Lewes District Council

Statement of Accounts 2019/20

Lewes District Council

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NARRATIVE REPORT BY CHIEF FINANCE OFFICER

INTRODUCTION

The Statement of Accounts contains the financial statements and disclosure notes required by statute. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards, together with guidance notes 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 Lewes, Council Members, partners, stakeholders and other interested parties can:

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

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

- About Lewes District Council
- How the Council Operates (Governance)
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2019/20
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ABOUT LEWES DISTRICT COUNCIL

An Introduction to Lewes District

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

Lewes District Council is one of five district and borough councils in East Sussex, each providing similar services on behalf of their residents. These services include rubbish and recycling collections, environmental health, tourism, leisure and amenities, planning and collection of council tax.

East Sussex County Council covers the five districts and boroughs to provide services including education, social services, roads and transport, waste disposal and libraries.

Unlike some of the neighbouring councils, Lewes DC is a large landlord, letting around 3,200 houses and flats to tenants.

The Community

Lewes DC has a population of 103,268 (2019 projection). 77% of residents live within the five urban areas of Lewes, Newhaven, Peacehaven, Seaford and Telscombe Cliffs/East Saltdean. The rest live in 23 rural parishes. The population is projected to grow by 10.9% by 2033.

Life expectancy is higher than the East Sussex average. Around 20.3% of people are living with a limiting long-term illness and 19.2% have a disability, with both percentages likely to rise over the next decade. There is a higher than average occurrence of ill-health and mental health issues (including dementia) in some of the coastal communities.

The Economy

Lewes District benefits from an entrepreneurial economy with self-employment being a significant feature of the district, representing 16.6% of the economically active population. 17.3% of business units in the district are involved in professional, scientific or technical enterprises. Micro-businesses (between 1 and 9 employees) account for 90.5% of all local businesses.

Unemployment is estimated at 3.7% of the working age population (2019) which is slightly higher than the regional estimate of 3.1%. Average full-time weekly earnings are £651, higher than the average for South East England (£636).

The outbreak of COVID-19 and the subsequent lockdown at the end of March 2020 will impact on the local economy. Small businesses and the self-employed will feel the impact of this and unemployment will also increase as a result of COVID-19.

HOW THE COUNCIL OPERATES (GOVERNANCE)

Lewes District Council is a complex organisation. Elected councillors direct policies, which the Corporate Management Team (shared with Eastbourne Borough Council) then implements through the officers of the Council. There are 41 councillors representing 21 wards within the district. Full Council elections take place every four years. As at 31 March 2020, the most recent elections were in May 2019, with subsequent elections in May 2020. At 31 March 2020, the composition of the Council was:

Conservative Party	19 Councillors
Liberal Democrat Party	9 Councillors
Green Party	8 Councillors
Labour Party	3 Councillors
Independent Group	2 Councillors

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

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

At 31 March 2020, Cabinet members were:

Councillor Zoe Nicholson	Leader of the Council and Chair of Cabinet
Councillor James MacCleary	Deputy leader of the Council and Cabinet member for regeneration and prosperity
Councillor Matthew Bird	Cabinet member for sustainability
Councillor Julie Carr	Cabinet member for recycling, waste and open spaces
Councillor Chris Collier	Cabinet member for performance and people
Councillor Johnny Denis	Cabinet member for communities and customers
Councillor William Meyer	Cabinet member for housing
Councillor Emily O'Brien	Cabinet member for planning and infrastructure
Councillor Ruth O'Keeffe	Cabinet member for tourism and devolution

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

The Scrutiny Committee is in place to ensure that the Council's policies, plans, decisions and actions are being made in the community's best interest. It consists of eleven Councillors who are not on Cabinet. This enables non-executive members to influence decisions and ensure the views and needs of local people are taken into account. It is about being a 'critical friend'. A member of the minority group chairs the Scrutiny Committee. With effect from May 2020, the Scrutiny Committee will be replaced by the Policy and Performance Advisory 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
Phil Evans	Director of Tourism and Enterprise
Homira Javadi	Chief Finance Officer (Statutory Section 151 Officer)
Catherine Knight	Assistant Director of Legal and Democratic Services (Statutory Monitoring Officer)
Becky Cooke	Assistant Director of Human Resources and Transformation
Peter Finnis	Assistant Director of Corporate Governance

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 unable to set an balanced budget.

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

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

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

The Annual Governance Statement was approved by the Audit and Standards Committee on 14 September 2020 and is available on the Council's website www.lewes-eastbourne.gov.uk

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, at March 2020, 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.	Reduces Likelihood 1. Create inclusive governance structures which rely on sound evidence for decision making. Reduces Impact 2. Annual review of corporate plan and Medium Term Financial Strategy 3. Creating an organisational architecture that can respond to changes in the environment.
Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers. 2. Council objectives cannot be met.	Reduces Impact 1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture that can respond to changes in the environment.
Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	Reduces Impact 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). 2. Ensuring community and interest group engagement in policy development (e.g. 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.	Reduces Likelihood 1. Changes undertaken to increase non-financial attractiveness to current and future staff.

		2. Appropriate reward and recognition policies reviewed on a regular basis. Reduces Likelihood and Impact 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.
Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.	Reduces Likelihood 1. Deliver a fit for purpose organisational culture. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.
Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	Reduces Likelihood 1. Adoption of best practice IT and Asset Management policies and procedures. Reduces Likelihood and Impact 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. Reduces Impact 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event. 3. Work adversely affected by reduced staff numbers due to effects of pandemic virus.	Reduces Likelihood and Impact 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. Reduces Impact 3. Ongoing and robust risk profiling of local area (demographic and geographic). 4. Review budget and reserves in light of risk profile.
Failure to meet regulatory or legal requirements	1. Trust and confidence in the Council is negatively impacted. 2. Deterioration of financial position as a result of	Reduces Likelihood 1. Developing, maintaining and monitoring robust governance framework for the Council.

	regulatory intervention/penalties 3. Deterioration of service performance as a result of regulatory intervention/penalties	2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation. 6. All managers are required to abide by the Council's procurement rules. 7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.
Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	<u>Reduces Likelihood</u> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to.
The Council suffers a personal data breach by inadequate handling of data or by an IT incident	1. Trust and confidence in the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties 3. Deterioration of service performance as a result of regulatory intervention/penalties 4. Increased probability of compensation claims by persons affected by a personal data breach.	<u>Reduces Likelihood</u> 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course. 3. Ensure that the Data Protection Policy is regularly reviewed. 4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions.

		5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements. 6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. Reduces Impact 1. Incident management procedures to mitigate loss or breach of data are in place.

SUMMARY OF ACHIEVEMENTS

Performance against our priorities in 2019/20

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

- Launch of Lewes Local Lottery to raise money for local good causes;
- Adoption of the Lewes District local plan part 2: site allocations & development management;
- Adoption of Newhaven and Seaford Neighbourhood plans;
- Substantial increase in recycling rates with the adoption of single wheelie bin for dry mixed recycling, and decrease in volume of refuse collected;
- Climate emergency resolution approved to progress next steps in addressing sustainability, carbon reduction and climate adaptation;
- Adoption of the Pollinator Strategy and the reduced use of pesticides on council land;
- Increased wildflower planting and a reduction in the frequency of grass cutting to encourage re-wilding and biodiversity;
- Acquisition of the sites of the former Police Station and Fire Station Sites in Newhaven to develop for affordable housing;
- Agreement to support a co-working creative hub set up and managed by The Werks group;
- Removal of dangerous trees infected with ash dieback;
- Increased tree planting across the district as part of the ambition to deliver full climate resilience by 2030;
- Development of sustainable modular homes in Fort Road Newhaven.

Key Performance Indicators

The following performance indicators (non financial) have been used to track performance in the past year and progress has been reported through the Scrutiny/ Policy and Performance Advisory Committee (as of May 2020) and Cabinet on a quarterly basis.

2019/20 has seen the embedding of changes made to the organization as part of the Joint Transformation Programme implemented the previous year. Performance has improved in many areas, particularly around customer service (benefits processing). The council continues to monitor performance closely and is taking proactive measures in response to the new challenges arising from the COVID-19 crisis.

Performance indicator	Target for 2019/20	Performance in 2019/20	
Percentage of Council Tax collected during the year - Lewes	98%	97.34%	
Percentage of Business Rates collected during the year - Lewes	98.5%	96.51%	
The number of days taken to process new housing/council tax benefit claims	22 days	21.3 days	
Numbers of households in emergency (nightly paid) accommodation	Data only	36	Data only
Average number of days to re-let LDC Council homes (excluding temporary lets)	23 days	20 days	
Percentage of major applications determined within 13 weeks - LDC	60%	53.85%	
Percentage of minor planning applications determined within 8 weeks - LDC	70%	79.44%	
Percentage of household waste sent for reuse, recycling and composting	38%	41.34%	
Number of new sign-ups to the Councils' social media channels	600	943	
Percentage of calls answered within 60 seconds	80%	75.28%	
Average days lost per FTE employee due to sickness	8 days	9.54 days	

Key

Performance that is above target.

Performance that is slightly below target but is within an acceptable tolerance/projects where there are issues causing significant delay or change to planned activities.

Performance that is below target/projects that are not expected to be completed in time or within requirements.

The key financial metrics are referenced in areas of the financial performance below.

FINANCIAL PERFORMANCE OF THE COUNCIL IN 2019/20

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

1. Comprehensive Income and Expenditure Account

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements, and discloses a 'deficit' for 2019/20 of £18.512m (split between General Fund £13.556m and Housing Revenue Account (HRA) £4.956m). The Movement in Reserves Statement reconciles this IFRS 'deficit' together with other reserve transfers into a net increase in the General Fund balance of £1.141m and an HRA surplus of £0.110m.

The General Fund and Housing Revenue Account outturn detailed in Section 2 below differs to 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 £13.457m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2019/20 of £204.53, being a 1.84% percent increase over 2018/19 These figures exclude the amount collected on behalf of Town and Parish Councils which amounted to £3.73m.

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year and as reported to Cabinet in September 2020. The final outturn position is shown in Note 7 to the financial statements, as there are small differences to these figures.

General Fund	**Original Budget £000**	**Revised Budget £000**	**Actual £000**	**Variance £000**
Corporate Services	5,159	4,077	3,658	(419)
Service Delivery	6,883	6,888	7,202	314
Regeneration and Planning	12	155	546	391
Tourism and Enterprise	439	666	591	(75)
Service Total	**12,493**	**11,786**	**11,997**	**211**
Capital Financing & Interest Costs	-	150	72	(78)
Total Expenditure	**12,493**	**11,936**	**12,069**	**133**
Transfer to (from) Reserves	964	1,572	1,496	(76)
Budget Requirement	**13,457**	**13,508**	**13,565**	**57**
Council Tax	(7,578)	(7,578)	(7,578)	-
Business Rates	(5,040)	(5,091)	(5,088)	3
Government Grants	(839)	(839)	(899)	(60)
Total Funding	**(13,457)**	**(13,508)**	**(13,565)**	**(57)**

The General Fund Revenue Budget outturn is a variance of £0.057m compared to the budget. When the budget was originally set in February 2019, the Council estimated it would make a contribution of £0.964m to General Fund Reserves.

The final General Fund Balance (per these accounts) as at 31 March 2020 has increased to £2.869m and Earmarked Reserves to £7.261m.

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

Analysis of Major Variances	**£'000**
Legal Services – increased recharges to capital & Eastbourne BC	(260)
Use of COVID-19 grant income	(150)
Waste & Recycling – additional income and underspending	(168)
Rent Allowances/Rebates – increased unrecoverable costs	809
Flood Defences – reduced contribution to capital expenditure	(129)
Regeneration – North Street Quarter Business Rates	123
Planning Policy – increased spend on Local Plan	115
Planning Fees – increased fee income/CIL income	(201)
Corporate Landlord – reduced rental income/business rates/Solar trading	396
Facilities Management – reduced operational spend	(115)
Increased investment & interest income	(171)

The 2019/20 accounts include a disclosure note – the Expenditure and Funding Analysis (EFA) (Note 7 on page 43) – 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 district and it is directly responsible for the management. At 31 March 2020 there were 3,199 dwellings provided for rent.

For 2019/20 the Housing Revenue Account net position shows an overall surplus of £0.086m for the year against a revised budget surplus of £0.496m (as reported to Cabinet in September 2020).

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

HRA	**Original Budget £000**	**Revised Budget £000**	**Actual £000**	**Variance £000**
Income	(16,021)	(16,330)	(15,931)	399
Expenditure	13,562	13,385	13,614	229
Corporate & Democratic Core	621	576	396	(180)
Capital Financing & Interest	1,809	1,873	1,835	(38)
Total HRA	**(29)**	**(496)**	**(86)**	**410**

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 and Rescue Authority and Lewes District Council.

The overall Collection Fund is showing a surplus of £2.392m (Council tax surplus £0.937m and Business Rates surplus of £1.455m as at 31 March 2020 (compared to a surplus of £0.139m as at 31 March 2019). All surpluses and deficit on the collection fund are shared between all the major precepting authorities. The overall aim for the fund is to break-even each year.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2020 forecast surplus for the Council Tax element of the fund of £0.550m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2020/21 leaving a balance of £0.388m, to be recovered in 2020/21. The Council's share at 31 March 2020 was £0.143m.

The forecast surplus for the Business Rate element of the fund was £0.154m, which will be collected from preceptors in proportion to their share of the business rate income during 2020/21 leaving a balance of £1.196m to be distributed in 2021/22. The Council's share as at 31 March 2020 was £0.640m.

In 2014/15, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates Tax Base. The government continues to work towards transferring control to local authorities over the locally generation 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 2019/20. The East Sussex Pool became one of the pilot pools for 2019/20.

During 2019/20 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, 75% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

5. Capital Programme Spending

The Council's Capital programme spending in the year was £14.142m compared with a revised budget of £15.032m (as reported to Cabinet in September 2020).

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

	£000
Additions and improvements Housing Stock	4,499
Temporary Accommodation	2,212
Disabled Facility & Other Housing Grants	1,057
Loans to subsidiary companies for Housing delivery	1,698
Regeneration Projects	1,283
Community Infrastructure Levy projects	1,869
Other (Waste, Leisure, Coastal Defence, IT, Transformation)	1,524
Total	**14,142**

Capital programme expenditure has been financed as follows:

Capital Receipts	(1,682)
Grants & Contributions	(3,616)
Major Repairs Reserve	(3,996)
Reserves	(1,078)
Revenue Financing	(84)
Financed from borrowing	(3,686)
Total	**(14,142)**

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 increased from £11.1m to £14.7m. The Scheme Liabilities have decreased by £4.3m from £83.0m to £78.7m and the Scheme Assets have decreased by £7.8m from £71.9m to £64.1m. 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 2020, comprising long and short-term borrowing, stood at £56.7m excluding accrued interest payable. Short-term investments of £2.0m were held at 31 March 2020, compared to £5.5m in the previous year. The Council also held cash and cash equivalent balances of £10.2m at 31 March 2020, compared to £2.7m in the previous year.

STAFFING

As part of the Shared service with Eastbourne Borough Council (EBC) both Council's approved a shared service employment model with the EBC acting as the sole employer host authority. This meant that the majority of Lewes District Council staff transferred to Eastbourne Borough Council in February 2017, leaving a small number of staff directly employed by Lewes District Council. The staff employed directly are Legal Services staff and total 12.47 full time equivalent.

FUTURE PLANS

- **Medium Term Financial Plan**

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2020/21 and the Medium Term Financial Strategy for the years through to 2023/24 were set in February 2020.

In the context of the multi-year Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2020/21. The council continues to set a balanced budget for 2020/21. Savings and efficiencies will be required in future years to meet the funding gap and limit the use of reserves and balances. The Council's philosophy is to maintain and enhance services to the public whilst meeting the financial challenge through efficiencies and income generation.

