# STATEMENT OF ACCOUNTS

## 2022/23

EASTBOURNE Borough Council

## TABLE OF CONTENTS

# 1. NARRATIVE REPORT BY THE CHIEF FINANCE OFFICER

I am pleased to welcome you to Eastbourne Borough Council's Statement of Accounts for 2022/23, which gives me the opportunity to set the accounts in the context of the financial challenges being faced by the Council.

Eastbourne Borough Council (the Council) has continued to experience significant financial challenges. With the current economic climate following austerity, Brexit, COVID-19, the war in Ukraine, cost-of-living crisis, and now inflationary pressures which has seen the cost of energy, fuel and food rise far more than rises in wage levels, we have seen a significant increase in the number of individuals and families suffering homelessness. At the same time, the impact of the above has resulted in a drastic drop in the Council's income from tourism, culture and leisure. Together this has resulted in an unprecedented squeeze on the Council's finances.

Whilst we have presently managed to maintain our key front-line services, we have had to make considerable savings and redefine how we deliver our services to achieve a balanced budget.

For example, the Council has been able to increase its provision of emergency and temporary accommodation, to address the rising levels of homelessness, by making use of properties within the Eastbourne Housing Investment Company estate and create additional support for those residents with greater vulnerability during these challenging economic climates.

The Council has undertaken significant work during 2022/23 to administer grants to support specific initiatives and individuals together with a range of Business Rate Relief and grant support to businesses. Also, at the end of 2021/22, the Government provided over £6.2m of grant to enable the Council to issue in the early months of 2022/23, a £150 Council Tax Energy Rebate to residents to help alleviate the impact of the rising energy costs.

The Council has also been able to create provision to support its residents badly impacted by the rising living expenses by setting up a Cost-of-Living Crisis Fund to support the local voluntary and community sector with practical support for those in most need.

In addition, by making use of external grant schemes, such as the Levelling Up fund, Community Infrastructure Levy contributions and the UK Shared Prosperity Fund we have been able to secure further investment funding for the borough.

Investment in regeneration of the borough's infrastructure, such as at Black Robin Farm, the Towner and Terminus Road, has been possible because the Council's success in securing these funding grants.

The following Narrative Report is an important part of the accounts and provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position as at 31 March 2023.

**Homira Javadi CPFA, FCCA, ACCA**

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

## INTRODUCTION

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards and the Service Reporting Code of Practice, together with guidance notes and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

- Understand the overarching financial position of the Council and the outturn for 2022/23.
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner.
- Be assured that the financial position of the Council is sound and secure.

The Narrative Report provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2023 and is structured as below:

- About Eastbourne
- Governance
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2022/23
- Staffing
- Future plans
- Explanation of Financial Statements
- Further Information.

## ABOUT EASTBOURNE

### The Council

Our wide range of responsibilities include:

- Waste collection and recycling
- Leisure and amenities
- Environmental health
- Tourism and culture
- Collection of council tax and business rates
- Democracy - local and general elections
- Planning
- Housing and homelessness prevention

Eastbourne Borough Council is one of five district and borough councils in East Sussex, each providing key services to their residents.

Local services that fall outside of our scope are provided by East Sussex County Council (ESCC) across the whole county. These include education, children and family services, adult social care and heath, roads and transport, waste disposal and libraries.

### Our Environment

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

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

### The Community

Eastbourne has an estimated population of 101,700 per the 2021 census. Historically, it has attracted older people to come and live in the town. Compared to the region and nation as a whole, Eastbourne has a higher percentage of the population of pensionable age, 24.6% aged over 65 years old against a national average of 18.4%. However, this is changing and although Eastbourne still provides an attractive location for retirement, the town has also experienced considerable housing and economic development that has attracted a younger age group, leading to an increasingly more balanced community. We now have 31.6% of our population below the age of 30.

Around 22% of people are living with a limiting long-term illness and 20% have a disability, with both ratios likely to rise over the next decade or so. Four areas of Eastbourne fall within the most 10% deprived in England. These are found within the Devonshire, Langney and Hampden Park wards.

### The Economy

Public administration, education and health are the largest employers in Eastbourne at 39% followed by wholesale and retail trade at 19.5%. Both sectors have greater concentrations in Eastbourne than East Sussex, the South East and Great Britain.

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

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

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

## GOVERNANCE

### How the Council Operates

The Council is a complex organisation. Elected councillors direct our policies, which the Corporate Management Team (shared with Lewes District Council) then implements through the officers of the Council. There are 27 councillors representing 9 wards within the borough. Local government elections take place every four years, the next local government election for the borough will be in May 2023. Composition of the Council is as below:

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

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

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

2023 Cabinet consists of the following members:

| | |
|---|---|
| Councillor David Tutt | Leader of the council and chair of cabinet, and cabinet member for responsibilities aligned with the chief executive |
| Councillor Stephen Holt | Deputy leader, cabinet member for financial services |
| Councillor Margaret Bannister | Cabinet member for tourism and culture services |
| Councillor Alan Shuttleworth | Direct assistance services |
| Councillor Colin Swansborough | Cabinet member for climate change, place services and special projects |
| Councillor Rebecca Whippy | Cabinet member for disabilities and community safety |

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

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

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

| | |
|---|---|
| Robert Cottrill | Chief Executive (Statutory Head of Paid Service) |
| Ian Fitzpatrick | Deputy Chief Executive and Director of Regeneration and Planning |
| Tim Whelan | Director of Service Delivery |
| Homira Javadi | Chief Finance Officer (Statutory Section 151 Officer) |
| Becky Cooke | Assistant Director of Human Resources and Transformation |
| Oliver Dixon | Head of Legal |
| Kate Slattery | Interim Head of Legal |

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

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

JTP 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.

## CORPORATE RISK

Risk management has a strong link to corporate governance as it is a vital element in the internal control environment. Project and strategic risks are held on performance management software so they can be updated regularly by managers who have ownership and responsibility for reviewing and updating risks.

The following strategic risks are reviewed by CMT, and reported to the Audit and Governance Committee, quarterly. The full risk assessment can be found attached to the latest quarterly report to the committee which can be found on the website at: Browse meetings - Eastbourne Borough Council Audit and Governance Committee (lewes-eastbourne.gov.uk)

| Title | Description |
|---|---|
| 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. |
| Changes to the economic environment makes the council economically less sustainable. | 1. Economic development of the town suffers.<br>2. Council objectives cannot be met.<br>3. Inflation affecting council costs is having a serious impact on the council's finances.<br>4. The council's Recovery and Stabilisation programme fails to meet its objectives.<br>5. Rising energy prices and inflation affecting the cost of living will affect the ability of customers to pay rent and council tax. |
| Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations. | 1. Unsustainable demand on services.<br>2. Service failure.<br>3. Council structure unsustainable and not fit for purpose.<br>4. Heightened likelihood of fraud. |
| The employment market provides unsustainable employment base for the needs of the organisation. | Employment market unable to fulfil recruitment, and council unable to retain staff, resulting in a decline in performance standards and an increase in service costs. |
| Not being able to sustain a culture that supports organisational objectives and future development. | 1. Decline in performance.<br>2. Higher turnover of staff.<br>3. Decline in morale.<br>4. Increase in absenteeism.<br>5. Service failure.<br>6. Increased possibility of fraud.<br>7. The council's Recovery and Stabilisation programme fails to meet its objectives. |
| Council prevented from delivering services for a prolonged period of time. | 1. Denial of access to property.<br>2. Denial of access to technology/information.<br>3. Denial of access to people. |
| 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.<br>2. Cost profile of the council changes materially as a result of the impact of the event.<br>3. Work adversely affected by reduced staff numbers due to effects of pandemic virus.<br>4. Emergency caused by a climate change event (e.g. increased flooding risks) |
| Failure to meet regulatory or legal requirements. | 1. Trust and confidence in the council is negatively impacted.<br>2. Deterioration of financial position as a result of regulatory intervention/penalties.<br>3. Deterioration of service performance as a result of regulatory intervention/penalties. |
| Commercial enterprises and investments do not deliver financial expectations or do not meet governance requirements. | 1. Unfamiliar activity with staff inexperienced in this area.<br>2. Council finances affected if projects do not meet financial expectations.<br>3. Reputational damage if governance procedures are inadequate. |

| Title | Description |
|---|---|
| | 4. Failure to abide by company law. |
| 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.<br>2. Deterioration of financial position as a result of regulatory intervention/penalties.<br>3. Deterioration of service performance as a result of regulatory intervention/penalties.<br>4. Increased probability of compensation claims by persons affected by a personal data breach. |

## SUMMARY OF ACHIEVEMENTS

In the 2022/23 financial year, the following key successes were delivered:

- The Pevensey Bay to Eastbourne Coastal Management Scheme Project was launched in April 2022.
- The Queen's Green Canopy in Eastbourne was launched to honour the Queen's Birthday with residents and community groups planting a wide variety of trees planted beside the highway from Butts Brow to Black Robin Farm.
- Consultation on the Eastbourne Homeless and Rough Sleeping strategy was launched.
- In May 2022, an emergency grant payment of £20,000 to Eastbourne Foodbank, with one thousand local people benefitting. The grant was made from the £250,000 "cost of living emergency grant" scheme established by the Council.
- In spring and early summer 2022 the Council carried out a consultation on proposals to introduce a Public Spaces Protection Order (PSPO) to tackle anti-social driving in Eastbourne.
- The Eastbourne Local Lottery distributed £23,000 from its community fund across a diverse range of good causes in the town.
- In the Autumn of 2022, artwork of over 5,000 paper birds, made and decorated by children from schools in Eastbourne, original displayed at the 2021 COP26 Conference on Climate Change in Glasgow, was displayed at the Towner. Each bird carries an important message to local and national leaders urging them to tackle environmental issues and the causes of climate change.
- In October 2022, the popular Eastbourne Beer Festival was held generating ticket sales of £19k.
- In November 2022, the Council launched consultation on the new Local Plan which is intended to provide a clear strategy for future growth, guiding decisions on the locations, amount and type of development that is needed, such as new homes, health and education provision, transport links and sites that will create employment opportunities.
- The Council was successfully awarded a grant of £200k from the Forestry Commission to explore using local timber to create commercial products for the housing retrofit market.
- Latest data shows the Council achieved a reduction in its carbon emissions by 15% and the town's overall carbon footprint has made 'excellent progress' with a reduction of 14.5% since 2018. The research has also highlighted that people travelling to Airbourne account for 96% of the event's carbon footprint, while aircraft contribute just 3.7%.
- In December 2022, the Council completed a first-of-its-kind redevelopment of an old garage site into six new homes in Brede Close includes five two-bedroom houses for tenants on the council's housing register and a one-bedroom flat that has been built with match funding from the Rough Sleeper Accommodation Programme.
- In January 2023, the Council hosted a Holocaust Memorial Day 2023 in the Shackleton Hall in the Welcome Building.
- In Spring 2023, the Council is nearing completion of its second modular housing development in Fort Lane. The site that previously contained disused light industrial units is being redeveloped into five terraced homes and two semi-detached homes, each with their own garden and parking.
- The Council won the right to remove Fisherman's Green from its Local Plan - Growth Strategy without sanction from the Government.
- The Council begun installation of public charging points for 18 electric vehicle bays in three car parks across the town.
- In March 2023, works began to build five one-bedroom flats, nine two-bedroom flats, five three-bedroom houses and a four-bedroom house at Cavalry Crescent. One house and one ground floor flat have been specifically designed with full adaptations for people with disabilities, including a through floor lift.

## KEY PERFORMANCE INDICATORS

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

| Performance indicator | Target for 2022/23 | Performance in 2022/23 | | Trend | Performance in 2021/22 | Commentary |
|---|---|---|---|---|---|---|
| Percentage of Major Planning Applications processed within 13 weeks | 65% | 82% | | | 90% | Annual performance remains above target. |
| Percentage of minor planning applications processed within 8 weeks | 75% | 86% | | | 73% | Annual performance has seen improvement on previous year and remains above target. |
| Percentage of household waste sent for reuse, recycling and composting | 45% | 38.68% | | | 40.01% | Actual data provided by ESCC |
| Number of households living in emergency (nightly paid) accommodation | Data only | 332 | Data only | | 144 | Over 2022/23, the demand for emergency accommodation has increased exponentially as households have been significantly impacted by the cost-of-living crisis and customers falling into rent arrears. There has been associated increases in mental health crises and familial breakdowns requiring more single placements. |
| Average void relet time (key to key) | 20 | 50.6 | | | 39.3 | A void improvement plan has been implemented to monitor and support improvements operationally and strategically. General household turnover remains low, particularly in larger family accommodation and pressure on accommodation remains acute. A full housing register review has been completed in 2022/23 and information on remaining applicants is up to date which should reduce the number of candidate rejections speeding up the allocations process. A new process has been implemented for void properties which will track and monitor each stage of the process for 'key to key' giving staff better visibility and improved communication. |
| Benefits: Average days to process new claims | 22 | 27 | | | 21 | Whilst overall performance is not where we would want it to be, there has been as significant increase in homeless |

EASTBOURNE Borough Council

| Performance indicator | Target for 2022/23 | Performance in 2022/23 | | Trend | Performance in 2021/22 | Commentary |
|---|---|---|---|---|---|---|
| | | | | | | housing benefit claims due to the Severe Weather Emergency Protocol and a general increase in homelessness.<br><br>In March new council tax bills are sent to all households and Benefit reassessment letters to all housing benefit and council tax reduction recipients and extra phone cover was provided during this period. Changes to the way of processing new claims has been introduced, to ensure that the information is requested promptly, and that the applicant fully understands what is required. |
| Percentage of phone calls answered within 60 seconds | 80% | 35.6% | | | 36.18% | The Customer Contact team experienced another challenging and busy year where the average time for a call to be answered was 2 minutes and 26 seconds. However, 53.55% of all calls were answered within 60 Seconds. The volume of calls and complexity of cases have resulted in Customer Advisors spending longer assisting with enquiries endeavouring to resolve them at that first contact. The Customer Advisor staffing levels were below the required headcount during the year, but vacancies are expected to be filled in early 2023/24, seeing Customer Contact fully staffed for the first time in some years. |
| Percentage of Council Tax collected during the year | 96.8% | 96.39% | | | 96.29% | The collection rate is 0.1% up on previous year. The improvement is mainly a result of an increase in the numbers of taxpayers switching to 12 monthly instalments resulting with debt that would have been collected by January last year being spread over February and March as well. We increased the numbers of reminders issued compared to the prior year which has improved collection. |
| Percentage of Business Rates collected during the year | 97.50% | 96.09% | | | 96.44% | The collection rate outturn for the year is 0.91% below target. Several factors have impacted the collection rate. This is mainly due to increases in the net collectable debt relating to a few larger empty properties that have had empty rates applied i.e. the Cineworld site at Sovereign Harbour and Yeoman's car showrooms. |
| Average days lost per FTE employee due to sickness | 8 days | 6.45 days | | | 8.86 days | We have met our target for 2022/23 with a total of 6.45 days for the year. Absences for COVID-19 (those staff reporting symptoms) was lower than 2021/22. |

## FINANCIAL PERFORMANCE OF THE COUNCIL IN 2022/23

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 from the Government, loans and other capital contributions.

### 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 International Financial Reporting Standards (IFRS) requirements and discloses a 'deficit' for 2022/23 of £9.618m (split between General Fund deficit £4.151m and HRA deficit £5.467m). The Movement in Reserves Statement reconciles this IFRS 'deficit' together with other reserve transfers into a net decrease in the general fund balance of £1.242m and an HRA increase of £2.175m.

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.

### 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 £16.1m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2022/23 of £261.87, being a 1.99% percent increase over 2021/22.

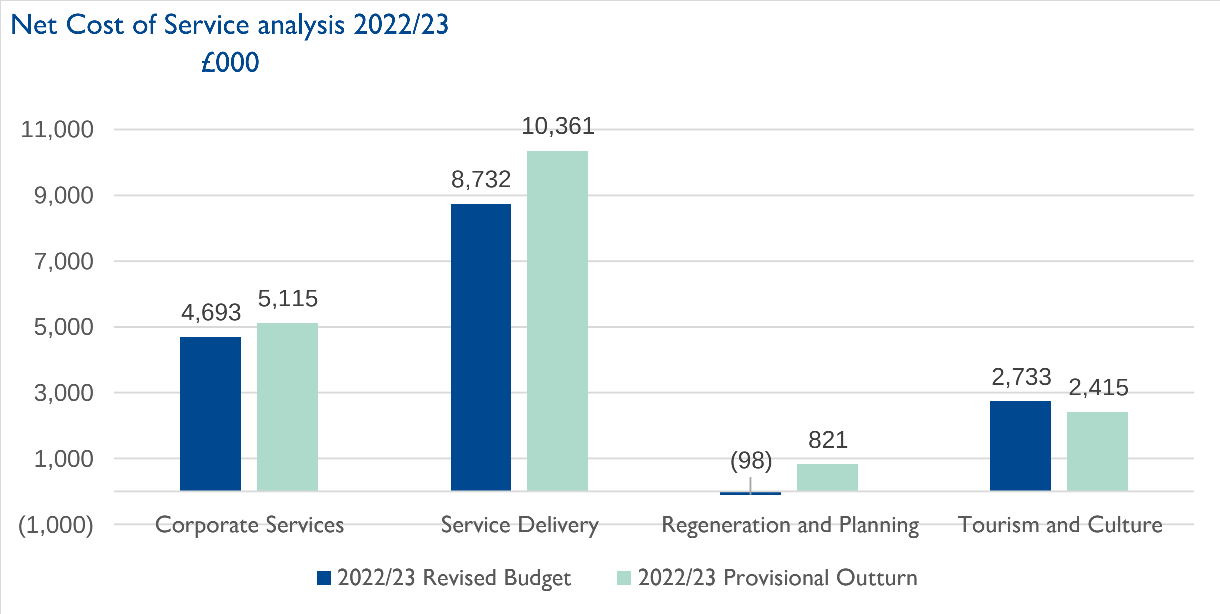
The 2022/23 budget was prepared during one of the most challenging and uncertain times due to the economic climate impact on the Council's finances, staff, residents, and local economy. The Government's spending to combat COVID-19 and mitigate its impact on businesses and individuals has led to record 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 2022/23 budget and medium-term financial strategy was aligned to the Council's five Strategic priorities.

A summary of the General Fund provisional outturn position is shown below in the format used for management accounting and reported to Members at Cabinet on 19 July 2023.

| Summary Draft Outturn 2022/23 | 2022/23 Revised Budget | 2022/23 Draft Outturn | Variance |
|---|---|---|---|
| | **£000's** | **£000's** | **£000's** |
| | | | |
| Corporate Services | 4,693 | 5,115 | 422 |
| Service Delivery | 8,732 | 10,361 | 1,629 |
| Regeneration and Planning | (98) | 822 | 920 |
| Tourism and Enterprise | 2,733 | 2,415 | (318) |
| | | | |
| **Net Cost of Services** | **16,060** | **18,713** | **2,653** |
| Other Operating Income & Expenditure | 237 | 249 | 12 |
| Capital Financing | 2,204 | 601 | (1,603) |
| **Net Budget** | **18,501** | **19,563** | **1,062** |
| | | | |
| Transfer from Reserves | (1,603) | (1,803) | (201) |
| Revenue Grant Fund | - | (909) | (909) |
| Cultural Development Fund | - | (455) | (455) |
| Government Grants | (1,465) | (1,407) | 59 |
| Business Rate | (5,419) | (5,765) | (346) |
| Council Tax | (9,221) | (9,210) | 11 |
| Better Care Fund | (793) | - | 793 |
| **Total Financing** | **(18,501)** | **(19,549)** | **(1,048)** |
| | | | |
| **Over/(under) Budget** | **-** | **14** | **14** |

The actual outturn in the table above is the revenue outturn position reported to Cabinet and is based on funding before any accounting adjustments under Government regulations. The General Fund Revenue outturn is a deficit of £14k against the revised budget.




