



**Lewes District Council**

# **STATEMENT OF ACCOUNTS**

**2022/23**

(Unaudited)

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## A NARRATIVE REPORT BY CHIEF FINANCE OFFICER



**I am very pleased to welcome you to Lewes District 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.**

In 2022/23 we experienced an unprecedented squeeze on local government financing. As the country struggled to get back on its feet after the harm caused by COVID-19, we faced a cost-of-living crisis where inflationary pressures have reached the highest level in 41 years, seeing the cost of energy, fuel and food rise far more than rises in wage levels. Lewes District Council's (the Council) income streams especially in relation to commercial rents, sales and car parking were still well below pre-pandemic levels and continued to present a real challenge to the Council's overall financial position in the medium term. As ever, the Council is committed to delivering its key services and providing an environment where everyone works to create a confident and a resilient Council.

The Council faced significant additional costs in responding to the pandemic and severe shortfalls in its usual sources of income. Additional financial support from the Government provided significant help to the Council in ensuring that in-year budget pressures were reduced. There is still considerable uncertainty about the economic recovery and impact on the Council's locally generated income as well as Government funding in the years ahead along with the longer-term financial implications arising from the current economic climate.

The Council undertook a Corporate Peer Challenge through the Local Government Association in September 2022, and it was

encouraging to see that many positive comments were made about the Council, its staff, its members and how it interacts with its partners. Also several suggestions and recommendations were made where it was felt the Council could further improve.

Throughout the year the Council's finances have been closely monitored, and a range of corrective actions were put in place and implemented.

We will continue to deliver improvements that will enable the Council to respond to the anticipated challenges. A key part of this has been the Recovery and Reset programme, which was designed to respond to these challenges, deliver appropriate organisational change and address the Council's financial challenges in a planned way.

I want to thank all our Finance and other colleagues who have once again worked tirelessly to support the Council throughout this challenging period and in doing so, continued to protect our key services and support the district. I also want to acknowledge the excellent work done to develop balanced budgets for 2022/23 and 2023/24, and to manage the financial position of the Council throughout the financial year. Careful financial administration allows for informed decision making when determining the best use of Council resources so that services of the best possible quality can be delivered.

**Homira Javadi CPFA, FCCA, ACCA**

**DIRECTOR OF FINANCE AND PERFORMANCE (CHIEF FINANCE OFFICER – S151 OFFICER)**

## A.1 ABOUT THE COUNCIL

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

Our wide range of responsibilities and services 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

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

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

### A.1.1. EXTERNAL ENVIRONMENT IN WHICH WE OPERATE

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



© OpenStreetMap

the COVID-19 lockdown clinically vulnerable residents were asked to shield, with Lewes having a rate of 6.8 per 100 shielding comparable to the national figure.

### A.1.2. THE COMMUNITY

The Council has a population of around (2021 census). 77 per cent of residents live within the five urban areas of Lewes, Newhaven, Peacehaven, Seaford and Telscombe Cliffs/East Saltdean. The rest live in our 23 rural parishes. The population grew by 2.5 per cent since the 2011 census however our population is projected to grow by 9.6 per cent by 2033.

Life expectancy is slightly higher than the national average. Around 20 per cent of people are living with a limiting long-term illness and 19.4 per cent have a disability, with both ratios likely to rise over the next decade or so. During

### A.1.3. THE ECONOMY

We benefit from an entrepreneurial economy with self-employment being a significant feature of our district, representing 19 per cent of the economically active population. 17 per cent of business units in the district are involved in professional, scientific or technical enterprises. Micro-businesses (between one and nine employees) account for 86.4 per cent of all local businesses. Average (median) full-time weekly earnings are £512, which is equal to the average for South-East England but higher than the national figure.

The challenging economic climate has had an impact on the local economy. The proportion of people unemployed has slightly increased to 5.12 per cent from 3.7 per cent in the previous year. Small businesses and the self-employed are feeling the impact with the number of active business falling from 4,560 pre-lockdown to 4,495 in April 2023.

### A.1.4. CHANGES IN THE YEAR

Whilst the district is slowly recovering from the impacts of the COVID-19 pandemic, the cost-of-living crisis, inflationary pressures, war in Ukraine and effects of Brexit continue to trigger additional expenditure, reduced income and introducing added risks and uncertainties. Whilst there have been some signs of income recovery, many of the Council's income streams from parking, commercial rents and others remaining well below their pre-COVID-19 levels.

The Government announced the funding settlement in December 2022, it was only a detailed one-year settlement for 2023/24 and the funding for 2024/25 onwards is unknown. The Council has assumed that it will see reductions in Government funding with increasing demands for services.

#### A.1.5. OUR POLITICAL STRUCTURE AND HOW WE ARE ORGANISED

The Council is a complex organisation. Elected councillors direct our policies, which the Corporate Management Team (shared with Eastbourne Borough Council) then implements through the officers of the Council. In 2022/23 there were 41 councillors representing 21 wards within the district. Full Council elections take place every four years. The most recent for these statement of accounts were in May 2019, with by-elections in May 2021.

The Council was a hung council, with no one party having overall control. Control of the Cabinet is with the leader as part of a cooperative alliance consisting of the Green Party, the Liberal Democrats, Labour and Independent groups. The 2022 composition of the Council was:

Conservative Party	17 Councillors
Liberal Democrat Party	9 Councillors
Green Party	8 Councillors
Labour	3 Councillors
Independent Group	2 Councillors
Vacant seats	2

All councillors meet as the Full Council and would be open to the public, however the COVID-19 lockdowns led to meetings being held remotely. Here councillors decide the Council's overall policies and set the budget each year. The Full Council appoints the members of the Policy and Performance Advisory Committee and all other council committees – for example, the Audit and Standards Committee and the Planning Applications Committee. The Full Council considers recommendations made to it by the Cabinet and the Scrutiny Committee 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 the Cabinet of councillors who the Leader appoints. Each member of the Cabinet has a portfolio of the areas for which they are responsible. The Cabinet normally meets seven times in a municipal year.

2022 Cabinet consists of the following members:

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

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

The Policy and Performance Advisory Committee is in place to ensure that the 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 considered. It is about being a 'critical friend'. A member of the Minority Group chairs the Policy and Performance Advisory Committee.

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#### A.1.6. OUR LEADERSHIP TEAM

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

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

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

The Council is supported by a frontline and back-office workforce shared with Eastbourne Borough Council to provide more flexible, customer-focussed and cost-effective services. The two councils share staff and senior management but have different governance systems, different councillors, different policies and separate budgets. The councils share a joint website ([www.lewes-eastbourne.gov.uk](http://www.lewes-eastbourne.gov.uk)) which continues to develop and become the main point of contact for many customers. The increasing number of online transactions being completed demonstrates a positive direction of travel towards our aspiration to be digital by default.

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

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#### A.1.7. OUR GOVERNANCE ARRANGEMENTS

The Council recognises the importance of effective corporate governance. It helps to ensure that our district can place trust in the way we carry out our duties.

Corporate governance enables the Council to get things right in a timely, inclusive, open, honest and accountable manner. We have several systems and documents in place to ensure we act effectively. These include a Constitution, Council Plan, Medium Term Financial Strategy, Whistle blowing policy and Performance Management Framework.

We review our corporate governance arrangements against national best practice. This helps each local authority to produce a Local Code of Corporate Governance.

The local codes bring together each local authorities' corporate governance arrangements in one place and have six core principles:

- The purpose of the Council and a vision for the local area
- Members and officers working together with clear functions and roles
- Demonstrating good governance through upholding high standards of conduct
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective

The annual governance statement is published on our website:

[Annual\\_Governance\\_Statement\\_2022-23\\_Lewes\\_District\\_Council.pdf \(lewes-eastbourne.gov.uk\)](https://www.lewes-eastbourne.gov.uk/Annual_Governance_Statement_2022-23_Lewes_District_Council.pdf)



## A.2 OUR MAIN OBJECTIVES AND STRATEGY TO ACHIEVE THESE

### A.2.1. MAIN OBJECTIVES

The Council's direction is driven by the Corporate Plan. The Corporate Plan detailed below set out our priorities and key projects covering the period 2020 to 2024. The four-year plan set out the key outcomes the Council was to deliver with its partners for the district. The Corporate Plan was informed and developed in consultation with our residents, partners and other stakeholders. We monitor the Corporate 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.

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



The delivery of the Corporate Plan provides the overarching framework for all Council activities. To ensure the delivery of the plan, an annual update report is provided to the Policy and Performance Advisory Committee and Cabinet in July each year. In addition, the Corporate Plan is monitored against a set of key performance indicators. Performance of the key performance indicators reported to the Policy and Performance Advisory Committee and Cabinet each quarter.

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 as shown below.

The budget has been formulated in line with these priorities.

### A.2.2. THE MEDIUM-TERM FINANCIAL STRATEGY

The amount of money available to the Council to deliver its priority services and key projects per the Corporate Plan is determined by the estimated revenues from council tax, business rates, Government funding settlement, other Government grants, income generating services and if necessary, our reserves. We use these estimates to generate our spending plans. The Council's spending plans are linked to residents' priorities and the Government's national priorities for all local authorities

The General Fund budget for 2022/23 and the Medium-Term Financial Strategy (the Strategy) for the years through to 2025/26 were based on:

- the capital strategy and programme approved by Full Council in February 2021,
- budget changes identified since the publication of the Strategy,
- 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.

The Council continues to set a balanced budget without the need to draw from reserves to support recurring expenditure.

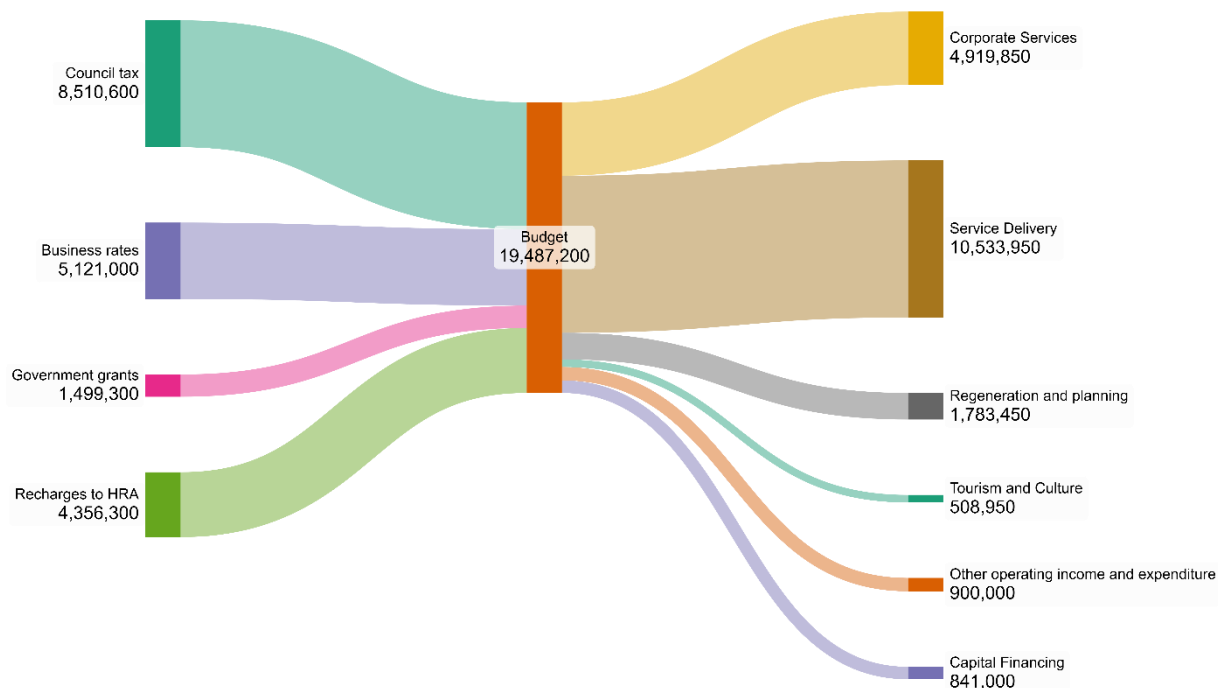
The 2022/23 budget was prepared with several uncertainties and risks to the Council's finances, staff, residents, and local economy. Government spending to combat COVID-19 and mitigate its impact on businesses and individuals has led to record levels of public sector borrowing, and there is continuing uncertainty over the core funding that will be available to local authorities over the medium term.

The Council has seen a significant drain on its budgets and reserves due to the impact of COVID-19. Although the lockdowns have eased, the full impact of the virus is still to be seen but the estimated net cost to the Council had been estimated to be circa £8m over the 4-year model.

The financial position over the medium term showed a worst-case scenario revenue budget deficit of £1.5m for 2022/23, with future years as follows:

<b>A.2.2</b>			
<b>Forecast Deficits</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	£000	£000	£000
Worst Case Scenario annual budget gap	1,532	1,535	1,525
Reserve contribution	841	545	555
Savings	(1,183)	-	-
Additional budget changes	(382)	-	-
Improved Funding position from December 2022 from provision settlement	(808)		
Pending future funding announcements		(2,080)	(2,080)

The budget process for 2022/23 included informal discussions and review sessions with Cabinet Members to ascertain the priorities for the budget, and to understand cost drivers, demand pressures and the underlying assumptions contained within the budget, such as inflation, interest rates and the cost of borrowing. Since last year, Cabinet Members have also applied an additional layer of budget challenge to the process, through meetings with the Corporate Management Team, to explore opportunities for efficiencies, cost reduction or income generation. The Council's Management Team reviewed and challenged the budget at various stages throughout its construction, including the reasonableness of the key budget assumptions, such as estimates of inflationary and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for. The budget prepared within the terms of the Medium-Term Financial Strategy and in consideration of the key financial risks identified:



The range of financial outcomes depended on two key factors:

- The pace of recovery for local economy.
- The savings generated from the Recovery and Stabilisation programme to prevent depletion of our reserves.

The saving targets identified for the Recovery and Stabilisation programme are based on early estimates and final savings need to be sufficient, not only to cover the deficits, but also to replenish the Council's reserves to ensure future financial resilience.

In previous years we set a target for the Council's unallocated reserves (General Fund and Contingency) to be 15 per cent of its net revenue expenditure (around £2m). Our current Strategy contains a recommendation to increase this target level to £3m- £4m to provide some additional capacity to cope with the current uncertainties and volatility of the Council's income streams and housing need arising from the COVID-19 pandemic and the increased difficulty of projecting how these additional costs and income streams will respond in the future.

### A.2.3. HOW WE ALLOCATED OUR RESOURCES IN 2022-23

The table below shows how the final centrally managed budget of £19.72m was allocated to our service departments.

Centrally managed services £19.72m	Corporate Services £6.005m	Corporate Management	£ 458,537
		Local Land Charges	£ (74,850)
		Recovery and Stabilisation	£ 100,000
		Finance, Internal Audit and Pension Costs	£1,374,095
		Legal services	£ 402,881
		Human Resources	£ 350,024
		IT	£ 1,780,292
		Democratic Services	£ 810,006
		Business planning & performance	£ 804,191
	Service Delivery £11.056m	Customer First: Customer contact, Specialist advisors, Account management, Case management	£2,368,495
		Home First: Housing property services, Neighbourhood management, Housing needs	£3,060,662
		Waste & Recycling	£3,914,822
		Neighbourhood First	£1,712,127
	Regeneration and Planning £2.361m	Regeneration	£692,057
		Planning and Building Control	£ 1,092,961
		Estates and Property	£ 426,523
		Solar Panel Trading account	£ (74,200)
		Wave Leisure	£223,550
	Tourism and Culture £0.294m	Arts Development	£5,900
		Tourism	£288,301

## A.3 THE PRINCIPAL RISKS WE FACE

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

Financial risk within the budget has been mitigated by building contingencies and using capital receipts to support any additional capital spend. In addition, sums had been set aside previously to support corporate initiatives such as Recovery and Reset Programme.

### A.3.1. KEY RISKS TO ACHIEVING OUR STRATEGY

The following strategic risks are reviewed by the CMT quarterly:

Risk Title	Description	Internal Controls
No political and partnership continuity/consensus regarding organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy unfit for purpose.	<u>Reduces likelihood</u> 1. Create inclusive governance structures which rely on sound evidence for decision making. <u>Reduces impact</u> 2. Annual review of corporate plan and Medium-Term Financial Strategy 3. Creating an organisational architecture that can respond to changes in the environment.
Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the district suffers. 2. Council objectives cannot be met. 3. Council will need to provide a new service for inspecting imports at the port. 4. Inflation affecting council costs is having a significant impact on the council's finances. 5. The council's Recovery and Stabilisation programme fails to meet its objectives. 6. Rising energy prices and inflation affecting the cost of living will affect customers' ability to pay rent and council tax.	<u>Reduces impact</u> 1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture that can respond to changes in the environment. 3. Working with the port authority to provide support, advice and to help explore funding options. <u>Reduces likelihood</u> 4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme. 5. Continuous monitoring and impact assessment of government fiscal policies. 6. Responding to government consultation.