In relation to its revenue budgets the Council will:

i. Set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Business Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;

ii. Within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;

iii. Seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;

iv. Review the appropriateness of service delivery between Council, parishes and other partners;

v. Increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and

vi. Within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Summary of MTFS 2020/21 to 2023/24 – General Fund

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Adjusted Base Budget	**14,607**	**14,607**	**13,169**	**14,267**	**15,075**
Additional budget pressure	-	1,708	1,098	808	818
Initial Budget Forecast	**14,607**	**16,315**	**14,267**	**15,075**	**15,893**
External Funding	(13,458)	(12,142)	(10,784)	(11,054)	(11,376)
Initial Budget Gap	**1,149**	**4,173**	**3,483**	**4,021**	**4,517**
Use of Contingency – Housing need	(1,300)	(1,600)	-	-	-
Additional Efficiency Savings	(114)	(1,005)	-	-	-
Additional Income – Corp Landlord	(98)	(300)	-	-	-
Insurance Renewal Savings	-	(100)	-	-	-
Actuarial Contribution	-	(100)	(100)	(100)	(100)
Growth – non-recurring	-	201	-	-	-
Balance to / (from) Planned use of Reserves	664	(1,569)	-	-	-
Cumulative Budget Gap	**301**	**(300)**	**3,383**	**3,921**	**4,417**

Capital Programme

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

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

CAPITAL PROGRAMME	2020/21 £000	2021/22 £000	2022/23 £000
New Acquisitions & New Build	9,854	10,100	10,632
Improvements to existing housing stock	4,448	4,554	4,662
Buy back of RTB Properties	200	200	-
Sustainability Initiatives	500	-	-
Loans to facilitate housing delivery	1,250	1,250	1,250
Adaptations for disabled tenants	415	415	415
Recreation and Play Areas	50	50	50
Total Housing Revenue Account	**16,717**	**16,569**	**17,009**
Mandatory Disabled Facilities Grants	1,001	1,001	1,001
Private Sector Housing Grants:	135	135	135
Total General Fund Housing	**1,136**	**1,136**	**1,136**
Commercial Property acquisitions and developments	24,950	5,050	500
Waste and Recycling vehicles and equipment	329	-	227
Coastal Defence	100	100	100
Flood Protection Measures	158	136	136
IT	185	150	150
Asset Management	700	400	300
Public Conveniences	100	100	100
Parks & Pavilions	50	50	50
Newhaven Fort	50	50	50
Indoor Leisure Facilities	50	50	50
Finance Transformation	50	50	-
Total General Fund Non-Housing	**26,722**	**6,136**	**1,663**
TOTAL CAPITAL INVESTMENT	**44,575**	**23,841**	**19,808**

Capital Funding Availability	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**
HRA			
Capital Receipts	3,902	954	984
Major Repairs Reserve	11,565	5,902	5,446
Revenue Contributions	-	2,595	958
Borrowing	-	5,868	8,371
Total HRA	**15,467**	**15,319**	**15,759**
General Fund			
Capital Receipts	135	135	135
Grants & Contributions	1,001	1,001	1,001
Reserves	777	550	927
Revenue Contributions	136	136	136
Borrowing	27,059	6,700	1,850
Total General Fund	**29,108**	**8,522**	**4,049**
TOTAL CAPITAL FINANCING	**44,575**	**23,841**	**19,808**

Lewes District Council Plan

The Council Plan sets out our priorities and key projects covering the period 2020 to 2024. Refreshed annually, the four year plan sets out the key outcomes the Council will deliver with its partners for our District. The Plan has been informed and developed in consultation with residents, partners and other stakeholders. The Plan is monitored and progress reported to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of local communities. The Plan is published on the website https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/.

The Council's Stewardship, Responsibilities and Financial Procedure Rules

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

The key areas covered by the Financial Procedure Rules are:

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

These Financial Procedure Rules link with other internal regulatory documents forming part of the Council's Constitution, including Standing Orders and Procedures. This Statement of Accounts is part of that stewardship process, i.e., the process for being publicly accountable for collection and application of public money. The responsibilities of the Council and its designated Chief Finance Officer, are set out in the Constitution.

Our financial framework relies upon the quality of the financial systems of the Council. There is a commitment to continually seek to improve systems to ensure information is available in an accessible and timely manner and that key financial processes are managed efficiently and economically.

The Audit Opinion

The 2019/20 Audit Opinion and Certificate is available on page 20.

Key Considerations in relation to COVID-19

In March 2020, the UK was placed in lock-down in an unprecedented step to limit the spread of the Coronavirus which was sweeping Europe. Many businesses were closed, and the Government provided initial financial support in the order of £123 billion in loans, grants, and business rates relief. In April 2020, the Budget Deficit increased by £62 billion to part fund these initiatives, amid warnings from the Bank of England of the worst recession since the 18th Century.

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

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 and this will continue into 2021/22. The Council is forecasting additional costs in 2020/21 in the region of £6.1m including homelessness prevention, unachieved savings, redeployment costs, support for the Leisure Services, additional PPE, community grants and cleaning costs.

The Council's income streams have been affected, with projected losses in the region of £3.6m including car parking, rental income, planning income and license fees. The Government has provided support to local authorities through £4.6bn, new burdens funding, and income compensation support (75p compensation in every 95p of income loss from fees and charges).

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of Section 151 Officer. The minimum level of General Fund Balance was set at approximately 15% of the net expenditure budget and considered to be within the range that is deemed appropriate to mitigate against the impact of unexpected events and emergencies. An analysis of earmarked reserves held by the Council revealed that the level of individual reserves is appropriate and are adequate to meet the commitments and forecast expenditure facing the Council.

The financial impact of COVID-19 continues to be difficult to predict, income streams have been reviewed and revised where appropriate. Conversely, if businesses and households continue to experience lower incomes then lower Council Tax, Business Rates and other income to the Council will remain below those anticipated in the Budget. These longer-term risks emphasise the importance of additional government financial support to local authorities as a consequence of the pandemic and the extra vital work we are carrying out in supporting vulnerable households and local businesses. These matters will be monitored closely and modelled with regular updates to members.

Reinforced Autoclaved Aerated Concrete (RAAC)

A national issue emerged in 2023 regarding the use of Reinforced Autoclaved Aerated Concrete (RAAC) in schools and other public sector buildings. Buildings with this material have been found to be structurally unsound and, in some instances, were closed due to safety concerns. This could lead to potential impacts on the financial statements of the Council in the form of property impairments and reduce an asset's expected useful life. In light of this, the Council undertook a scoping survey to identify properties that could fall within the possible parameters of RAAC such as building age and construction type. Subsequently, assurance checks on a limited number of properties took place in the form of site surveys. No RAAC was identified in the properties inspected and therefore no adjustments to building values were required.

EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts comprises:

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

Independent Auditor's Report

The Core Accounting Statements:

- **Movement in Reserves Statement** – this statement shows the movements in the year of the different reserves held by the Council. It also provides the interaction of the economic costs and legislation and their impact on changes in the Council's reserves, showing the true cost of the provision of Council services funded by Council Tax payers.

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

The Supplementary Single Entity Financial Statements:

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

The council uses rounding to the nearest £'000 in presenting amounts in its financial statements; some notes are rounded to the nearest £ to aid the presentation and understanding of the financial statements. The council has abbreviated £million as the symbol 'm'.

FURTHER INFORMATION

Summary financial information is published annually on the Council's website (www.lewes-eastbourne.gov.uk). Further information on any of the financial statements may be obtained from the Chief Finance Officer, 6 High Street, Lewes BN7 2AD.

Homira Javadi

Director of Finance and Performance (Chief Finance Officer – S151 Officer)

ADOPTION OF THE ACCOUNTS

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

The Statement of Accounts for 2019/20 was approved at the meeting of the Audit and Governance Committee held on 5th August 2024.

Signed

Councillor Stephen Gauntlett
Chair, Audit and Governance Committee

Date: 5 August 2024

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certificate of the Chief Finance Officer

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

Homira Javadi
Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Date: 5 August 2024

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Lewes District Council ('the Authority'):

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

We have audited the financial statements which comprise:

- the Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the Housing Revenue Account;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund Revenue Account; and
- the related notes to the accounting statements 1 to 33, notes to the Housing Revenue Account 1 to 8, and notes to Collection Fund Revenue Account 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2019/20).

Basis for opinion

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

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

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.
The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

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

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

We have nothing to report in respect of these matters.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Lewes District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Lewes District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Lewes District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

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

USE OF OUR REPORT

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

Ben Sheriff

Ben Sheriff (Key Audit Partner)
For and on behalf of Deloitte LLP
London, United Kingdom

Date: 9 August 2024

MOVEMENT IN RESERVES STATEMENT

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

	General Fund	HRA Balance	Earmarked Reserves (Note 16)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018	**(2,093)**	**(1,940)**	**(8,737)**	**(6,032)**	**(5,488)**	**(4,519)**	**(28,809)**	**(221,303)**	**(250,112)**
Movement in Reserves 2018/19									
Total Comprehensive Expenditure and Income	975	2,584	-	-	-	-	**3,559**	(22,295)	**(18,736)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	529	(3,305)	-	(877)	(197)	(3,022)	**(6,872)**	6,872	**-**
Transfers (to)/from Earmarked Reserves (Note 16)	(1,139)	-	1,139	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**365**	**(721)**	**1,139**	**(877)**	**(197)**	**(3,022)**	**(3,313)**	**(15,423)**	**(18,736)**
Balance at 31 March 2019 (restated)	**(1,728)**	**(2,661)**	**(7,598)**	**(6,909)**	**(5,685)**	**(7,541)**	**(32,122)**	**(236,726)**	**(268,848)**
Movement in Reserves 2019/20									
Total Comprehensive Expenditure and Income	13,556	4,956	-	-	-	-	**18,512**	(27,261)	**(8,749)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,385)	(5,042)	-	(1,050)	449	986	**(19,042)**	19,042	**-**
Transfers (to)/from Earmarked Reserves (Note 16)	(312)	(24)	337	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(1,141)**	**(110)**	**337**	**(1,050)**	**449**	**986**	**(529)**	**(8,219)**	**(8,749)**
Balance at 31 March 2020	**(2,869)**	**(2,771)**	**(7,261)**	**(7,959)**	**(5,236)**	**(6,555)**	**(32,651)**	**(244,945)**	**(277,596)**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19 Restated				2019/20		
Expenditure	**Income**	**Net Expenditure**		**Expenditure**	**Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
6,594	(1,288)	5,306	Corporate Services	6,905	(3,356)	3,549
50,215	(42,605)	7,610	Service Delivery	47,597	(36,978)	10,619
6,733	(3,359)	3,374	Regeneration and Planning	10,907	(3,957)	6,950
1,786	(189)	1,597	Tourism and Enterprise	1,833	(182)	1,651
13,645	(16,492)	(2,847)	Housing Revenue Account	15,787	(15,908)	(121)
78,973	**(63,933)**	**15,040**	**Cost of Services**	**83,029**	**(60,381)**	**22,648**
3,459	-	3,459	Town and Parish Council precepts	3,729	-	3,729
141	-	141	Grants to Parish and Town Council's	148	-	148
841	-	841	Payments to housing capital receipts pool	303	-	303
5,186	(2,693)	2,493	(Gain) / Loss on sale and de-recognition of non-current assets	10,374	(1,515)	8,859
9,627	**(2,693)**	**6,934**	**Other Operating Expenditure**	**14,554**	**(1,515)**	**13,039**
2,006	-	2,006	Interest payable & similar charges (Note 22)	2,040	-	2,040
280	-	280	Net Interest on the Net Defined Benefit Liability (Note 29)	263	-	263
-	(287)	(287)	Interest & other investment income (Note 22)	-	(368)	(368)
806	(613)	193	Investment Properties	218	(349)	(131)
165	(235)	(70)	Trading Accounts	184	(189)	(5)
3,257	**(1,135)**	**2,122**	**Financing and Investment Income and Expenditure**	**2,705**	**(906)**	**1,799**
525	(7,258)	(6,733)	Non ring-fenced grants and contributions (Note 15)	1,869	(5,704)	(3,835)
-	(10,911)	(10,911)	Council Tax income	-	(11,444)	(11,444)
8,480	(11,373)	(2,893)	Non Domestic Rates Income and Expenditure	8,193	(11,888)	(3,695)
9,005	**(29,542)**	**(20,537)**	**Taxation and Non-specific Grant Income and Expenditure**	**10,062**	**(29,036)**	**(18,974)**
100,862	**(97,303)**	**3,559**	**Deficit on Provision of Services**	**110,350**	**(91,838)**	**18,512**
		(22,489)	Surplus on revaluation of Property, Plant and Equipment Assets (Note 28)			(30,993)
		194	Re-measurement of the net defined benefit liability (Note 29)			3,732
		(22,295)	**Other Comprehensive Income & Expenditure**			**(27,261)**
		(18,736)	**Total Comprehensive Income & Expenditure**			**(8,749)**

BALANCE SHEET

31 March 2019 Restated		Note	31 March 2020	
£000			£000	£000
311,014	Property, Plant & Equipment	18	317,867	
1,195	Infrastructure Assets	18	1,188	
2,783	Heritage Assets	19	9,403	
11,654	Investment Property	20	11,550	
1,782	Intangible Assets	21	1,772	
684	Long Term Debtors	24	1,649	
329,112	**Long Term Assets**			**343,429**
5,524	Short Term Investments	22	2,000	
79	Inventories		79	
12,917	Short Term Debtors	24	13,348	
2,679	Cash and Cash Equivalents	30	10,199	
21,199	**Current Assets**			**25,626**
-	Short Term Borrowing		(255)	
(10,476)	Short Term Creditors	25	(16,956)	
(1,052)	Short Term Provisions	26	(594)	
(11,528)	**Current Liabilities**			**(17,805)**
(1,788)	Capital Grants Receipts in Advance		(2,055)	
(56,673)	Long Term Borrowing	22	(56,673)	
(324)	Other Long Term Liabilities		(254)	
(11,150)	Long Term Liabilities Pensions	29	(14,672)	
(69,935)	**Long Term Liabilities**			**(73,654)**
268,848	**NET ASSETS**			**277,596**
(32,122)	Usable Reserves	27		(32,651)
(236,726)	Unusable Reserves	28		(244,945)
(268,848)	**TOTAL RESERVES**			**(277,596)**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31st March 2020 and its Comprehensive Income and Expenditure Statement for the year ended 31st March 2020.

Homira Javadi

Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Date: 5 August 2024

CASH FLOW STATEMENT

2018/19 Restated £000	CASH FLOW STATEMENT	Note	2019/20 £000
(3,559)	Net Deficit on the provision of services		(18,512)
13,119	Adjustment to Net Surplus / (Deficit) on the provision of services for non-cash movements	31	32,254
(7,249)	Adjustment for items included in the Net (Deficit) / Surplus on the provision of services that are investing and financing activities		(4,146)
2,311	**NET CASH INFLOWS FROM OPERATING ACTIVITIES**		**9,596**
(2,998)	Investing Activities	31	(1,533)
(234)	Financing Activities	31	(543)
(921)	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		**7,520**
3,600	Cash and cash equivalents at the beginning of the reporting period		2,679
2,679	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIODS**		**10,199**

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 FINANCIAL STATEMENTS

1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES

There are no significant changes to the Code of Practice, which was based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

PRIOR PERIOD ADJUSTMENTS

There is a prior period adjustment relating to Council House Dwellings capital expenditure of £4.328m in 2018/19 which had been added to gross cost without corresponding disposal entries. This has now been corrected so that there are corresponding entries. In the Comprehensive Income and Expenditure Account, the Gain or Loss on Disposal has increased by £4.328m which has reduced Total Comprehensive Income & Expenditure by £4.328m. In the Balance Sheet, Property, Plant and Equipment has reduced by £4.328m to £311.014m (see Note 18) and the Capital Adjustment Account has reduced by £4.328m to £156.186m (see Note 28). The 2018/19 comparative figures have also been updated for the impact of this change in the Cash Flow Statement, Note 7 Expenditure and Funding Analysis, Note 8 Adjustments between Accounting Basis and Funding Basis under the Regulations, the Housing Revenue Account Income and Expenditure Statement, Movement on the HRA Statement and HRA Note 1 Housing Stock.

2. ACCOUNTING POLICIES

2.1 General Principles

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

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

2.2 Accruals of Expenditure and Income

Activity is accounted for 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 National Non Domestic Rates (NNDR)

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.

Revenue Recognition

The Council accounts for revenue recognition in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). 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 extent 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.

2.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and which form an integral part of the Council's cash management.