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

## Corporate Services adverse variance of £422k primarily caused by:

| Service area | Variance £000 | Variance explanation |
|---|---|---|
| Corporate Management | 26 | Inflationary pressures |
| Business planning | 59 | Increased procurement activity as part of Recovery and Stabilisation programme which will deliver savings in contract costs other service areas. |
| Finance | 24 | Higher agency costs to fill vacant posts. |
| Human Resources | 98 | One-off costs incurred for new occupational health contract and provision of corporate training |
| Business transformation | 125 | Revenue costs associated with capital projects had not been anticipated in budget including non-capital staffing costs and annual IT licence costs. |
| Legal and Local Democracy | 28 | Additional staffing costs |
| Local Land Charges | 62 | Additional staffing costs and licencing costs. |

## Service Delivery adverse variance of £1,628k primarily caused by:

| Service area | Variance £000 | Variance explanation |
|---|---|---|
| Director of Service Delivery | 13 | Inflationary pressures |
| Customer First | 931 | Primarily caused by rising volume in statutory and rough sleeper placements, impact on housing benefit payments and ineligible housing costs of £824k. Additional costs due to agency staffing required to fill team vacancies in Customer First and Homes First. We also experienced reduced income from bereavements and increased costs for compensation and legal costs. |
| Homes First | 687 | As Customer First above. |

| | | |
|---|---|---|
| Neighbourhood First | 141 | Additional costs incurred on office cleaning contract, increased security costs and increased repairs and maintenance on properties, increased costs of managing Ash die back. Additional income was received to offset costs including increased Car Park income of £138k and Lawn Tennis Association contributions to Devonshire Park maintenance of £60k |
| Environment First | (144) | Positive variance caused by timing of Tipping Away income contribution from ESCC and savings on the SEESL management fee. |

## Regeneration and planning adverse variance of £919k primarily caused by:

| Service area | Variance £000 | Variance explanation |
|---|---|---|
| Director of regeneration & planning | 7 | Inflationary pressures |
| Commercial business and property | 9 | Inflationary pressures primarily on energy costs. |
| Planning | 236 | Additional consultancy costs to develop the Local Plan of £132k, planning appeal costs £40k and additional staffing costs of £64k. |
| Estates and property | 639 | Increased energy costs of £639k across Council corporate and tourism estate. We also saw reduced rental income and rental income refunds which were offset by savings made through reduced repairs and maintenance. |
| Housing Delivery | 32 | Revenue costs associated with capital projects had not been anticipated in budget including non-capital staffing costs |
| Regeneration | (2) | |

## Tourism and Culture adverse variance of £318k primarily caused by:

| Service area | Variance £000 | Variance explanation |
|---|---|---|
| Towner | 7 | £7k of emergency works were required on plant and machinery at the Towner Gallery. |
| Tourism and Culture | 245 | The adverse variance is primary caused by anticipated catering income not achieved by Golf (adverse fall of £179k), theatres (adverse fall of £139k), the Stage Door (adverse fall of £99k) and Cafes (adverse fall of £49k). This was magnified by closure of the Pavilion (adverse fall of £61k) and Bandstand (£58k) for a substantial period of the year. This has been offset by reductions in staff costs of £39k |
| Events | 6 | Minor budget variations across the various events |
| Theatres | (160) | A reserves transfer of £332k was made to offset the adverse performance of Theatres resulting from the relatively fixed theatre staffing and cleaning costs of £146k and poor theatre ticket sales (overall adverse variance of £26k resulting from better Congress Theatre sales of £160k and poor Devonshire Park Theatre sales of £186k under forecast). |
| Sports Delivery | (376) | The Sovereign Centre experienced higher than anticipated membership sales income. |
| Seafront | (40) | The rental income from the Beach Huts experienced an exceptional demand and its vacancy periods were very low, resulting in a favourable variance. |

## Housing Revenue Account

The Council continues to be the major provider of rented accommodation in the borough, and it transferred responsibility for the management of the housing stock to Eastbourne Homes Ltd (EHL), an arm's length management organisation, on 1 April 2005. At 31 March 2023 there were 3,351 dwellings provided for rent. Housing Associations are the second major provider, and the Council continues its work with them in order to meet new affordable housing requirements for Eastbourne.

For 2022/23 the Housing Revenue Account net position shows an overall deficit (pre capital financing adjustments) of £423,000 for the year against an expected budgeted surplus of £897,000 resulting in an adverse variance of £1,331,000.

The following table reported to Cabinet on 19 July 2023 compares movement in the HRA Balance from the budget to the outturn for 2022/23:

| HRA | Original Budget £000 | Revised Budget £000 | Actual £000 | Variance £000 |
|---|---|---|---|---|
| Income | (16,355) | (16,311) | (16,359) | (48) |
| Expenditure | 14,797 | 15,414 | 15,518 | 104 |
| Capital Financing & Interest | 1,717 | 1,616 | 1,593 | (23) |
| Contribution to Reserves | 2,934 | 2,727 | 1,419 | (1,308) |
| **Total HRA Deficit** | **3,093** | **3,446** | **2,171** | **(1,275)** |

The analysis on this table does not agree to HRA statutory accounts due to the different reporting requirements.

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

| Descriptions | Variance £000's |
|---|---|
| Reduced rental income | 9 |
| Additional service charges income | (57) |
| Reduced contribution to bad debt provision | (4) |
| Reduced depreciation & impairment charge | (232) |
| Net increased management and supervision costs | 340 |
| Reduced loan interest cost | (23) |
| Reduced capital expenditure funded from revenue | (1,308) |
| **Total Variances** | **(1,275)** |

## Collection Fund

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

The council tax element shows the opening surplus has increased by £357k during the year to £1,247k as at 31 March 2023. Collection Fund surpluses or deficits declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2023 forecast surplus for the council tax element of the fund is £908k and will be distributed to precepting bodies pro rata to their Band D council tax during 2022/23. The Council's share of the estimated surplus is £110k.

The NNDR element shows the opening deficit has decreased by £6,005k during the year to £6,005k as at 31 March 2023. Collection Fund surpluses or deficits declared by the billing authority in relation to NNDR tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2023 forecast deficit for the NNDR element of the fund is £6,445k and will be recovered from precepting bodies per the agreed distribution percentages during 2023/24.

As part of the Government's response to the COVID-19 pandemic and the impact it is having on local authority finances, it has implemented three-year phasing of 2021/22 collection fund deficits.

This means that repayments to meet collection fund deficits accrued in 2021/22 is phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets. This will be factored into the calculations to determine the Collection Fund surplus/deficit position in December/January.

The local authority finance regime was previously revised with the introduction of the retained business rates 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 2022/23 the Council worked within a Business Rate Pool with the other East Sussex borough and district councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

The Government continues to work towards transferring control to local authorities over the locally generated business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020. In order to test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the government invited local authorities in England to apply to become 75% business rates retention pilots in 2021/22. The East Sussex Pool became one of the pilot pools for 2021/22.

## Capital programme

The Council's capital programme spending in the year was £19.704m, compared with a revised budget of £29.407m, giving a net underspend of £9.703m. A key part of its recovery programme, the Council made significant reductions to the programme in order to reduce its borrowing levels and the corresponding capital financing costs. The main areas of capital programme expenditure are set out below:

| 2022/23 Capital Programme Summary | Original Estimate | Revised Estimate | Actual | Variance to revised |
|---|---|---|---|---|
| | £000's | £000's | £000's | £000's |
| HRA | 18,210 | 12,989 | 12,849 | 140 |
| Other Housing | 1,200 | 1,871 | 823 | 1,048 |
| Loans to Housing Companies | 1,460 | 1,638 | 1,033 | 605 |
| Community Services | 945 | 1,306 | 931 | 375 |
| Tourism & Leisure | 150 | 198 | 248 | (50) |
| Corporate & Core Services | 935 | 1,443 | 761 | 682 |
| Regeneration | 8,817 | 2,431 | 1,457 | 974 |
| Asset Management | 3,764 | 2,554 | 1,601 | 953 |
| **Total Programme** | **39,253** | **37,612** | **29,763** | **7,849** |

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

- Improvements to the Council's housing stock.
- Building new council dwellings.
- Economic regeneration funded from Government grants at Black Robin Farm and Terminus Road.
- Asset improvements.

## Pensions

The Council is part of the East Sussex Local Government Pension Scheme which is administered by East Sussex County Council. The Council's liability for future pension payments has reduced from £64.7m to an asset of £6.4m. However, under International Financial Reporting Standards, amount of a net defined benefit asset that can be recognised is limited to the lower of the value of the asset and an "asset ceiling".

The "asset ceiling" is defined as the present value of any economic benefits available to the Council in the form of refunds from the scheme or reductions in future contributions to the scheme.

As participants of the Local Government Pension Scheme are not permitted refunds and the Council has a contribution schedule to the pension scheme for the life of the Council (i.e. indefinitely), the Council has assumed that no reductions will be permitted to future contributions.

Therefore, the asset ceiling is assumed to be £nil. This caps the asset that can be recognised by the Council also to £nil. The Defined Benefit Obligations have decreased by £76.2m from £255.8m to £179.6m and the net asset value has decreased by £5.1m from £191.1m to £186.0m. 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.

### Treasury Management

The Council's external loan debt at 31 March 2023, comprising long and short-term borrowing, stood at £176.8m excluding accrued interest payable. This is made up of £111.3m repayable in more than one year and £65.5m repayable in less than one year. This is a net increase of £16.6m over the previous year.

No short-term investments were held at 31 March 2023, the same as the previous year. The Council held cash balances as at 31 March 2023 of £3.4m, compared to £9.5m as at 31 March 2022.

## STAFFING

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

| Employees | 2022/23 | 2021/22 |
|---|---|---|
| Total number of current permanent full and part time employees | 852 | 739 |
| Total number of current temporary/fixed term employees | 21 | 23 |
| **Total Number of Employees** | **873** | **762** |
| Total number of employees expressed as full-time equivalents | 803 | 689 |

| Posts | 2022/23 | 2021/22 |
|---|---|---|
| Total number of permanent full and part time posts | 901 | 739 |
| Total number of temporary/fixed term posts | 21 | 23 |
| **Total number of posts** | **922** | **762** |
| Total number of posts expressed as full-time equivalents | 851 | 704 |

Staff turnover was 12.3% in 2022/23 (14.7% 2021/22).

Sickness absence for 2022/23:

| Number of Hours Lost | Number of Days Lost | Average Number of Days Lost per employee |
|---|---|---|
| 38,518 | 5,371 | 6.45 (8.86 days 2021/22) |

## FUTURE PLANS

### Medium Term Financial Plan

The Council's Medium-Term Financial Strategy (MTFS) for 2021/22 to 2025/26 was published in September 2021. It sets out the approach to establishing a sustainable and resilient financial base to support delivery of Council policies and priorities. It also highlights the financial risks and issues which have to be tackled, including ongoing reductions in Government funding.

In February 2022 the Scrutiny Committee reviewed the budget changes identified since the publication of the MTFS and the latest intelligence regarding the Spending Review announcement in October 2021 and the provisional 2022/23 local government funding settlement subsequently announced on the 16 December 2021.

Key changes since the January 2021 budget report included:

- Amendments to the Council's approach to the financial pressures caused by the COVID-19 pandemic, key plans encompassed by the Recovery and Stabilisation programme.
- The savings anticipated to be generated from the Recovery and Stabilisation programme.
- Economic recovery and return of income levels to the pre COVID-19 levels but anticipating that income streams especially in relation to Tourism, leisure, commercial rents, sales, and fees are still at risk and continue to present a real challenge to the Council's overall financial position in the medium term.
- Assumed continuation of the restrictions caused by the emergence of other variants, the scenarios estimated a potential loss of income in 2022/23 (if no further actions were taken) of between £1.4m- £3.8m.
- Greater control of the revenue and capital expenditure and financing costs.
- The National Living Wage for those aged 23 and above will increase from £8.91 per hour to £9.50 per hour.

## Summary of MTFS 2021-2025 - General Fund

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

| | 2021/22<br>£'000 | 2022/23<br>£'000 | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 |
|---|---|---|---|---|---|
| Budget Forecast | 20,146 | 16,106 | 16,979 | 16,728 | 16,697 |
| Expected Funding | (14,138) | (16,106) | (15,504) | (15,841) | (16,185) |
| **Initial Budget Gap** | **6012** | **-** | **1,475** | **888** | **512** |
| Additional savings required | (6,012) | - | (590) | (621) | (358) |
| Recovery of income and funding announcements | - | - | (885) | (266) | (154) |
| **Budget Gap** | **-** | **-** | **-** | **-** | **-** |

## The COVID-19 Pandemic

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

Planning for a post COVID-19 Council is very challenging. Since there are many unknowns and yet to be tested assumptions. These assumptions will be monitored on an ongoing basis to ensure any deviations from the budgetary estimates are addressed as promptly as possible.

The MTFS includes a clear reserves policy to help with strengthening the Council's financial resilience and its capacity to mitigate future unforeseen risks.

## Capital programme

The capital programme has been framed to deliver significant investment in infrastructure in the future. It is funded by capital receipts, grants and contributions, reserves and borrowing.

The Council generally only uses borrowing for schemes that are "invest to save" and can generate enough savings or additional income to service the financing costs. The capital programme for 2022/23 to 2024/25 is as follows:

| **Summary of Capital Programme 2023 to 2025** | Estimate Total 2022/23 | Estimate Total 2023/24 | Estimate Total 2024/25 |
|---|---|---|---|
| **Capital Programme** | **£000** | **£000** | **£000** |
| HRA | 18,210 | 19,529 | 20,697 |
| Other Housing | 1,461 | - | - |
| Community Services | 2,145 | 1,970 | 1,550 |
| Tourism & Leisure | 150 | 150 | - |
| Corporate & Core Services | 935 | 250 | 250 |
| Regeneration | 8,817 | 14,284 | - |
| Asset Management | 3,764 | 620 | 480 |
| **Total Programme** | **35,482** | **36,803** | **22,977** |
| **Financed By: -** | | | |
| Capital Receipts HRA | 963 | 1,011 | 511 |
| 1-4-1 RTB Receipt | 629 | 50 | - |

| Summary of Capital Programme 2023 to 2025 | Estimate Total 2022/23 | Estimate Total 2023/24 | Estimate Total 2024/25 |
|---|---|---|---|
| Capital Receipts GF | 606 | 250 | 250 |
| Grants and Contributions | 9,630 | 18,454 | 5,742 |
| Major Repairs Reserve | 4,548 | 4,691 | 4,845 |
| Revenue Contribution to Capital | 2,934 | 45 | 174 |
| Section 106 Contributions | - | - | - |
| GF Borrowing | 8,282 | 2,395 | 485 |
| HRA Borrowing | 7,890 | 9,907 | 10,970 |
| **Total Financing** | **35,482** | **36,803** | **22,977** |

The capital programme recognises the spending limitations within the Finance Settlement for 2022/23 on the resources available. Therefore, the programme prioritises delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's Corporate Plan. The programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

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

- maintain an affordable four-year rolling capital programme
- ensure capital resources are aligned with the Council's Corporate Plan
- Maximise available resources by actively seeking external funding and disposal of surplus assets
- not to anticipate receipts from disposals until they are realised.

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.

## Recovery and Stabilisation Programme

Since 2020, the Recovery and Reset programme has been the vehicle through which the Council has co-ordinated its response to the COVID-19 pandemic. Coming out of the pandemic, the programme has been renamed "Recovery and Stabilisation" (R&S) to focus on mitigation of the subsequent downturn in the economy and cost-of-living crisis (both for the Council and the borough). R&S oversees and guides the priority activity to address the challenges of the Council's new operational context in a sustainable way, and to respond to the changing needs and demands of residents.

Over the last two years, the programme has made strong progress in leading and delivering the changes required in support of the Council's response to the COVID-19 pandemic and the work to manage the budget shortfall over the life of the MTFS period.

Following the capitalisation direction from the Government in response to the extreme financial pressures being experienced in 2020/21, and the subsequent external assurance review being undertaken in the summer of 2021 and the resulting report being published in December, Cabinet agreed in February 2022 that the process of monitoring progress of the external assurance review will be undertaken as part of the R&S activity. Since that time, the CMT has regularly considered the assurance review and progress against the associated recommendations at its twice-weekly R&S Oversight meetings.

The programme has been successful in delivering £5.9m of cumulative revenue savings for the Council. These savings have been achieved across the four pillars that made up the programme. A summary of each pillar is set out below:

| Digital projects | Exploitation of New Technology | Service reshaping | Asset management |
|---|---|---|---|
| Invest to save to update existing technology: programme of work to update the systems used to deliver increased efficiencies (operational, contractual and technological) | Website chatbot: has responded to over 80,000 customer enquiries since it went live, with 25% of queries being responded to out of hours. Work has also been progressing to increase the use of technology to automate a number of processes, which frees up resources to work on more value adding activity | This has taken various forms, but mostly related to the ways in which the Council has been able to reshape some of its teams, to deliver more efficient services. There have been some redundancies as a result. | The Council undertook a comprehensive review of its assets to identify where it may generate capital receipts through disposal. It is important to note that these disposals relate to properties that could not provide the Council with significant income streams. |

## Corporate Plan

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

## Government financial support and capitalisation directive

The Council’s finances were closely reviewed as part of the 2022/23 budget setting process including its reserves, the future risks and challenges faced by the Council as a result of the economic climate. This includes identifying significant funding gaps in future years, for which plans continue to be developed in order to address these gaps. In order to both maintain its resilience in the face of ongoing and future financial pressures and deliver a major change programme to transform its services, the Council will need to access additional financial resources. Capitalisation is a process that allows local authorities to treat certain revenue (day-to-day) costs as capital expenditure and hence to spread those costs over a number of years to avoid further reduction in reserves, which are required to fund a major change programme. Similar to other local authorities, the Council took the opportunity to hold discussions with the Department for Levelling Up, Housing and Communities (the Department) about seeking permission for a Capitalisation Directive to help in dealing with 2023/24 deficit.

## Financial Reporting & Governance - Future Changes

- IFRS 16 Leases including adoption in 2022/23-Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom CIPFA/LASAAC has issued its preliminary decision and feedback statement. This decision has subsequently been considered by the government’s Financial Reporting Advisory Board (FRAB). FRAB’s advice to CIPFA/LASAAC was that it agreed with the deferral of IFRS 16 Leases until 1 April 2024 but that the Code had to allow and encourage local authorities to adopt the standard in the preceding reporting periods.

- CIPFA/LASAAC followed this with a decision to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023.

- The Department consulted in late 2021 on proposed changes to the Minimum Revenue Provision (MRP) regulations. In the proposal it determined that from April 2023, an authority must not reduce its MRP by using capital receipts instead of making a prudent charge to the revenue account via Regulation 23 (use of capital receipts) and must not exclude portions of their debt from the MRP determination.

- The CIPFA Prudential Code for Capital Finance 2021 edition (Prudential Code) was issued in December 2021. One of the most significant changes was the clarification that local authorities are not permitted to borrow primarily for financial return. The Prudential Code does not require local authorities to sell current commercial investments. However, authorities that hold commercial assets with a borrowing need should determine exit viability for commercial investments in lieu of taking borrowing.

- The introduction of a new objective that refers to the need for commercial investments to be proportionate and that the capital strategy should include reference to environmental sustainability etc.

- The Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2021 edition (Treasury Management Code) has also been amended to reflect latest practices and issues including investment management practices and other recommendations relating to non-treasury investments are required under the clauses to be formally adopted.

## 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 2022. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

**The Supplementary Single Entry Financial Statements**:

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

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

## FURTHER INFORMATION

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

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

Date: 12 December 2024

## 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 2022/23 will be approved at the meeting of the Audit and Governance Committee to be held on 12 December 2024.

Signed

**Councillor Christina Ewbank**
Chair, Audit and Governance Committee

Date 12 December 2024

# 2. 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 2023 and its income and expenditure for the year ended 31 March 2023.

H. Javadi

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

Date 12 December 2024

# 3. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL

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

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

We do not express an opinion on the accompanying financial statements of Eastbourne Borough Council ('the Authority') and its subsidiaries ('the Group') for the year ended 31 March 2023. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
We were engaged to audit the financial statements which comprise:

- the Movement in Reserves Statement;
- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the related notes 1 to 32;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement;
- the notes to the Housing Revenue Account;
- the Collection Fund Revenue Account;
- the notes to the Collection Fund;
- the Group Movement in Reserves Statement;
- the Group Comprehensive Income and Expenditure Statement;
- the Group Balance Sheet;
- the Group Cash Flow Statement;
- the notes to the Group accounting statements.

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

**BASIS FOR DISCLAIMER OF OPINION**

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with an accompanying auditor's report for the years ended 31 March 2022 and 31 March 2023 by 13 December 2024.
The Authority was required by the Audit and Accounts Regulations (2015) to publish its draft statement of accounts for the year ended 31 March 2022 for public inspection by the first working day of August 2022 and for the year ended 31 March 2023 by the first working day of June 2023. The Authority published its complete draft statement of accounts for the year ended 31 March 2022 on 17 October 2024, and its draft statement of accounts for the year ended 31 March 2023 on 30 October 2024.
Following the introduction of the Regulations, there was insufficient time to complete the necessary financial statement audit work to form an audit opinion on the statement of accounts for the years ended 31 March 2022 and 2023.
**Chief Finance Officer's responsibilities**
As explained more fully in the Chief Finance Officer's responsibilities statement, the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the Code and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law, and to issue an auditor's report.
However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
We are independent of the Group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.
We plan to consider the nature of the Group and its control environment, and review the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.
We enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.
We plan to obtain an understanding of the legal and regulatory framework that the Group operates in.
We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.
In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our planned procedures include the following:

- reviewing financial statement disclosures;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- where available, reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

**REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

**Matters on which we are required to report by exception**

***Use of resources***

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
On 1 November 2024 we reported to the Authority a significant weakness in the Authority's governance arrangements. The significant weakness reported was in arrangements for reliable and timely financial reporting, and how the Authority ensures effective processes and systems are in place to support its statutory financial reporting requirements. Our recommendations for improvement included:

- The Authority reassesses the capability and capacity in the finance function, including to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit.
- The Audit and Governance Committee strengthens its oversight of corrective action taken in response to previous external audit recommendations in respect of financial reporting.

**Respective responsibilities relating to the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

***Other matter on which we are required to report by exception***

The Code of Audit Practice also requires us to report to you if in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit.

Notwithstanding our disclaimer of an opinion on the financial statements, and subject to the pervasive limitation described above, we have nothing to report in respect of this matter.

***Reports in the public interest or to the regulator***

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

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

We have nothing to report in respect of these matters.

