Rother District Council

FINANCIAL REPORT AND STATEMENT OF ACCOUNTS

2019/20

(subject to audit)

Rother
District Council

CONTENTS

	Page
Narrative Report	2
Annual Governance Statement	22
Statement of Responsibilities	30
Independent Auditor's Report (to follow after audit completion)	31
Statement of Accounts:	
Main Accounting Statements:	
Comprehensive Income and Expenditure Statement	32
Movement in Reserve Statement	33
Balance Sheet	35
Cash Flow Statement	36
Notes to the Financial Statements:	
1 Accounting policies	37
2 Accounting standards issued but not yet adopted	49
3 Critical Judgements in applying accounting policies	49
4 Assumptions made about the future and other major sources of estimation uncertainty	49
5 Expenditure and Funding Analysis	51
6 Adjustments between accounting basis and funding basis under regulations	53
7 Expenditure and Income analysed by nature	55
8 Defined benefit pension Scheme	56
9 Income from grants and contributions	59
10 Earmarked Reserves	60
11 Unusable Reserves	61
12 Capital expenditure and financing	63
13 Property plant and equipment	64
14 Investment properties	66
15. Intangible assets	67
16 Debtors	68
17 Creditors	68
18 Provisions and contingent liabilities	68
19. Capital grants receipts in advance	69
20 Financial Instruments	69
21 Agency expenditure and income	74
22 Leases	75
23 Members' allowances	75
24 Officers' remuneration and exit packages	76
25 External audit costs	77
26 Related parties	78
27 Events After the Balance Sheet Date	79
Collection Fund Statement and Notes:	80
Glossary	83

NARRATIVE

Introduction

The draft unaudited Statement of Accounts for Rother District Council for the year ended 31 March 2020 has been prepared and published in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code") issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years. This will give electors, local Rother residents, Council Members, partners, other stakeholders and interested parties confidence that public money which has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduced earlier deadlines for publication of the accounts. The deadline for completion of the accounts is ordinarily 31 May for the unaudited statement of accounts and 31 July for the audited statement of accounts. The Council is ordinarily required to publish unaudited accounts by the end of May and Audit and Standards Committee will need to approve audited accounts by the end of July 2020.

However, the Government revised the Accounts and Audit regulations this year recognising the impact of the Covid 19 outbreak on local authority operations, services and resources. For 2019/20 statement of accounts the deadline for completion and publication is the end of August 2020 for unaudited accounts and Audit and Standards Committee will need to approve audited accounts by the end of November 2020.

As the financial statements demonstrate, the financial standing of the Council is sound. The Council has well established good financial management disciplines and processes and operate in an environment of continuous improvement.

This narrative report is structured as follows:

1. An Introduction to Rother
2. Summary of Achievements
3. Governance
4. Summary of the 2019/20 Financial Performance of the Council
5. Strategic Risks
6. Liability for Pensions Costs
7. Future Plans
8. Material assets/liabilities
9. Explanation of the Financial Statements
10. Acknowledgements

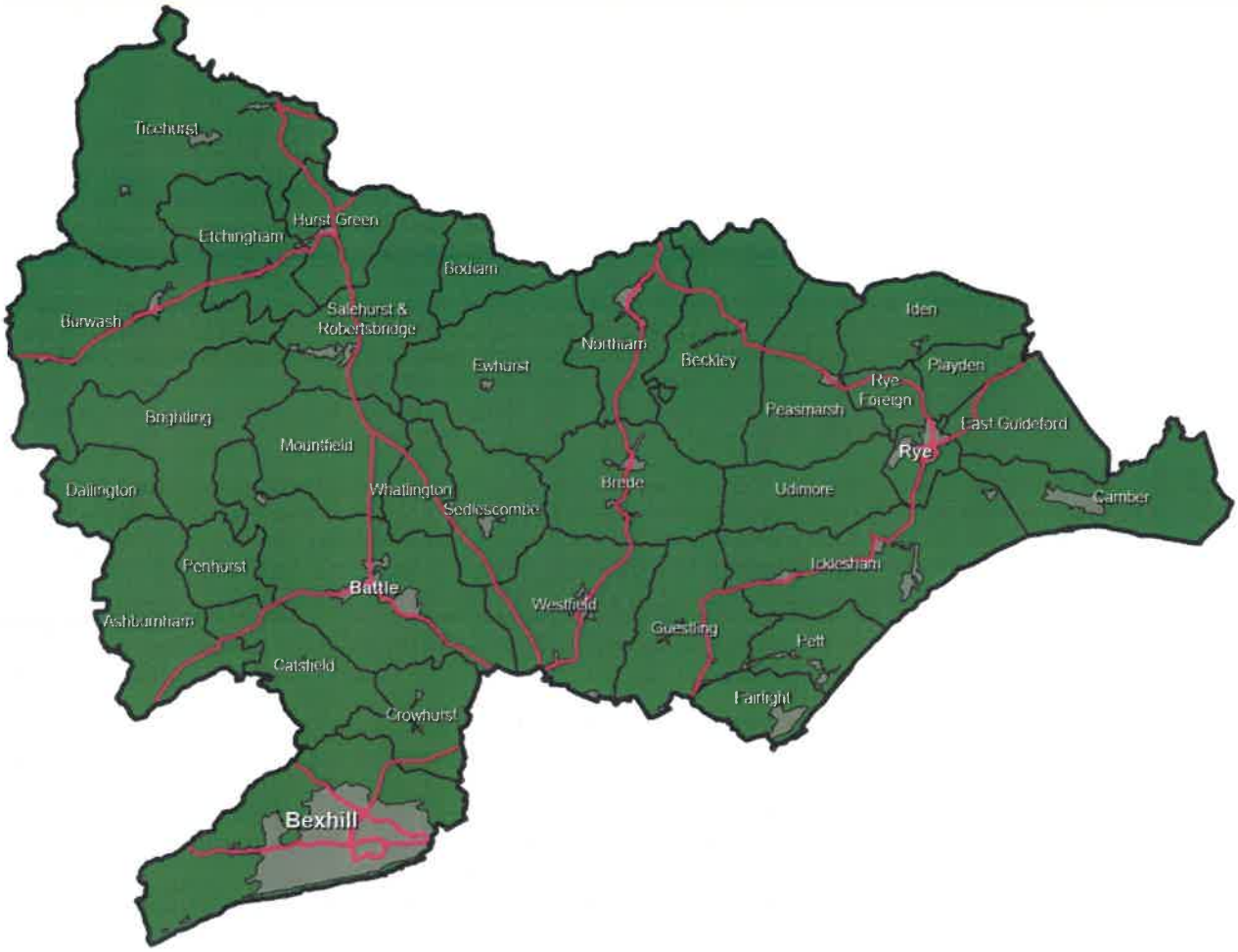
1. An Introduction to Rother

For the greater part, Rother is rural in character, forming the south-eastern part of the High Weald. However, it also embraces low-lying coastal areas at both the eastern and western ends of the District. The District covers some 200 square miles and serves a population of around 90,000 inhabitants. With the exception of Bexhill with its distinctive town centre and seaside character and the historic towns of Battle and Rye, the area is mainly rural.

The majority of the countryside located within the district falls within the High Weald Area of Outstanding Natural Beauty. Rother has around 4,600 businesses, with small and micro businesses forming a fundamental part of the Rother economy with 88% of businesses in Rother employing less than 9 people.

NARRATIVE

The area we serve



2. Summary of Achievements

Below is a summary of the Council's achievement and performance set out under the four main aims of the current Corporate Plan.

Efficient, Flexible and Effective Council

During 2019/20:

- The new Administration commenced the development of a new Corporate Plan during 2019/20 , notably a scoping workshop held for all Councillors that had invited guests from the Local Government Association's Peer Review team. Consultation on the first draft is planned for the summer of 2020.

- New IT equipment and systems for staff and Members so that Rother is better connected and customers can deal with us effectively and efficiently on-line. A planned update to the Council's website went live in April 2020.

- We started a community governance review for Bexhill-on-Sea, with the main proposals to create a town council. The public consultation started in February and continued for 8 weeks into the beginning of April. A final decision will be made during 2020.

NARRATIVE

Sustainable Economic Prosperity

During 2019/20:

- Rother District Council is investing in new employment spaces and finalising the plans needed to create new employment sites. We have purchased land at Barnhorn Road, Little Common, Bexhill for commercial development. We are proposing 3,500 sqm of employment space and a new medical centre for up to 10 GPs.

- The Development and Site Allocations (DaSA) Plan received final approval from Government inspectors. For example, this allocates new employment sites at Rye Harbour.

- We lobbied the Government for the extension of high-speed rail into Rother.

- We are creating business incubator space for creative industries at Beeching Road, Bexhill, following a successful funding bid from the Local Growth Framework by the South East Local Enterprise Partnership (SELEP).

- The annual Jobs & Apprenticeships Fair took place on 5th April 2019. Since the inception of this annual event, there have been 210 exhibitors, 1,800 attendees, and 160 opportunities created.

- We are making progress with a new landmark leisure and residential development at the old Bexhill High School site.

Stronger, Safer Communities

During 2019/20:

- Was the first year of our new Housing and Homelessness Strategy after extensive engagement with local stakeholders. We've been working hard to address local concerns about housing, working alongside our partners (see below).

- In 2019 Rother District Council adopted a pledge to deliver 1,000 new homes in the next 15 years to get the housing market moving. This will be a mix of homes for sale, part owned and rented and for affordable rents.

- Last year (2018/19) 60 new affordable homes were built. This year, 114 new affordable homes were completed. It is the highest number in 15 years. This includes eight homes built to the wheelchair accessible standard.

- The new development at Blackfriars, Battle, on the Local Plan for decades, received Planning approval for the spine road and outline permission for the development. The development will supply up to 220 new homes, 30% affordable.

- We have written and consulted on an action plan to reduce empty homes and put them back into occupation. Homelessness applications reduced a little and for the first time in two years. Last year we had an average of 27 new households applying for help each month. In 2019, the average fell to 24 applications a month. This is still high compared to demand before 2017 and changes in legislation. We appointed more staff to support households getting into the private rental sector and to prevent homelessness. They helped 75 clients into the private rented sector.

- In September 2019 we had a record breaking 78 households living in temporary accommodation. This included 80 children. Unfortunately, 80% of those households had to be placed outside Rother. Our new housing strategy addresses the lack of local temporary accommodation that displaces vulnerable, local families. In 2019, we committed £3 million to buy our own temporary accommodation in Rother.

- We have 1,700 households on our housing register (all with a local connection). And numbers rose by an average of 13 new households from 1540 in March 2019.

NARRATIVE

- Nearly 98% of Rother food businesses are broadly compliant with food hygiene standards, scoring three out of five or higher. In addition, 68% of food businesses have been awarded the top score: five out five.

- We consulted on a new set of regulations for RDC owned car parks, including bringing all car parks into the new regulation order. There were proposed changes aimed at stopping abuse of car parks, particularly long-term overstaying.

A Quality Physical Environment
During 2019/20:

- We mutually agreed with Kier to dissolve our waste collection contract. A new contractor in a new partnership with Wealden District Council and Hastings Borough Council started operations in July 2019. We don't have final figures but performance was on target up to the end of the third quarter to maintain 50% sent for re-use, recycling and composting. Waste and recycling collection rates will be affected by temporary suspension of kerbside collection of garden waste, bulky waste bookings and the closure of recycling and households waste centres during March 2020 due to Covid-19.

- From January to December 2019 we detected 37 fly tips, by finding evidence during our investigations that helped us take action to prevent further offences. This is the highest number of detections since 2013/14 and was influenced by changes in personnel, management and policy.

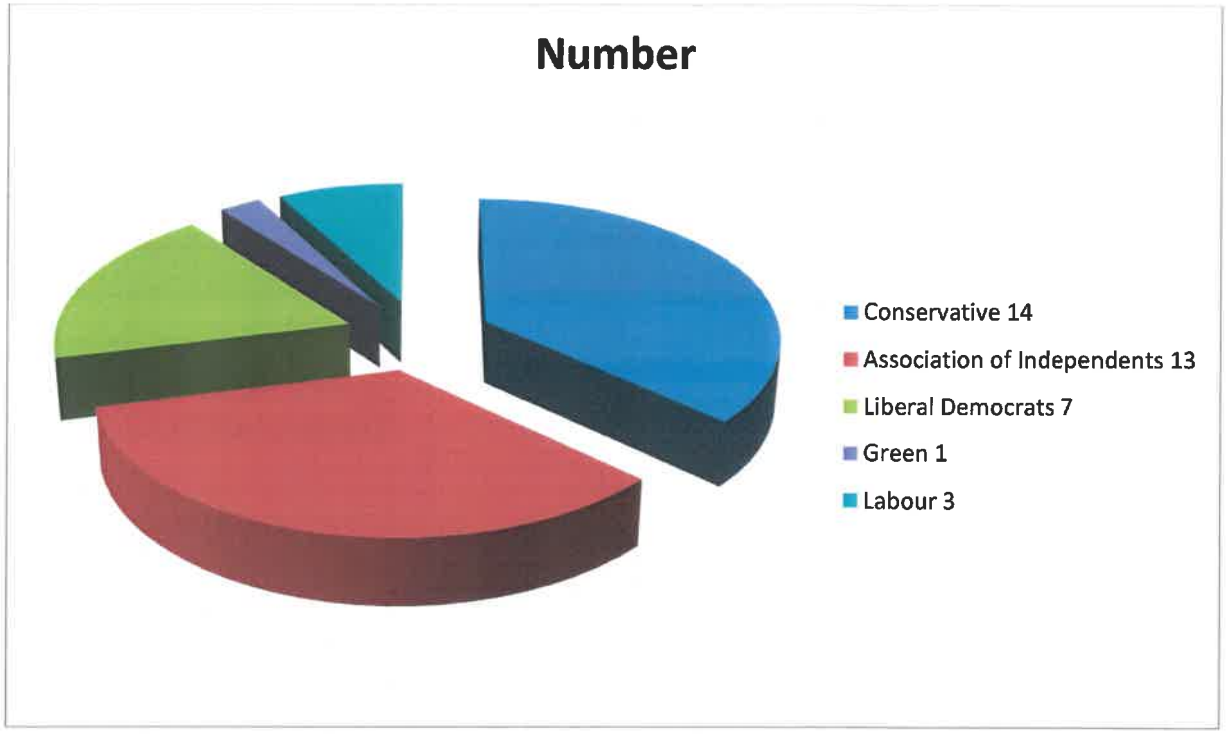
- Our Cabinet made a new commitment to a carbon neutral district by 2030. Early in 2019, solar panels were added to the roof of our annex in Amherst Road at Bexhill Town Hall, contributing towards our efficiency savings. At the same time, solar panels were added to Bexhill Museum, reducing operating costs. We will consult on a draft Environmental Strategy from March to May 2020.

Key Business Indicators
During 2019/20we achieved:
- 98.85% of Business Rates collected within the financial year (98.26% - 2018/19)
- 98.24% of Council Tax collected within the financial year (98.44% - 2018/19)
- 98.48% of invoices paid in 30 days or agreed payment terms.

3. Governance

The Council
The Council has 38 District Councillors. The political composition of the Council at 31 March 2020 was:

NARRATIVE

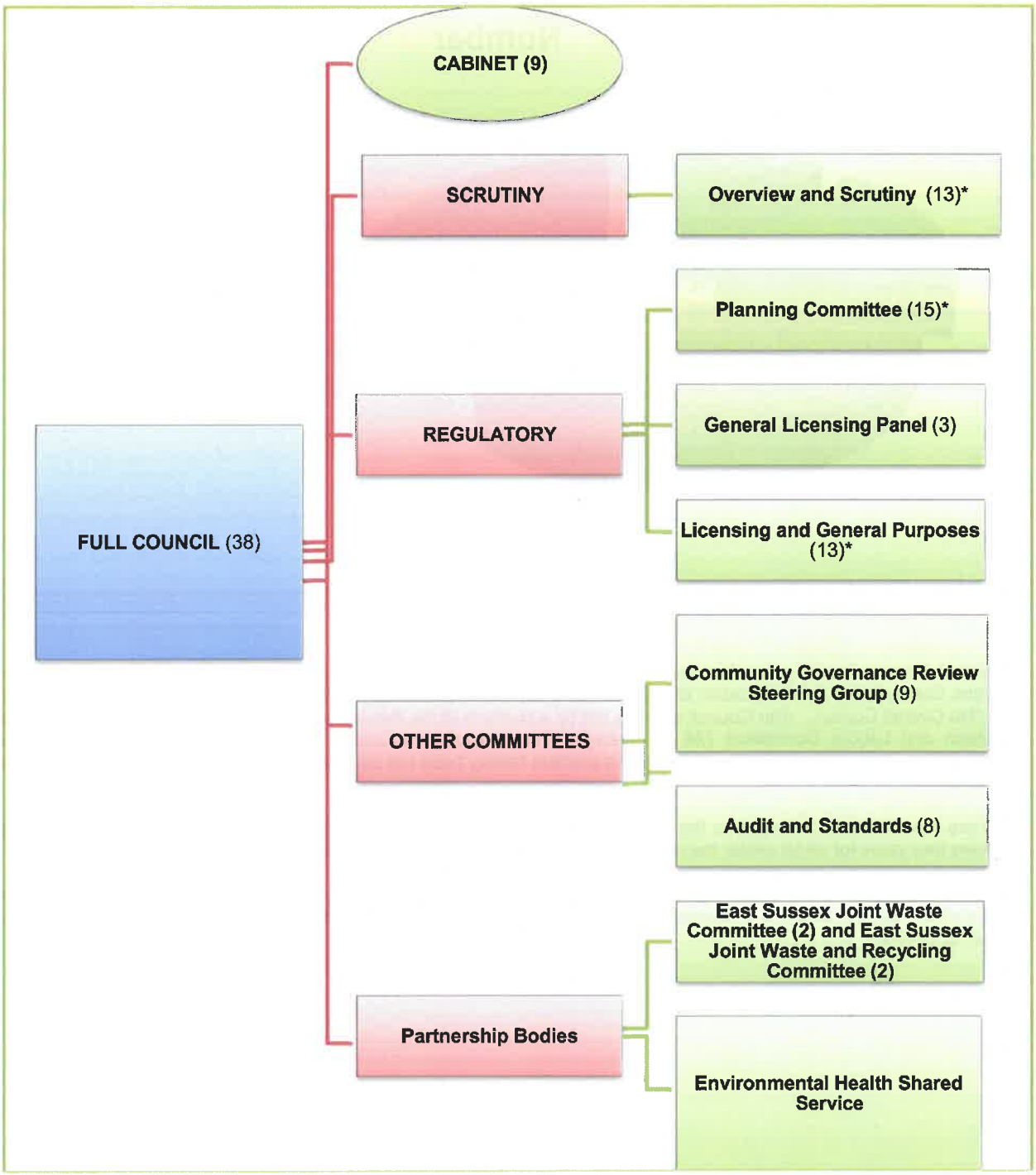


District Council elections were last held on 2 May 2019 with all seats being up for election. The results of the election were: Conservative 14; Association of Independents 13; Liberal Democrats 7; Green 1 and Labour 3. This resulted in a "No Overall Control". The Council is being run by a coalition of the Association of Independents, Liberal Democrat, Green and Labour Councillors (24 Members). The Conservative Group, whilst having the largest number of Councillors in one single Group are now in opposition having been the controlling administration for the last 20 plus years.

There have been no changes to the make-up of the Council since the elections in May 2019. Elections are held every four years for all 38 seats; the next all-out Elections will be held in May 2023.

All the Councillors meet together as Full Council and set the policy and budget framework within which the Council operates. Set out below is a diagram of the Decision-Making bodies for Rother District Council that were in place during 2019/20.

NARRATIVE



*Chairman of Council sits as an ex-officio Member on these Committees but has no voting rights.

NARRATIVE

The Cabinet

The Cabinet consists of the Leader of the Council and 7 other Councillors and meets monthly. The main functions are:-

- To propose the budget and policy framework for approval by the Council
- To carry out all of the Council's functions and take all decisions except:
  (a) those reserved to Council, the Audit and Standards Committee, the Planning Committee and the Licensing and General Purposes Committee
  (b) those delegated to the officers, providing those decisions are not in conflict with the approved budget policy framework
- To refer matters including the review of strategies and policies to the Overview and Scrutiny Committee for consultation, investigation and report
- To perform the Employers Side function of the Local Staff Joint Committee.

Overview and Scrutiny Committee

This Committee is responsible for overview and scrutiny, which supports the work of the Cabinet and the Council as a whole. The Committee is made up of 12 Councillors and it meets 8 times per year. The main activities are:

(a) Policy development and review:

- Assist the Council and the Executive in the development of its budget and policy framework by in-depth analysis of policy issues;
- Conduct research, community and other consultation in the analysis of policy issues and possible options;
- Consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
- Question Members of the Executive and/or the Head of Paid Service, Executive Directors or Service Managers about their views on issues and proposals affecting the area; and
- Liaise with other external organisations operating in the area, whether national, regional or local, to ensure that the interests of local people are enhanced by collaborative working, and challenge the relevance of joint working, and in particular any service level agreements, in the delivery of the Council's 4 Aims.

(b) Scrutiny:

- Review and scrutinise the decisions made by and performance of the Executive and/or council officers both in relation to individual decisions and the impact of those decisions over time;
- Review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
- Question Members of the Executive and/or the Head of Paid Service, Executive Directors and Service Managers about their decisions and performance, whether generally in comparison with service plans and targets, over a period of time, or in relation to particular decisions, initiatives or projects;
- Make recommendations to the Executive and/or Council arising from the outcome of the scrutiny process;
- Review and scrutinise the performance of other public bodies in the area and invite reports from them by requesting them to address the Overview and Scrutiny Committee and local people about their activities and performance; and
- Question and gather evidence from any person (with their consent).

Audit and Standards Committee

The Committee is made up of 8 Councillors and normally meets 5 times per year.

When carrying out the Audit function, its purpose is

- to provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

When carrying out the Standards functions, its purpose is

- to promote and maintain high standards of conduct by Members and Co-opted Members of the Council;
- to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity;

- to put in place arrangements to investigate and make decisions on written allegations against Elected Members both at District and Parish level and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other benefits in cases of maladministration etc.

Licensing and General Purposes Committee

The Committee is made up of 12 Councillors and normally meets 4 times per year. The Licensing and General Purposes Committee has specific responsibility for:

- Licensing
- Health and Safety at Work Act
- Appeals against any decision made by or on behalf of the authority
- Determination of applications for benefits and discretionary rate relief
- Elections and Electoral Registration
- Parish and Town Council matters
- Standing Orders
- Staffing matters
- Control of pollution, contaminated land and air quality

General Licensing Panel

These are made up of 3 Councillors drawn from the membership of the Licensing and General Purposes and meet ad hoc to deal with business as it arises. The Panels consider all aspects of licence applications, variations, suspensions and revocations across the spectrum of local authority licensing responsibilities.

Taxi and Private Hire Licensing Panel

These are made up of 3 Councillors from the membership of the Licensing and General Purposes Committee and meet on an ad-hoc basis to deal with business as it arises. The Panels consider all aspects in regard to Hackney Carriage, Private Hire Driver, Operator and Vehicle Licences.

Planning Committee

The Planning Committee is made up of 14 Councillors and normally meets monthly. The Planning Committee has specific responsibility for:

- Determine Planning Applications
- Building Regulations and Safety of Buildings and Premises
- Conservation and Listed Buildings
- Tree Preservation and Planting
- Strategic Highway and Transportation issues

East Sussex Joint Waste Committee

The Joint Waste Committee is made up of elected Member representatives from the Cabinets of each of the following authorities: Eastbourne Borough Council (EBC) ; East Sussex County Council (ESCC); Hastings Borough Council (HBC); Rother District Council (RDC) and Wealden District Council (WDC).

These authorities established the Joint Waste Committee in 2011 with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990 by procuring a single Joint Waste Contract which was awarded to Kier Services Limited and started in April 2013 and ends on 28 June 2019.

The Joint Waste Committee ceased to operate and was disbanded in September 2019.

East Sussex Joint Waste and Recycling Committee

To enable a clear distinction between matters concerning the previous Joint Waste Contract and the procurement decisions for those authorities remaining in the partnership, HBC, RDC and WDC a new Joint Waste and Recycling Committee (JWRC) was established with its inaugural meeting taking place in September 2017.

NARRATIVE

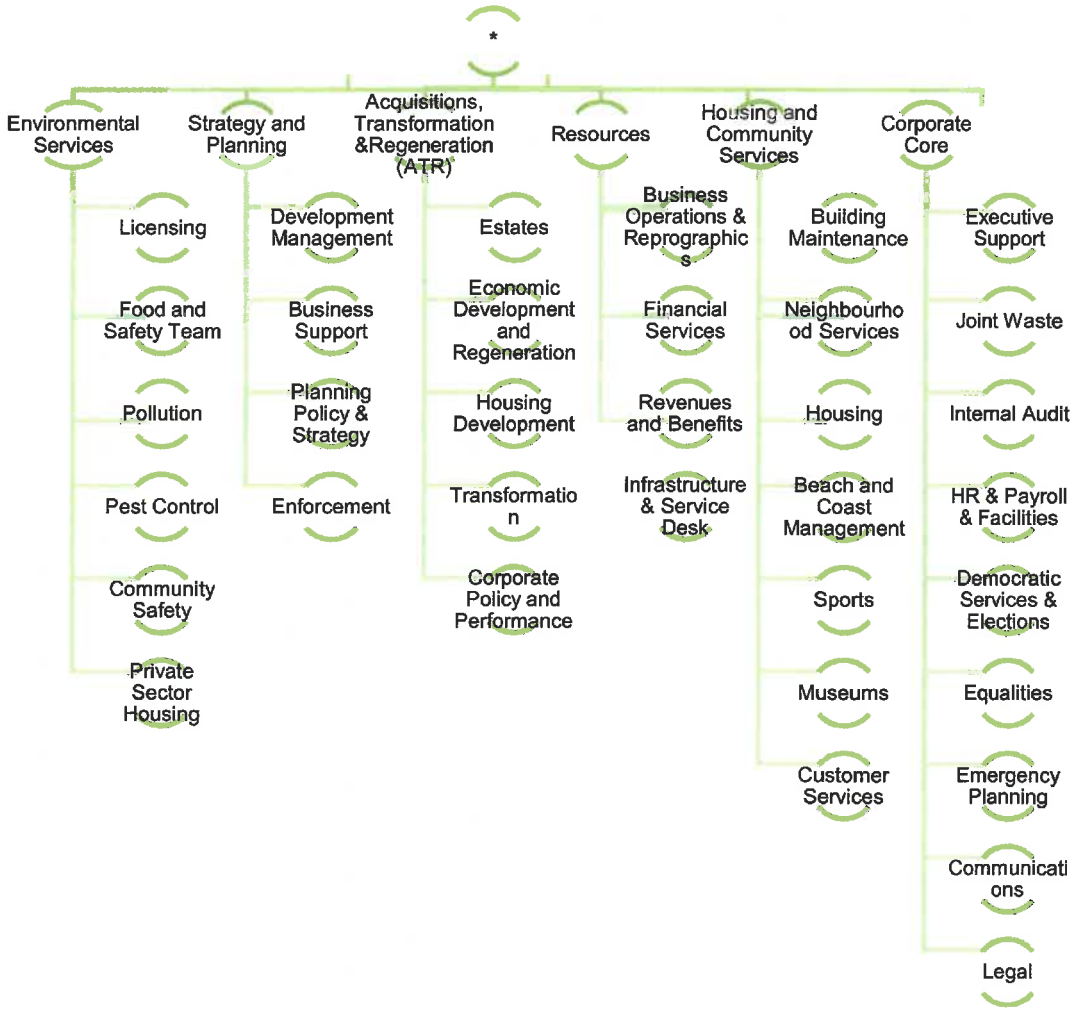
The Joint Waste and Recycling Committee is made up of elected Member representatives from the Cabinets of each of the following authorities: East Sussex County Council; Hastings Borough Council (HBC); Rother District Council (RDC) and Wealden District Council (WDC).

The Joint Waste Committee also facilitates the authorities to work in partnership with East Sussex County Council as the Waste Disposal Authority to maximise integration opportunities.

The Management Structure of the Council

Supporting the work of elected Members is the organisational structure of the Council headed by the Strategic Management Team (SMT). This is comprised of Rother District Council's most senior officers. The Executive Directors and the Assistant Director Resources (Chief Finance Officer).

The Council appoints a Monitoring Officer (Democratic Services Manager) and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget. Areas of responsibility are shown in the following diagram:



NARRATIVE

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

Employees	**2018/19**	**2019/20**
Total number of current permanent full and part time employees	249	250
Total number of current temporary / fixed term employees	14	14
Total number of current job share employees	0	0
Total number of employees	**263**	**264**
Total number of employees expressed as full time equivalents	228	230

Posts	**2018/19**	**2019/20**
Total number of permanent full and part time posts	258	257
Total number of temporary / fixed term posts	17	14
Total number of job share posts	0	0
Total number of posts	**275**	**271**
Total number of posts expressed as full time equivalents	234	232

Sickness and accident statistics are shown in the table below:

	2018/19	**2019/20**
Short term sickness (days per FTE)	2.11	2.69
Medium term sickness (days per FTE)	2.13	1.23
Long term sickness (days per FTE)	5.75	2.79
Overall sickness (days per FTE)	9.99	6.71
Number of accidents	2	2

4. A Summary of the 2019/20 Financial Performance of the Council

General Fund

The Council approved a Council Tax Demand of £6.829 million at its budget meeting in February 2019 resulting in a Council Tax charge for a Band D property of £179.45, an increase of £5.13.

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

NARRATIVE

	2019/20 Budget £ (000)	2019/20 Revised Budget £(000)	2019/20 Estimated Outturn £ (000)	2019/20 Variance £ (000)
Executive Directors & Corporate Core	2,084	2,084	2,217	133
Environmental Services	750	750	321	(429)
Strategy and Planning	961	961	759	(202)
Acquisitions, Transformation and Regeneration	(794)	(591)	(223)	368
Housing and Community Services	7,148	7,365	7,634	269
Resources	3,288	3,264	3,873	609
Total Cost of Services	13,437	13,833	14,581	748
Interest from Investments	(512)	(512)	(508)	4
Impairment losses				
Capital Expenditure Charged to Revenue	1,670	658	416	(242)
2020 Savings:				
MRP	156	91	29	(62)
Interest payments	220	227	286	59
Net Cost of Services	14,971	14,297	14,804	507

	2019/20 Budget £ (000)	2019/20 Revised Budget £(000)	2019/20 Estimated Outturn £ (000)	2019/20 Variance £ (000)
Parish Precepts	1,549	1,656	1,656	0
Special Expenses	(674)	(674)	(674)	0
Business Rates				
Local Share of business rates	(8,020)	(8,020)	(7,609)	411
s31 Grants	(1,297)	(1,297)	(2,080)	(783)
Tariff	5,715	5,715	5,715	0
Levy payment on account	0	0	0	0
Revenue Support Grant				
Non-Specific Revenue Grants				
New Homes Bonus Grant	(449)	(449)	(449)	0
Rural services delivery grant	0	0	0	0
Local Council tax Support Grant	(100)	(100)	(96)	4
Benefits Administration Grant	(233)	(233)	(214)	19
Homelessness Grant - New Burdens	(43)	(43)	(237)	(194)
Flexible Homeless Support Grant	(275)	(275)	(276)	(1)
Council Tax Requirement (Rother and Parishes)	(8,379)	(8,486)	(8,485)	1
Other Financing				
Collection Fund (Surplus)/Deficit	336	336	337	1
Contributions to/(from) Earmarked Reserves	(3,101)	(2,427)	(2,392)	35
Contributions to/(from) General Fund Balance	0	0	0	0
Total Income	(14,971)	(14,297)	14,804	(507)

The General Fund Revenue Budget outturn is a deficit of £0.27 million. When the budget was originally set in February 2019 the Council estimated it would need to draw down £1.769m from earmarked reserves in order to balance the budget. This therefore represents a total drawdown of £1.976 million. The remaining drawdown of £416k from earmarked reserves in 2019/20 was to fund capital expenditure.

NARRATIVE

The main variances against budget are detailed in the following sections:-

Executive Directors & Corporate Core - £133,000 deficit

- £90,000 the cost of running district council elections;
- £25,000 initial costs incurred in response to the Coronavirus pandemic, e.g. the purchase of IT equipment, Telephony costs;
- £19,000 of additional costs incurred on the installation of the new payroll system.

Environmental Health Service - £429,000 surplus

- £97,000 savings on vacant posts held throughout the year;
- £8,000 of additional income, e.g. food hygiene courses;
- £6,000 savings on supplies and services across the department;
- £51,000 cost of redundancies required to balance the 2020/21 budget.
- £353,000 underspend on Disabled Facilities Grants. The Council received a grant of £1.625 million from East Sussex County Council for this purpose. Unspent balances are transferred to an earmarked reserve to be used to fund further expenditure in 2020/21

Strategy and Planning Development - £202,000 surplus

- £280,000 shortfall on planning application and enquiries fee income
- £93,000 underspend on the Local Development Framework. This will be transferred to an earmarked reserve and be used to fund further expenditure in 2020/21.
- £258,000 underspend on salary costs due to unfilled vacancies held throughout the year.
- £125,000 of additional income achieved from administration recharges in relation to the Community Infrastructure Levy.

Acquisitions, Transformation and Regeneration - £368,000 deficit

- £63,000 cost of redundancies required to balance the 2020/21 budget
- £312,000 net shortfall in property rental income mainly due to not meeting the targets set in the Property Investment Strategy, (£230,000). Rent voids, repair costs and business rates over the rest of the portfolio resulted in a further shortfall of £83,000.
- £12,000 of extra costs incurred on producing a marketing plan for Battle and for events in Rye.
- £30,000 net savings from vacant posts not filled during the year.

Housing and Community Services - £269,000 deficit

- £22,000 cost of redundancies required to balance the 2020/21 budget.
- £134,000 overspend on Leisure facilities, Parks and Open Spaces. Urgent repairs were required to plant and equipment at Bexhill and Rye leisure facilities, (£101,000). Repairs to walls, barriers and play equipment were undertaken at parks in Bexhill and Rye, (£34,000).
- £278,000 overspend on Waste Collection service and Street cleaning. The joint waste contract was retendered in July 2019 and led to a cost increase of £336,000 however savings of £58,000 were achieved on Public Conveniences, Street and Beach Cleaning to offset the overspend.
- £186,000 of additional income from East Sussex County Council for recycling credits relating to the previous waste contract and the sale of recyclables.
- £48,000 overspend on Car Park mainly due to the closure of car parks in March as a result of the pandemic outbreak and the resurfacing of Camber Western car park.
- £149,000 overspend on the rising costs of providing Temporary Accommodation for homeless families (£227,000), which has been partially offset by the delayed implementation of the Rother tenant finder service, (£78,000).
- £130,000 underspend on the resettlement of Syrian refugees and initiatives to reduce Rough Sleeping across the district. The Council receives ring-fenced government grants to fund both initiatives. Unspent balances are transferred to an earmarked reserve to be used to fund further expenditure in 2020/21.
- £17,000 underspend on Cemeteries mainly due to savings on repair costs and higher than anticipated fee income.
- £15,000 savings achieved on the running costs of Battle and Rye Community Hub Points.
- £15,000 savings achieved on the cost of premises insurances across the Housing and Community service area following the appointment of a new insurance provider.

NARRATIVE

Resources - £609,000 deficit

- £176,000 cost of redundancies required to balance the 2020/21 budget.
- £40,000 unbudgeted cost of the Council's asset valuations contract.
- £96,000 increased bad debt provision, which the Council reviews annually to comply with audit requirements and accounting standards. The provision has been increased to allow for an increase in the of recovery housing benefit overpayments.
- £82,000 overspend on Accountancy as a result of additional staffing and Systems support costs.
- £321,000 under achievement of income. This mainly relates to the recovery of housing benefit overpayments, which have historically been much higher but have significantly reduced this financial year by £405,000, thus reflecting an improved performance in the administration and payment of housing benefit claims. The lower than expected cost of business rates and council tax collection have helped reduce the variance by £88,000.
- £115,000 underspend on the operation of the Revenue & Benefits section.

Other variations

- £242,000 slippage on capital expenditure funded from revenue mainly relating to the ICT infrastructure upgrade (£140,000) and Accommodation strategy (£71,000).
- £783,000 additional section 31 grant income.
- £411,000 reduced net retained income from the business rates pool.
- £194,000 additional non-specific government grants relating to homelessness new burdens.

General Fund: Capital Programme
The General Fund Capital Programme is summarised in the table below:

Rother District Council
Capital Programme Summary

	2019/20 Original Budget Feb 19 £ (000)	2019/20 Revised Budget £ (000)	2019/20 Outturn £ (000)	2019/20 Variance £ (000)
Acquisitions, Transformation and Regeneration	-			
Community grants	130	130	110	**20**
East Parade – project B – shelters and heritage hub	30	32	0	**32**
Cemetery entrance	200	240	7	**233**
Blackfriars housing development	3,150	0	175	**(175)**
Community led housing schemes	350	0	0	**0**
1066 pathways	0	164	71	**93**
Rother 2020 Programme				
Property Investment Strategy:				
Beeching Road/Wainwright Road		250	358	**(108)**
Glovers House		7,812	7,844	**(32)**
Barnhorn Road		605	610	**(5)**
Beeching Road site 18-40		500	0	**500**
Market Square, Battle		3,256	3,256	**0**
	12,488			
Rother transformation ICT investment	0	45	0	**45**
Housing and Community Services				

NARRATIVE

De La Warr Pavilion – capital grant	53	53	54	**(1)**
Bexhill seafront – fountain	0	0	14	**(14)**
Fairlight coastal protection	47	70	47	**23**
Pett Level coast protection	0	0	29	**(29)**
Sidley sports and recreation	300	0	21	**(21)**
Bexhill Leisure Centre – site development	1,930	415	34	**381**
Disabled facilities grant	797	1,625	1,352	**273**
New bins and containers	121	121	63	**58**
Bexill promenade – protective barriers	50	50	0	**50**
Bexhill promenade – outflow pipe	100	0	0	**0**
Housing (purchases – temporary accommodation)	1,000	1,000	0	**1,000**
Reinforcement works to Camber car parks	120	0	0	**0**
Strategy and Planning				
Highways works – London Road Bexhill	0	300	0	**300**
CIL payments to parish/town councils	0	200	37	**163**
Corporate Core including Executive Directors				
Accommodation strategy	0	75	4	**71**
Corporate document imaging system	203	0	6	**(6)**
Lift for Amherst Road offices	100	100	0	**100**
Resources				
Enterprise resource planning system upgrade	36	36	56	**(20)**
ICT infrastructure – ongoing upgrade programme	0	166	26	**140**
Total Capital Programme	**21,205**	**17,245**	**14,175**	**3,070**

	2019/20 Original Budget Feb 19 £ (000)	2019/20 Revised Budget £ (000)	2019/20 Estimated Outturn £ (000)	2019/20 Variance £ (000)
Funded By:				
Capital Receipts	1,930	415	0	**415**
Grants and contributions	3,847	2,859	1,697	**1,162**
Borrowing	12,488	13,263	12,060	**1,203**
Capital Expenditure Charged to Revenue	1,670	658	418	**240**
Unfunded	1,270	50	0	**50**
Total Funding	**21,205**	**17,245**	**14,175**	**3,070**

The outturn on the General Fund Capital Programme is an overall underspend of £3.07 million against the revised Programme agreed by Members. Schemes that are underspent are largely affected by timing changes to planned

expenditure which will be reflected in the 2020/21 Capital Programme. The reasons for the significant variances are as follows:

- Slippage of £1 million on temporary accommodation purchases. A number of properties are in the process of being purchased to help alleviate temporary accommodation pressures and give some headroom to the homelessness budget to respond to the increase in demand. The impact of COVID – 19 pandemic meant that these purchases were not completed before the financial year end.

- Property Investment Strategy. There was a cost overrun of £108,000 on the demolition works at Beeching Road/Wainright Road site following the discovery of asbestos. The funding agreement with East Sussex was delayed which had a knock on to the start date of the redevelopment of the 18-40 Beeching Road. This resulted in an underspend of £500,000 in the year but will carry forward into 2020/21.

- Bexhill Leisure Centre project has been delayed due to issues with the land assembly. Moreover any further work has been temporarily stopped to enable a full review of the scale and deliverability of the project.

Collection Fund

The outturn on the Collection Fund is a surplus of £1.452 million on Business Rates against a budgeted surplus of £1.838 million; and a surplus of £0.471 million on Council Tax against a budgeted surplus of £0.744 million. The difference between actual and budgeted will be adjusted in 2021/22 tax setting.

5. Strategic Risks

Risk	Impact	Mitigation
Business Rates Business Rates reset by national Government could lead to reduced income being retained.	Adverse financial outcome(s) for the Council in future years.	Continuing to engage with the MHCLG through their consultations.
Reliance on Commercial Income Exploring alternative sources of income to offset core funding reductions and also ensure value for money for residents. Particularly in relation to the property investment strategy and the Colonnade restaurant.	A recession or other unexpected/uncontrollable event could leave the Council exposed to under-funding or large losses in income.	Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets.
Medium Term Impact on the economy of COVID – 19 Possible impact of economic downturn on the number of businesses operating in Rother and potential increase in worklessness could reduce income from Council Tax as more households claim financial support from the Council	Currently Rother would have to support 40% of the loss of income from business rates should there be business failures due to a prolonged economic downturn. Increased worklessness would see the claims for Council Tax reduction with resultant loss of taxbase and inability to compensate through higher levels of Council Tax charged to other households	Continuing to engage with the MHCLG through their consultations to mitigate the loss of income to the council through enhanced central government support

NARRATIVE

6. Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £25.348 million at 31st March 2019 to £17.850 million at 31st March 2020. It is detailed in Note 8 to the accounts. Gross liabilities have decreased by £13.9 million mainly due to changes in the discount rate and salary/inflation assessments, this has been partly offset by decreases in the return on assets of £7.6 million.

The Council does not operate its own Pension Fund but is part of the East Sussex Local Government Pension Scheme which is administered by East Sussex County Council. Full details of the Pension Scheme and its accounts are available on-line at www.eastsussex.gov.uk

7. Future Plans

In common with the rest of local government, the Council has seen a steady reduction in its core funding in recent years. The Government's aim is to phase out non-specific grant funding altogether, instead allowing local authorities to retain a higher proportion of business rates collected locally.

The Medium Term Financial Strategy has recently been updated indicating that due to reductions in government funding and demands on Council services as well as more general economic changes brought about by Brexit the financing of the Council services remains challenging.

To balance the budget there will be a continuing need for service transformation, efficiencies and other savings initiatives for the foreseeable future.

The Medium Term Financial Strategy

The budget for 2020/21 was set against the continuing fiscal tightening of local government through Government policy. The Council's Medium Term Financial Strategy was set in February 2020 and will be updated in the Autumn of 2020 to reflect the effects of COVID – 19 on the Council's finances together with a reassessment of the deliverability of savings and income targets.

The medium term financial strategy for the period 2020/21 to 2024/25 updated is set out in the table below (source: Report CB/91 Draft Revenue Budget Proposals 2020/21 to Cabinet 10 February 2020).

	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
Head of Service Departmental Budgets					
Executive Directors & Corporate Core	2,042	2,042	2,042	2,042	2,042
Environmental Services	698	698	698	698	698
Strategy and Planning	993	993	993	993	993
Acquisitions, Transformation and Regeneration	(188)	(228)	(927)	(861)	(1,038)
Housing and Community Services	8,374	8,344	8,344	8,344	8,344
Resources	3,402	3,356	3,356	3,356	3,431
Non Pay & Income Inflation at 2%	0	51	102	153	204
Salaries pay award inflation @ 2% of 2019/20 Base Budget	0	188	376	564	752
Salaries turnover @ 3% of 2019/20 Base Budget	(282)	(288)	(299)	(316)	(338)
Total Cost of Services	**15,039**	**15,156**	**14,685**	**14,973**	**15,088**

NARRATIVE

Interest from Investments	(400)	(169)	(169)	(169)	(169)
Capital Expenditure Charged to Revenue	1,359	291	291	291	291
MRP and Interest - Property Investment Strategy	755	1,130	1,306	1,315	1,314
MRP and Interest - Other	97	97	145	145	145
Savings and Income generation					
(i) Increase income - Property Investment Strategy	(544)	(605)	(605)	(605)	(605)
(ii) Increase income (net) - other	(14)	(107)	(202)	(202)	(202)
(iii) Lean and Demand	(90)	(180)	(180)	(180)	(180)
(iv) Service Prioritisation	(100)	(250)	(250)	(310)	(370)
(v) Devolvement	0	(1,350)	(1,350)	(1,350)	(1,350)
(vi) Reduced Staffing Structure	(500)	(500)	(500)	(500)	(500)
(vii) Shared Services	TBD	TBD	TBD	TBD	TBD
Net Cost of Services	**15,602**	**13,513**	**13,171**	**13,409**	**13,462**

	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)
Special Expenses	(687)	0	0	0	0
Business Rates					
Local Share of business rates 44% 2019/20 and 40% thereafter	(7,157)	(7,157)	(7,157)	(7,157)	(7,157)
s31 Grants	(1,892)	(1,892)	(1,892)	(1,892)	(1,892)
Tariff	5,121	5,121	5,121	5,121	5,121
Pooling Levy	195	195	195	195	195
Transition grant	0	TBD	TBD	TBD	TBD
Revenue Support Grant	0	TBD	0	0	0
Non-Specific Revenue Grants					
New Homes Bonus Grant	(247)	(12)	0	0	0
Rural services delivery grant	(50)	(50)	(50)	(50)	(50)
Local Council tax Support Grant	(102)	(104)	(106)	(108)	(110)
Benefits Administration Grant	(238)	(223)	(223)	(223)	(223)
New Burdens Grant & other non-specific Grants	0	0	0	0	0
Homelessness Grant - New Burdens	0	0	0	0	0
Homelessness Grant - Preventions	(126)	(126)	(126)	(126)	(126)
Flexible Homeless Support Grant	(275)	(275)	(275)	(275)	(275)
Brexit preparations Grant	0	0	0	0	0
Council Tax Requirement (Rother only)	(7,019)	(7,199)	(7,384)	(7,573)	(7,766)
Other Financing					
Collection Fund (Surplus)/Deficit	(849)	0	0	0	0
Contribution from reserves to fund capital expenditure	(1,359)	(291)	(291)	(291)	(291)
Contributions to/(from) General Fund Balance and Reserves	0	0	0	0	0
Total Income	**(14,685)**	**(12,013)**	**(12,187)**	**(12,378)**	**(12,574)**

The Council has adopted a property investment strategy is focussed on investment within Rother District in order to facilitate economic regeneration and help secure existing, and develop new, employment space. Some success has been achieved in 2019/20 and work on identifying suitable properties continues to meet the savings targets indicated below.

NARRATIVE

Income Generation

The Council has a number of key income streams besides Council Tax and Non domestic rates. These include car parking, rents from land and industrial estates, planning, licensing and land charges.

The Council has stepped up the level of income it is receiving from property through the property investment strategy. The table below highlights the contribution these assets are making towards services including income from the Council's recent acquisition of Market Square, Battle in March 2020. The table excludes a property at 1-7 Wainwright Road which is being redeveloped.

As can be seen the recent purchases are already helping to achieve the savings identified in the table above. The Council aims to deliver a net 2% return on the capital investment after all costs are taken account of, including borrowing costs.

Property	2020/21 Estimated Gross Additional Income £'000
14 Terminus Road	106
18-40 Beeching Road	88
16 Beeching Road	97
Glovers House*	425
Market Square, Battle	195
Total	911

Property Funds

The Council has £5million invested in the CCLA Local Authority Property Fund and £3million in the Hermes Property Fund. The reason for these investments was due to the current low interest rates offered by banks and in a bid to achieve improved investment returns. These funds returned between 3/4.3% which help support Council services. They also provide a capital return or potential loss depending on property values but this is not realised until the funds are sold.

Capital Strategy 2020/21

The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which seeks to provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how associated risk is managed
- the implications for future financial sustainability

Of most significance are the Council plans to continue with its capital expenditure on its Property Investment Strategy as part of its regeneration ambitions and possibly invest £14 million on a new leisure centre.

The Council's Capital Strategy was approved by full Council on 25th February 2019 and is available on the Council website. The table below also includes estimates for 2024/25 to align with the Council's Medium Term Financial Plan.

NARRATIVE

Rother District Council

Capital Programme Summary

Line		2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	Total £ (000)
1	**Acquisitions, Transformation and Regeneration**						
2	Community Grants	130	130	130	130	130	**650**
3	East Parade - project A - Bexhill East Beach	288					**288**
4	Community Led Housing Schemes	450	150				**600**
5	Blackfriars Housing Development	3,052					**3,052**
6	Property Investment Strategy - uncommitted	6,820					**6,820**
7	PIS - Beeching Road/Wainwright Road	3,000					**3,000**
8	PIS - Barnhorn Road	1,000	8,495	500			**9,995**
9	PIS - Beeching Road 18-40	460					**460**
10	Rother Transformation ICT Investment	345					**345**
11	Corporate Document Image Processing System	435					**435**
12	**Housing and Community Services**						
13	De La Warr Pavilion - Capital Grant	53	53	53	53	53	**265**
14	Bexhill Seafront - fountain	350					**350**
15	Sidley Sports and Recreation	300					**300**
16	Land Swap re Former High School Site	1,085					**1,085**
17	Bexhill Leisure Centre - site development	155	1,746	5,901	6,901	410	**15,113**
18	New bins	125	125	125	125	125	**625**
19	Bexhill Promenade - Outflow pipe	100					**100**
20	Housing (purchases - temp accomodation)	2,000					**2,000**
21	**Total Capital Programme**	**20,148**	**10,699**	**6,709**	**7,209**	**718**	**45,483**

Line		2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	Total £ (000)
22	**Funded By:**						
23	Capital Receipts	1,240	1,537				**2,777**
24	Grants and contributions	4,262	359	1,948	0	0	**6,569**
25	CIL						**0**
26	Borrowing	12,820	8,495	500	0	0	**21,815**
27	Capital Expenditure Charged to Revenue	1,359	291	291	291	291	**2,523**
28	Unfunded	467	17	3,970	6,918	427	**11,799**
29	**Total Funding**	**20,148**	**10,699**	**6,709**	**7,209**	**718**	**45,483**

NARRATIVE

8. Material assets/liabilities

The Council purchased the following significant assets during the year as part of its economic development and regeneration strategy:

Glovers House	£7.84m
Jempson Supermarket, Battle	£3.23m

These significant new material assets will be financed by loans from the Public Works Loan Board (PWLB). As at 31st March 2020 the Council's borrowing stood at £12.12m.

9. Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. There have been no changes to policies.

These statements contain a number of different elements which are explained below.

Statement of Responsibilities sets out the respective responsibilities of the Council and the Chief Finance Officer.

Independent Auditor's Report gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Statement of Accounts

- ***Comprehensive Income and Expenditure Statement*** shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation.
- ***Movement in Reserves Statement*** shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.
- ***Balance Sheet*** shows the value of the Council's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.
- ***Cash Flow Statement*** shows the changes in the Council's cash and cash equivalents during the reporting period.
- ***Collection Fund*** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

10. Acknowledgements

I would like to thank all those involved in managing the Council's finances and preparing this Statement of Accounts. Their support under ever increasing competing demands has been appreciated throughout these challenging times.

R Vennard.

Robin Vennard

Assistant Director Resources (Chief Finance Officer)

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Rother District Council (RDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. RDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

RDC has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The local code has been amended to reflect updated framework and guidance issued in 2016. A copy of the Code is on the RDC website or can be obtained from the Council's Monitoring Officer, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787813. This statement explains how RDC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

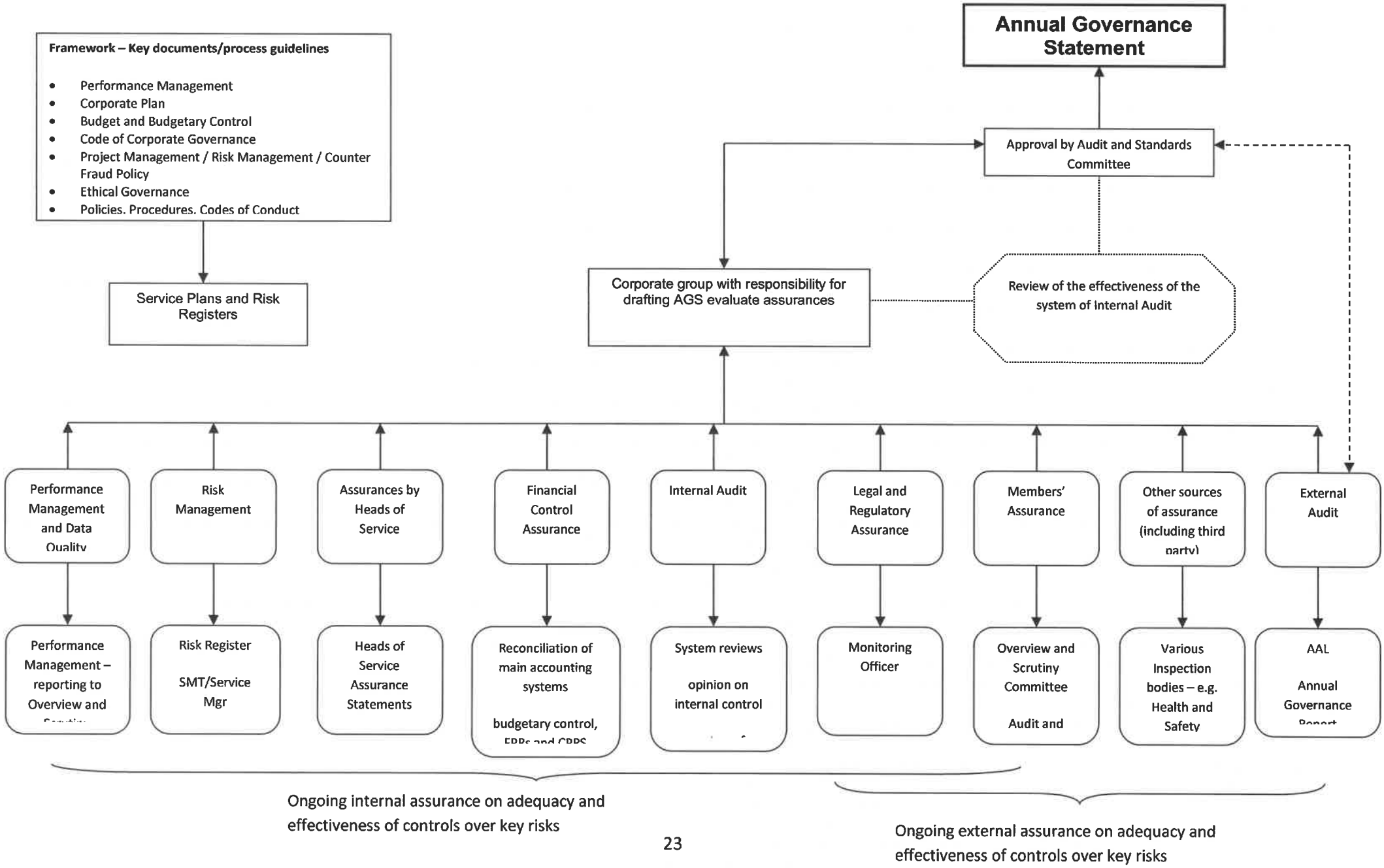
The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives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

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

The governance framework has been in place at Rother for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE FRAMEWORK TO 31 MARCH 2020



ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

RDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The way the Council complied with the Code of Corporate Governance is explained below:

PRINCIPLE A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Legal and Regulatory Assurance

The role of Solicitor to the Council entails oversight of all the Council's legal dealings, including as necessary the sealing or signing of formal legal documents. The role of Monitoring Officer entails oversight of the Council's ethical framework, oversight of the Council's Constitution including the proper allocation of functions between the executive, regulatory and scrutiny limbs of the democratic machinery, and the statutory duty to report direct to full Council with respect to any breach of law. Key to the performance of the Monitoring Officer is the vetting of the agenda, reports and minutes of all meetings.

The Democratic Services Manager was the Council's Monitoring Officer in 2019/20. The Council's Legal Services are provided by Wealden District Council and their lead officer is the appointed Solicitor to the Council.

Members' Assurance – Audit and Standards Committee

During 2019/20, the Audit and Standards Committee (A&SC) received and scrutinised quarterly reports from the Audit Manager on the reviews carried out and progress against the plan and the year-end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

In carrying out its responsibilities for Standards matters, the Committee also includes three Independent Person(s) and two Parish and Town Councillor representatives, who usually attend meetings of the A&SC twice a year, when standards related matters are considered. Under the Localism Act 2011, the Standards regime changed and Councils were given the responsibility of setting their own Codes of Conduct and procedures for dealing with complaints against Members. The Monitoring Officer is now able to assess all complaints after consultation with one of the Independent Persons and determine what actions, if necessary, should be taken. All valid complaints are reported to the A&SC for information bi-annually. Sanctions for dealing with Councillors who may have breached the Code of Conduct are significantly reduced under the new regime.

In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives a bi-annual report and an annual report on the Council's whole year performance.

Anti-Fraud and Corruption Framework

All officers and Members are signed up to the Council's Anti-Fraud and Corruption Framework. The Framework is made up five separate but related documents, namely:

- ✓ Anti-Fraud and Corruption Strategy
- ✓ Fraud Response Plan
- ✓ Anti-Bribery Policy
- ✓ Anti-Money Laundering Policy
- ✓ Whistleblowing Policy

The Whistleblowing policy places emphasis on the agreed ethical values of Members and employees, providing protection for individuals to raise concerns in confidence about suspect behaviour and ensuring that any concerns raised are properly investigated.

PRINCIPLE B – Ensuring openness and comprehensive stakeholder engagement

Full Council, Cabinet, Regulatory and Scrutiny meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication.

The Council's consultation charter sets out how it engages with stakeholders and partners. Rother residents who want to have their say and hear regularly about new opportunities can join Rother Citizens Panel. Currently there are around 300 residents and other interested parties involved. The Council website has a section called "Ask the Leader!" where the Leader of the Council will answer question posted online. The Council has a public question time scheme which allows the public to put questions to the appropriate Member of Cabinet or Committee Chairman at full Council meetings. Anyone who works or lives in the Rother District can submit one written question to full Council attended by all the elected Councillors.

PRINCIPLES C AND D - Defining, optimising and achieving outcomes

The Rother Corporate Plan 2014 - 2021 sets out our vision for the district and priority areas for improvement in quality of life locally. The Corporate Plan is delivered through a programme of projects and complemented by a resetting strategy that seeks to adapt our services to on-going cuts in central grant support. The Corporate Plan is regularly monitored by Members.

Rother's performance management framework is set out in its Annual Report, published on 30 June each year. Objectives and targets are set against the Council's corporate aims:

- An Efficient, Flexible and Effective Council
- Sustainable Economic Prosperity
- Stronger, Safer Communities
- A Quality Physical Environment

Performance is monitored against a key performance indicator (KPI) set recommended by Overview and Scrutiny (OSC) Members in January of each year and subsequently approved by Cabinet. Performance against the KPI basket is reported to Members quarterly and includes other areas if performance is giving rise for concern. Details of any remedial action to be undertaken are included in these reports. Benchmarking against other similar authorities and national quartiles where available is a key aspect of performance reporting. Strategic Management Team and the OSC routinely carry out high-level oversight of performance. The Committee recommends actions and resource reallocation for action by Cabinet where appropriate.

The Council's performance reporting system, Pentana, is used to capture and analyse data for the Council. The use of the system has been extended to record data to enable the effective monitoring of the delivery of projects and business plans associated with the Corporate Plan.

The Council shares the system with Wealden District Council and this has brought significant financial savings to both authorities. This management information system incorporates robust data quality features. A regular User Group brings together users from across the Council to share experience and ideas. Data quality is also managed through service representatives across the organisation. Quality control processes include Head of Service sign off, risk assessment and internal auditing of measures and their data.

ANNUAL GOVERNANCE STATEMENT

PRINCIPLE E – Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through staff training to ensure we have the necessary skills for the future. All employees' training and development needs are considered as part of their annual appraisal. The Council is the lead authority for the Sussex Training Consortium which provides access to cost effective training for all Councils across East and West Sussex. The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

PRINCIPLE F – Managing risks and performance

Risk Management

The Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and officers have in the identification and minimisation of risk. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of meetings of the Strategic Management Team (SMT). Desk top exercises are held on a regular basis to test identified risks against our Business Continuity planning. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but work continues to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk management process and is now available throughout the Council's services.

Financial Control Assurance

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to Cabinet. The quality of reporting is continually under review by Finance and budget managers and improvements have been made this last year.

Internal Audit

Each year an Internal Audit plan of work is agreed by the SMT, the Section 151 Officer and the Audit and Standards Committee. The majority of the 2019/20 Audit Plan is expected to be completed by the financial year end. At the time of writing, 75% had been completed. The Plan includes all core financial audits together with the audits that had been categorised as high/medium risk within the Plan.

The Audit Manager reports quarterly to the A&SC on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. The Audit Manager reports monthly to the Executive Director and quarterly to the A&SC on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. In addition, SMT and the Section 151 Officer review the effectiveness of Internal Audit annually.

External Audit

External audit provide the Council with an Annual Audit Letter and an Annual Governance report, which reports on the Council's financial performance, value for money and a review of the effectiveness of the governance arrangements.

PRINCIPLE G – Implementing good practices in transparency, reporting, and accountability

All Council decisions are published online together with supporting information to outline why that decision was chosen above other options. The Council has developed both its website and the format of Council reports to improve transparency and accessibility.

ANNUAL GOVERNANCE STATEMENT

The Council reports performance against targets and financial targets on a regular basis. This reporting incorporates services provided by all models of delivery including services shared with other authorities, partnerships and contracted out services. All high risk audit recommendations are reported to the A&SC, to ensure that officers undertake any follow up actions as appropriate.

Significant Governance Issues

In terms of internal control, there have been areas where weaknesses which have been identified through the review of compliance to the local code of corporate governance, Managers' Assurance Statements, Internal Audit and the work of the A&SC and these are commented on below. In addition, there are areas where due to external factors these have potential to adversely impact on the Council.

Governance issues arising from the review of the Local Code of Corporate Governance

There are no outstanding issues to report from previous years, save covered in the sections below.

Internal Audit Reviews Showing Unacceptable Internal Control Environment

Internal audit reviews identified areas where the internal control environment was not satisfactory and action needed:

Property Investment – The first audit review of this subject has only recently been completed. As with any new initiative, the Council's approach will take time to develop. It is therefore no surprise that the report highlighted a number of areas where control needs to be strengthened and/or transparency improved. Recommendations for improvement included enhancements to the processes for property evaluation, scrutiny and due diligence.

U4BW ERP System Administration – Concerns have previously been expressed about the adequacy of resources to administer the new U4BW ERP system. However since last year the amount of dedicated resource has further reduced. There is an offsite support contract, emergency support from the Council's partner authority and other members of the Finance team provide minimal cover whilst a new resource is recruited. It is however considered a risk in having no system administration support on site available for this major system and follow up on outstanding system issues is minimal. The Council is looking to employ a Deputy System Administrator to address this but it will take time to gain Council specific expertise to effectively administer the system.

Other issues and areas of emerging risk that may impact on the Council include:

Local Government Funding Review and Business Rate Retention Scheme reset – the impact of the Government's review of local government funding and review of business rates is unlikely to be known until late summer 2020. This is therefore a significant source of uncertainty over the Council's financial stability.

Achieving a balanced budget – as a result of the above uncertainty and the projected financial funding shortfall in the Council's Medium Term Financial Plan, there is pressure on the Council to deliver savings and additional income of £3m. A major facet of the current plan is the delivery of savings (£1.3m) through the devolvement of services to alternative providers. Failure to deliver these could result in difficulties in achieving a balanced revenue budget without recourse to using a major proportion of the Council's reserves. The Council's plans in delivering savings need to be fully developed during 2020/21 in preparation of the outcome of the Government reviews.

Emerging new Corporate Plan – with the change in May 2019 of the political administration of the Council, a new Corporate Plan is being developed which will have new key objectives. The emerging themes are centred around the environment and new housing. It is likely that resources will need to be redirected to meet these ambitions which will bring a degree of financial and other risks to the Council which will need to be managed.

ANNUAL GOVERNANCE STATEMENT

Joint Working – It is expected that the Council will continue with its programme of delivering services jointly with other bodies where it helps to maintain or improve services at a reduced cost. The Council has 3 main shared services. Building Control and Legal services are provided by Wealden District Council. The shared Environmental Health and Licensing Service with Wealden is provided by this authority. Shared services provided by another Council could limit the Council's ability to maintain the quality of a service, particularly in the short term. The provision of a shared service for another Council does reduce the Council's flexibility and ability to redirect its resources when committed to delivery of a service for another Council. The Council also jointly procures a number of major contracts including waste collection and street cleaning and grounds maintenance.

Loss of staff and recruitment – A number of internal and external factors are having a negative impact on staff morale. Voluntary redundancies are also likely to place additional pressure on remaining staff as the work previously undertaken by their departing colleagues is shared out amongst them. Whilst it is accepted that there is no easy solution to this problem in the current financial climate, low morale increases the risk of staff turnover and this could result in the loss of knowledge and experience which the Council relies upon moving forward. In addition, the recruitment of professional level Local Government posts continues to be problematic. There are a range of factors influencing this, but seasoned professionals and specialists are becoming a real issue for Local Government and in particular, semi-rural Councils such as Rother. The Council's ability to deliver services and projects can be severely compromised by the inability to recruit, combined with the retirement of qualified and experienced staff. This may be resolved in a few years if the Council employs and trains Apprentices in these professional roles.

Property Investment – The Council has commenced a programme of acquisition and development of commercial property in the district with a view to stimulating economic activity and generating rental income to support the revenue budget. Most of this property investment will be funded by borrowing and this is expected to peak at approximately £35m by 2021. Whilst the potential gains from such an approach can be very attractive, there can also be significant financial risks if the Council does not invest wisely or fails to secure the expected rental income. The Council also needs to have regard to Government and CIPFA advice and guidance on commercial investments. The Council carefully considers all property investment opportunities and seeks professional advice before making acquisitions. This is why the Council has put in place a Property Investment Panel that comprises Members and Officers who will be supported by specialist valuation and financial advisors.

U4BW ERP Implementation Project – This project was originally due to complete in April 2018, but it is still ongoing. The Finance and Payroll modules have been operational since April and July 2018 respectively, but the implementation of the Human Resources and Self Service modules continues to be delayed primarily due to problems with system functionality. It is now hoped that these issues will be overcome in order to go live in April 2020 but if this is not achievable, the Council may have to consider an alternative way forward.

Risk Management – Whilst risk is regularly considered by Senior Management this process is not always documented. Consequently, the corporate risk register, which should include all of the major risks facing the Council, is not being regularly updated and actively monitored at present. Furthermore, following the departure of the Service Manager who was previously responsible for maintaining the Risk Management Policy and Framework, it is currently unclear who has been assigned this role. There is therefore a need for greater corporate oversight of risk management activity..

Major Projects – The Council will be undertaking a number of high profile projects over the next few years with the aim of delivering housing and economic regeneration to the district. Most of which are being project managed by the Special Projects team in the Acquisitions, Transformation and Regeneration Service. Some projects will need to be managed by officers within the relevant departments (in addition to their normal day jobs) and not all of these may have project management experience. There could be substantial financial and reputational risks if the Council fails to successfully deliver these projects.

Post Exit of European Union – As negotiations commence on a new trading treaty with the European Union the impact on the Food Control work of the Environmental Health Service remain uncertain in relation to the export and importation of food, which would have resource implications for the shared service with Wealden District Council.

ANNUAL GOVERNANCE STATEMENT

Pandemic Flu – On 31 December 2019, Chinese authorities notified the World Health Organisation (WHO) of an outbreak of pneumonia in Wuhan City, which was later classified as a new disease, COVID-19. The main symptoms are a cough, high temperature, loss of smell and taste and in severe cases, shortness of breath. As this was a new disease, there was no immunity in the population and no vaccine or anti-viral medication. As a result, the potential existed for the disease to spread extensively. This rapid spread has been witnessed in recent times.

The Council responded in three ways:

(i) Supporting the vulnerable through the establishment of a community hub
(ii) Supporting local businesses through grants and rent deferrals/relief
(iii) Redesigning the Council's operations and functions to respond to Government measures through technology to enable homeworking and remote meetings, including committee meetings.

The actions taken ensured that Council Services and governance arrangements have been maintained during the crisis, and as of June 2020, continue to be delivered in very difficult circumstances. Full details of the Council response can be found at:

https://rother.moderngov.co.uk/ieListDocuments.aspx?CId=153&MId=583

The legacy of the crisis will however impact the Councils finances. The estimated financial impact is to be in excess of £3m through the increased cost of homelessness, the emergency response and delayed delivery of savings targets. Income has reduced from rents, parking fees and treasury activities.

To date additional funding of £1m has been received from Government and at present it is not known if further funding will be forthcoming. This additional cost can be accommodated within the Council's reserves but adds pressure on the organisation to deliver the ongoing savings envisaged in the Medium Term Financial Plan.

It is not known at this stage how long the economic recovery will take and could place further financial pressures on the Council through the loss of business rates and increases in the number of households claiming Council Tax reduction as a result of worklessness.

Climate Change Emergency – The actions the Council will need to take to meet its Climate Change Emergency commitments may limit some service provision or increased costs, particularly around reduction in car mileage for visiting Officer, the provision of electric vehicles and heating costs.

Joint Waste Collection and Street Cleaning Contract – The emerging risks associated with the Joint Waste Contract arrangement in 2018/19 were effectively managed Spring to Autumn 2019 with minimal services impact. Some residual risk of service disruption remains pending Biffa Municipal Ltd' final decisions on the need to re-route collection services in 2020. This risk is therefore recorded in the Joint Waste Partnership risk register and being managed through the established joint waste contract management systems.

We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr Doug Oliver	
Leader of the Council	Executive Director
On behalf of Rother District Council	On behalf of Rother District Council

STATEMENT OF RESPONSIBILITIES

The Council's Responsibility

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Rother District Council this officer is the Assistant Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Assistant Director of Resources (as the Chief Financial Officer) Responsibility

The Assistant Director of Resources 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 Assistant Director of Resources 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 Assistant Director of Resources has also:

- kept proper accounting records that were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Chief Financial Officer Certificate

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages 32 to 82 give a true and fair view of the financial position of the Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Robin Vennard

Assistant Director Resources

3 July 2020

Approval of Accounts

The draft accounts remain to be presented to the Audit and Standards Committee.

Councillor Kevin Dixon

Chairman of Audit and Standards Committee

INDEPENDENT AUDITOR'S REPORT

This page is left blank deliberately as statement of accounts remain subject to audit.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018-19 Expenditure £'000	2018-19 Income £'000	2018-19 Net £'000		2019-20 Expenditure £'000	2019-20 Income £'000	2019-20 Net £'000
2,506	(208)	2,298	Executive Directors & Corporate Core	**3,084**	**(535)**	**2,549**
2,572	(2,123)	449	Environmental Services	**2,724**	**(2,088)**	**636**
2,138	(1,017)	1,121	Strategy and Planning and Development	**2,127**	**(1,122)**	**1,005**
1,767	(274)	1,493	Acquisitions, Transformation and Regeneration	**5,268**	**(1,093)**	**4,175**
10,679	(4,658)	6,021	Housing and Community Services	**13,166**	**(4,381)**	**8,785**
24,376	(21,327)	3,049	Resources	**23,246**	**(19,478)**	**3,768**
44,038	(29,607)	14,431	**Cost of Services**	**49,615**	**(28,697)**	**20,918**
1,549	0	1,549	Parish Council Precepts	**1,656**	**0**	**1,656**
127	0	127	Levies	**130**	**0**	**130**
0	(171)	(171)	(Gains) on the disposal of assets	**32**	**(282)**	**(250)**
1,676	(171)	1,505	**Other Operating Expenditure**	**1,818**	**(282)**	**1,536**
573	0	573	Net interest on defined pension liabilities	**615**	**0**	**615**
0	(446)	(446)	Interest receivable and similar income	**0**	**(508)**	**(508)**
18	0	18	Interest payable and similar expenses	**286**	**0**	**286**
136	0	136	Gains and losses on financial assets - Note 20	**317**	**0**	**317**
119	(2,154)	(2,035)	Income and expenditure in relation to investment properties and changes in their fair value	**179**	**(3,737)**	**(3,558)**
846	(2,600)	(1,754)	**Financing and Investment Income and Expenditure**	**1,397**	**(4,245)**	**(2,848)**
0	(8,968)	(8,968)	Council Tax Income	**0**	**(9,194)**	**(9,194)**
5,289	(7,209)	(1,921)	Non Domestic Rates	**5,715**	**(7,693)**	**(1,978)**
0	(73)	(73)	Revenue Support Grant	**0**	**0**	**0**
0	(2,870)	(2,870)	Non-ringfenced government grants	**0**	**(3,076)**	**(3,076)**
0	(1,085)	(1,085)	Capital grants and contributions	**0**	**(2,930)**	**(2,930)**
5,289	(20,205)	(14,917)	**Taxation and non-specific grant income and expenditure**	**5,715**	**(22,893)**	**(17,178)**
51,849	(52,583)	(735)	**(Surplus) or Deficit on Provision of Services**	**58,545**	**(56,117)**	**2,428**
		(3,574)	Surplus on revaluation of non-current assets.			**(8,243)**
		5	Valuation (gains) / losses on available for sale financial assets reserve			**(1)**
		1,943	Remeasurement of the net defined benefit pension liability			**(9,351)**
		(1,626)	**Other Comprehensive Income and Expenditure**			**(17,595)**
		(2,361)	**Total Comprehensive Income and Expenditure**			**(15,167)**

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2018/19							
Balance at 1 April 2018	1,000	15,731	2,886	900	20,517	22,812	43,329
Movement in Reserves in 2018/19:							
Surplus (deficit) on the provision of services (accounting basis)	735	0	0	0	735	0	735
Other Comprehensive Income and Expenditure	0	0	0	0	0	1,626	1,626
Total Comprehensive Income and Expenditure	735	0	0	0	735	1,626	2,361
Adjustments between accounting and funding basis under regulation - note 6	(104)	0	16	973	885	(885)	0
Net increase/decrease before transfers to Earmarked reserves	631	0	16	973	1,620	741	2,361
Transfers to/from Earmarked reserves - note 10	(631)	631	0	0	0	0	0
Increase/(Decrease) in Year	0	631	16	973	1,620	741	2,361
Balance at 31 March 2019	**1,000**	**16,362**	**2,902**	**1,873**	**22,137**	**23,553**	**45,690**

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019/20							
Balance at 1 April 2019	1,000	16,362	2,902	1,873	22,137	23,553	45,690
Movement in Reserves in 2019/20:							
Surplus (deficit) on the provision of services (accounting basis)	(2,428)	0	0	0	(2,428)	0	(2,428)
Other Comprehensive Income and Expenditure	0	0	0	0	0	17,595	17,595
Total Comprehensive Income and Expenditure	(2,428)	0	0	0	(2,428)	17,595	15,167
Adjustments between accounting and funding basis under regulation - *note 6*	36	0	285	2,693	3,014	(3,014)	0
Net increase/decrease before transfers to Earmarked reserves	(2,392)	0	285	2,693	586	14,581	15,167
Transfers to/from Earmarked reserves - *note 10*	2,392	(2,392)	0	0	0	0	0
Increase/(Decrease) in Year	0	(2,392)	285	2,693	586	14,581	15,167
Balance at 31 March 2020	**1,000**	**13,970**	**3,187**	**4,566**	**22,723**	**38,134**	**60,857**

BALANCE SHEET

31 March 2019 £'000			**31 March 2020 £'000**
42,531	Property, Plant and Equipment	*Note 13*	**58,563**
9,456	Investment Properties	*Note 14*	**12,357**
661	Intangible Assets	*Note 15*	**610**
7,935	Long Term Investments	*Note 20*	**7,714**
42	Long Term Debtors	*Note 16*	**37**
60,625	**LONG TERM ASSETS**		**79,281**
4,984	Short Term Debtors	*Note 16*	**6,306**
11	Inventories		**14**
8,555	Short Term Investments	*Note 20*	**0**
5,600	Cash and Cash Equivalents		**16,069**
19,150	**CURRENT ASSETS**		**22,389**
(5,087)	Short Term Creditors	*Note 17*	**(7,626)**
(726)	Provisions	*Note 18*	**(1,105)**
(15)	Short Term Borrowing	*Note 20*	**(248)**
(91)	Capital grants receipts in advance	*Note 19*	**(1)**
(5,919)	**CURRENT LIABILITIES**		**(8,980)**
(1,932)	Capital grants receipts in advance	*Note 19*	**(2,114)**
(886)	Long Term Borrowing	*Note 20*	**(11,869)**
(25,348)	Net Defined Pension liability	*Note 8*	**(17,850)**
(28,166)	**LONG TERM LIABILITIES**		**(31,833)**
45,690	**NET ASSETS**		**60,857**
1,000	General Fund		**1,000**
16,362	Earmarked Reserves	*Note10*	**13,970**
2,902	Capital Receipts Reserve		**3,187**
1,873	Capital grants unapplied reserves		**4,566**
22,137	**USABLE RESERVES**		**22,723**
15,445	Revaluation Reserve		**23,382**
33,447	Capital Adjustment Account		**32,361**
41	Deferred capital receipts		**37**
(25,348)	Pensions Reserve		**(17,850)**
190	Collection Fund Adjustment Account		**647**
(157)	Accumulated Absences Account		**(157)**
(65)	Pooled Investment Funds Adjustment Account		**(286)**
23,553	**UNUSABLE RESERVES**	*Note 11*	**38,134**
45,690	**TOTAL RESERVES**		**60,857**

CASH FLOW STATEMENT

2018-19 £'000		2019-20 £'000
(16,116)	Taxation	(17,020)
(27,552)	Grants and Contributions	(26,553)
(5,517)	Sales of goods and rendering of services	(7,908)
(411)	Interest received	(563)
(47)	Other receipts from operating activities	(122)
(49,643)	**Cash inflows generated from operating activities**	**(52,166)**
7,548	Cash paid to and on behalf of employees	8,346
20,272	Housing benefit payments	18,671
5,288	NNDR Tariff payments	5,715
1,676	Precepts paid	1,786
9,397	Cash paid to suppliers of goods and services	11,364
12	Interest paid	160
4,647	Other operating cash payments	5,240
48,840	**Cash outflows generated from operating activities**	**51,282**
(803)	**Net cashflows from operating activities**	**(884)**
(171)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(282)
3,547	Purchase of property, plant and equipment, investment property and intangible assets	12,568
20,450	Purchase of short-term and long-term investments	11,490
(15,050)	Proceeds from the sale of short-term and long-term investments	(19,990)
0	Other payments for investing activities	0
(693)	Other receipts from investing activities	(1,590)
8,083	**Net cashflows from investing activities**	**2,196**
(900)	Cash Receipts - long/short term borrowing	(11,150)
4	Repayments of long/short term borrowing	61
(303)	Changes in Council Tax balances held for preceptors	559
(134)	Changes in National Non-Domestic Rates balances held for preceptors	(1,251)
(1,333)	**Net cashflows from financing activities**	**(11,781)**
5,947	**Net (Increase) / decrease in cash and cash equivalents**	**(10,469)**
11,547	Cash and cash equivalents 1 April	5,600
(5,947)	Net increase / (decrease) in cash and cash equivalents	10,469
5,600	**Cash and cash equivalents 31 March**	**16,069**
1	Cash in hand	2
2,303	Call accounts and short term deposits	3,003
3,296	Bank balances	13,064
5,600	**Cash and cash equivalents 31 March**	**16,069**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients whether for services or the provision of goods, is recognised when (or as) the goods are transferred to the service recipient in accordance with the performance obligations in the contract. However for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption 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 receivable on investments is accounted for as income 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 revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Accounting for Council Tax and Non Domestic Rates

The Council collects income from payers of Council Tax and Non-Domestic Ratepayers, but only part of the income relates to this Council, the balance being collected on behalf of other major precepting authorities, including the Government (for business rates). The amounts of debtors, adjustments for doubtful debts, overpayment creditors and receipts in advance that relate to the precepting authorities are shown as a single net debtor or creditor in the balance sheet. The element of the Collection Fund due to or from preceptors is held as part of the Short Term Creditors or Debtors balance. Annual changes in the amounts held for preceptors are shown as part of financing activities in the Cash Flow Statement.

The amounts legally credited to the General Fund are those estimated before the start of the financial year, including distributions of estimated surplus, or contributions towards estimated deficits. In accounting terms, however, the Council's share of the collectable debit (including adjustments to allowances for doubtful debts and appeals) are credited to the Comprehensive Income and Expenditure Statement (CI&ES). The difference between the cumulative amounts for statutory and accounting purposes forms the Collection Fund Adjustment Account (an unusable reserve) and the annual adjustment forms part of the accounting and financing adjustments.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than ninety days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This provision, known as Minimum Revenue Provision (MRP), is equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by East Sussex County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Sussex pension fund attributable to the 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.
- The assets of the East Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - unitised securities - current bid price
    - property - market value
- The change in the net pensions liability is analysed into the following components:
    - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
    - past service cost -the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of the Resources service
    - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income 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 defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
    - remeasurements comprising:
        - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
        - actuarial gains or 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 pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of

the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Reporting Period

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

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

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

9. Fair Values

The Council measures some of its non-financial assets (surplus assets and investment properties), and any available for sale financial asset, at fair value at each reporting date. The Council also discloses fair values for financial assets and liabilities categorised as loans and receivables. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction at the year end. The fair value measurement assumes that the transaction takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest.

When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements 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 year end.

Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability.

10. 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 initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CI&ES 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

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 business model of the Council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at 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 then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&ES 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&ES is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CI&ES (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 CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 CI&ES 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/debited to the Financing and Investment Income and Expenditure line in theCI&ES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

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 substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a substantial amount of investments and employs treasury management advisers in addition to full time professional staff. However, reasonable and verifiable information to support the measurement of lifetime losses on individual instruments is not available without undue cost or effort. Losses are mainly assessed for the portfolio on a collective basis.

Financial Assets are amalgamated into the following groups to assess risk and associated loss allowances whilst making use of a simplified approach contained in regulations.

Group 1 – Commercial investments in line with treasury management policy including counterparties that have external credit ratings of A or better. Loss allowances will be assessed on a group basis using the simplified approach of collective assessment.

Group 2 – Loans to related parties. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Group 3 – Other loans to local businesses, in support of the Council vision and objectives. Loss allowances for these loans are assessed on an individual basis and / or an individual borrower basis.

Financial Assets Measured at Fair Value through Profit or 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 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, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in theCI&ES.

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI 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 charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

Movements in amortised cost are charged to the Surplus or Deficit on the Provision of Services

Cumulative gains/losses on fair value are transferred to the Surplus or Deficit on the Provision of Services on derecognition.

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line

(attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

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

The Council has elected to charge a Community Infrastructure Levy (CIL) on new builds with appropriate planning consent. The income from the levy will be used to fund various projects described as "infrastructure" in a broader sense than used for Council property in Note 1.16 below. The infrastructure investment is determined by a panel and it is not necessarily this Council that will undertake the works. Part of the CIL income is retained to offset the cost of administration, and is accounted for as income for the Strategy and Planning service. Some is also payable to parishes: this is treated as an agency service and is excluded from theCI&ES. The rest is intended for use to finance capital, and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income, and is then transferred to the Capital Grants Unapplied Reserve.

The income from CIL is accounted for on an accruals basis and recognised immediately in the CI&ES at the commencement date of the chargeable development. Surcharges and interest received in accordance with the CIL regulations will be accounted for as if they were CIL receipts.

12. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction 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 revalued 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 CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and that the Council will be able to generate future economic benefits or deliver service potential by being able to use the asset. Costs relating to the development of computer software for internal use are capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred in the development phase. When the software is available for its intended use, these costs are amortised in equal annual amounts over the estimated useful life of the software.

Amounts capitalised include the total cost of any external products or services and labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved. The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Council will receive benefits from the software.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its

useful life, to the appropriate line in theCI&ES. No intangible assets are recorded with indefinite lives. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the CI&ES, 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.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

All of the Council's leases have been determined to constitute operating leases.

The Council as Lessee

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

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

15. Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

16. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Vehicles, plant, etc. and infrastructure - depreciated historical cost.
- Community assets and assets under construction - historic cost.
- Land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.
- Surplus Properties – fair value, as described in accounting policy 1.9 above, equating to market value for their highest and best use from a market participant's perspective.

Assets included in the Balance Sheet at current value are subject to a full valuation once every five years, but are subject to a desktop review at the end of each year to ensure that their carrying amount is not materially different from their current value, or fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CI&ES where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

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.

The values of Land and Buildings assets individually worth less than £10,000 are recorded, but not included in the balance sheet values.

Impairment

Assets are assessed at each year-end as to whether there is any indication that the value of an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CI&ES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CI&ES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets 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 bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 10 and 50 years depending on the asset.
- vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. Useful life is between 7 and 20 years.
- Infrastructure - straight-line allocation over 50 years.

No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal.

Reclassified assets are depreciated from year of reclassification.

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 of Property Assets

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. Where the Council has revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property using the following major component analysis:

- Land
- Buildings
- External areas (such as car parks)
- Plant and equipment (such as lifts and heating systems)

The Council has also adopted a de minimis level of 10% of the building value or £50,000 to apply componentisation.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CI&ES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of

economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of non-current assets are initially credited to the CI&ES, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and, where repayment conditions are not present or no longer apply, they are credited to the CI&ES and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the CI&ES. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

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

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. 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.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains

revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.

- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Pensions 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 CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the CI&ES as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.
- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the CI&ES, but not to the General Fund.
- Pooled Investment Fund Adjustment Account: this contains the unrealised gains or losses made by the Council arising from increases or decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

19. Revenue Expenditure Funded from Capital under Statute

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

20. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

21. Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and therefore is not required to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

This note sets out information regarding the impact of an accounting change that will be required by any new accounting standards that have been issued but not yet adopted by the CIPFA Code of Practice

The changes introduced by the 2020/21 Code are as follows.

- Amendments to IAS28 Investments in Associates and Joint Ventures; Long-term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement..
- IFRS 16 Lease accounting (deferred implementation to 1 April 2021)

The introduction of these changes in 2020/21 will not have a material impact on the Council's financial position and performance.

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Business Rates Appeals Provision

There was a business rates revaluation which took effect on 1 April 2017 ('The 2017 List') and changed the rateable values of assessable properties. At the same date the Valuation Office Agency (VOA) introduced changes to the appeals process for business rates valuations – introducing a system known as 'Check, Challenge, Appeal'.

The Council uses monthly data complied by a company called Analyse Local to estimate an appropriate provision for appeals, both already made and yet to be made in respect of the rates payable for any year. It also updates the provision for prior years each year based on this information.

NOTE 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain 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 main items in the Council's Balance Sheet at 31 March 2020 on which such assumptions have been made are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Council with expert advice about the assumptions to be applied. For instance:

- A 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £8.345m.
- A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £0.872m.
- A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £7.403m.

Changes in any one assumption would be affected by changes in others, so that the effect of a number of changes would be a complex calculation.

NOTES TO THE ACCOUNTING STATEMENTS

Property, Plant and Equipment and Investment Properties

The accounts have been prepared in a period of uncertainty in relation to many economic factors that impact the property investment and letting markets.

Brexit negotiations have moved into a new phase recently with the UK leaving the EU on 31 January 2020 although there is still a transitional period moving on continuing terms with the aim of agreeing a trade deal by 31 December 2020. The UK may leave without such a trade deal by that deadline. The uncertainty around the UK's relationship with the EU continues to cause a "wait and see" effect.

In addition the outbreak of Covid 19 has inevitably impacted on market activity. As at 31 March 2020 the valuers consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The valuers acknowledge that it is faced with an unprecedented set of circumstances on which to base a judgement.

The valuations reported are therefore on the basis of "material valuation uncertainty" as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

Allowance for impairments of doubtful debts

The Balance Sheet contains figures for various groups of debtors, including sundry debtors, council tax, non-domestic rates, and recoveries of overpayments of housing benefits. Allowances are made, and updated at the end of each financial year, on the basis of recent rates of recovery of the particular class of debt, as far as it can be ascertained.

Allowance for impact of rating appeals

There are a number of appeals against rating values outstanding, many going back to 1 April 2010, and this Council is liable for its share (currently 44%) of the losses resulting from successful appeals.

Following the 2017 revaluation, where average rateable values rose by 12.4%, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain with very few challenges lodged to date for Rother. The Council has made a provision for the likely impact on the its yield of expected future successful appeals based on both the 2010 and 2017 lists for the period to the end of March 2020 based on work completed by Analyse Local.

Britain leaving the European Union: asset values and pension liability

There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.

Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

2018-19				2019-20		
Net Expenditure Chargeable to General Fund	**Adjustments between Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to General Fund**	**Adjustments between Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
1,977	321	2,298	Executive Directors & Corporate Core	2,218	331	2,549
110	339	449	Environmental Services	321	315	636
839	282	1,121	Strategy and Planning and Development	759	246	1,005
(30)	1,523	1,493	Acquisitions, Transformation and Regeneration	434	3,741	4,175
5,206	815	6,021	Housing and Community Services	7,357	1,428	8,785
3,163	(114)	3,049	Resources	3,648	120	3,768
11,265	3,166	14,431	**Cost of Services**	**14,737**	**6,181**	**20,918**
(11,896)	(3,270)	(15,166)	Other Income and Expenditure	(12,345)	(6,145)	(18,490)
(631)	(104)	(735)	**(Surplus) or Deficit on Provision of Services**	**2,392**	**36**	**2,428**

Earmarked Reserves	General Fund	Total		**Earmarked Reserves**	**General Fund**	**Total**
£'000	£'000	£'000		**£'000**	**£'000**	**£'000**
15,731	1,000	16,731	Opening balances	**16,362**	**1,000**	**17,362**
0	631	631	(Surplus) or Deficit on Provision of Services	**0**	**(2,392)**	**(2,392)**
631	(631)	0	Transfers between General Fund and earmarked reserves	**(2,392)**	**2,392**	**0**
16,362	1,000	17,362	**Closing General Fund balance**	**13,970**	**1,000**	**14,970**

NOTES TO THE ACCOUNTING STATEMENTS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2018-19					
Executive Directors & Corporate Core	92	228	0	1	**321**
Environmental Services	0	339	0	0	**339**
Strategy and Planning and Development	0	282	0	0	**282**
Acquisitions, Transformation and Regeneration	349	175	0	999	**1,523**
Housing and Community Services	717	413	0	(315)	**815**
Resources	288	(274)	0	(128)	**(114)**
Cost of Services	1,446	1,163	0	557	**3,166**
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,120)	573	(190)	(533)	**(3,270)**
Total for 2018-19	**(1,674)**	**1,736**	**(190)**	**24**	**(104)**

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2019-20					
Executive Directors & Corporate Core	114	217	0	0	**331**
Environmental Services	0	315	0	0	**315**
Strategy and Planning and Development	0	246	0	0	**246**
Acquisitions, Transformation and Regeneration	3,546	195	0	0	**3,741**
Housing and Community Services	1,000	428	0	0	**1,428**
Resources	283	(163)	0	0	**120**
Cost of Services	4,943	1,238	0	0	**6,181**
Other Income and Expenditure from the Expenditure and Funding Analysis	(6,526)	615	(456)	222	**(6,145)**
Total for 2019-20	**(1,583)**	**1,853**	**(456)**	**222**	**36**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	**£'000**
2018-19					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(94)	0	0	94	**0**
Depreciation and impairment of non-current assets	(1,133)	0	0	1,133	**0**
Movements in value of Investment Properties	1,035	0	0	(1,035)	**0**
Disposal of non-current assets	0	0	0	0	**0**
Capital receipts to Usable Capital Receipts Reserve	171	(175)	0	4	**0**
Capital grants and contributions to Capital Grants Unapplied Reserve	1,085	0	(1,085)	0	**0**
Difference between accounting and statutory employment benefit	0	0	0	0	**0**
Difference between accounting and statutory credit for Council Tax	54	0	0	(54)	**0**
Difference between accounting and statutory credit for Non-Domestic Rates	136	0	0	(136)	**0**
Revenue Expenditure Financed from Capital under Statute	(1,253)	0	0	1,253	**0**
Difference between accounting and statutory credit for pension costs	(1,736)	0	0	1,736	**0**
Difference between accounting and statutory credit for pooled investment funds	(24)	0	0	24	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	828	0	0	(828)	**0**
Other adjustments					
Capital expenditure financed from Capital Receipts	0	159	0	(159)	**0**
Capital expenditure financed from Capital grants and contributions	1,035	0	112	(1,147)	**0**
Total for 2018-19	**104**	**(16)**	**(973)**	**885**	**0**

NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	**£'000**
2019-20					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(114)	0	0	114	**0**
Depreciation and impairment of non-current assets	(4,665)	0	0	4,665	**0**
Movements in value of Investment Properties	2,901	0	0	(2,901)	**0**
Disposal of non-current assets	(19)	(13)	0	32	**0**
Capital receipts to Usable Capital Receipts Reserve	269	(272)	0	3	**0**
Capital grants and contributions to Capital Grants Unapplied Reserve	2,739	0	(2,739)	0	**0**
Difference between accounting and statutory employment benefit	(1,853)	0	0	1,853	**0**
Difference between accounting and statutory credit for Council Tax	(119)	0	0	119	**0**
Difference between accounting and statutory credit for Non-Domestic Rates	575	0	0	(575)	**0**
Revenue Expenditure Financed from Capital under Statute	(1,624)	0	0	1,624	**0**
Difference between accounting and statutory credit for pension costs					
Difference between accounting and statutory credit for pooled investment funds	(222)	0	0	222	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	445	0	0	(445)	**0**
Other adjustments					
Capital expenditure financed from Capital Receipts	0	0	0	0	**0**
Capital expenditure financed from Capital grants and contributions	1,651	0	46	(1,697)	**0**
Total for 2019-20	**(36)**	**(285)**	**(2,693)**	**3,014**	**0**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

2018-19 Surplus / Deficit on the Provision of Services		2019-20 Surplus / Deficit on the Provision of Services
£'000		**£'000**
11,611	Employee benefits expenses	12,537
37,316	Other service expenses	39,124
18	Interest payments	286
1,227	Depreciation, amortisation, impairment etc	4,779
1,676	Precepts and levies	1,786
0	Asset disposals	32
0	Other	1
51,848	**Total Expenditure**	**58,545**
(7,241)	Fees, charges and other service income	(7,549)
(1,035)	Investment Properties changes in fair value	(2,901)
(446)	Interest and investment income	(508)
(16,177)	Council Tax and Non-Domestic Rate income	(16,887)
(27,513)	Grants and Contributions	(27,989)
(171)	Gains on the disposal of assets	(282)
0	Other	(1)
(52,583)	**Total income**	**(56,117)**
(735)	**Net**	**2,428**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 8. DEFINED BENEFIT PENSION SCHEME

2018-19 £'000		2019-20 £'000
	Comprehensive Income and Expenditure Statement	
2,977	Current Service Cost	**2,962**
0	Past service cost (inc. curtailments)	**177**
2,977	**Cost of Services**	**3,139**
573	Net interest expense	**615**
573	**Financing and Investment Income and Expenditure**	**615**
3,550	**Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services**	**3,754**
(3,952)	Return on plan assets, less included in interest expense	**7,602**
	Actuarial gains & losses:	
0	Changes in demographic assumptions	**(3,103)**
5,792	Changes in financial assumptions	**(9,107)**
103	Other	**(4,743)**
1,943	Remeasurement of the net defined benefit liability	**(9,351)**
5,493	**Total Comprehensive Income and Expenditure Statement**	**(5,597)**
	Movement in Reserves Statement	
3,550	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	**3,754**
(1,814)	Employer's pension contributions and direct payments to pensioners payable in the year	**(1,901)**
1,736	**Total taken to Note 6**	**1,853**

NOTES TO THE ACCOUNTING STATEMENTS

2018-19 £'000	**Reconciliation of Fair Value of Employer Assets (scheme Assets):**	**2019-20 £'000**
84,110	Value of Assets at 1 April	**89,110**
2,171	Interest income on plan assets	**2,127**
424	Contributions by Members	**440**
1,814	Contributions by the Employer	**1,901**
3,952	Return on assets excluding amounts recognised in Other Comprehensive Income	**(7,602)**
(3,361)	Benefits Paid	**(3,674)**
89,110		**82,302**

	Reconciliation of Defined Benefit Obligation (scheme Liabilities):	
(105,779)	Value of Liabilities at 1 April	**(114,458)**
(2,977)	Current Service Cost	**(2,962)**
0	Past service cost (incl. curtailments)	**(177)**
(2,744)	Interest Cost	**(2,742)**
(424)	Contribution by Members	**(440)**
	Actuarial Gains and (Losses):	
0	Change in demographic assumptions	**3,103**
(5,792)	Change in financial assumptions	**9,107**
(103)	Other experience gains and (losses)	**4,743**
3,361	Benefits Paid	**3,674**
(114,458)		**(100,152)**
(25,348)	Net Liability at 31st March	**(17,850)**

NOTES TO THE ACCOUNTING STATEMENTS

Fair value of employer assets

The assets at the year-end listed above are made up of the following categories:

31 March 2019					31 March 2020			
Quoted Prices in Active Markets	Prices not quoted in Active markets	Total	%	Asset Category	**Quoted Prices in Active Markets**	**Prices not quoted in Active markets**	**Total**	**%**
£,000	£,000	£,000	%		**£,000**	**£,000**	**£,000**	**%**
				Equity Securities:				
1,060.3	0.0	1,060.3	**1.2**	Consumer	0	0	0	**0**
729.1	0.0	729.1	**0.8**	Manufacturing	0	0	0	**0**
210.4	0.0	210.4	**0.2**	Energy and Utilities	0	0	0	**0**
993.4	0.0	993.4	**1.1**	Financial Institutions	0	0	0	**0**
161.6	0.0	161.6	**0.2**	Health and Care	0	0	0	**0**
0.0	0.0	0.0	**0.0**	Information Technology	0	0	0	**0**
173.8	0.0	173.8	**0.2**	Other	0	0	0	**0**
			0.0	**Debt Securities:**				
0.0	2,156.8	2,156.8	**2.4**	UK Government	0	0	0	**0**
0.0	1,649.9	1,649.9	**1.9**	Other	0	722.9	722.9	**1**
			0.0	**Private Equity:**				
0.0	5,480.1	5,480.1	**6.2**	All	0	5,779.6	5,779.6	**7**
			0.0	**Real Estate:**				
0.0	8,346.4	8,346.4	**9.4**	UK Property	0	7,519.9	7,519.9	**9**
			0.0	**Investment funds and unit trusts:**				
0.0	49,189.3	49,189.3	**55.2**	Equities	0	27,807.6	27,807.6	**34**
0.0	14,663.6	14,663.6	**16.5**	Bonds	0	14,080.9	14,080.9	**17**
0.0	57.6	57.6	**0.1**	Hedge Funds	0	0	0	**0**
150.6	0.0	150.6	**0.2**	Commodities	0	0	0	**0**
0.0	528.3	528.3	**0.6**	Infrastructure	0	1,487.8	1,487.8	**2**
0.0	18.1	18.1	**0.0**	Other	0	23,388.7	23,388.7	**28**
			0.0	**Derivatives:**				
0.0	(10.2)	(10.2)	**(0.0)**	Foreign exchange	0	0	0	**0**
			0.0	**Cash and cash equivalents**				
3,553.5	(2.6)	3,550.9	**4.0**	All	1,384.8	129.8	1,514.6	**2**
7,032.7	82,077.3	89,110.0	**100.0**	**Totals**	1,384.8	80,917.2	82,302.0	**100.0**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Hymans Robertson LLP an independent firm of Actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2019.

2018-19		**2019-20**
2.5%	Rate of inflation	**1.9%**
2.9%	Rate of increase in salaries	**1.9%**
2.5%	Rate of increase in pensions	**1.9%**
2.4%	Rate for discounting scheme liabilities	**2.3%**
	Take-up of option to convert annual pension into retirement lump sum:	
50%	Pre 2008	**50%**
75%	Post 2008	**75%**

The projections of liabilities assume the following mortality rates:

2018-19		**2019-20**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	**21.6**
24.4	Women	**23.9**
	Longevity at 65 for future pensioners:	
23.8	Men	**22.5**
26.3	Women	**25.3**

Impact on the Council's Cash Flows

The Council anticipates paying £1,714,000 of contributions to the scheme in 2020/21.

NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2018-19 £'000		**2019-20 £'000**
(20,333)	DWP benefits grants	**(18,540)**
(1,036)	Grants for revenue financed from capital under statute	**(1,460)**
(2,116)	Other Grants and Contributions	**(1,984)**
(23,485)	**Total within Cost of Services**	**(21,984)**
(73)	Revenue Support Grant	**0**
(149)	New Burden Grant	**(237)**
(236)	Benefits Administration Grant	**(214)**
(714)	New Homes Bonus	**(449)**
(1,536)	Section 31Grant Income	**(2,079)**
(101)	Local Services Support Grant	**(96)**
0	Community Housing Fund	**0**

(134)	Other non-specific grant	**0**
(1,085)	Grants and contributions towards capital expenditure	**(2,930)**
(4,028)	**Total within Taxation and non-specific grant income**	**(6,005)**
(27,513)	**Total income from grants and contributions**	**(27,989)**

NOTE 10. EARMARKED RESERVES

The Council maintains a number of Earmarked Reserves for a variety of purposes. Below is an analysis of the Council's reserves showing the movements and transfers that took place.

	Balance at 31 March 2018 £'000	**Transfers out** £'000	**Transfers in**	**Balance at 31 March 2019** £'000	**Transfers out** £'000	**Transfers in**	**Balance at 31 March 2020** £'000
Medium Term Financial Strategy Reserve	3,662	(876)	948	3,734	(3,057)	487	1,164
Economic Development Fund	30	0	0	30	0	289	319
Risk Management Fund	195	0	0	195	0	0	195
Repairs and Renewals Reserve	1,383	(47)	78	1,414	(475)	4	943
Affordable Housing Reserve	921	0	0	921	0	0	921
Corporate Development Reserve	321	0	0	321	(107)	131	345
Planning Improvement & LDF Reserve	265	0	18	283	(140)	97	240
Homelessness Reserve	226	(12)	0	214	0	0	214
Grants Reserve	1,711	0	522	2,233	(93)	472	2,612
Treasury Investment Reserve	7,017	0	0	7,017	0	0	7,017
Total	**15,731**	**(935)**	**1,566**	**16,362**	**(3,872)**	**1,480**	**13,970**

The transfer from reserves shown in the MIRS as at the 31 March 2020 is £2,392,000 (£3,872,000 less £1,480,000).

The purposes of these reserves are set out below:

Medium Term Financial Strategy	A reserve created to help the Council meet our agreed objectives not just now but moving into the future. It is primarily aligned with the Council's Corporate Plan but can also be used to respond to pressures and uncertainties of the current financial climate.
Economic Development	A reserve created to fund one off research, investigation and projects that relate to the economic development of the Rother area.
Risk Management	A reserve to meet expenditure under excess arising from insurance claims.
Repair and Renewals	A reserve to fund expected repairs and renewals of the Council's assets.
Affordable Housing	A reserve to subsidise social housing providers capital projects relating to the provision of new affordable housing.
Corporate Development	A reserve funding a variety of Council provided services supporting among others Tourism, Economic Development, Democratic Engagement, Staff and Member training etc.
Planning Improvement and LDF	A reserve supporting the development and maintenance of the Council's long term Planning Strategy.
Homelessness	A reserve to support the prevention of homelessness.

Grant Reserve	A reserve created to hold grants received in one year with no conditions but used in following years.
Treasury Management Reserve	This reserve has been created as part of the 2020 efficiency plan and in accordance with the 2018/19 budget to ensure cash balances remain at £10 million to ensure the Council retains its professional client status.

NOTE 11. UNUSABLE RESERVES

Revaluation Reserve

2018-19 £000		2019-20 £000
12,084	Balance 1 April	15,445
	Comprehensive Income & Expenditure:	
3,574	Gain on revaluation of assets	8,243
	Accounting / Financing Adjustments:	
(213)	Depreciation charged to Revaluation Reserve	(306)
15,445	**Balance 31 March**	**23,382**

Capital Adjustment Account

2018-19 £000		2019-20 £000
32,545	Balance 1 April	33,447
	Accounting / Financing Adjustments:	
(94)	Write down Intangible Assets	(114)
(1,133)	Depreciation and impairment of non-current assets	(4,665)
1,035	Movements in value of Investment Properties	2,901
0	Gain or (loss) on sale of non-current assets	(32)
(1,253)	Revenue Expenditure Financed from Capital under Statute	(1,624)
828	Capital expenditure financed from revenue	445
159	Capital expenditure financed from Capital Receipts	0
1,147	Capital expenditure financed from Capital grants and contributions	1,697
213	Depreciation charged to Revaluation Reserve	306
33,447	**Balance 31 March**	**32,361**

Deferred Capital Receipts Reserve

2018-19 £000		2019-20 £000
45	Balance 1 April	41
	Accounting / Financing Adjustments:	
(4)	Deferred receipts received to Capital Receipts Reserve	(4)
41	**Balance 31 March**	**37**

NOTES TO THE ACCOUNTING STATEMENTS

Pensions Reserve

2018-19 £000		2019-20 £000
(21,669)	Balance 1 April	(25,348)
	Comprehensive Income & Expenditure:	
(1,943)	Remeasurement of the net defined benefit liability	9,351
	Accounting / Financing Adjustments:	
(1,736)	Difference between accounting and statutory credit for pension costs	(1,853)
(25,348)	**Balance 31 March**	**(17,850)**

Collection Fund Adjustment Account

2018-19 £000		2019-20 £000
0	Balance 1 April	190
	Accounting / Financing Adjustments:	
54	Difference between accounting and statutory credit for Council Tax	(118)
136	Difference between accounting and statutory credit for Non-Domestic Rates	575
190	**Balance 31 March**	**647**

Accumulated Absences Account

2018-19 £000		2019-20 £000
(157)	Balance 1 April	(157)
	Accounting / Financing Adjustments:	
0	Difference between accounting and statutory employment benefit	0
(157)	**Balance 31 March**	**(157)**

Available for Sale Financial Instruments Reserve

2018-19 £000		2019-20 £000
(36)	Balance 1 b/f	0
41	IFRS 9 adjustment as at 1st April 2018	0
	Comprehensive Income & Expenditure:	
(5)	Gain/(Loss) on revaluation of available for sale financial instruments	0
0	**Balance 31 March**	**0**

NOTES TO THE ACCOUNTING STATEMENTS

Pooled Investment Funds Adjustment Account

2018-19 £000		2019-20 £000
0	Balance b/f	(65)
(41)	IFRS 9 adjustment as at 1st April 2018	0
	Comprehensive Income & Expenditure:	
(24)	Gain/(Loss) revaluation Pooled Investment funds	(221)
(65)	**Balance 31 March**	**(286)**

NOTE 12. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure charged in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue, as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2018-19 £'000		**2019-20 £'000**
1,092	Opening Capital Financing Requirement 1 April	**3,757**
	Capital Investment	
3,410	Property, Plant and Equipment	**12,486**
135	Intangible assets	**63**
1,253	Revenue Expenditure Funded from Capital under Statute (REFCUS)	**1,624**
0	*Minimum Revenue Provision*	**(29)**
	Sources of finance	
(159)	Capital receipts	**0**
(112)	Government grants and other contributions	**(345)**
(828)	Sums set aside from revenue and reserves	**(416)**
(1,035)	Grants and contributions towards REFCUS	**(1,352)**
3,757	Closing Capital Financing Requirement 31 March	**15,788**

The Capital Financing Requirement (CFR) is made up of the following balance sheet items.

31 March 2019 £'000		**31 March 2020 £'000**
42,531	Property, Plant and Equipment	**58,563**
9,456	Investment Properties	**12,357**
661	Intangible Assets	**610**
0	Assets Held for Sale	**0**
(15,445)	Revaluation Reserve	**(23,382)**
(33,447)	Capital Adjustment Account	**(32,360)**
3,756		**15,788**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2018	16,324	1,087	14,554	0	0	5,205	37,170
Additions	2,939	165	6	0	300	0	3,410
Disposals	0	(16)	0	0	0	0	(16)
Impairment losses	(244)	0	0	0	0	0	(244)
Reclassifications	1,751	0	0	0	0	646	2,397
Revaluations	1,534	0	0	0	0	1,591	3,125
Value 31 March 2019	22,304	1,236	14,560	0	300	7,442	45,842
Cumulative Depreciation:							
Opening value 1 April 2018	(283)	(328)	(2,276)	0	0	0	(2,887)
Charge for the year	(489)	(111)	(289)	0	0	0	(889)
Disposals	0	16	0	0	0	0	16
Reclassifications	0	0	0	0	0	0	0
Revaluations	449	0	0	0	0	0	449
Balance 31 March 2019	(323)	(423)	(2,565)	0	0	0	(3,311)
Net book value 31 March 2019	21,981	813	11,995	0	300	7,442	42,531

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2019	22,304	1,236	14,560	0	300	7,442	45,842
Additions	11,726	91	90	0	579	0	12,486
Disposals	0	(35)	0	0	0	0	(35)
Impairment losses	(3,553)	0	0	0	0	20	(3,533)
Reclassifications	0	0	0	0	0	0	0
Revaluations	6,936	0	0	0	0	259	7,195
Other movements	(1)	0	(1)	0	0	0	(2)
Value 31 March 2020	37,412	1,292	14,649	0	879	7,721	61,953
Cumulative Depreciation:							
Opening value 1 April 2019	(323)	(423)	(2,565)	0	0	0	(3,311)
Charge for the year	(725)	(118)	(289)	0	0	0	(1,132)
Disposals	0	4	0	0	0	0	4
Reclassifications	0	0	0	0	0	0	0
Revaluations	1,048	0	0	0	0	0	1,048
Other movements	0	0	1	0	0	0	1
Balance 31 March 2020	0	(537)	(2,853)	0	0	0	(3,390)
Net book value 31 March 2020	**37,412**	**755**	**11,796**	**0**	**879**	**7,721**	**58,563**

The Council's assets are revalued on a 5 year programme and following the cessation of services provided by the DVS in 2019, the Council arranged for a full revaluation of its land and property (including its investment property) as at 31 March 2020. The exercise was undertaken by external valuers Wilks Head and Eve Chartered Surveyors.

As at 31 March 2020 Wilks Head and Eve certified a valuation of £57,549,520 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

The valuation also reviews the economic life of land and buildings and any review for impairment.

Within the Statement of Accounts the valuation is made up as follows:

	£'000
Other land and buildings	37,412
Surplus assets	7,721
	45,133
Investment property (see note 14 below)	12,357
Total	57,490

	£'000
Wilks Head and Eve valuation	57,550
Less de-minimus assets included within	(60)
	57,490

The Council's surplus properties consist of various parcels of land which are surplus to operational requirements, but which are not yet being actively marketed. There are no quoted prices for identical assets, but there are values

available for similar assets, so it has been possible to value them at Level 2 of the Fair Value hierarchy (see Note 1.9 above), both at the start and end of the financial year.

The measurement bases for all the Council's property plant and equipment is set out in its accounting policies above.

Uncertainties affecting the valuations of the Council's other land and buildings and surplus assets.

The accounts have been prepared in a period of uncertainty in relation to many economic factors that impact the property and letting markets.

Brexit negotiations have moved into a new phase recently with the UK leaving the EU on 31 January 2020 although there is still a transitional period moving on continuing terms with the aim of agreeing a trade deal by 31 December 2020. The UK may leave without such a trade deal by that deadline. The uncertainty around the UK's relationship with the EU continues to cause a "wait and see" effect.

In addition the outbreak of Covid 19 has inevitably impacted on market activity. As at 31 March 2020 the valuers consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value where appropriate. For those assets whose value is arrived at by discounting future income streams to present value, such as car parks for example, it remains too early to assess reliably the short term impact on longer term values. Wilks Head and Eve acknowledge that it is faced with an unprecedented set of circumstances on which to base a judgement.

The valuations reported are therefore on the basis of "material valuation uncertainty" as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a greater degree of caution should be attached to the valuation than would normally be the case.

Capital Commitments

At 31 March 2020 the Council had no material commitments relating to capital expenditure on Property Plant and Equipment.

NOTE 14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2018-19		2019-20
£'000		**£'000**
(1,119)	Rental income from investment property	**(836)**
119	Direct operating expenses arising from investment property	**179**
(1,035)	Net gains from fair value adjustments	**(2,901)**
(2,035)	Total	**(3,558)**

Balance Sheet movements in Investment Properties during the year:

2018-19		2019-20
£'000		**£'000**
10,805	Balance at start of the year	**9,456**
0	Disposals	**0**
1,035	Net gains from fair value adjustments	**2,901**
(2,384)	Assets reclassified to Property Plant & Equipment	**0**
9,456	Balance at end of the year	**12,357**

The Council's Investment Properties consist of commercial properties let at market rents. There are no quoted prices for identical properties, and also no significant observable values for similar properties. Values have therefore been assessed under Level 3 of the Fair Value hierarchy (see Note 1.9 above), both at the start and end of the financial year. They are measured using the income approach, by means of the discounted cash flow method, where the discounted cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. In all cases the highest and best use for these assets is their current use.

A full revaluation of the Council's investment properties was undertaken at 31 March 2020 by Wilks Head and Eve Chartered Surveyors.

Uncertainties affecting the valuation of the Council's investment properties

The accounts have been prepared in a period of uncertainty in relation to many economic factors that impact the property investment and letting markets.

Brexit negotiations have moved into a new phase recently with the UK leaving the EU on 31 January 2020 although there is still a transitional period moving on continuing terms with the aim of agreeing a trade deal by 31 December 2020. The UK may leave without such a trade deal by that deadline. The uncertainty around the UK's relationship with the EU continues to cause a "wait and see" effect.

In addition the outbreak of Covid 19 has inevitably impacted on market activity. As at 31 March 2020 the valuers consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Wilks Head and Eve acknowledge that it is faced with an unprecedented set of circumstances on which to base a judgement.

The valuations reported are therefore on the basis of "material valuation uncertainty" as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

NOTE 15. INTANGIBLE ASSETS

2018-19		2019-20
£'000		**£'000**
649	Gross Carrying Amount 1 April	**756**
(29)	Accumulated Amortisation 1 April	**(95)**
620	Net Carrying Amount at start of year	**661**
136	Additions	**63**
0	Disposals	**0**
(95)	Amortisation	**(114)**
756	Gross Carrying Amount 31 March	819
(95)	Accumulated Amortisation 31 March	(209)
661	Total	**610**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 16. DEBTORS

31 March 2019 £'000		31 March 2020 £'000
	Amounts falling due within one year:	
372	Central government bodies	**414**
1,343	Other Local Authorities & Public Bodies	**1,361**
15	NHS	**0**
3,254	All other bodies	**4,531**
4,984	Total short term debtors	**6,306**
42	Amounts falling due after one year (all other bodies)	**37**
5,026	Total Debtors	**6,343**

NOTE 17. CREDITORS

31 March 2019 £'000		31 March 2020 £'000
	Amounts falling due within one year:	
(2,353)	Central government bodies	**(4,131)**
(1,064)	Other Local Authorities & Public Bodies	**(1,138)**
0	Public Corporations	**0**
(1,670)	All other bodies	**(2,357)**
(5,087)	Total short term creditors	**(7,626)**

NOTE 18. PROVISIONS AND CONTINGENT LIABILITIES

Provisions

The Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision increased from £726,000 to £1,105,000 during 2019/20.

Contingent Liabilities

Municipal Mutual Insurance Limited (MMI)

In 1993 the Council's insurers, MMI, ceased accepting new business. On 13th November 2012 the Directors of MMI triggered the Scheme of Arrangement. The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have been paid an amount or amounts in respect of established scheme liabilities which, together with the amount of Elective Defence costs paid by MMI on its behalf, exceed £50,000 in aggregate.

The Scheme Administrator, Ernst & Young LLP had originally determined that a levy rate of 15% shall be applied to the value of claims paid since 30th September 1993. This levy was increased to 25%. There remains a potential liability for a further £239,269. The trigger event related to the Supreme Court ruling on the 28th March 2012 which said that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 19. CAPITAL GRANTS RECEIPTS IN ADVANCE

31 March 2019 £'000		31 March 2020 £'000
	Amounts falling due within one year:	
77	S106 Land off Pebsham Lane Employment Contribution	**0**
13	S106 North East Bexhill Worsham	**0**
1	Other	**1**
91	Total short term capital grants received in advance	**1**
	Amounts falling due after one year (all other bodies)	
907	S106 Unit 10 Ravenside, Bexhill-on-Sea	**884**
633	S106 Land off Pebsham Lane, Bexhill	**709**
255	S106 Station Road, Northiam	**218**
100	S106 North East Bexhill Worsham	**0**
37	S106 The Saltings	**37**
0	S106 Barnhorn Road Willow Drive	**266**
1,932	Total long term capital grants received in advance	**2,114**

On the 21 August 2012, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Ravenside Retail Park, Bexhill-on-Sea. The agreement resulted in a payment to the Council of £959,000 which was received for the provision and improvement of leisure facilities in Bexhill and the enhancement of shopping facilities in Bexhill town centre. The monies have to be expended within 15 years of the date of the agreement or they will have to be repaid to the property owner plus interest. Further spend against this of £23,000 was made in 2019/20.

On the 13 May 2015, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Pebsham Lane, Bexhill-on-Sea. The agreement resulted in 3 payments to the Council totalling £520,000. £134,000 was for a new leisure centre, £277,000 for maintenance of pitches and £109,000 was for creation of a Countryside Park, The monies have to be expended within 10 years of the date of the agreement or they will have to be repaid to the property owner plus interest. £109,000 was paid out in 2017/18 to the Coombe Valley Countryside Park. A further £193,000 was received for arts and public realm, £28,000 for a community worker and £77,000 employment contribution. The balance at the 31st March 2020 is £709,000.

NOTE 20. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

1 April 2019			31 March 2020	
Book Value £,000	Fair Value £,000		**Book Value £,000**	**Fair Value £,000**
8,000	7,935	Financial assets at fair value through profit and loss	8,000	7,714
42	42	Financial assets at amortised Cost	37	37

8,042	7,977	**Long term Assets**	8,037	7,751
8,500	8,555	Financial assets at amortised Cost	0	0
8,500	8,555	**Short term Investments**	0	0
840	840	Short Term Debtors	897	897
2,108	2,108	Trade accounts receivable	3,401	3,401
2,303	2,331	Bank deposits less than 3 months	3,003	3,037
3,297	3,301	Cash and bank accounts	13,066	13,068
8,548	8,580	**Other financial assets at amortised cost**	20,367	20,404
25,090	25,112	**Total Financial Assets**	28,404	28,155

The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 16 and 17 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

1 April 2019			**31 March 2020**	
Book Value £,000	Fair Value £,000		**Book Value £,000**	**Fair Value £,000**
(1,298)	(1,298)	Short Term Creditors	(1,329)	(1,329)
(15)	(15)	Public Works Loan Board	(248)	(248)
(1,313)	(1,313)	**Short Term Financial liabilities at amortised cost**	(1,577)	(1,577)
(896)	(937)	Public Works Loan Board	**(11,869)**	(11,612)
(896)	(937)	**LongTerm Liabilities at amortised cost**	**(11,869)**	**(11,612)**
(2,209)	(2,250)	**Total Financial Liabilities**	**(13,446)**	**(13,189)**

Valuation Techniques for Fair Values

The fair values valuations have been provided by the Council's Treasury Management advisor, Link Asset Services. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same.

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 1.9 above. The Fair value through the profit and loss assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices).

For loans from the PWLB, valued in line with level 2, new loan rates from the PWLB have been applied to provide the fair value.

Nature and Extent of Risks arising from financial instruments

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

(i) credit risk - the possibility that other parties might fail to pay amounts due to the Council.

(ii) liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.

(iii) market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movement.

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the Annual Treasury Management Strategy Statement and Annual Investment Strategy, which govern the maximum type of investment risk to which the Council can be exposed.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria using the Link Asset Services creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies (Fitch, Moody's and Standard and Poor's) overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Council's Treasury Management Strategy Statement and Annual Investment Strategy. Credit limits are set for each institution where deposits are placed.

The credit criteria in respect of the financial assets held by the Council at 31 March 2020 are summarised below.

i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.
ii. The total principal funds invested for up to 6 months is 50%
iii. The total principal funds invested for up to 3 months is 50%
iv. The total principal funds invested for up to 1 year is 30%
v. The total principal funds invested for more than 1 year is £10million

A copy of the Annual Treasury Management Strategy Statement Annual Investment Strategy is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2019/20 of past experience:

The council does not generally allow credit for customers such that £568,000 is past due for payment. The past due not impaired is analysed as follows'

31 March 2019 £'000		**31 March 2020 £'000**
3	O to 28 days	**21**
85	1st reminder - 29 to 42 days	**21**
14	2nd reminder - 43 to 55 days	**42**

402	Over 55 days	**484**
504	**Total**	**568**

Debtors include trade receivables of £3,401,000 as at 31 March 2020 (£2,108,000 as at 31 March 2019). The historical experience of default is 6% (31 March 2019 5%) with an estimated exposure to default of non-collection of £199,000 (31 March 2019 £104,000). The Council has provided £199,000 (31 March 2019 £104,000) as a general impairment allowance for non-collection of this debt.

Deposits with Banks and Financial Institutions	**Long Term Rating - Fitch**	**Amount at 31 March 2020**	**Historical Experience of Default**	**Estimated maximum exposure to default and uncollectability at 31 March 2020**
		£'000	**%**	**£'000**
Deposits more than 3 months				
None		0		0
		0		
Short-Term Deposits - less than 3 months (excluding accrued interest)				
Santander 31 Day Notice Account	A+	2	0.05%	0
Barclays	A+	1	0.05%	0
Lloyds Bank Plc.	A+	15,871	0.05%	8
Customer Debtors		3,401	6.00%	204
Total		**19,275**		**212**

Gains and Losses

31 March 2019 £,000		**31 March 2020 £,000**
69	Gains and losses arising from the derecognition of financial assets measured at amortised cost	**0**
43	Impairment losses	**96**
24	Losses on financial assets measure at fair value through profit and loss	**221**
136	**Total**	**317**

Liquidity Risk

The Council has a robust cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowings from the Public Works Loans Board for long term funding and substantial reserves. Interest rate risk is managed through the Council's Medium Term Financial Strategy Reserve. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Liquidity Risk

31 March 2019 £'000	PWLB	31 March 2020 £'000
9	Less than one year	**248**
16	Between one and two years	**239**
64	Between two and five years	**382**
80	Maturing in five to ten years	**703**
726	Maturing in more than ten years	**10,545**
895	**Total**	**12,117**

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund balance. The average investment rate for the reported year was 1.59%.

If interest rates had been 1% higher as at 31 March 2020 with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	317

Impact on Surplus/Deficit on Provision of Services

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 and affect the General Fund Balance.

Price Risk

The Council held at 31st March 2020 an investment in the Local Authorities' (CCLA) Property Fund valued at £5m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £48,558

The Council held at 31st March 2020 an investment in the Hermes Property Fund valued at £3m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £28,578.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 21. AGENCY EXPENDITURE AND INCOME

The Council acts as the lead authority for several arrangements, in particular the Joint Waste Partnership. This partnership is not a legal entity in its own right and involves Rother District Council, Hastings Borough Council and Wealden District Council. The three Councils have a joint contract with Biffa for the provision of waste collection, recycling and street & beach cleaning. The contract has been in place since 29 June 2019 and replaced an expired contract with Kier Environmental Services under which Eastbourne Borough Council was also a partner.

Rother District Council employs staff to provide an overarching contract administration function and acts as paymaster, collecting payments from the other Councils and making payments to the contractor based on invoices received. Each Council is responsible for the day to day management of Biffa operations in their areas.

There are two other lead authority arrangements, under which expenditure is initially incurred by this Council and recharged to the partner councils. These arrangements cover Rother and Wealden Environmental Health Shared Service and the Sussex Training Consortium. In each case Rother bears the cost of support services charges associated with the running of the partnerships and so the support services are excluded from total expenditure in the relevant columns shown below. In case of the Environmental Health Shared Service income from fees and charges is accounted for by each of the councils separately and does not feature in the table below.

The tables below summarise the transactions for the year: the amounts shown as recharged to partner Councils are treated as agency expenditure and therefore not included within this Council's Comprehensive Income and Expenditure Statement.

	2018-19			
	Joint Waste	**Environmental Health**	**Sussex Training Consortium**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Total expenditure	13,953	267	63	14,283
Income	0	(60)	0	(60)
Net Cost	13,953	207	63	14,223
Recharged to Rother District Council	(3,243)	799	(15)	(2,459)
Recharged to partner councils	(10,755)	(1,006)	(49)	(11,810)
Total recharges	(13,998)	(207)	(64)	(14,269)
Net Cost	(45)	0	(1)	(46)

	2019-20			
	Joint Waste	**Environmental Health**	**Sussex Training Consortium**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Total expenditure	13,411	242	60	13,713
Income	0	(47)	0	(47)
Net Cost	13,411	195	60	13,666
Recharged to Rother District Council	(4,600)	763	(10)	(3,847)
Recharged to partner councils	(8,856)	(958)	(50)	(9,864)
Total recharges	(13,456)	(195)	(60)	(13,711)
Net Cost	(45)	0	0	(45)

NOTE 22. LEASES

Council as a Lessee

Vehicles and equipment have been acquired through operating leases. The minimum lease payments due under non-cancellable leases in future years are:

31 March 2019 £'000		31 March 2020 £'000
58	Not later than one year	64
48	Later than one year and not later than five years	84
106		148

Council as Lessor:

The Council leases out property, a number of industrial and commercial units, land and other buildings under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2019 £'000		31 March 2020 £'000
804	Not later than one year	1,390
2,806	Later than one year and not later than five years	5,009
21,761	Later than five years	24,656
25,371		31,055

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 the Council received £200,545 in contingent rents, compared to £129,800 in 2018/19.

NOTE 23. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2018-19 £'000		2019-20 £'000
221	Members Allowances	214
8	Travelling Expenses	9
229		223

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 24. OFFICERS' REMUNERATION AND EXIT PACKAGES

Senior Officer Remuneration

The Council's Senior Employees' remuneration and expenses was as follows:

Post holder information (Post title)	Salary (Inc. fees & Allow-ances)	Expense Allowance	Com-pensation for loss of office	Pension Cont-ributions**	Total Remun-eration
	£	£	£	£	£
Financial Year: 2018-19					
Executive Director	97,927	0	0	16,952	114,879
Executive Director	97,685	0	0	16,952	114,637
Assistant Director Resources	75,653	0	0	12,975	88,628
Service Manager Strategy and Planning	66,058	0	0	11,243	77,301
Head of Service Acquisitions, Transformation and Regeneration	46,951	0	0	7,966	54,917
Service Manager Environmental Services	66,160	0	0	11,243	77,403
Head of Service Housing and Community	43,376	0	0	7,360	50,736

Post holder information (Post title)	Salary (Inc. fees & Allow-ances)	Expense Allowance	Com-pensation for loss of office	Pension Cont-ributions**	Total Remun-eration
	£	£	£	£	£
Financial Year: 2019-20					
Executive Director	99,564	0	0	17,291	116,855
Executive Director	99,564	0	0	17,291	116,855
Assistant Director Resources	81,588	0	0	14,046	95,634
Service Manager Strategy and Planning	67,304	0	0	11,468	78,772
Head of Service Acquisitions, Transformation and Regeneration	67,167	0	0	11,468	78,635
Service Manager Environmental Services	67,304	0	0	11,468	78,772
Head of Service Housing and Community	67,304	0	0	11,468	78,772

NOTES TO THE ACCOUNTING STATEMENTS

Salaries of over £50,000

The number of employees whose annual salary, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2018-19		**2019-20**
5	£50,000 - 54,999	**6**
3	£55,000 - 59,999	**2**
0	£60,000 - 64,999	**0**
2	£65,000 - 69,999	**4**
0	£70,000 - 74,999	**0**
1	£75,000 - 79,999	**0**
0	£80,000 - 84,999	**2**
0	£85,000 - 89,999	**0**
0	£90,000 - £94,999	**1**
2	£95,000 - £99,999	**2**
13		**17**

Exit Packages

2018-19				Banding	**2019-20**			
Number of exit packages			Cost		**Number of exit packages**			**Cost**
Compuls. Redund.	Other departures	Total exit packages	Total		**Compuls. Redund.**	**Other departures**	**Total exit packages**	**Total**
			£					**£'000**
2	**0**	**2**	26	£0 - 20,000	**0**	**4**	**4**	**55**
1	**0**	**1**	22	£20,001 - 40,000	**0**	**9**	**9**	**262**
0	**0**	**0**	0	£40,001 - 60,000	**0**	**0**	**0**	**0**
1	**0**	**1**	77	£60,001 - 80,000	**0**	**0**	**0**	**0**
0	**0**	**0**	0	£80,001 - 100,000	**0**	**0**	**0**	**0**
0	**0**	**0**	0	£100,001 - 150,000	**0**	**0**	**0**	**0**
4	**0**	4	**125**		**0**	**13**	**13**	**317**

NOTE 25. EXTERNAL AUDIT COSTS

Fees were payable to Grant Thornton as the Council's external auditors as follows:

2018-19 £'000		**2019-20 £'000**
37	External audit services	**44**
9	Other services	**13**
46		**57**

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 26. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and subsidies and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from the Government are set out in Note 9 (Income from Grants and Contributions).

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2019/20 grants and payments to the value of £1,768,347 as shown below, were paid to organisations in which Members had an interest. The grants and payments were made with proper consideration of declarations of interest. These Members did not take part in any discussion or decision relating to the grants or payments.

2018-19 £		**2019-20 £**
542,271	De La Warr Pavilion Charitable Trust	**683,000**
642,498	East Sussex County Council	**686,005**
123,437	Romney Marsh Internal Drainage Board	**126,004**
1,050	Action in Rural Sussex	**1,050**
0	Combe Valley Community Interest Company	**61,145**
109,493	Rother District Citizens Advice Bureau	**85,000**
47,207	Rother Voluntary Action	**54,614**
12,120	Hastings Advice & Representation Centre	**20,450**
9,506	Local Government Association	**10,011**
11,050	Hastings and Rother Mediation Service	**11,900**
7,297	South East Employers	**5,742**
6,536	Bexhill Museum Association	**8,580**
4,250	Sussex Wildlife Trust	**5,250**
2,000	Bexhill Town Forum	**0**
10,847	Hastings Furniture Service Ltd	**6,949**
0	Sea Change Sussex	**1,335**
500	District Councils Network	**712**
0	Etchingham Trust for Sport and Recreation	**600**
1,530,062	Total	**1,768,347**

Officers

During 2019/20 officers with pecuniary interests made appropriate declarations during Committee meetings and took no part of decision making. Interests are recorded in the minutes of the relevant meetings and are available at www.rother.gov.uk. There were no related party transactions in the year between the Council and officers apart from those already disclosed in Officers Remuneration (note 24).

East Sussex County Council pension fund

The Council made payments totalling £1,901,000 during 2019/20 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,814,000 in 2018/19. Note 8 provides further information on the Council's pension arrangements.

NOTE 27. EVENTS AFTER THE BALANCE SHEET

Non-adjusting event

The financial statements were authorised by the Chief Finance Officer on the 3 July 2020.

Covid 19 Pandemic

The legacy of the crisis that hit the UK in Winter and Spring 2020 will have an impact on the Councils finances. The estimated financial impact is to be in excess of £3m through the increased cost of homelessness, the emergency response and delayed delivery of savings targets. Income has reduced from rents, parking fees and treasury activities.

To date additional funding of £1m has been received from Government and at present it is not known if further funding will be forthcoming. This additional cost can be accommodated within the Council's reserves but adds pressure on the organisation to deliver the ongoing savings envisaged in the Medium Term Financial Plan.

It is not known at this stage how long the economic recovery will take and could place further financial pressures on the Council through the loss of business rates and increases in the number of households claiming Council Tax reduction as a result of worklessness.

COLLECTION FUND STATEMENT AND NOTES

2018-19 £'000		2019-20 £'000
	Council Tax	
	INCOME	
(72,212)	Income from Council Taxpayers	(75,216)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
52,558	East Sussex County Council	54,599
6,259	Sussex Police Authority	7,227
3,434	East Sussex Fire Authority	3,565
8,840	Rother District Council	9,159
	Apportionments of previous year surplus	
414	East Sussex County Council	915
48	Sussex Police Authority	109
28	East Sussex Fire Authority	60
73	Rother District Council	154
	Bad & Doubtful Debts	
55	Write offs of uncollectable income	118
41	Provision for uncollectable income-addition / (reduction)	266
71,750		76,172
(462)	Movement on Fund Balance - (surplus)/deficit	956
	FUND BALANCE FOR COUNCIL TAX	
(965)	Balance brought forward	(1,427)
(462)	Surplus for year	956
(1,427)	Balance - (surplus)/deficit carried forward	(471)

COLLECTION FUND STATEMENT AND NOTES

2018-19 £'000		2019-20 £'000
	Non-Domestic Rates	
	INCOME	
(17,634)	Income from Ratepayers	(18,035)
	Apportionments of previous year deficit	
(84)	Government	(613)
(15)	East Sussex County Council	(110)
(2)	East Sussex Fire Authority	(12)
(68)	Rother District Council	(491)
(715)	Transitional relief	(414)
(18,518)	Total	(19,675)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
8,926	Government	4,323
1,607	East Sussex County Council	4,496
179	East Sussex Fire Authority	865
7,140	Rother District Council	7,609
	Bad & Doubtful Debts	
(77)	Write offs of uncollectable income	43
188	Provision for uncollectable income	73
	Impairments resulting from appeals	
448	Write offs of uncollectable income	401
(379)	Provision for uncollectable income	295
147	Transfer to General Fund - Cost of Collection Allowance	152
18,179		18,257
(339)	Movement on Fund Balance - (surplus) / deficit	(1,418)
	FUND BALANCE FOR NON-DOMESTIC RATES	
305	Balance brought forward	(34)
(339)	(Surplus) / deficit for year	(1,418)
(34)	Balance - (surplus) / deficit carried forward	(1,452)
	TOTAL COLLECTION FUND BALANCE	
(660)	Balances brought forward	(1,461)
(801)	(Surplus) / deficit for year	(462)
(1,461)	Balance - (surplus) carried forward	(1,923)

NOTE 1. GENERAL

COLLECTION FUND STATEMENT AND NOTES

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax and non-domestic rates) which is a statutory fund separate from the main accounts of the Council, although the elements related to this Council are included within its accounting statements and notes. The account has been prepared on the accruals basis. The costs of administering collection are accounted for within Central Services in the Cost of Services in the Comprehensive Income and Expenditure Statement.

NOTE 2. COUNCIL TAX

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands (A-H). Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

Band & Value	Number of Chargeable Dwellings Total	Relationship to Band D	Band D Equivalent
Band A - up to £40,000 (disabled)	1	5/9	0.5
Band A - up to £40,000	3,185	6/9	2,091.3
Band B - over £40,000 up to £52,000	4,975	7/9	3,811.4
Band C - over £52,000 up to £68,000	7,809	8/9	6,837.0
Band D - over £68,000 up to £88,000	7,849	-	7,731.6
Band E - over £88,000 up to £120,000	6,580	11/9	7,921.2
Band F - over £120,000 up to £160,000	3,592	13/9	5,111.5
Band G - over £160,000 up to £320,000	2,495	15/9	4,095.5
Band H - over £320,000	230	18/9	454.1
	36,716		**38,054.10**

The Council Tax Base, as shown in the final column above, assumes a collection rate of 98.5% of the numbers of properties adjusted for discounts.

NOTE 3. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The national multipliers for 2019/20 were:

- 49.1p for qualifying Small Businesses (48.0p in 2018/19)
- 50.4p for other businesses (49.3p in 2018/19) – the standard multiplier

The rateable value as at the 31st March 2020 was £55,902,579 (£55,752,127 as at 31 March 2019).

GLOSSARY

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS & LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

AMORTISATION

The practice of reducing the value of intangible assets to reflect their reduced worth over time.

BUDGET

The Council's plan expressed in financial terms for a specified period.

CAPITAL EXPENDITURE

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. The Council may also incur capital expenditure on assets that it does not actually own (see Revenue Expenditure Financed from Capital under Statute, below).

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

CASH EQUIVALENTS

Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) to prescribe approved accounting methods.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that have restrictions on their disposal. Examples include parks and open spaces.

CONTINGENCY

A condition which exists at the Balance Sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CREDITORS

Amounts owed by the Council but not paid at the date of the balance sheet.

DEBTORS

Amounts owed to the Council but unpaid at the date of the balance sheet.

DEFINED BENEFIT SCHEME

A pension scheme under which benefits are payable under regulations, in which the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

GLOSSARY

EARMARKED RESERVES

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

FAIR VALUE

The fait value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors and derivatives and embedded derivatives.

GENERAL FUND

The main revenue account of the Council which collects the revenue income and expenditure of all services provided.

GOVERNMENT GRANTS

Central Government contributions towards local authority expenditure. Examples are Revenue Support grant and Housing Benefit Subsidy.

INFRASTRUCTURE ASSETS

Long-Term Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

INTANGIBLE ASSETS

Identifiable non-monetary assets such as software licences.

INVESTMENT PROPERTIES

Property held solely to earn rentals or for capital appreciation or both.

LEASE

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.

PAST SERVICE COST

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

PRECEPT

The amount of money the County Council, Sussex Police & Crime Commissioner and the Fire Authority have instructed the.Council to collect and pay out of council tax receipts held in the Collection Fund. The Council also pays from its General Fund precepts issued by parish and town councils within the district.

PROPERTY, PLANT & EQUIPMENT (PPE)

Tangible assets that yield up benefit to the Council over more than one accounting period, e.g. Land and Buildings.

PROVISIONS

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

GLOSSARY

PUBLIC WORKS LOAN BOARD (PWLB)

A Government financed body which provides a source of long term borrowing for local authorities.

REVENUE EXPENDITURE

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation in England and Wales allows certain expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example Disabled Facility Grants.

REVENUE SUPPORT GRANT

A Government grant distributed to local authorities to augment income raised by the council tax. It is centrally determined on a needs basis.

SURPLUS ASSETS

Items of Property Plant and Equipment that are no longer held for council purposes, but are not being actively marketed.

UNUSABLE RESERVES

These are reserves, including those offsetting non-current assets and the negative reserve that offsets the long term pension liability, that are not immediately available to support revenue or capital expenditure.

USABLE RESERVES

These reserves are available to support the Council's expenditure, although the Capital Receipts Reserve and the Capital Grants and Contributions Reserve may only be used for capital purposes.