			<b>(88,738)</b>
(119,237)	Long Term Borrowing	23	(113,784)	
(21,278)	Other Long Term Liabilities	4/5	(20,518)	
(68,477)	Pension Liability	30	(48,014)	
<b>(208,992)</b>	<b>Long Term Liabilities</b>			<b>(182,316)</b>
<b>191,977</b>	<b>NET ASSETS</b>			<b>250,131</b>
(35,472)	Usable Reserves	28	(33,755)	
(156,505)	Unusable Reserves	29	(216,376)	
<b>(191,977)</b>	<b>TOTAL RESERVES</b>			<b>(250,131)</b>

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**

<b>2020/21 £000</b>	<b>CASH FLOW STATEMENT</b>	<b>2021/22 £000</b>
860	Net Surplus / (Deficit) on provision of services	8,870
31,920	Adjustment to net surplus on the provision of services for non-cash movements	3,689
(5,251)	Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	(6,206)
<b>27,529</b>	<b>NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES</b>	<b>6,353</b>
(8,402)	Investing Activities	(17,976)
(18,163)	Financing Activities	12,561
<b>964</b>	<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>938</b>
3,459	Cash and cash equivalents at the beginning of the reporting period	4,423
<b>4,423</b>	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	<b>5,361</b>

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



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

The accounting policies applied in 2021/22 are consistent with those applied in 2020/21.

**PRIOR PERIOD ADJUSTMENT**

There are no prior period adjustments.

**2. ACCOUNTING POLICIES****2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the end of 31 March 2022. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, 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 2.6%. Previously the discount rate used was 2.0%.
- 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 (Assets available for sale).

### Categories

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

### Recognition

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

### Measurement

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

- Council dwellings – current value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historic cost is normally used as a proxy.
- Infrastructure – depreciated at historic cost.
- Community Assets – 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.
- Infrastructure – straight-line depreciation over periods of time between 10 and 40 years, as assessed at the time of the capital investment.
- Community assets – not subject to depreciation.
- Surplus assets – not subject to depreciation.
- Assets under construction – not subject to depreciation.

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

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

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

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

#### Componentisation

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

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

### **2.13 Heritage Assets**

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

#### **Art Collection**

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

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

### **Local History Collection**

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

### **Heritage Assets – General**

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

### **2.14 Investment Property**

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

### **2.15 Intangible assets**

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

The initial value of intangible assets is amortised to the Comprehensive Income and Expenditure Statement over the estimated period of their useful life. This is normally taken as a period of 5-7 years, but an annual review is undertaken, and the life is amended where necessary. The value of intangible assets is also reviewed on an annual basis, and an additional adjustment is made for impairment where necessary.

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

### **2.16 Leases**

#### Definition of a Lease

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

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

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

#### Finance Leases – Council Acting as Lessee

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

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

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

#### Operating Leases – Council Acting as a Lessee

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

#### Operating leases – Council acting as a lessor

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

### **2.17 Overheads**

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

### **2.18 Provisions**

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

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

### **2.19 Reserves**

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support capital expenditure.

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

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

- Collection Fund Adjustment Account: the net amount of the Council's share of Council Tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account, and cannot be used until the following financial year.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.
- Capital Adjustment Account: this receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund.
- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Deferred Capital Receipts Reserve: this holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

## **2.20 Revenue Expenditure Financed From Capital Under Statute**

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

### **2.21 Charges to Revenue for Non-current Assets**

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

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

- amortisation of intangible assets attributable to the service.

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

## **2.22 Value Added Tax**

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

## **2.23 Inventories and Long Term Contracts**

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

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

## **2.24 Interests in Companies and Other Entities**

The Council has a material interest in five companies: Eastbourne Homes Ltd (EHL), Eastbourne Housing Investment Company Ltd (EHIC), Investment Company Eastbourne (ICE), Eastbourne Downs Water Company (EDWC) and South East Environmental Services Ltd (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 2021/22.

Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Eastbourne BC and Lewes DC. It was set up during 2017/18 for the purpose of developing housing.

ICE has entered into an arrangement with a private company, Infrastructure Investments Leicester Ltd, in respect of a property in Leicester. ICE is acting as the principal guarantor on a refinancing loan provided to IIL and also a rental guarantee in respect of rent shortfalls. In return, ICE received an initial guarantee fee and annual fees. IIL is accounted for as a joint venture in the Council's Group Accounts.

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

## **2.25 Revenue Recognition**

As from January 2018, 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). Prior to this revenue was recognised under IAS 18 - Revenue. Under IFRS15, 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

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 and will be adopted in 2022/23:

- IFRS 1 (First-time adoption) – will be amended in relation to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (Onerous contracts) – the amendment clarifies the costs to be included when assessing whether a contract will be onerous.
- IFRS 16 (Leases) – the amendment removes a misleading example concerning lease incentives.
- IAS 41 (Agriculture) – the amendment requires the removal of cash flows for taxation from fair value calculations.
- IAS 16 (Property, Plant and Equipment) – the amendment requires sales proceeds to be recognised as income while preparing an asset for its intended use instead of deducting proceeds from associated costs. As rent received while schemes are in development is already recognised as income rather than a cost reduction, this change is unlikely to have a significant impact.

It is considered that the impact of these new standards on the Council's accounts will not be material.

### 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 2022 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. 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, the Council's wholly owned subsidiary Investment Company Eastbourne Limited ('ICE') has the option to acquire 49.5% of the shares of Infrastructure Investments Leicester Limited ('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 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 in its Group Accounts.
- As described in the group accounts, ICE 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 Council is the ultimate guarantor for both of these guarantees, and under the arrangement ICE agreed to pay the Council an initial £2m guarantee fee in 2017/18, the annual guarantee fee received from IIL, and the disposal proceeds received on eventual sale of the Property. The Council has therefore determined it is appropriate to recognise liabilities and related receivables arising from these arrangements in the Council's balance sheet.

## 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 2022 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 £237,000 for every year that useful lives had to be reduced.

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

**Pensions Liability** - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate assumption would result in an increase in the pension obligation of £247,000, a 1 year increase in member life expectancy would increase the pension obligation by £254,000, a 0.1% decrease in the Long Term Salary Increase Rate would decrease the pension liability by £242,000 and a 0.1% decrease in the Pension Increase Rate would increase the pension obligation by £238,000. See Note 30.7.

**Arrears** - At 31 March 2022, the Council had a balance of all debtors for £81.1m. A review of the arrears balances has resulted in £6.0m being calculated as an appropriate expected credit loss. However, in the current economic climate it is not certain that such an allowance would be sufficient.

**Business Rates** - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2022. 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 2022. There is a risk that future appeals will exceed the estimation.

**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 and contract receivable (shown in Note 25 and 26). The loan guarantee and rental guarantee have been 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 has 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 4.2% p.a (4.7% 2020/21).
- Assumptions about the annual probability of default and recovery on default for loans to property companies.

The on-going measurement of these assets and liabilities will require reassessment of these assumptions each year. The present value of amounts receivable at inception has been 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 has been 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 Council has revalued the receivables at the balance sheet date after taking into account the unwinding of discount and cash flows received.

The Council has revalued the guarantee liabilities at the balance sheet date after taking into account the amortisation of the liability.

### **Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS)**

As part of the COVID-19 response, the government announced a range of grant schemes to support businesses to be administered by local billing authorities e.g. the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and multiple Local Restrictions grants. Billing authorities are responsible for paying over the grants to the businesses and are then reimbursed by government using a grant under Section 31 of the Local Government Act 2003. Some of the schemes are fully reimbursed, others are a set allocation. The eligibility criteria for these schemes is set out in government guidance and billing authorities are required to use their business rates system to identify the properties that meet the eligibility criteria. However, these grants are not Collection Fund transactions. Billing authorities have used their judgement to assess whether they should be accounting for the S31 grants paid to them by BEIS and the distribution of the grants to eligible businesses, as either principal or agent transactions in accordance with Cipfa Code.

## **6. MATERIAL ITEMS OF INCOME & EXPENDITURE**

- 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 Joint Transformation Programme (JTP) which have been recharged to LDC.
- Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS) – see paragraph above under section 5.
- Collection Fund (timing difference) - during 2021/22 local authorities received section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2022/23, thereby inflating General Fund balances at the end of the 2021/22 financial year. This could lead to potentially misleading 2021/22 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. The appropriate action is to transfer the grant income to an earmarked reserve within the General Fund.
- 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 received £5.5m in 2017/18 as the ultimate guarantor.