**CERTIFICATE OF COMPLETION OF THE AUDIT**

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

**Use of our report**

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

Ben Sheriff

Ben Sheriff (Key Audit Partner)
For and on behalf of Deloitte LLP
London, United Kingdom
13 December 2024

# 4. MOVEMENT IN RESERVES STATEMENT

| | General Fund | HRA Balance | Earmarked Reserves (note 15) | Earmarked Reserves – Collection Fund (note 15) | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants & Contributions Unapplied | Total Usable Reserves (note 28) | Unusable Reserves (note 29) | Total Reserves |
|---|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 1 April 2021** | **(3,265)** | **(5,450)** | **(9,726)** | **(9,056)** | **(2,575)** | **(5,266)** | **(1,442)** | **(36,780)** | **(156,505)** | **(193,285)** |
| **Movement in Reserves 2021/22** | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | 11,647 | (18,606) | - | - | - | - | - | **(6,959)** | (32,624) | **(39,583)** |
| Adjustments between accounting basis & funding basis under regulations (note 8) | (10,692) | 19,371 | - | - | (69) | 3,975 | (2,539) | **10,046** | (10,046) | **-** |
| Transfers (to)/from Earmarked Reserves | (2,188) | (199) | (2,238) | 4,526 | - | - | 99 | **-** | - | **-** |
| **(Increase) / Decrease in Year** | **(1,233)** | **566** | **(2,238)** | **4,526** | **(69)** | **3,975** | **(2,440)** | **3,087** | **(42,670)** | **(39,583)** |
| **Balance at 31 March 2022** | **(4,498)** | **(4,884)** | **(11,964)** | **(4,530)** | **(2,644)** | **(1,291)** | **(3,882)** | **(33,693)** | **(199,175)** | **(232,868)** |
| **Movement in Reserves 2022/23** | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | 4,151 | 5,467 | - | - | - | - | - | **9,618** | (89,932) | **(80,314)** |
| Adjustments between accounting basis & funding basis under regulations (note 8) | 1,843 | (3,296) | - | - | (133) | (995) | (2,839) | **(5,420)** | 5,420 | **-** |
| Transfers (to)/from Earmarked Reserves | (7,236) | 4 | 2,702 | 4,530 | - | | - | **-** | - | **-** |
| **(Increase) / Decrease in Year** | **(1,242)** | **2,175** | **2,702** | **4,530** | **(133)** | **(995)** | **(2,839)** | **4,198** | **(84,512)** | **(80,314)** |
| **Balance at 31 March 2023** | **(5,740)** | **(2,709)** | **(9,262)** | **-** | **(2,777)** | **(2,286)** | **(6,721)** | **(29,495)** | **(283,687)** | **(313,182)** |

This statement shows the movements in the year on the different reserves held by the Council, analysed into "usable reserves" (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves. The purpose of individual reserves is set out in Note 2.19, and more details are given for earmarked and unusable reserves in Notes 15 and 29 respectively. Total Comprehensive Expenditure and Income shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

# 5. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| 2021/22 Exp | 2021/22 Income | 2021/22 Net | | Note | 2022/23 Exp | 2022/23 Income | 2022/23 Net |
|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 10,172 | (2,447) | 7,725 | Corporate Services | | 10,426 | (3,324) | 7,102 |
| 53,032 | (43,751) | 9,281 | Service Delivery | | 57,650 | (43,076) | 14,574 |
| 7,754 | (1,727) | 6,027 | Regeneration and Planning | | 4,424 | (2,383) | 2,041 |
| 10,318 | (9,592) | 726 | Tourism and Enterprise | | 12,938 | (10,618) | 2,320 |
| (5,063) | (15,760) | (20,823) | Housing Revenue Account | | 16,924 | (16,501) | 423 |
| 2,998 | - | 2,998 | Capitalisation Direction | | - | - | - |
| **79,211** | **(73,277)** | **5,934** | **Cost of Services** | | **102,362** | **(75,902)** | **26,460** |
| 238 | - | 238 | Levy Payable | | 249 | - | 249 |
| 314 | - | 314 | Payments to housing capital receipts pool | | - | - | - |
| 8,216 | (2,319) | 5,897 | Loss on sale and de-recognition of non-current assets | | 8,764 | (3,157) | 5,607 |
| - | - | - | Gain on disposal of shares | | - | - | - |
| **8,768** | **(2,319)** | **6,449** | **Other Operating Expenditure** | | **9,013** | **(3,157)** | **5,856** |
| 3,109 | - | 3,109 | Interest payable & similar charges | 23 | 3,783 | - | 3,783 |
| - | (760) | (760) | Fair Value movement in Financial Guarantee liability | | - | (760) | (760) |
| - | - | - | Expected Credit Loss | | 187 | - | 187 |
| 1,488 | - | 1,488 | Net Interest on the Net Defined Benefit Liability | 30 | (363) | - | (363) |
| - | (1,435) | (1,435) | Interest & other investment income | 23 | - | (1,768) | (1,768) |
| 1,899 | (1,474) | 425 | Investment Properties | | 579 | (1,248) | (669) |
| 2,344 | (2,166) | 178 | Trading Accounts | | 2,892 | (2,781) | 111 |
| **8,840** | **(5,835)** | **3,005** | **Financing and Investment Income and Expenditure** | | **7,078** | **(6,557)** | **521** |
| - | (13,682) | (13,682) | Non ring-fenced grants and contributions | 14 | - | (12,164) | (12,164) |
| - | (8,975) | (8,975) | Council Tax income | | - | (9,250) | (9,250) |
| 11,180 | (10,870) | 310 | Non Domestic Rates Income and Expenditure | | 10,297 | (12,102) | (1,805) |
| **11,180** | **(33,527)** | **(22,347)** | **Taxation and Non-specific Grant Income and Expenditure** | | **10,297** | **(33,516)** | **(23,219)** |
| | | **(6,959)** | **Deficit / (Surplus) on Provision of Services** | | | | **9,618** |
| | | (21,831) | Surplus on revaluation of Property, Plant and Equipment Assets | 29 | | | (25,508) |
| | | (10,793) | Re-measurement of the net defined benefit liability | 30 | | | (64,424) |
| | | **(32,624)** | **Other Comprehensive I & E** | | | | **(89,932)** |
| | | **(39,583)** | **Total Comprehensive I & E** | | | | **(80,314)** |

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

# 6. BALANCE SHEET

| 31 March 2022 | | Notes | 31 March 2023 | |
|---|---|---|---|---|
| **£000** | | | **£000** | **£000** |
| 363,528 | Property, Plant & Equipment | 17 | 386,068 | |
| 13,858 | Infrastructure Assets | 17 | 13,009 | |
| 14,883 | Heritage Assets | 18 | 16,268 | |
| 25,258 | Investment Property | 20 | 25,332 | |
| 3,531 | Intangible Assets | 21 | 2,678 | |
| 3,500 | Investment in Joint Venture | 4/5 | 3,500 | |
| 49,278 | Long Term Debtors | 25 | 49,667 | |
| **473,836** | **Long Term Assets** | | | **496,522** |
| 379 | Assets Held for Sale | 22 | 4,000 | |
| 9,500 | Short Term Investments | | - | |
| 144 | Inventories | | 132 | |
| 30,787 | Short Term Debtors | 25 | 25,941 | |
| 5,361 | Cash and Cash Equivalents | 31 | 3,380 | |
| **46,171** | **Current Assets** | | | **33,453** |
| (46,549) | Short Term Borrowing | 23 | (66,156) | |
| (41,070) | Short Term Creditors | 26 | (15,675) | |
| (493) | Short Term Provisions | 27 | (1,068) | |
| (10) | Revenue Grants Receipts in Advance | 14 | - | |
| **(88,122)** | **Current Liabilities** | | | **(82,899)** |
| (113,784) | Long Term Borrowing | 23 | (111,331) | |
| (20,518) | Other Long Term Liabilities | 4/5 | (19,758) | |
| (64,715) | Pension Liability | 30 | (2,805) | |
| **(199,017)** | **Long Term Liabilities** | | | **(133,894)** |
| **232,868** | **NET ASSETS** | | | **313,182** |
| (33,693) | Usable Reserves | 28 | | (29,495) |
| (199,175) | Unusable Reserves | 29 | | (283,687) |
| **(232,868)** | **TOTAL RESERVES** | | | **(313,182)** |

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

H. Javadi

**Homira Javadi**
Chief Finance Officer

Date: 12 December 2024

# 7. CASH FLOW STATEMENT

| 2021/22 £000 | CASH FLOW STATEMENT | 2022/23 £000 |
|---|---|---|
| 6,959 | Net Surplus / (Deficit) on provision of services | (9,618) |
| 5,602 | Adjustment to net surplus on the provision of services for non-cash movements | (5,103) |
| (6,206) | Adjustment for items included in the net surplus on the provision of services that are investing and financing activities | (8,249) |
| **6,355** | **NET CASH INFLOWS / (OUTFLOWS) FROM OPERATING ACTIVITIES** | **(22,970)** |
| (17,978) | Investing Activities | 921 |
| 12,561 | Financing Activities | 20,068 |
| **938** | **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **(1,981)** |
| 4,423 | Cash and cash equivalents at the beginning of the reporting period | 5,361 |
| **5,361** | **CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD** | **3,380** |

| 31 March 2022 £000 | COMPONENTS OF CASH AND CASH EQUIVALENTS | 31 March 2023 £000 |
|---|---|---|
| 317 | Bank Current Accounts | 143 |
| 5,010 | Cash in Call Accounts | 3,210 |
| 34 | Cash held by the Council | 27 |
| **5,361** | **Total Cash and Cash Equivalents** | **3,380** |

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.

# 8. NOTES TO THE ACCOUNTING STATEMENTS

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

The accounting policies applied in 2022/23 are consistent with those applied in 2021/22.

### 1.1 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 2022/23 financial year and its position at the end of 31 March 2023. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which is based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

### 2.2 Accruals of Expenditure and Income

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

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

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

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

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

**Accounting for Council Tax**

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

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

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

**Accounting for National Non-Domestic Rates (NNDR)**

While the NNDR 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 NNDR for the year specified in the National Non-Domestic Rates NNDR1 return.

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

### 2.3 Cash and Cash Equivalents

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

### 2.4 Contingent Assets

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

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

### 2.5 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### 2.6 Employee Benefits

<u>Benefits Payable during Employment</u>

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

<u>Termination Benefits</u>

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end

Post-Employment Benefits

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

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8%. 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 pension liability is analysed into the following components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past services cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement;
    - net interest on the net defined benefit liability , i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council's Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund Balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and the amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

## 2.7 Events after the Reporting Period

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

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

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

## 2.8 Exceptional Items and Prior-Period Adjustments

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

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

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

## 2.9 Financial Instruments

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

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

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

- Modification - Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

- Early repayment of loans - The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Comprehensive Income and Expenditure Statement upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years.

These provisions are effected in the Movement in Reserves Statement on the General Fund Balance, after debits and credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

**Financial Assets**

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

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

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

**Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

**Financial Assets Measured at Fair Value through Profit of Loss**

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

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

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

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

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

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

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

### Expected Credit Losses

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

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

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

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

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

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

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

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

### 2.10 Fair Value Measurement

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

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

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

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

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

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

### 2.11 Government Grants and Other Contributions

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

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

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

### 2.12 Property Plant and Equipment

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

Categories

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

Recognition

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

Measurement

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

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

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

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

Impairment

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

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

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

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

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

Componentisation

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

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

### 2.13 Infrastructure Assets

Infrastructure assets are 'inalienable' assets, expenditure on which is only recoverable by continued use of the asset created, with no prospect of sale or alternative use. Examples include highways, bridges, coastal defences, water supply and drainage systems. Eastbourne Borough Council is not the local highway authority under the Highways Act 1980 and this statutory duty is with East Sussex County Council. The County Council maintain the highways network infrastructure assets including carriageways, footways and cycle tracks, structures, street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. However, the borough council still has significant infrastructure assets due to its groyne sea defences. In addition, there are some minor access roads and paved areas.

**Recognition**

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. Measurement Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

**Depreciation**

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

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

**Disposals and derecognition**

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (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, an accounting practice that allows the council to elect to treat any component of any infrastructure which are owned as having a value of nil when it is replaced and therefore there is no requirement to remove any amount from its balance sheet in respect of the disposal of that component. The regulations will apply to all financial years up to and including 2024/25. The council is not required to but has elected to apply this accounting treatment.

## 2.14 Heritage Assets

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

**Art Collection**

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

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

**Local History Collection**

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

**Heritage Assets – General**

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

### 2.15 Investment Property

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

### 2.16 Intangible assets

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

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

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

### 2.17 Leases

Definition of a Lease

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

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

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

Finance Leases – Council Acting as Lessee

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

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

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

Operating Leases – Council Acting as a Lessee

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

Operating leases – Council acting as a lessor

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

**2.18 Overheads**

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

**2.19 Provisions**

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

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

**2.20 Reserves**

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

Usable reserves comprise the following:

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

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

- Collection Fund Adjustment Account: the net amount of the Council's share of council Tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account and cannot be used until the following financial year.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.

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

### 2.21 Revenue Expenditure Financed from Capital Under Statute

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

### 2.22 Charges to Revenue for Non-current Assets

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

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

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

### 2.23 Value Added Tax

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

### 2.24 Inventories and Long Term Contracts

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

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

### 2.24 Interests in Companies and Other Entities

The Council has a material interest in five companies: Eastbourne Homes Ltd (EHL), Eastbourne Housing Investment Company Ltd (EHIC), Investment Company Eastbourne (ICE), Eastbourne Downs Water Company (EDWC) and South East Environmental Services Ltd (SEESL). These companies are wholly owned subsidiaries of the Council, and the Council is therefore required to prepare Group Accounts. EHL is limited by guarantee and therefore no value is recognised for the investment in the Council's own single entity accounts. There have been no transactions for EDWC which was dormant during 2022/23.

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

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

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

### 2.25 Revenue Recognition

From January 2018, the Council accounts for revenue recognition in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Prior to this revenue was recognised under IAS 18 – Revenue. Under IFRS15, the principles of revenue recognition are determining if the transaction is an exchange or non-exchange transaction. With non exchange transactions there is no or only nominal consideration in return. The obligating event is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged. There is a contract which creates right and obligations. Performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied. Examples include fees and charges for services, sale of goods and services provided by the Council.

## 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2023/24 Code are:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3).

The Council does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements.

IFRS 16 Leases is not included in the above list of accounting changes because CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024, and the Council is not adopting the Standard earlier (as permitted by the Code). The changes to be introduced by IFRS 16 will mean that operating leases where the Council is lessee, will be reflected in the Balance Sheet based on the concept of 'right of use'. Whilst work is currently underway to assess the impact on the Council, at the current time the impact is not known.

## 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that as at 31 March 2023 this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. Covid-19 has had a significant impact upon the Council's financial position and provision of services, and the Council is continuing to review the impact on its facilities and services in future periods.

- The Chief Finance Officer conducts an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities). Contingent liabilities have been estimated based on past experience and legal advice provided.

- As described in the group accounts, the Council's wholly owned subsidiary Investment Company Eastbourne Limited ('ICE') has the option to acquire 49.5% of the shares of Infrastructure Investments Leicester Limited ('IIL') for £1 at any time, as well as contractual rights over the management of that company and its property, St George's Tower ('the Property'), under a Development and Management Agreement. The Council has assessed that these potential voting rights and contractual rights give it joint control over IIL and has accounted for its interest in that entity as a joint venture in its Group Accounts.

- As described in the group accounts, ICE is the principal guarantor of a £48m loan to IIL and is also principal guarantor of a rental guarantee in respect of shortfalls of rental income in IIL. The Council is the ultimate guarantor for both of these guarantees, and under the arrangement ICE agreed to pay the Council an initial £2m guarantee fee in 2017/18, the annual guarantee fee received from IIL, and the disposal proceeds received on eventual sale of the Property. The Council has therefore determined it is appropriate to recognise liabilities and related receivables arising from these arrangements in the Council's balance sheet.

- The Council has assessed that these potential voting rights and contractual rights give it joint control over IIL and has accounted for its interest in that entity as a joint venture. The Council therefore have rights to the net assets of IIL and these are consolidated into the Council's Group Accounts under the equity method per IAS 28 Investments in Associates and Joint Ventures. Under this method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of the net assets of IIL. The initial investment of £3.500m at May 2018, has been adjusted by £2.653m to £0.847m at 31 March 2023 (£2.802m at 31 March 2022).

- If the judgement had been that the Council did not have control over IIL, the Council would account for the investment in IIL as an investment at cost, and the call option as a derivative financial instrument.

- In 2022/23, the Council's share of the pension scheme has become a net benefit asset. IAS19 requires that the amount of a net defined benefit asset to be recognised is the lower of the accounting surplus and the "asset ceiling". The asset ceiling is the present value of any economic benefits available in the form of refunds or reductions in future contributions. The Council has adopted the position that it is not automatically entitled to refunds from the scheme and that it will continue to contribute to the pension scheme indefinitely thus any economic benefits from reductions to future contributions reduces to nil. As a result, the asset ceiling is set at £nil and caps recognition of any net benefit asset also to £nil.

## 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment** - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £237,000 for every year that useful lives had to be reduced.

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

The carrying value of PPE at 31 March 2023 was £386.1m (Group position £386.9m).

**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 a decrease in the pension obligation of £2,833,000, a 1 year increase in member life expectancy would increase the pension obligation by £7,440,000, a 0.1% increase in the Long Term Salary Increase Rate would increase the pension liability by £170,000 and a 0.1% increase in the Pension Increase Rate would increase the pension obligation by £2,790,000. See Note 30.7.

The carrying value of the pension liability at 31 March 2023 was £2.8m (Group position £2.8m).

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** - A review of the arrears balances has resulted in £6.4m being calculated as an appropriate expected credit loss. However, in the current economic climate such an allowance may not be sufficient.

The Council had a balance of current and long term debtors at 31 March 2023 of £75.6m.

**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 2023. 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 2023. There is a risk that future appeals will exceed the estimation.

The appeals provision at 31 March 2023 was £1.1m.

**Infrastructure Company Eastbourne Limited and Infrastructure Investments Leicester Limited** – As a result of the arrangement with IIL described in the group accounts, the Council has been required to make a number of estimates and judgements in valuing the related loan and rental guarantees and contract receivable (shown in Note 25 and 26). The loan guarantee and rental guarantee have been valued on initial recognition based on the amounts received and receivable under the agreement, discounted to present value. In determining these accounting entries, the Council has assumed:

- That the initial values of the guarantee fee (of £5.5m from IIL to ICE and £2m from ICE to the Council) and price paid for the share option over IIL (£3.5m) were at fair value.
- The value of the Property at May 2018, without the benefit of the rental guarantee, was £38.75m, based upon a valuation performed at the time.
- The growth in the value of the property over the 30 year life of the agreement (assumed to be 2% p.a. or less) will mean the value of the property on sale will be greater than £35m and below the £70m level at which the Council would receive an additional share of proceeds, and so the Council will receive £35m from the eventual disposal proceeds.
- Inflation (which affects the guarantee fee received each year, as well as guaranteed amounts) will be 2% p.a. over the life of the agreement.
- The appropriate discount rate for future cashflows is 4.2% per annum (4.2% 2021/22).
- Assumptions about the annual probability of default and recovery on default for loans to property companies.

The on-going measurement of these assets and liabilities will require reassessment of these assumptions each year. The present value of amounts receivable at inception has been recognised as a contract receivable and the discount is being unwound over the life of the agreement, less amounts received and adjustments for expected credit loss. The loan guarantee has been valued at initial recognition based upon the probability of default, recovery on default, and the guaranteed amount over the life of the agreement, with the residual value attributed to the initial value of the rental guarantee. Both the loan guarantee and rental guarantee are being amortised over the 30 year life of the agreement.

Subsequent measurement of the contract receivable is on a fair value basis, as the Council is exposed to risks that are not associated with standard receivable instruments, including fluctuations in property valuations.

The fair value of the guarantee at 31 March 2023 was measured at £19.8m, a decrease of £0.8m on the £20.6m from the previous year. The fair value of the long term debtor at 31 March 2023 was £18.2m, an increase of £0.2m from the previous year. An annual guarantee fee of £0.3m was received during 2022/23.

The valuation of properties are not reported at 31 March 2023 as subject to “material valuation uncertainty” as per the RICS Red Book.

**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 businesses, as either principal or agent transactions in accordance with Cipfa Code.

## 6. MATERIAL ITEMS OF INCOME & EXPENDITURE

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

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

- Collection Fund (timing difference) - during 2022/23 local authorities received section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2022/23, thereby inflating General Fund balances at the end of the 2022/23 financial year. This could lead to potentially misleading 2022/23 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. The appropriate action is to transfer the grant income to an earmarked reserve within the General Fund.

- In May 2018, the Council's wholly owned investment company, Investment Company Eastbourne Limited (ICE), entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. The Council received £5.5m in 2018/19 as the ultimate guarantor.

- As part of the increased cost of energy response, the government announced in 2022/23 two new grant schemes (council tax energy rebate scheme and discretionary council tax energy scheme) to support individuals, to be administered by local billing authorities. Billing authorities are responsible for paying over the rebates or discretionary amounts to individuals and are then reimbursed by government using a grant under Section 31 of the Local Government Act 2003.