	7. Uncertainty over government fiscal policies such as Fair funding review, Rent cap and Business Rate Reset, etc.	7. Maintaining appropriate levels of earmarked provisions.  8. Continuous review and monitoring of the council's Housing Revenue Business Plan considering the recently introduced rent cap..
Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud. 5. Failure to support Newhaven Port Authority in the changes could result in an economic downturn in the town.	<u>Reduces likelihood and impact</u>  1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling).  2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)  3. Working with the Port Authority to provide support, advice and to help explore funding options.
The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	<u>Reduces likelihood</u>  1. Changes undertaken to increase non-financial attractiveness of the Council to current and future staff.  2. Appropriate reward and recognition policies reviewed on a regular basis.  <u>Reduces Likelihood and Impact</u>  3. Pursuit of mutually beneficial shared service arrangements.  4. Maximising flexibility around recruitment and retention.
Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud. 7. The Council's Recovery and Stabilisation programme fails to meet its objectives.	<u>Reduces Likelihood</u>  1. Build an organisational culture that supports equality and inclusivity through communication and support.  <u>Reduces Likelihood and Impact</u>  2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise.  3. Continue to develop communications through ongoing interactions with staff.  4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme
Council prevented from delivering services for a prolonged period.	1. Denial of access to property 2. Denial of access to technology/information	<u>Reduces Likelihood</u>  1. Adoption of best practice IT and Asset Management policies and procedures.

	3. Denial of access to people	<p><u>Reduces Likelihood and Impact</u></p> <p>2. The council has created a more flexible, less locationally dependent service architecture.</p> <p><u>Reduces Impact</u></p> <p>3. Regularly reviewed and tested Business Continuity Plans and updated contingency plans actioned.</p> <p>4. Regularly reviewed and tested Disaster Recovery Plan.</p>
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	<p>1. Service profile of the Council changes materially because of the impact of the event.</p> <p>2. Cost profile of the Council changes materially because of the impact of the event.</p> <p>3. Work adversely affected by reduced staff numbers due to effects of pandemic virus.</p>	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Working in partnership with other public bodies.</p> <p>2. Robust emergency planning and use of Council's emergency powers.</p> <p>3. Working with the Environment Agency on climate change measures.</p> <p><u>Reduces Impact</u></p> <p>4. Ongoing and robust risk profiling of local area (demographic and geographic).</p> <p>5. Review budget and reserves in light of risk profile.</p> <p>6. Funds set aside to help fund responses to an event.</p> <p><u>Reduces Likelihood</u></p> <p>7. Adoption of, and action taken to implement, the council's Climate Change and Sustainability Strategy.</p>
Failure to meet regulatory or legal requirements	<p>1. Trust and confidence in the Council is negatively impacted.</p> <p>2. Deterioration of financial position because of regulatory intervention/penalties.</p> <p>3. Deterioration of service performance because of regulatory intervention/penalties</p>	<p><u>Reduces Likelihood</u></p> <p>1. Developing, maintaining and monitoring robust governance framework for the Council.</p> <p>2. The Council has adopted and published an Asset Management Strategy (AMS) that set out how the council uses its land and property assets effectively to deliver its service and the rules by which the council can purchase assets in the future. These strategies are updated on a yearly basis as part of the Capital and Medium-Term Financial Strategies.</p> <p>3. Ensure there is full understanding the impact of new legislation.</p> <p>4. All managers are required to abide by the Council's procurement rules.</p> <p><u>Reduces Likelihood and Impact</u></p>

		<p>5. Building relationships with regulatory bodies.</p> <p>6. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>7. Ensure that fire risk regulations are adhered to, and that Fire Risk Assessments are regularly reviewed.</p>
Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	<p>1. Unfamiliar activity with staff inexperienced in this area</p> <p>2. Council finances affected if projects do not meet financial expectations.</p> <p>3. Reputational damage if governance procedures are inadequate.</p> <p>4. Failure to abide by company law.</p>	<p><u>Reduces Likelihood</u></p> <p>1. Hire suitably qualified/experienced staff to give legal and specialist support.</p> <p>2. Up, or re, -skill staff to maximise commercial opportunities.</p> <p>projects meet core principles.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>3. Ensure that projects meet core principles.</p> <p>4. Ensure governance processes are set up and adhered to.</p>
The Council suffers a personal data breach by inadequate handling of data or by an IT incident	<p>1. Trust and confidence in the Council is negatively impacted.</p> <p>2. Deterioration of financial position because of regulatory intervention/penalties</p> <p>3. Deterioration of service performance because of regulatory intervention/penalties</p> <p>4. Increased probability of compensation claims by persons affected by a personal data breach.</p>	<p><u>Reduces Likelihood</u></p> <p>1. Ongoing corporate training for data protection.</p> <p>2. Ensure all staff complete the e-learning Data Protection course.</p> <p>3. Ensure that the Data Protection Policy is regularly reviewed.</p> <p>4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions.</p> <p>5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements.</p> <p>6. Ensure the suite of IT policies is kept up to date.</p> <p>7. Ensure that IT security is in place and regularly tested.</p> <p><u>Reduces Impact</u></p> <p>8. Incident management procedures to mitigate loss or breach of data are in place.</p>



### A.3.2. KEY UNCERTAINTIES

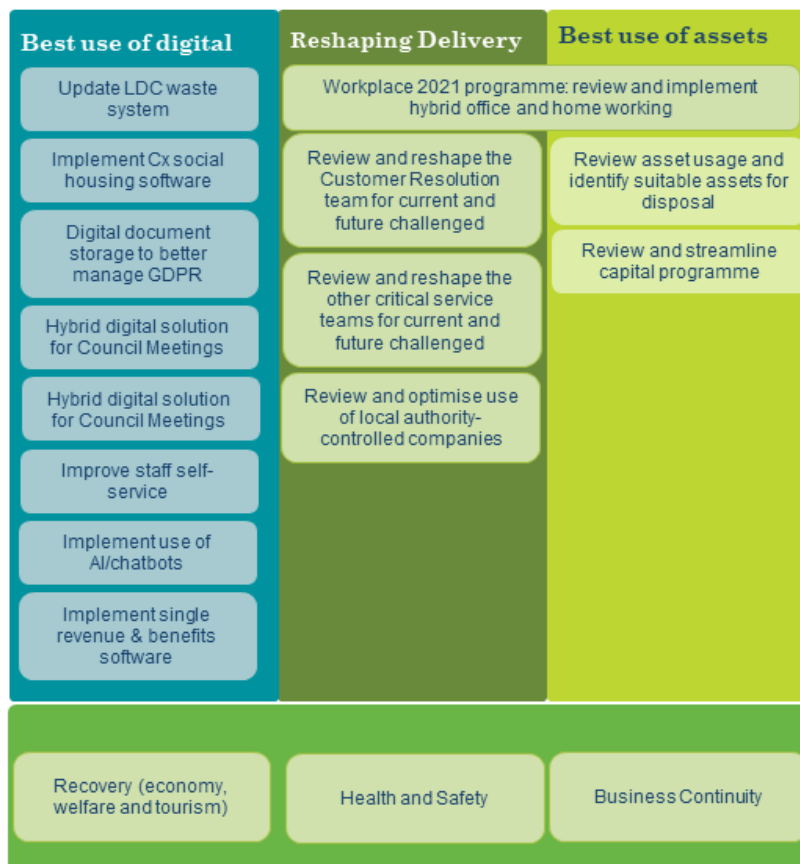
The key uncertainties identified in the Strategy were:

- Impact of COVID-19 on the district's economic climate effecting the income levels, council tax and business rates base and debt recoverability.
- Impact of changes to Government funding, including reduction in New Homes Bonus and Lower Tier Services grant.
- Outcomes of several reviews the Government was undertaking such as the Fair Funding review, remodelling of the Business Rates Retention Scheme and the New Homes Bonus.
- Lack of certainty to future allocations or mechanisms for distribution of funding streams for homelessness support and prevention.

### A.3.3. FUTURE OPPORTUNITIES: THE RECOVERY AND RESET PROGRAMME

The purpose of the Recovery and Reset programme originally was to tackle the financial, organisational and district-wide challenges we were facing resulting from COVID-19. The programme now aims to manage the new operational context to the meet the challenges arising from: COVID-19; the resultant economic climate; and the changing needs and demands of the district, in a sustainable way.

## Recovery and Reset Programme



When setting a balanced budget in February 2022 for 2022/23, other sources of funding and changes to income projects have updated savings required from the programme. The table below sets out the current savings requirements of the programme:













	2022/23 £m	2023/24 £m	2024/25 £m
Initial forecast gap	1.532	1.535	1.525
Less achievable Recovery & Reset Savings	(1.183)	(2.080)	(2.080)
Other budget adjustments	(0.382)	-	-
Improved Funding position	(0.808)		
Contribution to General Fund Balance	0.841	0.545	0.555
<b>Net Balanced Position</b>	-	-	-

## A.4 OUR OUTCOMES AGAINST OUR OBJECTIVES

### A.4.1. KEY PERFORMANCE INDICATORS

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

Performance indicator	Target for 2022/23	Performance in 2022/23		Trend	Performance in 2021/22	Commentary
Percentage of Council Tax collected during the year	97.80%	97.36%	✗	↘	97.41%	The collection rate slightly down on last year however performance is stable.
Percentage of national non-domestic rates collected during the year	98%	95.71%	✗	↘	98.37%	Due to a technical issue with the Revenue and Benefits system, there were unpaid direct debit payments that were not acknowledged as unpaid/in suspense in our system correctly at year end. These businesses were contacted during March 2023 and 46 per cent of the unpaid/suspense items were collected and allocated in early April 2023.
The number of days taken to process new housing/council tax benefit claims	17 days	21.6 days	✗	↘	16.4 days	Whilst overall performance is not at the level, we would want it to be there has been as significant increase in homeless Housing Benefit claims due to Severe Weather Emergency Protocol and a general increase in homelessness.
Numbers of households in emergency (nightly paid) accommodation	Data only	51	Data only	↗	48	The numbers of households in emergency accommodation has risen largely due to the prevailing economic climate. We are looking at various move on pathways to aid and assist our customers in emergency accommodation to reduce these numbers.
Average number of days to re-let Council homes (excluding temporary lets)	20 days	45.1 days	✗	↘	33.3 days	Void improvement plan continues to be monitored with a meeting structure to support improvements operationally and strategically across Homes First. General turnover remains low, particularly in

						larger family accommodation and pressure on accommodation remains acute. Housing register review is now complete 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 adopted for Void properties which will track and monitor each stage of the process for 'key to key' giving staff better visibility and improved communication
Percentage of major applications determined within 13 weeks	60%	80.77%			80%	Performance remains ahead of target. 5 major applications out of 7 were determined within 13 weeks. Annual performance of 80.77%, exceed the annual target by 20.77%.
Percentage of minor planning applications determined within 8 weeks	80%	83.44%			71.13%	Performance remains ahead of target.
Percentage of household waste sent for reuse, recycling and composting	46%	41.80%			41.75%	Performance remains below target but comparatively stable year on year.
Number of new sign-ups to the Council's social media channels	650	1043			991	Performance continues to remain ahead of target.
Percentage of calls answered within 60 seconds	80%	53.51%			36.04%	Customer Contact experienced another challenging year however performance has improved. Customer contact continues to remain of a complex nature and Customer Advisors are spending longer assisting with enquiries endeavouring to resolve them at that first contact.
Average days lost per FTE employee due to sickness	8 days	6.45 days			8.86 days	Absences for COVID-19 have fallen and performance remains ahead of target.

Key: Target achieved



Target missed



Improvement



Decline



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#### A.4.2. USAGE OF FINANCIAL RESOURCES

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 government capital grants, loans and other capital contributions.

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##### A.4.2.1. COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements and discloses a 'surplus' for 2022/23 of £1.765m. (Split between General Fund surplus £6.783m and HRA deficit £ 5.018 ). The Movement in Reserves Statement reconciles this IFRS 'surplus' together with other reserve transfers into a net decrease in the general fund balance of £0.722m and an HRA deficit of £0.881m.

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.

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##### A.4.2.2. GENERAL FUND

The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £15.731m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D council tax rate for 2022/23 of £219.53, being a £5 increase over 2021/22 Band D council tax rate of £214.53.

The 2022/23 financial year saw significant challenges because of the ongoing negative economic impact caused by the COVID-19 pandemic and lock downs and the cost-of-living crisis. The recovery and reset programme has provided an opportunity to reassess and if possible, make provision for further emerging risks.

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

General Fund 2022-23	Original Budget	Net revised budget	Net actual outturn	Net variance to revised budget
	£000	£000	£000	£000
Corporate Services	4,920	6,005	6,057	52
Service Delivery	10,534	11,056	12,962	1,906
Regeneration and Planning	1,783	2,361	2,420	59
Tourism and Enterprise	509	294	337	43
<b>Service total</b>	<b>17,746</b>	<b>19,716</b>	<b>21,776</b>	<b>2,060</b>
Recharged to the Housing Revenue Account	(4,356)	(4,049)	(4,049)	-
<b>Total general fund service expenditure</b>	<b>13,390</b>	<b>15,667</b>	<b>17,727</b>	<b>2,060</b>
Contingencies	350	200	-	(200)
Capital Financing and interest	550	550	(505)	(1,055)
<b>Total Expenditure</b>	<b>14,290</b>	<b>16,417</b>	<b>17,222</b>	<b>805</b>
Transfers to/(from) Reserves	841	(686)	(1,344)	(658)
<b>Budget Requirement</b>	<b>15,131</b>	<b>15,731</b>	<b>15,878</b>	<b>147</b>
Council Tax	(8,511)	(8,511)	(8,511)	-
Business Rates	(5,121)	(3,242)	(2,971)	271
Government Grants	(1,499)	(3,978)	(4,285)	(307)
<b>Total Funding</b>	<b>(15,131)</b>	<b>(15,731)</b>	<b>(15,767)</b>	<b>(36)</b>
<b>Total Net Overspend</b>			<b>111</b>	<b>111</b>

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

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#### A.4.2.3. HOUSING REVENUE ACCOUNT

The Council owns just over 3,200 homes generating rental income of over £17.6m in the year (£17.1m in 2021/22). This income is held in a ring-fenced account which can only be used for financing the Housing Revenue Account (HRA) and the Council follows the Government's guidance for setting rents for social housing. Building homes that people can afford to live in is one of the key priorities in the Corporate Plan and is part of the capital strategy to fund nine housing developments in the district over the next four years that will see a net 114 additional properties to the HRA by March 2024.

The HRA has an underspend of £0.182m against the net operational budget of £1.095m. The outturn also includes £0.286m increase in depreciation charges on the HRA capital assets compared to the budget. All depreciation charged on the HRA capital assets is added to the Major Repairs Reserve. In turn, this reserve funded capital works of £5.3m on HRA homes in 2022/23 (£3.3m in 2021/22).

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#### A.4.2.4. COLLECTION FUND

The Council, as a billing authority, maintains statutory account called the Collection Fund which records all income from council tax and national non-domestic rates (also known as business rates or NNDR) and its distribution to the major precepting authorities, being the Government, East Sussex County Council, Sussex Police, East Sussex Fire Authority, town and parish councils and Lewes District Council.

Collection fund surpluses or deficits declared by the billing authority are distributed to or recovered from the relevant precepting bodies in the subsequent financial year

The council tax element has been completed and shows the opening surplus has increased by £0.193m during the year to £3.885 m as at 31 March 2023 (£3.692m at 31 March 2022). Collection Fund surpluses or deficits declared by the billing authority in relation to council tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2023 forecast surplus for the council tax element of the fund of £3.55m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2023/24 leaving a surplus of £331k to be distributed. This Council's share as at 31 March 2023 was £49k (£0.56m in 2021/22)

The Business Rates opening deficit has decreased by £1.189m during the year to £5.026m as at 31 March 2022 (£6.215m at 31 March 2022). The Council's share as at 31 March 2023 was £2.011m (£2.49m at 31 March 2022). The forecast business rate deficit of £3.308m will be recovered from precepting bodies on the agreed preceptor % split during 2023/24 leaving a deficit of £1.718m to be recovered.

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#### IMPACT OF COVID-19 PANDEMIC ON THE COLLECTION FUND

As part of the Government's response to the COVID-19 pandemic and the impact it is having on local authority finances, a three-year phasing of 2020/21 collection fund deficits was proposed. This means that repayments to meet collection fund deficits accrued in 2020/21 have been phased over a three-year period (2021/22 to 2023/24) to ease pressures on budgets. This was factored into the calculations to determine the Collection Fund surplus/deficit position in January 2021.

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#### BUSINESS RATE POOL

The local government finance regime was previously revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give 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 (the Pool) with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

The Government continues to work towards transferring control to local authorities over the locally generation business rate income. In December 2017, the Government announced the aim of increasing the level of business rates retained by local authorities from the current 50% to the equivalent of 75% in April 2020. To test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the Government invited local authorities in England to apply to become 75% business rates retention pilots in 2019/20. The East Sussex Pool became one of the pilot pools for 2019/20.

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#### A.4.2.5. CAPITAL PROGRAMME

The Council's capital programme spending in the year reported to Cabinet in July 2023 was £18.518m (£14.227m in 2021/22), compared with a revised budget of £38.684m (£27.218m in 2021/22), giving a net underspend of £20.166m.