**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	2020/21 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	2021/22 Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
4,040	5,111	9,151	Corporate Services	2,151	5,120	7,271
(115)	-	(115)	Covid-19 Schemes	(1,485)	-	(1,485)
7,657	3,453	11,110	Service Delivery	5,518	3,271	8,789
1,918	626	2,544	Regeneration and Planning	1,061	5,901	6,962
2,256	1,940	4,196	Tourism and Enterprise	1,902	(599)	1,303
(4,106)	(17,244)	(21,350)	Housing Revenue Account	(4,568)	(16,818)	(21,386)
-	4,585	4,585	Capitalisation Direction	-	2,498	2,498
<b>11,650</b>	<b>(1,529)</b>	<b>10,121</b>	<b>Cost of Services</b>	<b>4,579</b>	<b>(627)</b>	<b>3,952</b>
(25,586)	14,605	(10,981)	Other Income and Expenditure	(4,275)	(8,547)	(12,822)
<b>(13,936)</b>	<b>13,076</b>	<b>(860)</b>	<b>Surplus on the Provision of Services</b>	<b>304</b>	<b>(9,174)</b>	<b>(8,870)</b>
<b>(6,025)</b>			<b>Opening General Fund and HRA Balance at 1 April</b>	<b>(8,678)</b>		
(13,936)			Surplus/Deficit on General Fund and HRA for year	304		
11,283			Transfer to/from Earmarked Reserves	(1,116)		
<b>(8,678)</b>			<b>Closing General Fund and HRA Balances at 31 March</b>	<b>(9,490)</b>		

**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**

2020/21				2021/22				
Adjustment for Capital Purposes	Net Changes for Pensions Adjustments	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Changes for Pensions Adjustments	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
2,260	2,817	34	5,111	Corporate Services	1,626	3,525	(31)	5,120
1,791	1,611	51	3,453	Service Planning	1,363	1,927	(19)	3,271
115	493	18	626	Regeneration and Planning	5,152	753	(4)	5,901
1,387	472	81	1,940	Tourism and Enterprise	(1,186)	647	(60)	(599)
(17,244)	-	-	(17,244)	Housing Revenue Account	(16,818)	-	-	(16,818)
4,585	-	-	4,585	Capitalisation Direction	2,498	-	-	2,498
<b>(7,106)</b>	<b>5,393</b>	<b>184</b>	<b>(1,529)</b>	<b>COST OF SERVICES</b>	<b>(7,365)</b>	<b>6,852</b>	<b>(114)</b>	<b>(627)</b>
2,270	1,157	11,178	14,605	Other Income and Expenditure	(2,457)	137	(6,227)	(8,547)
<b>(4,836)</b>	<b>6,550</b>	<b>11,362</b>	<b>13,076</b>	<b>Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(9,822)</b>	<b>6,989</b>	<b>(6,341)</b>	<b>(9,174)</b>

- **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 receivables in the year to those receivables 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 are analysed as follows:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
16,778	Employees benefits expenses	18,510
98,075	Other services expenses	88,559
(7,038)	Depreciation, amortisation, impairment losses and reversals	(11,464)
3,981	Interest payments	4,669
234	Precepts and levies	238
248	Payments to the Housing Capital Receipts Pool	314
581	Fair Value movement in Financial Guarantee	(760)
7,666	Loss on the disposal of assets	8,216
<b>120,525</b>	<b>Total expenditure</b>	<b>108,282</b>
	<b>Income</b>	
(27,824)	Fees, charges and other service income	(35,318)
(3,805)	Interest and investment income	(1,434)
(12,738)	Income from Council Tax and non-domestic rates	(19,846)
(74,410)	Government Grants and Contributions	(58,235)
(2,608)	Gain on the disposal of assets	(2,319)
<b>(121,385)</b>	<b>Total income</b>	<b>(117,152)</b>
<b>(860)</b>	<b>Surplus on the Provision of Services</b>	<b>(8,870)</b>

**7.d Segmental Income**

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(61)	<b>Corporate Services</b>	(51)
	<b>Service Delivery</b>	
(157)	Local Land Charges	(178)
(242)	Car Parks	(306)
(691)	Green Waste	(751)
(1,196)	Recovery of Housing Benefit Overpayments	(762)
(113)	Summons and Liability Orders	(644)
(2,098)	Bed and Breakfast charges	(2,115)
(1,927)	Crematorium and Cemetery fees	(1,701)
<u>(1,006)</u>	Other Service Income	<u>(1,276)</u>
(7,430)		(7,733)
	<b>Regeneration and Planning</b>	
(294)	Development Control	(421)
<u>(938)</u>	Other Service Income	<u>(989)</u>
(1,232)		(1,410)
	<b>Tourism and Enterprise</b>	
(323)	Beach Huts & Seafront	(496)
(40)	Tourism	(223)
(179)	Events	(372)
(4)	Theatres	(3,506)
(354)	Leisure & Sports	(2,128)
<u>(28)</u>	Other Service Income	<u>(85)</u>
(928)		(6,810)
(15,774)	<b>Housing Revenue Account</b>	(15,675)
(2,399)	<b>Trading Accounts and Investment Properties</b>	(3,639)
<u>(27,824)</u>	<b>Total</b>	<u>(35,318)</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
	£000	£000	£000	£000	£000	£000
<b>2020/21 Transactions:</b>						
<b>ADJUSTMENT TO THE REVENUE RESOURCES</b>						
<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	(6,550)	-	-	-	-	(6,550)
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	(10,974)	-	-	-	-	(10,974)
Holiday Pay (transferred to the Accumulated Absences Reserve)	(192)	-	-	-	-	(192)
• 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	(3,284)	(4,604)	-	-	-	(7,888)
- Revaluation Losses	257	19,895	-	-	-	20,152
- Movements in the fair value of investment properties	(3,396)	-	-	-	-	(3,396)
- Movements in the fair value of investments	952	-	-	-	-	952
- Amortisation of intangible assets	(1,977)	(46)	-	-	-	(2,023)
- Revenue expenditure funded from capital under statute	(5,325)	-	-	-	-	(5,325)
- Gains/losses on disposal of non-current assets	(4,146)	(3,520)	-	-	-	(7,666)
- Expected credit loss	(196)	-	-	-	-	(196)
- Capital Grants and Contributions Received	2,137	-	-	-	(2,137)	-
<b>TOTAL ADJUSTMENTS TO REVENUE RESOURCES</b>	<b>(32,694)</b>	<b>11,725</b>	<b>-</b>	<b>-</b>	<b>(2,137)</b>	<b>(23,106)</b>

**ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES**

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,695	914	-	(2,609)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(248)	-	-	248	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,604	(4,604)	-	-	-

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	928	-	-	-	-	928
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal						
Contributions transferred to Revenue						
Revaluation of Share holdings						
<b>TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>	<b>2,375</b>	<b>5,518</b>	<b>(4,604)</b>	<b>(2,361)</b>	<b>-</b>	<b>928</b>
<b>ADJUSTMENTS TO CAPITAL RESOURCES</b>						
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	4,074	-	4,074
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,094	-	-	3,094
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	2,643	2,643
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-
<b>TOTAL ADJUSTMENTS TO CAPITAL RESOURCES</b>	<b>-</b>	<b>-</b>	<b>3,094</b>	<b>4,074</b>	<b>2,643</b>	<b>9,811</b>
<b>Total Adjustments 2020/21</b>	<b>(30,319)</b>	<b>17,243</b>	<b>(1,510)</b>	<b>1,713</b>	<b>506</b>	<b>(12,367)</b>

**2021/22 Transactions:****ADJUSTMENT TO THE REVENUE RESOURCES**

*Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements*

• Pensions costs (transferred to/from the Pensions Reserve)	(6,989)	-	-	-	-	(6,989)
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	6,219	-	-	-	-	6,219
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	122	-	-	-	-	122
• 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	(100)	14,431	-	-	-	14,331
- Movements in the fair value of investment properties	(1,664)	-	-	-	-	(1,664)
- Amortisation of intangible assets	(1,356)	(46)	-	-	-	(1,402)
- Revenue expenditure funded from capital under statute	(8,196)	-	-	-	-	(8,196)

- Capital Grants and Contributions Received	4,208	2,218	-	-	(2,539)	3,887
- Gains/Losses on Disposal of non current assets	(3,656)	(4,560)	-	-	-	(8,216)
- Gain on Disposal of Investments	-	-	-	-	-	-
- Expected Credit Losses	-	-	-	-	-	-
<b>TOTAL ADJUSTMENTS TO REVENUE RESOURCES</b>	<b>(11,412)</b>	<b>12,043</b>	<b>-</b>	<b>-</b>	<b>(2,539)</b>	<b>(1,908)</b>

#### ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	563	1,756	-	(2,319)	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(314)	-	-	314	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,950	(4,950)	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,012	-	-	-	-	1,012
Capital expenditure financed from revenue	-	576	-	-	-	576
<b>TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>	<b>1,261</b>	<b>7,282</b>	<b>(4,950)</b>	<b>(2,005)</b>	<b>-</b>	<b>1,588</b>

#### ADJUSTMENTS TO CAPITAL RESOURCES

Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	5,980	-	5,980
Use of Major Repairs Reserve to finance capital expenditure	-	-	4,927	-	-	4,927
<b>TOTAL ADJUSTMENTS TO CAPITAL RESOURCES</b>	<b>-</b>	<b>-</b>	<b>4,927</b>	<b>5,980</b>	<b>-</b>	<b>10,907</b>

#### Total Adjustments 2021/22

<b>(10,151)</b>	<b>19,325</b>	<b>(23)</b>	<b>3,975</b>	<b>(2,539)</b>	<b>10,587</b>
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**9. AUDIT FEES**

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

<b>2020/21</b> <b>£000</b>		<b>2021/22</b> <b>£000</b>
52	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor	82
<u>5</u>	Fees payable to KPMG LLP for the certification of grant claims and returns	<u>5</u>
<b><u>57</u></b>		<b><u>87</u></b>

Note – the 2021/22 fees payable to Deloitte include approved variations to the fee scale of £15,000 for 2020/21 and 2021/22.

**10. MEMBERS' ALLOWANCES**

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

<b>2020/21</b> <b>£000</b>		<b>2021/22</b> <b>£000</b>
131	Members' Allowances	133
<u>-</u>	Conference and Travelling Expenses	<u>1</u>
<b><u>131</u></b>		<b><u>134</u></b>

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

		<b>Salary, Fees and Allowances</b>	<b>Expenses</b>	<b>Election Expenses</b>	<b>Compens ation for loss of Office</b>	<b>Pension Contribution</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Shared Chief Executive	2021/22	147,179	2,660	11,143	-	29,797	190,779
	2020/21	145,004	2,660	-	-	30,016	177,680
Deputy Chief Executive	2021/22	122,021	2,130	-	-	25,016	149,167
	2020/21	118,163	2,130	-	-	24,840	145,133
Chief Finance Officer	2021/22	93,152	-	-	-	18,770	111,922
	2020/21	91,775	-	-	-	18,952	110,727
Director of Service Delivery	2021/22	93,152	-	523	-	18,770	112,445
	2020/21	87,456	-	-	-	18,060	105,516
Director of Tourism and Enterprise	2021/22	9,049	-	-	29,668	605	39,322
	2020/21	98,253	-	-	-	20,289	118,542
Assistant Director of HR and Transformation	2021/22	93,152	-	816	-	18,770	112,738
	2020/21	91,775	-	-	-	18,952	110,727
Assistant Director of Corporate Governance	2021/22	-	-	-	-	-	-
	2020/21	45,496	2,803	-	10,871	9,395	68,565

**Notes:**

- Director of Tourism and Enterprise role ceased on 11 April 2021;
- Assistant Director of Corporate Governance role ceased on 23 October 2020;
- The Assistant Director of Legal and Democratic Services was also a member of the Corporate Management Team but is not included in the above table as they were an employee of Lewes District Council. They left the Council on 23 October 2020;
- The above figures are gross of any recharges to LDC and EHL.