Cash Equivalents are generally defined as short-term, highly liquid investments that are readily convertible to cash. They are held for short term cash flow requirements rather than for investment gain and have an insignificant risk of a change in their value. However, the Council uses these products for both short term cash flow requirements and investment gain purposes. The Council therefore defines only its accounts that are held for cash flow requirements as a cash equivalent used for short term cash flow requirements. The Council's annual Treasury Management Strategy sets out the type of investments that meet its security, liquidity and yield criteria.

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

<u>Benefits Payable during Employment</u>

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

<u>Termination Benefits</u>

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

Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 2.6%.
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into the following components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past services cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement;
    - net interest on the net defined benefit liability , i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council's Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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 usually 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. A modified retrospective approach is sometimes permitted so that 1 April opening figures are adjusted and there is no requirement for a full restatement and third Balance Sheet.

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 affected 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. Generally, default does not occur later than when an asset is 90 days past due 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.

Debtors where there is no contract are not classed as financial instruments and includes debtors for council tax, business rates and VAT. Creditors not classed as financial instruments includes creditors for council tax, business rates, VAT, HMRC and pension fund. The allowances for bad debts are based on incurred losses rather than expected credit losses.

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.

<u>Community Infrastructure Levy</u>
The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds with appropriate planning consent. The Council charges for and collects the levy which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the district. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL income will be largely used to fund Capital expenditure but a small proportion will be used to fund revenue expenditure.

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.
- Community assets – properties such as open spaces, which are used for the community as a whole, with no determinable market value in their present use, and unlikely 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 for sheet, provided that the total excluded has no material impact.

Measurement

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

- Council dwellings – current value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historic cost is normally used as a proxy.
- Community Assets – depreciated at 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 are 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 – calculated on a component basis with life expectancies of between 15 and 100 years, as advised 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 28 years;
- Community assets – not subject to depreciation;
- Surplus assets – not subject to depreciation;
- Assets under construction – not subject to depreciation.

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

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

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

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

Componentisation

Where an item of Property, Plant and Equipment has major components and the 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 100 years.

2.13 Infrastructure Assets

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

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

However, the district council still has infrastructure assets due mainly to its coast protection assets. In addition, there are some car parks, lay-bys, parking bays footpaths, estate roads and street lighting.

Recognition

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

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

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

Asset	**Useful Life**
Coast Protection	20 years
Car parks, parking bays, footpaths and estate roads	20 years
Street Lighting	15 years
Footpaths	12 years

Disposals and derecognition
When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

2.14 Heritage Assets

Tangible heritage assets

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

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

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

Civic regalia is a static collection comprising the Chair's chain of office and several smaller badges of civic office. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged. Works of art and museum exhibits comprise artefacts held at Newhaven Fort and miscellaneous aesthetic items held at separate locations. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage, and any impairment is recognised and measured in accordance with the general policies on impairment.

Depreciation of Newhaven Fort is calculated on a straight-line allocation over the useful life of the asset as estimated by the valuer. Market Tower is not depreciated as it has an indeterminate life.

2.15 Investment Property

Investment properties are those assets that are held solely to earn rentals or for Capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support Council policy objectives fall under the category of property, plant and equipment (see Note 2.12) and not investment property.

Investment properties are initially measured at cost and subsequently at fair value being the price that would be received to sell such an asset in orderly transactions between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Cost of Services within the Comprehensive Income and Expenditure Statement However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.16 Intangible assets

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

The initial value of intangible assets is amortised to the Comprehensive Income and Expenditure Statement over the estimated period of their useful life. This is normally taken as a period of 1-7 years. The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

2.17 Leases

Definition of a Lease

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

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

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, the Council operates a de minimis level for low value assets and they are accounted for as operating leases.

The Council as Lessee

Finance Leases - Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and;
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

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

The Council as Lessor

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

Lease rentals receivable are apportioned between:

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

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

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

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

2.18 Overheads and Support Services

Support service costs are included within the Corporate Services directorate.

2.19 Provisions

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

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

2.20 Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement, but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support Capital expenditure.
- Capital Grants and Contributions Unapplied Account: 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 noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

2.21 Revenue Expenditure Financed From Capital Under Statute

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

2.22 Charges to Revenue for Non-current Assets

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

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

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

2.23 Value Added Tax

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

2.24 Inventories and Long Term Contracts

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

2.25 Interests in Companies and Other Entities

Lewes Housing Investment Company Ltd is a wholly owned subsidiary of the Council. Aspiration Homes LLP is a limited liability Partnership owned equally by Eastbourne Borough Council and Lewes District Council. It was set up during 2017/18 for the purpose of developing housing.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2020. The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

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

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

The mandatory implementation of IFRS 16 Leases in the Code has been further deferred until 1 April 2024 (originally to be implemented in 2019/20). Local authorities are permitted to voluntary implement the standard as of 1 April 2022 and 1 April 2023.

IFRS 17 Insurance Contracts (replacing IFRS 4) is expected to be implemented in the 2025/26 Code.

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 is:

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The 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.
- The Council has reviewed its interests with external bodies as required by the Code and has concluded that it does not have any material interests in subsidiaries, associated companies or joint ventures that would require the production of Group Accounts in 2019/20.

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

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

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

Property, Plant and Equipment (PPE) - 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 if the Useful Economic Life of assets was to decrease by one year the annual depreciation charge would increase by £753,000 or 9.3%.

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.

PPE has increased by £6.853 m to £317.867m at 31 March 2020. Within the increase there has been a significant change between the value of land and the value of buildings for Council Dwellings. Note 6 below provides further details.

As discussed in Notes 18 and 20, the valuation of properties at 31 March 2020 is subject to increased uncertainty as a result of the COVID-19 pandemic, and valuations are therefore reported on the basis of "material valuation uncertainty" as per the RICS Red Book. This affects the valuation of Property, Plant and Equipment, Heritage Assets and Investment Properties.

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £5.47m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £32,000 and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £5.42m.

Arrears - At 31 March 2020, the Council had a total debtors balance (gross) of £16.2m (£15.3m at 31/3/19). A review of these balances indicates that an impairment of doubtful debts of £2.9m is appropriate (£2.4m at 31/3/19). Note 23 Financial Instruments provides further details on credit risk. However, with the impact of COVID-19 and the current economic climate, the allowances will need to be reviewed regularly (see also Narrative Report and Note 33 paragraphs on COVID-19).

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 2020. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2020. There is a risk that future appeals will exceed the estimation. A 1% increase in the amount of provision is £60,000.

The Virgin Media vs NTL Pension Trustees II Limited case has the potential to impact benefits due under defined benefit pension schemes. At present, the impact on the pension scheme and the councils liabilities is not known, and will be assessed as more information becomes available.

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

Valuation of Council Dwellings

The valuation has increased by a net £6.2m following a full revaluation in 2019/20. Land values have increased by £49.4m and buildings decreased by £43.2m (see Note 18). Council Dwellings are split into different component parts and in 2019/20 the percentages allocated to the different components was rationalized and revised. The land component percentage was increased from 6% to 27% causing the large increase in land value. There are six different building components (main structure, heating, electrical, roof, lifts and externals) and overall the total percentage was revised from 94% to 73% resulting in a decrease in the total buildings value. The increase in land value has been credited to the Revaluation Reserve (see Note 28) and the decrease in buildings value has been charged to both the Revaluation Reserve and the Housing Revenue Account (page 85).

7. EXPENDITURE AND FUNDING ANALYSIS

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

2019/20	**As reported for Resource Management**	**Adjustments to arrive at the Net Amount chargeable to the General Fund and HRA**	**Net Expenditure Chargeable to the General Fund and HRA**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**
Corporate Services	3,658	(147)	3,511	38	3,549
Service Delivery	7,202	(38)	7,164	3,455	10,619
Regeneration and Planning	546	241	788	6,163	6,950
Tourism and Enterprise	591	1	592	1,059	1,651
Housing Revenue Account	(86)	(6,759)	(6,845)	6,724	(121)
Net Cost of Services	**11,911**	**(6,702)**	**5,209**	**17,439**	**22,648**
Other Income and Expenditure	(11,911)	5,787	(6,124)	1,988	(4,136)
(Surplus) or Deficit on the Provision of Services	**-**	**(915)**	**(915)**	**19,427**	**18,512**
Opening General Fund and HRA Balances at 1 April			**(4,388)**		
(Surplus) or Deficit on General Fund and HRA for year			(915)		
Transfer to / (from) Reserves			(337)		
Closing General Fund and HRA Balances at 31 March			**(5,640)**		

2018/19 Restated	**As reported for Resource Management**	**Adjustments to arrive at the Net Amount chargeable to the General Fund and HRA**	**Net Expenditure Chargeable to the General Fund and HRA**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**
Corporate Services	4,846	168	5,014	293	5,306
Service Delivery	8,717	(3,964)	4,753	2,857	7,610
Regeneration and Planning	1,292	707	1,999	1,375	3,374
Tourism and Enterprise	626	4	630	967	1,597
Housing Revenue Account	(3,562)	1,738	(1,824)	(1,023)	(2,847)
Net Cost of Services	**11,919**	**(1,347)**	**10,572**	**4,469**	**15,040**
Other Income and Expenditure	(11,919)	2,130	(9,789)	(1,693)	(11,481)
(Surplus) or Deficit on the Provision of Services	**-**	**783**	**783**	**2,776**	**3,559**
Opening General Fund and HRA Balances at 1 April			**(4,033)**		
(Surplus) or Deficit on General Fund and HRA for year			783		
Transfer to / (from) Reserves			(1,139)		
Closing General Fund and HRA Balances at 31 March			**(4,389)**		

Notes:

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

Council Dwelling disposals have been restated by £4.328m as explained in note 1, impacting net expenditure in the Comprehensive Income and Expenditure Statement and the Adjustments between the Funding and Accounting Basis – as this is adjusted for, this does not affect Net Expenditure Chargeable to the General Fund and HRA.

7a Note to the Expenditure and Funding Analysis

2018/19 Restated					2019/20			
Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	Total Adjustments		Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
497	(204)	-	293	Corporate Services	511	(473)	-	38
2,857	-	-	2,857	Service Delivery	3,455	-	-	3,455
1,375	-	-	1,375	Regeneration & Planning	6,163	-	-	6,163
967	-	-	967	Tourism and Enterprise	1,059	-	-	1,059
3,305	-	-	3,305	Housing Revenue Account	6,724	-	-	6,724
9,001	**(204)**	**-**	**8,797**	**COST OF SERVICES**	**17,912**	**(473)**	**-**	**17,439**
(5,716)	280	(585)	(6,021)	Other Income and Expenditure	2,186	263	(461)	1,988
3,285	**76**	**(585)**	**2,776**	**Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit**	**20,098**	**(210)**	**(461)**	**19,427**

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
  - **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure –** the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- **Net Change for the Pensions Adjustments** – Net change for the removal of pensions contributions and the addition of IAS 19 employee Benefits pension related expenditure and income.
  - **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
  - **For Financing and Investment income and expenditure** – the net interest on defined benefit liability is charged to the CIES.

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

Note 7b - Analysis of Income and Expenditure by Nature

2018/19 Restated £000		2019/20 £000
	Expenditure	
16,684	Employees benefits expenses (Note 1)	15,596
54,499	Other service expenses	51,276
10,680	Depreciation, amortisation, impairment losses and reversals (Note 2)	18,363
2,006	Interest payments	2,041
10,966	Precepts and levies (including Non Domestic Rates)	12,397
841	Payments to the Housing Capital Receipts Pool	303
5,186	Loss on the disposal of assets	10,374
100,862	**Total expenditure**	**110,350**
	Income	
(27,823)	Fees, charges and other service income	(27,650)
(287)	Interest and investment income	(368)
(22,284)	Income from Council Tax and Non-Domestic Rates	(23,332)
(44,216)	Government Grants and Contributions	(38,973)
(2,693)	Gain on the disposal of assets	(1,515)
(97,303)	**Total income**	**(91,838)**
3,559	**Deficit on the Provision of Services**	**18,512**

Note

1. Employee benefits expenses includes the cost of staff provided through the shared service arrangement with Eastbourne Borough Council;
2. The total includes £8.379m of impairment losses in 2019/20 (£0.826m in 2018/19) of which £1.783m related to the HRA (£nil in 2018/19).

Note 7c – Fees, Charges & Other Service income by Operating Segment

2018/19 £000		2019/20 £000
(260)	Corporate Services	(2,125)
(7,072)	Service Delivery	(5,688)
(2,961)	Regeneration and Planning	(3,210)
(190)	Tourism and Enterprise	(182)
(16,492)	Housing Revenue Account	(15,908)
(848)	Trading Accounts and Investment Properties	(537)
(27,823)	**Total Fees, Charges & Other Service Income**	**(27,650)**

Note

Income recognition is under IFRS 15 – Revenue from Contracts with Customers. Material volumes of income shown as Fees, charges and other service income above that relate to contracts with service recipients are mainly in respect of Housing Rents £14.6m, Parking Charges £0.9m, Planning & Building Control Fees £1.0m and Waste Collection £1.1m. The performance obligations relating to these items are fulfilled when the payment is made and therefore there are no performance obligations unsatisfied at the Balance Sheet date.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2019/20	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied
	£000	£000	£000	£000	£000
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	210	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	462	-	-	-	-
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	39	-	-	-	-
• 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	(9,381)	(6,827)	-	-	-
- Movements in the fair value of investment properties	(95)		-	-	-
- Amortisation of intangible assets	(359)	(3)	-	-	-
- Revenue expenditure funded from capital under statute	(3,468)	(39)	-	-	-
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(5,473)	(4,901)	-	-	-
- Donated Assets Received	11				
- Capital Grants and Contributions Received	2,464	166	-	-	(2,630)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(15,590)**	**(11,604)**	**-**	**-**	**(2,630)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	1,536		(1,536)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(303)	-	-	303	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	5,046	(5,046)	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	292	-	-	-	-

2019/20	**General Fund**	**HRA Balance**	**Major Repairs Reserve**	**Capital Receipts**	**Capital Grants & Contributions Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,217	-	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**1,206**	**6,582**	**5,046**	**(1,233)**	**-**
ADJUSTMENTS TO CAPITAL RESOURCES					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	1,683	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,996	-	-
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	3,616
Cash payments in relation to deferred capital receipts	-	(21)	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**(21)**	**3,996**	**1,683**	**3,616**
Total Adjustments 2019/20	**(14,384)**	**(5,043)**	**(1,050)**	**450**	**986**

2018/19 Restated	**General Fund**	**HRA Balance**	**Major Repairs Reserve**	**Capital Receipts**	**Capital Grants & Contributions Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
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	(76)	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	585	-	-	-	-
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(24)	-	-	-	-
• 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	(3,548)	(5,345)	-	-	-
- Movements in the fair value of investment properties	(707)		-	-	-
- Amortisation of intangible assets	(287)	(6)	-	-	-
- Revenue expenditure funded from capital under statute	(2,467)	-	-	-	-

2018/19 Restated	**General Fund**	**HRA Balance**	**Major Repairs Reserve**	**Capital Receipts**	**Capital Grants & Contributions Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(42)	(5,144)	-	-	-
- Capital Grants and Contributions Received	4,558	-	-	-	(4,558)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(2,008)**	**(10,495)**	**-**	**-**	**(4,558)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,134	1,558	-	(2,692)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(841)	-	-	841	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	5,351	(5,351)	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	316	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,928	281	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**2,537**	**7,190**	**(5,351)**	**(1,851)**	**-**
ADJUSTMENTS TO CAPITAL RESOURCES					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	1,654	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	4,474	-	-
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	1,536
Cash payments in relation to deferred capital receipts	-	-	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**-**	**4,474**	**1,654**	**1,536**
Total Adjustments 2018/19	**529**	**(3,305)**	**(877)**	**(197)**	**(3,022)**

9. AUDIT FEES

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

2018/19 £000		2019/20 £000
35	Fees payable for the certification of grant claims and returns for the year	7
15	Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year	-
36	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	43
86	**Total**	**50**

10. MEMBERS' ALLOWANCES

Allowances and expenses paid during the year amounted to:

2018/19 £000		2019/20 £000
213	Members' Allowances	226
4	Expenses	4
217	**Total**	**230**

11. OFFICERS' REMUNERATION

Lewes District Council (LDC) shares a Corporate Management Team of senior officers with Eastbourne Borough Council (EBC). LDC continues to directly employ one senior management officer – the Assistant Director of Legal and Democratic Services. All other senior management officers are directly employed by EBC.