### 6.a **EVENTS AFTER THE REPORTING PERIOD**

The financial statements and notes have not been adjusted for the following event, which took place after 31 March 2023, as it provides information that is relevant to the understanding of the Council's financial position but do not relate to conditions at that date.

On 16 January 2024, the Council requested Exceptional Financial Support from the Department of Levelling Up, Housing and Communities in respect of financial years 2023/24 and 2024/25, as a result of the increased costs of temporary housing accommodation. On 27 February 2024, the Secretary of State approved, subject to certain conditions, a capitalisation direction of £3m for 2023/24 and £3m for 2024/25.

## 7. EXPENDITURE AND FUNDING ANALYSIS

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

| 2021/22 Net Expenditure Chargeable to the General Fund and HRA Balances | 2021/22 Adjustments between Funding and Accounting Basis | 2021/22 Net Expenditure in the Comprehensive Income and Expenditure Statement | | 2022/23 Net Expenditure Chargeable to the General Fund and HRA Balances | 2022/23 Adjustments between Funding and Accounting Basis | 2022/23 Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|---|---|---|---|---|---|
| **£000** | **£000** | **£000** | | **£000** | **£000** | **£000** |
| 2,512 | 5,213 | 7,725 | Corporate Services | 4,810 | 2,292 | 7,102 |
| 5,896 | 3,385 | 9,281 | Service Delivery | 11,467 | 3,107 | 14,574 |
| 217 | 5,810 | 6,027 | Regeneration and Planning | 1,835 | 206 | 2,041 |
| 1,402 | (676) | 726 | Tourism and Enterprise | 2,393 | (73) | 2,320 |
| (3,960) | (16,863) | (20,823) | Housing Revenue Account | (231) | 654 | 423 |
| - | 2,998 | 2,998 | Capitalisation Direction | - | - | - |
| **6,067** | **(133)** | **5,934** | **Cost of Services** | **20,274** | **6,186** | **26,460** |
| 5,355 | 4,099 | 9,454 | Other Corporate Expenditure | 737 | 5,640 | 6,377 |
| (9,702) | (12,645) | (22,347) | Financing | (12,846) | (10,373) | (23,219) |
| **(1,720)** | **(8,679)** | **(6,959)** | **Deficit / (Surplus) on the Provision of Services** | **8,165** | **1,453** | **9,618** |
| | | | | | | |
| **(8,715)** | | | **Opening General Fund and HRA Balance at 1 April** | **(9,382)** | | |
| 1,720 | | | Deficit / (Surplus) on General Fund and HRA for year | 8,165 | | |
| (2,387) | | | Transfer to / (from) Earmarked Reserves | (7,232) | | |
| **(9,382)** | | | **Closing General Fund and HRA Balances at 31 March** | **(8,449)** | | |

**Note:**

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

## 7.b Note to the Expenditure and Funding Analysis

| 2021/22 Adjustment for Capital Purposes | 2021/22 Net Changes for Pensions Adjustments | 2021/22 Other Differences | 2021/22 Total Adjustments | | 2022/23 Adjustment for Capital Purposes | 2022/23 Net Changes for Pensions Adjustments | 2022/23 Other Differences | 2022/23 Total Adjustments |
|---|---|---|---|---|---|---|---|---|
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 1,626 | 3,626 | (32) | 5,213 | Corporate Services | 1,549 | 743 | - | 2,292 |
| 1,414 | 1,992 | (21) | 3,385 | Service Planning | 2,068 | 1,039 | - | 3,107 |
| 5,152 | 660 | (2) | 5,810 | Regeneration and Planning | (126) | 332 | - | 206 |
| (1,237) | 620 | (59) | (676) | Tourism and Enterprise | (397) | 324 | - | (73) |
| (16,863) | - | - | (16,863) | Housing Revenue Account | 654 | - | - | 654 |
| 2,998 | - | - | 2,998 | Capitalisation Direction | - | - | - | - |
| **(6,910)** | **6,891** | **(114)** | **(133)** | **Cost of Services** | **3,748** | **2,438** | **-** | **6,186** |
| (2,460) | 140 | (6,226) | (8,546) | Other Income and Expenditure | (2,547) | 76 | (2,262) | (4,733) |
| **(9,370)** | **7,031** | **(6,340)** | **(8,679)** | **Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Deficit or Surplus** | **1,201** | **2,514** | **(2,262)** | **1,453** |

- **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 NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

### 7.c Expenditure and Income analysed by Nature

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

| 2021/22 | | 2022/23 |
|---|---|---|
| £000 | | £000 |
| | **Expenditure** | |
| 20,113 | Employees benefits expenses | 17,273 |
| 87,275 | Other services expenses | 90,831 |
| (11,266) | Depreciation, amortisation, revaluation and impairment | 7,850 |
| 3,109 | Interest payments | 3,783 |
| 238 | Precepts and levies | 249 |
| 314 | Payments to the Housing Capital Receipts Pool | - |
| 8,216 | Loss on the disposal of assets | 8,764 |
| **107,999** | **Total expenditure** | **128,750** |
| | **Income** | |
| (35,328) | Fees, charges and other service income | (41,764) |
| (1,436) | Interest and investment income | (1,768) |
| (19,845) | Income from Council Tax and Non-Domestic Rates | (21,352) |
| (55,270) | Government grants and contributions | (50,331) |
| (760) | Fair Value movement in financial guarantee | (760) |
| (2,319) | Gain on the disposal of assets | (3,157) |
| **(114,958)** | **Total income** | **(119,132)** |
| **(6,959)** | **Deficit / (Surplus) on the Provision of Services** | **9,618** |

**Note**

In the 2021/22 comparator year, an amount of £8.696m, relating to Refcus (i.e. capitalised expenditure), has been recategorised from Depreciation, amortisation, revaluation and impairment to Other services expenses when compared to the audited 31 March 2022 Statement of Accounts.

## 7.d Segmental Income

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| | **Corporate Services** | |
| (178) | Local Land Charges | (133) |
| (70) | Other Income | (61) |
| **(248)** | | **(194)** |
| | **Service Delivery** | |
| - | Local Land Charges | |
| (306) | Car Parks | (391) |
| (751) | Green Waste | (805) |
| (762) | Recovery of Housing Benefit Overpayments | (950) |
| (517) | Summons and Liability Orders | (478) |
| (2,115) | Bed and Breakfast charges | (3,647) |
| (1,701) | Crematorium and Cemetery fees | (1,699) |
| (1,385) | Other Service Income | (1,641) |
| **(7,537)** | | **(9,611)** |
| | **Regeneration and Planning** | |
| (431) | Development Control | (298) |
| (989) | Other Service Income | (1,715) |
| **(1,420)** | | **(2,013)** |
| | **Tourism and Enterprise** | |
| (496) | Beach Huts & Seafront | (507) |
| (223) | Tourism | (277) |
| (372) | Events | (773) |
| (3,506) | Theatres | (5,325) |
| (2,128) | Leisure & Sports | (2,454) |
| (85) | Other Service Income | (164) |
| **(6,810)** | | **(9,500)** |
| (15,675) | **Housing Revenue Account** | (16,617) |
| (3,638) | **Trading Accounts and Investment Properties** | (4,029) |
| **(35,328)** | **Total** | **(41,764)** |

EASTBOURNE Borough Council

## 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

| | General Fund | HRA Balance | Major Repairs Reserve | Capital Receipts | Capital Grants & Contributions Unapplied |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **2021/22 Transactions:** | | | | | |
| **ADJUSTMENT TO THE REVENUE RESOURCES** | | | | | |
| *Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements* | | | | | |
| • Pensions costs (transferred to/from the Pensions Reserve | (7,031) | - | - | - | - |
| • Council tax and NNDR (transferred to/from Collection Fund Adjustment Account) | 6,219 | - | - | - | - |
| Holiday Pay (transferred to the Accumulated Absences Reserve) | 121 | - | - | - | - |
| • Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account): | | | | | |
| - Charges for depreciation and credits for impairment reversals of non-current assets | (100) | 14,431 | - | - | - |
| - Movements in the fair value of investment properties | (1,663) | - | - | - | - |
| - Amortisation of intangible assets | (1,356) | (46) | - | - | - |
| - Revenue expenditure funded from capital under statute | (8,695) | - | - | - | - |
| - Capital Grants and Contributions Received | 4,208 | 2,218 | - | - | (6,426) |
| - Gains/losses on disposal of non-current assets | (3,656) | (4,560) | - | - | - |
| - Gain on disposal of Investments | - | - | - | - | - |
| - Expected credit loss | - | - | - | - | - |
| **TOTAL ADJUSTMENTS TO REVENUE RESOURCES** | **(11,953)** | **12,043** | **-** | **-** | **(6,426)** |
| **ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES** | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 563 | 1,756 | - | (2,319) | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (314) | - | - | 314 | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | 4,996 | (4,996) | - | - |

| | General Fund | HRA Balance | Major Repairs Reserve | Capital Receipts | Capital Grants & Contributions Unapplied |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | 1,012 | - | - | - | - |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal | | | | | |
| Capital expenditure financed from revenue | | 576 | | | |
| Revaluation of Share holdings | | | | | |
| **TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES** | **1,261** | **7,328** | **(4,996)** | **(2,005)** | **-** |
| **ADJUSTMENTS TO CAPITAL RESOURCES** | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | - | - | - | 5,980 | - |
| Use of Major Repairs Reserve to finance capital expenditure | - | - | 4,927 | - | - |
| Application of capital grants to finance capital expenditure | | | | | 3,887 |
| **TOTAL ADJUSTMENTS TO CAPITAL RESOURCES** | **-** | **-** | **4,927** | **5,980** | **3,887** |
| **Total Adjustments 2021/22** | **(10,692)** | **19,371** | **(69)** | **3,975** | **(2,539)** |

**2022/23 Transactions:**

**ADJUSTMENT TO THE REVENUE RESOURCES**

| | General Fund | HRA Balance | Major Repairs Reserve | Capital Receipts | Capital Grants & Contributions Unapplied |
|---|---|---|---|---|---|
| *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 | (2,514) | - | - | - | - |
| • Council tax and NNDR (transferred to/from Collection Fund Adjustment Account) | 2,443 | - | - | - | - |
| • 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 | (3,487) | (5,035) | - | - | - |
| - Revaluation Losses | 3,443 | (1,264) | - | - | - |
| - Movements in the fair value of investment properties | (377) | - | - | - | - |
| - Amortisation of intangible assets | (1,084) | (46) | - | - | - |
| - Revenue expenditure funded from capital under statute | (2,175) | - | - | - | - |

EASTBOURNE Borough Council

| | | | | | |
|---|---|---|---|---|---|
| - Capital Grants and Contributions Received | 6,585 | 1,346 | - | - | (7,931) |
| - Gains/Losses on Disposal of non-current assets | (816) | (7,947) | - | - | - |
| - Gain on Disposal of Investments | - | - | - | - | - |
| - Expected Credit Losses | (181) | - | - | - | - |
| **TOTAL ADJUSTMENTS TO REVENUE RESOURCES** | **1,839** | **(12,946)** | **-** | **-** | **(7,931)** |
| **ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES** | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 7 | 3,150 | - | (3,157) | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | - | - | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | 5,081 | (5,081) | - | - |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | - | - | - | - | - |
| Capital expenditure financed from revenue | - | 1,419 | | | |
| **TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES** | **7** | **9,650** | **(5,081)** | **(3,157)** | **-** |
| **ADJUSTMENTS TO CAPITAL RESOURCES** | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | - | - | - | 2,162 | - |
| Use of Major Repairs Reserve to finance capital expenditure | - | - | 4,948 | - | - |
| Application of capital grants to finance capital expenditure | - | - | - | - | 5,092 |
| **TOTAL ADJUSTMENTS TO CAPITAL RESOURCES** | **-** | **-** | **4,948** | **2,162** | **5,092** |
| **Total Adjustments 2022/23** | **1,843** | **(3,296)** | **(133)** | **(995)** | **(2,839)** |

## 9. AUDIT FEES

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 52 | Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor | 52 |
| 30 | Fees payable for external audit services carried out for the year | 30 |
| 5 | Fees payable for the certification of grant claims and returns | - |
| **87** | | **82** |

## 10. MEMBERS' ALLOWANCES

Allowances paid to Eastbourne's twenty seven Councillors during the year amounted to:

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 133 | Members' Allowances | 131 |

## 11. OFFICERS' REMUNERATION

**Senior Management Remuneration**

| | | Salary, Fees and Allowances £ | Expenses £ | Election Expenses £ | Compensation for Loss of Office £ | Pension Contribution £ | Total £ |
|---|---|---|---|---|---|---|---|
| Shared Chief Executive | 2022/23 | 149,104 | 2,660 | 703 | - | 29,368 | 181,835 |
| | 2021/22 | 147,179 | 2,660 | 11,143 | - | 29,797 | 190,779 |
| Deputy Chief Executive | 2022/23 | 133,678 | 2,130 | - | - | 26,686 | 162,494 |
| | 2021/22 | 122,021 | 2,130 | - | - | 25,016 | 149,167 |
| Chief Finance Officer | 2022/23 | 97,268 | - | - | - | 19,113 | 116,381 |
| | 2021/22 | 93,152 | - | - | - | 18,770 | 111,922 |
| Director of Service Delivery | 2022/23 | 101,652 | - | - | - | 19,975 | 121,627 |
| | 2021/22 | 93,152 | - | 523 | - | 18,770 | 112,445 |
| Director of Tourism and Enterprise | 2021/22 | 9,049 | - | - | 29,668 | 605 | 39,322 |
| Director of HR and Transformation | 2022/23 | 97,268 | - | - | - | 19,113 | 116,381 |
| | 2021/22 | 93,152 | - | 816 | | 18,770 | 112,738 |

**Notes:**

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

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

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

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

**Remuneration Bands**

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

| Remuneration Band | 2021/22 Number of Employees | 2022/23 Number of Employees |
|---|---|---|
| £50,000 - £54,999 | 19 | 17 |
| £55,000 - £59,999 | 13 | 17 |
| £60,000 - £64,999 | 10 | 12 |
| £65,000 - £69,999 | 6 | 9 |
| £70,000 - £74,999 | 3 | 4* |
| £75,000 - £79,999 | - | 2 |
| £80,000 - £84,999 | - | - |
| £85,000 - £89,999 | - | 1* |
| £90,000 - £94,999 | - | - |
| £95,000 - £99,999 | - | - |
| £100,000 - £104,999 | 1* | - |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | - | - |
| £115,000 - £119,999 | - | - |
| £120,000 - £124,999 | - | - |
| £125,000 - £129,999 | - | 1* |
| | **52** | **63** |

* Remuneration includes exit and redundancy payments in addition to salary and wages made to relevant employees.

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

| Exit package cost band (including special payments) | Number of compulsory redundancies 2021/22 | Number of compulsory redundancies 2022/23 | Number of other departures agreed 2021/22 | Number of other departures agreed 2022/23 | Total number of exit packages by cost band 2021/22 | Total number of exit packages by cost band 2022/23 | Total cost of exit packages in each band £ 2021/22 | Total cost of exit packages in each band £ 2022/23 |
|---|---|---|---|---|---|---|---|---|
| £0 - £20,000 | 1 | 2 | 13 | 5 | 14 | 7 | 70,980 | 44,195 |
| £20,001 - £40,000 | - | - | 6 | 1 | 6 | 1 | 170,000 | 27,998 |
| £40,001 - £60,000 | 1 | - | 1 | 1 | 2 | 1 | 100,097 | 45,769 |
| £60,001 - £80,000 | 2 | - | - | 1 | 2 | 1 | 116,468 | 63,239 |
| **Total cost included in bandings** | **4** | **2** | **20** | **8** | **24** | **10** | **457,545** | **181,201** |

Included in the table above are exit payments made to employees which were either fully or partly recharged to Lewes District Council and Eastbourne Homes Ltd.

In 2022/23 Lewes District Council were recharged £30,028 (£279,223 2021/22) for their share of exit packages and Eastbourne Homes Ltd were recharged £nil (£nil 2021/22).

## 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

The Government provides much of the Council’s funding and determines its statutory framework. Details of transactions with the Government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 14 (grants and contributions), 25 (debtors) and 26 (creditors).

12.3 East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 30. One Member is on the Pension Fund Committee.

12.4 Eastbourne Homes Limited

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

The Council pays Eastbourne Homes Ltd a fee in accordance with the management agreement. In 2022/23 this fee was £8.71m, covering supervision and management and repairs. This compares with £7.69m paid in 2021/22. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £1.627m (£2.569m at 31 March 2022), while Eastbourne Homes Ltd owed the Council £1.118m (£0.20m at 31 March 2022).

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

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

12.5 Members and senior officers

Members of the Council (27 Borough Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 10. Eight Members were also members of East Sussex County Council.

Members are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at the Town Hall during office hours. In addition, Members are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. The Council awards grants to a number of organisations, e.g. Eastbourne Citizen's Advice, in which Members have an interest. The relevant Members did not take part in any discussion or decision relating to the award of financial support which was made with proper declarations of interest.

Officers are obliged under the code of conduct in the Council's Constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer. In addition, senior officers complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year. All senior officers confirmed that they had no qualifying interests.

The Director of HR and Transformation has declared they have a close family member (i.e. partner) who is an owner of Best Demolition Limited, a local company that have undertaken a number of contracts for the Council. In 2022/23, the value of the contract works was £415,898 including VAT (£156,498 in 2021/22). The Assistant Director of HR and Transformation would not take part in any related corporate management team discussion and therefore is unable to control or influence the awarding of such contracts.

12.6 CloudConnX

The Council is a minority (48% B class) shareholder in CloudConnX. The shares had only nominal value at the balance sheet date. In addition, as at 31 March 2023 the Council has provided a commercial loan of £285,000 (£321,000 in 2021/22). Interest is charged on the loan at 2.7% above base rate. The Council's Chief Executive has been appointed a director of the company.

12.7 Eastbourne Housing Investment Company Ltd (EHIC)

EHIC is a wholly owned subsidiary of the Council. EHIC has been set up to acquire, improve and let residential property at market rents. The Council has provided twenty eight commercial loans to EHIC totalling £14,021,550 (£13,985,550 in 2021/22) for the purchase of property, at an interest rate of 4.5%. A working capital facility loan of £247,000 (£247,000 in 2021/22) has been agreed, at an interest rate of 2% above Base Rate. The company's accounts are consolidated into the Group Accounts. Copies of Eastbourne Housing Investment Co Ltd.'s annual report and accounts can be obtained from their registered office at The Town Hall, Grove Road, Eastbourne, BN21 4UG. The Director of Regeneration & Planning and the Director of Service Delivery for the Council also act as Directors at Eastbourne Housing Investment Co Ltd.

12.8 Lewes District Council (LDC)

The Council engaged in a "Joint Transformation Programme" (JTP) with LDC under which staff and services are being integrated. The Council now employs all of CMT and the majority of LDC staff who were TUPE'd to the Council during 2017/18 and costs are recharged to LDC. Staff within Legal Services remain employees of LDC, and services are provided to both Councils and costs recharged. The recharge to Eastbourne Borough Council was £327,789 in 2022/23 (£283,032 2021/22) and to Eastbourne Homes Limited £49,753 in 2022/23 (£20,037 2021/22)

12.9 Aspiration Homes LLP

Aspiration Homes LLP (AH) is a limited liability partnership owned equally by the Council and Lewes District Council. It was set up during 2016/17 for the purpose of developing housing. The Council has provided six commercial loans to AH totalling £13,574,750 (£13,105,050 2021/22) for the purchase of property, at an interest rate of 4.5%. A working capital facility loan of £65,000 (£65,000 in 2021/22) has been agreed, at an interest rate of 2% above Base Rate. The company's accounts are consolidated into the Group Accounts. Copies of Aspiration Homes LLP's annual report and accounts can be obtained from their registered office at The Town Hall, Grove Road, Eastbourne, BN21 4UG.

12.10 South East Environmental Services Limited

South East Environmental Services Limited (SEESL) is a wholly owned subsidiary of the Council. SEESL has been set up to provide waste and recycling services. The Council has provided commercial loans to SEESL for £935,000 (£1,090,000 2021/22) for the purchase of vehicles and equipment, at an interest rate of 2% above Base Rate. Loans of £155,000 were repaid during 2022/23.

12.11 Investment Company Eastbourne Limited

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

12.12 Infrastructure Investments Leicester Limited

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

## 13. LEASING

**Operating leases – Council acting as lessor**

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

| 2021/22 Minimum Lease Income £000 | | 2022/23 Minimum Lease Income £000 |
|---|---|---|
| 2,421 | Within one year | 2,697 |
| 6,319 | Between two and five years | 8,318 |
| 39,787 | Later than five years | 46,764 |
| **48,527** | **Total** | **57,779** |

The lease income relates to various land and buildings owned by the Council and leased out on varying terms and conditions. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2022/23 was £3,496,000 (£2,994,000 in 2021/22). The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 14. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| | **Within Cost of Services** | |
| (31,810) | DWP Benefits grants | (31,162) |
| (1,056) | Covid-19 Grants | (1,408) |
| (8,722) | Other Grants and Contributions | (5,597) |
| **(41,588)** | **Total within Cost of Services** | **(38,167)** |
| | **Within Taxation and non-specific grant income** | |
| (5,724) | Section 31 Grant Small Business Rate Relief | (2,776) |
| (32) | New Homes Bonus | (13) |
| (296) | Localising C Tax Support Admin Subsidy | (128) |
| (996) | Income Recovery Grant | (1,110) |
| (6,426) | Grants and contributions towards capital expenditure | (8,106) |
| (208) | Other Grants and Contributions | (31) |
| **(13,682)** | **Total within Taxation and non-specific grant income** | **(12,164)** |
| **(55,270)** | **Total Grants & Contributions** | **(50,331)** |

**Notes**

The 2022/23 Other Grants & Contributions total (within Cost of Services) excludes £5.99m of Council Tax energy rebate and energy schemes grant where the Council is acting as an intermediary agent for the Government, rather than on its own behalf, for amounts paid over directly to individuals.