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

	<b>Eastbourne Borough Council</b>	<b>Lewes District Council</b>	<b>Eastbourne Homes Ltd</b>
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 Tourism and Enterprise	80%	20%	-
Assistant Director of Corporate Governance	90%	10%	-

The Assistant Director of Human Resources and Transformation is included in a service level agreement 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	2020/21		2021/22	
	Number of Employees		Number of Employees	
£50,000 - £54,999	21	(1)	19	-
£55,000 - £59,999	14	(4)	13	(3)
£60,000 - £64,999	9	(3)	10	(2)
£65,000 - £69,999	8	(1)	6	-
£70,000 - £74,999	1	-	3	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	-	-	-	-
£90,000 - £94,999	2	(1)	-	-
£95,000 - £99,999	1	(1)	-	-
£100,000 - £104,999	-	-	1	(1)
<b>Total</b>	<b>56</b>	<b>(11)</b>	<b>52</b>	<b>(6)</b>

The figures in brackets relate to the number of employees who left during the 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	
							£	£
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	22	1	44	13	66	14	537,711	70,980
£20,001 - £40,000	4	-	19	6	23	6	641,404	170,000
£40,001 - £60,000	-	1	2	1	2	2	90,604	100,097
£60,001 - £80,000	-	2	1	-	1	2	62,018	116,468
<b>Total cost included in bandings</b>	<b>26</b>	<b>4</b>	<b>66</b>	<b>20</b>	<b>92</b>	<b>24</b>	<b>1,331,737</b>	<b>457,545</b>

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 2021/22 Lewes District Council were recharged £279,223 (£263,857 2020/21) for their share of exit packages and Eastbourne Homes Ltd were recharged £0 (£27,733 2020/21).

## **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 14 (grants and contributions), 25 (debtors) and 26 (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 30. 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 2021/22 this fee was £7.69m, covering supervision and management and repairs. This compares with £7.65m paid in 2020/21. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £1.541m (£2.102m at 31 March 2021), while Eastbourne Homes Ltd owed the Council £0.38m (£0.39m at 31 March 2021).

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 Deputy Chief Executive/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 2021/22 is shown in Note 10. Eight 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.

#### 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 2022 the Council has provided a commercial loan of £321,000 (£357,000 in 2020/21). Interest is charged on the loan at 2.7% 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 (29 in 2020/21) commercial loans to EHIC totalling £14,856,350 (£23,856,350 in 2020/21) of which £14,085,550 (£23,085,350 in 2020/21) has been drawn down, for the purchase of various properties, at interest rates of 3.0%-4.5%. £9,000,000 was repaid during 2021-22. A working capital facility loan of £250,000 (£250,000 in 2020/21) has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2022 £247,000 (£247,000 in 2020/21) of the working capital facility loan had been drawn down.

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 The Town Hall, Grove Road, Eastbourne, BN21 4UG. 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 six commercial loans to AH totalling £14,440,000 (£5,468,000 2020/21) of which £13,105,050 (£4,095,250 2020/21) has been drawn down, for the purchase of property for development, at interest rates of 3.15%-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 2022 £65,000 (65,000 2020/21) of the working capital facility loan had been drawn down.

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 The Town Hall, Grove Road, Eastbourne, BN21 4UG.

#### 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 £1,780,000 (£1,600,000 2020/21) of which £1,555,000 (£1,555,000 2020/21) has been drawn down, for the purchase of equipment, at an interest rate of 2% above Base Rate. The loan is repayable over 10 years and the balance outstanding at year end was £1,245,000.

#### 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.

#### 12.12 Infrastructure Investments Leicester Limited

Infrastructure Investments Leicester Limited is a joint venture relating to a property in Leicester. The Council is acting as guarantor for a loan to IIL and for shortfalls in rental income. In return the Council receives guarantee fee income and has other interest in IIL. See Group Accounts for further details.

**13. LEASING****Operating leases – Council acting as lessor**

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

<b>2020/21</b>		<b>2021/22</b>	
<b>Minimum Lease Income</b>		<b>Minimum Lease Income</b>	
£000		£000	
2,751	Within one year	2,421	
6,801	Between two and five years	6,319	
40,940	Later than five years	39,787	
<b>50,492</b>	<b>Total</b>	<b>48,527</b>	

The lease income relates to various land and buildings owned by the Council and leased out on varying terms and conditions. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2021/22 was £2,994,000 (£2,998,000 in 2020/21). 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. GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>Within Cost of Services</b>		
(34,272)	DWP Benefits grants	(32,177)
(16,004)	Covid-19 Grants	(5,743)
<u>(4,562)</u>	Other Grants and Contributions	<u>(6,634)</u>
<b><u>(54,838)</u></b>	<b>Total within Cost of Services</b>	<b><u>(44,554)</u></b>
<b>Within Taxation and non-specific grant income</b>		
(13,031)	Section 31 Grant Small Business Rate Relief	(5,724)
(332)	New Homes Bonus	(32)
(128)	Localising C Tax Support Admin Subsidy	(296)
(3,353)	Income Recovery Grant	(995)
(2,718)	Grants and contributions towards capital expenditure	(4,208)
<u>(10)</u>	Other Grants and Contributions	<u>(2,426)</u>
<b><u>(19,572)</u></b>	<b>Total within Taxation and non-specific grant income</b>	<b><u>(13,681)</u></b>
<b><u>(74,410)</u></b>	<b>Total Grants &amp; Contributions</b>	<b><u>(58,235)</u></b>

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 (£106,000 in 2020/21).

**15. TRANSFER TO/ FROM EARMARKED RESERVES**

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

<b>Reserve</b>	<b>Balance 1 April 2020 £000</b>	<b>Movement 2020/21 £000</b>	<b>Balance 31 March 2021 £000</b>	<b>Movement 2021/22 £000</b>	<b>Balance 31 March 2022 £000</b>
<b>General Fund</b>					
General	-	(16)	(16)	-	(16)
Strategic Change	(245)	225	(20)	10	(10)
Capital Programme	(336)	-	(336)	-	(336)
Revenue Grants & Contributions	(613)	(451)	(1,064)	(428)	(1,492)
Regeneration	-	-	-	(12)	(12)
ICE	(1,750)	(50)	(1,800)	(270)	(2,070)
Commercial	(250)	(492)	(742)	(195)	(937)
SHEP GF Properties Major Works	(1)	-	(1)	-	(1)
Business Rates Equalisation	-	(1,104)	(1,104)	1,104	-
Cost of Living Emergency Response	-	-	-	(250)	(250)
Inflation	-	-	-	(200)	(200)
Fuel and Energy	-	-	-	(150)	(150)
Arrears and Bad Debt	-	-	-	(400)	(400)
Cultural Recovery	-	-	-	(756)	(756)
Budget Carry Forwards	-	-	-	(2,161)	(2,161)
<b>Total</b>	<b>(3,195)</b>	<b>(1,888)</b>	<b>(5,083)</b>	<b>(3,708)</b>	<b>(8,791)</b>
Collection Fund (timing difference)	-	(9,056)	(9,056)	4,526	(4,530)
<b>Total General Fund</b>	<b>(3,195)</b>	<b>(10,944)</b>	<b>(14,139)</b>	<b>818</b>	<b>(13,321)</b>
<b>Housing Revenue Account</b>					
HRA Leaseholders Major Works	(1,112)	299	(813)	169	(644)
Riverbourne House Leaseholders	(29)	-	(29)	29	-
Housing Regeneration and Investment	(2,529)	-	(2,529)	-	(2,529)
<b>Total HRA</b>	<b>(3,670)</b>	<b>299</b>	<b>(3,371)</b>	<b>198</b>	<b>(3,173)</b>
<b>Total Earmarked Reserves</b>	<b>(6,865)</b>	<b>(10,645)</b>	<b>(17,510)</b>	<b>1,016</b>	<b>(16,494)</b>

The purpose of each reserve is set out below:

General: 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: to finance one off investments that are required for development or the release of ongoing efficiencies.

Capital Programme: used for financing of one-off capital schemes.

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

ICE: 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.

Commercial: for SEESL and AH subsidiary companies.

SHEP GF Properties Major Works: to create a Major Works Fund for Investment properties.

Business Rates Equalisation: to mitigate the risk of fluctuations.

Cost of Living Emergency Response: Broader actions in response to the pandemic were agreed by full council to establish a cost of living emergency fund. This £250k fund would broadly support priorities including food, fuel and accommodation at a number of pinch points across the year.

Inflation: to address pressures, which will be felt in the new financial year as well as considering the impact within the Council's Medium Term Financial Plan for future years. It is possible in future spending reviews, that the Government will consider the longer-term impact of the high levels of inflation if it continues on the current trajectory.

Fuel and Energy: to address the increase in energy price concerns, and the price increases on contracts being incurred due to the increase in fuel costs.

Arrears and Bad Debt: to mitigate movements in collection rates, review of bad debt provision and the release of existing provision.

Cultural Recovery: to support the creation of innovative cultural development projects that will deliver growth and regeneration.

Budget Carry Forwards: there are a wide range of ongoing Services initiatives that were delayed or span more than one financial year or for which funds have been budgeted but not yet started. The budget carry forward reserve will ensure that such initiatives can be completed.