Senior Management Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Shared Chief Executive	2019/20	141,123	2,660	24,970	**168,753**
	2018/19	136,306	3,354	24,120	**163,780**
Deputy Chief Executive and Chief Finance Officer (see Note 1)	2019/20	-	-	-	**-**
	2018/19	65,375	-	11,538	**76,913**
Chief Finance Officer (see Note 2)	2019/20	89,318	-	15,765	**105,083**
	2018/19	43,784	-	7,727	**51,511**
Director of Service Delivery	2019/20	84,590		14,930	**99,520**
	2018/19	78,747	-	13,899	**92,646**
Director of Regeneration and Planning	2019/20	122,138	2,130	21,933	**146,201**
	2018/19	97,869	2,187	17,660	**117,716**
Director of Tourism and Enterprise	2019/20	95,098	-	16,784	**111,882**
	2018/19	91,173	-	16,092	**107,265**
Assistant Director of HR and Transformation	2019/20	87,992		15,530	**103,522**
	2018/19	82,365	-	14,537	**96,902**
Assistant Director of Corporate Governance	2019/20	78,547	-	13,864	**92,411**
	2018/19	75,978	-	13,410	**89,388**
Assistant Director of Legal and Democratic Services	2019/20	89,318	-	16,077	**105,395**
	2018/19	87,567	-	15,762	**103,329**

Notes

1) Deputy Chief Executive and Chief Finance Officer in 2018/19 was up to November 2018;
2) Chief Finance Officer in 2018/19 was from October 2018;
3) The remuneration for the Assistant Director of Legal and Democratic Services and the Assistant Director of HR and Transformation are included within shared services for Legal and Human Resources respectively for which separate recharge arrangements apply. The Assistant Director of Legal and Democratic Services is the Monitoring Officer for both LDC and EBC.

Senior Management costs are apportioned to Lewes District Council as follows:

	Lewes District Council
Shared Chief Executive	50%
Chief Finance Officer	40%
Director of Service Delivery	50%
Deputy Chief Executive and Director of Regeneration and Planning	50%
Director of Tourism and Enterprise	20%
Assistant Director of Corporate Governance	10%
Assistant Director of Human Resources and Transformation	50%

The Assistant Director of Human Resources and Transformation is included in a service level agreement between Eastbourne Borough Council and Lewes District Council.

Remuneration Bands

The Council’s other employees (excluding those in the Corporate Management table above) other than Legal Services are directly employed by EBC and are apportioned to LDC in accordance with the above table.

Other employees who received more than £50,000 remuneration for the year (excluding employer’s pension contributions) were paid the following amounts:

Number of Employees per Remuneration Band	2018/19	2019/20
£50,000 - £54,999	17	21
£55,000 - £59,999	7	14
£60,000 - £64,999	3	6
£65,000 - £69,999	2	1
£70,000 - £74,999	-	1
£80,000 - £84,999	2	1
£110,000 - £114,499	1	-
Total	**32**	**44**

Exit package payments were recharged to LDC by EBC on an agreed shared service basis. The number of exit packages with proportional cost per band for compulsory and other redundancies is:

	Number of compulsory redundancies		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Cost of exit packages in each band £'000**	
Exit package cost band (including special payments	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**
£0 - £20,000	-	2	15	9	15	11	85	98
£20,001 - £40,000	-	-	9	1	9	1	130	34
£40,001 - £60,000	-	-	1	-	1	-	28	-
£60,001 - £80,000	-	-	1	-	1	-	27	-
Total	**-**	**2**	**26**	**10**	**26**	**12**	**270**	**132**

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 are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and Notes 15 (grants and contributions), 24 (debtors) and 25 (creditors).

12.3 East Sussex Pension Scheme

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

12.4 Eastbourne Borough Council (EBC)

The Council is engaging in a Joint Transformation Programme (JTP) with EBC under which staff and services are being integrated. EBC now employs all of CMT and the majority of LDC staff who were TUPE'd to EBC during 2017/18 and costs are recharged to the Council. Staff within Legal services remain employees of the Council and services are provided to both Councils and costs recharged. In 2019/20 this amount was £121,069.

12.5 Saxon House

Alongside the East Sussex Fire Authority (ESFA) and Sussex Police, the Council are a partner in the setting up of a shared facility in Newhaven which opened in January 2016. The Council has a lease to use a portion of the building for which it paid ESFA a service charge of £34,648 in 2019/20 (£32,883 in 2018/19).

12.6 Wave Leisure Trust

Wave Leisure Trust Limited, is a charitable company and limited by guarantee. It was established in 2006 to operate the Council's indoor leisure facilities. The company also operates the Council's Newhaven Fort historic visitor attraction and with the Council is working on a project to improve the facility, supported by grant from the Heritage Lottery Fund. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2019/20 the Council paid Wave Leisure service fees of £204,204 (£313,104 in 2018/19). From April 2017, the Council has provided a guarantee to a leasing company with which Wave Leisure has entered into various fixed term equipment hire agreements, to be triggered in the event that Wave Leisure defaults on its obligations. The guarantee is up to a maximum of £500,000 across four agreements. A Step-In agreement gives the Council an indemnity in the event that it has to meet its obligations under the guarantee.

12.7 Lewes Housing Investment Company

Lewes Housing Investment Company Limited (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC has been set up to acquire, improve and let residential property at market rents. The capital programme includes a potential commercial loan funding to LHIC to facilitate property purchases although none of this facility was drawn down in 2019/20. No other payments were made to, or monies received from, LHIC during 2019/20 and no amounts were owing to, or owed by, LHIC at the end of the year. Dormant accounts were filed by the company for the year ending 31 March 2020. Group accounts are not required as the amounts are not considered material.

12.8 Aspiration Homes

Aspiration Homes LLP is a limited liability partnership owned equally by Eastbourne BC and Lewes DC. Incorporated in June 2017, it has been set up for the purpose of developing housing to be let at affordable rent. The capital programme includes a potential commercial loan funding to facilitate property purchases and £1.281m was drawn down in 2019/20 and £0.379m was subsequently repaid (see Note 24). A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above base rate and £10,000 has been drawn down at 31 March 2020. Group accounts have not been prepared for 2019/20. The Council has provided funding towards one site in Lewes (and no joint sites) but this is not considered to be material for group accounts.

12.9 Members and Officers

Members of the Council (41 District Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 10. Five Members are 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 6 High Street, Lewes during office hours. In addition, Members are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year.

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

Officers 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.

13. LEASING

Operating leases – Council acting as lessor

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

2018/19 Minimum Lease Income £000		2019/20 Minimum Lease Income £000
1,436	Within one year	1,531
4,746	Between two and five years	4,684
29,045	Later than five years	28,775
35,227	**Total**	**34,990**

The Council let under operating leases some of the land and building held as Property, Plant and Equipment for purposes such as economic development, housing, leisure and recreation. It also lets under operating leases some of the land and building held as Investment Property assets.

14. OBLIGATIONS UNDER LONG TERM LEASES

Amounts payable within one year are included in short term creditors and amounts payable in more than one year are included in long term creditors.

15. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

2018/19		2019/20
£000		**£000**
	Grants and contributions within Cost of Services	
(34,746)	DWP Benefit grants	(30,386)
(2,212)	Other grants and contributions	(2,883)
(36,958)	**Total within Cost of Services**	**(33,269)**
	Grants and contributions within Taxation and non-specific grant income	
(2)	Revenue Support Grant	-
(1,574)	Section 31 Business Rates	(2,153)
(649)	New Homes Bonus	(457)
(106)	Localising Council Tax Support	(101)
(276)	Housing Benefit Administration	(250)
(4,558)	Grants and contributions towards capital expenditure	(2,641)
(93)	Other grants and contributions	(102)
(7,258)	**Total within Taxation and non-specific grant income**	**(5,704)**
(44,216)	**Total**	**(38,973)**

2018/19	Capital Grants and Contributions – Receipts in Advance	2019/20
£000		**£000**
1,788	Section 106 agreements	**2,055**

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

Section 106 agreements between developers and the Council which include amounts given for education, highways and other services for which East Sussex County Council (ESCC) is the responsible local authority, are held by the Council until ESCC has developed plans that will satisfy the conditions set out in the agreement. At that point ESCC will request release of the funds from the Council. Until that occurs the Council holds the monies as capital receipts in advance.

16. TRANSFER TO/ FROM EARMARKED RESERVES

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

Reserve	Balance 31/3/18	Transfers In 2018/19	Transfers Out 2018/19	Balance 31/3/19	Transfers In 2019/20	Transfers Out 2019/20	Balance 31/3/20
	£000	£000	£000	£000	£000	£000	£000
Asset Management	(3,020)	(464)	579	(2,905)	-	539	(2,366)
Economic Regeneration	(300)	(824)	-	(1,124)	(1,491)	535	(2,080)
Managing Economic Downturn	-	-	-	-	(296)	-	(296)
Revenue Grants and Contributions	(396)	(298)	226	(468)	(35)	-	(503)
Strategic Change	(3,350)	(872)	2,253	(1,969)	(26)	730	(1,265)
Vehicle & Equipment Replacement	(1,445)	(546)	859	(1,132)	-	381	(751)
Other Reserves	(226)	-	226	-	-	-	-
Total Earmarked Reserves	**(8,737)**	**(3,004)**	**4,143**	**(7,598)**	**(1,848)**	**2,185**	**(7,261)**

The purpose of each reserve is set out below:

Asset Management

To support investment in the Council's non-housing property through programmes of maintenance, repair and replacement.

Economic Regeneration

To support growth of local business and enterprise including the Newhaven Enterprise Zone.

Managing Economic Downturn

Manage fluctuations in the economy.

Revenue Grants and Contributions

Amounts paid to the Council by Government and third parties to support specific initiatives.

Strategic Change

To support the Council's Joint Transformation Programme of integration and shared services and its other programmes of change.

Vehicle and Equipment Replacement

To support the replacement of vehicles and equipment.

17. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

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

2018/19 £000		2019/20 £000
76,924	**Opening Capital Financing Requirement**	**81,745**
	Capital Investment	
8,869	Property, Plant and Equipment	8,874
3,665	Infrastructure, Heritage, Investment and Intangible Assets	504
2,467	Revenue expenditure financed from capital under statute	3,508
10	Loans and Advances	933
15,011	**Total Capital Investment**	**13,819**
	Sources of finance	
(1,655)	Capital receipts	(1,682)
(1,536)	Grants and contributions	(3,616)
(4,474)	Major repairs reserve	(3,996)
(2,209)	Revenue contribution to capital	(1,217)
(316)	Revenue provision for repayment of debt	(292)
(10,190)	**Total Sources of finance**	**(10,803)**
4,821	**Movement in the Year**	**3,016**
81,745	**Closing Capital Financing Requirement**	**84,761**

	Explanation of movements in year	
4,955	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,129
(134)	Decrease in lease liability	(113)
4,821	**Increase in Capital Financing Requirement**	**3,016**

18. PROPERTY PLANT AND EQUIPMENT

18.1 Movements in 2019/20

	Council Dwellings £000	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Community Assets £000**	**Assets under Construction £000**	**Surplus Properties £000**	**Total £000**
Cost or Valuation at 1 April 2019	**231,960**	**56,206**	**16,061**	**1,612**	**3,240**	**7,596**	**316,675**
Additions	3,810	296	786	45	3,913	24	**8,874**
Revaluations recognised in the Revaluation Reserve	17,833	4,640	1,763	44	-	(1,122)	**23,158**
Revaluations recognised in the Surplus or Deficit on Provision of Services	(8,908)	(3,362)	(13)	(44)	-	(1,205)	**(13,532)**
De-recognition & Disposals	(4,526)	(2,846)	(1,400)	-	(3)	(2,880)	**(11,655)**
Transfers	2,368	8	(746)	-	(1,313)	(347)	**(30)**
At 31 March 2020	**242,537**	**54,942**	**16,451**	**1,657**	**5,837**	**2,066**	**323,490**
At 1 April 2019	**-**	**(34)**	**(5,627)**	**-**	**-**	**-**	**(5,661)**
Depreciation Charge for the year	(4,378)	(1,817)	(1,454)	-		-	**(7,649)**
Depreciation written out on revaluation	4,365	1,364	678	-		-	**6,407**
De-recognition & Disposals	13	433	834	-		-	**1,280**
At 31 March 2020	**-**	**(54)**	**(5,569)**	**-**		**-**	**(5,623)**
Net Book Value							
At 31 March 2020	**242,537**	**54,888**	**10,882**	**1,657**	**5,837**	**2,065**	**317,867**
At 31 March 2019	**231,960**	**56,172**	**10,434**	**1,612**	**3,240**	**7,596**	**311,014**

Movements in 2018/19 - Restated

The table below shows the movements in the various categories during the previous year:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Properties £000	Total £000
Cost or Valuation at 1 April 2018	**225,204**	**51,053**	**18,688**	**1,602**	**854**	**6,756**	**304,157**
Additions	4,329	524	1,401	52	2,386	177	**8,869**
Revaluations recognised in the Revaluation Reserve	7,624	4,736	-	(42)	-	1,297	**13,615**
Revaluations recognised in the Surplus or Deficit on Provision of Services	(39)	(102)	-	-	-	(634)	**(775)**
De-recognition & Disposals	(5,158)	(5)	(4,028)	-	-	-	**(9,191)**
At 31 March 2019	**231,960**	**56,206**	**16,061**	**1,612**	**3,240**	**7,596**	**316,675**
At 1 April 2018	(45)	(2,483)	(8,184)	-	-	-	**(10,712)**
Depreciation Charge for the year	(4,600)	(1,809)	(1,431)	-	-	-	**(7,840)**
Depreciation written out on revaluation	4,628	4,252	-	-	-	-	**8,880**
De-recognition & Disposals	17	6	3,988	-	-	-	**4,011**
At 31 March 2019	**-**	**(34)**	**(5,627)**	**-**	**-**	**-**	**(5,661)**
Net Book Value							
Restated at 31 March 2019	**231,960**	**56,172**	**10,434**	**1,612**	**3,240**	**7,596**	**311,014**
At 31 March 2019 as previously stated	**236,288**	**56,172**	**10,434**	**1,612**	**3,240**	**7,596**	**315,342**
At 31 March 2018	**225,159**	**48,570**	**10,504**	**1,602**	**854**	**6,756**	**293,445**

Note – Council Dwelling disposals have been restated by £4.328m to £5.158m as explained in Note 1.

18.2 Infrastructure Assets

Infrastructure assets are measured using the historical cost basis and carried at depreciated historical cost. Infrastructure assets include coast protection, car parks, lay-bys, parking bays footpaths, estate roads and street lighting.

	2019/20 £000
Cost or Valuation at 1 April 2019	**11,540**
Additions	181
At 31 March 2020	**11,721**
Accumulated Depreciation and Impairment	
At 1 April 2019	**(10,345)**
Depreciation Charge	(188)
At 31 March 2020	**(10,533)**
Net Book Value	
31 March 2020	1,188
31 March 2019	1,195

	2018/19 £000
Cost or Valuation at 1 April 2018	**11,400**
Additions	140
At 31 March 2019	**11,540**
Accumulated Depreciation and Impairment	
At 1 April 2018	**(10,169)**
Depreciation Charge	(176)
At 31 March 2019	**(10,345)**
Net Book Value	
31 March 2019	1,195
31 March 2018	1,231

18.3 Valuation of Property

Freehold buildings properties regarded by the Council as operational are valued on the basis of existing use value or where this insufficient market evidence of current value because the asset is specialised or rarely sold, the depreciated replacement cost. This is in line with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Buildings and plant are depreciated in line with the estimated life expectancies of the assets. Land is revalued but not depreciated.

Items of furniture, IT and other equipment are measured at historic cost as a proxy for current value. Their value is updated for capital expenditure and depreciated in line with the estimated lives of the assets.

Community assets are not revalued and are updated for capital expenditure and in the case of infrastructure, depreciated in accordance with the expected life of the asset created or enhanced. Community assets include allotments, cemetery grounds, churchyards, flint walls and open space land.

Surplus assets are non-operational but are not deemed to be held for sale and are measured at fair value. The fair value tales 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.