Covid-19 Grants income in 2021/22 excludes £10.43m of grants 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.

Section 31 grant is received from the Government to compensate for the loss of business rate income arising from additional Covid-19 reliefs provided to businesses.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if not spent. The balances at year end were £nil (£10,000 in 2021/22).

## 15. TRANSFER (TO) / FROM EARMARKED RESERVES

Transfers between General Fund and HRA balances and Earmarked Reserves are as follows:

| Reserve | Balance 1 April 2021 | Movement 2021/22 | Balance 31 March 2022 | Movement 2022/23 | Balance 31 March 2023 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **General Fund** | | | | | |
| General | (16) | - | (16) | - | - |
| Strategic Change | (241) | (40) | (281) | 280 | (1) |
| Capital Programme | (336) | - | (336) | - | (336) |
| Revenue Grants & Contributions | (2,336) | 844 | (1,492) | 623 | (869) |
| Regeneration | - | (12) | (12) | - | (12) |
| ICE | (1,800) | (270) | (2,070) | (50) | (2,120) |
| Commercial | (521) | (145) | (666) | - | (666) |
| SHEP GF Properties Major Works | (1) | - | (1) | - | (1) |
| Business Rates Equalisation | (1,104) | 1,104 | - | - | - |
| Cost of Living Emergency Response | - | (250) | (250) | 136 | (114) |
| Inflation | - | (200) | (200) | - | (200) |
| Fuel and Energy | - | (150) | (150) | 150 | - |
| Arrears and Bad Debt | - | (400) | (400) | - | (400) |
| Cultural Recovery | - | (756) | (756) | 454 | (302) |
| Budget Carry Forwards | - | (2,161) | (2,161) | 1,112 | (1,065) |
| **Total** | **(6,355)** | **(2,436)** | **(8,791)** | **2,705** | **(6,086)** |
| Collection Fund (timing difference) | (9,056) | 4,526 | (4,530) | 4,530 | - |
| **Total General Fund** | **(15,411)** | **2,090** | **(13,321)** | **7,235** | **(6,086)** |
| **Housing Revenue Account** | | | | | |
| HRA Leaseholders Major Works | (813) | 169 | (644) | (3) | (647) |
| Riverbourne House Leaseholders | (29) | 29 | - | - | - |
| Housing Regeneration and Investment | (2,529) | - | (2,529) | - | (2,529) |
| **Total HRA** | **(3,371)** | **198** | **(3,173)** | **(3)** | **(3,176)** |
| **Total Earmarked Reserves** | **(18,782)** | **2,288** | **(16,494)** | **7,232** | **(9,262)** |

The purpose of each reserve is set out below:

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

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

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

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

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

Commercial: for SEESL and AH subsidiary companies.

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

Business Rates Equalisation: to mitigate the risk of fluctuations.

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

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

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

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

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

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

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

HRA Leaseholders Major Works: for future maintenance costs.

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

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

## 16. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **179,225** | **Opening Capital Financing Requirement** | **183,896** |
| 12,558 | Capital Investment | 17,023 |
| 8,696 | Revenue expenditure financed from capital under statute | 2,175 |
| (201) | Long Term Debtors | 392 |
| **21,053** | **Total** | **19,590** |
| | **Sources of finance:** | |
| (5,980) | Capital receipts | (2,162) |
| (3,887) | Grants and contributions | (5,092) |
| (4,927) | Major repairs reserve | (4,948) |
| (1,012) | Revenue provision for repayment of debt | - |
| (576) | Revenue Contribution to capital | (1,419) |
| **(16,382)** | **Total Capital financing** | **(13,621)** |
| **183,896** | **Closing Capital Financing Requirement** | **189,865** |
| | **Explanation of movements in year** | |
| 4,671 | Increase in underlying borrowing | 5,969 |

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

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 363,528 | Property Plant and Equipment | 386,068 |
| 13,858 | Infrastructure Assets | 13,009 |
| 14,883 | Heritage Assets | 16,269 |
| 25,258 | Investment Property | 25,332 |
| 3,531 | Intangible Assets | 2,678 |
| 380 | Assets Held for Sale | 4,000 |
| 31,336 | Loans and Advances | 31,547 |
| (61,385) | Revaluation Reserve | (85,051) |
| (207,493) | Capital Adjustment Account | (203,987) |
| **183,896** | **Closing Capital Financing Requirement** | **189,865** |

# 17. PROPERTY PLANT AND EQUIPMENT

## 17.1 Movements in 2022/23

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

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Properties | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation at 1 April 2022** | 242,367 | 102,438 | 11,143 | 4,201 | 9,080 | 229 | **369,458** |
| Additions | 6,793 | 1,742 | 676 | - | 6,536 | - | **15,747** |
| Revaluation increases recognised in the Revaluation Reserve | 14,997 | 3,405 | - | - | - | - | **18,402** |
| Revaluation increases recognised in the Surplus/Deficit on the Provision of Services | (1,264) | 3,443 | - | - | - | - | **2,179** |
| Disposal and de-recognition | (7,999) | - | - | - | - | - | **(7,999)** |
| Assets reclassified | 1,450 | (2,440) | - | - | (2,899) | - | **(3,889)** |
| **At 31 March 2023** | **256,344** | **108,588** | **11,819** | **4,201** | **12,717** | **229** | **393,898** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| At 1 April 2022 | - | (815) | (4,552) | (563) | - | - | **(5,930)** |
| Depreciation Charge | (5,021) | (1,761) | (891) | - | - | - | **(7,673)** |
| Depreciation written out on revaluation | 4,969 | 752 | - | - | - | - | **5,721** |
| Disposal and de-recognition | 52 | - | - | - | - | - | **52** |
| **At 31 March 2023** | **-** | **(1,824)** | **(5,443)** | **(563)** | **-** | **-** | **(7,830)** |
| **Net Book Value** | | | | | | | |
| At 31 March 2023 | 256,344 | 106,764 | 6,376 | 3,638 | 12,717 | 229 | **386,068** |
| At 31 March 2022 | 242,367 | 101,623 | 6,591 | 3,638 | 9,080 | 229 | **363,528** |

## Movements in 2021/22

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Properties | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation at 1 April 2021** | 209,255 | 97,308 | 10,792 | 4,155 | 7,648 | 381 | **323,539** |
| Additions | 5,517 | 2,469 | 432 | 46 | 1,432 | - | **9,896** |
| Revaluations recognised in the Revaluation Reserve | 12,797 | 1,962 | - | - | - | (44) | **14,715** |
| Revaluations recognised in the Surplus/Deficit on the Provision of Services | 19,380 | 3,231 | - | - | - | (18) | **22,593** |
| Disposals and de-recognition | (4,582) | (2,511) | (81) | - | - | - | **(7,174)** |
| Assets reclassified | - | (21) | - | - | - | (90) | **(111)** |
| **Balance at 31 March 2022** | **242,367** | **102,438** | **11,143** | **4,201** | **9,080** | **229** | **369,458** |
| | | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| **At 1 April 2021** | **-** | **(1,196)** | **(3,797)** | **(563)** | **-** | **-** | **(5,556)** |
| Depreciation Charge | (4,936) | (1,641) | (836) | - | - | - | **(7,413)** |
| Depreciation written out on revaluation | 4,913 | 2,022 | - | - | - | - | **6,935** |
| Disposals and de-recognition | 23 | - | 81 | - | - | - | **104** |
| **At 31 March 2022** | **-** | **(815)** | **(4,552)** | **(563)** | **-** | **-** | **(5,930)** |
| | | | | | | | |
| **Net Book Value** | | | | | | | |
| At 31 March 2022 | 242,367 | 101,623 | 6,591 | 3,638 | 9,080 | 229 | **363,528** |
| At 31 March 2021 | 209,255 | 96,112 | 6,995 | 3,592 | 7,648 | 381 | **323,983** |

## 17.2 Infrastructure Assets

Infrastructure Assets are measured using the historical cost basis and carried at depreciated historical cost. Infrastructure assets include sea defences, access roads and paved areas.

| | £000 | | £000 |
|---|---|---|---|
| **Cost or Valuation at 1 April 2021** | **34,256** | **Cost or Valuation at 1 April 2022** | **34,256** |
| Additions | 492 | Additions | 548 |
| Disposal and de-recognition | (492) | Disposal and de-recognition | (548) |
| **At 31 March 2022** | **34,256** | **At 31 March 2023** | **34,256** |
| **Accumulated Depreciation and Impairment at 1 April 2021** | **(19,549)** | **Accumulated Depreciation and Impairment at 1 April 2022** | **(20,398)** |
| Depreciation Charge | (849) | Depreciation Charge | (849) |
| De-recognition - disposal | - | De-recognition - disposal | - |
| **At 31 March 2022** | **(20,398)** | **At 31 March 2023** | **(21,247)** |
| **Net Book Value** | | **Net Book Value** | |
| At 31 March 2022 | 13,858 | At 31 March 2023 | 13,009 |
| At 31 March 2021 | 14,707 | At 31 March 2022 | 13,858 |

## 17.3 Valuation of Property

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

The valuations are not reported as subject to 'material valuation uncertainty' as defined by RICS Valuation Global Standards.

| | **Council Dwellings** | **Other Land & Buildings** | **Vehicles, Plant & Equipment** | **Community** | **Assets Under Construction** | **Surplus Properties** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Carried at Historical Cost | - | - | 11,819 | 4,201 | 12,717 | - | 28,737 |
| Values at current value as at: | | | | | | | |
| 31 March 2023 | 256,344 | 108,588 | | | | 229 | 365,161 |
| **Net Book Value** | **256,344** | **108,588** | **11,819** | **4,201** | **12,717** | **229** | **393,898** |

## 17.4 Depreciation

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

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

17.5 Capital Commitments

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £8,289,000 as detailed in the table below. Similar commitments at 31 March 2022 were £7,047,000.

| | £000 |
|---|---|
| HRA New Build & Asset Improvements | 6,933 |
| Loans to Subsidiary Companies | 1,196 |
| Other asset improvements | 160 |
| **Total** | **8,289** |

17.6 Fair value hierarchy

As at 31 March 2023, there are six properties classed as surplus, compared to six in the previous year. 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) | Fair Value |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Surplus Assets NBV 31 March 2023** | - | 229 | - | **229** |
| **Surplus Assets NBV 31 March 2022** | - | 229 | - | **229** |

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

## 18. HERITAGE ASSETS

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

| | Historical Collection | Art Collection | Other | Land & Buildings | Total |
|---|---|---|---|---|---|
| Cost or Valuation | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2021** | **345** | **11,906** | **172** | **2,279** | **14,702** |
| Revaluations | **-** | - | **-** | 181 | **181** |
| **Balance at 31 March 2022** | **345** | **11,906** | **172** | **2,460** | **14,833** |
| Revaluations | 305 | - | 327 | 753 | **1,385** |
| **Balance at 31 March 2023** | **650** | **11,906** | **499** | **3,213** | **16,268** |

The Art Collection was valued by professional external valuers in 2012/13. The Collection will be valued every 10 years, and an annual review is carried out to ensure the value is not materially mis-stated. Heritage buildings were valued as at 1 April 2020 by an external professional valuer and uplifted following a market review as at 31/3/23. They will be revalued every 5 years. The historical collection has been valued with reference to insurance values.

## 19. HERITAGE ASSETS POLICY

### Acquisitions Policy

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

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

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

### Disposals Policy

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

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

## 20. INVESTMENT PROPERTIES

In 2022/23 the Council received £1,247,000 as rental income from investment properties, compared to £1,474,000 received in 2021/22.

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.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 24,846 | Balance at 1 April | 25,258 |
| 2,075 | Expenditure on property | 451 |
| (1,663) | Net losses from fair value adjustments | (377) |
| **25,258** | **Balance at 31 March** | **25,332** |

### Fair Value Hierarchy

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

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

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

**Valuation Process for Investment Properties**
The Council's investment property has been valued as at 31 March 2023 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 21. INTANGIBLE ASSETS

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

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

| | 2021/22 | | | | 2022/23 | |
|---|---|---|---|---|---|---|
| **Gross £000** | **Amortised £000** | **Net Total £000** | | **Gross £000** | **Amortised £000** | **Net Total £000** |
| 7,984 | (3,146) | **4,838** | Balance 1 April | 6,796 | (3,265) | **3,531** |
| | | | Amortisation to services: | | | |
| - | (1,356) | **(1,356)** | Corporate Services | - | (1,084) | **(1,084)** |
| - | (46) | **(46)** | Housing Revenue Account | - | (46) | **(46)** |
| - | (1,402) | **(1,402)** | | - | (1,130) | **(1,130)** |
| 95 | - | **95** | Additions | 277 | - | **277** |
| (1,283) | 1,283 | **-** | Written out on completion of expected life | (1,118) | 1,118 | **-** |
| (1,188) | (119) | **(1,307)** | Net transactions during the year | (841) | (12) | **(853)** |
| **6,796** | **(3,265)** | **3,531** | **Balance at 31 March** | **5,955** | **(3,277)** | **2,678** |

The Council's Joint Transformation Programme, which started in 2016/17, makes up £2.28m (£3.09m 31/3/22) of the total and is being amortised over remaining periods of 2-6 years.

## 22. ASSETS HELD FOR SALE

| | 2021/22 | 2022/23 |
|---|---|---|
| | **£000** | **£000** |
| **Balance at 1 April** | **922** | **379** |
| Disposals and de-recognition | (654) | (268) |
| **Assets newly classified as held for sale:** | | |
| Property, Plant & Equipment | 111 | 3,889 |
| **Balance at 31 March** | **379** | **4,000** |

## 23. FINANCIAL INSTRUMENTS

### A. Categories of Financial Instruments

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

| **Financial Assets** | **31 March 2022 £000** | **31 March 2023 £000** |
|---|---|---|
| **Fair value through profit or loss** | | |
| Long Term Investments | - | - |
| **Total** | **-** | **-** |
| | | |
| **Amortised Cost** | | |
| Long Term Investments | 3,500 | 3,500 |
| Long Term Debtors | 49,278 | 49,667 |
| Short Term Investments & Cash Equivalents | 14,861 | 3,379 |
| Short Term Debtors | 21,137 | 19,578 |
| **Total Financial Assets** | **88,776** | **76,124** |
| **Non-Financial Assets** | 10,249 | 6,364 |
| **Total** | **99,025** | **82,488** |

| **Financial Liabilities** | **31 March 2022 £000** | **31 March 2023 £000** |
|---|---|---|
| **Amortised Cost** | | |
| Long Term Borrowings | (113,784) | (111,331) |
| Long Term Liabilities | (20,518) | (19,758) |
| Short Term Borrowings | (46,549) | (66,156) |
| Short Term Creditors | (25,705) | (8,725) |
| **Total Financial Liabilities** | **(206,556)** | **(205,970)** |
| **Non-Financial Liabilities** | (14,094) | (6,950) |
| **Total** | **(220,650)** | **(212,920)** |

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

The balance of financial assets at 31 March 2023 was £nil (£nil at 31 March 2022). There were no financial liabilities designated at fair value through profit or loss. No financial assets or liabilities were classed as fair value through other comprehensive income. No financial assets or liabilities were re-classified during the year.

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

| | **2021/22** | | **2022/23** | |
|---|---|---|---|---|
| | **(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 amortised cost | (153) | - | - | - |
| **Interest revenue:** | | | | |
| Financial assets measured at amortised cost | (1,282) | - | (1,768) | - |
| **Interest expense:** | | | | |
| Financial liabilities measured at amortised cost | 3,109 | - | 3,783 | - |

**D. Fair Value**

The basis for recurring fair value measurements is:

- **Level 1 Inputs** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the 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 or liability, either directly or indirectly.
- **Level 3 Inputs** – unobservable inputs for the asset or liability.

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

| Recurring fair value measurements | Input level in fair value hierarchy | Valuation technique used to measure fair value | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|---|---|
| **Fair value through profit or loss** | | | | |
| Other financial instruments | Level 1 | Unadjusted quoted prices in active markets for identical shares | £nil | £nil |

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

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

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

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

The fair values calculated are as follows:

| **Financial Liabilities** | **31 March 2022 Carrying amount** | **31 March 2022 Fair Value** | **31 March 2023 Carrying amount** | **31 March 2023 Fair Value** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Financial liabilities held at amortised cost | (113,784) | (117,174) | (111,331) | (79,154) |
| Long Term Creditors | (20,518) | (20,518) | (19,758) | (19,758) |
| **Total Long Term** | **(134,302)** | **(137,692)** | **(131,089)** | **(98,912)** |
| Short Term Borrowings and Creditors | (72,254) | (72,254) | (74,881) | (74,881) |
| **Total Long and Short Term** | **(206,556)** | **(209,946)** | **(205,970)** | **(173,793)** |

The fair value of borrowings is lower than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date.

This shows a notional future gain, based on economic conditions at 31 March 2023, arising from a commitment to pay interest to lenders below current market rates.

| Financial Assets | 31 March 2022 Carrying amount | 31 March 2022 Fair Value | 31 March 2023 Carrying amount | 31 March 2023 Fair Value |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Financial assets held at amortised cost | 3,500 | 3,500 | 3,500 | 3,500 |
| Long Term Debtors | 49,387 | 49,387 | 49,667 | 49,667 |
| **Total Long Term** | **52,887** | **52,887** | **53,167** | **53,167** |
| Short Term Investments and Debtors | 35,889 | 35,889 | 22,957 | 22,957 |
| **Total Long and Short Term** | **88,776** | **88,776** | **76,124** | **76,124** |

The fair value of the financial assets is the same as the carrying amount as they are carried at cost and 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 2023 | 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 held at amortised cost | - | (79,154) | - | (79,154) |
| Long Term Creditors | - | (19,758) | | (19,758) |
| **Total Long Term** | **-** | **(98,912)** | **-** | **(98,912)** |
| Financial assets held at amortised cost | - | 3,500 | - | 3,500 |
| Long Term Debtors | - | 49,667 | - | 49,667 |
| **Total Long Term** | **-** | **53,167** | **-** | **53,167** |

| 31 March 2022 | 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 held at amortised cost | - | (117,174) | - | (117,174) |
| Long Term Creditors | - | (20,518) | | (20,518) |
| **Total Long Term** | **-** | **(137,692)** | **-** | **(137,692)** |
| Financial assets held at amortised cost | - | 3,500 | - | 3,500 |
| Long Term Debtors | - | 49,278 | - | 49,278 |
| **Total Long Term** | **-** | **52,778** | **-** | **52,778** |

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

**Financial Assets**

- no early repayment or impairment is recognised;
- estimated ranges of interest rates at 31 March 2023 for loans receivable, based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

**Financial Liabilities**

- no early repayment is recognised;
- estimated ranges of interest rates at 31 March 2023 for loans payable based on new lending rates for equivalent.

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

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

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

**Overall procedures for managing risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23 February 2022 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2022/23 was set at £223m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £203m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt;

- The maximum and minimum exposures to the maturity structure of debt (see table below).
- Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash

**Credit Risk**
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which is available on the Council's website. There are significant financial risks of Covid-19 that were felt in 2022/23 and will be in later years due to the continued uncertainty surrounding its impact on residents and Council Tax collection rates, the slowdown in house building and the reduction in the Council Tax base and income and on businesses and Business Rates collection rates.

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

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

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

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

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

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

The full Investment Strategy for 2022/23 was approved by Full Council on 23 February 2022 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £5m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments.

A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The Council invested funds in CloudConnX Limited of £357,000 of which £72,000 has been repaid and Sea Change Sussex £2,837,000 including capitalised interest. The risk of these companies failing to meet their commitments is minimised by maintaining representation on the board for CloudConnX. In addition, the loan to CloudConnX is supported by a fixed and floating charge over the assets and the loan to Sea Change Sussex is fully secured by a charge over the land and buildings.

The Council has provided various commercial loan facilities to Eastbourne Housing Investment Company Limited, a wholly owned subsidiary of the Council:

- loan balance at 31 March 2023 of £14,021,550 for the purchase and refurbishment of properties, at an interest rate of 3% - 4.5%. The loans are secured by a first charge on the properties purchased;
- £247,000 working capital facility, unsecured at an interest rate of 2% above Base Rate.

The Council has provided various commercial loan facilities to Aspiration Homes LLP, a joint venture with Lewes District Council:

- loan balance at 31 March 2023 of £13,574,750 for the development of new properties, at an interest rate of 4.5%. The loans are secured by a first charge on the properties purchased;
- £65,000 working capital facility, unsecured at an interest rate of 2% above Base Rate.

