Lewes District Council

Draft Statement of Accounts

(unaudited)

2020/21

Lewes District Council

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NARRATIVE REPORT BY CHIEF FINANCE OFFICER

1. 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 2020/21;
- 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 2021 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 2020/21
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2. ABOUT LEWES DISTRICT COUNCIL

2.1. 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 District Council (the Council) is a large landlord, letting around 3,200 houses and flats to tenants.

2.2. THE COMMUNITY

Lewes District 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.

2.3. THE ECONOMY

Lewes District benefits from an entrepreneurial economy with self-employment being a significant feature of the district, representing 13.9% of the economically active population. By industry, 14.6% are employed in wholesale and retail trade with the next highest categories being health & social work activities at 13.8% and education 11.8%. Micro-businesses (between 1 and 9 employees) account for 86.5% of all local businesses.

Unemployment in 2021 is estimated at 5.6% of the working age population which is slightly higher than the South East estimate of 5.3%. Average full-time weekly earnings are £602, higher than the East Sussex average of £554.

The outbreak of COVID-19 and the subsequent lockdowns will have impacted on the local economy. Small businesses and the self-employed felt the impact of this and unemployment is expected to increase as a result of COVID-19.

3. HOW THE COUNCIL OPERATES (GOVERNANCE)

The 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. The next election is in May 2021.

At 31 March 2021, 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 Full Council. Meetings of the Full Council are normally open to the public. Here councillors decide the Council's overall policies and set the budget each year. The Full 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 Full Council considers recommendations made to it by the Cabinet and the Scrutiny Committee (with effect from May 2020, the Scrutiny Committee was replaced by the Policy and Performance Advisory 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 2021, the Cabinet members and their Portfolio were:

Councillor James MacCleary	Leader of the Council and Regeneration and Prosperity
Councillor Zoe Nicholson	Deputy Leader and Finance
Councillor Emily O'Brien	Planning and Infrastructure
Councillor Julie Carr	Recycling, Waste and Open Spaces
Councillor Matthew Bird	Sustainability
Councillor William Meyer	Housing
Councillor Johnny Denis	Communities and Customers
Councillor Ruth O'Keeffe	Tourism and Devolution
Councillor Chris Collier	Performance and People

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 Policy and Performance Advisory Committee is in place to ensure that the Full 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 main opposition group chairs 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 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) – *left employment in October 2020*
Oliver Dixon	Interim Head of Legal Services (Statutory Monitoring Officer) - *from October 2020*
Becky Cooke	Assistant Director of Human Resources and Transformation
Peter Finnis	Assistant Director of Corporate Governance – *left employment in October 2020*

The Full 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 a balanced budget.

The 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 largely concluded.

The JTP has delivered considerable changes in technology that has enabled the scale of transformation needed by the two 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 Governance Committee on 26 July 2021 and is available on the Council's website www.lewes-eastbourne.gov.uk

4. CORPORATE RISK

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

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

Risk 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.	<u>Reduces Likelihood</u> 1. Create inclusive governance structures which rely on sound evidence for decision making. <u>Reduces Impact</u> 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. 3. COVID-19 has had a serious impact on the Council's finances.	<u>Reduces Impact</u> 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. <u>Reduces Likelihood</u> 3. The Council is currently in ongoing discussions with the Ministry of Housing, Communities and Local Government around financial support to cover costs related to expenditure on response to the COVID-19 pandemic.
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.	<u>Reduces Impact</u> 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.	<u>Reduces Likelihood</u> 1. Changes undertaken to increase non-financial attractiveness of the Council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. <u>Reduces Likelihood and Impact</u> 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.	<u>Reduces Likelihood</u> 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 regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties	Reduces Likelihood 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation. 6. All managers are required to abide by the Council's procurement rules. 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.	Reduces Likelihood 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	Reduces Likelihood 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.

	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.	4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions. 5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements. 6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. <u>Reduces Impact</u> 8. Incident management procedures to mitigate loss or breach of data are in place.

5. SUMMARY OF ACHIEVEMENTS

In the 2020/21 financial year, the following key successes were delivered:

- Delivered £42 million of Covid Business grants and rate relief to business across Lewes District
- Revised council tax reduction scheme to provide more support for those on low incomes or incurring financial hardship
- Biodiversity strategy launched
- Planted new trees and hedgerow as part of Sussex Flow in the River Ouse area
- Began planning of a new green burial and bereavement facility in the district
- Ongoing delivery of the Local Enterprise & Apprenticeship Platform (LEAP) to provide local skills needed to start and grow a business locally and provide advice to existing businesses
- Supported Wave Leisure to carry on delivering during the pandemic and ensuring we have excellent quality leisure services in the future
- Helped enable the re-opening of Newhaven Fort
- Increased housing provision at Old Hamsey Lakes, South Chailey and Palmerston, Newhaven by 23 new dwellings.

5.1. KEY PERFORMANCE INDICATORS

The following performance indicators have been used to track performance in the past year and progress has been reported through the Policy and Performance Advisory Committee and Cabinet on a quarterly basis.

Performance has improved in many areas, particularly around customer service (benefits processing and call answering times). The Council continues to monitor performance closely and is taking proactive measures in response to the new challenges arising from the COVID-19 crisis.

Performance indicator	Target for 2020/21	Performance in 2020/21	
Percentage of Major Planning Applications processed within 13 weeks	60%	79.2%	
Percentage of minor planning applications processed within 8 weeks	70%	71.1%	
Percentage of household waste sent for reuse, recycling and composting	43%	Awaiting data from third party	
Number of households living in emergency (nightly paid) accommodation	Data only	37	N/A
Average days to relet Council Homes (excluding temporary lets)	15	37.2	
Average days to process new claims for housing/council tax benefit	22	12.7	
Percentage of calls to contact centre answered within 60 seconds	80%	89.2%	
Percentage of Council Tax collected during the year	97.3%	96.9%	
Percentage of Business Rates collected during the year	96.5%	95.4%	
Average days lost per FTE employee due to sickness	8 days	6.37 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.

6. FINANCIAL PERFORMANCE OF THE COUNCIL IN 2020/21

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.

6.1. COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements and discloses a surplus for 2020/21 of £6.998m (split between General Fund surplus £3.482m and HRA surplus £3.516m). The Movement in Reserves Statement reconciles this IFRS ‘surplus’ together with other reserve transfers into a net increase in the general fund balance of £0.094m and an HRA surplus of £0.766m.

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

6.2. 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 £13.75m (amount to be funded by government grant, council tax and business rates). The Council set a Band D Council Tax for 2020/21 of £209.53 (including Special Expenses of £17.46), being a £5 or 2.4% increase over 2019/20.

The 2020/21 financial year saw significant challenges as a result of the COVID-19 pandemic and associated lockdown. This prompted the Council to undertake a number of immediate actions in order to manage the unprecedented financial and operational impacts of the pandemic. These included:

- Early engagement with Ministry of Housing Communities and Local Government (MHCLG) for any additional financial support,
- active campaigning for more realistic COVID grant allocation,
- developing the Recovery and Reset Programme.

The revenue outturn provides a financial overview of the progress made by the Council during 2020/21 and measures the effectiveness of its actions in response to the pandemic.

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

General Fund	Original Budget £000	Current Budget £000	Actual £000	Variance £000
Corporate Services	5,525	4,646	4,773	127
Service Delivery	9,248	9,682	9,716	34
Regeneration and Planning	904	1,633	1,642	9
Tourism and Enterprise	434	452	602	150
Housing Revenue Account	(4,035)	(4,177)	(4,195)	(18)
Service Total	**12,076**	**12,236**	**12,538**	**302**
Cost of Finance & Interest Income	1,050	1,050	268	(782)
Corporate Efficiency Savings	(1,144)	-	-	-
Contingencies	342	-	-	-
Income Recovery	-	(800)	(726)	74
Total Expenditure	**12,324**	**12,486**	**12,080**	**(406)**
Transfers to/(from) Reserves	1,672	1,260	1,791	531
Budget Requirement	**13,996**	**13,746**	**13,871**	**125**
Council Tax	(7,796)	(7,796)	(7,796)	-
Business Rates	(5,417)	(5,167)	(5,191)	(24)
Government Grants	(783)	(783)	(884)	(101)
Total Funding	**(13,996)**	**(13,746)**	**(13,871)**	**(125)**
Total Net Overspend	**-**	**-**	**-**	**-**

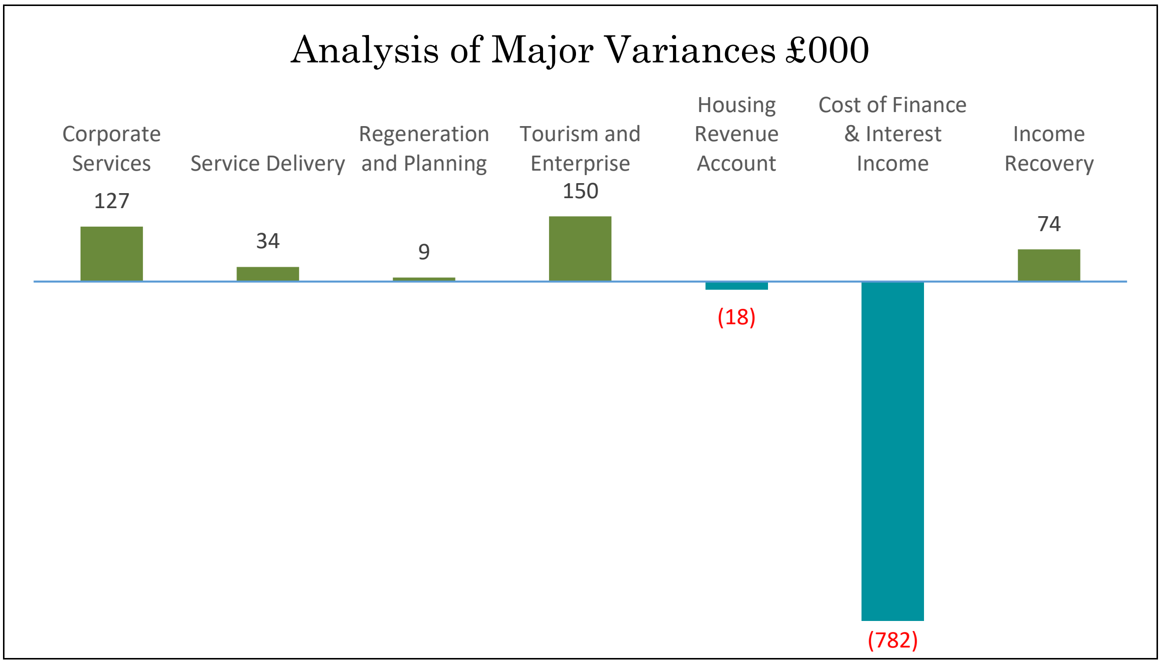
The actual in the table above is the revenue outturn position reported to Cabinet in July 2021 and is based on funding before any accounting adjustments under government regulations.

The Service outturn position is an overspend of £302,000 against the revised budget. Total expenditure is £406,000 underspent due to reduced cost of financing and additional interest income (£0.782m income). When the budget was originally set in February 2020 the Council estimated it would make a contribution of £1.672m to Reserves. The outturn transfer to Reserves was £1.791m. The Budget Requirement position was an additional £125,000 but this has been financed by additional funding from Business Rates (0.072m) and Government Grants (£0.101m)

The 2020/21 accounts include a disclosure Note 7a – the Expenditure and Funding Analysis (EFA) 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.

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

Analysis of Major Variances	Variance £000
Corporate Services	
Increased pension liability	113
Service Delivery	
Waste & Recycling – additional income & underspend	(122)
Rent Allowances, Rebates & Homelessness	1,077
Emergency COVID-19 Grant	(821)
Flood Defences – reduction in capital financing costs	(143)
Regeneration & Planning	
Planning Policy – reduced consultancy/fees	(135)
Corporate Landlord – reduced rental income/business rates	417
Car Parks – reduced income	149
Facilities Management – reduced operational spend	(344)
Tourism & Enterprise	
Newhaven Fort – structure works	124



6.3. RESERVES AND BALANCES

As a result of the above movements, Total Reserves & Balances as at 31 March 2021 had increased by £6.688m to £19.409m. A new earmarked reserve of £4.433m was created for S31 Grant Business Rates that were received to offset reliefs given to businesses during lockdown. However, the grants received in 2020/21 are unavailable to utilised until 2021/22 and therefore have been transferred into a General Fund earmarked reserve.

Reserves & Balances	1 April 2020 £000	Transfers In/(Out) £000	31 March 2021 £000
Asset Management	2,200	(613)	1,587
Economic Regeneration	2,080	752	2,832
Revenue Grants & Contributions	503	536	1,039
Strategic Change	1,265	(357)	908
Vehicle & Equipment Replacement	751	(191)	560
Managing in Year Economic Downturn	296	(296)	-
Business Rates Equalisation	-	861	861
Income protection	-	125	125
Capital Financing support	-	500	500
Community Grants	-	105	105
Flats	166	(27)	139
S31 Grant Business Rates	-	4,433	4,433
Total Earmarked Reserves	**7,261**	**5,828**	**13,089**
General Fund Balance	2,869	94	2,963
HRA Balance	2,771	766	3,537
Total Reserves & Balances	**12,901**	**6,688**	**19,409**

6.4. HOUSING REVENUE ACCOUNT

The Council continues to be the major provider of rented accommodation in the district and is directly responsible for the management of the housing stock. At 31 March 2021 there were 3,217 dwellings provided for rent.

For 2020/21 the Housing Revenue Account net position shows an overall surplus of £691,000 for the year against an expected budgeted surplus of £182,000 resulting in an additional saving of £509,000 (as reported to Cabinet 8/7/21).

The following table compares the movement in the HRA Balance from the budget to the outturn for 2020/21:

HRA	Original Budget	Revised Budget	Actual	Variance
	£000	£000	£000	£000
Income	(16,511)	(16,558)	(16,562)	(4)
Expenditure	13,700	13,872	13,595	(277)
Corporate & Democratic Core	590	590	163	(427)
Interest & Capital Financing	1,886	1,914	2,113	199
Total HRA (Surplus) / Deficit	**(335)**	**(182)**	**(691)**	**(509)**

The analysis on this table does not agree to HRA statutory accounts (page 88) due to the different reporting requirements such as depreciation and disposals.

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

Descriptions	Variance £000
Service Charges	(56)
Repairs & Maintenance	127
Corporate & Democratic Core	(428)
Total Variances	**(357)**

6.5. 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 and Crime Commissioner, East Sussex Fire Authority and Lewes District Council (see page 95).

The Council Tax element made a surplus of £1.112m during the year with a closing balance at 31 March 2021 of £2.049m surplus. The Council's share of the surplus is £0.313m. Business Rates had a deficit in the year of £9.961m with a closing deficit balance at 31 March 2021 of £8.506m.

The Council's share of the deficit is £3.350m The large deficit is a result of additional reliefs provided due to COVID-19. The deficit is reimbursed separately through section 31 grant from central government. Collection Fund surpluses or deficits declared by the billing authority are redistributed or recovered respectively to the relevant precepting bodies in the subsequent financial year.

Impact of COVID-19 Pandemic on the Collection Fund

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

Business Rate Pool

The local government finance regime was revised in 2013 with the introduction of the retained business rates retention scheme. The main aim of the scheme is to give local authorities a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates Tax Base.

During 2020/21 the Council worked within a Business Rate Pool with the other East Sussex borough and district councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

The government continues to work towards transferring control to local authorities over the locally generation business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local authorities 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.

6.6. CAPITAL PROGRAMME

The Council's capital programme spending in the year (as reported to Cabinet in July 2021) was £14.430m, compared with a revised budget of £66.675m, giving a net underspend of £52.245m. A key part of its response to the COVID-19 Pandemic, the Council made significant reductions to the programme in order to reduce its borrowing levels and the corresponding capital financing costs. The main items of capital programme expenditure are set out below:

Scheme	Original Estimate £'000	Revised Estimate £'000	Actual £'000	Variance £'000
HRA Housing	15,467	16,525	9,746	(6,779)
GF Housing	1,136	607	607	-
Loans to Housing Companies	1,250	18,292	1	(18,291)
IT & Transformation	235	1,059	663	(396)
Regeneration	24,950	26,056	543	(25,513)
Service Delivery	329	273	232	(41)
Coast Protection, Flooding & Air Quality	258	229	135	(94)
Parks & Pavilions	50	394	193	(201)
Indoor Leisure Facilities	50	594	503	(91)
Asset Management	850	1,238	399	(839)
Community Infrastructure Levy	-	1,408	1,408	-
TOTAL	**44,575**	**66,675**	**14,430**	**(52,245)**
Financed by:				
Borrowing	33,171	54,256	5,084	(49,172)
Capital Receipts	4,077	5,545	2,888	(2,657)
Major Repairs Reserve	5,413	2,784	2,901	117
Grants and Contributions	1,001	2,291	2,672	381
Earmarked Reserves	777	1,505	669	(836)
Revenue	136	294	216	(78)
TOTAL	**44,575**	**66,675**	**14,430**	**(52,245)**

Note

- Loans to Housing Companies – the 2020/21 budget has now been reprofiled to 2021/22 and later years.
- Regeneration – this included a scheme of £18.582m for Seaford Health Hub. The scheme has been deferred due to issues regarding its location.

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

- Improvements to the Council's housing stock;
- Economic regeneration including Newhaven;
- Local Energy schemes.

6.7. PENSIONS

The Council's liability for future pension payments has increased from £14.7m to £15.4m. The Defined Benefit Obligations have increased by £10.7m from £78.7m to £89.4m and the fair value of fund assets has increased by £9.9m from £64.06m to £73.96m. 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.

6.8. TREASURY MANAGEMENT

The Council's external loan debt at 31 March 2021, comprising long and short-term borrowing, stood at £56.7m excluding accrued interest payable (see Note 22). This is made up of £51.7m repayable in more than one year and £5.0m repayable in less than one year. This is no change in total from the previous year.

Short-term investments at 31 March 2021 were £13.0m, an increase of £11.0m from the previous year. The Council held cash equivalent balances as at 31 March 2021 of £2.6m, compared to £10.2m as at 31 March 2020, a decrease of £7.6m. Funds have been moved into short term investments during the year as a result of reviewing security, liquidity and yield risks.

7. STAFFING

As part of the Shared service with Eastbourne Borough Council (EBC) both Councils approved a shared service employment model with the EBC acting as the sole employer host authority. This resulted in the majority of Lewes District Council staff transferred to EBC 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.

8. FUTURE PLANS

8.1. THE CORPORATE PLAN

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

The Corporate Plan sets out the Council's five strategic priorities:

8.2. MEDIUM TERM FINANCIAL STRATEGY

The Council's spending plans that support the Corporate Plan continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2021/22 and the Medium Term Financial Strategy (the Strategy) for the years through to 2024/25 were set in February 2021 in the context of the multi-year Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2021/22. The Council continues to set a balanced budget without the need to draw from reserves to support recurring expenditure.

The Strategy included a set of financial assumptions and forecasts up to the financial year 2024/25, based on the most up to date information available at the time and presents the updated forecast financial position for 2021/22, taking into account:

- the capital strategy and programme approved by Council in February 2020,
- the budget changes identified since the publication of the Strategy;
- the latest intelligence regarding the Spending Review announcement on 25 November 2020; and
- the provisional 2021/22 local government funding settlement subsequently announced on the 17 December 2020.

The 2021/22 budget has been prepared during one of the most challenging and uncertain times due to the ongoing impacts of COVID-19 on the Council's finances, staff, residents, and local economy. Government spending to combat COVID-19 and mitigate its impact on businesses and individuals has led to record levels of public sector borrowing, and there is continuing uncertainty over the core funding that will be available to local authorities over the medium term.

One of the key outcomes of the Corporate Plan is achieving a robust financial strategy, the 2021/22 budget and the Strategy has been aligned to the Council's five strategic priorities.

The Strategy report highlighted the following key points that:

- The Strategy was prepared at a time of massive uncertainty arising from the COVID-19 pandemic and its impact on the economy.
- The Council has seen a significant drain on its budgets and reserves due to the impact of COVID-19. Although lockdown had eased (at that time), the full impact of the virus was still to be seen but the estimated net cost to the Council had been estimated to be circa £6.1m (mid case scenario) based on the position in June 2020.
- The financial position over the medium term showed a revenue budget deficit of £4m for 2020/21, with future years as follows:

Forecast Deficits	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Worst Case Scenario	2,781	1,907	1,733	1,495

The Strategy report added that the range of financial outcomes depended on the savings generated from the Recovery and Reset Programme.

The saving targets identified for the Recovery and Reset programme are based on early estimates. More detailed work is being carried out to specify the targets on project by project basis. In addition, the savings will need to be sufficient, not only to cover the deficits, but also to replenish the Council's reserves to ensure future financial resilience.

8.3. SUMMARY OF THE MEDIUM TERM FINANCIAL STRATEGY 2021-2025

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Net Revenue Budget	14,859	14,625	14,625	14,625	14,625
COVID-19 Impact	4,100	750	-	-	-
New Government Funding	(2,123)	-	-	-	-
Recovery & Reset Programme	-	(600)	(600)	(600)	(600)
Pay Inflation and Increments	-	327	384	431	470
General Contract Inflation	-	40	41	42	42
Income Inflation	-	(121)	(123)	(126)	(128)
Net Revenue Budget Projection	**16,836**	**15,021**	**14,327**	**14,372**	**14,409**
Total Financing	(12,825)	(12,240)	(12,419)	(12,639)	(12,914)
Budget Shortfall	**4,011**	**2,781**	**1,908**	**1,733**	**1,495**

8.4. RECOVERY AND RESET PROGRAMME

Prior to the COVID-19 pandemic, the Council had set a challenging financial but realistic budget for the 2020/21 financial year because of various factors, including the end of government funding, sharp increases in demand for essential services particularly housing and homelessness, economic uncertainty and the significant support and investment the Council has undertaken to support the local economy. The budget set for the 2020/21 financial year included a requirement to achieve challenging savings and additional income targets of £1.193m.

The COVID-19 pandemic and associated lockdown has significantly affected the Council's financial position. The Council's ability to generate income through its investments, other fees and charges has been reduced. Alongside this, the Council has had to undertake activities in response to the COVID-19 pandemic which were not budgeted for and have put further pressure on the financial situation. In addition, many of the savings and income targets which were a budget requirement of the 2021/22 financial year may not be achievable in full due to the economic downturn.

There has been some welcome support from the Government to offset the Council's additional expenditure and loss of income. However, this will not be sufficient to bridge the budget gap, as is demonstrated in the Medium Term Financial Strategy. It has become clear that there needs to be a fundamental reset of the Council's plans, and budgets to respond to this challenging situation. This reset will be undertaken at pace, in order to achieve a balanced budget position for the medium and long-term.

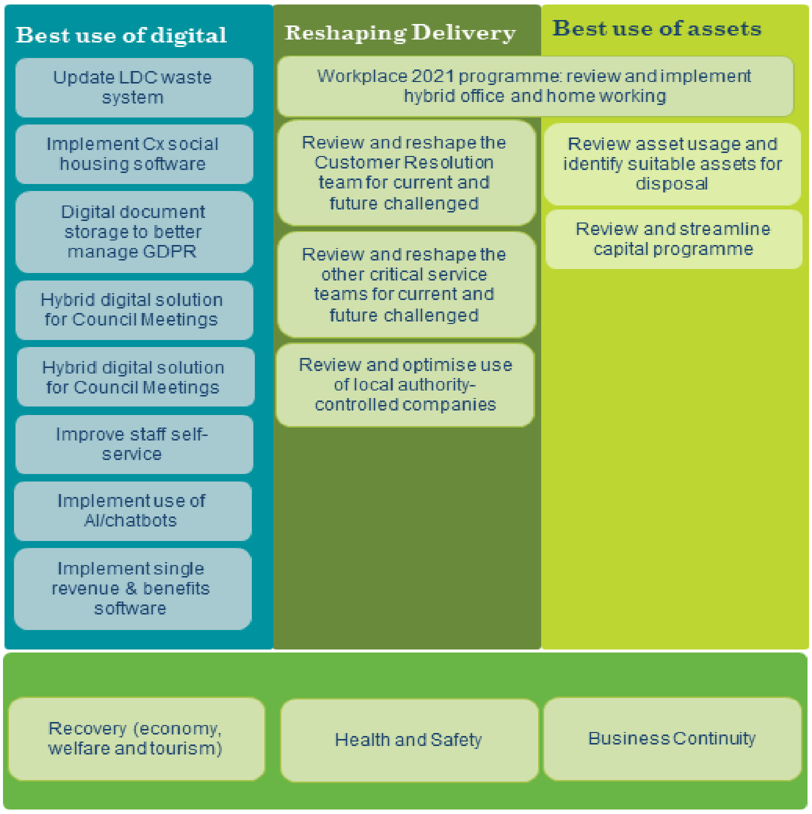
The changing needs of residents and how they interact with the Council will also need to drive future delivery. The Recovery and Reset Programme has been established to respond to these factors and deliver appropriate organisational change.

The purpose of the Recovery and Reset Programme is to address the Council's financial challenges in a sustainable way to ensure delivery of the following objectives:

- A sustainable service delivery model to adapt to the needs of residents and businesses because of the COVID-19 pandemic.
- A balanced budget.
- A sustainable Medium-Term Financial Strategy
- No on-going reliance on reserves to support revenue budgets.
- An affordable Capital Programme.
- A continued focus on the Corporate Plan priorities, recognising that these may need to be revisited considering resource limitations.

The Recovery and Reset programme is designed to deliver these objectives through a variety of projects and interventions falling under four main pillars; best use of digital, reshaping delivery, best use of assets, and restart. The Recovery and Reset programme builds on what we have learned through recent months and the Council's proven ability to flex and rapidly adapt to changing situations.

Recovery and Reset Programme



8.5. FORWARD CAPITAL PROGRAMME

The forward capital programme has been framed to deliver significant investment in the Council's assets 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:

Summary of Capital Programme 2021 to 2023	Original Total 2020/21	Estimate Total 2021/22	Estimate Total 2022/23
Capital Programme	**£000**	**£000**	**£000**
HRA	17,853	17,705	18,145
GF	26,722	6,136	1,663
Total Programme	**44,575**	**23,841**	**19,808**
Financed By: -			
Capital Receipts HRA	3,531	574	596
1-4-1 RTB Receipt	371	380	388
Capital Receipts GF	135	135	135
Grants and Contributions	1,001	1,001	1,001
Major Repairs Reserve	11,565	5,902	5,446
Revenue Contributions GF	136	136	136
Revenue Contributions HRA	-	2,595	958
Reserves	777	550	927
GF Borrowing	27,059	6,700	1,850
HRA Borrowing	-	5,868	8,371
Total Financing	**44,575**	**23,841**	**19,808**

The capital programme recognises the significant spending limitations within the budget for 2021/22 and the impact of the COVID-19 pandemic on the resources available. Therefore, the capital programme is revised to prioritise delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's key priorities whilst reducing demand on its borrowing requirements.

The capital programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

The programme has been compiled taking account of the following main principles, to:

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

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

8.6. ADOPTION OF THE CIPFA FINANCIAL MANAGEMENT CODE OF PRACTICE

CIPFA has developed the Financial Management Code (FM Code) 'designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.' The FM code has several components including six Principles of Good Financial Management, setting the benchmark against which all financial management should be judged. CIPFA expect the first full year of compliance with the FM Code to be 2021/22 and it is for individual authorities to determine whether they meet the standards. The Council's Leadership will be taking part in the first workshop in February to develop awareness and understanding of the requirements of the code. Work will continue throughout 2021/22 to ensure the Council adopts best practice.

8.7. FINANCIAL REPORTING & GOVERNANCE - FUTURE CHANGES

- The implementation of IFRS 16 Leases remains the most significant known change to the Code beyond 2020/21. Due to the impact of COVID-19 and the resulting resource issues facing finance staff CIPFA has made the decision to delay implementing IFRS 16 until 1 April 2022 (previously delayed from 1 April 2020 to 1 April 2021). This means that the first accounts to be produced incorporating the standard will be for the year 2022/23. While the work required to implement the standard is significant, the Council is well placed to do so having begun preparation for implementation in 2019/20.

- The Redmond Review made a number of recommendations regarding the format and content of the Statement of Accounts which, if adopted, will impact on the production and audit of the accounts. They can be summarised into two proposed changes: (i) Summary Statements are introduced that are standardised, audited, compare costs to budget and are in addition to the statutory accounts (ii) The Code is reviewed to simplify presentation and remove disclosures. MHCLG published a formal response to the Redmond Review on 18 December.

  The response agreed with the Redmond Review that, to 'ensure all taxpayers across the country can effectively hold their local authority to account, more is needed to improve the accessibility of all authorities' accounts' and stated that 'the proposed measures will go some way towards further improving local transparency and accountability'.

- It is expected that MHCLG will work with CIPFA to introduce the Summary Statements from 2021/22. To enable this there may need to be an amendment to the Accounts and Audit Regulations to mandate the inclusion of the statement. The Code of Audit Practice will also need to be amended by the National Audit Office (NAO) to include the audit requirements.

- MHCLG has committed that additional funding will be made available to local authorities in 2021/22 to enable the preparation of the standardised statements although individual allocations have not been published.

- MHCLG also supported Redmond's view that there may be scope to simplify the presentation of local authority accounts by removing disclosure requirements. The earliest that that this can be incorporated into the accounts is through the 2022/23 Code. MHCLG acknowledged that significant changes would require a phased approach.

- MHCLG white paper on Corporate Audit recommends creating a new body to replace the Finance Reporting Council (FRC) with the Audit, Reporting and Governance Authority (ARGA). The Government is proposing to add the role of oversight of local authority audit to ARGA, while the PSAA will continue to have oversight of appointing individual local authority auditors.

- Amendment to the Audit and Accounts Regulations in response to the pandemic to further extend the date to produce audited accounts from 31st July to 30th September for a period of 2 years (2021/22 and 2022/23) with a commitment to review again to see whether there is a continued need to have this extended deadline.

9. KEY FINANCIAL IMPACT OF THE COVID-19 PANDEMIC

The Council has played a significant role in responding to the COVID-19 pandemic, in supporting businesses and the most vulnerable in our communities as well as running essential services. The financial impact of the COVID-19 pandemic has been an evolving picture throughout 2020/21 and this will continue into 2021/22. The Council in initially forecast additional costs in 2020/21 in the region of £6.1m including homelessness prevention, financial support and loss of income.

The Government has also 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). However, the Council's share of these financial supports, falls short of the projected costs and losses in 2020/21. The Council's capital programme has also been severely impacted by COVID-19 with several projects having to be reviewed, reduced and rephased.

The changing environment and "new normal" in which we now find ourselves requires the Council to review how its critical services are provided, to determine:

- which services are of the highest priority.
- which services require the same delivery model despite the global pandemic
- how to provide new services in response to local needs resulting from the pandemic
- budget reallocations required to meet the service delivery requirements.
- which income streams are impacted
- impact on the capital programme due to increased costs from suppliers or additional cost of construction, labour, and Personal Protection Equipment (PPE).

This work has resulted in the Recovery and Reset Programme.

The response by the community, voluntary and third sector has been significant in supporting residents and the Council is harnessing how this can continue for the future. This forms a key feature of the Council's COVID-19 pandemic response and assessing its vision for in the future.

The financial impact of the COVID-19 pandemic for 2021/22 and beyond is difficult to predict, income streams have been reviewed and revised where appropriate. The capital programme may also be impacted by supply difficulties, for example increased costs from suppliers or additional cost of construction, labour, and Personal Protection Equipment (PPE).

10.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 is set out in the Constitution.

Our financial framework relies upon the quality of the financial systems of the Council. There is a commitment 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 2020/21 Audit Opinion and Certificate is available on page 24.

11. 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 2021. 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'.

12.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, Council Office, 6 High Street, Lewes BN7 2AD.

Homira Javadi

Chief Finance Officer
Statutory Section 151 Officer

ADOPTION OF THE ACCOUNTS

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

The Statement of Accounts for 2020/21 was approved at the meeting of the Audit and Governance Committee held on XX XX XXXX.

Signed

Councillor Stephen Gauntlett
Chair, Audit and Governance Committee

Date: XX XX XXXX

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 2021 and its income and expenditure for the year ended 31 March 2021.

Homira Javadi

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

Date: XX XX XXXX

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

To follow

MOVEMENT IN RESERVES

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 2.20, 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 2019	**(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)**	**(8,748)**
Balance at 31 March 2020	**(2,869)**	**(2,771)**	**(7,261)**	**(7,959)**	**(5,236)**	**(6,555)**	**(32,651)**	**(244,945)**	**(277,596)**
Movement in Reserves 2020/21									
Total Comprehensive Expenditure and Income	(3,482)	(3,516)	-	-	-	-	**(6,998)**	(24,327)	**(31,325)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(2,467)	2,777	-	(1,085)	(672)	(3,746)	**(5,193)**	5,193	**-**
Transfers (to)/from Earmarked Reserves (Note 16)	5,855	(27)	(5,828)	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(94)**	**(766)**	**(5,828)**	**(1,085)**	**(672)**	**(3,746)**	**(12,191)**	**(19,134)**	**(31,325)**
Balance at 31 March 2021	**(2,963)**	**(3,537)**	**(13,089)**	**(9,044)**	**(5,908)**	**(10,301)**	**(44,842)**	**(264,079)**	**(308,921)**

COMPREHENSIVE INCOME AND 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. Local 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.

2019/20				2020/21		
Expenditure	**Income**	**Net Expenditure**		**Expenditure**	**Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
6,905	(3,356)	3,549	Corporate Services	4,130	(1,081)	3,049
47,597	(36,978)	10,619	Service Delivery	43,335	(33,449)	9,886
10,907	(3,957)	6,950	Regeneration and Planning	4,857	(3,272)	1,585
1,833	(182)	1,651	Tourism and Enterprise	1,354	(243)	1,111
15,787	(15,908)	(121)	Housing Revenue Account	11,090	(16,556)	(5,466)
83,029	**(60,381)**	**22,648**	**Cost of Services**	**64,766**	**(54,601)**	**10,165**
3,729	-	3,729	Town and Parish Council Precepts	4,198	-	4,198
148	-	148	Grants to Parish and Town Councils	-	-	-
303	-	303	Payments to housing capital receipts pool	495	-	495
10,374	(1,515)	8,859	(Gain) / Loss on sale and de-recognition of non-current assets	3,692	(3,693)	(1)
14,554	**(1,515)**	**13,039**	**Other Operating Expenditure**	**8,385**	**(3,693)**	**4,692**
2,040	-	2,040	Interest payable & similar charges (Note 22)	1,896	-	1,896
-	-	-	Expected Credit Loss	14	-	14
263	-	263	Net Interest on the Net Defined Benefit Liability (Note 29)	458	-	458
-	(368)	(368)	Interest & other investment income (Note 22)	-	(345)	(345)
218	(349)	(131)	Investment Properties	1,223	(351)	872
184	(189)	(5)	Trading Accounts	165	(207)	(42)
2,705	**(906)**	**1,799**	**Financing and Investment Income and Expenditure**	**3,756**	**(903)**	**2,853**
1,869	(5,704)	(3,835)	Non ring-fenced grants and contributions (Note 15)	1,407	(14,759)	(13,352)
-	(11,444)	(11,444)	Council Tax income	-	(12,164)	(12,164)
8,193	(11,888)	(3,695)	Non Domestic Rates Income and Expenditure	7,805	(6,997)	808
10,062	**(29,036)**	**(18,974)**	**Taxation and Non-specific Grant Income and Expenditure**	**9,212**	**(33,920)**	**(24,708)**
110,350	**(91,838)**	**18,512**	**Deficit on Provision of Services**	**86,119**	**(93,117)**	**(6,998)**
		(30,993)	Surplus on revaluation of Property, Plant and Equipment Assets (Note 28)			(24,398)
		3,732	Re-measurement of the net defined benefit liability (Note 29)			71
		(27,261)	**Other Comprehensive Income & Expenditure**			**(24,327)**
		(8,749)	**Total Comprehensive Income & Expenditure**			**(31,325)**

BALANCE SHEET

31 March 2020		Note	31 March 2021	
£000			**£000**	**£000**
317,867	Property, Plant & Equipment	18	346,370	
1,188	Infrastructure Assets	18	1,074	
9,403	Heritage Assets	19	9,298	
11,550	Investment Property	20	11,074	
1,772	Intangible Assets	21	1,376	
1,649	Long Term Debtors	24	2,129	
343,429	**Long Term Assets**			**371,321**
2,000	Short Term Investments	22	13,010	
79	Inventories		73	
13,348	Short Term Debtors	24	20,127	
10,199	Cash and Cash Equivalents	30	2,633	
25,626	**Current Assets**			**35,843**
(255)	Short Term Borrowing		(5,254)	
(16,956)	Short Term Creditors	25	(23,534)	
(594)	Short Term Provisions	26	(329)	
(17,805)	**Current Liabilities**			**(29,117)**
(2,055)	Capital Grants Receipts in Advance		(1,952)	
(56,673)	Long Term Borrowing	22	(51,673)	
(254)	Other Long Term Liabilities		(73)	
(14,672)	Long Term Liabilities Pensions	29	(15,428)	
(73,654)	**Long Term Liabilities**			**(69,126)**
277,596	**NET ASSETS**			**308,921**
(32,651)	Usable Reserves	27		(44,842)
(244,945)	Unusable Reserves	28		(264,079)
(277,596)	**TOTAL RESERVES**			**(308,921)**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31st March 2021 and its Comprehensive Income and Expenditure Statement for the year ended 31st March 2021.

Homira Javadi

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

Date: XX XX XXXX

CASH FLOW STATEMENT

2019/20	CASH FLOW STATEMENT	Note	2020/21
£000			**£000**
(18,512)	Net Surplus / (Deficit) on the provision of services		6,998
32,254	Adjustment to Net Surplus or Deficit on the provision of services for non-cash movements	31	15,274
(4,146)	Adjustment for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities		(10,111)
9,596	**NET CASH INFLOWS FROM OPERATING ACTIVITIES**		**12,161**
(1,533)	Investing Activities	31	(13,627)
(543)	Financing Activities	31	(6,100)
7,520	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		**(7,566)**
2,679	Cash and cash equivalents at the beginning of the reporting period		10,199
10,199	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIODS**		**2,633**

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 ACCOUNTS

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 are no prior period adjustments.

2. ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the end of 31 March 2021. 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

Benefits Payable during Employment

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

Termination Benefits

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

<u>Categories</u>

- 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 60 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 60 years.

2.13 Infrastructure Assets

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

Lewes District Council is not the local highway authority under the Highways Act 1980 and this statutory duty is with East Sussex County Council. East Sussex 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 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

<u>Tangible heritage assets</u>

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:

- <u>Capital Receipts Reserve</u>: 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.
- <u>Capital Grants and Contributions Unapplied Account</u>: 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

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:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts 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 2020/21.

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 2021 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 £0.48m or 8.3%.

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 £28.5m to £346.37m at 31 March 2021. 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.

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the real discount rate assumption would result in an increase in the pension liability of £1.39m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 5-6%, a 0.1% increase in the Salary Increase Rate would increase the pension liability by £7,000 and a 0.1% increase in the Pension Increase Rate would increase the pension liability by £1.39m.

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 Council's liabilities is not known and will be assessed as more information becomes available.

Arrears - At 31 March 2021, the Council had a total debtors balance (gross) of £24.1m (£16.2m at 31/3/20). A review of these balances indicates that an impairment of doubtful debts of £3.98m is appropriate (£2.86m at 31/3/20). Note 23 Financial Instruments provides further details on credit risk.

The Council had a balance of current and long term debtors (net) at 31 March 2021 of £22.3m.

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 2021. There is a risk that future appeals will exceed the estimation. The appeals provision at 31 March 2021 was £0.33m. A 10% increase in the amount of provision is £33,000.

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

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

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS) – see paragraph above under section 5 above.

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

6.a EVENTS AFTER THE REPORTING PERIOD

The statement of accounts was authorised for issue by the Director of Finance and Performance (Chief Finance Officer – S151 Officer) on XX XX XXXX. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events, which took place after 31 March 2021, that would have provided information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

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).

2020/21	**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	4,773	(2,744)	2,029	1,020	3,049
Service Delivery	9,716	(1,110)	8,606	1,280	9,886
Regeneration and Planning	1,642	(427)	1,215	370	1,585
Tourism and Enterprise	602	-	602	509	1,111
Housing Revenue Account	(4,195)	(2,323)	(6,518)	1,052	(5,466)
Net Cost of Services	**12,538**	**(6,604)**	**5,934**	**4,231**	**10,165**
Other Income and Expenditure	(12,538)	(85)	(12,623)	(4,541)	(17,163)
Surplus on the Provision of Services	**-**	**(6,689)**	**(6,689)**	**(310)**	**(6,998)**
Opening General Fund and HRA Balances at 1 April			**(5,639)**		
Surplus on General Fund and HRA for year			(6,689)		
Transfer to Reserves			5,828		
Closing General Fund and HRA Balances at 31 March			**(6,500)**		

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 on General Fund and HRA for year			(915)		
Transfer from Reserves			(337)		
Closing General Fund and HRA Balances at 31 March			**(5,640)**		

Notes:

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

7a Note to the Expenditure and Funding Analysis

2019/20 Adjustment for Capital Purposes	2019/20 Net Changes for the Pensions Adjustments	2019/20 Other Differences	2019/20 Total Adjustments		2020/21 Adjustment for Capital Purposes	2020/21 Net Changes for the Pensions Adjustments	2020/21 Other Differences	2020/21 Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
511	(473)	-	38	Corporate Services	793	227	-	1,020
3,455	-	-	3,455	Service Delivery	1,280	-	-	1,280
6,163	-	-	6,163	Regeneration & Planning	370	-	-	370
1,059	-	-	1,059	Tourism and Enterprise	509	-	-	509
6,724	-	-	6,724	Housing Revenue Account	1,052	-	-	1,052
17,912	**(473)**	**-**	**17,439**	**COST OF SERVICES**	**4,004**	**227**	**-**	**4,231**
2,186	263	(461)	1,988	Other Income and Expenditure	(8,384)	458	3,386	(4,540)
20,098	**(210)**	**(461)**	**19,427**	**Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit**	**(4,380)**	**685**	**3,386**	**(309)**

- **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

2019/20 £000		2020/21 £000
	Expenditure	
15,596	Employees benefits expenses (Note 1)	16,857
51,276	Other service expenses	44,309
18,363	Depreciation, amortisation, impairment losses and reversals (Note 2)	6,867
2,041	Interest payments	1,896
12,397	Precepts and levies (including Non Domestic Rates)	12,003
303	Payments to the Housing Capital Receipts Pool	495
10,374	Loss on the disposal of assets	3,692
110,350	**Total expenditure**	**86,119**
	Income	
(27,650)	Fees, charges and other service income	(26,531)
(368)	Interest and investment income	(345)
(23,332)	Income from Council Tax and Non-Domestic Rates	(19,162)
(38,973)	Government Grants and Contributions	(43,386)
(1,515)	Gain on the disposal of assets	(3,693)
(91,838)	**Total income**	**(93,117)**
18,512	**Deficit on the Provision of Services**	**(6,998)**

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 of which £1.783m related to the HRA.

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

2019/20 £000		2020/21 £000
(2,125)	Corporate Services	(1,706)
(5,688)	Service Delivery	(4,886)
(3,210)	Regeneration and Planning	(2,777)
(182)	Tourism and Enterprise	(49)
(15,908)	Housing Revenue Account	(16,556)
(537)	Trading Accounts and Investment Properties	(557)
(27,650)	**Total Fees, Charges & Other Service Income**	**(26,531)**

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 HRA Housing Rents £15.1m (£14.6m 2019/20) and under Service Delivery, Parking Charges £0.5m (£0.9m), Planning & Building Control Fees £0.7m (£1.0m) and Waste Collection £1m (£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.

2020/21	**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	(685)	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	(3,371)	-	-	-	-
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	-	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):					
- Charges for depreciation and credits for impairment reversals of non-current assets	(1,725)	(1,387)	-	-	-
- Movements in the fair value of investment properties	(1,083)	-	-	-	-
- Amortisation of intangible assets	(591)	(3)	-	-	-
- Revenue expenditure funded from capital under statute	(2,079)	-	-	-	-
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(31)	(3,661)	-	-	-
- Expected Credit Loss	(14)	-	-	-	-
- Capital Grants and Contributions Received	6,418	-	-	-	(6,418)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(3,161)**	**(5,051)**	**-**	**-**	**(6,418)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7	3,692	-	(3,699)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(495)	-	-	495	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,992	(3,992)	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	453	-		-	-

2020/21	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)	729	149	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**694**	**7,833**	**(3,992)**	**(3,204)**	**-**
ADJUSTMENTS TO CAPITAL RESOURCES					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	2,532	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	2,907	-	-
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	2,672
Cash payments in relation to deferred capital receipts	-	(5)	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**(5)**	**2,907**	**2,532**	**2,672**
Total Adjustments 2020/21	**(2,467)**	**2,777**	**(1,085)**	**(672)**	**(3,746)**

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)	-	-	-

2019/20	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	(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	-	-	-	-
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**

9. AUDIT FEES

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

2019/20 £000		2020/21 £000
7	Fees payable for the certification of grant claims and returns for the year	37
43	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	36
50	**Total**	**73**

10. MEMBERS' ALLOWANCES

Allowances and expenses paid during the year amounted to:

2019/20 £000		2020/21 £000
226	Members' Allowances	223
4	Expenses	-
230	**Total**	**223**

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 £	Loss of office £	Pension Contribution £	Total £
Shared Chief Executive	2020/21	145,004	2,660	-	30,016	**177,680**
	2019/20	141,123	2,660	-	24,970	**168,753**
Deputy Chief Executive/ Director of Regeneration & Planning	2020/21	118,163	2,130	-	24,840	**145,133**
	2019/20	122,138	2,130	-	21,933	**146,201**
Chief Finance Officer	2020/21	91,775	-	-	18,952	**110,727**
	2019/20	89,318	-	-	15,765	**105,083**
Director of Service Delivery	2020/21	87,456	-	-	18,060	**105,516**
	2019/20	84,590	-	-	14,930	**99,520**
Director of Tourism and Enterprise	2020/21	98,253	-	-	20,289	**118,542**
	2019/20	95,098	-	-	16,785	**111,883**
Assistant Director of HR and Transformation	2020/21	91,775	-	-	18,952	**110,727**
	2019/20	87,992	-	-	15,531	**103,523**
Assistant Director of Corporate Governance	2020/21	45,496	2,803	10,871	9,395	**68,565**
	2019/20	78,547	-	-	13,864	**92,411**
Assistant Director of Legal and Democratic Services	2020/21	68,471	-	12,320	12,813	**93,604**
	2019/20	89,318	-	-	16,077	**105,395**

Notes:

- The Assistant Director of Corporate Governance left employment on 23/10/20;
- The Assistant Director of Legal and Democratic Services left employment on 23/10/20.

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

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

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	2019/20	2020/21
£50,000 - £54,999	21	21
£55,000 - £59,999	14	14
£60,000 - £64,999	6	9
£65,000 - £69,999	1	8
£70,000 - £74,999	1	1
£80,000 - £84,999	1	-
£90,000 - £94,499	-	2
£95,000 - £99,999	-	1
Total	**44**	**56**

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 £	
Exit package cost band (including special payments	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**
£0 - £20,000	2	22	9	44	11	66	97,538	537,711
£20,001 - £40,000	-	4	1	19	1	23	34,442	641,404
£40,001 - £60,000	-	-	-	2	-	2	-	90,604
£60,001 - £80,000	-	-	-	1	-	1	-	62,018
£80,001 - £100,000	-	-	-	1	-	1	-	87,792
Total	**2**	**26**	**10**	**67**	**12**	**93**	**131,980**	**1,419,529**

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 2020/21 this amount was £382,783 (£370,614 2019/20).

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 £32,882 in 2020/21 (£34,648 in 2019/20).

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 2020/21 the Council paid Wave Leisure service fees of £104,204 (£204,204 in 2019/20). 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 Limited

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 2020/21. No other payments were made to, or monies received from, LHIC during 2020/21 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 2021. 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. The total drawn down at 31 March 2021 was £912,910 but no new loans were drawn down in the year (see Note 24). A Working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above base rate and £20,000 has been drawn down at 31 March 2021. Group accounts have not been prepared for 2020/21. 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 2020/21 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:

2019/20 Minimum Lease Income £000		2020/21 Minimum Lease Income £000
1,531	Within one year	1,532
4,684	Between two and five years	4,060
28,775	Later than five years	28,293
34,990	**Total**	**33,885**

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.

2019/20		2020/21
£000		**£000**
	Grants and contributions within Cost of Services	
(30,386)	DWP Benefit grants	(27,534)
(2,883)	Other grants and contributions	(1,679)
(33,269)	**Total within Cost of Services**	**(29,213)**
	Grants and contributions within Taxation and non-specific grant income	
(2,153)	Section 31 Business Rates	(6,731)
(457)	New Homes Bonus	(439)
(101)	Localising Council Tax Support	(117)
(250)	Housing Benefit Administration	(277)
(2,641)	Grants and contributions towards capital expenditure	(6,418)
(102)	Other grants and contributions	(777)
(5,704)	**Total within Taxation and non-specific grant income**	**(14,759)**
(38,973)	**Total**	**(43,972)**

Notes

Other Grants and Contributions excludes Covid-19 Grant income of £35.65m where the Council is acting as an intermediary agent for the government, rather than on its own behalf, for amounts paid over directly to businesses.

Additional section 31 grant was received from government in 2020/21 to compensate for the loss of business rate income arising from additional Covid-19 reliefs provided to businesses.

2019/20	Capital Grants and Contributions – Receipts in Advance	2020/21
£000		**£000**
(2,055)	Section 106 agreements	(1,952)

Notes

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 donor 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 Fund 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.

Earmarked Reserve	Balance 31/3/19	Transfers In 2019/20	Transfers Out 2019/20	Balance 31/3/20	Transfers In 2020/21	Transfers Out 2020/21	Balance 31/3/21
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Asset Management	(2,716)	-	516	(2,200)	-	613	(1,587)
Economic Regeneration	(1,124)	(1,491)	535	(2,080)	(1,113)	361	(2,832)
Managing Economic Downturn	-	(296)	-	(296)	-	296	-
Revenue Grants and Contributions	(468)	(35)	-	(503)	(536)	-	(1,039)
Strategic Change	(1,969)	(26)	730	(1,265)	-	357	(908)
Vehicle & Equipment Replacement	(1,132)	-	381	(751)	-	191	(560)
Business Rates Equalisation	-	-	-	-	(861)	-	(861)
Income Protection	-	-	-	-	(125)	-	(125)
Capital Financing Support	-	-	-	-	(500)	-	(500)
Community Grants	-	-	-	-	(105)	-	(105)
Flats	(189)	-	23	(166)	(19)	46	(139)
Total	**(7,598)**	**(1,848)**	**2,185**	**(7,261)**	**(3,259)**	**1,864**	**(8,656)**
S31 Grant Business Rates	-	-	-	-	(4,433)	-	(4,433)
Total Earmarked Reserves	**(7,598)**	**(1,848)**	**2,185**	**(7,261)**	**(7,692)**	**1,864**	**(13,089)**

The purpose of each reserve is set out below:

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

Economic Regeneration - 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 the Government and third parties to support specific initiatives.

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

Vehicle and Equipment Replacement - support the replacement of vehicles and equipment.

Business Rates Equalisation - to mitigate the risk of appeals.

Income Protection – provide resilience against future income losses.

Capital Financing Support – mitigate against future fluctuations in financing costs.

Community Grants – grant funding to voluntary and community organisations.

Flats – maintenance reserve for sold flats.

S31 Grant Business Rates - during 2020/21, local authorities received section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the s31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This could lead to potentially misleading 2020/21 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. The appropriate action is to transfer the grant income to an earmarked reserve within the General Fund.

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.

2019/20 £000		2020/21 £000
81,745	**Opening Capital Financing Requirement**	**84,761**
	Capital Investment	
8,874	Property, Plant and Equipment	11,138
504	Infrastructure, Heritage, Investment and Intangible Assets	356
3,508	Revenue expenditure financed from capital under statute	2,078
933	Loans and Advances	505
13,819	**Total Capital Investment**	**14,077**
	Sources of finance	
(1,682)	Capital receipts	(2,532)
(3,616)	Grants and contributions	(2,672)
(3,996)	Major repairs reserve	(2,908)
(1,217)	Revenue contribution to capital	(878)
(292)	Revenue provision for repayment of debt	(453)
(10,803)	**Total Sources of finance**	**(9,443)**
3,016	**Movement in the Year**	**4,634**
84,761	**Closing Capital Financing Requirement**	**89,395**
	Explanation of movements in year	
3,129	Increase in underlying need to borrowing (unsupported by government financial assistance)	4,634
(113)	Decrease in lease liability	-
3,016	**Increase in Capital Financing Requirement**	**4,634**

18. PROPERTY PLANT AND EQUIPMENT

18.1 Movements in 2020/21

	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 2020	**242,537**	**54,942**	**16,451**	**1,657**	**5,837**	**2,066**	**323,490**
Additions	3,235	185	471	1	7,088	156	**11,136**
Revaluations recognised in the Revaluation Reserve	18,959	1,164	-	-	-	455	**20,578**
Revaluations recognised in the Surplus or Deficit on Provision of Services	2,641	139	-	-	-	(152)	**2,628**
De-recognition & Disposals	(3,650)	(46)	(11)	-	(16)	-	**(3,723)**
Transfers	7,680	(366)	-	-	(6,630)	(1,274)	**(590)**
At 31 March 2021	**271,402**	**56,018**	**16,911**	**1,658**	**6,279**	**1,251**	**353,519**
At 1 April 2020	-	(54)	(5,569)	-	-	-	**(5,623)**
Depreciation Charge for the year	(3,602)	(452)	(1,321)	-	-	-	**(5,375)**
Depreciation written out on revaluation	3,593	218	-	-	-	-	**3,811**
De-recognition & Disposals	9	26	3	-	-	-	**38**
At 31 March 2021	**-**	**(262)**	**(6,887)**	**-**	**-**	**-**	**(7,149)**
Net Book Value							
At 31 March 2021	**271,402**	**55,756**	**10,024**	**1,658**	**6,279**	**1,251**	**346,370**
At 31 March 2020	**242,537**	**54,888**	**10,882**	**1,657**	**5,837**	**2,066**	**317,867**

Movements in 2019/20

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 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**	**56,206**	**16,061**	**1,612**	**3,240**	**7,596**	**316,675**

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.

	2020/21 £000		2019/20 £000
Cost or Valuation at 1 April 2020	**11,721**	**Cost or Valuation at 1 April 2019**	**11,540**
Additions	85	Additions	181
At 31 March 2021	**11,806**	**At 31 March 2020**	**11,721**
Accumulated Depreciation and Impairment		**Accumulated Depreciation and Impairment**	
At 1 April 2020	**(10,533)**	**At 1 April 2019**	**(10,345)**
Depreciation Charge	(199)	Depreciation Charge	(188)
At 31 March 2021	**(10,732)**	**At 31 March 2020**	**(10,533)**
Net Book Value		**Net Book Value**	
31 March 2021	1,074	31 March 2020	1,188
31 March 2020	1,188	31 March 2019	1,195

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 there is 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 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.

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 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 2021	271,402	56,018	4,523	1	442	1,251	**333,637**
31 March 2017 – 31 March 2020	-						
Gross Cost or Valuation	**271,402**	**56,018**	**16,911**	**1,658**	**6,279**	**1,251**	**353,519**

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

18.4 Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £3.72m (£0.96m as at 31 March 2020) as detailed in the table below.

	£000
HRA dwellings	3,051
Other commitments	673
Total	**3,724**

18.5 Fair Value Hierarchy

As at 31 March 2021, there are six properties classed as surplus, no change from 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)	Other significant observable inputs (Level 2)	Other significant unobservable inputs (Level 3)	Total
	£000	£000	£000	£000
Surplus Assets NBV 31 March 2021	-	1,251	-	**1,251**
Surplus Assets NBV 31 March 2020	-	2,066	-	**2,066**

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 are alternative uses 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 1)	**Regalia**	**Museum Exhibits**	**Land & Buildings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019	**289**	**23**	**453**	**2,018**	**2,783**
Additions	10	-	-	-	**10**
Revaluations (Note 2)	10	-	-	6,653	**6,663**
Depreciation	-	-	-	(53)	**(53)**
Balance at 31 March 2020	**309**	**23**	**453**	**8,618**	**9,403**
Additions	-	-	-	51	**51**
Revaluations	-	-	-	10	**10**
Depreciation	-	-	-	(166)	**(166)**
Balance at 31 March 2021	**309**	**23**	**453**	**8,513**	**9,298**

Notes

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

2. The increase in Land & Buildings in 2019/20 is due to the revaluation of Newhaven Fort.

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 collections. 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.

20. INVESTMENT PROPERTIES

In 2020/21 the Council received £0.349m (£0.344m in 2019/20) 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.

2019/20 £000		2020/21 £000
11,654	**Balance at 1 April**	**11,550**
13	Additions	17
(117)	Net gains / (losses) from fair value adjustments	(1,083)
-	Disposals & Derecognition	-
-	Transfers	590
11,550	**Balance at 31 March**	**11,074**

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 2021 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

21 INTANGIBLE ASSETS

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

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

2019/20 Net Book Value		2020/21 Gross Cost	2020/21 Amortisation	2020/21 Net Book Value
£000		**£000**	**£000**	**£000**
1,782	**Balance 1 April**	2,550	(778)	**1,772**
	Written down to services			
(344)	Corporate Services	-	(571)	**(571)**
(5)	Service Delivery	-	(10)	**(10)**
(10)	Regeneration and Planning	-	(10)	**(10)**
(3)	Housing Revenue Account	-	(3)	**(3)**
(362)	**Total**	**-**	**(594)**	**(594)**
322	Added during year	205	-	**205**
30	Transfers	-	-	**-**
-	Written out on completion of expected life	(19)	12	**(7)**
(10)	**Net transactions during the year**	**186**	**(582)**	**(396)**
1,772	**Balance at 31 March**	**2,736**	**(1,360)**	**1,376**

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

	Carrying Amount		Remaining Amortisation (years)
	31 March 2020 £000	**31 March 2021 £000**	
Joint Transformation Programme	1,453	1,207	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 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Financial Assets				
Fair Value through Profit and Loss				
Investments	-	-	2,500	1
Amortised Cost				
Debtors	1,649	2,143	7,718	10,004
Investments & Cash Equivalents	-	-	9,699	15,642
Total Financial Assets	**1,649**	**2,143**	**19,917**	**25,647**
Non Financial Assets	-	-	5,630	10,123
Total	**1,649**	**2,143**	**25,547**	**35,770**
Financial Liabilities				
Fair Value through Profit and Loss	-	-	-	-
Amortised Cost				
Creditors	(254)	(73)	(10,873)	(19,268)
Borrowings	(56,673)	(51,673)	(255)	(5,254)
Total Financial Liabilities	**(56,927)**	**(51,746)**	**(11,128)**	**(24,522)**
Non Financial Liabilities	(2,055)	(1,952)	(6,083)	(4,266)
Total	**(58,982)**	**(53,698)**	**(17,211)**	**(28,788)**

22.2 Financial Instruments Designated at Fair Value through Profit or Loss

The financial assets designated at fair value through profit or loss include £0.01m of funds invested with low volatility money market funds (LVNAV) at 31/3/21 (£2.5m at 31/3/20). 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.

	2019/20		2020/21	
	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	(19)	-	(19)	-
Financial liabilities measured at FVPL	-	-	-	-
Interest revenue:				
Financial assets measured at amortised cost	(349)	-	(326)	-
Interest expense:				
Financial liabilities measured at amortised cost	2,040	-	1,896	-

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 31/3/20 £000	As at 31/3/21 £000
Fair Value through profit or loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	2,500	1

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 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£000	£000	£000	£000
Financial Liabilities at amortised cost	(56,673)	(66,289)	(51,673)	(60,958)
Long Term Creditors	(254)	(254)	(73)	(73)
Total Long Term	**(56,927)**	**(66,543)**	**(51,746)**	**(61,031)**
Short Term Borrowing and Creditors	(11,128)	(11,128)	(24,522)	(24,522)
Total Short & Long Term	**(68,055)**	**(77,671)**	**(76,268)**	**(85,553)**

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 2021, arising from a commitment to pay interest to lenders above current market rates.

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	**£000**	**£000**	**£000**	**£000**
Financial Assets at amortised cost	-	-	-	-
Long Term Debtors	1,649	1,649	2,143	2,143
Total Long Term	**1,649**	**1,649**	**2,143**	**2,143**
Short Term Investments and Debtors	17,417	17,417	25,646	25,646
Total Short & Long Term	**19,066**	**19,066**	**27,789**	**27,789**

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 2021			
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	-	(60,958)	-	(60,958)
Long Term Creditors	-	(73)	-	(73)
Total Long Term	**-**	**(61,031)**	**-**	**(61,031)**
Financial Assets				
Financial Assets at amortised cost	-	2,143	-	2,143
Long Term Debtors	-	-	-	-
Total Long Term	**-**	**2,143**	**-**	**2,143**

	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**

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 24 February 2020 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £132m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £122m. 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 continuing financial risks of COVID-19 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 2020/21 was approved by Full Council on 24 February 2020 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 £16m 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 2020	-	-	**(2,438)**	**(2,438)**
Change in credit loss	(14)	-	(986)	(1,000)
Closing balance at 31 March 2021	**(14)**	**-**	**(3,424)**	**(3,438)**

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 (£0.93m at 31/3/20) 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 2021 by the type of counterparty:

Credit Rating	31 March 2019 £000	31 March 2020 £000
Banks, Building Societies & Corporates		
AAA	-	-
AA	-	-
A	9,699	10,642
Money Market Funds - AAA	2,500	1
Local Authorities - unrated	-	5,000
Total	**12,199**	**15,643**

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 2020 £000	31 March 2021 £000
Less than one year	19,917	26,647
Between five and ten years	1,649	2,129
Total	**21,566**	**28,776**

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 2020 £000	31 March 2021 £000
Less than one year	0%	25%	(11,128)	(24,522)
Between one and two years	0%	40%	(5,254)	(73)
Between two and five years	0%	60%	(10,000)	(10,000)
Between five and ten years	0%	70%	(10,000)	(10,000)
More than ten years	0%	90%	(31,673)	(31,673)
Total			**(68,055)**	**(76,268)**

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 2021, 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	156
Total impact on Comprehensive Income and Expenditure	**156**

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 2020 £000		31 March 2021 £000
	Financial Assets	
1,324	Trade Receivables	1,349
6,394	Other Receivables (Note 1)	8,654
7,718	**Total**	**10,003**
	Non Financial Assets	
185	Prepayments	277
3,537	Debtors for Local Taxation (Notes 2 and 3)	9,576
1,908	Other Receivables	271
5,630	**Total**	**10,124**
13,348	**Total**	**20,127**

Note

1. Other Receivables includes a provision for losses at 31 March 2021 of £3.977m (£2.438m at 31 March 2020).

2. Debtors for Local Taxation has increased due to the Business Rates deficit on the Collection Fund (see page 91) of £8.5m in 2020/21 (£1.5m surplus 2019/20) arising from additional Covid-19 reliefs of which 60% is recovered from central government and preceptors.

3. Debtors for Local Taxation includes a provision for losses at 31 March 2021 of £0.552m (£0.419m at 31 March 2020).

The past due but not impaired amount for local taxation (LDC share of council tax and non-domestic rates) arrears at 31 March 2021 was £2.087m (£1.554m at 31 March 2020).

Long-term debtors outstanding as at 31 March are:

31 March 2020 £000		31 March 2021 £000
1,649	Other Receivable Amounts	2,129
1,649	**Total**	**2,129**

Note

Long Term Debtors at 31 March 2021 includes £0.706m (£0.716m at 31 March 2020) relating to council dwelling sales and £933,000 (£0.933m at 31 March 2020) of capital loans to Aspiration Homes and other loans £0.504m (£nil at 31 March 2020) and an expected credit loss credit of £0.014m.

25. CREDITORS

Short term creditors as at 31 March are:

31 March 2020 £000		31 March 2021 £000
	Financial Liabilities	
(65)	Trade Payables	(1,241)
(10,808)	Other Payables	(18,027)
(10,873)	**Total**	**(19,268)**
	Non Financial Assets	
(3,074)	Receipts in Advance	(2,102)
(2,956)	Creditors for Local Taxation	(2,123)
(53)	Other Payables	(41)
(6,083)	**Total**	(4,266)
(16,956)	**Total**	**(23,534)**

Other Long Term liabilities as at 31 March are:

31 March 2020 £000		31 March 2021 £000
(254)	Lease Liability	(73)
(254)	**Total**	**(73)**

26. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2021 are:

	1 April 2020 £000	Additions £000	Amounts used £000	31 March 2021 £000
Business Rate Appeals	(594)	-	265	(329)
Total	**(594)**	**-**	**265**	**(329)**

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 2020 £000		31 March 2021 £000
(2,869)	General Fund Balance	(2,963)
(7,261)	Earmarked Reserves	(13,089)
(2,771)	HRA Balance	(3,537)
(7,959)	Major Repairs Reserve	(9,044)
(5,236)	Capital Receipts Reserve	(5,908)
(6,555)	Capital Grants & Contributions Unapplied	(10,301)
(32,651)	**Total Usable reserves**	**(44,842)**

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.

2019/20 £000		2020/21 £000
(6,909)	**Balance at 1 April**	**(7,959)**
(5,046)	Posting of HRA resources from revenue to the major repairs reserve	(3,992)
3,996	Use of the major repairs reserve to finance capital expenditure	2,907
(7,959)	**Balance at 31 March**	**(9,044)**

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.

2019/20 £000		2020/21 £000
(5,685)	**Balance at 1 April**	**(5,236)**
(1,549)	Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(3,756)
13	Administrative costs of non-current asset disposals	57
303	Payments to the government housing receipts pool	495
1,682	Use of the capital receipts reserve to finance capital expenditure	2,532
(5,236)	**Balance at 31 March**	**(5,908)**

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.

2019/20 £000		2020/21 £000
(7,541)	**Balance at 1 April**	**(6,555)**
(2,630)	Grants and contributions received	(6,418)
3,616	Application of capital grants to finance capital expenditure	2,672
(6,555)	**Balance at 31 March**	**(10,301)**

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 2020 £000		31 March 2021 £000
(728)	Deferred Capital Receipts Reserve	(722)
(945)	Collection Fund Adjustment Account	2,426
(124,528)	Revaluation Reserve	(147,577)
(133,425)	Capital Adjustment Account	(133,643)
14,672	Pension Reserve	15,428
9	Accumulated Absence Account	9
(244,945)	**Total Unusable reserves**	**(264,079)**

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.

2019/20 £000		2020/21 £000
(748)	**Balance at 1 April**	**(728)**
20	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(728)	**Balance at 31 March**	**(722)**

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.

2019/20 £000		2020/21 £000
(483)	**Balance at 1 April**	**(945)**
(137)	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	(170)
(325)	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	3,541
(462)	**Total**	**3,371**
(945)	**Balance at 31 March**	**2,426**

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.

2019/20 £000		2020/21 £000	£000
(90,506)	**Balance at 1 April**		**(124,528)**
(10,282)	Transfer from the Capital Adjustment Account	-	
(31,464)	Upward revaluation of assets	(24,398)	
471	Downward revaluation of assets	-	
(30,993)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(24,398)**
2,258	Difference between fair value depreciation and historical cost depreciation	1,329	
4,995	Accumulated gains on assets sold or scrapped	20	
7,253	Amount written off to the Capital Adjustment Account		**1,349**
(124,528)	**Balance at 31 March**		**(147,577)**

Note

The 'Transfer from the Capital Adjustment Account' in 2019/20 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.

2019/20 £000		2020/21 £000	2020/21 £000
(156,186)	**Balance at 1 April**		**(133,425)**
10,282	Transfer to the Revaluation Reserve (Note 1)	-	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
16,209	Charges for depreciation and impairment of non-current assets	3,112	
361	Amortisation of intangible assets	594	
-	Expected Credit Loss	14	
3,508	Revenue expenditure funded from capital under statute	2,079	
10,374	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	3,692	
30,452			**9,491**
(7,253)	Adjusting amounts written out of the Revaluation Reserve		(1,349)
23,199	**Net written out amount of the cost of non-current assets consumed in the year**		**8,142**
	Capital financing applied in the year:		
(1,682)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,532)	
(3,996)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,908)	
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	
(3,616)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,672)	
(293)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(453)	
-	Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-	
(1,217)	Capital expenditure charged against the General Fund and HRA balances	(878)	
(10,804)			**(9,443)**
95	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,083
(11)	Movements in the Donated Assets Account debited or credited to the Comprehensive Income and Expenditure Statement		-
(133,425)	**Balance at 31 March**		**(133,643)**

Notes

1. The 2019/20 '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.

2019/20 £000		**2020/21 £000**
11,150	**Balance at 1 April**	**14,672**
3,732	Re-measurement of the net defined benefit liability/(asset)	71
512	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	896
(722)	Employer's pensions contributions and direct payments to pensioners payable in the year	(211)
14,672	**Balance at 31 March**	**15,428**

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.

2019/20 £000		**2020/21 £000**
48	**Balance at 1 April**	**9**
(48)	Settlement or cancellation of accrual made at the end of the preceding year	-
9	Amounts accrued at the end of the current year	-
9	**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:

2019/20 £000		2020/21 £000
	Service Cost comprising:	
249	Current Service Cost	219
-	Past Service Cost	219
	Financing & Investment Income & Expenditure	
263	Net Interest	386
-	**Administration Expenses**	72
512	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**896**
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
6,608	Return on Assets	(12,093)
(4,386)	Changes in financial assumptions	14,758
(2,265)	Changes in demographic assumptions	(1,255)
3,775	Other experience	(1,339)
3,732	**Other Comprehensive Income & Expenditure**	**71**
4,244	**Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement**	**967**
	Movement in Reserves Statement	
(512)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(896)
722	Actual amount charged to the General Fund Balance for pensions in the year	211
210	**Net adjustment in Movement in Reserves Statement**	**685**

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 2020 £000		31 March 2021 £000
64,059	Fair value of employer assets	73,962
(77,949)	Present value of funded liabilities	(88,610)
(782)	Present value of unfunded liabilities	(780)
(14,672)	**Net liability arising from defined benefit obligation**	**(15,428)**

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

2019/20 £000		2020/21 £000
71,895	**Opening fair value of assets**	**64,059**
-	Administration Expenses	(72)
1,693	Interest income	1,220
	Re-measurement gain/(loss):	
(6,608)	Return on plan assets	12,093
651	Contributions from employer - Funded	211
71	Contributions from employer - Unfunded	-
43	Contributions from employees into the scheme	43
(3,615)	Benefits paid - Funded	(3,522)
(71)	Benefits paid - Unfunded	(70)
64,059	**Closing fair value of scheme assets**	**73,962**

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

2019/20 £000		2020/21 £000
(83,045)	**Opening balance at 1 April**	**(78,731)**
(249)	Current service costs	(219)
-	Past Service costs	(219)
(1,956)	Interest costs	(1,606)
(43)	Contributions from scheme participants	(43)
	Re-measurement (gains) and losses:	
4,386	Changes in financial assumptions	(14,758)
2,265	Changes in demographic assumptions	1,255
(3,775)	Other experience	1,339
3,615	Benefits paid - funded	3,522
71	Benefits paid - unfunded	70
(78,731)	**Closing Balance at 31 March**	**(89,390)**

29.6 Local Government Pension Scheme Assets comprised

% of Total Fund held in each Asset Class (split by those that have a quoted market price in an active market).

	31 March 2020		31 March 2021	
	Quoted %	**Unquoted %**	**Quoted %**	**Unquoted %**
Index Linked Government Securities				
UK	-	-	-	3.1%
Overseas	-	-	-	-
Corporate Bonds				
UK	-	-	-	10.6%
Overseas	-	-	-	-
Equities				
UK	-	-	-	-
Overseas	-	34%	-	44.4%
Property				
All	-	9%	-	7.5%
Others				
Absolute Return Portfolio	-	-	-	23.2%
Private Equity	-	7%	-	8.2%
Infrastructure	-	2%	-	0.3%
Bonds	-	17%		
Other	-	29%	-	1.0%
Cash/Temporary Investments	2%	-	1.3%	-
Net Current Assets				
Debtors	-	-	0.4%	-
Creditors	-	-	-	-
Total	**2%**	**98%**	**1.7%**	**98.3%**

Estimated asset allocation

	31 March 2020		31 March 2021	
	£000	**%**	**£000**	**%**
Equities	47,690	74%	56,063	76%
Bonds	9,312	15%	11,076	15%
Property	2,321	4%	5,565	7%
Cash/Other assets	4,736	7%	1,258	2%
Total	**64,059**	**100%**	**73,962**	**100%**

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:

2019/20		2020/21
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.6	Males	21.1
23.9	Females	23.7
	Longevity at 65 for future pensioners:	
22.5	Males	21.9
25.3	Females	25.0
2.0%	Rate of inflation (CPI)	2.9%
2.0%	Rate of increase in salaries	2.9%
2.0%	Rate of Increase in Pensions	2.9%
2.3%	Rate for discounting scheme liabilities	1.95%
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.

	Present Value of Total Obligation £000	Present Value of Total Obligation %
0.1% increase in Discount Rate	(1,391)	-1.56%
0.1% increase in the Salary Increase Rate	7	0.01%
0.1% increase in the Pension Increase Rate	1,393	1.56%

It is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 5.6%. 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 projects paying £130,000 employer contributions to the scheme in 2021/22.

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 (£000) as at 31 March 2021	Liability Split (%) as at 31 March 2021
Active Members	7,978	8.9%
Deferred Members	17,058	19.1%
Pensioner Members	63,031	70.5%
Unfunded Members	1,323	1.5%
Total	**89,390**	**100%**

30. CASH AND CASH EQUIVALENTS

31 March 2020 £000		31 March 2021 £000
1	Cash held by the Authority	1
7,698	Bank Current Accounts	2,631
2,500	Short Term Deposits with Banks	1
10,199	**Total**	**2,633**

31. CASH FLOW

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

2019/20 £000		2020/21 £000
7,890	Depreciation	5,740
8,319	Impairment and (reversal) of impairment and valuation movements	(2,628)
361	Amortisation	594
5,912	Increase in Creditors	7,988
(17)	Increase in Debtors	(1,635)
-	Decrease in Inventories	6
(210)	Movement in pension liability	685
10,373	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,692
(374)	Other non-cash items charged to the net surplus or deficit on the provision of services	832
32,254	**Adjustment for Non-Cash Movements included in the provision of services**	**15,274**

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

£000		£000
-	Proceeds from short and long term investments	-
(1,516)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,693)
(2,630)	Other items for which the cash effects are investing or financing activities	(6,418)
(4,146)	**Adjustment for items that are investing and financing activities**	**(10,111)**

£000	Investing Activities	£000
(8,157)	Purchase of property, plant and equipment, investment property and intangible assets	(12,326)
(98,600)	Purchase of short-term and long-term investments	(456,336)
(1,301)	Other payments for investing activities	(505)
1,444	Proceeds from sales of property, plant and equipment, investment property and intangible assets	3,791
102,124	Proceeds from short and long term investments	445,326
2,957	Other receipts from investing activities	6,423
(1,533)	**Net cash flows from investing activities**	**(13,627)**

£000	Financing Activities	£000
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
-	Repayment of short and long-term borrowing	-
(543)	Other payments for financing activities	(6,100)
(543)	**Net cash flows from financing activities**	**(6,100)**

Reconciliation of Liabilities arising from Financing Activities	**1 April 2020** £000	**Financing Cash Flows** £000	**Non-Cash Changes** £000	**31 March 2021** £000
Short Term Borrowings	(255)	1	(5,000)	(5,254)
Long Term Borrowings	(56,673)	-	5,000	(51,673)
Net cash outflow from financing activities	**(56,928)**	**1**	**-**	**(56,927)**

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 Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. At 31 March 2021 the pension liability of Wave Leisure Trust Ltd is £2,117,000 (£729,000 at 31 March 2020). 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.

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

2019/20 £000		2020/21 £000
	Income	
(14,195)	Dwelling Rents	(14,783)
(409)	Non-Dwelling Rents	(364)
(1,108)	Charges for Services and Facilities	(1,241)
(199)	Contributions Towards Expenditure	(168)
(15,911)	**Total Income**	**(16,556)**
	Expenditure	
3,868	Repairs and Maintenance	4,612
3,465	Supervision and Management	3,314
949	Special Services	1,293
123	Rents, rates, taxes and other charges	206
6,869	Depreciation, Amortisation and Impairment of Non Current Assets	1,390
120	Movement in the allowance for bad debts	106
-	Debt Management Costs	6
15,394	**Total Expenditure**	**10,927**
(517)	**Net Expenditure or HRA Services as included in the whole authority Income and Expenditure Statement**	**(5,629)**
396	HRA services share of Corporate and Democratic Core	163
(121)	**Net Expenditure for HRA Services**	**(5,466)**
3,387	(Gain)/loss on sale of HRA assets	(25)
1,928	Interest Payable and Similar Charges	1,984
(72)	Interest and Investment Income	(9)
(166)	Capital Grants and Contributions Received	-
4,956	**(Surplus) / Deficit for the Year**	**(3,516)**

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MOVEMENT ON THE HRA STATEMENT

2019/20 £000		2020/21 £000	2020/21 £000
(2,661)	**HRA opening balance**		**(2,771)**
4,956	**Deficit on HRA Income and Expenditure Statement**	**(3,516)**	
	Adjustments between accounting and funding basis:		
(4,901)	Gain on disposal of non-current assets	(3,661)	
1,536	Transfer from Capital Receipts Reserve	3,692	
-	Capital expenditure funded by the HRA	149	
166	Capital grants and contributions	-	
(20)	Deferred Capital Receipts Reserve	(5)	
(6,869)	Transfer from Capital Adjustment Account	(1,390)	
5,046	Transfer to Major Repairs Reserve	3,992	
(5,042)			**2,777**
(24)	Transfers to earmarked reserves		(27)
(110)	**Increase in the year**		**(766)**
(2,771)	**HRA closing balance**		**(3,537)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2020		31 March 2021
	Houses and Bungalows	
223	- one bedroom	223
637	- two bedrooms	643
860	- three bedrooms	860
72	- four or more bedrooms	73
1,792	**Total Houses and Bungalows**	**1,799**
	Flats	
689	- one bedroom	694
533	- two bedrooms	533
52	- three or more bedrooms	58
133	- bed-sits	133
1,407	**Total Flats**	**1,418**
3,199	**All Dwellings**	**3,217**

In addition the Council has shared ownership arrangements covering 6.84 full property equivalents (4.89 at 31 March 2020).

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

	31 March 2020 £000	31 March 2021 £000
Council Dwellings	242,537	271,402
Other Land & Buildings	5,228	5,199
Other Assets	5,062	4,879
Total	**252,827**	**281,480**

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of dwellings was fully re-valued by Wilks, Head & Eve in 2019/20. 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 housing at less than open market rents. For 2020/21, a market review by the valuer proposed increases of 11% for houses and 9% for flats and maisonettes.

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.

2019/20 £000		2020/21 £000
(6,909)	**Balance as at 1 April**	**(7,959)**
3,996	Financing of Capital Expenditure	2,907
(5,046)	Depreciation	(3,992)
(7,959)	**Balance as at 31 March**	**(9,044)**

4. CAPITAL EXPENDITURE AND FINANCING

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

2019/20 £000		2020/21 £000
6,672	**Total Capital Expenditure**	**9,746**
	Funding:	
1,548	Borrowing	4,203
1,126	Capital Receipts	2,458
3,996	Major Repairs Reserve	2,901
-	Grants & Contributions	184
2	Revenue	-
6,672	**Total Funding**	**9,746**

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2019/20 £000		2020/21 £000
1,534	Right to Buy Sales	1,564
15	Other Sales	2,185
1,549	**Total Receipts**	**3,749**

6. DEPRECIATION

2019/20 £000		2020/21 £000
4,331	Dwellings	3,599
328	Other Land and Buildings	48
387	Other Assets	345
5,046	**Total Depreciation**	**3,992**

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 were carried out by Wilks, Head & Eve and also for financial year 2020/21.

8. RENT ARREARS

Rent arrears at 31 March 2021 amounted to £1,144,569 (£833,884 at 31 March 2020) and include former tenants' arrears. During 2020/21, former tenant arrears of £1,882 were written off (£15,087 in 2019/20). The Council has an impairment allowance for doubtful debts of £933,827 at 31 March 2021 (£829,208 at 31 March 2020).

COLLECTION FUND REVENUE ACCOUNT

2019/20 Total £000		2020/21 Business Rates £000	2020/21 Council Tax £000	2020/21 Total £000
	Income			
(75,932)	Income collectable from Council Tax	-	(79,828)	(79,828)
(25,469)	Income collectable from Non-Domestic Rates	(15,336)	-	(15,336)
(326)	Transitional Relief	(105)	-	(105)
(101,727)	**Total Fund Income**	**(15,441)**	**(79,828)**	**95,269**
	Expenditure			
	Precepts, Demands and Shares			
6,214	Central Government	12,496	-	12,496
59,205	East Sussex County Council	2,249	54,923	57,172
22,183	Lewes District Council	9,997	11,911	21,908
6,981	Sussex Police and Crime Commissioner	-	7,359	7,359
4,687	East Sussex Fire Authority	250	3,517	3,767
99,270		**24,992**	**77,710**	**102,702**
325	Rates retained in respect of Newhaven Enterprise Zone	361	-	361
138	Business Rates Costs of Collection	136	-	136
	Charges to Collection Fund			
(1,280)	Allowance for Appeals	(529)	-	(529)
210	Write-offs of uncollectable amounts	242	74	316
195	Allowance for impairment of doubtful debts	46	382	428
(412)		**256**	**456**	**712**
	Apportionment of previous year's Collection Fund Surplus			
112	Central Government	9	-	9
300	East Sussex County Council	60	389	449
149	Lewes District Council	73	83	156
34	Sussex Police and Crime Commissioner	-	53	53
20	East Sussex Fire Authority	12	25	37
615		**154**	**550**	**704**
99,473	**Total Fund Expenditure**	**25,402**	**78,716**	**104,118**
(2,254)	**Movement on Fund Balance**	**9,961**	**(1,112)**	**8,849**
	COLLECTION FUND BALANCE			
(138)	**Balance at 1st April**	(1,455)	(937)	(2,392)
(2,254)	(Surplus)/Deficit for the year	9,961	(1,112)	8,849
(2,392)	**Balance as at 31st March**	**8,506**	**(2,049)**	**6,457**

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:	**2020/21**
	£000
Gross amount of Council Tax	**87,641**
Less:	
Council Tax Support Scheme	(7,554)
Discounts	(246)
Exemptions	(123)
Disabled Relief	(476)
Net Yield from Council Tax	**79,242**

Council Tax Base

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band (adjusted 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	7	5	5/9	2.51	£5
A	4,262	2,431	6/9	1,620.41	£3,421
B	6,033	4,226	7/9	3,286.67	£6,938
C	13,274	10,776	8/9	9,578.84	£20,221
D	9,611	8,419	9/9	8,418.51	£17,772
E	5,737	5,226	11/9	6,387.49	£13,484
F	3,069	2,864	13/9	4,137.11	£8,734
G	2,292	2,182	15/9	3,635.90	£7,675
H	212	200	18/9	399.50	£843
	44,497	**36,327**		**37,466.94**	**£79,093**
Less: 1.75% reduction to allow for collection losses				(655.63)	(£1,384)
				36,811.32	**£77,709**

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	36,811.32
Band D Council Tax 2019/20 (Budget report)	B	£2,111.03
Theoretical gross yield	A x B	£77,709,801
Actual gross yield (as above)	C	£79,242,046
Theoretical gross yield - actual gross yield	(A x B) – C	(£1,532,245)

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.

		2019/20	2020/21
Total non-domestic rateable value	**£m**	71.8	72.4
Standard Multiplier	**pence**	50.4	51.2
Small Business Multiplier	**pence**	49.1	49.9
Product	**£m**	25.5	15.3

The gross yield before adjustments represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements. The business rates share payable in 2020/21 was estimated before the start of the financial year as £25.0m. These sums have been paid into 2020/21 and charged to the collection fund in year. The Council's share is £10.0m.

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	7,713	83	7,796	9,997	73	10,070
Lewes District Town and Parish Councils	4,198	-	4,198	-	-	-
Central Government	-	-	-	12,496	9	12,505
East Sussex County Council	54,923	389	55,312	2,249	60	2,309
Sussex Police and Crime Commissioner	7,359	53	7,412	-	-	-
East Sussex Fire Authority	3,517	25	3,542	250	12	262
Total	**77,710**	**550**	**78,260**	**24,992**	**154**	**25,146**

When the retained business rates income scheme was introduced, the 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 the 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:

	2019/20 £000	**2020/21 £000**
Actual Business Rate income due	13,603	11,782
Tariff payment	(8,668)	(7,805)
	4,935	**3,977**
Baseline Funding	(2,207)	(2,243)
Amount above (below) baseline	**2,728**	**1,734**

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 20 £000	31 March 21 £000	31 March 20 £000	31 March 21 £000
Lewes District Council	(143)	(313)	(640)	3,350
Central Government	-	-	(364)	4,578
East Sussex County Council	(663)	(1,446)	(378)	545
Sussex Police and Crime Commissioner	(88)	(198)	-	-
East Sussex Fire Authority	(43)	(92)	(73)	33
(Surplus) / Deficit	**(937)**	**(2,049)**	**(1,455)**	**8,506**

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 its contribution to knowledge and culture.

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

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

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

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

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

Non-Current 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.