Council dwellings, other land and buildings and surplus properties are subject to periodic revaluations, currently every 5 years. These assets were valued in full at 31 March 2020 by an external firm of valuers, Wilks, Head & Eve (a member of Chartered Surveyors and Town Planners). The next full revaluation is due to be carried out in 2024/25. Between full valuations, annual market reviews are carried out, by Wilks, Head & Eve, to identify any factors that may affect valuation levels.

Community Assets and Assets Under Construction are held at historic depreciated cost and not subject to a formal valuation. Vehicles, Plant & Equipment are mostly held at historic depreciated cost but some assets are subject to a formal valuation.

	Council Dwellings £000	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Community Assets £000**	**Assets Under Construction £000**	**Surplus Properties £000**	**Total £000**
Carried at Historical Cost	**-**	**-**	**12,388**	**1,657**	**5,837**	**-**	**19,882**
Values at fair value in:							
31 March 2020	242,537	54,942	4,063	-	-	2,066	**303,608**
31 March 2016 – 31 March 2019	-	-	-	-	-	-	**-**
Gross Cost or Valuation	**242,537**	**54,942**	**16,451**	**1,657**	**5,837**	**2,066**	**323,490**

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

18.4 Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £0.96m as detailed in the table below.

	£000
HRA Dwellings	886
Other Commitments	74
Total	**960**

18.5 Fair value hierarchy

As at 31 March 2020, there are six properties classed as surplus, a reduction of four on the previous year. No properties were reclassified as held for sale. 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	Total £000
Surplus Assets NBV 31 March 2020	-	2,066	-	**2,066**
Surplus Assets NBV 31 March 2019	-	7,596	-	**7,596**

The surplus assets are measured at Level 2 in the fair value hierarchy 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.

19. HERITAGE ASSETS

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

	Works of Art (Note 2)	Regalia	Museum Exhibits	Land & Buildings	Total
	£000	£000	£000	£000	£000
Balance at 31 March 2018	**375**	**19**	**401**	**1,940**	**2,735**
Additions	-	-	-	160	**160**
Revaluations	(86)	4	52	(32)	**(62)**
Depreciation	-	-	-	(50)	**(50)**
Balance at 31 March 2019	**289**	**23**	**453**	**2,018**	**2,783**
Additions	10	-	-	-	**10**
Revaluations (Note 1)	10	-	-	6,653	**6,663**
Depreciation	-	-	-	(53)	**(53)**
Balance at 31 March 2020	**309**	**23**	**453**	**8,618**	**9,403**

Notes

1. The increase in value of Land & Buildings at 31 March 2020 is a result of the revaluation of Newhaven Fort.

2. Works of Art include paintings, sculptures and antiques. There are no transactions that are not recognised in the Balance Sheet. No assets were acquired by donation during the year.

Acquisitions Policy

The Council's collection of works of art and exhibits is relatively static and acquisitions and donations are rare. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

Disposals Policy

The Council accepts the principle that there is a strong presumption against the disposal of any items in the Towner Art Gallery 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 the Lewes Local History Museum and Towner's Acquisitions and Disposals Policy document available from Towner, Eastbourne.

20. INVESTMENT PROPERTIES

In 2019/20 the Council received £349,000 (£613,000 in 2018/19) as rental income from investment properties. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2018/19 £000		2019/20 £000
9,472	**Balance at 1 April**	**11,654**
2,891	Additions	13
(707)	Net gains / (losses) from fair value adjustments	(117)
(2)	Disposals & Derecognition	-
11,654	**Balance at 31 March**	**11,550**

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 used to determine their current value.

Valuation Process for Investment Properties

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

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

21 INTANGIBLE ASSETS

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

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

2018/19 Net Book Value		**2019/20 Gross Cost**	**2019/20 Amortisation**	**2019/20 Net Book Value**
£000		**£000**	**£000**	**£000**
1,601	**Balance 1 April**	2,398	(616)	**1,782**
	Written down to services			
(276)	Corporate Services	-	(344)	(344)
(11)	Service Delivery	-	(5)	(5)
-	Regeneration and Planning	-	(10)	(10)
(6)	Housing Revenue Account	-	(3)	(3)
(293)	**Total**	**-**	**(362)**	**(362)**
474	Added during year	322	-	322
-	Transfers	30	-	30
-	Written out on completion of expected life	(200)	200	**-**
181	**Net transactions during the year**	**152**	**(162)**	**(10)**
1,782	**Balance at 31 March**	**2,550**	**(778)**	**1,772**

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

	Carrying Amount		Remaining Amortisation (years)
	31 March 2019 £000	31 March 2020 £000	
Joint Transformation Programme	1,648	1,453	5 - 7

Note

The Joint Transformation Programme is the implementation of a shared service strategy to integrate services between Lewes District Council and Eastbourne Borough Council. This includes implementing a common approach to information and communications technology with new and replaced systems and integrating and updating core infrastructure.

22. FINANCIAL INSTRUMENTS

The Council has adopted new classifications for financial assets with effect from 1 April 2018, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK, IFRS 9 – Financial Instruments. Financial assets previously classified as Loans and Receivables are now classed as Amortised Cost with the exception of money market funds which have been classed as Fair Value through Profit or Loss. The Council had no assets previously classified as Available for Sale.

22.1 Categories of Financial Instruments - the following categories of financial instruments are carried in the Balance Sheet

	Long-term		Current	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
Financial Assets				
Fair Value through Profit and Loss				
Investments	-		1,000	2,500
Amortised Cost				
Debtors	684	1,649	8,791	7,718
Investments	-	-	7,203	9,699
Total Financial Assets	**684**	**1,649**	**16,994**	**19,917**
Non Financial Assets	-	-	4,126	5,630
Total	**684**	**1,649**	**21,120**	**25,547**
Financial Liabilities				
Fair Value through Profit and Loss	-	-	-	-
Amortised Cost				
Creditors	(324)	(254)	(7,188)	(10,873)
Borrowings	(56,673)	(56,673)	-	(255)
Total Financial Liabilities	**(56,997)**	**(56,927)**	**(7,188)**	**(11,128)**
Non Financial Liabilities	(1,788)	(2,055)	(3,288)	(6,083)
Total	**(58,785)**	**(58,982)**	**(10,476)**	**(17,211)**

22.2 Financial Instruments Designated at Fair Value through Profit or Loss

The financial assets designated at fair value through profit or loss include £2.5m of funds invested with low volatility money market funds (LVNAV) at 31/3/20 (£1m at 31/3/19). There were no financial liabilities designated at fair value through profit or loss.

22.3 Income, expense, gains and losses

The table below sets out the income, expense, gains and losses for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement.

	2018/19		2019/20	
	Surplus or Deficit on Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Net (gains) / losses on:				
Financial assets measured at FVPL	(39)	-	(19)	-
Financial liabilities measured at FVPL	-	-	-	-
Interest revenue:				
Financial assets measured at amortised cost	(248)	-	(349)	-
Interest expense:				
Financial liabilities measured at amortised cost	2,006	-	2,040	-

22.4 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.

Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/3/19 £000**	**As at 31/3/20 £000**
Fair Value through profit or loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	1,000	2,500

There were no transfers between levels during the year and no change in valuation technique used.

22.5 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:

	31 March 2019		31 March 2020	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Liabilities	**£000**	**£000**	**£000**	**£000**
Financial Liabilities at amortised cost	(56,673)	(65,872)	(56,673)	(66,289)
Long Term Creditors	(324)	(324)	(254)	(254)
Total Long Term	**(56,997)**	**(66,196)**	**(56,927)**	**(66,543)**
Short Term Borrowing and Creditors	(7,188)	(7,188)	(11,128)	(11,128)
Total Short & Long Term	**(64,185)**	**(73,384)**	**(68,055)**	**(77,671)**

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 2020, arising from a commitment to pay interest to lenders above current market rates.

	31 March 2019		31 March 2020	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Assets	**£000**	**£000**	**£000**	**£000**
Financial Assets at amortised cost	-	-	-	-
Long Term Debtors	684	684	1,649	1,649
Total Long Term	**684**	**684**	**1,649**	**1,649**
Short Term Investments and Debtors	15,994	15,994	17,417	17,417
Total Short & Long Term	**16,678**	**16,678**	**19,066**	**19,066**

The fair value of financial assets are the same as the carrying amount because the portfolio of investments are all maturing within a year of the Balance Sheet date. The exception are debtors of more than one year where the fair value is approximated to be the same as the carrying value. 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:

	31 March 2020			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Liabilities				
Financial Liabilities at amortised cost	-	(66,289)	-	(66,289)
Long Term Creditors	-	(254)	-	(254)
Total Long Term	**-**	**(66,543)**	**-**	**(66,543)**
Financial Assets				
Financial Assets at amortised cost	-	-	1,649	1,649
Long Term Debtors	-	-	-	-
Total Long Term	**-**	**-**	**1,649**	**1,649**

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	31 March 2019			
	£000	£000	£000	£000
Financial Liabilities				
Financial Liabilities at amortised cost	-	(65,872)	-	(65,872)
Long Term Creditors	-	(324)	-	(324)
Total Long Term	**-**	**(66,196)**	**-**	**(66,196)**
Financial Assets				
Financial Assets at amortised cost	-	-	684	684
Long Term Debtors	-	-	-	-
Total Long Term	**-**	-	**684**	**684**

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 assessment is made by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

23. 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 25 February 2019 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £128m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £117m. 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 Refinancing and Maturity table below).

Risk management is carried out by a 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 2020/21 and later years due to the uncertainty surrounding its impact on residents and Council Tax collection rates, the slowdown in house building and the reduction in the Council Tax base and income and on businesses and Business Rates collection rates.

Credit Risk Management Practices

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

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

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

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

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

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

The full Investment Strategy for 2019/20 was approved by Full Council on 25 February 2019 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 £12m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

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

	12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total
	£000	£000	£000	£000
Opening balance 1 April 2019	-	-	**(2,040)**	**(2,040)**
Change in credit loss	-	-	(398)	(398)
Closing balance at 31 March 2020	**-**	**-**	**(2,438)**	**(2,438)**

12 Month ECL includes treasury investments but there is no ECL as the investments are either call accounts or local authority investments which are exempt. Lifetime ECL includes third party loans, but the only loan is £0.93m to Aspiration Homes (£0.01m at 31/3/19) a subsidiary of the Council. Lifetime ECL simplified includes debtor system invoices and other debtor accruals including council house rents.

Council tax and business rates are non financial assets and the provision for bad debts is calculated separately and based on incurred losses.

The table below summarises the credit risk exposures of the Council's investment portfolio at 31 March 2020 by the type of counterparty:

Credit Rating	31 March 2019 £000	31 March 2020 £000
Banks, Building Societies & Corporates		
AAA	-	-
AA	-	-
A	1,679	9,699
Money Market Funds - AAA	1,000	2,500
Local Authorities - unrated	5,524	-
Total	**8,203**	**12,199**

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

Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2019 £000	31 March 2020 £000
Less than one year	16,994	19,917
Between five and ten years	684	1,649
Total	**17,678**	**21,566**

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing;
- rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer-term investments (when applicable) 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):

	Approved Minimum Limit %	Approved Maximum Limit %	31 March 2019 £000	31 March 2020 £000
Less than one year	0%	25%	(7,188)	(11,128)
Between one and two years	0%	40%	(324)	(5,254)
Between two and five years	0%	60%	(13,000)	(10,000)
Between five and ten years	0%	70%	(12,000)	(10,000)
More than ten years	0%	90%	(31,673)	(31,673)
Total			**(64,185)**	**(68,055)**

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 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest rate on variable rate borrowings	-
Increase in interest rate on variable rate investments	122
Total impact on Comprehensive Income and Expenditure	**122**

All borrowings are at fixed rates with no variable rates.

Price risk

The council is not exposed to significant price risk given the nature of its financial assets.

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.

24. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2019 £000		**31 March 2020 £000**
	Financial Assets	
981	Trade Receivables	1,324
7,810	Other Receivables	6,394
8,791	**Total**	**7,718**
	Non Financial Assets	
66	Prepayments	185
2,476	Debtors for Local Taxation	3,537
1,584	Other Receivable Amounts	1,908
4,126	**Total**	**5,630**
12,917	**Total**	**13,348**

Note

Included within Receivables is a provision for losses at 31 March 2020 of £2.438m (£2.040m at 31 March 2019). Included within Debtors for Local Taxation is a provision for losses at 31 March 2020 of £0.419m (£0.330m at 31 March 2019).

The past due but not impaired amount for local taxation (LDC share of council tax and non-domestic rates) arrears at 31 March 2020 was £1.669m of which £0.751m was due in less than one year and £0.918m due after more than one year).

Long-term debtors outstanding as at 31 March are:

31 March 2019 £000		31 March 2020 £000
684	Other Receivable Amounts	1,649
684	**Total**	**1,649**

Note

Long Term Debtors at 31 March 2020 includes £0.716m (£0.674m at 31 March 2019) relating to Council House sales and £933,000 (£0.010m at 31 March 2019) of capital loans to Aspiration Homes.

25. CREDITORS

Short term creditors as at 31 March are:

31 March 2019 £000		31 March 2020 £000
	Financial Liabilities	
(528)	Trade Payables	(65)
(6,660)	Other Payables	(10,808)
(7,188)	**Total**	**(10,873)**
	Non Financial Assets	
(714)	Receipts in Advance	(3,074)
(2,559)	Creditors for Local Taxation	(2,956)
(15)	Other Payables	(53)
(3,288)	**Total**	**(6,083)**
(10,476)	**Total**	**(16,956)**

Other Long term liabilities as at 31 March are:

31 March 2019 £000		31 March 2020 £000
(324)	Lease Liability	(254)
(324)	**Total**	**(254)**

26. PROVISIONS

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

	1 April 2019 £000	Additions £000	Amounts used £000	31 March 2020 £000
Business Rate Appeals	(1,052)	-	458	(594)
Total	**(1,052)**	**-**	**458**	**(594)**

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

27. USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.19. Details of Earmarked Reserves are shown at note 16.

31 March 2019 £000		31 March 2020 £000
(1,728)	General Fund Balance	(2,869)
(7,598)	Earmarked Reserves	(7,261)
(2,661)	HRA Balance	(2,771)
(6,909)	Major Repairs Reserve	(7,959)
(5,685)	Capital Receipts Reserve	(5,236)
(7,541)	Capital Grants & Contributions Unapplied	(6,555)
(32,122)	**Total Usable reserves**	**(32,651)**

Major Repairs Reserve

The authority is required to maintain the major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

2018/19 £000		2019/20 £000
(6,032)	**Balance at 1 April**	**(6,909)**
(5,351)	Posting of HRA resources from revenue to the major repairs reserve	(5,046)
4,474	Use of the major repairs reserve to finance capital expenditure	3,996
(6,909)	**Balance at 31 March**	**(7,959)**

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.

2018/19 £000		2019/20 £000
(5,488)	**Balance at 1 April**	**(5,685)**
(2,708)	Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(1,549)
15	Administrative costs of non-current asset disposals	13
841	Payments to the government housing receipts pool	303
1,655	Use of the capital receipts reserve to finance capital expenditure	1,682
-	Cash payments in relation to deferred capital receipts	-
(5,685)	**Balance at 31 March**	**(5,236)**

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. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2018/19 £000		2019/20 £000
(4,519)	**Balance at 1 April**	**(7,541)**
(4,804)	Grants and contributions received	(2,630)
1,782	Application of capital grants to finance capital expenditure	3,616
(7,541)	**Balance at 31 March**	**(6,555)**

28. UNUSABLE RESERVES

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

31 March 2019 £000		31 March 2020 £000
(748)	Deferred Capital Receipts Reserve	(728)
(483)	Collection Fund Adjustment Account	(945)
(90,506)	Revaluation Reserve	(124,528)
(156,186)	Capital Adjustment Account	(133,425)
11,150	Pension Reserve	14,672
48	Accumulated Absence Account	9
(236,726)	**Total Unusable reserves**	**(244,945)**

Deferred Capital Receipts Reserve

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

2018/19 £000		2019/20 £000
(749)	**Balance at 1 April**	**(748)**
-	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	20
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(749)	**Balance at 31 March**	**(728)**

Collection Fund Adjustment Account

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

2018/19 £000		2019/20 £000
102	**Balance at 1 April**	**(483)**
116	Amount by which council tax debited or credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(137)
(701)	Amount by which non-domestic rate income debited or credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rate income calculated for the year in accordance with statutory requirements	(325)
(585)	**Total**	**(462)**
(483)	**Balance at 31 March**	**(945)**

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.