2022/23 Capital Programme Outturn - Summary	Revised capital Programme	Outturn at 31 March 2023
	<b>£000</b>	<b>£000</b>
HRA Housing	12,628	8,668
General Fund Housing	1,659	733
Housing Investment Companies	419	0
Reset and recovery programme	1,052	194
Regeneration	14,625	5,960
Service Delivery	1,137	870
Specialist	193	124
Coastal defences	494	141
Parks and Pavilions	1,006	153
Indoor Leisure Facilities	1,183	127
Asset Management	2,373	485
Local Energy Schemes	62	38
Community Infrastructure Levy	900	684
Open Spaces/Biodiversity	220	96
Information Technology	404	220
Finance Transformation	329	25
<b>TOTAL CAPITAL PROGRAMME</b>	<b>38,684</b>	<b>18,518</b>
<b>FUNDING</b>		
Borrowing	11,603	4,108
Capital Receipts	5,242	996
Reserves	11,431	6,250
Capital Grants & Contributions	10,408	6,882
Capital Expenditure Financed from Revenue (General Fund)	-	182
Capital Expenditure Financed from Revenue (Housing Revenue Account)	-	100
<b>TOTAL FUNDING</b>	<b>38,684</b>	<b>18,518</b>

#### A.4.2.6. PENSION LIABILITIES

The Council is part of the East Sussex Local Government Pension Scheme which is administered by East Sussex County Council. The Council's surplus for funded future pension payments has increased from £9.46m deficit to a surplus of £6.61m. 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".

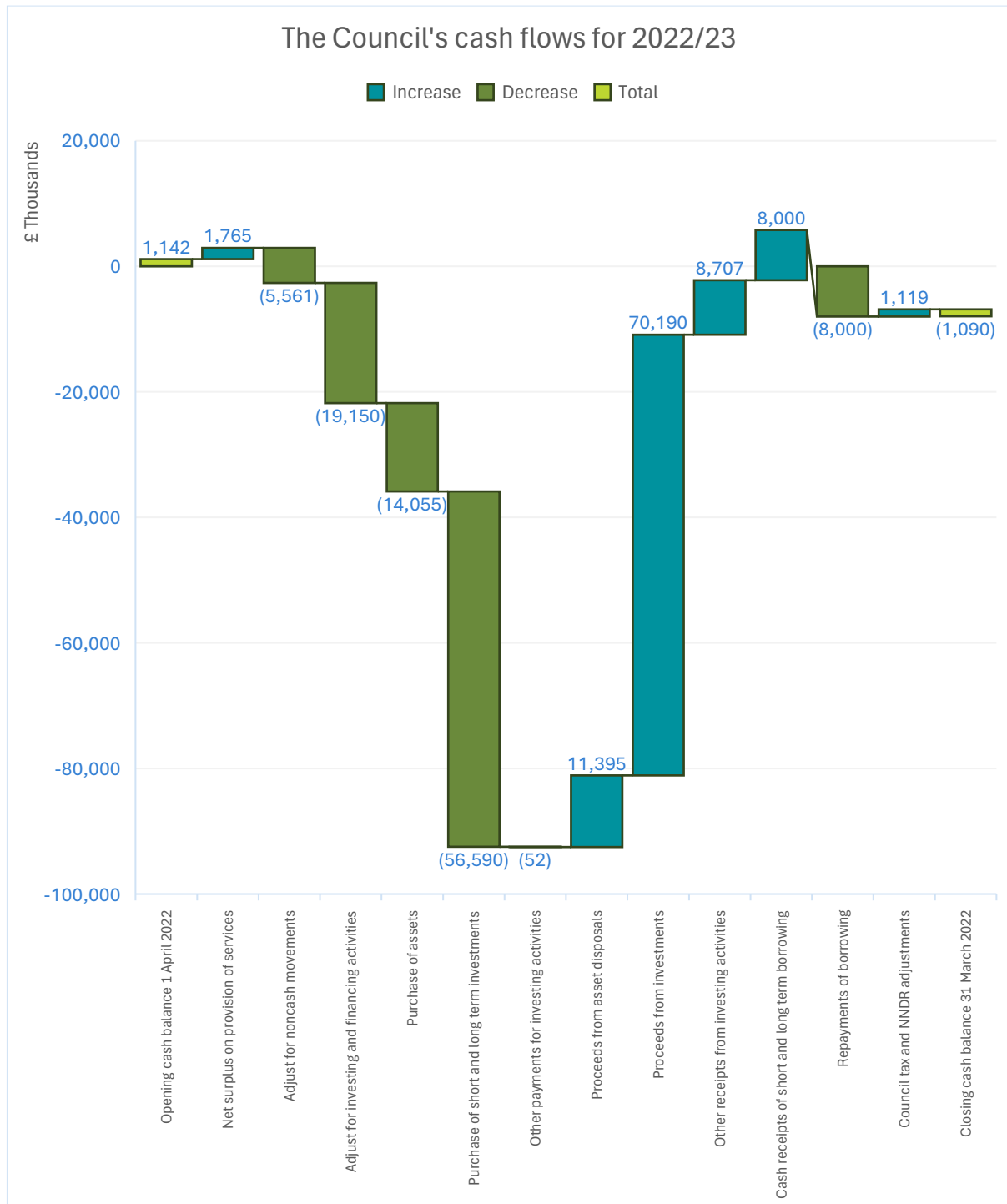
The "asset ceiling" is defined as the present value of any economic benefits available to the Council in the form of refunds from the scheme or reductions in future contributions to the scheme.

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.

The Council's liability for future pension payments, with the asset ceiling applied, has decreased from £9.461m to £0.550m. The Defined Benefit Obligations have decreased by £21.8m from £86.2m to £64.3m and the net asset value has decreased by £5.74m from £76.69m to £70.95m. 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.

#### A.4.2.7. CASHFLOW

The cashflows during the year are presented below:



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#### A.4.2.8. TREASURY MANAGEMENT

The Council's external loan debt at 31 March 2023, comprising long and short-term borrowing, stood at £51.7m excluding accrued interest payable (see Note 22). This is made up of £43.7m repayable in more than one year and £8.0m repayable in less than one year (£5m at 31 March 2022).

Short-term investments at 31 March 2023 were £18.7m, an decrease of £13.6m from the previous year. The Council held cash equivalent balances as at 31 March 2023 of £(1.089)m, compared to £1.142m as at 31 March 2022. The negative cash balance at 31 March 2023 has occurred through the accrual of expenses recognized in financial records before the cash leaves the bank accounts. Surplus Funds are moved into short term investments during the year as a result of reviewing security, liquidity and yield risks.

### A.5 STAFFING

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

### A.6 FUTURE CHANGES

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#### A.6.1. ADOPTION OF THE CIPFA FINANCIAL MANAGEMENT CODE OF PRACTICE

CIPFA has developed the Financial Management Code (FM Code) 'designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.' The FM code has several components including six Principles of Good Financial Management, setting the benchmark against which all financial management should be judged. CIPFA expected the first full year of compliance with the FM Code to be 2021/22 and it is for individual authorities to determine whether they meet the standards. The Council's Leadership took part in the first workshop in February 2022 to develop awareness and understanding of the requirements of the code.

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#### A.6.2. Financial Reporting & Governance

- The implementation of IFRS 16 Leases remains the most significant known change to the Code beyond 2022/23. Due to the impact of COVID-19 and the resulting resource issues facing finance staff CIPFA has made the decision to delay implementing IFRS 16 until the 2024/25 financial year. This means that the first accounts to be produced incorporating the standard will be for the year 2024/25. While the work required to implement the standard is significant, the Council has begun preparation for implementation.
- The Department's white paper on Corporate Audit recommends creating a new body to replace the Finance Reporting Council (FRC) with the Audit, Reporting and Governance Authority (ARGA). The Government is proposing to add the role of oversight of local authority audit to ARGA, while the PSAA will continue to have oversight of appointing individual local authority auditors.

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

## **A.7 THE COUNCIL'S STEWARDSHIP, RESPONSIBILITIES AND FINANCIAL PROCEDURE RULES**

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

The key areas covered by the Financial Procedure Rules are:

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

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

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

### **The Audit Opinion**

The 2022/23 Audit Opinion and Certificate is available on page 30.

## A.8 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 2023. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
  - **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and Capital purposes for the financial year. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of Capital (i.e. borrowing) to the Council.
  - **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

### The Supplementary Single Entity Financial Statements:

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

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



## A.9 FURTHER INFORMATION

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

**Homira Javadi CPFA, FCCA, ACCA**

DIRECTOR OF FINANCE AND PERFORMANCE (CHIEF FINANCE OFFICER – S151 OFFICER)

## A.10 ADOPTION OF THE STATEMENT OF 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 was approved at the meeting of the Audit and Governance Committee held on

Signed

**Councillor Stephen Gauntlett**

CHAIR, AUDIT AND GOVERNANCE COMMITTEE

Date:

## B STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### B.1 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.

### B.2 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.**

**Homira Javadi CPFA, FCCA, ACCA**

**DIRECTOR OF FINANCE AND PERFORMANCE (CHIEF FINANCE OFFICER – S151 OFFICER)**

Date:





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

TO BE PUBLISHED SEPARATELY

## D CORE FINANCIAL STATEMENTS

### D.1 MOVEMENT IN RESERVES

This statement shows the movements in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves.

2022/23	General Fund	HRA Balance	Earmarked Reserves (Note 15)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>(4,367)</b>	<b>(4,542)</b>	<b>(12,968)</b>	<b>(10,195)</b>	<b>(10,771)</b>	<b>(13,902)</b>	<b>(56,745)</b>	<b>(322,475)</b>	<b>(379,220)</b>
<b>Movement in Reserves 2022/23</b>									
Total Comprehensive Expenditure and Income	(6,783)	5,018	-	-	-	-	(1,765)	(27,753)	(29,518)
Adjustments between accounting basis & funding basis under regulations (Note 8)	11,121	(4,137)	-	(9)	(10,403)	(861)	(4,289)	4,289	-
Transfers (to)/from Earmarked Reserves (Note 15)	(3,616)	-	3,616	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>722</b>	<b>881</b>	<b>3,616</b>	<b>(9)</b>	<b>(10,403)</b>	<b>(861)</b>	<b>(6,054)</b>	<b>(23,464)</b>	<b>(29,518)</b>
<b>Balance at 31 March 2023</b>	<b>(3,645)</b>	<b>(3,661)</b>	<b>(9,352)</b>	<b>(10,204)</b>	<b>(21,174)</b>	<b>(14,763)</b>	<b>(62,799)</b>	<b>(345,939)</b>	<b>(408,738)</b>

2021/22	General Fund	HRA Balance	Earmarked Reserves (Note 15)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)*	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>(2,963)</b>	<b>(3,537)</b>	<b>(13,089)</b>	<b>(9,044)</b>	<b>(5,908)</b>	<b>(8,381)</b>	<b>(42,922)</b>	<b>(264,052)</b>	<b>(306,974)</b>
<b>Movement in Reserves 2021/22</b>									-
Total Comprehensive Expenditure and Income	(6,577)	(9,222)	-	-	-	-	(15,799)	(56,447)	(72,246)
Adjustments between accounting basis & funding basis under regulations (Note 8)	5,241	8,270	-	(1,151)	(4,863)	(5,521)	1,976	(1,976)	-
Transfers (to)/from Earmarked Reserves (Note 15)	(68)	(53)	121	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(1,404)</b>	<b>(1,005)</b>	<b>121</b>	<b>(1,151)</b>	<b>(4,863)</b>	<b>(5,521)</b>	<b>(13,823)</b>	<b>(58,423)</b>	<b>(72,246)</b>
<b>Balance at 31 March 2022</b>	<b>(4,367)</b>	<b>(4,542)</b>	<b>(12,968)</b>	<b>(10,195)</b>	<b>(10,771)</b>	<b>(13,902)</b>	<b>(56,745)</b>	<b>(322,475)</b>	<b>(379,220)</b>

The purpose of individual reserves and more details are given for earmarked and unusable reserves in Notes 15 and 28 respectively. The line entitled 'Total Comprehensive Expenditure and Income' shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

\*Unusable reserves have been adjusted for minor change to revaluation of long-term debtor, see Note 24 and 28.

## D.2 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Local authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22				2022/23			
Gross Expenditure	Gross Income	Net Income	Note	Gross Expenditure	Gross Income	Net Income	
£000	£000	£000		£000	£000	£000	
7,341	(3,824)	3,517	Corporate Services	9,021	(2,387)	6,634	
42,476	(32,900)	9,576	Service Delivery	39,763	(29,783)	9,980	
5,413	(3,752)	1,661	Regeneration and Planning	9,726	(3,425)	6,301	
1,130	(179)	951	Tourism and Enterprise	1,325	(158)	1,167	
4,547	(17,108)	(12,561)	Housing Revenue Account	16,229	(17,679)	(1,450)	
60,907	(57,763)	3,144	Cost of Services	76,064	(53,432)	22,632	
4,344	-	4,344	Town and Parish Council Precepts	4,565	-	4,565	
404	-	404	Payments to housing capital receipts pool	-	-	-	
4,882	(3,351)	1,531	(Gain) / Loss on sale and de-recognition of non-current assets	6,927	(11,430)	(4,503)	
9,630	(3,351)	6,279	Other Operating Expenditure	11,492	(11,430)	62	
1,798	-	1,798	Interest payable & similar charges	22	2,474	-	2,474
40	-	40	Expected Credit Loss	-	-	-	-
338	-	338	Net Interest on the Net Defined Benefit Liability	29	300	-	300
-	(325)	(325)	Interest & other investment income	22	-	(1,518)	(1,518)
379	(409)	(30)	Investment Properties	(424)	(349)	(773)	(773)
171	(129)	42	Trading Accounts	175	(94)	81	81
2,726	(863)	1,863	Financing and Investment Income and Expenditure	2,525	(1,961)	564	564
1,866	(16,494)	(14,628)	Non ring-fenced grants and contributions	14	683	(11,350)	(10,667)
-	(12,589)	(12,589)	Council Tax income	-	(13,099)	(13,099)	(13,099)
8,528	(8,396)	132	Non Domestic Rates Income and Expenditure	7,981	(9,238)	(1,257)	(1,257)
10,394	(37,479)	(27,085)	Taxation and Non-specific Grant Income and Expenditure	8,664	(33,687)	(25,023)	(25,023)
83,657	(99,456)	(15,799)	Surplus on Provision of Services	98,745	(100,510)	(1,765)	(1,765)
		(50,094)	Surplus on revaluation of Property, Plant and Equipment Assets	28	(18,493)	(18,493)	(18,493)
		(6,353)	Re-measurement of the net defined benefit liability	29	(9,260)	(9,260)	(9,260)
		(56,447)	Other Comprehensive Income & Expenditure			(27,753)	(27,753)
		(72,246)	Total Comprehensive Income & Expenditure			(29,518)	(29,518)

## D.3 BALANCE SHEET

31 March 2022		Note	31 March 2023	
£000			£000	£000
402,452	Property, Plant & Equipment	17	419,197	
1,014	Infrastructure Assets	18	1,085	
10,133	Heritage Assets	19	10,836	
10,829	Investment Property	20	11,869	
1,140	Intangible Assets	21	776	
4,420	Long Term Debtors*	24	4,333	
<b>429,988</b>	<b>Long Term Assets</b>			<b>448,096</b>
32,310	Short Term Investments	22	18,710	
83	Inventories		90	
14,403	Short Term Debtors	24	15,524	
1,142	Cash and Cash Equivalents	30	-	
<b>47,938</b>	<b>Current Assets</b>			<b>34,324</b>
-	Cash & Cash Equivalents	30	(1,089)	
(255)	Short Term Borrowing	22	(8,255)	
(33,029)	Short Term Creditors	25	(14,544)	
(144)	Short Term Provisions	26	(604)	
<b>(33,428)</b>	<b>Current Liabilities</b>			<b>(24,492)</b>
(4,144)	Capital Grants Receipts in Advance	14	(4,962)	
(51,673)	Long Term Borrowing	22	(43,673)	
-	Other Long Term Liabilities		-	
(9,461)	Long Term Liabilities Pensions	29	(555)	
<b>(65,278)</b>	<b>Long Term Liabilities</b>			<b>(49,190)</b>
<b>379,220</b>	<b>NET ASSETS</b>			<b>408,738</b>
(56,745)	Usable Reserves	27	(62,799)	
(322,475)	Unusable Reserves	28	(345,939)	
<b>(379,220)</b>	<b>TOTAL RESERVES</b>			<b>(408,738)</b>

\*Long-term debtors and unusable reserves have been adjusted for correction to valuations in relation to a historic dwelling scheme, see Note 24 and 28.

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2023 and its Comprehensive Income and Expenditure Statement for the year ended 31 March 2023.

Homira Javadi

DIRECTOR OF FINANCE AND PERFORMANCE (CHIEF FINANCE OFFICER – S151 OFFICER)

Date:

**D.4 CASH FLOW STATEMENT**

<b>2021/22</b>	<b>Note</b>	<b>2022/23</b>
<b>£000</b>		<b>£000</b>
15,799	Net Surplus on the provision of services	1,765
12,436	Adjustment to Net Surplus or Deficit on the provision of services for non-cash movements	(5,561)
(14,222)	Adjustment for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities	(19,150)
<b>14,013</b>	<b>NET CASH INFLOWS FROM OPERATING ACTIVITIES</b>	<b>(22,946)</b>
(15,345)	Investing Activities	19,596
(159)	Financing Activities	1,119
<b>(1,491)</b>	<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,231)</b>
2,633	Cash and cash equivalents at the beginning of the reporting period	1,142
<b>1,142</b>	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIODS</b>	<b>(1,089)</b>

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the Council's operations are funded from taxation and grant income or from the recipients of the Council's services. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## E NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1. 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.

The prior year figures for long-term debtors have been adjusted to correct valuations in relation to a historic dwelling scheme that permitted tenants to buy a portion of their social housing from the Council with a future option to purchase the housing outright from the Council, see Note 24 and 28.

#### 1.2. GENERAL PRINCIPLES

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2022/23, which is based on International Financial Reporting Standards. They are prepared on a going concern basis.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments:

Category	Measurement basis
Property, plant and Equipment: Council Dwellings	The current value of council dwellings is measured using existing use Value – social housing (EUV-SH)
Property, plant and Equipment: Land and buildings	The current value is measured, 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).
Property, plant and Equipment: Vehicles, plant and equipment	Measured at current value, for which depreciated historic cost is normally used as a proxy.
Property, plant and Equipment: Infrastructure	Measured using the historical cost basis
Property, plant and Equipment: Community Assets	Measured using historical cost
Property, plant and Equipment: Surplus assets	Measured at fair value, based on the highest and best use from a market participant's perspective
Property, plant and Equipment: Assets under construction -	Measured using Historic Cost
Intangible assets	Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.
Investment property	As a non-financial asset, investment properties are measured at highest and best use.
Non-current assets Held for sale	These are measured at the lower of its carrying amount and fair value less costs to sell. Fair value for social housing being disposed of under right to buy (RTB) legislation is the discounted RTB value.
Heritage assets	Heritage land and buildings are measured per property, plant, and equipment: land and buildings. Heritage assets that are not land



	and buildings are carried at insurance valuation rather than current or fair value.
Debtors	These are measured at fair value
Financial Instruments	These are measured at fair value
Loans	These are measured initially at fair value and carried at amortised cost.
Pension Assets	Plan assets are measured at fair value.
Pension liabilities	Measured on actuarial basis.

### 1.3. 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.
- Accruals are recognised where the value exceeds £1,000.
- 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.

### 1.4. 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 Taxpayers 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.

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#### 1.5. ACCOUNTING FOR NATIONAL NON-DOMESTIC RATES (NNDR)

While 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.

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#### 1.6. 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.

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#### 1.7. POST-EMPLOYMENT BENEFITS

Most 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%. The discount rate is derived from the Single Equivalent Discount Rate method.

- 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 based on 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.

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## 1.8. 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 Council 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.

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### 1.9. 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.

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### 1.10. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Government grants and third-party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that grant monies and contributions will be received. Where conditions attached to grants and contributions remain outstanding, monies received to date are carried forward in the Balance Sheet as creditors (receipts in advance) until the conditions have been satisfied.

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## 1.11. 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).

### 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.

### VALUATION

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

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

### IMPAIRMENT

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

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

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

### DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held



for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

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

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

## DEPRECIATION

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

Depreciation is calculated on the following basis:

- Land – not subject to depreciation
- Council dwellings – initially calculated as a straight-line allocation over the life of the property as estimated by the valuer.
- Buildings – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment depreciated over the life of the type of asset, normally between 3 and 25 years.
- Infrastructure –straight-line depreciation over periods of time between 10 and 40 years, as assessed at the time of the capital investment.

- Community assets – not subject to depreciation.
- Surplus assets – not subject to depreciation.
- Assets under construction – not subject to depreciation.

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

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

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

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

## COMPONENTISATION

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

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

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### 1.12. 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.

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### 1.13. INTANGIBLE ASSETS

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

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

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

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### 1.14. 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 1.11 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.)

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### 1.15. 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.

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### 1.16. VALUE ADDED TAX

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

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### 1.17. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has a material interest in Lewes Housing Investment Company Ltd (LHIC). This company is wholly owned subsidiaries of the Council.

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

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### 1.18. ROUNDING

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

## 2 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 2022/23 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.

## 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Chief Finance Officer conducts an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities). Contingent liabilities have been estimated based on past experience and legal advice provided.
- The Council has reviewed its interests with external bodies as required by the Code and has concluded that it does not have any material interests in subsidiaries, associated companies or joint ventures that would require the production of Group Accounts in 2022/23.
- 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 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.

#### 4. 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:

Items	Uncertainties	Consequences if actual results differ from assumptions
Depreciation of Property, Plant and Equipment (PPE)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.	It is estimated that if the Useful Economic Life of assets was to decrease by one year the annual depreciation charge would increase by £0.36m or 5.1%.
Valuation of Property, Plant and Equipment (PPE)	Land and buildings are revalued fully every five years but an interim revaluation review is carried out annually to provide 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 value of PPE has increased by £72.83m to £419.20m at 31 March 2023. Within the increase there has been a significant change between the value of land and the value of buildings for council dwellings. Note 6 below provides further details.
Pensions Liability	Estimation of the net liability to pay pensions depends on several 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 by East Sussex Pension Fund to provide expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured	A 0.1% increase in the real discount rate assumption would result in an decrease in the pension liability of £0.755m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 5.3%, a 0.1% increase in the Salary Increase Rate would increase the pension liability by £1,000 and a 0.1% increase in the Pension Increase Rate would increase the pension liability by £0.783m.

<p>Impairment of doubtful debt</p>	<p>At 31 March 2023, the Council had a total debtors balance (gross) of £20.6m (£19.2m at 31 March 2022). A review of these balances, applying stratification into high, medium and low risk of default based on historic knowledge and current collection rates indicates that an impairment of doubtful debts of £5.08m is appropriate (£4.75m at 31/3/22). Note 22 Financial Instruments provides further details on credit risk.</p> <p>The Council cannot assess with certainty the risk stratification. The economic impact of high inflation and cost of living crisis has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	<p>Amending the assessment of risk that a debtor may default would lead to a future adjustment to the impaired debtor provision.</p> <p>If collection rates were to deteriorate by 5% then the Council the balance of debt to be impaired would increase by £0.254m</p>
<p>National non-domestic rates</p>	<p>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 £0.60m (£0.14m at 31 March 2022).</p>	<p>A 10% increase in the amount of provision is £61,000.</p>

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. Local 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 NNDR system to identify the properties that meet the eligibility criteria. However, these grants are not Collection Fund transactions. Billing authorities have used their judgement to assess whether they should be accounting for the S31 grants paid to them by BEIS and the distribution of the grants to eligible business, as either principal or agent transactions in accordance with CIPFA Code.	The Council has accounted for the S31 grants either as “principal” or “agent” transactions. If the guidance were to be amended, these grants would be removed or added in the Comprehensive Income and Expenditure statement and balance sheet.
Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS)	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.	The Council has accounted for the S31 grants as “agent transactions”. If the guidance were to be amended, this would add £4.94m to the Comprehensive Income and Expenditure statement and balance sheet.

## 5. MATERIAL ITEMS OF INCOME & EXPENDITURE

Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS) – see table above in Note 4.

Collection Fund (timing difference) - during 2020/21, local authorities received section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the s31 grants received the prior year were discharged against the Collection Fund deficit over a three year prior starting in 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year.

The section 31 grant income was transferred to an earmarked reserve within the General Fund in 2020/21 and released to the Comprehensive Income and Expenditure statement in 2021/22 and 2022/23 year.

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.

The Council sold a parcel of development land in Lewes, in February 2023 for £9.15m. The sale proceeds are held in the Capital Receipts Reserve, see Note 27.

## 6. EVENTS AFTER THE REPORTING PERIOD

The statement of accounts was authorised for issue by the Director of Finance and Performance (Chief Finance Officer – S151 Officer) on . Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events, which took place after 31 March 2023, that would have provided information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

## 7. EXPENDITURE AND FUNDING ANALYSIS

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

2022/23					
	As reported for Resource Management	Adjustments to arrive at the Net Amount chargeable to the General Fund and HRA	Net Expenditure Chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate Services	6,057	(229)	5,828	806	6,634
Service Delivery	12,962	(4,672)	8,290	1,690	9,980
Regeneration and Planning	2,420	376	2,796	3,505	6,301
Tourism and Enterprise	337	245	582	585	1,167
Housing Revenue Account	(1,165)	2,321	1,156	(2,606)	(1,450)
<b>Net Cost of Services</b>	<b>20,611</b>	<b>(1,959)</b>	<b>18,652</b>	<b>3,980</b>	<b>22,632</b>
Other Income and Expenditure	(3,820)	8,289	4,469	(3,843)	626
Financing	(15,768)	(2,134)	(17,902)	(7,121)	(25,023)
<b>Surplus on the Provision of Services</b>	<b>1,023</b>	<b>4,196</b>	<b>5,219</b>	<b>(6,984)</b>	<b>(1,765)</b>

<b>Opening General Fund and HRA Balances at 1 April</b>	<b>(8,909)</b>
Deficit on General Fund and HRA for year	5,219
Transfer from Reserves	<b>(3,616)</b>
<b>Closing General Fund and HRA Balances at 31 March</b>	<b>(7,306)</b>

2021/22					
	As reported for Resource Management	Adjustments to arrive at the Net Amount chargeable to the General Fund and HRA	Net Expenditure Chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate Services	3,534	(568)	2,966	551	3,517
Service Delivery	6,793	543	7,336	2,240	9,576
Regeneration and Planning	1,040	(126)	914	747	1,661
Tourism and Enterprise	476	-	476	475	951
Housing Revenue Account	(2,560)	(5,017)	(7,577)	(4,984)	(12,561)
<b>Net Cost of Services</b>	<b>9,283</b>	<b>(5,168)</b>	<b>4,115</b>	<b>(971)</b>	<b>3,144</b>
Other Income and Expenditure	4,417	6,759	11,177	(3,035)	8,142
Financing	(13,743)	(3,837)	(17,580)	(9,506)	(27,085)
<b>Surplus on the Provision of Services</b>	<b>(43)</b>	<b>(2,246)</b>	<b>(2,288)</b>	<b>(13,512)</b>	<b>(15,799)</b>

<b>Opening General Fund and HRA Balances at 1 April</b>	<b>(6,500)</b>
Surplus on General Fund and HRA for year	(2,288)
Transfer from Reserves	(121)
<b>Closing General Fund and HRA Balances at 31 March</b>	<b>(8,909)</b>

**Note:** For a split between the balance on the general fund and housing revenue account, see the Movement in Reserves statement.

## 7.1. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23				
	Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Corporate Services	752	54	-	806
Service Delivery	1,690	-	-	1,690
Regeneration & Planning	3,505	-	-	3,505
Tourism and Enterprise	585	-	-	585
Housing Revenue Account	(2,606)	-	-	(2,606)
<b>COST OF SERVICES</b>	<b>3,926</b>	<b>54</b>	<b>-</b>	<b>3,980</b>
Other Income and Expenditure	(11,179)	300	(85)	(10,964)
<b>Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(7,253)</b>	<b>354</b>	<b>(85)</b>	<b>(6,984)</b>

2021/22				
	Adjustment for Capital Purposes	Net Changes for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Corporate Services	503	48	-	551
Service Delivery	2,240	-	-	2,240
Regeneration & Planning	747	-	-	747
Tourism and Enterprise	475	-	-	475
Housing Revenue Account	(4,984)	-	-	(4,984)
<b>COST OF SERVICES</b>	<b>(1,019)</b>	<b>48</b>	<b>-</b>	<b>(971)</b>
Other Income and Expenditure	(12,411)	338	(468)	(12,541)
<b>Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(13,430)</b>	<b>386</b>	<b>(468)</b>	<b>(13,512)</b>

Notes:

- **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 grants 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.

## 7.2. ANALYSIS OF INCOME AND EXPENDITURE BY NATURE

2021/22	2022/23
£000	£000
<b>Expenditure</b>	
17,605 Employees benefits expenses*	19,321
45,999 Other service expenses	45,806
820 Depreciation, amortisation, impairment losses and reversals**	11,847
1,798 Interest payments	2,474
12,149 Precepts and levies (including Non Domestic Rates)	12,370
404 Payments to the Housing Capital Receipts Pool	-
4,883 Loss on the disposal of assets	6,927
<b>83,658 Total expenditure</b>	<b>98,745</b>
<b>Income</b>	
(28,851) Fees, charges and other service income	(25,852)
(327) Interest and investment income	(1,518)
(20,986) Income from Council Tax and Non-Domestic Rates	(22,337)
(45,942) Government Grants and Contributions	(39,373)
(3,351) Gain on the disposal of assets	(11,430)
<b>(99,457) Total income</b>	<b>(100,510)</b>
<b>(15,799) Surplus on the Provision of Services</b>	<b>(1,765)</b>

\* Employee benefits expenses include the cost of staff provided through the shared service arrangement with Eastbourne Borough Council

\*\* The total includes £9.580m of impairment losses reversals in 2021/22 of which £9.802m related to the HRA.

## 7.3. FEES, CHARGES & OTHER SERVICE INCOME BY OPERATING SEGMENT

2021/22	2022/23
£000	£000
(1,852) Corporate Services	(458)
(5,832) Service Delivery	(5,044)
(3,294) Regeneration and Planning	(2,078)
(227) Tourism and Enterprise	(158)
(17,108) Housing Revenue Account	(17,672)
(538) Trading Accounts and Investment Properties	(442)
<b>(28,851) Total Fees, Charges &amp; Other Service Income</b>	<b>(25,852)</b>

Income recognition is under IFRS 15 – Revenue from Contracts with Customers. Material volumes of income shown as Fees, charges and other service income above that relate to contracts with service recipients are mainly in respect of HRA Housing Rents £15.8m (£15.1m 2021/22), under Service Delivery, Parking Charges £0.7m (£0.5m in 2021/22), Waste Collection £1.8m (£1.5m in 2021/22) and under Regeneration Planning & Building Control Fees £0.8m (£0.7m in 2021/22). The performance obligations relating to these items are fulfilled when the payment is made and therefore there are no performance obligations unsatisfied at the Balance Sheet date.

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

2022/23	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied
	£000	£000	£000	£000	£000
<b>ADJUSTMENT TO THE REVENUE RESOURCES</b>					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>					
• Pensions costs (transferred to/from the Pensions Reserve)	(354)	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	85	-	-	-	-
• 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	(2,045)	(5,136)	-	-	-
Movements in the fair value of investment properties	670	-	-	-	-
Amortisation of intangible assets	(413)	-	-	-	-
Revenue expenditure funded from capital under statute	(4,923)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(148)	(6,780)	-	-	-
Expected Credit Loss	-	-	-	-	-
Capital Grants and Contributions Received	7,320	51	-	-	(7,371)
<b>TOTAL ADJUSTMENTS TO REVENUE RESOURCES</b>	<b>192</b>	<b>(11,865)</b>	<b>-</b>	<b>-</b>	<b>(7,371)</b>
<b>ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9,191	2,209	-	(11,400)	-
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	-	5,331	(5,331)	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	336	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,053	158	-	-	-
<b>TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>	<b>10,580</b>	<b>7,698</b>	<b>(5,331)</b>	<b>(11,400)</b>	<b>-</b>
<b>ADJUSTMENTS TO CAPITAL RESOURCES</b>					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	997	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	5,322	-	-
Use of Grants and Contribution to finance capital expenditure	349	-	-	-	6,510
Cash payments in relation to deferred capital receipts	-	30	-	-	-
<b>TOTAL ADJUSTMENTS TO CAPITAL RESOURCES</b>	<b>349</b>	<b>30</b>	<b>5,322</b>	<b>997</b>	<b>6,510</b>
<b>TOTAL ADJUSTMENTS FOR 2022/23</b>	<b>11,121</b>	<b>(4,137)</b>	<b>(9)</b>	<b>(10,403)</b>	<b>(861)</b>

2021/22	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied
	£000	£000	£000	£000	£000
<b>ADJUSTMENT TO THE REVENUE RESOURCES</b>					
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>					
• Pensions costs (transferred to/from the Pensions Reserve)	(386)	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	500	-	-	-	-
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	-	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):					
Charges for depreciation and credits for impairment reversals of non-current assets	(1,588)	5,373	-	-	-
Movements in the fair value of investment properties	(382)	-	-	-	-
Amortisation of intangible assets	(224)	-	-	-	-
Revenue expenditure funded from capital under statute	(3,995)	(1)	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(26)	(4,857)	-	-	-
Expected Credit Loss	(32)	-	-	-	-
Capital Grants and Contributions Received	10,871	-	-	-	(10,783)
<b>TOTAL ADJUSTMENTS TO REVENUE RESOURCES</b>	<b>4,738</b>	<b>515</b>	<b>-</b>	<b>-</b>	<b>(10,783)</b>
<b>ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	40	3,207	-	(3,247)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(404)	-	-	404	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,429	(4,429)	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	333	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	535	15	-	-	-
<b>TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES</b>	<b>504</b>	<b>7,651</b>	<b>(4,429)</b>	<b>(2,843)</b>	<b>-</b>
<b>ADJUSTMENTS TO CAPITAL RESOURCES</b>					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	(2,020)	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,278	-	-
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	5,262
Cash payments in relation to deferred capital receipts	-	104	-	-	-
<b>TOTAL ADJUSTMENTS TO CAPITAL RESOURCES</b>	<b>-</b>	<b>104</b>	<b>3,278</b>	<b>(2,020)</b>	<b>5,262</b>
<b>TOTAL ADJUSTMENTS FOR 2021/22</b>	<b>5,242</b>	<b>8,270</b>	<b>(1,151)</b>	<b>(4,863)</b>	<b>(5,521)</b>

## 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	2022/23
£000	£000
46 Fees payable for the certification of grant claims and returns for the year	29
36 Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	36
20 Additional fees accrued with regard to external audit services carried out by the appointed auditor for the year	20
<b>102 Total</b>	<b>85</b>

Note: Audit fees payable for external audit services are the agreed scale fees per Public Sector Audit Appointments. These are subject to finalisation arising from any changes in scope of work performed by the auditors under the Accounts and Audit (Amendment) Regulations 2024 to address the backlog of unaudited local body accounts in England.

## 10. MEMBERS' ALLOWANCES

Allowances and expenses paid during the year amounted to:

2021/22	2022/23
£000	£000
252 Members' Allowances	265
1 Expenses	1
<b>253 Total</b>	<b>266</b>



## 11. OFFICERS' REMUNERATION

The Council shares a Corporate Management Team of senior officers with EBC. All other senior management officers are directly employed by EBC.

### SENIOR MANAGEMENT REMUNERATION

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

\* The Director of Tourism and Enterprise role ceased on 11 April 2021

The above figures are gross of any recharges between EBC and the Council.

Senior Management costs are apportioned to the Council as follows:

The Council's share	
Shared Chief Executive	50%
Deputy Chief Executive	40%
Chief Finance Officer	40%
Director of Service Delivery	50%
Director of Tourism and Enterprise	20%
Assistant Director of HR and Transformation	50%

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

## REMUNERATION BANDS

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

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

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

Remuneration Band	2022/23 Number of Employees	2021/22 Number of Employees
£50,000 - £54,999	17	19
£55,000 - £59,999	17	13 (3)
£60,000 - £64,999	12	10 (2)
£65,000 - £69,999	9	6
£70,000 - £74,999	4 (1)	3
£75,000 - £79,999	2	1
£80,000 - £84,999	-	-
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1 (1)
£125,000 - £124,999	1 (1)	-
<b>Total</b>	<b>63 (2)</b>	<b>53 (6)</b>

## EXIT PACKAGES

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

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

## 12. RELATED PARTIES

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.

### CENTRAL GOVERNMENT

The Government provides much of the Council's funding and determines its statutory framework. Details of transactions are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and Notes 14 (grants and contributions), 24 (debtors) and 25 (creditors).

### EAST SUSSEX PENSION SCHEME

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

### OTHER LOCAL AUTHORITIES

The Council operates a shared back office with EBC under where staff and services work on behalf of both councils. EBC now employs all the CMT officers and the majority of the Council's staff who were TUPE'd to EBC during 2017/18. The costs of services for the Council are recharged by EBC to the Council. Staff within legal services remain employees of the Council and legal services are provided to both councils and costs recharged to EBC. In 2022/23 this amount was £327,789 (£283,032 in 2021/22).

### ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

#### *LEWES HOUSING INVESTMENT COMPANY LIMITED*

Lewes Housing Investment Company Limited (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC has been set up to acquire, improve and let residential property at market rents. The capital programme includes a potential commercial loan funding to LHIC to facilitate property purchases although none of this facility was drawn down in 2022/23. No other payments were made to, or monies received from, LHIC during 2022/23 and no amounts were owing to, or owed by, LHIC at the end of the year. Dormant accounts were filed by the company for the year ending 31 March 2023. Group accounts are not required as the amounts are not considered material.

#### *ASPIRATION HOMES*

Aspiration Homes LLP is a limited liability partnership owned equally by Eastbourne BC and Lewes DC. Incorporated in June 2017, it has been set up for the purpose of developing housing to be let at affordable rent. The capital programme includes a potential commercial loan funding to facilitate property purchases. The total drawn down at 31 March 2023 was £3,063,855 but no new loans were drawn down in the year (see Note 24). A Working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above base rate and £20,000 has been drawn down at 31 March 2023. Group accounts have not been prepared for 2022/23. The Council has provided funding towards one site in Lewes (and no joint sites) but this is not considered to be material for group accounts.

#### *WAVE LEISURE TRUST LTD*

Wave Leisure Trust Limited, is a charitable company and limited by guarantee. It was established in 2006 to operate the Council's indoor leisure facilities. The company also operates the Council's Newhaven Fort historic visitor attraction and with the Council is working on a project to improve the facility, supported by grant from the Heritage Lottery Fund. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2022/23 the Council paid Wave Leisure service fees of £104,204 (£104,204 in 2021/22). From April 2017, the Council has provided a guarantee to

a leasing company with which Wave Leisure has entered for various fixed term equipment hire agreements, to be triggered if Wave Leisure defaults on its obligations. The guarantee is up to a maximum of £500,000 across four agreements. A Step-In agreement gives the Council an indemnity if it has to meet its obligations under the guarantee.

#### SAXON HOUSE

Alongside the East Sussex Fire Authority (ESFA) and Sussex Police, the Council are a partner in the setting up of a shared facility in Newhaven called Saxon House which opened in January 2016. The Council has a lease to use a portion of the building for which it paid ESFA a service charge of £nil in 2022/23 (£47,415 in 2021/22).

### MEMBERS AND OFFICERS

Members of the Council (41 district councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 10. Five Members are also members of East Sussex County Council.

Members are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at 6 High Street, Lewes during office hours. In addition, Members are asked to complete an annual declaration of related party transactions to confirm whether or not they had any qualifying interests in the year.

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

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

## 13. LEASING

### OPERATING LEASES – COUNCIL ACTING AS LESSOR

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

2021/22		2022/23	
Minimum Lease Income		Minimum Lease Income	
£000		£000	
1,576	Within one year	1,372	
4,104	Between two and five years	3,584	
21,184	Later than five years	22,870	
<b>26,864</b>	<b>Total</b>	<b>27,826</b>	

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



## OBLIGATIONS UNDER LONG TERM LEASES

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

#### 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		2022/23
£000		£000
<b>Grants and contributions within Cost of Services</b>		
(25,118)	DWP Benefit grants	(23,674)
(4,330)	Other grants and contributions	(4,349)
<b>(29,448)</b>	<b>Total within Cost of Services</b>	<b>(28,023)</b>
<b>Grants and contributions within Taxation and non-specific grant income</b>		
(4,520)	Section 31 Business Rates	(2,643)
(141)	New Homes Bonus	(380)
(276)	Localising Council Tax Support	(101)
(248)	Housing Benefit Administration	(242)
(10,950)	Grants and contributions towards capital expenditure	(7,720)
(359)	Other grants and contributions	(264)
<b>(16,494)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(11,350)</b>
<b>(45,942)</b>	<b>Total</b>	<b>(39,373)</b>

Notes:

1. The 2022/23 other grants and contributions total (within Cost of Services) excludes £4.94m of Council Tax Energy rebate grants as the Council is acting as an intermediary agent for the Government, rather than on its own behalf, for amounts paid over directly to businesses
2. Other Grants and Contributions in 2021/22 excludes Covid-19 Grant income of £7.73m 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.
3. Section 31 grant is received from the Government in to compensate for the loss of business rate income arising from additional Covid-19 reliefs provided to businesses.

## 15. TRANSFER TO/FROM EARMARKED RESERVES

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

Earmarked Reserve	Balance	2021/22		Balance	2022/23		Balance
	At 31 March 2021	Transfers In	Transfers Out	At 31 March 2022	Transfers In	Transfers Out	At 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
Asset Management	(1,587)	-	268	(1,319)	(81)	526	(874)
Economic Regeneration	(2,832)	(743)	1	(3,574)	(1,008)	379	(4,203)
Revenue Grants and Contributions	(1,039)	(288)	-	(1,327)	-	765	(562)
Strategic Change	(908)	-	36	(872)	-	161	(711)
Vehicle & Equipment Replacement	(560)	-	60	(500)	-	227	(273)
Business Rates Equalisation	(861)	-	-	(861)	-	-	(861)
Income Protection	(125)	-	-	(125)	-	-	(125)
Capital Financing Support	(500)	-	-	(500)	-	-	(500)
Community Grants	(105)	-	-	(105)	-	-	(105)
Flats	(139)	-	53	(86)	-	-	(86)
Cost of Living Pressures	-	(700)	-	(700)	-	398	(302)
Budget Carry Forwards	-	(750)	-	(750)	-	-	(750)
<b>Total</b>	<b>(8,656)</b>	<b>(2,481)</b>	<b>418</b>	<b>(10,719)</b>	<b>(1,089)</b>	<b>2,456</b>	<b>(9,352)</b>
S31 Grant Business Rates	(4,433)	-	2,184	(2,249)	-	2,249	-
<b>Total Earmarked Reserves</b>	<b>(13,089)</b>	<b>(2,481)</b>	<b>2,602</b>	<b>(12,968)</b>	<b>(1,089)</b>	<b>4,705</b>	<b>(9,352)</b>

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

The **Economic Regeneration** reserve support growth of local business and enterprise including the Newhaven Enterprise Zone.

The **Managing Economic Downturn** reserve manages fluctuations in the economy.

The **Revenue Grants and Contributions** contains amounts paid to the Council by the Government and third parties to support specific initiatives.

The **Strategic Change** reserve supports the Council's programme of change.

The **Vehicle and Equipment Replacement** reserve supports the replacement of vehicles and equipment.

The **Business Rates Equalisation** reserve mitigates the risk of appeals.

The **Income Protection** reserve provide resilience against future income losses.

The **Capital Financing Support** reserve mitigates against future fluctuations in financing costs.





The **Community Grants** reserve is to support grant funding to voluntary and community organisations.

The **Flats** reserve serves as the maintenance reserve for sold flats.

The **S31 Grant Business Rates** reserve holds the section 31 grants received to offset the reliefs given to businesses during the COVID-19 lockdown.

## 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	2022/23
£000	£000
<b>89,395 Opening Capital Financing Requirement</b>	<b>96,144</b>
<b>Capital Investment</b>	
7,576 Property, Plant and Equipment	12,516
411 Infrastructure, Heritage, Investment and Intangible Assets	1,036
3,996 Revenue expenditure financed from capital under statute	4,923
2,259 Loans and Advances	52
(1) Loans and Advances repaid	(164)
<b>14,241 Total Capital Investment</b>	<b>18,363</b>
<b>Sources of finance</b>	
2,020 Capital receipts	(996)
(5,350) Grants and contributions	(6,859)
(3,278) Major repairs reserve	(5,321)
(550) Revenue contribution to capital	(1,211)
(334) Revenue provision for repayment of debt	(336)
<b>(7,492) Total Sources of finance</b>	<b>(14,723)</b>
<b>6,749 Movement in the Year</b>	<b>3,640</b>
<b>96,144 Closing Capital Financing Requirement</b>	<b>99,784</b>
<b>Explanation of movements in year</b>	
6,749 Increase in underlying need to borrowing (unsupported by government financial assistance)	3,640
- Decrease in lease liability	-
<b>6,749 Increase in Capital Financing Requirement</b>	<b>3,640</b>

## 17. PROPERTY, PLANT AND EQUIPMENT

### 17.1. MOVEMENTS IN 2022/23

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation at 1 April 2022</b>	<b>322,815</b>	<b>60,557</b>	<b>17,698</b>	<b>1,685</b>	<b>5,799</b>	<b>3,192</b>	<b>411,746</b>
Additions	6,412	335	1,402	98	4,245	24	12,516
Revaluations recognised in the Revaluation Reserve	13,879	133	389	-	-	(172)	14,229
Revaluations recognised in the Surplus or Deficit on Provision of Services	200	(51)	-	-	-	(67)	82
De-recognition & Disposals	(6,781)	(26)	(151)	-	(8)	-	(6,966)
Transfers	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>336,525</b>	<b>60,948</b>	<b>19,338</b>	<b>1,783</b>	<b>10,036</b>	<b>2,977</b>	<b>431,607</b>
<b>At 1 April 2022</b>	<b>(528)</b>	<b>(482)</b>	<b>(8,283)</b>	-	-	-	<b>(9,293)</b>
Depreciation Charge for the year	(5,039)	(613)	(1,313)	-	-	-	(6,965)
Depreciation written out on revaluation	3,593	218	-	-	-	-	3,811
De-recognition & Disposals	8	26	3	-	-	-	37
<b>At 31 March 2023</b>	<b>(1,966)</b>	<b>(851)</b>	<b>(9,593)</b>	-	-	-	<b>(12,410)</b>
<b>Net Book Value</b>							
<b>At 31 March 2023</b>	<b>334,559</b>	<b>60,097</b>	<b>9,745</b>	<b>1,783</b>	<b>10,036</b>	<b>2,977</b>	<b>419,197</b>
<b>At 31 March 2022</b>	<b>322,287</b>	<b>60,075</b>	<b>9,415</b>	<b>1,685</b>	<b>5,799</b>	<b>3,192</b>	<b>402,453</b>

## 17.2. 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
<b>Cost or Valuation at 1 April 2021</b>	<b>271,402</b>	<b>56,018</b>	<b>16,911</b>	<b>1,658</b>	<b>6,279</b>	<b>1,251</b>	<b>353,519</b>
Additions	3,633	85	287	27	3,544	-	7,576
Revaluations recognised in the Revaluation Reserve	39,147	4,303	506	-	-	849	44,805
Revaluations recognised in the Surplus or Deficit on Provision of Services	9,823	177	9	-	-	744	10,753
De-recognition & Disposals	(4,866)	(26)	(15)	-	-	-	(4,907)
Transfers	3,676	-	-	-	(4,024)	348	-
<b>At 31 March 2022</b>	<b>322,815</b>	<b>60,557</b>	<b>17,698</b>	<b>1,685</b>	<b>5,799</b>	<b>3,192</b>	<b>411,746</b>
<b>At 1 April 2021</b>	<b>-</b>	<b>(262)</b>	<b>(6,887)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,149)</b>
Depreciation Charge for the year	(4,130)	(464)	(1,399)	-	-	-	(5,993)
Depreciation written out on revaluation	3,593	218	-	-	-	-	3,811
De-recognition & Disposals	9	26	3	-	-	-	38
<b>At 31 March 2022</b>	<b>(528)</b>	<b>(482)</b>	<b>(8,283)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,293)</b>
<b>Net Book Value</b>							
<b>At 31 March 2022</b>	<b>322,287</b>	<b>60,075</b>	<b>9,415</b>	<b>1,685</b>	<b>5,799</b>	<b>3,192</b>	<b>402,453</b>
<b>At 31 March 2021</b>	<b>271,402</b>	<b>55,756</b>	<b>10,024</b>	<b>1,658</b>	<b>6,279</b>	<b>1,251</b>	<b>346,370</b>

### 17.3. VALUATION OF PROPERTY

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

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

Community assets are not revalued and are updated for capital expenditure and in the case of infrastructure, depreciated in accordance with the expected life of the asset created or enhanced.

Community assets include allotments, cemetery grounds, churchyards, flint walls and open space land.

Surplus assets are non-operational but are not deemed to be held for sale and are measured at fair value. The fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Surplus Properties	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Carried at Historical Cost</b>	-	-	13,565	1,783	10,036	-	25,384
<b>Values at fair value in:</b>							
31 March 2023	336,525	60,948	5,773	-	-	2,977	406,223
31 March 2019 – 31 March 2022	-	-	-	-	-	-	-
<b>Gross Cost or Valuation</b>	<b>336,525</b>	<b>60,948</b>	<b>19,338</b>	<b>1,783</b>	<b>10,036</b>	<b>2,977</b>	<b>431,607</b>

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

#### 17.4. FAIR VALUE HIERACHY

As at 31 March 2023, there are six properties classed as surplus, no change from the previous year. No properties were reclassified as held for sale. The fair value hierarchy of surplus assets at 31 March are as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Other significant unobservable inputs (Level 3) £000	Total £000
<b>Surplus Assets NBV at 31 March 2023</b>	-	2,977	-	2,977
<b>Surplus Assets NBV at 31 March 2022</b>	-	3,192	-	3,192

The surplus assets are measured at Level 2 in the fair value hierarchy as the measurement technique uses significant observable inputs to measure the fair value. The fair value has been derived on a comparable basis for income producing assets or residential properties (using rent yield or capital value per square metre) or derived through an assessment of prevailing land values for unconsented sites or a residual land appraisal.

For assets offering development potential (alternative use) the valuation is based on the highest value that has a reasonable prospect of securing an appropriate planning consent. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions. Highest and best use is determined only from the perspective of market participants, even if the Council intends a different use.

Alternative uses of those assets are considered if there are alternative uses that would maximise their fair value. However, the Council is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence to suggest that the current use of an asset is not its highest and best use.

#### 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 £8.93m (£3.13m as at 31 March 2022) as detailed in the table below.