The Council has provided a commercial loan facility to South East Environmental Services Limited, a wholly owned subsidiary of the Council:

- loan balance at 31 March 2023 of £935,000 for the purchase of waste equipment and vehicles at an interest rate of 2% above base rate.

The Council is acting as principal guarantor for a refinancing loan to Investment Infrastructure Leicester Ltd and as guarantor for any shortfalls in rental income. As at 31 March 2023, there had been no call on the guarantees.

### Amounts Arising from Expected Credit Losses (ECL)

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

| | 12 Month ECL | Lifetime ECL | Lifetime ECL - Simplified Approach | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Opening balance 1 April 2022** | **(6)** | **(189)** | **(5,827)** | **(6,022)** |
| Change in Credit Loss | - | - | (361) | (361) |
| **Closing balance 31 March 2023** | **(6)** | **(189)** | **(6,188)** | **(6,383)** |

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

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

### Liquidity risk

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

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

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

| **Credit Rating** | **31 March 2022** | **31 March 2023** |
|---|---|---|
| | **£000** | **£000** |
| Banks, Building Societies & Corporates | | |
| 'AAA' | - | - |
| 'AA' | - | - |
| 'A' | 14,861 | 3,353 |
| Money Market Funds 'AAA' | - | - |
| Local Authorities - Unrated | - | - |
| **Total** | **14,861** | **3,353** |

The maturity analysis of financial assets is as follows:

| | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|
| Less than one year | 14,861 | 3,380 |
| Between one and two years | 789 | 790 |
| Between two and five years | 3,806 | 3,306 |
| Between five and ten years | 4,545 | 4,545 |
| More than ten years | 43,638 | 44,525 |
| **Total** | **67,639** | **56,546** |

**Refinancing and Maturity risk**

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

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

This includes:

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

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

| | Approved Minimum Limit % | Approved Maximum Limit % | 31 March 2022 £000 | 31 March 2023 £000 |
|---|---|---|---|---|
| Less than one year | 0% | 25% | 46,549 | 66,156 |
| Between one and two years | 0% | 40% | 760 | 760 |
| Between two and five years | 0% | 60% | 4,181 | 4,561 |
| Between five and ten years | 0% | 70% | 4,751 | 4,371 |
| More than ten years | 0% | 90% | 124,610 | 121,397 |
| **Total** | | | **180,761** | **197,245** |

**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 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | £000 |
|---|---|
| Increase in interest payable on variable rate borrowings | - |
| Increase in interest receivable on variable rate investments | (34) |
| **Impact on Deficit of Provision of Services** | **(34)** |

**Price risk**

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

**Foreign exchange risk**

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

## 25. DEBTORS

Short Term debtors outstanding as at 31 March are:

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| | **Financial Assets** | |
| 4,853 | Trade Receivables | 6,619 |
| 15,722 | Other Receivables | 12,960 |
| **20,575** | **Total** | **19,579** |
| | **Non-Financial Assets** | |
| 430 | Prepayments | 763 |
| 9,379 | Debtors for Local Taxation | 5,090 |
| 403 | Other Receivables | 509 |
| **10,212** | **Total** | **6,362** |
| **30,787** | **Total** | **25,941** |

Debtors for Local Taxation includes Business Rates due from the government.

Long-term debtors outstanding as at 31 March are:

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 31,349 | Other Receivables | 31,559 |
| 17,929 | ICE/IIL Guarantee | 18,108 |
| **49,278** | **Total** | **49,667** |

Included within Other Receivables are:

- £249,000 (£285,000 31/3/22) in a company that will be providing telecommunication services primarily to the business sector in the locality. The Council currently has a charge over the assets of the company.
- £850,000 loan funding in 2014/15 provided in partnership with East Sussex County Council to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the purchase of a site at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added to this loan bringing the total outstanding at 31 March 2023 to £1,081,708.

- £1,400,000 loan funding in 2015/16 to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the development of the Innovation Mall (Pacific House) at Sovereign Harbour, final repayment is due in 2024 (excluding £150,000 of loan deferred). Capitalised interest has been added bringing the total outstanding at 31 March 2023 to £1,755,787.
- £14,268,550 (£14,232,550 31/3/22) loan to Eastbourne Housing Investment Company, a wholly owned subsidiary of the Council for the purchase and redevelopment of various properties. These loans are due for repayment on a variety of dates, the last due date being in 2061.
- £13,639,750 (£13,170,050 31/3/22) loan to Aspiration Homes LLP, a partnership wholly owned by The Council and Lewes District Council for the purchase and redevelopment of various properties. These loans are due for repayment on a variety of dates, the last due date being in 2061.
- £935,000 (£1,090,000 31/3/22) loan to South East Environmental Services Ltd, a wholly owned subsidiary of the Council for the purchase waste fleet vehicles. This loan is due for repayment in annual instalments repayable by 2030.

ICE/IIL Guarantee

- £18,108,680 long term (£17,929,222 31/3/22) contract receivable relating to a guarantee arrangement provided to IIL Ltd in respect of an investment property in Leicester as detailed in Notes 4 and 5.

## 26. CREDITORS

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

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| | **Financial Liabilities** | |
| (145) | Trade Payables | (512) |
| (27,920) | Other Payables | (9,397) |
| **(28,065)** | **Total** | **(9,909)** |
| | **Non-Financial Liabilities** | |
| (11,276) | Income in Advance | (4,215) |
| (1,729) | Creditors for Local Taxation | (1,551) |
| **(13,005)** | **Total** | **(5,766)** |
| **(41,070)** | **Total** | **(15,675)** |

Other Payables in 2021/22 included higher amounts of Covid grant support and s31 Business Rate grant repayable to central government. Income in Advance in 2021/22 included Council Tax Energy Rebate scheme funding.

In 2021/22, an amount of £10.083m, relating to Business Rates, has been recategorized from Creditors for Local Taxation to Other Payables when compared to the audited 31 March 2022 Statement of Accounts.

**Other Long Term Liabilities**

- Includes £19,173,048 liability for a rental guarantee and £585,447 liability for a loan guarantee provided to IIL Ltd, a total of £19,758,495 at 31 March 2023 (£20,518,437 31 March 2022), in respect of an investment property in Leicester as detailed in Notes 4 and 5.

## 27. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2023 are:

| | Balance 1 April 2022 £000 | Additions £000 | Amounts used £000 | Balance 31 March 2023 £000 |
|---|---|---|---|---|
| Business Rate Appeals | (493) | - | (575) | (1,068) |

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

## 28. USABLE RESERVES

The table below sets out details of the movements and balances on individual usable reserves The reasons for maintaining each reserve are set out in detail in Note 2.19, and the annual movements for usable reserves are shown in the Movement in Reserves Statement. Details of Earmarked Reserves are shown at Note 15.

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| (4,498) | General Fund Balances | (5,740) |
| (4,884) | HRA Balances | (2,709) |
| (16,494) | Earmarked Reserves | (9,262) |
| (2,644) | Major Repairs Reserve | (2,777) |
| (1,291) | Capital Receipts Reserve | (2,286) |
| (3,882) | Capital Grants Unapplied Account | (6,721) |
| **(33,693)** | **Total Usable reserves** | **(29,495)** |

### Major Repairs Reserve

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **(2,575)** | **Balance at 1 April** | **(2,644)** |
| (4,996) | Posting of HRA resources from the Major Repairs Reserve | (5,081) |
| 4,927 | Use of the Major Repairs Reserve to finance capital expenditure | 4,948 |
| **(2,644)** | **Balance at 31 March** | **(2,777)** |

### 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.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **(5,266)** | **Balance at 1 April** | **(1,291)** |
| (2,319) | Amounts receivable during the year | (3,157) |
| 5,980 | Amounts applied to finance new capital investment | 2,162 |
| 314 | Payments to Housing Capital Receipts Pool | - |
| **(1,291)** | **Balance at 31 March** | **(2,286)** |

### 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.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **(1,442)** | **Balance at 1 April** | **(3,882)** |
| (6,426) | Amounts receivable during the year | (8,107) |
| 3,887 | Amounts applied to finance new capital investment | 5,092 |
| 99 | Transfer to revenue | 176 |
| **(3,882)** | **Balance at 31 March** | **(6,721)** |

## 29. UNUSABLE RESERVES

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

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 4,874 | Collection Fund Adjustment Account | 2,431 |
| (61,385) | Revaluation Reserve | (85,051) |
| (207,493) | Capital Adjustment Account | (203,986) |
| 64,715 | Pension Reserve | 2,805 |
| 114 | Accumulated Absence Account | 114 |
| **(199,175)** | **Total Unusable reserves** | **(283,687)** |

### 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.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **11,093** | **Balance at 1 April** | **4,874** |
| (45) | Amounts by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (41) |
| (6,174) | Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (2,402) |
| **4,874** | **Balance at 31 March** | **2,431** |

### 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.

| 2021/22 £000 | | 2022/23 £000 | £000 |
|---|---|---|---|
| **(40,333)** | **Balance at 1 April** | | **(61,385)** |
| (21,831) | Revaluation of assets | (25,508) | |
| **(21,831)** | (Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | **(25,508)** |
| 779 | Difference between fair value depreciation and historical cost depreciation | 1,410 | |
| - | Accumulated gains on assets sold or scrapped | 432 | |
| **779** | Amount written off to the Capital Adjustment Account | | **1,842** |
| **(61,385)** | **Balance at 31 March** | | **(85,051)** |

## 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.

| 2021/22 £000 | | 2022/23 £000 | £000 |
|---|---|---|---|
| **(195,977)** | **Balance at 1 April** | | **(207,493)** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| (14,331) | Charges for depreciation and impairment of non-current assets | 6,343 | |
| 1,402 | Amortisation of intangible assets | 1,130 | |
| 5,697 | Revenue expenditure funded from capital under statute | 2,175 | |
| 2,998 | Refcus - Capitalisation Direction | | |
| - | Expected Credit Losses | 181 | |
| 8,216 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 8,764 | |
| **3,982** | | | **18,593** |
| (779) | Adjusting amounts written out of the Revaluation Reserve | | (1,842) |
| **3,203** | **Net written out amount of the cost of non-current assets consumed in the year** | | **16,751** |
| | **Capital financing applied in the year:** | | |
| (5,980) | Use of the Capital Receipts Reserve to finance new capital expenditure | (2,162) | |
| (4,927) | Use of the Major Repairs Reserve to finance new capital expenditure | (4,948) | |
| (3,887) | Application of grants to capital financing from the Capital Grants Unapplied Account | (5,092) | |
| (1,012) | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | - | |
| (576) | Capital expenditure charged against the General Fund and HRA Balances | (1,419) | |
| **(16,382)** | | | **(13,621)** |
| 1,663 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | 377 |
| - | Movements in the market value of Investments debited or credited to the Comprehensive Income and Expenditure Statement | | - |
| **(207,493)** | **Balance at 31 March** | | **(203,986)** |

**Pension Reserve**

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **68,477** | **Balance at 1 April** | **64,715** |
| (10,793) | Re-measurement of the net defined benefit liability | (73,664) |
| - | Asset Ceiling - Adjusted funding surplus | 9,240 |
| 11,383 | 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 | 7,507 |
| (4,352) | Employer's pensions contributions and direct payments to pensioners payable in the year | (4,993) |
| **64,715** | **Balance at 31 March** | **2,805** |

**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.

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **235** | **Balance at 1 April** | **114** |
| (235) | Settlement or cancellation of accrual made at the end of the preceding year | (114) |
| 114 | Amounts accrued at the end of the current year | 114 |
| **114** | **Balance at 31 March** | **114** |

## 30. POST EMPLOYMENT BENEFITS

30.1 Participation in defined benefit pension plan

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

The Council participates in two post-employment schemes:

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

- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The Council also has liabilities for discretionary payments for added years, etc. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

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

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

30.2 Transactions relating to post-employment benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| | **Service Cost comprising:** | |
| 9,629 | Current Service Costs | 7,688 |
| 266 | Past Service Costs | 182 |
| | **Financing & Investment Income & Expenditure** | |
| 1,395 | Net Interest Expense | (503) |
| 93 | Administration Expenses | 140 |
| **11,383** | **Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services** | **7,507** |
| | **Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement** | |
| | Re-measurement of the net defined benefit liability comprising: | |
| (17,275) | Return on Plan Assets (excluding the amount included in the net interest expense) | 12,852 |
| 2,031 | Actuarial Gains arising on changes in demographic assumptions | - |
| (8,189) | Actuarial Losses arising on changes in financial assumptions | (107,971) |
| 8,956 | Other Experience losses | 21,455 |
| 3,684 | Other Actuarial losses | - |
| - | Asset Ceiling - Adjusted funding surplus | 9,240 |
| **(10,793)** | **Other Comprehensive Income & Expenditure** | **(64,424)** |
| **590** | **Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement** | **(56,917)** |
| | **Movement in Reserves Statement** | |
| 11,383 | Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | 7,507 |
| (4,352) | Actual amount charged to the General Fund Balance for pensions in the year | (4,993) |
| **7,031** | **Net adjustment in Movement in Reserves Statement** | **2,514** |

## 30.3 Pensions Assets and Liabilities recognised in the balance Sheet

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

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 191,095 | Fair value of employer assets | 186,040 |
| (252,440) | Present value of funded liabilities | (176,800) |
| (3,370) | Present value of unfunded liabilities | (2,805) |
| - | Asset Ceiling - Adjusted funding surplus | (9,240) |
| **(64,715)** | **Net liability arising from defined benefit obligation** | **(2,805)** |

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 176,034 | Opening fair value of assets | 191,095 |
| 3,274 | Interest income | 7,587 |
| (93) | Administration Expenses | (140) |
| 4,061 | Contributions from employer - Funded | 4,716 |
| 291 | Contributions from employer - Unfunded | 277 |
| 1,318 | Contributions from employees into the scheme | 1,669 |
| (7,090) | Benefits paid - Funded | (6,035) |
| (291) | Benefits paid - Unfunded | (277) |
| | **Re-measurement gain / (loss):** | |
| 17,275 | The return on plan assets, excluding the amount included in the net interest expense | (12,852) |
| (3,684) | Other actuarial | - |
| **191,095** | **Closing fair value of scheme assets** | **186,040** |

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| (244,511) | Opening balance at 1 April | (255,810) |
| (9,629) | Current service costs | (7,688) |
| (4,669) | Interest costs | (7,084) |
| (1,318) | Contributions from scheme participants | (1,669) |
| (266) | Past service costs | (182) |
| 7,090 | Benefits paid - funded | 6,035 |
| 291 | Benefits paid - unfunded | 277 |
| | **Re-measurement gains and (losses):** | |
| (2,031) | Change in demographic assumptions | - |
| 8,189 | Change in financial assumptions | 107,971 |
| (8,956) | Other Experience | (21,455) |
| **(255,810)** | **Closing Balance at 31 March** | **(179,605)** |

## 30.6 Local Government Pension Scheme Assets comprised:

| 31 March 2022 £000 | % | | 31 March 2023 £000 | % |
|---|---|---|---|---|
| 140,441 | 74 | Equities | 131,323 | 71 |
| 24,917 | 13 | Bonds | 22,584 | 12 |
| 21,639 | 11 | Property | 29,909 | 16 |
| 4,098 | 2 | Cash | 2,224 | 1 |
| **191,095** | **100** | **Total Assets** | **186,040** | **100** |

Note – The bid values are estimated where necessary. The individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2023 may be different from that shown due to estimation techniques.

The detail of assets as at 31 March 2023, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not) is:

| Asset Breakdown | % Quoted | % Unquoted |
|---|---|---|
| **Index Linked Government Securities** | | |
| UK | - | 2 |
| **Corporate Bonds** | | |
| UK | - | 9 |
| **Equities** | | |
| Overseas | 5 | 39 |
| **Property** | | |
| All | - | 7 |
| **Others** | | |
| Absolute return portfolio | - | 18 |
| Private Equity | - | 8 |
| Infrastructure | - | 9 |
| Derivatives | - | 0.5 |
| Other | - | 1 |
| Cash / Temporary Investments | 1 | 0.5 |
| **Total** | **6** | **94** |

30.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Barnett Waddingham (who have replaced Hymans Robertson), an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2021. The main assumptions used in their calculations are:

The significant assumptions used by the actuary have been:

| Life Expectancy from age 65 | 31 March 2022 | 31 March 2023 |
|---|---|---|
| **Retiring today** | | |
| Males | 21.1 | 21.1 |
| Females | 24.0 | 24.1 |
| **Retiring in 20 years** | | |
| Males | 22.1 | 22.2 |
| Females | 25.5 | 25.6 |

| Financial Assumptions | 31 March 2021 | 31 March 2022 | 31 March 2023 |
|---|---|---|---|
| Discount rate | 2.0% | 2.6% | 4.8% |
| Pension increases | 2.8% | 3.25% | 2.9% |
| Salary increases | 2.8% | 3.25% | 2.9% |

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

The estimation of the defined benefit obligation is sensitive to the actuarial assumption set out in the table above (see also Note 5).

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

| Sensitivity Analysis | £000 | £000 | £000 |
|---|---|---|---|
| **Adjustment to discount rate** | **+0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 176,772 | 179,605 | 182,513 |
| Projected service cost | 4,167 | 4,316 | 4,471 |
| **Adjustment to long term salary increase** | **+0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 179,775 | 179,605 | 179,437 |
| Projected service cost | 4,319 | 4,316 | 4,314 |
| **Adjustment to pension increases and deferred revaluation** | **+0.1%** | **0.0%** | **-0.1%** |
| Present value of total obligation | 182,395 | 179,605 | 176,885 |
| Projected service cost | 4,473 | 4,316 | 4,165 |
| **Adjustment to life expectancy assumptions** | **+1 year** | **None** | **-1 year** |
| Present value of total obligation | 187,045 | 179,605 | 172,496 |
| Projected service cost | 4,447 | 4,316 | 4,160 |

30.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2025.

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

The Council anticipates paying £4,226,000 expected contributions to the scheme in 2023/24.

## 31. CASH & CASH EQUIVALENTS

| 31 March 2022 £000 | COMPONENTS OF CASH AND CASH EQUIVALENTS | 31 March 2023 £000 |
|---|---|---|
| 34 | Cash held by the Council | 27 |
| 317 | Bank Current Accounts | 143 |
| 5,010 | Short Term Deposits | 3,210 |
| **5,361** | **Total Cash and Cash Equivalents** | **3,380** |

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 8,262 | Depreciation | 8,522 |
| (22,593) | Impairment and (reversal) of impairment and valuation movements | (2,179) |
| 1,402 | Amortisation | 1,130 |
| - | Increase in impairment for bad debts | 187 |
| 3,835 | Increase / (decrease) in creditors (excl. capital) | (25,213) |
| (1,021) | (Increase) / decrease in Debtors (excl. capital) | 1,147 |
| (38) | (Increase) / decrease in Inventories | 12 |
| 7,031 | Movement in pension liability | 2,514 |
| 8,216 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 8,764 |
| 508 | Other non-cash items charged to the net surplus or deficit on the provision of services (including Financial Guarantee) | 13 |
| **5,602** | **Adjustment for Non-Cash Movements included in the provision of services** | **(5,103)** |

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

| £000 | | £000 |
|---|---|---|
| (2,319) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,157) |
| (3,887) | Other items for which the cash effects are investing or financing activities | (5,092) |
| **(6,206)** | **Adjustment for items that are investing and financing activities** | **(8,249)** |

| £000 | Investing Activities | £000 |
|---|---|---|
| (14,739) | Purchase of property, plant and equipment, investment property and intangible assets | (16,421) |
| (9,500) | Purchase of short and long term investments | - |
| (245) | Other payments for investing activities | (588) |
| 2,319 | Proceeds from sales of property, plant and equipment, investment property and intangible assets | 3,157 |
| - | Proceeds from short and long term investments | 9,500 |
| 4,187 | Other receipts from investing activities | 5,273 |
| **(17,978)** | **Net cash flows from investing activities** | **921** |

| £000 | Financing Activities | £000 |
|---|---|---|
| 41,769 | Cash receipts of short and long-term borrowing | 61,000 |
| (41,000) | Repayment of short and long-term borrowing | (44,453) |
| 11,792 | Other payments for financing activities (includes Collection Fund) | 3,521 |
| **(12,561)** | **Net cash flows from financing activities** | **20,068** |

| Reconciliation of Liabilities arising from Financing Activities | 1 April 2022 £000 | Financing Cash Flows £000 | Non Cash Changes £000 | 31 March 2023 £000 |
|---|---|---|---|---|
| Short Term Borrowings | (46,549) | (16,547) | (3,060) | (66,156) |
| Long Term Borrowings | (113,784) | - | 2,453 | (111,331) |
| **Net cash outflow from financing activities** | **(160,333)** | **(16,547)** | **(607)** | **(177,487)** |

## 32. CONTINGENT ASSETS AND LIABILITIES

**Contingent Liabilities**

### Municipal Insurance Limited

The Council's former insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council was set at £470,000. The Directors of MMI 'triggered' the Scheme of Arrangement under Section 425 of the Companies Act 1985 (now Section 899 of the Companies Act 2006) on 13 November 2012. Ernst & Young are now responsible for the management of the MMI business, affairs and assets. Ernst & Young have carried out a review of MMI assets and liabilities. Payments made to-date are £70,437 in 2013/14, £46,958 2015/16, £4,724 2021/22 and £126, a total £122,245. Any possible outstanding claw back will continue to be a contingent liability.

### Towner Trust

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

### Eastbourne Borough Football Club (EBFC)

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

### Bedfordwell Road

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

**Investment Company Eastbourne Limited (ICE)**

In May 2018, the Council's wholly owned investment company, ICE, entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. Whilst the Council will be potentially liable to pay CLI future lease payments if a default event occurs it is unclear when exactly this type of event would occur and therefore difficult to establish what the potential liability would be. The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, a default event would also give rise to circumstances that are reflected as a Contingent Asset. As at 31st March 2023 there were no conditions or events which would trigger any liability.

**27 Arundel Road, Eastbourne**

The Council have a headlease on this property and also an underlease. If the property were to change from its existing social benefit use or be sold, then the Council would have to repay a £483,000 capital grant back to Homes England.

**Contingent Assets**

**Postal Services**

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

**Investment Company Eastbourne Limited (ICE)**

At the end of the loan term, and assuming no default event occurs, the property will be jointly marketed and sold, with ICE being entitled to stipulated amounts and proportions of the net sale proceeds. The timing and value of the net sale proceeds are both uncertain. ICE also has two options which allow it to acquire 49.5% of the shares of the company for £1 at any time, and 100% of the shares of the company, or the property, in the event of a default on the loan. The timing of these events, and the value of the shares and the property at that time, are uncertain.

# 9. HOUSING REVENUE ACCOUNT (HRA)

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| | **Income** | |
| (14,226) | Dwelling Rents | (14,613) |
| (321) | Non-Dwelling Rents | (366) |
| (1,091) | Charges for Services and Facilities | (1,383) |
| (117) | Contributions Towards Expenditure | (47) |
| **(15,755)** | **Total Income** | **(16,409)** |
| | **Expenditure** | |
| 8,851 | Supervision and Management | 10,170 |
| 377 | Rents, Rates, Taxes and Other Charges | 204 |
| (14,385) | Depreciation, Amortisation and Impairment Reversals of Non-Current Assets | 6,345 |
| 8 | Movement in the allowance for bad debts | 19 |
| 15 | Debt Management Costs | 29 |
| **(5,134)** | **Total Expenditure** | **16,767** |
| **(20,889)** | **Net Income for HRA Services as included in the whole Council's Income and Expenditure Statement** | **358** |
| 66 | HRA services share of Corporate and Democratic Core | 65 |
| **(20,823)** | **Net Expenditure / (Income) for HRA Services** | **423** |
| 2,803 | Loss on sale of HRA assets | 4,798 |
| 1,632 | Interest Payable and Similar Charges | 1,698 |
| - | Interest and Investment Income | (106) |
| (2,218) | Capital Grants and Contributions Received | (1,346) |
| **(18,606)** | **Deficit / (Surplus) for the Year** | **5,467** |

# 10. MOVEMENT ON THE HRA STATEMENT

| 2021/22 £000 | 2021/22 £000 | | 2022/23 £000 | 2022/23 £000 |
|---|---|---|---|---|
| | **(5,450)** | **Housing Revenue Account opening balance** | | **(4,884)** |
| **(18,606)** | | **Deficit / (Surplus) on HRA Income and Expenditure Statement** | **5,467** | |
| | | **Adjustments between accounting and funding basis:** | | |
| 576 | | Capital expenditure financed by the HRA | 1,419 | |
| 2,218 | | Capital Grants and Contributions received | 1,346 | |
| (4,560) | | Reverse non-current assets written off on disposal | (7,947) | |
| 1,756 | | Proceeds from sales of non-current assets | 3,150 | |
| 14,385 | | Transfer (from) / to Capital Adjustment Account | (6,345) | |
| 4,996 | | Transfer to Major Repairs Reserve | 5,081 | |
| **765** | | | **(3,296)** | |
| (199) | | Transfers (to) / from reserves | 4 | |
| | **566** | **Decrease / (Increase) in year** | | **2,175** |
| | **(4,884)** | **Housing Revenue Account closing balance** | | **(2,709)** |

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

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

# 11. NOTES TO THE HOUSING REVENUE ACCOUNT

## HOUSING STOCK

The Council's housing stock consisted of:

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| | Houses and Bungalows | |
| 16 | - one bedroom | 16 |
| 516 | - two bedrooms | 514 |
| 1,095 | - three bedrooms | 1,087 |
| 51 | - four or more bedrooms | 50 |
| **1,678** | **Total Houses and Bungalows** | **1,667** |
| | Flats | |
| 1,033 | - one bedroom | 1,027 |
| 529 | - two bedrooms | 524 |
| 4 | - three or more bedrooms | 4 |
| 129 | - bed-sits | 129 |
| **1,695** | **Total Flats** | **1,684** |
| **3,373** | **All Dwellings** | **3,351** |

In addition, the Council has shared ownership arrangements covering 19 full property equivalents (19 at 31 March 2022). The Council no longer has any properties under short-term property leases.

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

| | 31 March 2022<br>£000 | 31 March 2023<br>£000 |
|---|---|---|
| Dwellings | 242,367 | 256,344 |
| Other Land and Buildings | 1,143 | 1,189 |
| **Total** | **243,510** | **257,533** |

## VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilks, Head & Eve as at 31 March 2020, which resulted in a market vacant possession value of the housing stock at 31 March 2023 of £814m, excluding any subsequent market reviews. The vacant possession of garages is £2.6m. The regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value. The Government considers that the difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing council housing at less than open market rents.

## MAJOR REPAIRS RESERVE (MRR)

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| (2,575) | Balance as at 1 April | (2,644) |
| 4,927 | Financing of Capital Expenditure | 4,948 |
| (4,996) | Depreciation | (5,081) |
| **(2,644)** | **Balance as at 31 March** | **(2,777)** |

## CAPITAL EXPENDITURE AND FINANCING

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **6,948** | **Total Capital Expenditure** | **12,850** |
| | **Funding:** | |
| | Borrowing | 2,734 |
| 1,341 | Government Grant and Contributions | 2,389 |
| 104 | Capital Receipts | 1,360 |
| 4,927 | Major Repairs Reserve | 4,948 |
| 576 | Revenue Contributions | 1,419 |
| **6,948** | **Total Funding** | **12,850** |

## CAPITAL RECEIPTS FROM ASSET DISPOSALS

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 1,610 | Right to Buy Sales of Houses and Flats | 2,377 |
| 146 | Other Sales | 773 |
| **1,756** | | **3,150** |

## DEPRECIATION

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 4,935 | Dwellings | 5,021 |
| 15 | Other Land and Buildings | 14 |
| 46 | Other Assets | 46 |
| **4,996** | **Total HRA Assets** | **5,081** |

## REVALUATION OF HRA STOCK

A market review of the HRA stock was carried out by Wilks Head & Eve as at 31 March 2023 (a full revaluation was carried out at 31 March 2020), which resulted in an increase in value of £13.7m. See also Note 11.2 above.

## RENT ARREARS

Rent arrears at 31 March 2023 amounted to £1,823,000 (£1,452,000 at 31 March 2022). These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2022/23 former tenant arrears of £118,527 were written off (£5,230 in 2021/22). The Council has an impairment allowance for doubtful debts of £349,000 at 31 March 2023 (£288,000 at 31 March 2022).

# 12. COLLECTION FUND REVENUE ACCOUNT

| 2021/22 Total £000 | | 2022/23 Business Rates £000 | 2022/23 Council Tax £000 | 2022/23 Total £000 |
|---|---|---|---|---|
| | **Income** | | | |
| (74,420) | Income collectable from Council Tax | - | (78,602) | (78,602) |
| - | Hardship Grant Funding | - | (265) | (265) |
| (26,435) | Income collectable from Non-Domestic Rates | (32,449) | - | (32,449) |
| (62) | Transitional Relief | - | - | - |
| | **Contribution towards previous year's Collection Fund Deficit** | | | |
| (12,896) | Central Government | (4,976) | - | (4,976) |
| (2,377) | East Sussex County Council | (896) | - | (896) |
| (10,379) | Eastbourne Borough Council | (3,981) | - | (3,981) |
| - | Sussex Police & Crime Commissioner | - | - | - |
| (269) | East Sussex Fire Authority | (99) | - | (99) |
| **(25,921)** | | **(9,952)** | **-** | **(9,952)** |
| **(126,838)** | **Total Fund Income** | **(42,401)** | **(78,867)** | **(121,268)** |
| | **Expenditure** | | | |
| | **Precepts, Demands and Shares** | | | |
| 18,844 | Central Government | 17,101 | - | 17,101 |
| 56,711 | East Sussex County Council | 3,078 | 56,070 | 59,148 |
| 23,941 | Eastbourne Borough Council | 13,681 | 9,100 | 22,781 |
| 7,421 | Sussex Police & Crime Commissioner | - | 7,817 | 7,817 |
| 3,741 | East Sussex Fire Authority | 342 | 3,453 | 3,795 |
| **110,658** | | **34,202** | **76,440** | **110,642** |
| 127 | Business Rates Costs of Collection | 126 | - | 126 |
| | **Charges to Collection Fund** | | | |
| (923) | Allowance for Appeals | 1,439 | - | 1,439 |
| 132 | Write-offs of uncollectable amounts | 226 | 431 | 657 |
| 689 | Allowance for impairment of doubtful debts | 403 | 731 | 1,134 |
| **25** | | **2,194** | **1,162** | **3,356** |
| | **Apportionment of previous year's Collection Fund Surplus** | | | |
| 265 | East Sussex County Council | - | 663 | 663 |
| 45 | Eastbourne Borough Council | - | 110 | 110 |
| 35 | Sussex Police & Crime Commissioner | - | 93 | 93 |
| 17 | East Sussex Fire Authority | - | 42 | 42 |
| **362** | | - | **908** | **908** |
| **111,045** | **Total Fund Expenditure** | **36,396** | **78,510** | **114,906** |
| **(15,793)** | **Movement on Fund Balance** | **(6,005)** | **(357)** | **(6,362)** |
| | **COLLECTION FUND BALANCE** | | | |
| 27,353 | **Balance at 1st April** | 12,450 | (890) | 11,560 |
| (15,793) | (Surplus)/Deficit for the year | (6,005) | (357) | (6,362) |
| **11,560** | **Balance as at 31st March** | **6,445** | **(1,247)** | **5,198** |

# 13. NOTES TO THE COLLECTION FUND

## INCOME FROM COUNCIL TAX

**Amounts receivable from Council Taxpayers:**

| | | 2022/23 |
|---|---|---|
| | | **£000** |
| **Gross amount of Council Tax** | | 98,924 |
| Less: | Council Tax Support Scheme | (8,098) |
| | Discounts | (9,441) |
| | Exemptions | (2,685) |
| | Disabled Relief | (98) |
| **Net Yield from Council Tax** | | **78,602** |

## COUNCIL TAX BASE

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

| Band | Chargeable Dwellings | Est Taxable Properties | Ratio to Band D | Band D Equivalent | Yield £000 |
|---|---|---|---|---|---|
| A Dis Reg | 13 | 20 | 5/9 | 11 | 25 |
| A | 8,417 | 5,193 | 6/9 | 3,462 | 7,615 |
| B | 12,956 | 9,859 | 7/9 | 7,668 | 16,866 |
| C | 10,617 | 8,835 | 8/9 | 7,853 | 17,273 |
| D | 8,611 | 7,536 | 9/9 | 7,536 | 16,575 |
| E | 4,548 | 4,133 | 11/9 | 5,052 | 11,111 |
| F | 2,017 | 1,874 | 13/9 | 2,707 | 5,953 |
| G | 1,109 | 1,028 | 15/9 | 1,714 | 3,770 |
| H | 106 | 9 | 18/9 | 198 | 437 |
| | **48,394** | **38,578** | | **36,201** | **79,625** |
| Less average 2.5% reduction to allow for collection losses | | | | (1,426) | (3,137) |
| **Council Tax Base** | | | | **34,775** | **76,488** |

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

**Comparison of Actual versus Theoretical Gross Yields:**

| | | |
|---|---|---|
| Tax base (as above) | A | 34,775 |
| Band D Council Tax 2022/23 (Budget report) | B | £2,199.44 |
| Theoretical gross yield | A x B | £76,487,491 |
| Actual gross yield (as above) | C | (£78,602,191) |
| **Theoretical gross yield - actual gross yield** | **(A x B) – C** | **(£2,114,700)** |

## INCOME FROM BUSINESS RATE PAYERS

The Council collects National 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 the Government.
The table below shows the total rateable value and multipliers.

| | | 2021/22 | 2022/23 |
|---|---|---|---|
| Total non-domestic rateable value | **£m** | 93.0 | 91.0 |
| Standard Multiplier | **pence** | 51.2 | 51.2 |
| Small Business Multiplier | **pence** | 49.9 | 49.9 |
| Product | **£m** | 26.4 | 32.4 |

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

Business rates payable in 2022/23 were estimated before the start of the financial year as £34.20m. These sums have been paid into 2022/23 and charged to the collection fund in year. The council's share is £13.68m.

## PRECEPTS AND DEMANDS ON THE COLLECTION FUND

| | COUNCIL TAX | | | NATIONAL NON-DOMESTIC BUSINESS RATES | | |
|---|---|---|---|---|---|---|
| | Precept | Distribution of prior years surplus | Total | Share | Recovery of prior years deficit | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Eastbourne Borough Council | 9,100 | 110 | 9,210 | 13,681 | (3,981) | 9,700 |
| Central Government | - | - | - | 17,101 | (4,976) | 12,125 |
| East Sussex County Council | 56,070 | 663 | 56,733 | 3,078 | (896) | 2,182 |
| Sussex Police & Crime Commissioner | 7,817 | 93 | 7,910 | - | - | - |
| East Sussex Fire Authority | 3,453 | 42 | 3,495 | 342 | (99) | 243 |
| **Total** | **76,440** | **908** | **77,348** | **34,202** | **(9,952)** | **24,250** |

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:

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| Business Rate Income and s31 grant (inside levy calculation) | (16,325) | (14,506) |
| Tariff payment | 11,089 | 11,089 |
| Net Income | **(5,236)** | **(3,417)** |
| Baseline Funding Level | 3,652 | 3,652 |
| **Amount below / (above) baseline** | **(1,584)** | **235** |
| **Levy** | **792** | **-** |

## 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 22 | 31 March 23 | 31 March 22 | 31 March 23 |
| | £000 | £000 | £000 | £000 |
| Eastbourne Borough Council | (106) | (147) | 4,980 | 2,579 |
| Central Government | - | - | 6,225 | 3,222 |
| East Sussex County Council | (651) | (915) | 1,121 | 580 |
| Sussex Police & Crime Commissioner | (93) | (129) | - | - |
| East Sussex Fire Authority | (40) | (56) | 124 | 64 |
| **(Surplus) / Deficit** | **(890)** | **(1,247)** | **12,450** | **6,445** |

The preceptors' share of the deficit on the Collection Fund is shown in the Council's balance sheet under Debtors. The Council's share is included on the balance sheet under the Collection Fund Adjustment Account.

# 14. GROUP ACCOUNTS

## INTRODUCTION

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

The valuations are not reported as subject to 'material valuation uncertainty' as defined by RICS Valuation Global Standards. The exception is retail and some specific assets/sectors 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.

Group accounts are prepared to combine the accounts of the Council and its associated companies. Transactions and indebtedness between the Council and the companies are eliminated in the preparation of these accounts.

Eastbourne Homes Limited and Eastbourne Housing Investment Company Limited are wholly owned subsidiaries of the Council, and group accounts are therefore prepared to combine the accounts of the Council and the two companies. Transactions and indebtedness between the Council and the companies have been eliminated in the preparation of these accounts.

### Eastbourne Homes Limited (EHL)

EHL is a private limited company and was incorporated on 24 January 2005 and commenced trading on 1 April 2005. The principal activity is to maintain, manage and improve the housing stock on behalf of the Council.  One of the seven Board Directors of EHL are residents in properties maintained by Eastbourne Homes and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne.

### South East Independent Living Limited (SEILL)

South East Independent Living Limited (SEILL) is a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL, and their accounts have been incorporated with the accounts of EHL. The principal activity of SEILL is the delivery of a short-term housing floating support service for people of 65 and over who live in Eastbourne, Lewes or Wealden districts.  In November 2021, the Housing Float Support was transferred to a new contract with Brighton Housing Trust who were the successful bidder for the East Sussex County Council contract. Permanent members of SEILL were given a TUPE transfer to the new provider. As a result, SEILL ceased delivery of the contract on 22 November 2021.

### Eastbourne Housing Investment Company Limited (EHIC)

EHIC is a private limited company and was incorporated on 1 May 2015 and commenced trading in November 2015. There are five Directors made up of three Members, one senior Council officers and one EHL Director This company is wholly owned by the Council.

### South East Environmental Services Limited (SEESL)

South East Environmental Services Limited, a private limited company, was incorporated on 31 August 2018. It is a wholly owned by the Council and has been set up to provide waste and recycling services.

### Aspiration Homes LLP (AH)

Aspiration Homes LLP is a limited liability partnership incorporated 30 June 2017 and commenced trading 21 December 2017. AH registered office is Town Hall, Grove Road, Eastbourne, East Sussex, BN21 4UG.  There is an Executive Committee made up of 6 members (3 from the Council and 3 from LDC). AH is jointly owned by the Council and LDC with joint control. It has therefore been consolidated into the group accounts as a joint venture under the equity method with each council including their share of rights to the net assets of the company.

## Summarised financial information

| | 2022/23 | 2021/22 |
|---|---|---|
| | £'000 | £'000 |
| **Profit and Loss** | | |
| Operating Profit | 626 | 316 |
| Profit / (Loss) before Members' Shares | 321 | (2) |
| **Balance Sheet** | | |
| Non-Current Assets | 25,163 | 23,257 |
| Current Assets | 421 | 183 |
| Current Labilities | 507 | 320 |
| Non-Current Liabilities | 5,701 | 5,074 |
| **Other Financial Information** | | |
| Cash and cash equivalents | 418 | 157 |
| Trade Creditors | 7 | 7 |
| Depreciation and amortisation | - | - |
| Interest income | - | - |
| Interest expense | - | - |
| Interest Tax Expense or (Income) | - | - |

## Investment Company Eastbourne Limited (ICE) and Infrastructure Investments Leicester Limited (IIL)

In May 2018, the Council's wholly owned the Investment Company Eastbourne Limited entered into a deal with a private company, Infrastructure Investments Leicester Limited, in respect of a property in Leicester. IIL registered office is Bay Lodge, 36 Harfield Road, Uxbridge, Middlesex, UB8 1PH. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor.

ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, this supports the Council income generation activities to help provide services and improve their financial position. A default event would also give rise to an entitlement to receive 100% of the shares of IIL or the Property. As at 31st March 2020 there were no conditions or events which would trigger any liability.

IIL owns and operates the Property, known as St George's Tower, which is a large and predominately commercial building in Leicester. IIL also acts as a landlord and leases the building to a number of tenants, which include a hotel, a gym, student facilities and commercial offices. IIL is a privately-owned company, which was incorporated and is registered in England. IIL refinanced its previous loans from Investec Bank and Leicester City Council with a £48m, 30-year loan provided by Canada Life (the Loan) in respect of the Property (the Scheme). As part of the refinancing arrangements, Eastbourne Borough Council (the Council) was approached by the Shareholders to provide a guarantee in respect of the Loan via a special purpose vehicle, ICE, which is a wholly owned subsidiary of the Council. ICE acts as the principal guarantor, with the Council being the ultimate guarantor (the Guarantee).

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

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

IIL is accounted for as a joint venture under the equity method in the Group Accounts. The £3.500m investment in the joint venture was recognised at cost in May 2018. The investment has subsequently been adjusted to £0.847m for the Council's 49.5% share of IIL's post-acquisition gains or losses for the period to March 2023 (£2.802m March 2022). There is no 'material valuation uncertainty' over property valuations, as defined by RICS Valuation Global Standards, which affects the value of the St Georges Tower investment property, and so the equity accounted investment value of the investment in the Group accounts.

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

### Summarised financial information

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| | **£'000** | **£'000** |
| **Profit and Loss** | | |
| Operating Profit | 1,209 | 1,399 |
| Profit / (Loss) before Tax | 1,244 | (7,210) |
| Profit / (Loss) after Tax | 880 | (5,560) |
| **Balance Sheet** | | |
| Non-Current Assets | 50,269 | 48,334 |
| Current Assets | 1,726 | 1,806 |
| Current Labilities | 3,731 | 3,239 |
| Non-Current Liabilities | 43,707 | 43,508 |
| **Other Financial Information** | | |
| Cash and cash equivalents | 1,286 | 1,314 |
| Trade Creditors | 210 | 118 |
| Depreciation and amortisation | 34 | 34 |
| Interest income | - | - |
| Interest expense | 1,935 | 2,247 |
| Interest Tax Expense or (Income) | (364) | 1,650 |

IIL has a financial year end of 31 December which is different to that of the Council which is 31 March. In applying the equity method for consolidation, the IIL accounts for a nine month period from 1 April 2022 to 31 December 2022 and a three month period from 1 January 2023 to 31 March 2023 have been used.

## CloudConnX Limited

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

## Eastbourne Downs Water Company Limited (EDWC)

EDWC, a private limited company, was incorporated 24 August 2016. The company is wholly owned by the Council. There have been no transactions during the period to 31 March 2023 and the company is currently dormant. The principal activity of EDWC will be to supply water to Downland Farms. The company is exempt from the requirement to prepare individual accounts under section 394A, or to file individual accounts under 448A of the Companies Act 2006.

# 15. GROUP MOVEMENT IN RESERVES STATEMENT

| | Council Usable Reserves | Council Unusable Reserves | Total Council Reserves | Share of Reserves of Subsidiaries and Joint Ventures | Total Group Reserves |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at 1 April 2021** | **(36,780)** | **(156,505)** | **(193,285)** | **(4,287)** | **(197,572)** |
| **Movement in Reserves 2021/22** | | | | | |
| Total Comprehensive Income and Expenditure | (6,959) | (32,624) | (39,583) | (628) | **(40,211)** |
| Adjustments between accounting basis & funding basis under regulation | 10,046 | (10,046) | - | - | **-** |
| Transfers (to)/from Earmarked Reserves | - | - | **-** | - | **-** |
| **Decrease / (Increase) in Year** | **3,087** | **(42,670)** | **(39,583)** | **(628)** | **(40,211)** |
| **Balance at 31 March 2022** | **(33,693)** | **(199,175)** | **(232,868)** | **(4,915)** | **(237,783)** |
| **Movement in Reserves 2022/23** | | | | | |
| Total Comprehensive Income and Expenditure | 9,618 | (89,932) | (80,314) | 3,780 | **(76,534)** |
| Adjustments between accounting basis & funding basis under regulation | (5,420) | 5,420 | - | - | **-** |
| Transfers (to)/from Earmarked Reserves | - | - | **-** | - | **-** |
| **Decrease / (Increase) in Year** | **4,198** | **(84,512)** | **(80,314)** | **3,780** | **(76,534)** |
| **Balance at 31 March 2023** | **(29,495)** | **(283,687)** | **(313,182)** | **(1,135)** | **(314,317)** |

# 16. GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| 2021/22 | | | | 2022/23 | | |
|---|---|---|---|---|---|---|
| Expend £000 | Income £000 | Net £000 | | Expend £000 | Income £000 | Net £000 |
| 10,172 | (2,447) | 7,725 | Corporate Services | 10,426 | (3,324) | 7,102 |
| 52,875 | (43,628) | 9,247 | Service Delivery | 57,951 | (43,258) | 14,693 |
| 7,754 | (1,727) | 6,027 | Regeneration and Planning | 4,424 | (2,383) | 2,041 |
| 10,318 | (9,592) | 726 | Tourism and Enterprise | 12,938 | (10,618) | 2,320 |
| (4,356) | (16,073) | (20,429) | Housing Revenue Account | 17,886 | (16,228) | 1,658 |
| 2,998 | - | 2,998 | Capitalisation Direction | - | - | - |
| **79,761** | **(73,467)** | **6,294** | **Cost of Services** | **103,625** | **(75,811)** | **27,814** |
| 238 | - | 238 | Levy Payable | 249 | | 249 |
| 314 | - | 314 | Payments to housing capital receipts pool | - | | - |
| 8,216 | (2,358) | 5,858 | Losses / (Gains) on sale and de-recognition of non-current assets | 8,764 | (3,157) | 5,607 |
| **8,768** | **(2,358)** | **6,410** | **Other Operating Expenditure** | **9,013** | **(3,157)** | **5,856** |
| 3,111 | (1) | 3,110 | Interest payable & similar charges | 3,783 | (1) | 3,782 |
| - | (760) | (760) | Fair Value of Financial Guarantee contract | - | (760) | (760) |
| - | - | - | Expected Credit Losses | 187 | - | 187 |
| - | - | 1,488 | Net Interest on the Net Defined Benefit Liability | (363) | - | (363) |
| - | (811) | (811) | Interest receivable & Other Investment Income | - | (1,215) | (1,215) |
| 1,907 | (3,564) | (1,657) | Investment Properties | 1,709 | (2,197) | (488) |
| 2,344 | (2,166) | 178 | Trading Accounts | 2,892 | (2,781) | 111 |
| **8,850** | **(7,302)** | **1,548** | **Financing and Investment Income and Expenditure** | **8,208** | **(6,954)** | **1,254** |
| - | (13,682) | (13,682) | Non-specific grants and contributions | - | (12,164) | (12,164) |
| - | (8,975) | (8,975) | Council Tax income | - | (9,250) | (9,250) |
| 11,180 | (10,870) | 310 | Non-Domestic Rates income and expenditure | 10,297 | (12,102) | (1,805) |
| **11,180** | **(33,527)** | **(22,347)** | **Taxation and non-specific grant income** | **10,297** | **(33,516)** | **(23,119)** |
| | | **(8,095)** | **Deficit / (Surplus) on Provision of Services** | | | **11,705** |
| | | 637 | Joint Ventures accounted for on an equity basis | | | 2,261 |
| | | 76 | Tax Expenses | | | (568) |
| | | **(7,382)** | **Group Deficit / (Surplus) on Provision of Services** | | | **13,398** |
| | | (21,831) | Surplus on revaluation of Property, Plant and Equipment Assets | | | (25,808) |
| | | (10,997) | Re-measurement of the net defined benefit liability | | | (64,424) |
| | | **(32,828)** | **Other Comprehensive Income and Expenditure** | | | **(89,932)** |
| | | **(40,210)** | **Total Comprehensive Income and Expenditure** | | | **(76,534)** |

# 17. GROUP BALANCE SHEET

| 31 March 2022 | | Notes | 31 March 2023 | |
|---|---|---|---|---|
| £000 | | | £000 | £000 |
| 364,524 | Property, Plant & Equipment | 19.2 | 386,964 | |
| 13,858 | Infrastructure Assets | | 13,009 | |
| 14,883 | Heritage Assets | | 16,268 | |
| 43,146 | Investment Property | 19.3 | 42,464 | |
| 3,531 | Intangible Assets | | 2,678 | |
| - | Long Term Investments | | 324 | |
| 3,843 | Investment in Joint Ventures | | 2,150 | |
| 33,955 | Long Term Debtors | 19.4 | 34,618 | |
| **477,740** | **Long Term Assets** | | | **498,475** |
| 379 | Assets Held for Sale | | 4,000 | |
| 9,500 | Short Term Investments | | - | |
| 188 | Inventories | | 191 | |
| 30,291 | Short Term Debtors | 19.4 | 24,596 | |
| 6,766 | Cash and Cash Equivalents | | 4,057 | |
| **47,124** | **Current Assets** | | | **32,844** |
| (46,549) | Short Term Borrowing | | (66,156) | |
| (41,012) | Short Term Creditors | 19.5 | (14,869) | |
| (493) | Short Term Provisions | | (1,068) | |
| (10) | Revenue Grants Receipts in Advance | | - | |
| **(88,064)** | **Current Liabilities** | | | **(83,108)** |
| (113,784) | Long Term Borrowing | | (111,331) | |
| (20,518) | Other Long-Term Liabilities | | (19,758) | |
| (64,715) | Long Term Liabilities Pensions | 19.7 | (2,805) | |
| **(199,017)** | **Long Term Liabilities** | | | **(133,894)** |
| **237,783** | **NET ASSETS** | | | **314,317** |
| (38,608) | Usable Reserves | | | (30,630) |
| (199,175) | Unusable Reserves | | | (283,687) |
| **(237,783)** | **TOTAL RESERVES** | | | **(314,317)** |

# 18. GROUP CASH FLOW STATEMENT

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| 7,382 | Net (Deficit) / Surplus on the provision of services | (13,398) |
| 3,857 | Adjustment to net deficit or surplus on the provision of services for non-cash movements | (984) |
| (6,206) | Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (8,249) |
| **5,033** | **NET CASH OUTFLOWS / (INFLOWS) FROM OPERATING ACTIVITIES** | **(22,631)** |
| (17,594) | Investing Activities | 571 |
| 12,306 | Financing Activities | 19,795 |
| **(255)** | **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(2,265)** |
| 7,021 | Cash and cash equivalents at the beginning of the reporting period | 6,322 |
| **6,766** | **CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD** | **4,057** |

# 19. NOTES TO THE GROUP ACCOUNTING STATEMENTS

## ACCOUNTING POLICIES

The accounting policies set out in Note 2 to the Eastbourne Borough Council accounts also apply to the Group Accounts. Where required, the accounts of subsidiaries have been adapted to align them with the Council's policies.

## PROPERTY, PLANT AND EQUIPMENT

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

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Properties | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or Valuation at 1 April 2022** | **242,367** | **102,649** | **12,832** | **4,201** | **9,080** | **229** | **371,358** |
| Additions | 6,793 | 1,753 | 772 | - | 6,536 | - | **15,884** |
| Revaluations recognised in the Revaluation Reserve | 14,997 | 3,405 | - | - | - | - | **18,402** |
| Revaluations recognised in the Deficit on the Provision of Services | (1,264) | 3,443 | - | - | - | - | **2,179** |
| De-recognition - Disposals | (7,999) | - | (2) | - | - | - | **(8,001)** |
| Assets reclassified | 1,450 | (2,440) | - | - | (2,899) | - | **(3,889)** |
| **At 31 March 2023** | **256,344** | **108,810** | **13,602** | **4,201** | **12,717** | **229** | **395,903** |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| **At 1 April 2022** | **-** | **(844)** | **(5,427)** | **(563)** | **-** | **-** | **(6,834)** |
| Depreciation Charge | (5,021) | (1,773) | (1,084) | - | - | - | **(7,878)** |
| Depreciation written out on revaluation | 4,969 | 752 | - | - | - | - | **5,721** |
| De-recognition – disposal | 52 | - | - | - | - | - | **52** |
| **At 31 March 2023** | **-** | **(1,865)** | **(6,511)** | **(563)** | **-** | **-** | **(8,939)** |
| **Net Book Value** | | | | | | | |
| At 31 March 2023 | **256,344** | **106,945** | **7,091** | **3,638** | **12,717** | **229** | **386,964** |
| At 31 March 2022 | **242,367** | **101,805** | **7,405** | **3,638** | **9,080** | **229** | **364,524** |

| | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Assets under Construction | Surplus Properties | Total |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuation at 1 April 2021** | **209,255** | **97,422** | **12,439** | **4,155** | **7,648** | **381** | **331,300** |
| Additions | 5,517 | 2,566 | 474 | 46 | 1,432 | - | **10,035** |
| Revaluations recognised in the Revaluation Reserve | 12,797 | 1,962 | - | - | - | (44) | **14,715** |
| Revaluations recognised in the Deficit on the Provision of Services | 19,380 | 3,231 | - | - | - | (18) | **22,593** |
| De-recognition - Disposals | (4,582) | (2,511) | (81) | - | - | - | **(7,174)** |
| Assets reclassified | - | (21) | - | - | - | (90) | **(111)** |
| **At 31 March 2022** | **242,367** | **102,649** | **12,832** | **4,201** | **9,080** | **229** | **371,358** |
| | | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| **At 1 April 2021** | **-** | **(1,214)** | **(4,358)** | **(563)** | **-** | **-** | **(6,135)** |
| Depreciation Charge | (4,936) | (1,652) | (1,150) | - | - | - | **(7,738)** |
| Depreciation written out on revaluation | 4,913 | 2,022 | - | - | - | - | **6,935** |
| De-recognition – disposal | 23 | - | 81 | - | - | - | **104** |
| **At 31 March 2022** | **-** | **(844)** | **(5,427)** | **(563)** | **-** | **-** | **(6,834)** |
| | | | | | | | |
| **Net Book Value** | | | | | | | |
| At 31 March 2022 | **242,367** | **101,805** | **7,405** | **3,638** | **9,080** | **229** | **364,524** |
| At 31 March 2021 | **209,255** | **96,208** | **8,081** | **3,592** | **7,648** | **381** | **325,165** |

The valuations are not reported as subject to ‘material valuation uncertainty’ as defined by RICS Valuation Global Standards.

## INVESTMENT PROPERTIES

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| **50,790** | **Balance at 1 April** | **43,146** |
| 2,777 | Additions | 799 |
| (335) | Net gains / (losses) from fair value adjustments | (1,481) |
| (10,086) | Disposals | - |
| **43,146** | **Balance at 31 March** | **42,464** |

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

## SHORT TERM DEBTORS

Short term debtors outstanding as at 31 March are:

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 4,928 | Trade Receivables | 6,755 |
| 447 | Prepayments | 768 |
| 9,379 | Debtors for Local Taxation | 5,090 |
| 15,537 | Other Receivables | 11,983 |
| **30,291** | **Total** | **24,596** |

Long term debtors outstanding as at 31 March are:

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 33,955 | Other Receivables | 34,618 |
| **33,955** | **Total** | **34,618** |

Includes receivables in relation to the ICE/IIL guarantees.

## SHORT TERM CREDITORS

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

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| (402) | Trade Payables | (1,298) |
| (11,276) | Receipts in Advance | (4,215) |
| (11,812) | Creditors for Local Taxation | (1,551) |
| (17,522) | Other Payables | (8,820) |
| **(41,012)** | **Total** | **(15,884)** |

## PARTICIPATION IN DEFINED LIABILITY PENSION PLAN

Details of the Council's participation in the East Sussex Pension Fund are set out in Note 30, including additional disclosure requirements. The Group includes employees of Eastbourne Homes Limited that have the same access to the benefits of the scheme.

## TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

| 2021/22 £000 | | 2022/23 £000 |
|---|---|---|
| | **Service Cost comprising:** | |
| 9,629 | Current Service Costs | 7,688 |
| 266 | Past Service Costs | 182 |
| 93 | Administration Expense | 140 |
| | **Financing & Investment Income & Expenditure** | |
| 1,395 | Net Interest Expense | (503) |
| **11,383** | **Total Post-employment Benefits charged to the Deficit or Surplus on the Provision of Services** | **7,507** |
| | **Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement** | |
| | Re-measurement of the net defined benefit liability comprising: | |
| (17,275) | Return on Plan Assets (excluding the amount included in the net interest expense) | 12,852 |
| 2,031 | Actuarial Gains arising on changes in demographic assumptions | - |
| (8,189) | Actuarial Gains and losses arising on changes in financial assumptions | (107,971) |
| 8,956 | Other Experience | 21,455 |
| 3,684 | Other Actuarial | - |
| - | Asset Ceiling - Adjusted funding surplus | 9,240 |
| **(10,793)** | **Other Comprehensive Income & Expenditure** | **(64,424)** |
| **590** | **Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement** | **(56,917)** |
| | **Movement in Reserves Statement** | |
| 11,383 | Reversal of net charges made to the Deficit or Surplus on the Provision of Services for post-employment benefits in accordance with the Code | 7,507 |
| (4,352) | Actual amount (charged)/ credited to the General Fund Balance for pensions in the year | (4,993) |
| **7,031** | **Net adjustment in Movement in Reserves Statement** | **2,514** |

## PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

| 31 March 2022 £000 | | 31 March 2023 £000 |
|---|---|---|
| 191,095 | Fair value of employer assets | 186,040 |
| (252,440) | Present value of funded liabilities | (176,800) |
| (3,370) | Present value of unfunded liabilities | (2,805) |
| - | Asset Ceiling - Adjusted funding surplus | (9,240) |
| **(64,715)** | **Net liability arising from defined benefit obligation** | **(2,805)** |

## CASH AND CASH EQUIVALENTS

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

| 2021/22 | Adjustment to Net Deficit on the provision of services for non-cash movements | 2022/23 |
|---|---|---|
| £000 | | £000 |
| 8,587 | Depreciation | 8,727 |
| (22,593) | Impairment and (reversal) of impairment and valuation movements | (2,179) |
| 1,402 | Amortisation | 1,130 |
| - | Increase in Impairment Allowance | 187 |
| 2,446 | Increase / (Decrease) in Creditors | (24,865) |
| (1,094) | (Increase) / Decrease in Debtors | 2,035 |
| (58) | (Increase) / Decrease in Inventories | (3) |
| 7,056 | Movement in pension liability | 2,514 |
| 720 | Share of Joint Ventures | 1,693 |
| 8,216 | Carrying amount of non-current assets sold or de-recognised | 8,764 |
| (825) | Other non-cash items | 1,013 |
| **3,857** | **Adjustment for Non-Cash Movements included in the provision of services** | **(984)** |

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

| | | |
|---|---|---|
| £000 | | £000 |
| (2,319) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,157) |
| (3,887) | Other items for which the cash effects are investing or financing activities | (5,092) |
| **(6,206)** | **Adjustment for items that are investing and financing activities** | **(8,249)** |

| £000 | Investing Activities | £000 |
|---|---|---|
| (15,441) | Purchase of property, plant and equipment, investment property and intangible assets | (16,689) |
| (9,500) | Purchase of short-term and long-term investments | - |
| (245) | Other payments for investing activities | (670) |
| 3,405 | Proceeds from sales of property, plant and equipment, investment property and intangible assets | 3,157 |
| - | Proceeds from short term and long-term investments | 9,500 |
| 4,187 | Other receipts from investing activities | 5,273 |
| **(17,594)** | **Net cash flows from investing activities** | **571** |

| £000 | Financing Activities | £000 |
|---|---|---|
| 41,769 | Cash receipts of short and long-term borrowing | 61,000 |
| (41,255) | Repayment of short and long-term borrowing | (44,763) |
| 11,792 | Other (receipts) / payments from financing activities | 3,558 |
| **12,306** | **Net cash flows from financing activities** | **19,795** |

| Reconciliation of Liabilities arising from Financing Activities | 1 April 2022<br>£000 | Financing Cash Flows<br>£000 | Non Cash Changes<br>£000 | 31 March 2023<br>£000 |
|---|---|---|---|---|
| Short Term Borrowings | (46,549) | (16,457) | (3,060) | (66,156) |
| Long Term Borrowings | (113,784) | - | 2,453 | (111,331) |
| **Net cash outflow from financing activities** | **(160,333)** | **(16,457)** | **(607)** | **(177,487)** |

# TRANSACTIONS BETWEEN EASTBOURNE BOROUGH COUNCIL AND EASTBOURNE HOMES LIMITED, EASTBOURNE HOUSING INVESTMENT COMPANY LIMITED, ASPIRATION HOMES LIMITED LIABILITY PARTNERSHIP AND SOUTH EAST ENVIRONMENTAL SERVICES LIMITED

**Eastbourne Homes Limited**

EHL receive a fee in accordance with an agreement to manage and maintain the Council's housing stock, including capital works. EHL obtained services from the Council under various Service Level Agreements. These include finance and financial systems, parks & gardens and information technology.

| | 2021/22 £000 | 2022/23 £000 |
|---|---|---|
| **Income** | | |
| Housing Management contract | 7,834 | 8,714 |
| **Expenditure** | | |
| Service Level Agreements | 727 | 873 |
| Fees payable to the Council | 1,734 | 2,774 |
| **Recharges** | | |
| Capital Works at cost | 3,692 | 5,386 |
| **Debtors** | | |
| Amounts due from the Council | 2,569 | 1,627 |
| **Creditors** | | |
| Amounts due to the Council | 202 | 1,118 |

**South East Independent Living Limited**

SEILL has net assets at 31 March 2023 of £nil (£323,834 at 31 March 2022) and turnover of £nil (£561,802 2021/22).

**Eastbourne Housing Investment Company Limited**

EHIC has net assets at 31 March 2023 of £2,104,486 (£3,101,537 at 31 March 2022) and turnover of £948,741 (£762,331 2021/22). EHIC are provided with loans and working capital from the Council with a balance of £14,268,550 as at 31 March 2023 (£14,232,550 as at 31 March 2022).

**Aspiration Homes LLP**

AH has net assets at 31 March 2023 of £19,376,029 (£18,045,047 at 31 March 2022) and turnover of £626,350 (£316,404 2021/22). AH is provided with loans and working capital from the Council with a balance of £13,639,750 as at 31 March 2023 (£13,170,050 as at 31 March 2022).

**South East Environmental Services Limited**

SEESL had net liabilities at 31 March 2023 of £154,550 (£16,802 net assets at 31 March 2022) and turnover of £4,565,420 (£4,289,856 2021/22). SEESL are provided with loans from the Council with a balance of £935,000 as at 31 March 2023 (£1,090,000 as at 31 March 2022).

# 20. 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 offsets the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or by disposal.

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

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

**Chartered Institute of Public Finance and Accountancy (CIPFA)**
CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

**Collection Fund**
A fund administered by the Council as a "Charging Authority". The council tax and national non-domestic rates (NNDR) are paid into this fund. The council tax and NNDR demand of the Council and the precepts of other public bodies are paid out of the fund. Any surplus or deficit is shared between the various authorities.

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

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

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

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

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

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

**Fees and Charges**
The income raised by charging for goods, services or the use of facilities.

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

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

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

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

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

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

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

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

**National Non-Domestic Rates (NNDR)** (also known as Business Rates)
National Non-Domestic Rates are levied on businesses within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

**Precept**
The amount levied by various Authorities that is collected by the Council on their behalf. The precepting authorities in Eastbourne are East Sussex County Council, Sussex Police & Crime Commissioner 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**
A Government body that provides loans to local authorities.

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

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

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

**Revenue Expenditure financed from Capital under Statute (Refcus)**
Expenditure that can be classified as capital expenditure, but which does not result in the acquisition of a tangible or physical asset.

**Revenue Support Grant**
Government financial support towards the general expenditure of local authorities.

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