2018/19 £000		2019/20 £000	2019/20 £000
(69,890)	**Balance at 1 April**		**(90,506)**
-	Transfer from the Capital Adjustment Account		(10,282)
(24,995)	Upward revaluation of assets	(31,464)	
2,506	Downward revaluation of assets	471	
(22,489)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(30,993)**
1,669	Difference between fair value depreciation and historical cost depreciation	2,258	
204	Accumulated gains on assets sold or scrapped	4,995	
1,873	Amount written off to the Capital Adjustment Account		**7,253**
(90,506)	**Balance at 31 March**		**(124,528)**

Note

The 'Transfer from the Capital Adjustment Account' relates to previous revaluation losses credited to Deficit/Surplus on Provision of Services that should have been credited to the Revaluation Reserve.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2018/19 £000		2019/20 £000	2019/20 £000
(161,670)	**Balance at 1 April**		**(160,515)**
-	Restatement (Note 1)		4,329
(161,670)	**Restated Balance at 1 April**		**(156,186)**
-	Transfer to the Revaluation Reserve (Note 2)		10,282
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
8,893	Charges for depreciation and impairment of non-current assets	16,209	
293	Amortisation of intangible assets	361	
2,437	Revenue expenditure funded from capital under statute	3,508	
5,187	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	10,374	
16,840			**30,452**
(1,873)	Adjusting amounts written out of the Revaluation Reserve		(7,253)
14,967	**Net written out amount of the cost of non-current assets consumed in the year**		**23,199**
	Capital financing applied in the year:		
(1,655)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,682)	
(4,474)	Use of the Major Repairs Reserve to finance new capital expenditure	(3,996)	
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	
(1,536)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,616)	
(316)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(293)	
-	Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-	
(2,209)	Capital expenditure charged against the General Fund and HRA balances	(1,217)	
(10,190)			**(10,804)**
707	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		95
-	Movements in the Donated Assets Account debited or credited to the Comprehensive Income and Expenditure Statement		(11)
(156,186)	**Balance at 31 March**		**(133,425)**

Notes

1. Restatement for 2018/19 HRA additions that are written out in the year.
2. The 'Transfer to the Revaluation Reserve' relates to previous revaluation losses credited to Deficit/Surplus on Provision of Services that should have been credited to the Revaluation Reserve.

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 pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £000		2019/20 £000
10,880	**Balance at 1 April**	**11,150**
194	Re-measurement of the net defined benefit liability/(asset)	3,732
735	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	512
(659)	Employer's pensions contributions and direct payments to pensioners payable in the year	(722)
11,150	**Balance at 31 March**	**14,672**

Accumulated Absences Account

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

2018/19 £000		2019/20 £000
24	**Balance at 1 April**	**48**
(24)	Settlement or cancellation of accrual made at the end of the preceding year	(48)
48	Amounts accrued at the end of the current year	9
48	**Balance at 31 March**	**9**

29. POST EMPLOYMENT BENEFITS

29.1 Participation in defined benefit pension plan

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's 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.

29.2 Transactions relating to post-employment benefits

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

2018/19 £000		2019/20 £000
	Service Cost comprising:	
212	Current Service Cost	249
243	Past Service Cost	-
	Financing & Investment Income & Expenditure	
280	Net Interest	263
735	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**512**
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
(3,240)	Return on Assets	6,608
3,493	Changes in financial assumptions	(4,386)
-	Changes in demographic assumptions	(2,265)
(59)	Other experience	3,775
194	**Other Comprehensive Income & Expenditure**	**3,732**
929	**Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement**	**4,244**
	Movement in Reserves Statement	
(735)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(512)
659	Actual amount charged to the General Fund Balance for pensions in the year	722
(76)	**Net adjustment in Movement in Reserves Statement**	**210**

29.3 Pensions Assets and Liabilities recognised in the balance Sheet

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

31 March 2019 £000		31 March 2020 £000
71,895	Fair value of employer assets	64,059
(82,160)	Present value of funded liabilities	(77,949)
(885)	Present value of unfunded liabilities	(782)
(11,150)	**Net liability arising from defined benefit obligation**	**(14,672)**

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

2018/19 £000		2019/20 £000
70,044	**Opening fair value of assets**	**71,895**
1,779	Interest income	1,693
	Re-measurement gain/(loss):	
3,240	Return on plan assets	(6,608)
589	Contributions from employer - Funded	651
70	Contributions from employer - Unfunded	71
42	Contributions from employees into the scheme	43
(3,799)	Benefits paid - Funded	(3,615)
(70)	Benefits paid - Unfunded	(71)
71,895	**Closing fair value of scheme assets**	**64,059**

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

2018/19 £000		2019/20 £000
(80,924)	**Opening balance at 1 April**	**(83,045)**
(212)	Current service costs	(249)
(243)	Past Service costs	-
(2,059)	Interest costs	(1,956)
(42)	Contributions from scheme participants	(43)
	Re-measurement (gains) and losses:	
(3,493)	Changes in financial assumptions	4,386
-	Changes in demographic assumptions	2,265
59	Other experience	(3,775)
3,799	Benefits paid - funded	3,615
70	Benefits paid - unfunded	71
(83,045)	**Closing Balance at 31 March**	**(78,731)**

29.6 Local Government Pension Scheme Assets comprised:

31 March 2019 Quoted prices in active markets	31 March 2019 Quoted prices not in active markets	31 March 2019 Total	31 March 2019 % of Total Assets		31 March 2020 Quoted prices in active markets	31 March 2020 Quoted prices not in active markets	31 March 2020 Total	31 March 2020 % of Total Assets
£000	£000	£000			£000	£000	£000	
				Equity Securities:				
856	-	856	2%	Consumer	-	-	-	-
588	-	588	1%	Manufacturing	-	-	-	-
170	-	170	0%	Energy and utilities	-	-	-	-
802	-	802	1%	Financial Institutions	-	-	-	-
130	-	130	0%	Health and care	-	-	-	-
-	-	-	0%	Information technology	-	-	-	-
140	-	140	0%	Other		-	-	-
2,686	**-**	**2,686**	**4%**	**Sub-total equity**				
				Debt Securities:				
-	1,740	1,740	2%	UK Government	-	-	-	-
-	1,331	1,331	2%	Other	-	565	565	1%
-	**3,071**	**3,071**	**4%**	**Sub-total Debt Securities**	**-**	**565**	**565**	**1%**
				Private equity:				
-	**4,421**	**4,421**	**6%**	All	**-**	**4,223**	**4,223**	**7%**
				Real Estate:				
-	6,734	6,734	9%	UK Property	-	5,880	5,880	9%
-	**6,734**	**6,734**	**9%**	**Sub-total Real Estate**	**-**	**5,880**	**5,880**	**9%**
				Investment Funds & Unit Trusts:				
-	39,687	39,687	55%	Equities	-	21,744	21,744	34%
-	11,831	11,831	17%	Bonds	-	11,010	11,010	17%
-	47	47	0%	Hedge Funds	-	-	-	-
121	-	121	0%	Commodities	-	-	-	-
-	426	426	1%	Infrastructure	-	1,163	1,163	2%
-	14	14	0%	Other	-	18,289	18,289	29%
121	**52,005**	**52,126**	**73%**	**Sub-total Investment Funds & Unit Trusts**	**-**	**52,206**	**52,206**	**82%**
				Derivatives:				
-	(8)	(8)	0%	Foreign Exchange	-	-	-	-
-	**(8)**	**(8)**	**0%**	**Sub-total Derivatives**	**-**	**-**	**-**	**-**
				Cash & Cash Equivalents				
2,867	**(2)**	**2,865**	**4%**	All	**1,083**	**102**	**1,185**	**2%**
5,674	**66,221**	**71,895**	**100%**	**Total**	**1,083**	**62,976**	**64,059**	**100%**

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

29.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019 rolled forward to the Balance Sheet date allowing for different assumptions required by accounting standards.

The principal assumptions used by the actuary have been:

2018/19		**2019/20**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Males	21.6
24.4	Females	23.9
	Longevity at 65 for future pensioners:	
23.8	Males	22.5
26.3	Females	25.3
2.5%	Rate of inflation (CPI)	2.0%
2.9%	Rate of increase in salaries	2.0%
2.5%	Rate of Increase in Pensions	2.0%
2.4%	Rate for discounting scheme liabilities	2.3%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

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

	Approximate % Increase to Employer Liability	**Approximate monetary amount (£000)**
0.5% decrease in Real Discount Rate	7%	5,466
0.5% increase in the Salary Increase Rate	0%	32
0.5% increase in the Pension Increase Rate	7%	5,421

It is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

29.8 Impact on the Council's Cash Flows

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

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 £134,000 expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2019.

	Liability Split as at 31 March 2020 £000	% Liability Split as at 31 March 2020
Active Members	3,062	3.9%
Deferred Members	23,560	30.2%
Pensioner Members	51,327	65.9%
Total	**77,949**	**100.0%**

30. CASH AND CASH EQUIVALENTS

31 March 2019 £000		31 March 2020 £000
2	Cash held by the Authority	1
1,677	Bank Current Accounts	7,698
1,000	Short Term Deposits with Banks	2,500
2,679	**Total**	**10,199**

31. CASH FLOW

The deficit / (surplus) on the provision of services has been adjusted for the following non-cash movements:

2018/19 £000		2019/20 £000
8,067	Depreciation	7,890
826	Impairment and (reversal) of impairment and valuation movements	8,319
293	Amortisation	361
2,289	Increase in creditors	5,912
(4,193)	Increase in Debtors	(17)
-	(Increase) / Decrease in Inventories	-
76	Movement in pension liability	(210)
5,186	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	10,373
575	Other non-cash items charged to the net surplus or deficit on the provision of services	(374)
13,119	**Adjustment for Non-Cash Movements included in the provision of services**	**32,254**

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

£000		£000
1	Proceeds from short and long term investments	-
(2,692)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,516)
(4,558)	Other items for which the cash effects are investing or financing activities	(2,630)
(7,249)	**Adjustment for items that are investing and financing activities**	**(4,146)**

£000	Investing Activities	£000
(12,534)	Purchase of property, plant and equipment, investment property and intangible assets	(8,157)
(116,017)	Purchase of short-term and long-term investments	(98,600)
(18)	Other payments for investing activities	(1,301)
2,693	Proceeds from sales of property, plant and equipment, investment property and intangible assets	1,444
118,233	Proceeds from short and long term investments	102,124
4,645	Other receipts from investing activities	2,957
(2,998)	**Net cash flows from investing activities**	**(1,533)**

£000	Financing Activities	£000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
(234)	Repayment of short and long-term borrowing	-
-	Other payments for financing activities	(543)
(234)	**Net cash flows from financing activities**	**543**

Reconciliation of Liabilities arising from Financing Activities	1 April 2019 £000	Financing Cash Flows £000	Non-Cash Changes £000	31 March 2020 £000
Short Term Borrowings	-	-	(255)	(255)
Long Term Borrowings	(56,673)	-	-	(56,673)
Net cash outflow from financing activities	**(56,673)**	**-**	**(255)**	**(56,928)**

32. CONTINGENT LIABILITIES

Wave Leisure

The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Trust Limited, the charitable company established to operate the Council’s indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. At 31 March 2020 the pension liability of Wave Leisure Ltd is £729,000 (£1,985,000 at 31 March 2019). The council has also given a guarantee in respect of leases which Wave Leisure entered into during 2018/19, as disclosed in Note 12.6.

33. POST BALANCE SHEET EVENT

Key Considerations in relation to COVID-19

In March 2020, the UK was placed in lock-down in an unprecedented step to limit the spread of the Coronavirus which was sweeping Europe. Many businesses were closed, and the Government provided initial financial support in the order of £123 billion in loans, grants, and business rates relief. In April 2020, the Budget Deficit increased by £62 billion to part fund these initiatives, amid warnings from the Bank of England of the worst recession since the 18th Century.

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

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 and this will continue into 2021/22. The Council is forecasting additional costs in 2020/21 in the region of £6.1m (a mid-case scenario in terms of the length of lockdown and restrictions) including homelessness prevention, unachieved savings, redeployment costs, support for the Leisure services, additional PPE, community grants and cleaning costs.

The Council’s income streams have been affected, with projected losses in the region of £3.6m including car parking, rental income, planning income and license fees. The Government has provided support to local authorities through £4.6bn, new burdens funding, and income compensation support (75p compensation in every 95p of income loss from fees and charges).

The financial impact of COVID-19 continue to be difficult to predict, income streams have been reviewed and revised where appropriate. Conversely, if businesses and households continue to experience lower incomes then lower Council Tax, Business Rates and other income to the Council will remain below those anticipated in the Budget. These longer-term risks emphasise the importance of additional government financial support to local authorities as a consequence of the pandemic and the extra vital work we are carrying out in supporting vulnerable households and local businesses. These matters will be monitored closely and modelled with regular updates to members.

HOUSING REVENUE ACCOUNT (HRA)

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.

HRA INCOME AND EXPENDITURE STATEMENT

2018/19 Restated £000		**2019/20 £000**
	Income	
(14,609)	Dwelling Rents	(14,195)
(431)	Non-Dwelling Rents	(409)
(1,234)	Charges for Services and Facilities	(1,108)
(218)	Contributions Towards Expenditure	(199)
(16,492)	**Total Income**	**(15,911)**
	Expenditure	
3,921	Repairs and Maintenance	3,868
2,718	Supervision and Management	3,465
905	Special Services	949
145	Rents, rates, taxes and other charges	123
5,351	Depreciation, Amortisation and Impairment of Non Current Assets	6,869
157	Movement in the allowance for bad debts	120
13,197	**Total Expenditure**	**15,394**
(3,295)	**Net Expenditure or HRA Services as included in the whole authority Income and Expenditure Statement**	**(517)**
448	HRA services share of Corporate and Democratic Core	396
(2,847)	**Net Expenditure for HRA Services**	**(121)**
3,587	(Gain)/loss on sale of HRA assets	3,387
1,884	Interest Payable and Similar Charges	1,928
(40)	Interest and Investment Income	(72)
-	Capital Grants and Contributions Received	(166)
2,584	**Deficit for the Year**	**4,956**

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Note

Council Dwelling disposals have been restated by £4.328m, increasing the loss on sale of HRA assets to £3.587m as explained in Note 1.

MOVEMENT ON THE HRA STATEMENT

2018/19 Restated £000		2019/20 £000	£000
(1,940)	**HRA opening balance**		**(2,661)**
2,584	**Deficit on HRA Income and Expenditure Statement**	**4,956**	
	Adjustments between accounting and funding basis:		
(5,144)	Loss / (Gain) on disposal of non-current assets	(4,901)	
1,558	Transfer from Capital Receipts Reserve	1,536	
281	Capital expenditure funded by the HRA	-	
-	Capital grants and contributions	166	
-	Deferred Capital Receipts Reserve	(20)	
(5,351)	Transfer from Capital Adjustment Account	(6,869)	
5,351	Transfer to Major Repairs Reserve	5,046	
(3,305)			**(5,042)**
-	Transfers (to)/from earmarked reserves		(24)
(721)	**Increase in the year**		**(110)**
(2,661)	**HRA closing balance**		**(2,771)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2019		31 March 2020
	Houses and Bungalows	
212	- one bedroom	223
638	- two bedrooms	637
866	- three bedrooms	860
72	- four or more bedrooms	72
1,788	**Total Houses and Bungalows**	**1,792**
	Flats	
694	- one bedroom	689
536	- two bedrooms	533
52	- three or more bedrooms	52
133	- bed-sits	133
1,415	**Total Flats**	**1,407**
3,203	**All Dwellings**	**3,199**

In addition the Council has shared ownership arrangements covering 4.89 full property equivalents (4.89 at 31 March 2019).

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

	31 March 2019 Restated £000	31 March 2020 £000
Council Dwellings	231,960	242,537
Other Land & Buildings	11,745	5,228
Other Assets	5,489	5,062
Total	**249,194**	**252,827**

Council Dwellings have been restated by £4.328m as explained in Note 1.