	£000
HRA dwellings	5,361
Other commitments	3,573
<b>Total</b>	<b>8,934</b>

## 18. INFRASTRUCTURE ASSETS

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

	2022/23		2021/22
	£000		£000
<b>Cost or Valuation at 1 April</b>	<b>11,853</b>	<b>Cost or Valuation at 1 April</b>	<b>11,806</b>
Additions	182	Additions	47
<b>At 31 March 2023</b>	<b>12,035</b>	<b>At 31 March 2022</b>	<b>11,853</b>
<b>Accumulated Depreciation and Impairment</b>		<b>Accumulated Depreciation and Impairment</b>	
<b>At 1 April</b>	<b>(10,839)</b>	<b>At 1 April</b>	<b>(10,732)</b>
Depreciation Charge	(111)	Depreciation Charge	(107)
<b>At 31 March 2023</b>	<b>(10,950)</b>	<b>At 31 March 2022</b>	<b>(10,839)</b>
<b>Net Book Value</b>		<b>Net Book Value</b>	
<b>31 March 2023</b>	<b>1,085</b>	<b>31 March 2022</b>	<b>1,014</b>
<b>31 March 2022</b>	<b>1,014</b>	<b>31 March 2021</b>	<b>1,074</b>

## 19. HERITAGE ASSETS

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

- **works of art and museum exhibits** comprised of artefacts held at Newhaven Fort and miscellaneous aesthetic items held at separate locations. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged. There are no transactions that are not recognised in the Balance Sheet and no assets were acquired by donation during the year.
- **civic regalia:** a static collection comprising the Chair's chain of office and several smaller badges of civic office. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.
- **land and building** comprising two properties: Market Tower built in the 18th century and Newhaven Fort built in the 19th century. These assets are recognised, measured, impaired and depreciated in accordance with the Council's accounting policies on Property, Plant and Equipment.

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

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

	Works of Art	Museum Exhibits	Civic Regalia	Land & Buildings	Total
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>309</b>	<b>453</b>	<b>23</b>	<b>8,513</b>	<b>9,298</b>
Additions	-	-	-	225	225
Revaluations	-	-	-	777	777
Depreciation	-	-	-	(167)	(167)
<b>Balance at 31 March 2022</b>	<b>309</b>	<b>453</b>	<b>23</b>	<b>9,348</b>	<b>10,133</b>
Additions	-	-	-	436	436
Revaluations	-	-	-	454	454
Depreciation	-	-	-	(187)	(187)
<b>Balance at 31 March 2023</b>	<b>309</b>	<b>453</b>	<b>23</b>	<b>10,051</b>	<b>10,836</b>

## ACQUISITIONS POLICY

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

## DISPOSALS POLICY

The Council accepts the principle that there is a strong presumption against the disposal of any items in the collections. Any decision to sell or dispose of material from the collections should be taken only after due consideration. Once a decision to dispose of an item has been taken, priority will be given to retaining the item within the public domain and with this in view it will be offered first, by exchange, gift or sale to registered museums before disposal to other interested individuals or organisations is considered. Further information is available in the Lewes Local History.



## 20. INVESTMENT PROPERTIES

In 2022/23 the Council received £0.349m (£0.407m in 2021/22) as rental income from investment properties. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2021/22	2022/23
£000	£000
<b>11,074</b> Balance at 1 April	<b>10,829</b>
138 Additions	370
(383) Net gains / (losses) from fair value adjustments	670
- Disposals & Derecognition	-
- Transfers	-
<b>10,829</b> Balance at 31 March	<b>11,869</b>

### FAIR VALUE HIERARCHY

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 1.8 Accounting Policy for an explanation of the fair value levels).

### VALUATION TECHNIQUES USED TO DETERMINE LEVEL 2 FAIR VALUES FOR INVESTMENT PROPERTY

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

### HIGHEST AND BEST USE

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

### VALUATION PROCESS FOR INVESTMENT PROPERTIES

The Council's investment property has been valued as at 31 March 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 used by the Council range between one and seven years.

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

2021/22		2022/23		
Net Book Value		Gross Cost	Amortisation	Net Book Value
£000		£000	£000	£000
1,376	Balance 1 April	2,724	(1,584)	1,140
<b>Written down to services</b>				
(199)	Corporate Services		(388)	(388)
(15)	Service Delivery		(15)	(15)
(10)	Regeneration and Planning		(10)	(10)
-	Housing Revenue Account			-
(224)	<b>Total</b>	-	(413)	(413)
2	Added during year	49	-	49
-	Transfers	-	-	-
(14)	Written out on completion of expected life	-	-	-
(12)	<b>Net transactions during the year</b>	49	-	49
1,140	<b>Balance at 31 March</b>	2,773	(1,997)	776

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

	31 March 2022	31 March 2023	
	Carrying Amount	Remaining Amortisation (years)	
	£000	£000	
Joint Transformation Programme	1,026	653	2-4 years

The Joint Transformation Programme integrated the front and back-office services of the Council and EBC. This included implementing new IT systems and updating and consolidating core infrastructure to be used by both councils.

## 22. FINANCIAL INSTRUMENTS

### 22.1. CATEGORIES OF FINANCIAL INSTRUMENTS

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

31 March 2022		31 March 2023	
Long-term	Current	Long-term	Current
£000	£000	£000	£000
<b>Financial Assets</b>			
<b>Fair Value through Profit and Loss</b>			
-	1	-	-
<b>Amortised Cost</b>			
4,447	5,314	4,333	5,653
-	33,451	-	18,710
<b>4,447</b>	<b>38,766</b>	<b>4,333</b>	<b>24,363</b>
-	9,089		9,871
<b>4,447</b>	<b>47,855</b>	<b>4,333</b>	<b>34,234</b>
<b>Financial Liabilities</b>			
<b>Fair Value through Profit and Loss</b>			
-	-	-	-
<b>Amortised Cost</b>			
-	(19,996)	-	(6,619)
(51,673)	(255)	(43,673)	(9,344)
<b>(51,673)</b>	<b>(20,251)</b>	<b>(43,673)</b>	<b>(15,963)</b>
(4,144)	(13,033)	(4,962)	(7,925)
<b>(55,817)</b>	<b>(33,284)</b>	<b>(48,635)</b>	<b>(23,888)</b>

### 22.2. FINANCIAL INSTRUMENTS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets designated at fair value through profit or loss include £nil funds invested with low volatility money market funds (LVNAV) at 31/3/2023 (£0.01m at 31/3/2022). There were no financial liabilities designated at fair value through profit or loss.

### 22.3. INCOME, EXPENSE, GAINS OR LOSSES

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

2021/22			2022/23		
Surplus or Deficit on Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on Provision of Services	Other Comprehensive Income and Expenditure	
£000	£000		£000	£000	
		<b>Net (gains) / losses on:</b>			
-	-	Financial assets measured at FVPL	-	-	
-	-	Financial liabilities measured at FVPL	-	-	
		<b>Interest revenue:</b>			
(325)	-	Financial assets measured at amortised cost	(1,518)	-	
		<b>Interest expense:</b>			
1,798	-	Financial liabilities measured at amortised cost	2,474	-	

### 22.4. FAIR VALUE MEASUREMENT

The basis for recurring fair value measurements is:

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

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

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

## 22.5. FAIR VALUE DISCLOSURE FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE

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 for the financial liabilities calculated are as follows:

	31 March 2022		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>				
Financial Liabilities at amortised cost	(51,673)	(57,111)	(43,673)	(42,366)
Long Term Creditors	-	-	-	-
<b>Total Long Term</b>	<b>(51,673)</b>	<b>(57,111)</b>	<b>(43,673)</b>	<b>(42,366)</b>
Short Term Borrowing and Creditors	(20,251)	(20,251)	(15,963)	(15,963)
<b>Total Short &amp; Long Term</b>	<b>(71,924)</b>	<b>(77,362)</b>	<b>(59,636)</b>	<b>(58,329)</b>

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.

The fair values for the financial assets calculated are as follows:

	31 March 2022		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Financial Assets at amortised cost	-	-	-	-
Long Term Debtors*	4,420	4,420	4,333	4,333
<b>Total Long Term</b>	<b>4,420</b>	<b>4,420</b>	<b>4,333</b>	<b>4,333</b>
Short Term Investments and Debtors	38,765	38,765	24,363	24,363
<b>Total Short &amp; Long Term</b>	<b>43,185</b>	<b>43,185</b>	<b>28,696</b>	<b>28,696</b>

\*Long-term debtors and unusable reserves have been adjusted for correction to valuations in relation to a historic dwelling scheme, see Note 24 and 28.



The fair value of financial assets are the same as the carrying amount because the portfolio of investments are all maturing within a year of the Balance Sheet date. The exception are debtors of more than one year where the fair value is approximated to be the same as the carrying value. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Fair value hierarchy of the financial liabilities and financial assets that are not measured at fair value:

31 March 2022				Recurring fair value measurements using:	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		Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
£000	£000	£000	£000		£000	£000	£000	£000
				<b>Financial Liabilities</b>				
-	(57,111)	-	(57,111)	Financial Liabilities at amortised cost	-	(42,366)	-	(42,366)
-	-	-	-	Long Term Creditors	-	-	-	-
-	(57,111)	-	(57,111)	<b>Total Long Term</b>	-	(42,366)	-	(42,366)
				<b>Financial Assets</b>				
-	-	-	-	Financial Assets at amortised cost	-	-	-	-
-	4,420	-	4,420	Long Term Debtors*	-	4,333	-	4,333
-	4,420	-	4,420	<b>Total Long Term</b>	-	4,333	-	4,333

\*Long-term debtors and unusable reserves have been adjusted for correction to valuations in relation to a historic dwelling scheme, see Note 24 and 28.

The fair value for financial liabilities and financial assets that are not measured at fair value included in Level 2 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate. The assessment is made by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

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

### 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 incorporating the prudential indicators was approved by Council in February 2022 and is available on the Council website.

The key issues raised within the strategy were:

- The Authorised Limit for 2022/23 was set at £143.0m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £130.0m. 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 20% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt (see Refinancing and Maturity table below).

Risk management is carried out by the 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).



The key risks are:

Risk	Description	Controls and mitigating activity	The Council's exposure																									
Credit risk	<p>The possibility that other parties might fail to pay amounts due to the Council. It arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers.</p> <p>There are continuing financial risks of COVID-19 due to the uncertainty surrounding its impact on residents and Council Tax collection rates, the slowdown in house building and the reduction in the council tax base and income and on businesses and business rates collection rates.</p>	<p>The Annual Investment Strategy, approved by Full Council, February 2022, 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 &amp; Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.</p> <p>The credit criteria in respect of financial assets held by the Council are detailed below.</p> <p>The Council uses the creditworthiness service provided by Arlingclose. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's, forming the core element.</p> <p>However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:</p> <ul style="list-style-type: none"><li>credit watches and credit outlooks from credit rating agencies.</li><li>CDS spreads to give early warning of likely changes in credit ratings.</li><li>sovereign ratings to select counterparties from only the most creditworthy countries.</li></ul> <p>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.</p>	<p>The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £20m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.</p> <table><tr><th></th><th>12 Month ECL</th><th>Lifetime ECL</th><th>Lifetime ECL – Simplified Approach</th><th>Total</th></tr><tr><th></th><th>£000</th><th>£000</th><th>£000</th><th>£000</th></tr><tr><td>Opening balance 1 April</td><td>(54)</td><td>-</td><td>(4,136)</td><td>(4,190)</td></tr><tr><td>Change in credit loss</td><td>-</td><td>-</td><td>(138)</td><td>(138)</td></tr><tr><td>Closing balance at 31 March 2023</td><td>(54)</td><td>-</td><td>(4,274)</td><td>(4,328)</td></tr></table> <p>12 Month ECL includes treasury investments but there is no ECL as the investments are either call accounts or local authority investments which are exempt. Lifetime ECL includes third party loans, but the only loan is £3.06m to Aspiration Homes (£3.06m at 31 March 2022) a subsidiary of the Council. Lifetime ECL simplified includes debtor system invoices and other debtor accruals including council house rents.</p> <p>Council tax and business rates are non-financial assets and the provision for bad debts is calculated separately and based on incurred losses.</p>		12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total		£000	£000	£000	£000	Opening balance 1 April	(54)	-	(4,136)	(4,190)	Change in credit loss	-	-	(138)	(138)	Closing balance at 31 March 2023	(54)	-	(4,274)	(4,328)
		12 Month ECL	Lifetime ECL	Lifetime ECL – Simplified Approach	Total																							
	£000	£000	£000	£000																								
Opening balance 1 April	(54)	-	(4,136)	(4,190)																								
Change in credit loss	-	-	(138)	(138)																								
Closing balance at 31 March 2023	(54)	-	(4,274)	(4,328)																								

			<p>The table below summarises the credit risk exposures of the Council’s investment portfolio at 31 March 2023 by the type of counterparty:</p> <table><tr><th>Credit Rating</th><th>31 March 2022</th><th>31 March 2023</th></tr><tr><td></td><th>£000</th><th>£000</th></tr><tr><td colspan="3"><b>Banks, Building Societies &amp; Corporates</b></td></tr><tr><td>AAA</td><td>-</td><td>-</td></tr><tr><td>AA</td><td>-</td><td>-</td></tr><tr><td>A</td><td>33,451</td><td>20,217</td></tr><tr><td>Money Market Funds - AAA</td><td>1</td><td>-</td></tr><tr><td>Local Authorities - unrated</td><td>-</td><td>-</td></tr><tr><td><b>Total</b></td><td><b>33,452</b></td><td><b>20,217</b></td></tr></table>	Credit Rating	31 March 2022	31 March 2023		£000	£000	<b>Banks, Building Societies &amp; Corporates</b>			AAA	-	-	AA	-	-	A	33,451	20,217	Money Market Funds - AAA	1	-	Local Authorities - unrated	-	-	<b>Total</b>	<b>33,452</b>	<b>20,217</b>
Credit Rating	31 March 2022	31 March 2023																												
	£000	£000																												
<b>Banks, Building Societies &amp; Corporates</b>																														
AAA	-	-																												
AA	-	-																												
A	33,451	20,217																												
Money Market Funds - AAA	1	-																												
Local Authorities - unrated	-	-																												
<b>Total</b>	<b>33,452</b>	<b>20,217</b>																												
<b>Liquidity risk</b>	The possibility that the Council might not have funds available to meet its commitments to make payments.	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.	<p>The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial assets is as follows:</p> <table><tr><td></td><th>31 March 2022</th><th>31 March 2023</th></tr><tr><td></td><th>£000</th><th>£000</th></tr><tr><td>Less than one year</td><td>38,766</td><td>24,363</td></tr><tr><td>Between five and ten years*</td><td>4,420</td><td>4,333</td></tr><tr><td><b>Total</b></td><td><b>43,186</b></td><td><b>28,696</b></td></tr></table> <p>*See note 24 for adjustment to prior period.</p>		31 March 2022	31 March 2023		£000	£000	Less than one year	38,766	24,363	Between five and ten years*	4,420	4,333	<b>Total</b>	<b>43,186</b>	<b>28,696</b>												
	31 March 2022	31 March 2023																												
	£000	£000																												
Less than one year	38,766	24,363																												
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<b>Total</b>	<b>43,186</b>	<b>28,696</b>																												
<b>Re-financing risk</b>	The possibility that the Council might be requiring to renew a financial instrument	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	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):																											

	on maturity at disadvantageous interest rates or terms.	<p>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.</p> <p>This includes:</p> <ul style="list-style-type: none"><li>○ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing.</li><li>○ rescheduling of the existing debt.</li><li>○ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council’s day to day cash flow needs, and the spread of longer-term investments (when applicable) provide stability of maturities and returns in relation to the longer term cash flow needs.</li></ul>	<table><tr><th></th><th>Approved Minimum Limit</th><th>Approved Maximum Limit</th><th>31 March 2022</th><th>31 March 2023</th></tr><tr><th></th><th>%</th><th>%</th><th>£000</th><th>£000</th></tr><tr><td>Less than one year</td><td>0%</td><td>25%</td><td>(20,251)</td><td>(15,963)</td></tr><tr><td>Between one and two years</td><td>0%</td><td>40%</td><td>-</td><td>(2,000)</td></tr><tr><td>Between two and five years</td><td>0%</td><td>50%</td><td>(10,000)</td><td>(10,000)</td></tr><tr><td>Between five and ten years</td><td>0%</td><td>75%</td><td>(10,000)</td><td>(10,000)</td></tr><tr><td>More than ten years</td><td>0%</td><td>100%</td><td>(31,673)</td><td>(21,673)</td></tr><tr><td><b>Total</b></td><td></td><td></td><td><b>(71,924)</b></td><td><b>(59,636)</b></td></tr></table>		Approved Minimum Limit	Approved Maximum Limit	31 March 2022	31 March 2023		%	%	£000	£000	Less than one year	0%	25%	(20,251)	(15,963)	Between one and two years	0%	40%	-	(2,000)	Between two and five years	0%	50%	(10,000)	(10,000)	Between five and ten years	0%	75%	(10,000)	(10,000)	More than ten years	0%	100%	(31,673)	(21,673)	<b>Total</b>			<b>(71,924)</b>	<b>(59,636)</b>
	Approved Minimum Limit	Approved Maximum Limit	31 March 2022	31 March 2023																																							
	%	%	£000	£000																																							
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Between five and ten years	0%	75%	(10,000)	(10,000)																																							
More than ten years	0%	100%	(31,673)	(21,673)																																							
<b>Total</b>			<b>(71,924)</b>	<b>(59,636)</b>																																							
<b>Market risk</b>	The possibility that financial loss might arise for the Council because of changes in such measures as interest rates or stock market movements.	<p>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:</p> <ul style="list-style-type: none"><li>○ Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.</li></ul>	<p>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:</p> <table><tr><th></th><th>£000</th></tr><tr><td>Increase in interest rate on variable rate borrowings</td><td>-</td></tr><tr><td>Increase in interest rate on variable rate investments</td><td>202</td></tr><tr><td><b>Total impact on Comprehensive Income and Expenditure</b></td><td><b>202</b></td></tr></table>		£000	Increase in interest rate on variable rate borrowings	-	Increase in interest rate on variable rate investments	202	<b>Total impact on Comprehensive Income and Expenditure</b>	<b>202</b>																																
	£000																																										
Increase in interest rate on variable rate borrowings	-																																										
Increase in interest rate on variable rate investments	202																																										
<b>Total impact on Comprehensive Income and Expenditure</b>	<b>202</b>																																										

		<ul style="list-style-type: none"> <li>○ Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).</li> <li>○ Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.</li> <li>○ Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).</li> </ul> <p>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.</p> <p>The Council has several 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</p>	
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		the drawing of longer-term fixed rates borrowing would be postponed.	
<b>Price risk</b>		The Council is not exposed to significant price risk given the nature of its financial assets.	
<b>Foreign exchange risk</b>		The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.	

## 24. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2022		31 March 2023
£000		£000
<b>Financial assets</b>		
1,315	Trade Receivables	1,403
3,999	Other Receivables*	4,250
<b>5,314</b>	<b>Total financial assets</b>	<b>5,653</b>
<b>Non financial assets</b>		
187	Prepayments	148
7,381	Debtors for Local Taxation	7,495
1,521	Other Receivables	2,228
<b>9,089</b>	<b>Total non financial assets</b>	<b>9,871</b>
<b>14,403</b>	<b>Total short term receivables</b>	<b>15,524</b>

Notes

\*Other Receivables includes a provision for losses at 31 March 2023 of £4.273m (£4.097m at 31 March 2022).

Debtors for Local Taxation includes a provision for losses at 31 March 2023 of £0.807m (£0.653m at 31 March 2022).

Gross debtors for Local Taxation (council tax and business rates) that are past due but not impaired are analysed by age as follows:

31 March 2022		31 March 2023
£000		£000
3,037	Less than one year	4,289
1,862	Between one and two years	1,923
3,389	Between two and five years	3,692
1,380	Between five and ten years	1,739
415	More than ten years	499
<b>10,083</b>	<b>Total</b>	<b>12,142</b>

The restated long-term debtors outstanding as at 31 March are:

Originally Stated 31 March 2022	Valuation adjustment for historic dwelling scheme	Restated 31 March 2022		31 March 2023
£000	£000	£000		£000
4,447	(27)	4,420	Other Receivable Amounts	4,333
<b>4,447</b>			<b>Total long receivables</b>	<b>4,333</b>

Long term debtors at 31 March 2023 includes £0.779m (£0.805m at 31 March 2022) relating to council dwelling sales and £3.063m (£3.063 at 31 March 2022) of capital loans to Aspiration Homes and other

loans £0.518m (£0.631m at 31 March 2022) and an expected credit loss credit of £0.054m (£0.054m at 31 March 2022).

## 25. CREDITORS

Short term creditors as at 31 March are:

31 March 2022	31 March 2023
£000	£000
<b>Financial Liabilities</b>	
(3,047) Trade Payables	(115)
(16,949) Other Payables	(6,504)
<b>(19,996) Total</b>	<b>(6,619)</b>
<b>Non Financial Assets</b>	
(7,133) Receipts in Advance	(1,991)
(5,851) Creditors for Local Taxation	(5,906)
(49) Other Payables	(28)
<b>(13,033) Total</b>	<b>(7,925)</b>
<b>(33,029) Total</b>	<b>(14,544)</b>

The Council has received grants, contributions and donations 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 donor if the Council does not satisfy those conditions. It is the Council's intention to satisfy the conditions so that no monies are returned.

The balances at the year-end are as follows:

2021/22	2022/23
£000	£000
<b>Capital Grants and Contributions – Receipts in Advance</b>	
(1,957) Section 106 grants held on behalf of other authorities	(2,011)
(2,021) Section 106 grant receipts in advance	(2,243)
(166) Other grant receipts in advance	(708)
<b>(4,144) Total Capital grants and Contributions - Receipts in Advance</b>	<b>(4,962)</b>

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

Other Long-term liabilities as at 31 March are:

31 March 2022	31 March 2023
£000	£000
- Lease Liability	-
<b>- Total</b>	<b>-</b>

## 26. PROVISIONS

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

	01 April 2022	Additions	Amounts used	31 March 2023
	£000	£000	£000	£000
Business Rate Appeals	(144)	(460)		(604)
<b>Total</b>	<b>(144)</b>	<b>(460)</b>		<b>(604)</b>

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

## 27. USABLE RESERVES

31 March 2022	31 March 2023
£000	£000
(4,367) General Fund Balance	(3,645)
(12,968) Earmarked Reserves	(9,352)
(4,542) HRA Balance	(3,661)
(10,195) Major Repairs Reserve	(10,204)
(10,771) Capital Receipts Reserve	(21,174)
(13,902) Capital Grants & Contributions Unapplied	(14,763)
<b>(56,745) Total Usable reserves</b>	<b>(62,799)</b>

Usable reserves comprise the following:

### GENERAL FUND

This represents all usable reserves other than those below, without legal restrictions on spending, which arise from annual surpluses or deficits.

### 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. Details of Earmarked Reserves are shown at Note 15.

### 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.



## 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.

31 March 2022	31 March 2023
£000	£000
<b>(5,908) Balance at 1 April</b>	<b>(10,771)</b>
(3,277) Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(11,420)
30 Administrative costs of non-current asset disposals	21
404 Payments to the government housing receipts pool	-
(2,020) Use of the capital receipts reserve to finance capital expenditure	996
<b>(10,771) Balance at 31 March</b>	<b>(21,174)</b>

## 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.

31 March 2022	31 March 2023
£000	£000
<b>(9,044) Balance at 1 April</b>	<b>(10,195)</b>
(4,429) Posting of HRA resources from revenue to the major repairs reserve	(5,330)
3,278 Use of the major repairs reserve to finance capital expenditure	5,321
<b>(10,195) Balance at 31 March</b>	<b>(10,204)</b>

## CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED ACCOUNT

Similarly, the Council receives grants and contributions towards capital expenditure, and, if there are no conditions preventing their use, these are also credited to the Comprehensive Income and Expenditure Statement and immediately transferred into the Capital Grants and Contributions Unapplied Reserve until required to finance capital investment.

31 March 2022	31 March 2023
£000	£000
<b>(8,381) Balance at 1 April</b>	<b>(13,902)</b>
(10,783) Grants and contributions received	(7,371)
5,262 Application of capital grants to finance capital expenditure	6,510
<b>(5,521) Net Transfer to / (from) Capital Unapplied Account</b>	<b>(861)</b>
<b>(13,902) Balance at 31 March</b>	<b>(14,763)</b>

## 28. UNUSABLE RESERVES

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

31 March 2022	31 March 2023
£000	£000
(799) Deferred Capital Receipts Reserve*	(830)
1,926 Collection Fund Adjustment Account	1,841
(195,975) Revaluation Reserve	(211,912)
(137,097) Capital Adjustment Account	(135,602)
9,461 Pension Reserve	555
9 Accumulated Absence Account	9
<b>(322,475) Total Unusable reserves</b>	<b>(345,939)</b>

## DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve 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.

Originally stated 2021/22	Adjustment	Restated 2021/22	2022/23
£000	£000	£000	£000
(722)	27	(695)	<b>Balance at 1 April</b> (799)
(104)		(104)	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (4)
-	-	-	Transfer to the Capital Receipts Reserve upon receipt of cash -
<b>(826)</b>	<b>27</b>	<b>(799)</b>	<b>Balance at 31 March</b> <b>(803)</b>

The prior year figures for dwellings deferred sales proceeds have been adjusted to correct valuation for the historic dwelling scheme that permitted tenants to buy a portion of their social housing from the Council with a future option to purchase the housing outright from the Council.

## COLLECTION FUND ADJUSTMENT ACCOUNT

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

2021/22		2022/23	
£000		£000	£000
<b>2,426</b>	<b>Balance at 1 April</b>		<b>1,926</b>
(248)	Amount by which council tax debited or credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(24)	
(252)	Amount by which non-domestic rate income debited or credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rate income calculated for the year in accordance with statutory requirements	(61)	
<b>(500)</b>	<b>Total</b>		<b>(85)</b>
<b>1,926</b>	<b>Balance at 31 March</b>		<b>1,841</b>

## REVALUATION RESERVE

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

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

2021/22		2022/23	
£000		£000	£000
<b>(147,577)</b>	<b>Balance at 1 April</b>		<b>(195,975)</b>
(50,094)	Upward revaluation of assets	(18,493)	
-	Downward revaluation of assets	-	
<b>(50,094)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(18,493)</b>
1,696	Difference between fair value depreciation and historical cost depreciation	2,556	
-	Accumulated gains on assets sold or scrapped	-	
<b>1,696</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>2,556</b>
<b>(195,975)</b>	<b>Balance at 31 March</b>		<b>(211,912)</b>

## CAPITAL ADJUSTMENT ACCOUNT

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

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

## CAPITAL ADJUSTMENT ACCOUNT (CONT.)

2021/22	2022/23
£000	£000      £000
<b>(133,643) Balance at 1 April</b>	<b>(137,097)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,785) Charges for depreciation and impairment of non-current assets	7,181
225 Amortisation of intangible assets	413
32 Expected Credit Loss	-
3,996 Revenue expenditure funded from capital under statute	4,923
4,884 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	6,928
<b>5,352</b>	<b>19,445</b>
<b>(1,696) Adjusting amounts written out of the Revaluation Reserve</b>	<b>(2,557)</b>
<b>3,656 Net written out amount of the cost of non-current assets consumed in the year</b>	<b>16,888</b>
<b>Capital financing applied in the year:</b>	
2,020 Use of the Capital Receipts Reserve to finance new capital expenditure	(996)
(3,278) Use of the Major Repairs Reserve to finance new capital expenditure	(5,321)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(349)
(5,350) Application of grants to capital financing from the Capital Grants Unapplied Account	(6,510)
(334) Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(336)
- Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-
Capital expenditure charged against the HRA balances	(158)
Capital expenditure charged against Earmarked Reserves	(929)
(550) Capital expenditure charged against the General Fund balances	(124)
<b>(7,492)</b>	<b>(14,723)</b>
382 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(670)
- Movements in the Donated Assets Account debited or credited to the Comprehensive Income and Expenditure Statement	-
<b>(137,097) Balance at 31 March</b>	<b>(135,602)</b>

## PENSION RESERVE

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

2021/22		2022/23
£000		£000
<b>15,428</b>	<b>Balance at 1 April</b>	<b>9,461</b>
(6,353)	Re-measurement of the net defined benefit liability/(asset)	(16,420)
-	Asset Ceiling - Adjusted Funding Surplus	7,160
573	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	547
(187)	Employer's pensions contributions and direct payments to pensioners payable in the year	(193)
<b>9,461</b>	<b>Balance at 31 March</b>	<b>555</b>

## ACCUMULATED ABSENCES ACCOUNT

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

2021/22		2022/23
£000		£000
<b>9</b>	<b>Balance at 1 April</b>	<b>9</b>
(9)	Settlement or cancellation of accrual made at the end of the preceding year	(9)
9	Amounts accrued at the end of the current year	9
<b>9</b>	<b>Balance at 31 March</b>	<b>9</b>

## 29. POST EMPLOYMENT BENEFITS

### 29.1. PARTICIPATION IN DEFINED BENEFIT PENSION PLAN

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay

contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies Note 1.2.

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## 29.2. TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

2021/22	2022/23
£000	£000
<b>Service Cost comprising:</b>	
235 Current Service Cost	247
- Past Service Cost	-
<b>Financing &amp; Investment Income &amp; Expenditure</b>	
299 Net Interest	244
39 Administration Expenses	56
<b>573 Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>547</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	
(7,050) Return on Assets	4,009
(2,591) Changes in financial assumptions	(28,110)
327 Changes in demographic assumptions	-
1,110 Other experience	7,681
1,851 Other Actuarial	-
- Asset Ceiling - Adjusted Funding Surplus	7,160
<b>(6,353) Other Comprehensive Income &amp; Expenditure</b>	<b>(9,260)</b>
<b>(5,780) Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(8,713)</b>
<b>Movement in Reserves Statement</b>	
Reversal of net charges made to the Surplus or Deficit on the	
(573) Provision of Services for post-employment benefits in accordance with the Code	(547)
187 Actual amount charged to the General Fund Balance for pensions in the year	193
<b>(386) Net adjustment in Movement in Reserves Statement</b>	<b>(354)</b>

### 29.3. PENSIONS ASSETS AND LIABILITIES RECOGNISED IN THE BALANCE SHEET

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

31 March 2022	31 March 2023
£000	£000
76,689 Fair value of employer assets	70,952
(85,479) Present value of funded liabilities	(63,792)
(671) Present value of unfunded liabilities	(555)
- Asset Ceiling - Adjusted funding surplus	(7,160)
<b>(9,461) Net liability arising from defined benefit obligation</b>	<b>(555)</b>



#### 29.4. RECONCILIATION OF THE MOVEMENTS IN THE FAIR VALUE OF THE SCHEME ASSETS

2021/22	2022/23
£000	£000
<b>73,962 Opening fair value of assets</b>	<b>76,689</b>
(39) Administration Expenses	(56)
1,405 Interest income	1,947
<b>Re-measurement gain/(loss):</b>	
7,050 Return on plan assets	(4,009)
(1,851) Other Actuarial	-
187 Contributions from employer - Funded	193
- Contributions from employer - Unfunded	-
38 Contributions from employees into the scheme	41
(3,995) Benefits paid - Funded	(3,788)
(68) Benefits paid - Unfunded	(65)
<b>76,689 Closing fair value of scheme assets</b>	<b>70,952</b>

#### 29.5. RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES (DEFINED BENEFIT OBLIGATION)

2021/22	2022/23
£000	£000
<b>(89,390) Opening balance at 1 April</b>	<b>(86,150)</b>
(235) Current service costs	(247)
- Past Service costs	-
(1,704) Interest costs	(2,191)
(38) Contributions from scheme participants	(41)
<b>Re-measurement (gains) and losses:</b>	
2,591 Changes in financial assumptions	28,110
(327) Changes in demographic assumptions	-
(1,110) Other experience	(7,681)
3,995 Benefits paid - funded	3,788
68 Benefits paid - unfunded	65
<b>(86,150) Closing Balance at 31 March</b>	<b>(64,347)</b>

## 29.6. LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPOSITION

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

	31 March 2022		31 March 2023	
	Quoted %	Unquoted %	Quoted %	Unquoted %
<b>Index Linked Government Securities</b>				
UK	-	3%	-	2%
Overseas	-	-	-	-
<b>Corporate Bonds</b>				
UK	-	9%	-	9%
Overseas	-	-	-	-
<b>Equities</b>				
UK	-	-	-	-
Overseas	5%	38%	5%	39%
<b>Property</b>				
All	-	8%	-	7%
<b>Others</b>				
Absolute Return Portfolio	-	22%	-	18%
Private Equity	-	8%	-	8%
Infrastructure	-	3%	-	9%
Bonds	-	-	-	-
Private Debt	-	1%	-	1%
Other	-	1%	-	1%
Cash/Temporary Investments	2%	-	1%	-
<b>Net Current Assets</b>				
Debtors	0%	-	0%	-
Creditors	-	-	-	-
	<b>7%</b>	<b>93%</b>	<b>6%</b>	<b>94%</b>

Estimated asset allocation:

	31 March 2022		31 March 2023	
	£000	%	£000	%
Equities	56,360	73.5%	50,084	70.6%
Bonds	10,000	13.0%	8,613	12.1%
Property	8,684	11.3%	11,407	16.1%
Cash/other assets	1,645	2.2%	848	1.2%
	<b>76,689</b>	<b>100.0%</b>	<b>70,952</b>	<b>100.0%</b>

## 29.7. BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

The principal assumptions used by the actuary have been:

2021/22		2022/23
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners:</b>		
21.2	Males	21.1
23.8	Females	24.1
<b>Longevity at 65 for future pensioners:</b>		
22.0	Males	22.2
25.1	Females	25.6
3.35%	Rate of increase in salaries	2.85%
3.35%	Rate of Increase in Pensions	2.85%
2.60%	Rate for discounting scheme liabilities	4.80%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

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

	Present Value of Total Obligation £000	Present Value of Total Obligation %
0.1% increase in Discount Rate	(755)	-1.2%
0.1% increase in the Salary Increase Rate	1	0.0%
0.1% increase in the Pension Increase Rate	783	1.2%
1 year increase in life expectancy	3,407	5.3%

It is estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 5.6%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

## 29.8. IMPACT ON THE COUNCIL'S CASH FLOWS

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2017. The Act provides for scheme regulations to be

made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council projects paying £118,000 employer contributions to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2022.

	Liability Split (£000) as at 31 March 2022	Liability Split (%) as at 31 March 2023
Active Members	8.9%	9.3%
Deferred Members	19.1%	17.1%
Pensioner Members	70.5%	72.2%
Unfunded Members	1.5%	1.4%
	<b>100.0%</b>	<b>100.0%</b>

### 30. CASH AND CASH EQUIVALENTS

31 March 2022		31 March 2023
£000		£000
-	Cash held by the Authority	-
1,141	Bank Current Accounts	(1,089)
1	Short Term Deposits with Banks	-
<b>1,142</b>	<b>Total</b>	<b>(1,089)</b>

### 31. CASH FLOW

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

2021/22	2022/23
£000	£000
6,266 Depreciation	7,263
(10,051) Impairment and (reversal) of impairment and valuation movements	(82)
225 Amortisation	413
7,071 Increase in Creditors	(18,006)
3,428 Increase in Debtors	(2,214)
(10) Decrease in Inventories	(7)
386 Movement in pension liability	354
4,884 Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6,928
237 Other non-cash items charged to the net surplus or deficit on the provision of services	(210)
<b>12,436</b>	<b>Adjustment for Non-Cash Movements included in the provision of services (5,561)</b>

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

£000	£000
- Proceeds from short and long term investments	-
(3,351) Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,430)
(10,871) Other items for which the cash effects are investing or financing activities	(7,720)
<b>(14,222)</b>	<b>Adjustment for items that are investing and financing activities (19,150)</b>

£000 Investing Activities	£000
(8,156) Purchase of property, plant and equipment, investment property and intangible assets	(14,055)
(265,000) Purchase of short-term and long-term investments	(56,590)
(2,258) Other payments for investing activities	(52)
3,222 Proceeds from sales of property, plant and equipment, investment property and intangible assets	11,395
245,700 Proceeds from short and long term investments	70,190
11,147 Other receipts from investing activities	8,708
<b>(15,345)</b>	<b>Net cash flows from investing activities 19,596</b>

£000 Financing Activities	£000
- Cash receipts of short and long-term borrowing	8,000
- Other receipts from financing activities	-
(5,000) Repayment of short and long-term borrowing	(8,000)
4,841 Other payments for financing activities	1,119
<b>(159)</b>	<b>Net cash flows from financing activities 1,119</b>

<b>Reconciliation of Liabilities arising from Financing Activities</b>	<b>01 April 2022</b>	<b>Financing Cash Flows</b>	<b>Non- Cash Changes</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Short Term Borrowings	(255)	(8,000)	-	(8,255)
Long Term Borrowings	(51,673)	8,000	-	(43,673)
<b>Net cash outflow from financing activities</b>	<b>(51,928)</b>	<b>-</b>	<b>-</b>	<b>(51,928)</b>

## 32. CONTINGENT LIABILITIES

### WAVE LEISURE

The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Trust Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. At 31 March 2023 the pension liability of Wave Leisure Trust Ltd was £2,571,000 (£720,000 at 31 March 2022). The Council has also given a guarantee in respect of leases which Wave Leisure entered into during 2018/19, as disclosed in Note 12.

## F HOUSING REVENUE ACCOUNT (HRA)

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

### THE HRA STATEMENTS

#### HRA INCOME AND EXPENDITURE STATEMENT

2021/22	2022/23
£000	£000
<b>Income</b>	
(15,107) Dwelling Rents	(15,833)
(336) Non-Dwelling Rents	(329)
(1,440) Charges for Services and Facilities	(1,284)
(224) Contributions Towards Expenditure	(226)
<b>(17,107) Total Income</b>	<b>(17,672)</b>
<b>Expenditure</b>	
5,073 Repairs and Maintenance	6,073
2,946 Supervision and Management	3,307
1,178 Special Services	1,409
138 Rents, rates, taxes and other charges	92
(5,372) Depreciation, Amortisation and Impairment of Non Current Ass	5,137
351 Movement in the allowance for bad debts	10
5 Debt Management Costs	-
<b>4,319 Total Expenditure</b>	<b>16,028</b>
<b>(12,788) Net Expenditure or HRA Services as included in the whole authority Income and Expenditure Statement</b>	<b>(1,644)</b>
227 HRA services share of Corporate and Democratic Core	194
<b>(12,561) Net Expenditure for HRA Services</b>	<b>(1,450)</b>
1,546 (Gain)/loss on sale of HRA assets	4,541
1,880 Interest Payable and Similar Charges	2,221
(8) Interest and Investment Income	(243)
(79) Capital Grants and Contributions Received	(51)
<b>(9,222) (Surplus) / Deficit for the Year</b>	<b>5,018</b>

## MOVEMENT ON THE HRA STATEMENT

2021/22	2022/23	
£000	£000	£000
(3,537) HRA opening balance		(4,542)
(9,222) Deficit on HRA Income and Expenditure Statement	5,018	
<b>Adjustments between accounting and funding basis:</b>		
(4,857) Gain on disposal of non-current assets	(6,780)	
3,206 Transfer from Capital Receipts Reserve	2,208	
16 Capital expenditure funded by the HRA	158	
- Capital grants and contributions	51	
104 Deferred Capital Receipts Reserve	31	
5,372 Transfer from Capital Adjustment Account	(5,135)	
4,429 Transfer to Major Repairs Reserve	5,330	
8,270	(4,137)	
(53) Transfers to earmarked reserves		
<b>(1,005) Decrease/(Increase) in the year</b>		<b>881</b>
<b>(4,542) HRA closing balance</b>		<b>(3,661)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 HOUSING STOCK

The Council's housing stock consisted of:

31 March 2022	31 March 2023
<b>Houses and Bungalows</b>	
218 - one bedroom	218
647 - two bedrooms	645
845 - three bedrooms	842
75 - four or more bedrooms	75
<b>1,785 Total Houses and Bungalows</b>	<b>1,780</b>
<b>Flats</b>	
699 - one bedroom	702
548 - two bedrooms	546
52 - three or more bedrooms	51
135 - bed-sits	135
<b>1,434 Total Flats</b>	<b>1,434</b>
<b>3,219 All Dwellings</b>	<b>3,214</b>

In addition, the Council has shared ownership arrangements in 13 shared properties covering 4.66 full property equivalents (6.84 at 31 March 2022).



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

	31 March 2022	31 March 2023
	£000	£000
Council Dwellings	322,287	334,559
Other Land & Buildings	5,311	5,275
Other Assets	2,462	4,507
<b>Total</b>	<b>330,060</b>	<b>344,341</b>

## 2 VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of dwellings was fully re-valued by Wilks, Head & Eve in 2019/20. The private open market value of the housing stock at 31 March 2020 was £721m. However, the stock has to be valued using an Existing Use Value – Social Housing methodology. The 2019/20 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value. The difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing housing at less than open market rents. For 2022/23, a market review by the valuer proposed increases of 4.5% for houses and 3% for flats and maisonettes.

## 3 MAJOR REPAIRS RESERVE

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

2021/22	2022/23
£000	£000
<b>(9,044) Balance as at 1 April</b>	<b>(10,195)</b>
3,278 Financing of Capital Expenditure	5,321
(4,429) Depreciation	(5,330)
<b>(10,195) Balance as at 31 March</b>	<b>(10,204)</b>

## 4 CAPITAL EXPENDITURE AND FINANCING

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

2021/22	2022/23
£000	£000
<b>5,654 Total Capital Expenditure</b>	<b>8,666</b>
<b>Funding:</b>	
4,360 Borrowing	2,133
(1,984) Capital Receipts	996
3,278 Major Repairs Reserve	5,321
- Grants & Contributions	116
- Revenue	100
<b>5,654 Total Funding</b>	<b>8,666</b>

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## 5 CAPITAL RECEIPTS FROM ASSET DISPOSAL

2021/22	2022/23
£000	£000
2,459 Right to Buy Sales	2,024
778 Other Sales	205
<b>3,237 Total Receipts</b>	<b>2,229</b>

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## 6 DEPRECIATION

2021/22	2022/23
£000	£000
4,125 Dwellings	5,034
49 Other Land and Buildings	51
255 Other Assets	245
<b>4,429 Total Depreciation</b>	<b>5,330</b>

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## 7 REVALUATION OF HRA STOCK

A full revaluation of the HRA stock was undertaken at 31 March 2020, by Wilks, Head & Eve, a member of the Chartered Surveyors and Town Planners. The stock was previously valued in 2015 by the Valuation Office Agency. Between those dates, annual market reviews and uplifts were carried out by Wilks, Head & Eve and also for financial year 2022/23.

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## 8 RENT ARREARS

Rent arrears at 31 March 2023 amounted to £1,563,395 compared with £1,477,882 at 31 March 2022. These include former tenants' arrears. During 2022/23, former tenant arrears of £55,460 were written off (£3,457 in 2021/22). The Council has an impairment allowance for doubtful debts of £1,238,096 at 31 March 2023 (£1,281,763 at 31 March 2022).

## G THE COLLECTION FUND REVENUE ACCOUNT

2021/22		Business Rates	2022/23	
Total			Council Tax	Total
£000		£000	£000	£000
<b>Income</b>				
(83,188)	Income collectable from Council Tax	-	(87,172)	(87,172)
-	Council tax discounts	-	(394)	(394)
(19,674)	Income collectable from Non-Domestic Rates	(23,221)	-	(23,221)
(43)	Transitional Relief	38	-	38
<b>(102,905)</b>	<b>Total Fund Income</b>	<b>(23,183)</b>	<b>(87,566)</b>	<b>(110,749)</b>
<b>Expenditure</b>				
<b>Precepts, Demands and Shares</b>				
13,186	Central Government	11,941	-	11,941
59,057	East Sussex County Council	2,149	59,252	61,401
22,768	Lewes District Council	9,553	12,627	22,180
7,890	Sussex Police and Crime Commissioner	-	8,260	8,260
3,841	East Sussex Fire Authority	239	3,650	3,889
<b>106,742</b>		<b>23,882</b>	<b>83,789</b>	<b>107,671</b>
119	Rates retained in respect of Newhaven Enterprise Zone	177	-	177
137	Business Rates Costs of Collection	137	-	137
<b>Charges to Collection Fund</b>				
(462)	Allowance for Appeals	1,149	-	1,149
127	Write-offs of uncollectable amounts	203	-	203
405	Allowance for impairment of doubtful debts	106	634	740
<b>326</b>		<b>1,772</b>	<b>634</b>	<b>2,406</b>
<b>Apportionment of previous year's Collection Fund Surplus</b>				
(4,687)	Central Government	(1,830)	-	(1,830)
(1)	East Sussex County Council	(329)	2,081	1,752
(3,316)	Lewes District Council	(1,464)	448	(1,016)
75	Sussex Police and Crime Commissioner	-	290	290
1	East Sussex Fire Authority	(37)	131	94
<b>(7,928)</b>		<b>(3,660)</b>	<b>2,950</b>	<b>(710)</b>
<b>99,140</b>	<b>Total Fund Expenditure</b>	<b>21,994</b>	<b>87,373</b>	<b>109,367</b>
<b>(3,765)</b>	<b>Movement on Fund Balance</b>	<b>(1,189)</b>	<b>(193)</b>	<b>(1,382)</b>

### COLLECTION FUND BALANCE

<b>6,288</b>	<b>Balance at 1st April</b>	<b>6,215</b>	<b>(3,692)</b>	<b>2,523</b>
(3,765)	(Surplus)/Deficit for the year	(1,189)	(193)	(1,382)
<b>2,523</b>	<b>Balance as at 31st March</b>	<b>5,026</b>	<b>(3,885)</b>	<b>1,141</b>

## NOTES TO THE COLLECTION FUND

### G.1.1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:	2022/23
	£000
<b>Gross amount of Council Tax</b>	<b>95,993</b>
<b>Less:</b>	
Council Tax Support Scheme	(7,811)
Discounts	(256)
Exemptions	(267)
Disabled Relief	(487)
<b>Net Yield from Council Tax</b>	<b>87,172</b>

### COUNCIL TAX BASE

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

Band	Chargeable Dwellings	Estimate Taxable Properties	Ratio to Band D	Band D Equivalent Properties	Yield £000
A Disregarded	3	2	5/9	1.25	3
A	4,315	2,288	6/9	1,525.21	3,480
B	6,125	4,168	7/9	3,241.94	7,396
C	13,317	10,692	8/9	9,503.56	21,682
D	9,808	8,616	9/9	8,616.04	19,657
E	5,913	5,376	11/9	6,570.17	14,989
F	3,137	2,964	13/9	4,281.95	9,769
G	2,326	2,223	15/9	3,704.87	8,452
H	217	209	18/9	417.50	952
	<b>45,161</b>	<b>36,537</b>		<b>37,862</b>	<b>86,380</b>
Less average 3.00% reduction to allow for collection losses.				(1,136)	(2,591)
				<b>36,727</b>	<b>83,789</b>

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

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

Tax base (as above)	A	36,726.61
Band D Council Tax 2022/23 (Budget report)	B	2,281.43
Theoretical gross yield	A x B	83,789,189.85
Actual gross yield (as above)	C	87,172,433.34
Theoretical gross yield - actual gross yield	(A x B) - C	<b>(3,383,243.49)</b>

### G.1.2. INCOME FROM BUSINESS RATE PAYERS

The Council collects national non-domestic rates (NNDR or business 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 national non-domestic rateable value	£m	72.2	80.79
Standard Multiplier	pence	51.2	51.20
Small Business Multiplier	pence	49.9	49.90
Product	£m	19.7	23.22

The gross yield before adjustments represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements. The business rates share payable in 2022/23 was estimated before the start of the financial year as £23.9m. These sums have been paid into 2022/23 and charged to the Collection Fund in year. The Council's share is £9.6m.

### G.1.3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

	COUNCIL TAX			NNDR		
	Precept	Distribution of prior years surplus	Total	Share	Recovery of prior years deficit	Total
Authority	£000	£000	£000	£000	£000	£000
Lewes District Council	12,627	448	13,075	9,553	(1,464)	8,089
Lewes District Town and Parish Councils	-	-	-	-	-	-
Central Government	-	-	-	11,941	(1,830)	10,111
East Sussex County Council	59,252	2,081	61,333	2,149	(329)	1,820
Sussex Police and Crime Commissioner	8,260	290	8,550	-	-	-
East Sussex Fire Authority	3,650	131	3,781	239	(37)	202
<b>Total</b>	<b>83,789</b>	<b>2,950</b>	<b>86,739</b>	<b>23,882</b>	<b>(3,660)</b>	<b>20,222</b>

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	2022/23
	£000	£000
Actual Business Rate income due	11,275	10,753
Tariff payment	(7,805)	(7,805)
	<b>3,470</b>	<b>2,948</b>
Baseline Funding	(2,243)	(2,243)
<b>Amount above (below) baseline</b>	<b>1,227</b>	<b>705</b>

#### G.1.4. COLLECTION FUND BALANCE

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

	COUNCIL TAX		NNDR	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
Lewes District Council	(560)	(584)	2,486	2,011
Central Government	-	-	3,108	2,513
East Sussex County Council	(2,605)	(2,748)	559	452
Sussex Police and Crime Commissioner	(363)	(384)	-	-
East Sussex Fire Authority	(164)	(169)	62	50
<b>(Surplus) / Deficit</b>	<b>(3,692)</b>	<b>(3,885)</b>	<b>6,215</b>	<b>5,026</b>

The preceptors' share of the (surplus)/deficit on the Collection Fund is shown in the Council's balance sheet as part of the creditor or debtor figures. The Council's share is included on the balance sheet under Collection Fund Adjustment Account.

## H GLOSSARY

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

### **Accounting Period**

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

### **Accrual**

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

### **Actuarial Gains and Losses**

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

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Budget**

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

### **Budget Requirement**

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

### **Capital Charge**

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

### **Capital Expenditure**

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

### **Capital Adjustment Account**

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

### **Capital Receipts**

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

### **Cash Equivalents**

These are generally, short term highly liquid investments readily convertible into cash.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

### **Collection Fund**

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

### **Corporate and Democratic Core**

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

### **Creditors**

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

### **Current Service Cost**

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

### **Debtors**

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

### **Depreciation**

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

### **Expected Rate of Return on Pensions Assets**

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

### **Fees and Charges**

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

### **General Fund**

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

### **Heritage Asset**

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

### **Housing Revenue Account**

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

### **Intangible Assets**

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

### **Leasing**

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



### **Levy**

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

### **Minimum Revenue Provision**

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

### **Non-Current Assets**

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

### **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 Lewes are East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority.

### **Provisions**

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

### **Public Works Loans Board**

The Government body which provides loans to local authorities.

### **Reserves**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure financed from Capital under Statute (Refcus)**

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

### **Revenue Support Grant**

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

### **Specific Government Grants**

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