Collection Fund (timing difference): during 2020/21 and 2021/22, local authorities received section 31 grant to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the s31 grants received this year will not be discharged against the Collection Fund deficit until 2022/23, thereby inflating General Fund balances at the end of the financial year. This could lead to potentially misleading 2021/22 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. The appropriate action is to transfer the grant income to an earmarked reserve within the General Fund.

HRA Leaseholders Major Works: for future maintenance costs.

Riverbourne House Leaseholders: set aside to cover the cost of major works or other significant items of expenditure expected in the foreseeable future.

Housing Regeneration and Investment: 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.

**16. 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.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>172,798</b>	<b>Opening Capital Financing Requirement</b>	<b>178,800</b>
	<b>Capital Investment:</b>	
3,203	Council dwellings	5,517
2,290	Other land and buildings	2,469
23	Vehicles plant furniture and equipment	432
597	Infrastructure	492
-	Community assets	47
762	Assets under construction	1,431
6,875	<b>Total Property, Plant and Equipment</b>	10,388
992	Investment property	2,075
414	Intangible assets	95
5,326	Revenue expenditure financed from capital under statute	8,196
3,133	Loans and Advances	(281)
<b>16,740</b>	<b>Total capital investment</b>	<b>20,473</b>
	<b>Sources of finance:</b>	
(4,073)	Capital receipts	(5,980)
(741)	Grants and contributions towards Refcusc	(624)
(1,902)	Other grants and contributions	(3,263)
	<b>Sums set aside from Revenue:</b>	
(3,093)	Major repairs reserve	(4,927)
(929)	Revenue provision for repayment of debt	(1,012)
-	Revenue Contribution to capital	(576)
<b>(10,738)</b>	<b>Capital financing</b>	<b>(16,382)</b>
<b>178,800</b>	<b>Closing Capital Financing Requirement</b>	<b>182,891</b>
	<b>Explanation of movements in year</b>	
6,002	Increase in underlying borrowing	4,091

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
338,690	Property Plant and Equipment	377,386
14,702	Heritage Assets	14,883
24,846	Investment Property	25,258
4,838	Intangible Assets	3,531
922	Assets Held For Sale	380
31,309	Loans and Advances to Third Parties	31,027
(40,333)	Revaluation Reserve	(61,386)
(196,174)	Capital Adjustment Account (excluding ECL)	(208,188)
<b>178,800</b>	<b>Capital Financing Requirement</b>	<b>182,891</b>



**17. PROPERTY PLANT AND EQUIPMENT****17.1 Movements in 2021/22**

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation at 1 April 2021</b>	209,255	97,308	10,792	34,256	4,155	7,648	381	<b>363,795</b>
Additions	5,517	2,469	432	492	47	1,431	-	<b>10,388</b>
Revaluation increases recognised in the Revaluation Reserve	-	3,050	-	-	-	-	(44)	<b>3,006</b>
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	32,178	2,143	-	-	-	-	(18)	<b>34,303</b>
De-recognition - Disposals	(4,582)	(2,511)	(80)	(492)	-	-	-	<b>(7,665)</b>
Assets Reclassified to Held for Sale	-	(111)	-	-	-	-	-	<b>(111)</b>
Assets reclassified	-	90	-	-	-	-	(90)	-
<b>At 31 March 2022</b>	<b>242,368</b>	<b>102,438</b>	<b>11,144</b>	<b>34,256</b>	<b>4,202</b>	<b>9,079</b>	<b>229</b>	<b>403,716</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2021	(1)	(1,196)	(3,797)	(19,548)	(563)	-	-	<b>(25,105)</b>
Depreciation Charge	(4,935)	(1,962)	(836)	(850)	-	-	-	<b>(8,583)</b>
Depreciation written out to the Revaluation Reserve	-	321	-	-	-	-	-	<b>321</b>
Impairment losses recognised in the Revaluation Reserve	17,710	934	-	-	-	-	-	<b>18,644</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(12,797)	1,088	-	-	-	-	-	<b>(11,709)</b>
De-recognition - disposal	22	-	80	-	-	-	-	<b>102</b>
<b>At 31 March 2022</b>	<b>(1)</b>	<b>(815)</b>	<b>(4,553)</b>	<b>(20,398)</b>	<b>(563)</b>	<b>-</b>	<b>-</b>	<b>(26,330)</b>
<b>Net Book Value</b>								
At 31 March 2022	242,367	101,623	6,591	13,858	3,639	9,079	229	<b>377,386</b>
At 31 March 2021	209,254	96,112	6,995	14,708	3,592	7,648	381	<b>338,690</b>

**Movements in 2020/21**

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation at 1 April 2020</b>	194,265	97,113	10,772	34,256	4,131	8,059	148	<b>348,744</b>
Additions	3,203	2,290	23	597	-	762	-	<b>6,875</b>
Revaluation decreases recognised in the Revaluation Reserve	-	(169)	-	-	-	-	-	<b>(169)</b>
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	15,316	15	-	-	-	-	-	<b>15,331</b>
De-recognition - Disposals	(3,529)	(1,837)	(501)	(597)	-	-	-	<b>(6,464)</b>
Assets Reclassified to Held for Sale	-	(522)	-	-	-	-	-	<b>(522)</b>
Assets reclassified	-	418	498	-	24	(1,173)	233	-
<b>Balance at 31 March 2021</b>	<b>209,255</b>	<b>97,308</b>	<b>10,792</b>	<b>34,256</b>	<b>4,155</b>	<b>7,648</b>	<b>381</b>	<b>363,795</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2020	-	-	(3,444)	(18,699)	(563)	-	-	<b>(22,706)</b>
Depreciation Charge	(4,589)	(1,947)	(826)	(849)	-	-	-	<b>(8,211)</b>
Depreciation written out to the Revaluation Reserve	-	323	-	-	-	-	-	<b>323</b>
Impairment losses recognised in the Revaluation Reserve	-	187	-	-	-	-	-	<b>187</b>
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	4,579	241	-	-	-	-	-	<b>4,820</b>
De-recognition - disposal	9	-	473	-	-	-	-	<b>482</b>
<b>At 31 March 2021</b>	<b>(1)</b>	<b>(1,196)</b>	<b>(3,797)</b>	<b>(19,548)</b>	<b>(563)</b>	<b>-</b>	<b>-</b>	<b>(25,105)</b>
<b>Net Book Value</b>								
At 31 March 2021	209,254	96,112	6,995	14,708	3,592	7,648	381	<b>338,690</b>
At 31 March 2020	194,265	97,113	7,328	15,557	3,568	8,059	148	<b>326,038</b>

17.2 Valuation of Property

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

The valuations are not reported as subject to 'material valuation uncertainty' as defined by RICS Valuation Global Standards with the exception of retail and specific assets/sectors such as car parks which continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base judgements.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra structure	Community	Assets Under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	-	-	6,591	13,858	3,638	9,080	-	33,167
Values at current value as at:								
31 March 2022	242,367	101,623					229	344,219
<b>Net Book Value</b>	<b>242,367</b>	<b>101,623</b>	<b>6,591</b>	<b>13,858</b>	<b>3,638</b>	<b>9,080</b>	<b>229</b>	<b>377,386</b>

### 17.3 Depreciation

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

Council dwellings structure	60 years
Council dwelling components	15 to 40 years
Other land and buildings	15 to 60 years
Vehicles Plant and Equipment	5 to 30 years
Infrastructure	40 years

### 17.4 Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £7,047,000 as detailed in the table below. Similar commitments at 31 March 2021 were £2,495,000.

	£000
Loans to Subsidiary Companies	1,641
New Build & Asset Improvements	5,406
	<b>7,047</b>

### 17.4 Fair value hierarchy

As at 31 March 2022, there are six properties classed as surplus, compared to seven in the previous year. One property was reclassified as Other Land & Buildings. The fair value hierarchy of surplus assets at 31 March are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Other significant unobservable inputs (Level 3) £000	Fair Value £000
<b>Surplus Assets NBV 31 March 2022</b>	-	229	-	<b>229</b>
<b>Surplus Assets NBV 31 March 2021</b>	-	381	-	<b>381</b>

The surplus assets are measured at Level 2 in the fair value hierarchy (see Note 2.10) as the measurement technique uses significant observable inputs to measure the fair value. The fair value has been derived on a comparable basis for income producing assets or residential properties (using rent yield or capital value per square metre) or derived through an assessment of prevailing land values for unconsented sites or a residual land appraisal. For assets offering development potential (alternative use) the valuation is based on the highest value that has a reasonable prospect of securing an appropriate planning consent. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions. Highest and best use is determined only from the perspective of market participants, even if the Council intends a different use. Alternative uses of those assets are considered if there is an alternative use that would maximise their fair value. However, the Council is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence to suggest that the current use of an asset is not its highest and best use.

## 18. 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 2021	345	11,906	172	2,279	<b>14,702</b>
Revaluations	-	-	-	181	<b>181</b>
<b>Balance at 31 March 2022</b>	<b>345</b>	<b>11,906</b>	<b>172</b>	<b>2,460</b>	<b>14,883</b>

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 2020 by an external professional valuer and uplifted following a market review as at 31.3.22. They will be revalued every 5 years. The historical collection has been valued with reference to the insurance value.

## 19. HERITAGE ASSETS POLICY

### 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 19<sup>th</sup> and 20<sup>th</sup> century British art.
- Victorian Art: to complement the Towner Bequest.
- Works by important 20<sup>th</sup> century British artists, to enhance the existing 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 17<sup>th</sup> and 18<sup>th</sup> century Dutch and Flemish paintings and 18<sup>th</sup> century British art, The Lucy Carrington Wertheim Bequest of 20<sup>th</sup> 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.

**20. INVESTMENT PROPERTIES**

In 2021/22 the Council received £1,463,000 as rental income from investment properties, compared to £1,540,000 received in 2020/21.

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.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
27,250	Balance at 1 April	24,846
992	Expenditure on existing properties	2,075
(3,396)	Net losses from fair value adjustments	(1,664)
<b>24,846</b>	<b>Balance at 31 March</b>	<b>25,257</b>

**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 2022 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

**21 INTANGIBLE ASSETS**

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

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

2020/21				2021/22		
Gross £000	Amortised £000	Net Total £000		Gross £000	Amortised £000	Net Total £000
10,115	(3,669)	6,446	Balance 1 April	7,984	(3,146)	4,838
-	(1,977)	(1,977)	Written down to services:	-	(1,356)	(1,356)
-	(45)	(45)	Corporate Services	-	(46)	(46)
-	(2,022)	(2,022)	Housing Revenue Account	-	(1,402)	(1,402)
414	-	414	Added during year	95	-	95
(2,545)	2,545	-	Written out on completion of expected life	(1,283)	1,283	-
(2,131)	523	(1,608)	Net transactions during the year	(1,188)	(119)	(1,307)
<b>7,984</b>	<b>(3,146)</b>	<b>4,838</b>	<b>Balance at 31 March</b>	<b>6,796</b>	<b>(3,265)</b>	<b>3,531</b>

The significant item within the balances above are shown in the table below:

	Carrying Amount		Remaining Amortisation (years)
	31 March 2021	31 March 2022	
	£000	£000	
Joint Transformation Programme	3,917	3,091	3 - 7
Future Model	729	233	1 - 3

**22. ASSETS HELD FOR SALE**

	2020/21 £000	2021/22 £000
<b>Balance at 1 April</b>	-	922
<b>Assets newly classified as held for sale:</b>		
Property, Plant & Equipment	922	111
Assets Sold	-	(654)
<b>Balance at 31 March</b>	<b>922</b>	<b>379</b>

## 23. FINANCIAL INSTRUMENTS

### A. Categories of Financial Instruments

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

<b>Financial Assets</b>	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
<b>Fair value through profit or loss</b>		
Long Term Investments	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Amortised Cost</b>		
Long Term Investments	3,500	3,500
Long Term Debtors	49,443	49,387
Short Term Investments & Cash Equivalents	4,423	14,861
Short Term Debtors	18,885	21,028
<b>Total Financial Assets</b>	<b>76,251</b>	<b>88,776</b>
<b>Non Financial Assets</b>	<b>22,574</b>	<b>10,829</b>
<b>Total</b>	<b>98,825</b>	<b>99,605</b>

<b>Financial Liabilities</b>	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
<b>Amortised Cost</b>		
Long Term Borrowings	(119,237)	(113,784)
Long Term Liabilities	(21,278)	(20,518)
Short Term Borrowings	(40,327)	(46,549)
Short Term Creditors	(33,435)	(26,874)
<b>Total Financial Liabilities</b>	<b>(214,277)</b>	<b>(207,725)</b>
<b>Non Financial Liabilities</b>	<b>(7,202)</b>	<b>(14,812)</b>
<b>Total</b>	<b>(221,479)</b>	<b>(222,537)</b>

### B. Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2022 was £nil (nil at 31 March 2021). There were no financial liabilities designated at fair value through profit or loss. No financial assets or liabilities were classed as fair value through other comprehensive income. No financial assets or liabilities were re-classified during the year.

### C. Income, Expense, Gains and Losses

	<b>2020/21</b>		<b>2021/22</b>	
	<b>(Surplus) or Deficit on Provision of Services £000</b>	<b>Other Comprehensive Income and Expenditure £000</b>	<b>(Surplus) or Deficit on Provision of Services £000</b>	<b>Other Comprehensive Income and Expenditure £000</b>
<b>Net gains on:</b>				
Financial assets measured at fair value through profit or loss	-	-	-	-
<b>Interest revenue:</b>				
Financial assets measured at amortised cost	(1,234)	-	(1,282)	-
<b>Interest expense:</b>				
Financial liabilities measured at amortised cost	2,459	-	3,109	-

**D. Fair Value**

The basis for recurring fair value measurements is:

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

There were no financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2021 £000	31 March 2022 £000
<b>Fair value through profit or loss</b>				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	-	-

There were no transfers between levels 1 and 2 during the year. There has been no change in the valuation technique used during the year for the financial instruments. There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

**E. Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value [but for which fair value disclosures are required]**

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, under debt redemption procedures, prevailing market rates have been applied to provide the fair value;
- For non-PWLB loans payable, under debt redemption procedures, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

<b>Financial Liabilities</b>	<b>31 March 2021 Carrying amount £000</b>	<b>31 March 2021 Fair Value £000</b>	<b>31 March 2022 Carrying amount £000</b>	<b>31 March 2022 Fair Value £000</b>
Financial liabilities held at amortised cost	(140,515)	(155,511)	(134,302)	(137,692)
<b>Total Long Term</b>	<b>(140,515)</b>	<b>(155,511)</b>	<b>(134,302)</b>	<b>(137,692)</b>
Short Term Borrowings and Creditors	(73,762)	(73,762)	(73,423)	(73,423)
<b>Total Long and Short Term</b>	<b>(214,277)</b>	<b>(229,273)</b>	<b>(207,725)</b>	<b>(211,115)</b>



The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2022, arising from a commitment to pay interest to lenders above current market rates.

<b>Financial Assets</b>	<b>31 March 2021 Carrying amount</b>	<b>31 March 2021 Fair Value</b>	<b>31 March 2022 Carrying amount</b>	<b>31 March 2022 Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial assets held at amortised cost	3,500	3,500	3,500	3,500
Long Term Debtors	49,443	49,443	49,387	49,387
<b>Total Long Term</b>	<b>52,943</b>	<b>52,943</b>	<b>52,887</b>	<b>52,887</b>
Short Term Investments and Debtors	23,808	23,808	35,889	35,889
<b>Total Long and Short Term</b>	<b>76,251</b>	<b>76,251</b>	<b>88,776</b>	<b>88,776</b>

The fair value of the financial assets is higher than the carrying amount because the portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain, based on economic conditions at 31 March 2022, attributable to the commitment to receive interest below current market rates. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

#### **Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value**

<b>31 March 2022</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities held at amortised cost	-	(137,692)	-	(137,691)
<b>Total Long Term</b>	<b>-</b>	<b>(137,692)</b>	<b>-</b>	<b>(137,692)</b>
Financial assets held at amortised cost	-	3,500	-	3,500
Long Term Debtors	-	49,387	-	49,387
<b>Total Long Term</b>	<b>-</b>	<b>52,887</b>	<b>-</b>	<b>52,887</b>
<b>31 March 2021</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities held at amortised cost	-	(155,511)	-	(155,511)
<b>Total Long Term</b>	<b>-</b>	<b>(155,511)</b>	<b>-</b>	<b>(155,511)</b>
Financial assets held at amortised cost	-	3,500	-	3,500
Long Term Debtors	-	49,443	-	49,443
<b>Total Long Term</b>	<b>-</b>	<b>52,943</b>	<b>-</b>	<b>52,943</b>

The fair value for financial liabilities and financial assets that are not measured at fair value included in levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis, with the most significant inputs being the discount rate. The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

#### **Financial Assets**

- no early repayment or impairment is recognised;
- estimated ranges of interest rates at 31 March 2022 of 0.0% to 0.17% for loans receivable, based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

#### **Financial Liabilities**

- no early repayment is recognised;
- estimated ranges of interest rates at 31 March 2022 of 1.0% to 8.9% for loans payable based on new lending rates for equivalent.

### **24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be 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 or stock market movements.

#### **Overall procedures for managing risk**

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.

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24 February 2021 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2021/22 was set at £199m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £181m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt (see table below).
- 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

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 authority's customers. This risk is minimised through the Annual Investment Strategy, which is available on the authority's website. There are significant financial risks of COVID-19 that will be felt into 2022/23 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 2021/22 was approved by Full Council on 24 February 2021 and is available on the Council's website.

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 Council's maximum exposure to credit risk in relation to its investments in financial institutions of £5m 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 recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

The Council has invested funds in, CloudConnX £321,000 and Sea Change Sussex £2,755,000. The risk of these companies failing to meet their commitments is minimised by maintaining representation on the board of 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 Ltd (EHIC) a wholly owned subsidiary of the Council:

- £15,106,350 of which £14,332,550 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, £247,000 of which was drawn down as at 31 March 2022.

The Council has provided various commercial loan facilities to Aspiration Homes Ltd, a partnership jointly owned by the Council and Lewes District Council:

- £14,540,000 of which £13,170,050 has been drawn down, for the development of new properties, at an interest rate of 3.15% - 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 2022.

The Council has provided a commercial loan facility to South East Environmental Services Ltd (SEESL), a wholly owned subsidiary of the Council, totalling £1,780,000, of which £1,245,000 is outstanding, for the purchase of waste fleet vehicles. The loan is secured by a Debenture and interest is charged at the rate of 2% above Base Rate.

The Council is acting as principal guarantor for a refinancing loan to Investment Infrastructure Leicester Ltd and as guarantor for any shortfalls in rental income. As at 31 March 2022, there had been no call on the guarantees.

### 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
<b>Opening balance 1 April 2021</b>	<b>6</b>	<b>189</b>	<b>5,913</b>	<b>6,108</b>
Change in Credit Loss	-	-	(86)	(86)
<b>Closing balance 31 March 2022</b>	<b>6</b>	<b>189</b>	<b>5,827</b>	<b>6,022</b>

12 Month ECL includes some third-party loans. Lifetime ECL includes some third-party loans, treasury investments and non debtor system invoices. Lifetime ECL simplified includes debtor system invoices.

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 table below summarises the credit risk exposures of the Council's investment portfolio at 31 March 2022 by the type of counterparty:

<b>Credit Rating</b>	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Banks, Building Societies & Corporates		
'AAA'	-	-
'AA'	-	-
'A'	4,394	14,861
Money Market Funds 'AAA'	-	-
Local Authorities - Unrated	-	-
<b>Total</b>	<b>4,394</b>	<b>14,861</b>

The maturity analysis of financial assets is as follows:

	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Less than one year	4,423	14,861
Between one and two years	777	789
Between two and five years	3,245	3,306
Between five and ten years	4,443	4,545
More than ten years	44,478	44,247
<b>Total</b>	<b>57,366</b>	<b>67,748</b>

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

The maturity analysis of financial liabilities 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):

	<b>Approved Minimum Limit %</b>	<b>Approved Maximum Limit %</b>	<b>31 March 2021 £000</b>	<b>31 March 2022 £000</b>
Less than one year	0%	25%	40,327	46,549
Between one and two years	0%	40%	3,760	760
Between two and five years	0%	60%	3,801	4,181
Between five and ten years	0%	70%	5,131	4,751
More than ten years	0%	90%	127,823	124,610
<b>Total</b>			<b>180,842</b>	<b>180,851</b>

### Market risk

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

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

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

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

According to this assessment strategy, at 31 March 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	<u>(54)</u>
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b><u>(54)</u></b>

### Price risk

The Council does not generally invest in equity shares or marketable bonds.

### Foreign exchange risk

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

**25. DEBTORS**

Short Term debtors outstanding as at 31 March are:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
	<b>Financial Assets</b>	
4,427	Trade Receivables	4,854
14,458	Other Receivables	16,175
<b>18,885</b>	<b>Total</b>	<b>21,029</b>
	<b>Non Financial Assets</b>	
618	Prepayments	430
20,756	Debtors for Local Taxation	9,995
1,200	Other Receivables	403
<b>22,574</b>	<b>Total</b>	<b>10,828</b>
<b>41,459</b>	<b>Total</b>	<b>31,857</b>

Debtors for Local Taxation includes Business Rates due from government.

Long-term debtors outstanding as at 31 March are:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
31,753	Other Receivables	31,349
17,689	ICE Guarantee	18,038
<b>49,443</b>	<b>Total</b>	<b>49,387</b>

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

- £285,000 (2020/21 £321,000) 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.
- £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 £1,050,202.
- £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 £1,704,647.
- £14,856,350 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 2022 a sum of £14,085,550 was drawn down. These loans are due for repayment on a variety of dates, the last due date being in 2061.
- £14,440,000 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 2022 a sum of £13,105,050 was drawn down. These loans are due for repayment on a variety of dates, the last due date being in 2061.
- £1,780,000 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 2022 a sum of £1,245,000 was outstanding. This loan is due for repayment in annual instalments repayable by 2030.

- £17,929,223 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.

## 26. CREDITORS

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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
	<b>Financial Liabilities</b>	
(1,082)	Trade Payables	(145)
(34,398)	Other Payables	(28,536)
<b>(35,480)</b>	<b>Total</b>	<b>(28,681)</b>
	<b>Non Financial Liabilities</b>	
(4,459)	Receipts in Advance	(11,276)
(698)	Creditors for Local Taxation	(1,729)
-	Other Payables	-
<b>(5,157)</b>	<b>Total</b>	<b>(13,005)</b>
<b>(40,637)</b>	<b>Total</b>	<b>(41,686)</b>

Creditors for Local Taxation at 31 March 2022 includes a Business Rates payment to central government.

### Other Long Term Liabilities

- £19,910,473 liability for a rental guarantee and £607,964 liability for a loan guarantee provided to IIL Ltd, a total of £20,518,4370 at 31 March 2022 (£21,278,380 31 March 2021), in respect of an investment property in Leicester as detailed in Notes 4 and 5.
- There are no other Long Term creditors.

## 27. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2022 are:

	<b>Balance 1 April 21</b>	<b>Additions</b>	<b>Amounts used</b>	<b>Balance 31 March 22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Business Rate Appeals	(862)	-	369	(493)
MMI Insurance	(27)	-	27	-
<b>Total</b>	<b>(889)</b>	<b>-</b>	<b>396</b>	<b>(493)</b>

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

## 28. USABLE RESERVES

The table below sets out details of the movements and balances on individual 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 15.

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
(3,228)	General Fund Balances	(3,998)
(5,450)	HRA Balances	(5,492)
(17,510)	Earmarked Reserves	(16,494)
(2,576)	Major Repairs Reserve	(2,598)
(5,266)	Capital Receipts Reserve	(1,291)
(1,442)	Capital Grants Unapplied Account	(3,882)
<b>(35,472)</b>	<b>Total Unusable reserves</b>	<b>(33,755)</b>



**Major Repairs Reserve**

The Major Repairs Reserve controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>(1,150)</b>	<b>Balance at 1 April</b>	<b>(2,576)</b>
(4,604)	Posting of HRA resources from the Major Repairs Reserve	(4,949)
3,094	Use of the Major Repairs Reserve to finance capital expenditure	4,927
84	Transfer to Capital Receipts	-
<b><u>(2,576)</u></b>	<b>Balance at 31 March</b>	<b><u>(2,598)</u></b>

**Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>(6,257)</b>	<b>Balance at 1 April</b>	<b>(5,266)</b>
(2,609)	Amounts receivable during the year	(2,319)
4,074	Amounts applied to finance new capital investment	5,980
248	Payments to Housing Capital Receipts Pool	314
(84)	Transfer from Major Repairs Reserve	-
(638)	Transfer to Revenue	-
<b><u>(5,266)</u></b>	<b>Balance at 31 March</b>	<b><u>(1,291)</u></b>

**Capital Grants Unapplied Account**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>(1,948)</b>	<b>Balance at 1 April</b>	<b>(1,442)</b>
(2,716)	Amounts receivable during the year	(6,426)
2,643	Amounts applied to finance new capital investment	3,887
579	Transfer to revenue	99
<b><u>(1,442)</u></b>	<b>Balance at 31 March</b>	<b><u>(3,882)</u></b>

**29. 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.

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
11,093	Collection Fund Adjustment Account	4,874
(40,333)	Revaluation Reserve	(61,385)
(195,978)	Capital Adjustment Account	(207,993)
68,477	Pension Reserve	48,014
236	Accumulated Absence Account	114
<b><u>(156,505)</u></b>	<b>Total Unusable reserves</b>	<b><u>(216,376)</u></b>

### 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.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>119</b>	<b>Balance at 1 April</b>	<b>11,093</b>
10,974	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	(6,219)
<b>11,093</b>	<b>Balance at 31 March</b>	<b>4,874</b>

### Revaluation Reserve

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

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

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

<b>2020/21</b>		<b>2021/22</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>(40,238)</b>	<b>Balance at 1 April</b>		<b>(40,333)</b>
(418)	Revaluation of assets (Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(21,832)	
<b>(418)</b>			<b>(21,832)</b>
323	Difference between fair value depreciation and historical cost depreciation	780	
<b>323</b>	Amount written off to the Capital Adjustment Account		<b>780</b>
<b>(40,333)</b>	<b>Balance at 31 March</b>		<b>(61,385)</b>

### 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.

2020/21 £000		2021/22 £000	£000
<b>(190,307)</b>	<b>Balance at 1 April</b>		<b>(195,978)</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(12,264)	Charges for depreciation and impairment of non-current assets	(14,331)	
2,023	Amortisation of intangible assets	1,402	
5,325	Revenue expenditure funded from capital under statute	8,196	
196	Expected Credit Losses	-	
7,666	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	8,216	
<b>2,946</b>			<b>3,483</b>
(323)	Adjusting amounts written out of the Revaluation Reserve		(780)
<b>2,623</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>2,703</b>
	<b>Capital financing applied in the year:</b>		
(4,073)	Use of the Capital Receipts Reserve to finance new capital expenditure	(5,980)	
(3,093)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,927)	
(2,643)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,887)	
-	Capital expenditure charged against the General Fund and HRA Balances	(576)	
(929)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,012)	
<b>(10,738)</b>			<b>(16,382)</b>
3,396	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,664
(952)	Movements in the market value of Investments debited or credited to the Comprehensive Income and Expenditure Statement		-
<b>(195,978)</b>	<b>Balance at 31 March</b>		<b>(207,993)</b>

### 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.

2020/21 £000		2021/22 £000
<b>49,938</b>	<b>Balance at 1 April</b>	<b>68,477</b>
11,989	Re-measurement of the net defined benefit liability/(asset)	(27,452)
11,162	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	11,302
(4,612)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,313)
<b>68,477</b>	<b>Balance at 31 March</b>	<b>48,014</b>

### 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.

2020/21 £000		2021/22 £000
44	<b>Balance at 1 April</b>	<b>236</b>
	Settlement or cancellation of accrual made at the end of the preceding year	(236)
(44)		114
236	Amounts accrued at the end of the current year	114
<b>236</b>	<b>Balance at 31 March</b>	<b>114</b>

## 30. POST EMPLOYMENT BENEFITS

### 30.1 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.

### 30.2 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:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Service Cost comprising:</b>	
8,577	Current Service Costs	9,479
1,063	Past Service Costs	262
	<b>Financing &amp; Investment Income &amp; Expenditure</b>	
1,522	Net Interest Expense	1,561
<b>11,162</b>	<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>11,302</b>
	<b>Other Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	
	Re-measurement of the net defined benefit liability comprising:	
(28,611)	Return on Plan Assets (excluding the amount included in the net interest expense)	(16,896)
(3,222)	Actuarial Gains arising on changes in demographic assumptions	-
46,442	Actuarial (Gains) and losses arising on changes in financial assumptions	(11,160)
(2,620)	Other	604
<b>11,989</b>	<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(27,452)</b>
<b>23,151</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(16,150)</b>
	<b>Movement in Reserves Statement</b>	
11,162	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	11,302
(4,612)	Actual amount charged to the General Fund Balance for pensions in the year	(4,313)
<b>6,550</b>	<b>Net adjustment in Movement in Reserves Statement</b>	<b>6,989</b>

Note – 2021/22 figures have combined funded and unfunded totals.

### 30.3 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:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
176,034	Fair value of employer assets	194,362
(240,515)	Present value of funded liabilities	(238,665)
(3,996)	Present value of unfunded liabilities	(3,711)
<b>(68,477)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(48,014)</b>

### 30.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
145,813	Opening fair value of assets	176,034
2,238	Interest income	3,187
	<b>Re-measurement gain/(loss):</b>	
28,611	The return on plan assets, excluding the amount included in the net interest expense	16,896
4,302	Contributions from employer - Funded	4,019
310	Contributions from employer - Unfunded	294
1,365	Contributions from employees into the scheme	1,309
(6,295)	Benefits paid - Funded	(7,083)
(310)	Benefits paid - Unfunded	(294)
<b>176,034</b>	<b>Closing fair value of scheme assets</b>	<b>194,362</b>

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

<b>2020/21</b>		<b>2021/22</b>
£000		£000
(195,751)	Opening balance at 1 April	(244,511)
(8,577)	Current service costs	(9,479)
(3,760)	Interest costs	(4,748)
(1,365)	Contributions from scheme participants	(1,309)
	<b>Re-measurement (gains) and losses:</b>	
3,222	Actuarial gains/(losses) arising from changes in demographic assumptions	-
(46,442)	Actuarial gains/(losses) arising from changes in financial assumptions	11,160
2,620	Other	(604)
(1,063)	Past service costs	(262)
6,295	Benefits paid - funded	7,083
310	Benefits paid - unfunded	294
<b>(244,511)</b>	<b>Closing Balance at 31 March</b>	<b>(242,376)</b>

30.6 Local Government Pension Scheme Assets comprised:

<b>31 March 2021</b>			<b>31 March 2022</b>		
£000	%		£000	%	
133,434	76	Equities	143,154	74	
26,361	15	Bonds	31,238	16	
13,245	7	Property	16,213	8	
2,994	2	Cash	3,757	2	
<b>176,034</b>	<b>100</b>	<b>Total Assets</b>	<b>194,362</b>	<b>100</b>	

Note – The bid values are estimated where necessary. The individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2022 may be different from that shown due to estimation techniques.

The detail of assets as at 31 March 2022, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not) is:

<b>Asset Breakdown</b>	<b>% Quoted</b>	<b>% Unquoted</b>
<b>Index Linked Government Securities</b>		
UK	-	3
<b>Corporate Bonds</b>		
UK	-	9
<b>Equities</b>		
Overseas	5	38
<b>Property</b>		
All	-	8
<b>Others</b>		
Absolute return portfolio	-	22
Private Equity	-	8
Infrastructure	-	3
Derivatives		0.5
Other	-	1
Cash / Temporary Investments	2	0.5
<b>Total</b>	<b>7</b>	<b>93</b>

### 30.7 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 Barnett Waddingham (who have replaced Hymans Robertson), an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2019. The main assumptions used in their calculations are:

The significant assumptions used by the actuary have been:

Life Expectancy from age 65	31 March 2022
<b>Retiring today</b>	
Males	21.2
Females	23.8
<b>Retiring in 20 years</b>	
Males	22.0
Females	25.1

Financial Assumptions	31 March 2020	31 March 2021	31 March 2022
Discount rate	2.3%	2.0%	2.6%
Pension increases	1.9%	2.8%	3.2%
Salary increases	2.19%	2.8%	3.2%

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

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.

Sensitivity Analysis	£000	£000	£000
<b>Adjustment to discount rate</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	237,699	242,376	247,149
Projected service cost	8,250	8,471	8,697
<b>Adjustment to long term salary increase</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	242,663	242,376	242,090
Projected service cost	8,476	8,471	8,466
<b>Adjustment to pension increases and deferred revaluation</b>	<b>+0.1%</b>	<b>0.0%</b>	<b>-0.1%</b>
Present value of total obligation	246,829	242,376	238,007
Projected service cost	8,695	8,471	8,252
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	253,810	242,376	231,476
Projected service cost	8,862	8,471	8,095

### 30.8 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 £3,766,000 expected contributions to the scheme in 2022/23.



**31. CASH & CASH EQUIVALENTS**

<b>31 March 2021 £000</b>	<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>	<b>31 March 2022 £000</b>
29	Cash held by the Council	34
2,884	Bank Current Accounts	317
1,510	Short Term Deposits	5,010
<b>4,423</b>	<b>Total Cash and Cash Equivalents</b>	<b>5,361</b>

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

<b>2020/21 £000</b>		<b>2021/22 £000</b>
7,888	Depreciation	8,262
(19,989)	Impairment and (reversal) of impairment and valuation movements	(22,594)
2,023	Amortisation	1,402
196	Increase in impairment for bad debts	-
26,913	(Increase) / Decrease in creditors	2,102
(2,277)	Increase / (Decrease) in Debtors	(1,157)
35	Increase / (Decrease) in Inventories	(39)
6,550	Movement in pension liability	6,989
7,666	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	8,216
2,915	Other non-cash items charged to the net surplus or deficit on the provision of services (including Financial Guarantee)	508
<b>31,920</b>	<b>Adjustment for Non-Cash Movements included in the provision of services</b>	<b>3,689</b>

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

<b>£000</b>		<b>£000</b>
(2,608)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,319)
(2,643)	Other items for which the cash effects are investing or financing activities	(3,887)
<b>(5,251)</b>	<b>Adjustment for items that are investing and financing activities</b>	<b>(6,206)</b>

<b>£000</b>	<b>Investing Activities</b>	<b>£000</b>
(7,982)	Purchase of property, plant and equipment, investment property and intangible assets	(14,738)
-	Purchase of short and long term investments	(9,500)
(6,326)	Other payments for investing activities	(9,010)
2,609	Proceeds from sales of property, plant and equipment, investment property and intangible assets	2,319
3,297	Other receipts from investing activities	12,953
<b>(8,402)</b>	<b>Net cash flows from investing activities</b>	<b>(17,976)</b>

<b>£000</b>	<b>Financing Activities</b>	<b>£000</b>
32,286	Cash receipts of short and long-term borrowing	41,769
(35,000)	Repayment of short and long-term borrowing	(41,000)
(15,449)	Other payments for financing activities (includes Collection Fund)	11,792
<b>(18,163)</b>	<b>Net cash flows from financing activities</b>	<b>12,561</b>

<b>Reconciliation of Liabilities arising from Financing Activities</b>	<b>1 April 2021 £000</b>	<b>Financing Cash Flows £000</b>	<b>Non Cash Changes £000</b>	<b>31 March 2022 £000</b>
Long Term Borrowings	119,237	-	(5,453)	113,784
Short Term Borrowings	40,327	769	5,453	46,549
<b>Net cash outflow from financing activities</b>	<b>159,564</b>	<b>769</b>	<b>-</b>	<b>160,333</b>

## **32. 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, £83,245 during 2019/20, £20,852 during 2020/21 and £8,563 during 2021/22 (total £234,022) by the Council and the balance of £235,978 will continue to be a contingent liability.

#### **Towner Trust**

On 1<sup>st</sup> 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.

#### **Bedfordwell Road**

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

#### **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 31<sup>st</sup> March 2022 there were no conditions or events which would trigger any liability.

### **Contingent Assets**

#### **Postal Services**

A number of Councils and other organisations were in the process of legal action against Royal Mail and HM Revenue and Customs to recover VAT on postal services. The Council had claims for overpaid VAT on postal services. The case went to the High Court in October 2021 and in March 2022 the judge mostly agreed with the Royal Mail interpretation of the exemption. Although there is an on-going appeal, the Council has withdrawn from the claim.

#### **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.

**HOUSING REVENUE ACCOUNT (HRA)**

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(14,180)	Dwelling Rents	(14,226)
(425)	Non-Dwelling Rents	(321)
(1,147)	Charges for Services and Facilities	(1,091)
-	Contributions Towards Expenditure	(83)
<b>(15,752)</b>	<b>Total Income</b>	<b>(15,721)</b>
	<b>Expenditure</b>	
7,834	Management Fee	7,695
1,733	Supervision	937
(15,247)	Depreciation, Amortisation and Impairment Reversals of Non Current Assets	(14,385)
(5)	Movement in the allowance for bad debts	8
23	Debt Management Costs	15
<b>(5,662)</b>	<b>Total Expenditure</b>	<b>(5,730)</b>
<b>(21,414)</b>	<b>Net Income for HRA Services as included in the whole authority Income and Expenditure Statement</b>	<b>(21,451)</b>
64	HRA services share of Corporate and Democratic Core	65
<b>(21,350)</b>	<b>Net Income for HRA Services</b>	<b>(21,386)</b>
2,606	Loss on sale of HRA assets	2,804
1,596	Interest Payable and Similar Charges	1,632
(1)	Interest and Investment Income	-
1	Capital Grants and Contributions Received	(2,218)
<b>(17,148)</b>	<b>Surplus for the Year</b>	<b>(19,168)</b>

**MOVEMENT ON THE HRA STATEMENT**

<b>2020/21</b>			<b>2021/22</b>	
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>(5,883)</b>	<b>Housing Revenue Account opening balance</b>		<b>(5,450)</b>
<b>(17,148)</b>		<b>Surplus on HRA Income and Expenditure Statement</b>	<b>(19,168)</b>	
		<b>Adjustments between accounting and funding basis:</b>		
-		Capital expenditure financed by the HRA	576	
(1)		Capital Grants and Contributions received	2,218	
(3,520)		Reverse non-current assets written off on disposal	(4,560)	
914		Proceeds from sales of non-current assets	1,756	
4,603		Transfer to Major Repairs Reserve	4,950	
15,247		Transfer from Capital Adjustment Account	14,385	
<b>17,243</b>			<b>19,325</b>	
338		Transfers (to)/from reserves	(199)	
	433	(Increase) or Decrease in year		(42)
	<b>(5,450)</b>	<b>Housing Revenue Account closing balance</b>		<b>(5,492)</b>

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:

<b>31 March 2021</b>		<b>31 March 2022</b>
	Houses and Bungalows	
16	- one bedroom	16
516	- two bedrooms	516
1,102	- three bedrooms	1,095
51	- four or more bedrooms	51
<b>1,685</b>	<b>Total Houses and Bungalows</b>	<b>1,678</b>
	Flats	
1,025	- one bedroom	1,033
533	- two bedrooms	529
4	- three or more bedrooms	4
129	- bed-sits	129
<b>1,691</b>	<b>Total Flats</b>	<b>1,695</b>
<b>3,376</b>	<b>All Dwellings</b>	<b>3,373</b>

In addition the Council has shared ownership arrangements covering 19 full property equivalents (19 at 31 March 2021). The Council no longer has any properties under short-term property leases.

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

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Dwellings	209,255	242,367
Other Land and Buildings	1,161	1,143
<b>Total</b>	<b>210,416</b>	<b>243,510</b>

### 2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilks, Head & Eve as at 31 March 2020, which resulted in a market vacant possession value of the housing stock at 31 March 2022 of £565m, excluding any subsequent market reviews. The vacant possession of garages is £2.6m. The 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.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(1,150)	Balance as at 1 April	(2,576)
3,177	Financing of Capital Expenditure	4,927
(4,604)	Depreciation	(4,949)
84	Transfer to Capital Receipts	-
<b>(2,576)</b>	<b>Balance as at 31 March</b>	<b>(2,598)</b>

**4. CAPITAL EXPENDITURE AND FINANCING**

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>6,834</b>	<b>Total Capital Expenditure</b>	<b>6,948</b>
	<b>Funding:</b>	
2,954	Borrowing	
241	Government Grant and Contributions	1,341
545	Capital Receipts	104
3,094	Major Repairs Reserve	4,927
-	Revenue Contributions	576
<b>6,834</b>	<b>Total Funding</b>	<b>6,948</b>

**5. CAPITAL RECEIPTS FROM ASSET DISPOSALS**

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
825	Right to Buy Sales of Houses and Flats	1,610
89	Other Sales	146
<b>914</b>		<b>1,756</b>

**6. DEPRECIATION**

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
4,589	Dwellings	4,935
15	Other Land and Buildings	14
<b>4,604</b>	<b>Total HRA Assets</b>	<b>4,949</b>

**7. REVALUATION OF HRA STOCK**

A market review of the HRA stock was carried out by Wilks Head & Eve as at 31 March 2022 (a full revaluation was carried out at 31 March 2020), which resulted in an increase in value of £37m. The current market value of HRA stock is disclosed in Note 1 above.

**8. RENT ARREARS**

Rent arrears at 31 March 2022 amounted to £1,452,000 (£1,257,000 at 31 March 2021). These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2021/22 former tenant arrears of £5,230 were written off (£6,000 in 2020/21). The Council has an impairment allowance for doubtful debts of £288,000 at 31 March 2022 (£182,000 at 31 March 2021).

**COLLECTION FUND REVENUE ACCOUNT**

<b>2020/21 Total</b>		<b>Business Rates</b>	<b>2021/22 Council Tax</b>	<b>Total</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Income</b>			
(71,054)	Income collectable from Council Tax	-	(74,420)	(74,420)
(776)	Hardship Grant Funding	-	-	-
(10,697)	Income collectable from Non-Domestic Rates	(26,435)	-	(26,435)
(123)	Transitional Relief	(62)	-	(62)
	<b>Contribution towards previous year's Collection Fund Deficit</b>			
(126)	Central Government	(12,896)	-	(12,896)
(297)	East Sussex County Council	(2,377)	265	(2,112)
(75)	Eastbourne Borough Council	(10,379)	45	(10,334)
(47)	Sussex Police & Crime Commissioner	-	35	35
(9)	East Sussex Fire Authority	(269)	17	(252)
<b>(83,204)</b>	<b>Total Fund Income</b>	<b>(52,418)</b>	<b>(74,058)</b>	<b>(126,476)</b>
	<b>Expenditure</b>			
	<b>Precepts, Demands and Shares</b>			
18,770	Central Government	18,844	-	18,844
55,374	East Sussex County Council	3,392	53,319	56,711
23,788	Eastbourne Borough Council	15,075	8,866	23,941
6,966	Sussex Police & Crime Commissioner	-	7,421	7,421
3,704	East Sussex Fire Authority	377	3,364	3,741
<b>108,602</b>		<b>37,688</b>	<b>72,970</b>	<b>110,658</b>
129	Business Rates Costs of Collection	127	-	127
	<b>Charges to Collection Fund</b>			
257	Allowance for Appeals	(923)	-	(923)
372	Write-offs of uncollectable amounts	124	8	132
1,074	Allowance for impairment of doubtful debts	(6)	695	689
<b>1,832</b>		<b>(678)</b>	<b>703</b>	<b>25</b>
	<b>Apportionment of previous year's Collection Fund Surplus</b>			
-	East Sussex County Council	-	-	-
-	Eastbourne Borough Council	-	-	-
-	Sussex Police & Crime Commissioner	-	-	-
-	East Sussex Fire Authority	-	-	-
<b>110,434</b>	<b>Total Fund Expenditure</b>	<b>37,010</b>	<b>73,673</b>	<b>110,683</b>
<b>27,230</b>	<b>Movement on Fund Balance</b>	<b>(15,408)</b>	<b>(385)</b>	<b>(15,793)</b>
	<b>COLLECTION FUND BALANCE</b>			
123	<b>Balance at 1st April</b>	27,858	(505)	27,353
27,230	(Surplus)/Deficit for the year	(15,408)	(385)	(15,793)
<b>27,353</b>	<b>Balance as at 31st March</b>	<b>12,450</b>	<b>(890)</b>	<b>11,560</b>

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

	<b>2021/22</b>
	<b>£000</b>
<b>Gross amount of Council Tax</b>	94,582
Less: Council Tax Support Scheme	(8,476)
Discounts	(8,974)
Exemptions	(2,612)
Disabled Relief	(100)
<b>Net Yield from Council Tax</b>	<b>74,420</b>

**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:

<b>Band</b>	<b>Chargeable Dwellings</b>	<b>Est Taxable Properties</b>	<b>Ratio to Band D</b>	<b>Band D Equiv</b>	<b>Yield £000</b>
A Dis Red	12	6	5/9	3	7
A	8,393	5,166	6/9	3,444	7,278
B	12,923	9,830	7/9	7,646	16,156
C	10,604	8,769	8/9	7,794	16,470
D	8,489	7,396	9/9	7,396	15,629
E	4,486	4,094	11/9	5,003	10,573
F	2,001	1,856	13/9	2,682	5,666
G	1,115	1,024	15/9	1,707	3,607
H	57	51	18/9	102	215
	<b>48,080</b>	<b>38,192</b>		<b>35,777</b>	<b>75,601</b>
Less average 2.5% reduction to allow for collection losses				(1,245)	(2,631)
<b>Council Tax Base</b>				<b>34,532</b>	<b>72,970</b>

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	34,532
Band D Council Tax 2021/22 (Budget report)	B	£2,113
Theoretical gross yield	A x B	£72,970,872
Actual gross yield (as above)	C	(£74,419,732)
<b>Theoretical gross yield - actual gross yield</b>	<b>(A x B) - C</b>	<b>(£1,448,860)</b>

**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.

		<b>2020/21</b>	<b>2021/22</b>
Total non-domestic rateable value	<b>£m</b>	93.1	93.0
Multiplier	<b>p</b>	51.2	51.2
Multiplier (Small businesses)	<b>p</b>	49.9	49.9
Product	<b>£m</b>	10.7	26.4

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 2021/22 was estimated before the start of the financial year as £37.7m. These sums have been paid into 2021/22 and charged to the collection fund in year. The council's share is £15.1m.

### 3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	COUNCIL TAX			NON-DOMESTIC BUSINESS RATES		
	Precept	Distribution of prior years surplus	Total	Share	Distribution of prior years deficit	Total
	£000	£000	£000	£000	£000	£000
Eastbourne Borough Council	8,866	45	8,911	15,075	(10,379)	4,696
Central Government	-	-	-	18,844	(12,896)	5,948
East Sussex County Council	53,319	265	53,584	3,392	(2,377)	1,015
Sussex Police & Crime Commissioner	7,421	35	7,456	-	-	-
East Sussex Fire Authority	3,364	17	3,381	377	(269)	108
<b>Total</b>	<b>72,970</b>	<b>362</b>	<b>73,332</b>	<b>37,688</b>	<b>(25,921)</b>	<b>11,767</b>

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:

	2020/21 £000	2021/22 £000
Actual Business Rate income due	16,255	16,544
Tariff payment	(11,089)	(11,089)
	<b>5,166</b>	<b>5,455</b>
Baseline Funding	(3,652)	(3,652)
<b>Amount above baseline</b>	<b>1,514</b>	<b>1,803</b>

### 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 21 £000	31 March 22 £000	31 March 21 £000	31 March 22 £000
Eastbourne Borough Council	(61)	(106)	11,154	4,980
Central Government	-	-	13,864	6,225
East Sussex County Council	(369)	(651)	2,551	1,121
Sussex Police & Crime Commissioner	(52)	(93)	-	-
East Sussex Fire Authority	(23)	(40)	289	124
<b>(Surplus) / Deficit</b>	<b>(505)</b>	<b>(890)</b>	<b>27,858</b>	<b>12,450</b>

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



**GLOSSARY**

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

**Accounting Period**

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

**Accrual**

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

**Actuarial Gains and Losses**

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

**Balances**

These represent the accumulated surplus of revenue income over expenditure.

**Budget**

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

**Budget Requirement**

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

**Capital Charge**

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

**Capital Expenditure**

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