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilks, Head & Eve at 31 March 2020. The private open market value of the housing stock at 31 March 2020 was £721m. However, the stock has to be valued using an Existing Use Value – Social Housing methodology. The 2019/20 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value. The 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

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

2018/19 £000		2019/20 £000
(6,032)	**Balance as at 1 April**	**(6,909)**
4,474	Financing of Capital Expenditure	3,996
(5,351)	Depreciation	(5,046)
(6,909)	**Balance as at 31 March**	**(7,959)**

4. CAPITAL EXPENDITURE AND FINANCING

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

2018/19 £000		2019/20 £000
5,769	**Total Capital Expenditure**	**6,672**
	Funding:	
634	Borrowing	1,548
379	Capital Receipts	1,126
4,474	Major Repairs Reserve	3,996
282	Revenue	2
5,769	**Total Funding**	**6,672**

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2018/19 £000		2019/20 £000
1,558	Right to Buy Sales	1,534
15	Other Sales	15
1,573	**Total Receipts**	**1,549**

6. **DEPRECIATION**

2018/19 £000		2019/20 £000
4,583	Dwellings	4,331
315	Other Land and Buildings	328
453	Other Assets	387
5,351	**Total Depreciation**	**5,046**

7. **REVALUATION OF HRA STOCK**

A full revaluation of the HRA stock was undertaken at 31 March 2020, by Wilks, Head & Eve, a member of the Chartered Surveyors and Town Planners. The stock was previously valued in 2015 by the Valuation Office Agency. Between those dates, annual market reviews and uplifts have been carried out by Wilks, Head & Eve.

8. **RENT ARREARS**

Rent arrears at 31 March 2020 amounted to £833,884 (£1,213,786 at 31 March 2019) and include former tenants' arrears. During 2019/20, former tenant arrears of £15,087 were written off (£12,003 in 2018/19). The Council has an impairment allowance for doubtful debts of £829,208 at 31 March 2020 (£695,486 at 31 March 2019).

COLLECTION FUND REVENUE ACCOUNT

2018/19 Total £000		2019/20 Business Rates £000	2019/20 Council Tax £000	2019/20 Total £000
	Income			
72,365	Income collectable from Council Tax	-	75,932	75,932
25,277	Income collectable from Non-Domestic Rates	25,469	-	25,469
546	Transitional Relief	326	-	326
	Contribution towards previous year's Collection Fund Deficit			
390	Central Government	-	-	-
70	East Sussex County Council	-	-	-
312	Lewes District Council	-	-	-
8	East Sussex Fire Authority	-	-	-
98,968	**Total Fund Income**	**25,795**	**75,932**	**101,727**
	Expenditure			
	Precepts, Demands and Shares			
12,107	Central Government	6,214	-	6,214
53,771	East Sussex County Council	6,462	52,743	59,205
20,583	Lewes District Council	10,936	11,247	22,183
6,144	Sussex Police and Crime Commissioner	-	6,981	6,981
3,612	East Sussex Fire Authority	1,243	3,444	4,687
96,217		**24,855**	**74,415**	**99,270**
342	Rates retained in respect of Newhaven Enterprise Zone	325	-	325
135	Business Rates Costs of Collection	138	-	138
	Charges to Collection Fund			
(329)	Allowance for Appeals	(1,280)	-	(1,280)
122	Write-offs of uncollectable amounts	118	92	210
336	Allowance for impairment of doubtful debts	65	130	195
606		**(634)**	**222**	**(412)**
	Apportionment of previous year's Collection Fund Surplus			
-	Central Government	112	-	112
599	East Sussex County Council	20	280	300
130	Lewes District Council	90	59	149
70	Sussex Police and Crime Commissioner	-	34	34
40	East Sussex Fire Authority	2	18	20
839		**224**	**391**	**615**
97,662	**Total Fund Expenditure**	**24,445**	**75,028**	**99,473**
(1,306)	**Movement on Fund Balance**	**(1,350)**	**(904)**	**(2,254)**
	COLLECTION FUND BALANCE			
1,167	**Balance at 1st April**	(105)	(33)	(138)
(1,306)	(Surplus)/Deficit for the year	(1,350)	(904)	(2,254)
(139)	**Balance as at 31st March**	**(1,455)**	**(937)**	**(2,392)**

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:	**2019/20**
	£000
Gross amount of Council Tax	**83,299**
Less:	
Council Tax Support Scheme	(6,487)
Discounts	(239)
Exemptions	(270)
Disabled Relief	(463)
Net Yield from Council Tax	**75,840**

Council Tax Base

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

Band	Chargeable Dwellings	Estimate Taxable Properties	Ratio to Band D	Band D Equivalent Properties	Yield £000
A Disregarded	5	4	5/9	2	4
A	4,265	2,435	6/9	1,623	3,286
B	5,980	4,155	7/9	3,231	6,541
C	13,229	10,712	8/9	9,522	19,276
D	9,548	8,401	9/9	8,402	17,007
E	5,710	5,229	11/9	6,391	12,937
F	3,012	2,897	13/9	4,184	8,470
G	2,293	2,195	15/9	3,658	7,405
H	209	201	18/9	402	814
	44,251	**36,229**		**37,415**	**75,740**
Less: average 1.75% reduction to allow for collection losses				(655)	(1,325)
Council Tax Base				**36,760**	**74,415**

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	36,760.41
Band D Council Tax 2019/20 (Budget report)	B	£2,024.32
Theoretical gross yield	A x B	£74,414,824
Actual gross yield (as above)	C	£75,839,417
Theoretical gross yield - actual gross yield	(A x B) – C	(£1,424,593)

2. INCOME FROM BUSINESS RATE PAYERS

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

		2018/19	**2019/20**
Total non-domestic rateable value	**£m**	71.7	71.8
Multiplier	**pence**	49.3	50.4
Multiplier (Small businesses)	**pence**	48.8	49.1
Product	**£m**	25.3	25.5

The gross yield before adjustments represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements. The business rates share payable in 2019/20 was estimated before the start of the financial year as £24.9m. These sums have been paid into 2019/20 and charged to the collection fund in year. The council's share is £10.9m.

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 surplus	Total
	£000	£000	£000	£000	£000	£000
Lewes District Council	7,519	59	7,578	10,936	90	11,026
Lewes District Town and Parish Councils	3,728	-	3,728	-	-	-
Central Government	-	-	-	6,214	112	6,326
East Sussex County Council	52,743	280	53,023	6,462	20	6,482
Sussex Police and Crime Commissioner	6,981	34	7,015	-	-	-
East Sussex Fire Authority	3,444	18	3,462	1,243	2	1,245
Total	**74,415**	**391**	**74,806**	**24,855**	**224**	**25,079**

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

	2018/19 £000	2019/20 £000
Actual Business Rate income due	11,570	13,603
Tariff payment	(7,508)	(8,668)
	4,062	**4,935**
Baseline Funding	(2,157)	(2,207)
Amount above (below) baseline	**1,905**	**2,728**

4. COLLECTION FUND BALANCE

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

	COUNCIL TAX		BUSINESS RATES	
	31 March 19 £000	31 March 20 £000	31 March 19 £000	31 March 20 £000
Lewes District Council	(5)	(143)	(42)	(640)
Central Government	-	-	(53)	(364)
East Sussex County Council	(27)	(663)	(9)	(378)
Sussex Police and Crime Commissioner	-	(88)	-	-
East Sussex Fire Authority	(1)	(43)	(1)	(73)
(Surplus) / Deficit	**(33)**	**(937)**	**(105)**	**(1,455)**

The preceptors' share of the surplus on the Collection Fund is shown in the Council's balance sheet as part of the creditor's figures. The 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 Statue.

Capital Adjustment Account
The Capital adjustments account records the resources set aside to finance Capital expenditure and offset 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
These are 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 it 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 Assets
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 Lewes are East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority.

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
The Government body which provides loans to local authorities.

Reserves
An accumulated surplus of income in excess of expenditure. this can be used to finance future spending, which 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 received 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.

Annual Governance Statement

Scope of responsibility

Lewes District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

Lewes District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website (www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance)

This statement explains how the council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

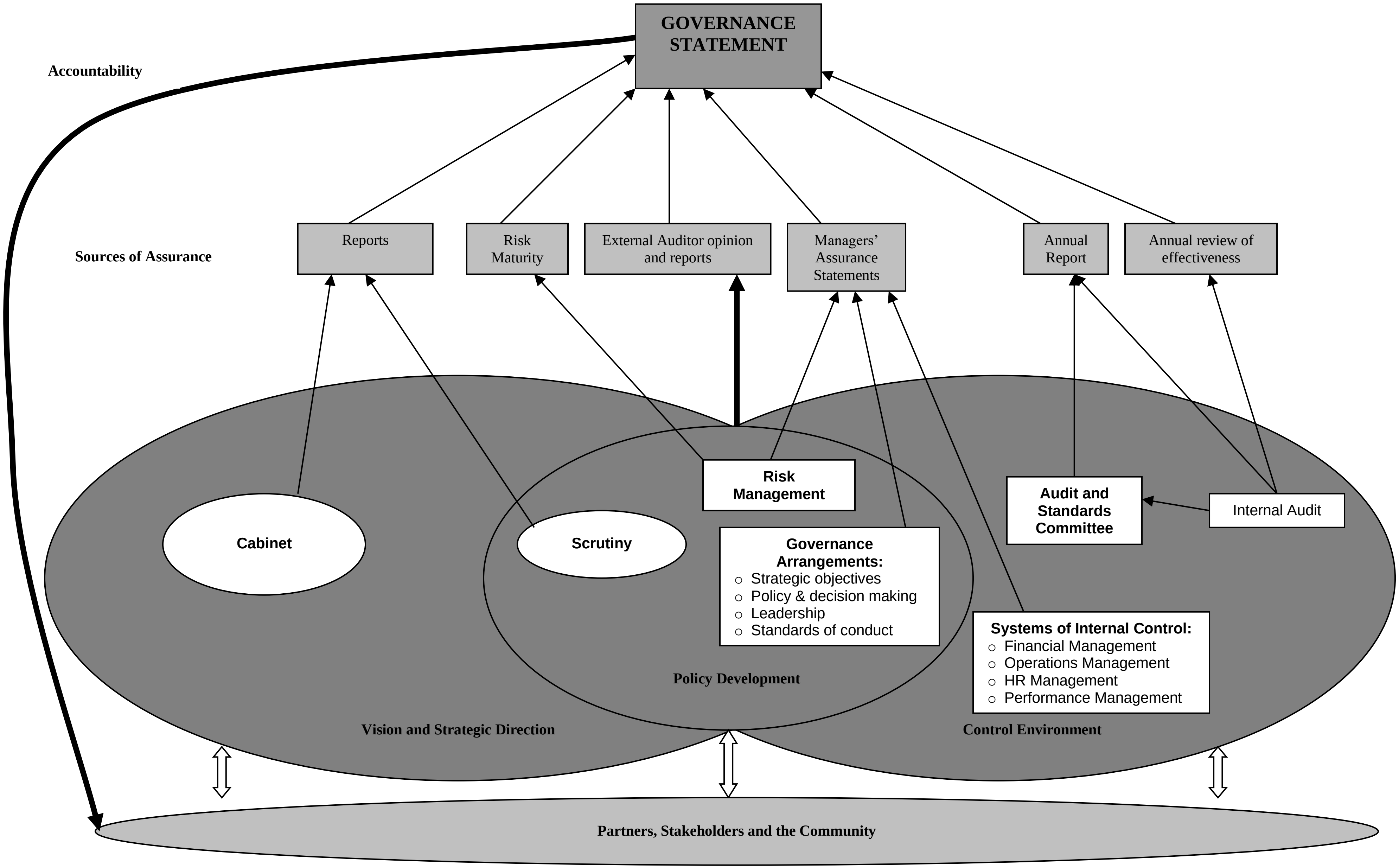
The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at the council for the year ended 31 March 2020 and up to the date of approval of the Annual Accounts.

THE GOVERNANCE FRAMEWORK



THE GOVERNANCE FRAMEWORK

The diagram of the governance framework at Lewes District Council demonstrates how the information concerning the needs, requirements and views of partners, stakeholders and the community are used in decision making processes across the authority and eventually feeds into the Annual Governance Statement as part of our accountability to the community.

Key elements of the systems and processes that comprise the authority's governance arrangements are described below.

A meeting of the Full Council approved the new Corporate Plan for 2016-20 in February 2016. A new plan for 2020-24 was approved by Full Council on 24th February 2020. The Corporate Plan is considered to be a dynamic document and therefore subject to annual review and refresh. The plan sets out the goals and ambitions for the next four years.

The Constitution is the fundamental basis of the council's governance arrangements. The Constitution sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. Some of the content of the constitution is required by law and other content is for the council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the council including Council, Cabinet and committees (see "The Modernised Political Structure – How It Works" diagram). It also contains a Scheme of Delegation which allows officers to take decisions on behalf of the council. The responsibilities of each officer are clearly documented.

Standards of behaviour and conduct of Members and staff are laid down in relevant sections of the constitution. Other relevant policies include the Anti-Fraud and Corruption Policy (containing sections on Whistleblowing and the Bribery Act), disciplinary and grievance procedures and the Dignity at Work Policy. The Monitoring Officer and the Standards Panel have responsibility for considering complaints against Members. All policies and guidance are available to staff and Members on the council's intranet.

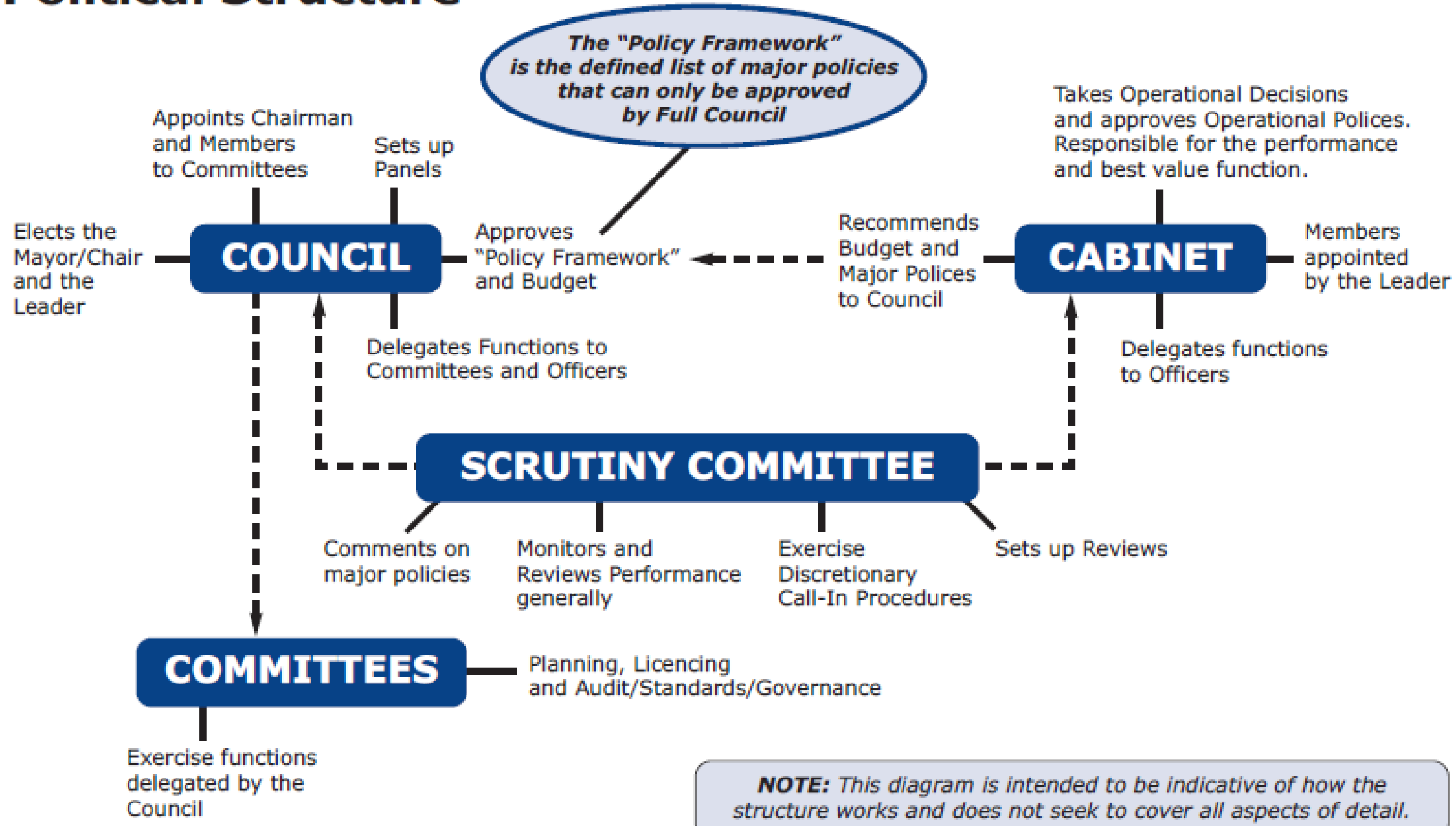
All aspects of the decision making framework, including schemes of delegation, are contained in detail in the council's constitution and summarised in the articles of the constitution. The content of this document is specifically ratified each year by the annual meeting of the Council. Any proposed changes to the council's constitutional rules and delegations can be considered at any time, drafted, and put to the next available Council meeting for decision. Different elements of the constitution are owned by the Monitoring Officer and the Section 151 Officer as relevant. The Constitution is published in full on the council's website.

The council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. The Strategic Risk Register is reviewed by the Corporate Management team quarterly.

The terms of reference for the Audit and Standards Committee include the requirement to review the effectiveness of the council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

How it Works...

The Modernised Political Structure



NOTE: *This diagram is intended to be indicative of how the structure works and does not seek to cover all aspects of detail.*

The council holds an Anti-Fraud and Corruption Policy which contains sections on Whistleblowing, Anti Money Laundering and the Bribery Act. The council has a Counter Fraud team which proactively seeks out cases of fraud across all areas of the authority. The council also participates in the biennial National Fraud Initiative programme which seeks to identify fraud by matching data with other authorities and agencies. An overview of these areas is set out in the terms of reference for the Audit and Standards Committee.

The Chief Finance Officer and s.151 Officer role is a member of the council's Corporate Management Team. In this position the Chief Finance Officer and s.151 Officer has input into developing and implementing strategies and advising on financial resources. The Chief Finance Officer and s.151 Officer is responsible for developing the authority's financial strategies and will consider business decisions in line with these. The Chief Finance Officer and s.151 Officer manages the Finance and Internal Audit teams and is a suitably qualified accountant. The council therefore conforms with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The council holds Financial Procedure Rules and monthly budget monitoring meetings are held by Finance staff with managers responsible for budgets. Financial performance is reported regularly to Members.

The Chief Internal Auditor proposes a risk-based audit plan for the year which is discussed with, and agreed by, the Corporate Management Team and the Audit and Standards Committee. It is ensured that the scope of the plan is sufficient to allow the Chief Internal Auditor to be able to use the evidence gained during the year to base the opinion of the control environment upon at the end of the year. Each audit review carried out during the year is given an assurance rating based on the risks and controls in operation in that area. Each of these is taken into consideration when the annual report of the work of Internal Audit is written and feeds into the overall opinion of the control environment operating at the authority.

The Chief Internal Auditor undertakes an annual review of the Internal Audit function which assesses the function against the Public Sector Internal Audit Standards. The results of this self-assessment and any non-conformity with the standards is reported to the Audit and Standards Committee.

The role of Monitoring Officer sits with the post of Assistant Director of Legal and Democratic Service. As monitoring officer, the post has appropriate autonomy and/or a direct reporting line to the Chief Executive. The function is also supported by a designated deputy and a network of officers trained in investigative procedures. Reporting line to members is to a specifically constituted Standards Sub Committee which in turn reports to the council's Audit and Standards Committee.

The council has established an Audit and Standards Committee. The committee generally conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". Its terms of reference include:

- To receive reports on and to monitor the operation of the council's constitution;
- Have an overview on the council's whistleblowing policy;
- Deal with audit or ethical standards issues which may arise;
- Carry out independent scrutiny and examination of the council's processes, procedures and practices with a view to providing governance arrangements and risk and financial management;
- Meet the requirements of the Audit and Account Regulations Act 2015;

- Consider reports from the external auditors;
- To make recommendations to Council, the Cabinet or Scrutiny as appropriate with a view to improving the effectiveness, accountability and transparency of the decision making process and the council's governance arrangements;
- Promoting and maintaining high standards of conduct within the council and monitoring the operations of the council's codes of conduct and registers of interest.

The council holds a Whistleblowing Policy which forms part of the Anti-Fraud and Corruption Policy. This clearly sets out how concerns raised should be handled, recorded and reported. The authority also has a Comments, Compliments and Complaints procedure. The public may contact the council with a complaint via telephone, email, letter or online. A page on the website clearly explains the process. Complaints are managed and monitored using performance management software. Similarly the public can make complaints about Councillors. Information on how to do so can also be found on the website. These complaints are handled by the Monitoring Officer.

When there is a change of administration or a raft of new Councillors then a general induction programme is organised. Annually the leaders of the parties will discuss with members any specific training or development needs. Human Resources will then put together a programme of training events for Members to attend. There are also statutory updates. Senior officers have annual appraisals at which any training and development needs are identified. Some of this may be necessary CPD (continuing professional development) required for professional memberships.

Annual bespoke consultation is designed each year alongside the Corporate Plan, budget and service planning processes jointly owned by senior management and Scrutiny. This consultation uses a variety of methods including social media, online surveys, presentations to groups and open public sessions to test the proposed priority projects in the annual refresh of the Corporate Plan.

REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

Internal Audit and Counter Fraud

The council's Internal Audit section is an independent assurance function that reports on the adequacy of the whole system of internal control across the authority.

From July 2017 this service has been provided by a shared service between Eastbourne Borough Council and Lewes District Council.

The Chief Internal Auditor carries out an annual self-assessment of the Audit function and states that the section generally conforms with the Public Sector Internal Audit Standards (PSIAS). During the financial year 2016-17 an external peer review has been carried out and this also concluded that the work of the section generally conforms with the standards. This was reported to the Audit and Standards Committee.

Quarterly and annual reports on the work carried out by the Internal Audit function are considered by both the Corporate Management Team and the Audit and Standards Committee. The “audit opinion” of the control environment, including IT governance, given in the annual report feeds into the Annual Governance Statement.

The opinion of the Chief Internal Auditor, as noted in the annual report on the work of Audit, was that the internal controls in processes and IT systems across the authority were generally found to be sound. This must be caveated by noting that it has not been possible to carry out a full annual review of IT as the team has been too busy carrying out Covid related work. However ay light touch review, which did not include testing, was undertaken. Full testing will be carried out at the next annual review. During the year Internal Audit also noted that it appears that data/documents are being retained beyond the time limits as set down in the Retention and Disposal Schedule.

The council has a strong counter fraud culture that is supported by Councillors and officers. The Counter Fraud team works closely with officers in other departments to prevent, detect and investigate fraud, particularly in the areas of housing tenancy fraud, Council Tax fraud and Right to Buy fraud. The outcome of this work helps to inform the opinion of the control environment. The council works closely with the national Single Fraud Investigation Service (SFIS) in the Department of Work and Pensions to ensure an effective response to cases of Housing Benefit fraud.

The Strategic Risk Register has been adopted by the Audit and Standards Committee. The register is reviewed quarterly by the Chief Internal Auditor and the Corporate Management Team and any changes are reported to the Audit and Standards Committee.

Managing the Risk of Fraud and Corruption

The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority’s counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

Corporate Management Team

The roles of this team are to provide strategic management and planning, oversee priority and budget setting, service planning and performance management. The team provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, develops relationships with key stakeholders.

Individual members of the team are responsible for the performance of their relevant department/service area, progress of their relevant portfolio themes and liaison with portfolio holding members.

The Corporate Management Team gives consideration to the Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.

Consideration was given by the Corporate Management Team to any significant non-delivery of strategic objectives, potential exposure to loss through fraud, corruption or error and litigation through non-compliance. No instances were identified as significant governance issues.

Audit and Standards Committee

The Audit and Standards Committee is responsible, amongst other things, to carry out independent scrutiny and examination of the council's financial and non-financial processes, procedures and practices to the extent that they affect the council's control environment and exposure to risk. This is with a view to providing assurance on the adequacy and effectiveness of internal controls, risk, financial and performance management, fraud detection and prevention and the work of Internal Audit.

The Audit and Standards Committee reviews reports submitted by the Chief Internal Auditor including the Annual Governance Statement, Internal Audit provision, all internal audits and the Strategic Risk Register. It also considers the annual financial statements including the Annual Governance Statement in July.

Scrutiny Committee

The Scrutiny Committee meets to review the delivery of services as a result of previous council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Scrutiny Committee reviews the delivery of services and performance and supports the work of the Cabinet and the Council as a whole. It allows Councillors outside the Cabinet and members of the public to have a greater say in council matters by investigating issues of local concern. It also acts as the council's Crime and Disorder Committee to look at the formulation and implementation of the Crime and Disorder strategies.

Cabinet

The Cabinet appoints the Leader who appoints members of the Cabinet. The Cabinet meets seven times in the municipal year. Each member of the Cabinet has a portfolio for which they are responsible.

Cabinet can consider the External Auditor's Annual Audit and Inspection Letter and other commissioned reports. It also sponsors and recommends the adoption of the accounts.

External Reviews

The external auditor's Annual Audit Letter and other commissioned audit reports are presented to, and considered by, the Audit and Standards Committee.

Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection, which impact on the governance framework are taken into consideration when preparing the Annual Governance Statement.

In December 2019 the Investigatory Powers Commissioner's Office carried out an inspection of the governance arrangements for covert surveillance activity. No major areas of non-compliance were identified but it was recommended that covert surveillance policies be expanded to encompass powers to use a Covert Human Intelligence Source (CHIS) and to acquire communications data.

In October 2019 a consultant from Zurich (Insurance Group) conducted a review of the council's risk management framework. The priority areas in need of improvement included:

- align risk strategy framework across both councils and relaunch
- run CMT and Member risk awareness sessions
- raise profile of risk management generally across the authorities
- more proactive risk identification and horizon scanning through all levels
- clearer understanding of acceptable risk appetite.

Work to address these areas began but was postponed owing to the Covid-19 lockdown. These actions will be addressed in the financial year 2020-21.

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

A review of the returned Managers' Assurance Statements revealed three main topics which were repeated across several statements. These were document retention; the demand on, and capacity of the Finance team; issues around the Scheme of Delegation, and the effects of the response to Covid-19. As the lockdown response to Covid-19 only came into effect on 23rd March 2020 this did not have much effect on the financial year 2019-20. However, the implications were recognised at the time and have been evaluated further since. This is discussed further below.

Taking into account the responses from the Managers' Assurance Statements and the awareness of issues across the authority that the Internal Audit Team are aware of, the following items were discussed by CMT to consider whether they should be noted as significant governance issues or just noted in the body of the Annual Governance Statement.

Document retention	this issue was raised in several statements. The work of Internal Audit throughout the year also noted issues with retention of

documents. Corporate Management Team considered this and acknowledged that there is an issue both in the culture of the authority and a more technical issue of how to destroy old records. However a project group has been set up to look at document retention and disposal and through this project the council is addressing the issue of document retention in the following areas:

- Documents saved in personal/team folders.
- Documents saved in IT systems (eg. Cx housing management system).
- Documents saved in emails.
- Physical, paper documents stored in council buildings.

The project is one that has been able to progress during the Covid-19 pandemic and the project team will be presenting an update to the project board in August 2020. The cultural/ways of working aspect to document retention is being considered by the project and proposals for how this can be managed will also be considered by the project board.

Finance team	concerns over the demand on Finance outweighing the capacity of the team were also raised, with some Heads of Service feeling that there was no clear, direct access to an Accountant. This was discussed by the Corporate Management Team and it was agreed that this was an issue but that it was not considered to be a significant governance issue and therefore should just be mentioned in the body of the Annual Governance Statement.
Housing software	Last year issues around the new housing software were raised by several respondents and it was agreed that this did constitute a significant governance issue and was reported as such. During the financial year much work has been undertaken to improve the system and the relationship with the provider. A new contract has been agreed and, with this, an improvement plan put in place that runs until September. However the Corporate Management Team agreed that until all the issue have been addressed this should remain as a significant governance issue and it is shown in the Annual Governance Statement as such.

Covid-19 Pandemic

When lockdown began at the end of March 2020 the council had to act swiftly to be able to continue to provide the statutory services to the public whilst closing the contact centre and having the majority of staff change to working from home. Significant pieces of work were undertaken to ensure staff were set up to work from home as soon as possible, to ensure that as many services as possible were available on-line and to set up staff and members to be able to have virtual meetings through software. The response has given assurance that the council can cope with rapid and substantial changes within a short period of time.

Initially priorities changed to dealing with the immediate responses. These included dealing with increased benefit claims, handling and distributing government grants, welfare calls to tenants and provision of food parcels. Key functions and systems have been maintained partially aided by redeployment of staff.

Currently it appears that central government will not cover the full cost of the pandemic to the council. Loss of income from Tourism and Events is unlikely to be considered at all by government. The council is in discussion with government to arrange for reasonable costs to be covered.

The loss of income from Business Rates and Tourism and Events in particular, but also from other areas of income, e.g. commercial rents and land charges, will clearly have a significant impact on the finances of the council and its ability to complete projects in the medium and longer term.

The Coronavirus Act (2020) allows authorities to conduct meetings and take decisions in ways other than face to face. The council reviewed committee meetings and initially held those where decisions needed to be made and postponing others. Virtual meeting were gradually implemented to enable committee meetings to be held.

The council has been hugely impacted by the response to the Covid-19 pandemic. The risks around this will affect the council in 2020-21 and these will be reviewed in more details in the Annual Governance Statement for that year.

SIGNIFICANT GOVERNANCE ISSUES 2019/2020

NB – the following issue was noted in the Annual Governance Statement last year. It is still considered outstanding so it is shown again as a significant governance issue for 2019/20. The issue and the action have been updated to reflect progress changes within the financial year.

Area	Issue	Action
Housing software	A new housing system was implemented in December 2018 which has not met the outcomes expected. These outcomes were critical in delivering greater efficiencies and improved financial reporting. There have been ongoing issues with Transformation and ICT staff resources being diverted to identify and rectify/mitigate issues. There have been ongoing issues requiring additional Finance officers to be allocated to support housing system in order to resolve reporting problems. Knock on effects mean that the statutory deadline for completion of the annual accounts was missed.	The issues have been monitored and mitigating actions which were put in place previously had to be reassessed and additional steps were taken. A conversation is ongoing with the supplier to rectify the issues. A new contract has been negotiated and an action plan agreed which will be monitored. A post implementation review which was expected to be carried out in 2019/20 will now be carried out by Internal Audit later in 2020/2021.

Lewes District Council

Addendum to 2018-19 and 2019-20 Annual Governance Statement

Companies

The council is also expected to report on separate bodies set up by the council and to give a full picture of the relationship with those bodies. The following table gives the details of these bodies and, where appropriate, it includes a link to where information can be found in respect of information such as reports and accounts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Aspiration Homes LLP (Limited Liability Partnership)	Incorporated on 30 June 2017. To ensure the councils have the overall capacity to maximise housing investment and funding opportunities. To act as the asset holding vehicle for affordable housing properties that cannot, for financial accounting or other reasons be held in EBC or LDC respective Housing Revenue Accounts.	Limited Liability Partnership LDC and EBC Company number: OC41800	Governed by LLP Agreement and an Executive Committee of 6 - made up of 2 elected members from each authority.	**Eastbourne Borough Council** Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50% **Lewes District Council** Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50%	Aspiration Homes will act as the asset holding vehicle for affordable housing properties developed through the EHICL and LHICL commercial development programmes. Support has included a £10 million loan to be funded from borrowing by LDC to Aspiration Homes LLP. www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities
Lewes Housing Investment Company Ltd (LHICL) (4 July 2017)	Company Active To undertake more commercial development, place shaping activities and hold associated respective assets, in a way which meets legal and regulatory requirements and ensures that the council has distinct control over such assets.	Company LDC only Company number: 10848011	Governed by Articles of Association and a Board of 5 directors made up of senior staff and Elected Members from Lewes District Council.	Wholly owned by Lewes District Council	To enable the council to undertake non HRA development and use associated forms of tenancies www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities