

Rother District Council

**FINANCIAL REPORT AND
STATEMENT OF
ACCOUNTS**

2020/21

(subject to audit)



CONTENTS

	Page
Narrative Report	2
Annual Governance Statement	21
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	47
3 Critical judgements in applying accounting policies	47
4 Assumptions made about the future and other major sources of estimation uncertainty	47
5 Expenditure and Funding Analysis	49
6 Adjustments between accounting basis and funding basis under regulations	51
7a Expenditure and Income analysed by nature	53
7b Revenue from contracts with service recipients	53
8 Defined benefit pension scheme	54
9 Income from grants and contributions	58
10 Earmarked Reserves	59
11 Unusable Reserves	60
12 Capital expenditure and financing	62
13 Property plant and equipment	62
14 Investment properties	65
15. Intangible assets	66
16 Debtors	66
17 Creditors	67
18 Provisions and contingent liabilities	67
19. Capital grants receipts in advance	68
20 Financial Instruments	68
21 Agency expenditure and income	73
22 Leases	74
23 Members' allowances	74
24 Officers' remuneration and exit packages	75
25 External audit costs	76
26 Related parties	77
27 Events After the Balance Sheet Date	78
Collection Fund Statement and Notes:	79
Glossary	83

NARRATIVE

Introduction

The draft unaudited Statement of Accounts for Rother District Council for the year ended 31 March 2021 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 2020/21 (“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. However, recognising the impact of the pandemic on councils’ resources the Government introduced amendment regulations revising the completion deadline for the accounts from 31 May 2021 to 31 July 2021 for 2020/21 financial statements.

The publication date for audited 2020/21 accounts is revised from 31 July to 30 September 2021.

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 2020/21 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 96,000 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

Our Cabinet made a new commitment to a carbon neutral district by 2030. We consulted on and adopted our new environment strategy in September 2020. Early achievements include:

Dedicated staff resources to deliver the strategy.

A new online registry for reporting tree planting.

A survey with Rother tree champions leading to a new partnership for delivering monthly webinars on trees that started in March 2021.

An environmental review of the council's community grants scheme.

Recruitment of four MSC students to undertake environmental research to inform new policies covering energy from wind, cycling and cycle parking, plastic micro beads on shorelines and water ways and a tree survey.

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

Efficient, Flexible and Effective Council

NARRATIVE

During 2020/21:

Consultation on the draft Corporate Plan, originally planned for 2020 but delayed due to the pandemic, was carried out in early 2021.

The Council implemented new software that facilitated staff working from home and allowed online committee and council meetings that supported the council's response to the pandemic.

Following the community governance review for Bexhill-on-Sea, the decision was taken to create a new parish council for Bexhill-on-Sea. The Council appointed a temporary administrator to prepare for the first election held in May 2021.

Sustainable Economic Prosperity

During 2020/21:

Rother District Council continues investing in new employment spaces

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).

We started a review of our car parks in light of the introduction of on-street civil parking enforcement by East Sussex County Council during 2020. Due to the impact of lockdowns the review was extended to 2021.

We are supporting local businesses through the Reopening the High Streets project funded by the Government and the European Development Fund. Grants to support local businesses through the pandemic are being administered by the council and in excess of £30m has been distributed. We provided support and advice, signs, re-opening checklists and other resources for businesses and voluntary sector.

Stronger, Safer Communities

During 2020/21:

Our Housing and Homelessness Strategy, adopted 2019, and continues to deliver its action plan.

A new council-owned housing company was established and named Alliance Homes (Rother). It is a vehicle to deliver our pledge to build 1,000 new homes in the next 15 years to get the housing market moving. We have pipeline schemes across the district in Battle, Rye, Camber and Bexhill.

Last year (2019/20) 114 new affordable homes were built by developers and our partner social landlords. This year, 77 new affordable homes were completed by them in the town of Bexhill and the village of Ticehurst. We expected 115 but delays were due to the pandemic and Government restrictions on building sites. 33 were for affordable rent and 44 were for shared ownership. The unusually higher proportion of shared ownership was due to the phasing of larger schemes. Three supported housing dwellings for young people were delivered by the YMCA. One home was built to the wheelchair accessible standard (M4 (3)) at Ticehurst. We expect 112 homes to be delivered in 2021 based on existing and new developments already on site in the towns of Bexhill and Battle and the village of Brede.

The new development at Blackfriars, Battle, on the Local Plan for decades, continues to progress with the submission for outline planning permission. The development will supply up to 220 new homes, 30% affordable.

We provided a community support hub during the first lockdown, in association with a wider range of partners to connect vulnerable households with local volunteers and other support networks.

Back in September 2019 we had 78 households living in temporary accommodation with many housed outside the district. Back in September 2019, we could only house 14 or 18% of households in Rother. The housing strategy

NARRATIVE

adopted projects to increase access to temporary accommodation. Unfortunately, due to the pandemic we had a record 87 households in TA in March 2021.

In 2020/21, 98.9% of Rother food businesses are broadly compliant with food hygiene standards, scoring three out of five or higher. In addition, food businesses awarded the top score: five out five, increased 4% to 76% in 2020/21.

A Quality Physical Environment

During 2020/21:

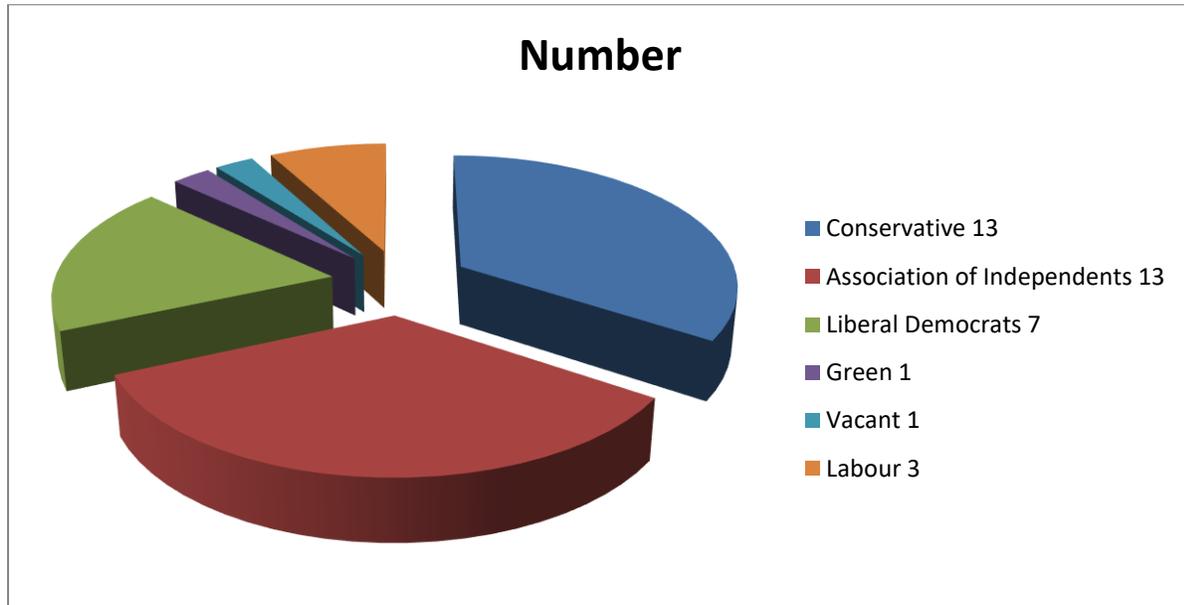
Reports on fly tips doubled; we had 1,095 fly tips reported in 2020/21 compared to 546 in 2019/20. Following investigation we took action on 49 cases to prevent further offences. This represents 4.47% of all reported fly tips against our target of 4%.

Only 0.67% of inspected sites had unacceptable levels of litter. Our target is 4%. Last year it was 2.73%. Graffiti in public places reduced a little from 1.03% of inspected sites to 0.9%. Fly posting reduced from 1.07% of inspected sites to 0.13%. These improvements may have been influenced by lockdowns and less use of certain public spaces such as town centres.

3. Governance

The Council

The Council has 38 District Councillors. Following the District Council election in May 2019 and more recently, on 10th March 2021 a resignation of a Conservative member, the political composition of the Council at 31 March 2021 was:

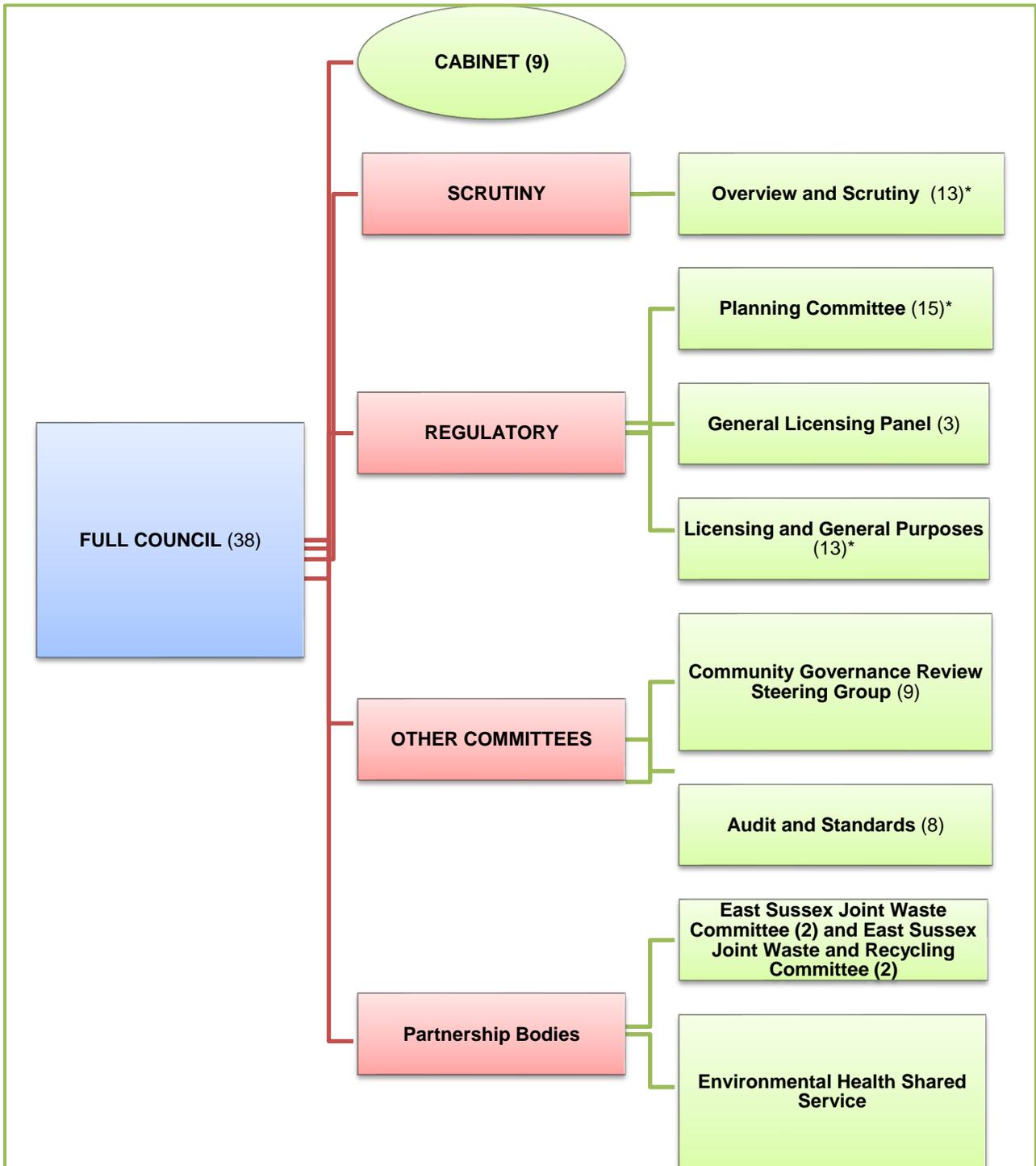


As a result, Council was led by a coalition of the Association of Independents, Liberal Democrat, Green and Labour Councillors (24 Members).

A by-election was held on Thursday 6 May 2021 at which a new Conservative Councillor was elected, restoring the political composition from the beginning of March.

NARRATIVE

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 2020/21.



*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 8 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;

NARRATIVE

- 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 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.

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.

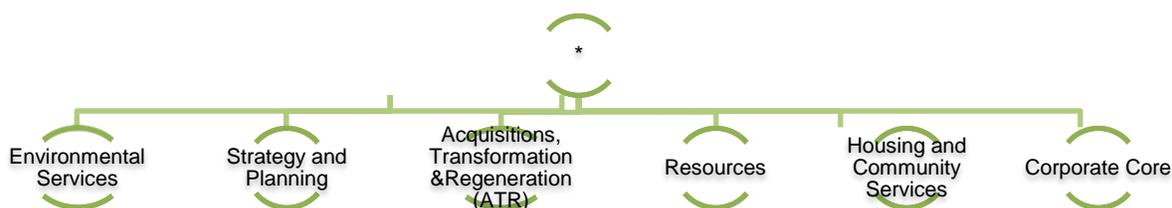
The Management Structure of the Council

Supporting the work of elected Members is the organisational structure of the Council headed by the Chief Executive. The Chief Executive is supported by a senior management team comprising the Heads of Service and Assistant Director (Resources).

NARRATIVE

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 service responsibility are shown in the following diagram:



In February 2021 Housing and Community Services was split to create Neighbourhood Services from within it. Budget monitoring for the year remained unchanged.

Staffing

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

Employees	2019/20	2020/21
Total number of current permanent full and part time employees	250	250
Total number of current temporary / fixed term employees	14	22
Total number of current job share employees	0	0
Total number of employees	264	272
Total number of employees expressed as full time equivalents	230	235

Posts	2019/20	2020/21
Total number of permanent full and part time posts	257	255
Total number of temporary / fixed term posts	14	22
Total number of job share posts	0	0
Total number of posts	271	277
Total number of posts expressed as full time equivalents	232	240

Sickness and accident statistics are shown in the table below:

	2019/20	2020/21
Short term sickness (days per FTE)	2.69	0.76
Medium term sickness (days per FTE)	1.23	0.48
Long term sickness (days per FTE)	2.79	3.44
Overall sickness (days per FTE)	6.71	4.68
Number of accidents	2	4

NARRATIVE

4. A Summary of the 2020/21 Financial Performance of the Council

General Fund

The Council approved a Council Tax Demand of £7.019 million at its budget meeting in February 2020 resulting in a Council Tax charge for a Band D property of £184.10, an increase of £4.65.

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

	2020/21 Budget £ (000)	2020/21 Revised Budget £(000)	2020/21 Outturn £ (000)	2020/21 Variance £ (000)
Chief Executive & Corporate Core	2,042	1,981	2,117	136
Environmental Services	698	505	507	2
Strategy and Planning	993	971	1,030	59
Acquisitions, Transformation and Regeneration	(188)	(363)	(392)	(29)
Housing and Community Services	8,374	8,312	9,539	1,227
Resources	3,402	3,210	4,256	1,046
Salaries turnover	(282)	0	0	0
Total Cost of Services	15,039	14,616	17,057	2,441
Interest from Investments	(400)	(400)	(324)	76
Impairment losses	0	0	0	0
Capital Expenditure Charged to Revenue	1,359	1,359	477	(882)
2020 savings and income generation	(1,248)	(825)	0	825
MRP and interest – Property Investment Strategy	852	852	442	(410)
Net Cost of Services	15,602	15,602	17,652	2,050

	2020/21 Budget £ (000)	2020/21 Revised Budget £(000)	2020/21 Outturn £ (000)	2020/21 Variance £ (000)
Special Expenses	(687)	(687)	(687)	(0)
Business Rates				
Local Share of business rates	(7,157)	(7,157)	(7,157)	(0)
s31 Grants	(1,892)	(1,892)	(1,948)	(56)
Tariff	5,121	5,121	5,121	0
Levy payment	195	195	493	298
Non-Specific Revenue Grants				
New Homes Bonus Grant	(247)	(247)	(247)	(0)
Rural services delivery grant	(50)	(50)	(61)	(11)
Local Council tax Support Grant	(102)	(102)	(102)	(0)
Benefits Administration Grant	(238)	(238)	(220)	18
New burdens and other non specific grant	0	0	0	0
Homelessness Grant – new burdens	(126)	(126)	(126)	(0)
Flexible Homeless Support Grant	(275)	(275)	(276)	(1)
Covid support grants	0	0	(2,813)	(2,813)
Council Tax Requirement (Rother only)	(7,019)	(7,019)	(7,019)	(0)
Other Financing				
Collection Fund (Surplus)/Deficit	(849)	(849)	(849)	(0)
Contributions to/(from) Earmarked Reserves	(2,276)	(2,276)	(1,761)	515
Total Income	(15,602)	(15,602)	(17,652)	(2,050)

NARRATIVE

- The General Fund Revenue Budget outturn is a deficit of £1.284 million. When the budget was originally set in February 2020 the Council estimated it would need to draw down £0.917m from earmarked reserves in order to balance the budget. The remaining drawdown of £0.477m from earmarked reserves in 2020/21 was to fund capital expenditure. This therefore represents a total drawdown of £1.761 million.

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

Executive Directors & Corporate Core - £136,000 deficit

- £72,000 under spend on Elections, Democratic Services and Communications running costs due to the pandemic;
- £196,000 overspend on staff restructure and Council transformation costs;
- £26,000 Emergency Planning costs in response to the pandemic.

Environmental Health Service - £2,000 deficit

- No material variances.

Strategy and Planning Development - £59,000 deficit

- £154,000 shortfall on planning application, enquiries and land charges fee income;
- £130,000 underspend on the Local Development Framework;
- £35,000 over spend on salary costs due to agency staff back filling vacant posts.

Acquisitions, Transformation and Regeneration - £29,000 surplus

- £27,000 under spend on Cultural Development and Tourism services due to the pandemic;

Housing, Community & Neighbourhood Services - £1,227,000 deficit

- £315,000 financial support grant to the De La Warr Pavilion in response to the pandemic;
- £151,000 financial support to the Council's leisure facilities operator to mitigate operational losses arising as a result the pandemic;
- £434,000 overspend on Car Parking operations mainly due to the loss of income arising from the pandemic and the cost of new ticket machines;
- £136,000 overspend on the costs of providing Temporary Accommodation and Housing Benefits payments to homeless families staying temporary accommodation longer than usual due to a lack of suitable alternative accommodation becoming available during the pandemic;
- £70,000 over spend on rough sleeping in response to the Government's initiative to get rough sleepers off the streets during the pandemic lockdown;
- £47,000 spent on improvements to the Town Hall reception area;
- £20,000 over spend on salary costs.

Resources - £1,046,000 deficit

- £54,000 under spend due to lower than expected payments for additional pension fund costs;
- £888,000 over spend on the net cost of Housing Benefit payments mainly as a result of the pandemic;
- £70,000 over spend on Revenues and Benefits collection costs mainly due to an under recovery of costs due to the closure of the Courts during the pandemic;
- £118,000 over spend on technology costs arising from issues such as the purchase of additional equipment to facilitate remote working;
- £45,000 under achievement of income from Printing service due to the pandemic.

Other variations

- £1,292,000 under spend on borrowing costs and slippage on capital expenditure funded from revenue due to a slowdown in the capital programme caused by the pandemic;
- £825,000 unachieved savings due to the pandemic;
- £2,813,000 additional government grant income to respond to the pandemic crisis.

NARRATIVE

General Fund: Capital Programme

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

Rother District Council Capital Programme Summary

	2020/21 Original Budget Feb 20 £ (000)	2020/21 Revised Budget £ (000)	2020/21 Outturn £ (000)	2020/21 Variance £ (000)
<u>Acquisitions, Transformation and Regeneration</u>				
Community grants	130	130	153	23
East Parade – project B – shelters and heritage hub	288	0	0	0
Cemetery entrance	0	233	61	(172)
Ravenside roundabout	0	200	0	(200)
Development of council owned properties	0	0	53	53
1066 pathways	0	93	27	(66)
Property Investment Strategy:				
Beeching Road/Wainwright Road	3,000	100	37	(63)
Office development north east Bexhill	0	20	4	(16)
Barnhorn Road	1,000	140	83	(57)
Beeching Road site 18-40	460	554	445	(109)
35 Beeching Road	0	675	677	2
Mount View Street development – public/commercial	0	964	0	(964)
Purchase of 64 Ninfield Road	0	0	103	103
Uncommitted	6,820	0	0	0
Corporate document image processing	435	435	0	(435)
Rother transformation ICT investment	345	384	0	(384)
<u>Housing and Community Services</u>				
De La Warr Pavilion – capital grant	53	54	55	1
Bexhill seafront – fountain	350	0	0	0
Blackfriars development	3,052	975	597	(378)
Sidley sports and recreation	300	5	7	2
Bexhill Leisure Centre – site development	155	203	207	4
Disabled facilities grant	0	1,625	933	(692)
New bins and containers	125	183	126	(57)
Bexill promenade – protective barriers	0	50	3	(47)
Bexhill promenade – outflow pipe	100	100	0	(100)
Community led housing schemes	450	297	0	(297)
Housing (purchases – temporary accommodation)	2,000	1,350	1,719	369
Land swap re former High School site	1,085	1,085	0	(1,085)
Mount View Street development – housing	0	3,286	3	(3,283)
Strategy and Planning				
CIL payments to parish/town councils	0	163	75	(88)
Corporate Core including Executive Directors				

NARRATIVE

Accommodation strategy	0	75	91	16
Resources				
ICT infrastructure – ongoing upgrade programme	0	140	17	(123)
Total Capital Programme	20,148	13,519	5,476	(8,043)

	2020/21 Original Budget Feb 20 £ (000)	2020/21 Revised Budget £ (000)	2020/21 Estimated Outturn £ (000)	2020/21 Variance £ (000)
Funded By:				
Capital Receipts	1,240	1,085	0	(1,085)
Grants and contributions	4,262	3,907	2,469	(1,438)
Borrowing	12,820	7,316	2,530	(4,786)
Capital Expenditure Charged to Revenue	1,359	1,211	477	(734)
Unfunded	467	0	0	0
Total Funding	20,148	13,519	5,476	(8,043)

The outturn on the General Fund capital programme is an overall underspend of £8.04 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 2021/22 Capital Programme. The reasons for the significant variances are as follows:

- Slippage of £4.2 million on Mount View Street development (housing and public/commercial). Progression with the scheme has been delayed due to a number of legal issues surrounding land acquisition. It is hoped that these matters can be resolved during summer 2021.
- Slippage - land swap re former High School Site £1.1m. Development of leisure facilities in Bexhill had agreed to be put on hold by the Council in 2020 due to the impact of the pandemic on existing facilities and on the Council's finances. The scheme will carry over into 2021/22.

Collection Fund

The outturn on the Collection Fund is a deficit of £10.38 million on Business Rates against a budgeted deficit of £11.25 million; and a deficit of £0.79 million on Council Tax against a budgeted deficit of £0.66 million. The difference between actual and budgeted will be adjusted in 2022/23 and 2023/24 tax setting.

The significant Business Rates deficit is mainly due to the impact of additional reliefs, particularly retail relief of £11.3m, the Government provided to businesses coping with the impact of the pandemic. However, the Government meets the cost of relief by providing s31 grant to the Council which goes through the General Fund in 2020/21 not the Collection Fund. Such grant is taken to earmarked reserves as the impact of the deficit on the General Fund is not felt until 2021/22 onwards. The Council's Comprehensive Income and Expenditure Statement with supporting notes provides further details of the grant funding.

The Council's future share of the deficit, which is down to the additional reliefs met by s31 grant, will be met by transfer from the earmarked reserves.

NARRATIVE

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
Alliance Homes (Rother) Ltd Not meeting the ambitious target of delivering 1,000 new homes	The Council will be required to lend significant sums to the Company to enable it to achieve this target.	Borrowing will be structured and secured in a manner to minimise the risk the Council is exposed to from significant lending.

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 increased from £17.85 million at 31st March 2020 to £22.65 million at 31st March 2021. It is detailed in Note 8 to the accounts. Gross liabilities have increased by £20.3 million mainly due to changes in the discount rate and salary/inflation assessments, this has been partly offset by increases in the return on assets of £15.8 million and other changes of £0.3 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

NARRATIVE

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 Plan

The budget for 2021/22 was set against a background of continuing fiscal tightening of local government through Government policy and managing the impact of the pandemic locally. The Council's Medium Term Financial Plan was set in February 2021 and will be updated in the Autumn of 2021 to update 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 plan for the period 2021/22 to 2025/26 updated is set out in the table below (source: Report CB20/98 Draft Revenue Budget 2021/22 to Cabinet 8 February 2021).

	2021/22	2022/23	2023/24	2024/25	2025/26
	Budget	Budget	Budget	Budget	Budget
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Chief Executive & Corporate Core	2,034	1,870	1,870	1,870	1,870
Environmental Services	658	513	513	513	513
Strategy and Planning	1,090	1,121	1,121	1,121	1,121
Acquisitions, Transformation and Regeneration	(297)	(888)	(2,303)	(3,454)	(3,630)
Housing and Community Services	8,739	8,308	8,308	8,308	8,308
Resources	3,350	3,140	3,140	3,140	3,140
Total Cost of Services	15,574	14,065	12,650	11,498	11,323
Pay Inflation	0	102	153	204	255
Non-Pay Inflation	0	376	564	752	940
Vacancy Provision	(288)	(299)	(316)	(338)	(366)
Interest from Investments	(326)	(370)	(370)	(370)	(370)
Capital Expenditure Charged to Revenue	619	378	188	187	130
MRP and Interest - Property Investment Strategy	513	837	1,196	1,202	1,157
MRP and Interest - Other	914	1,281	1,236	1,133	1,115
Savings and Income generation					
(i) Increase income - Property Investment Strategy	0	0	0	0	0

NARRATIVE

(ii) Increase income (net) - other	(107)	(202)	(202)	(202)	(202)
(iii) Lean and Demand	(180)	(180)	(180)	(180)	(180)
(iv) Service Prioritisation/Devolvement	(250)	(1,600)	(1,660)	(1,720)	(1,720)
(v) Reduced Staffing Structure	(95)	(95)	(95)	(95)	(95)
(vi) Shared Services	0	0	0	0	0
Net Cost of Services	16,374	14,293	13,163	12,070	11,986

	2021/22	2022/23	2023/24	2024/25	2025/26
	Budget	Budget	Budget	Budget	Budget
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Special Expenses	(692)	0	0	0	0
Business Rates					
Local Share of business rates 44% 2019/20 and 40% thereafter	(7,043)	(7,043)	(7,043)	(7,043)	(7,043)
s31 Grants	(2,020)	(2,020)	(2,020)	(2,020)	(2,020)
Tariff	5,121	5,121	5,121	5,121	5,121
Pooling Levy	195	195	195	195	195
				0	
Non-Specific Revenue Grants				0	
New Homes Bonus Grant	(272)	0	0	0	0
Rural services delivery grant	(31)	(32)	(32)	(33)	(34)
Local Council tax Support Grant	(146)	(149)	(152)	(155)	(158)
Benefits Administration Grant	(223)	(227)	(232)	(237)	(241)
New Burdens Grant & other non-specific Grants	0	0	0	0	0
Homelessness Grant - New Burdens	0	0	0	0	0
Homelessness Grant - Preventions	(462)	(471)	(481)	(490)	(500)
Flexible Homeless Support Grant	0	0	0	0	0
Covid Support Grants	(519)	0	0	0	0
Council Tax Requirement (Rother only)	(7,097)	(7,215)	(7,384)	(7,607)	(7,836)
Other Financing				0	0
Collection Fund (Surplus)/Deficit	134	134	134	0	0
Contribution from reserves to fund capital expenditure	(619)	(378)	(188)	(187)	(130)
Total Income	(13,673)	(12,085)	(12,082)	(12,456)	(12,647)
Contribution from Reserves/Funding Gap	2,700	2,207	1,082	(386)	(661)

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 2020/2021 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.

Property	2020/21 Gross Additional Income £'000
14 Terminus Road	106
18-40 Beeching Road	93
16 Beeching Road	97
Glovers House*	437
Market Square, Battle	195
Total	928

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 3.6/4.1% 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 2021/22

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 investment on its Property Investment Strategy as part of its regeneration ambitions.

The Council's latest Capital Strategy was approved by full Council on 22 February 2021 and is available on the Council website. The table below also includes estimates for 2025/26 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)	2025/26 Budget £ (000)	Total £ (000)
Acquisitions, Transformation and Regeneration							
Other Schemes							
1 Community Grants	130	130	130	130	130	130	780
2 Cemetery Entrance	233						233
3 Rother Transformation ICT Investment	384						384
4 Corporate Document Image Processing System	435						435
5 1066 Pathways	93						93
6 Ravenside Roundabout	200						200
Property Investment Strategy							
7 PIS - Office Development NE Bexhill	10,611	15,737	19,496				45,844
8 PIS - Mount View Street Development	964						964
9 PIS - Beeching Road/Wainwright Road	100	900	2,000				3,000
10 PIS - Barnhorn Road	140	3,345	6,102	403			9,990
11 PIS - Beeching Road 18-40	554	392					946
12 PIS - 35 Beeching Road	675						675
Housing Development Schemes							
13 Community Led Housing Schemes	297	303					600
14 Blackfriars Housing Development	975	10,350					11,325
15 Mount View Street Development - Housing	3,286	3,657	3,657	3,482			14,082
16 Alliance Homes (Rother) Ltd	0	25,000	37,000	18,000			80,000
17 Former Bexhill High School site - Housing							0
Housing and Community Services							
18 De La Warr Pavilion - Capital Grant	54	54	55	56	57		276
19 Sidley Sports and Recreation	5	811					816
20 Land Swap re Former High School Site	1,085						1,085
21 Bexhill Leisure Centre - site development	203		193				396
22 Bexhill Leisure Centre - refurbishment	0	140					140
23 Disabled Facilities Grant	1,625	1,625	1,625	1,625	1,625	1,625	9,750
24 New bins	183	125	125	125	125	125	808
25 Bexhill Promenade - Outflow pipe	100						100
26 Bexhill Promenade - Protective Barriers	50						50
27 Fairlight Coastal Protection	0						0
28 Housing (purchases - temp accomodation)	3,000						3,000
Strategy & Planning							
29 Highways Work - London Road - Bexhill	300						300
30 Grants to Parishes - CIL	163						163
Executive Directors & Corporate Core							
31 Accommodation Strategy	75						75
Resources							
32 ICT Infrastructure – Ongoing Upgrade Programme	140						140
Total Capital Programme	26,060	62,569	70,383	23,821	1,937	1,880	186,650

NARRATIVE

Line	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	Total £ (000)
Funded By:							
33 Capital Receipts	1,085	0	0	0	0	0	1,085
34 Grants and contributions	3,594	12,993	1,625	1,625	1,625	1,625	23,087
35 CIL	613	193	0	0	0		806
36 Borrowing	19,557	23,764	31,380	4,010	125	125	78,961
37 Capital Expenditure Charged to Revenue	1,211	619	378	186	187	130	2,711
38 Unfunded	0	25,000	37,000	18,000			80,000
Total Funding	26,060	62,569	70,383	23,821	1,937	1,880	186,650

8. Material assets/liabilities

The Council purchased no significant individual assets during the year. However, the Council did spend £1.7m in acquiring 7 properties as part of its response to meet its duty to accommodate homeless households.

These will be financed by loans from the Public Works Loan Board (PWLB) and Homes England funding. As at 31st March 2021 the Council's borrowing stood at £12.0m.

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 (NDR) and its distribution to precepting bodies.

NARRATIVE

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.

A handwritten signature in black ink that reads "R Vennard." The signature is written in a cursive style with a large, prominent 'R'.

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

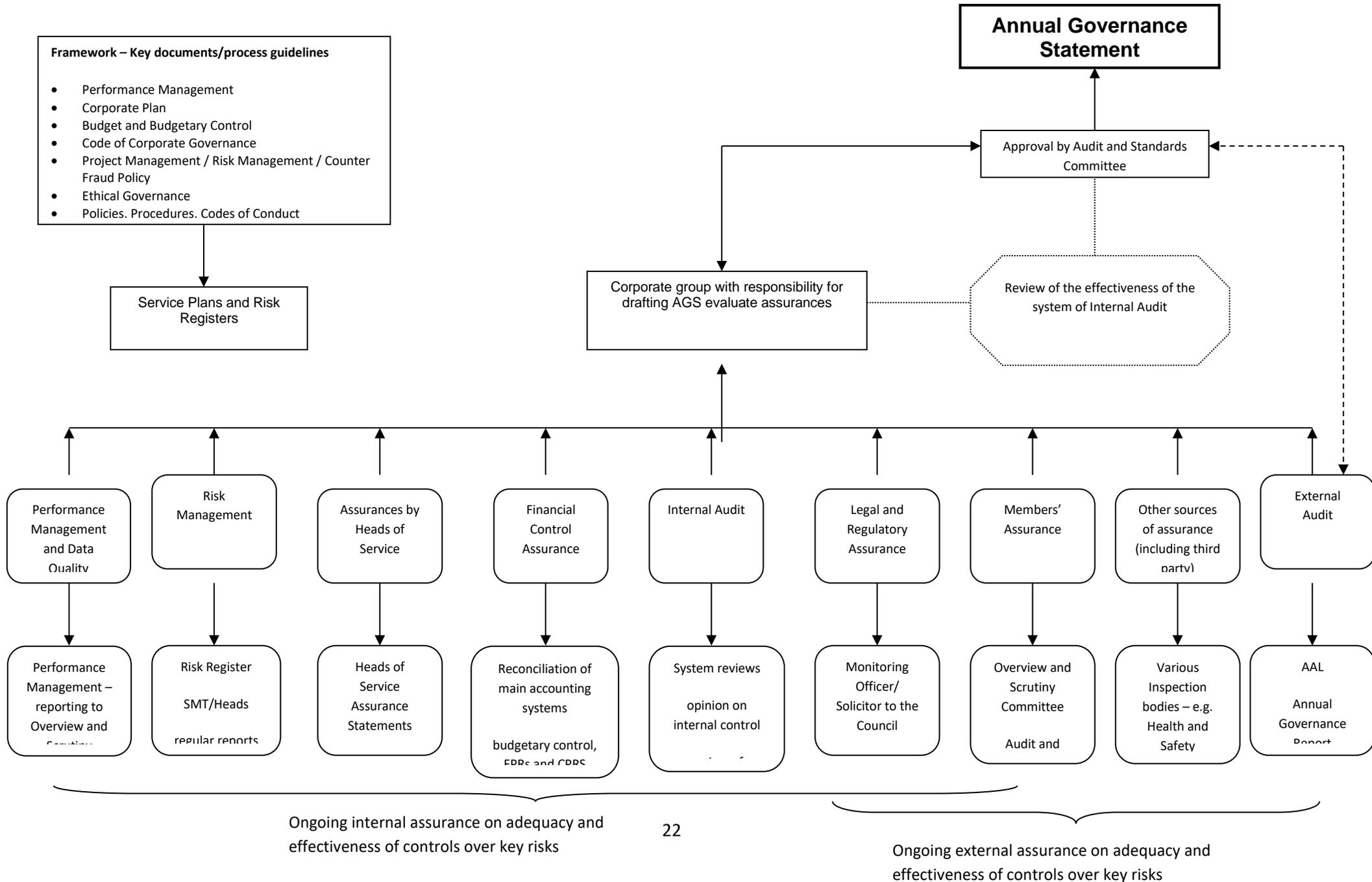
The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives 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 2021 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE FRAMEWORK TO 31 MARCH 2021



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 Chief Executive within the authority who has 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 2020/21. 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 2020/21, 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 current 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. The Council has since the financial year end, created a new role and now appointed an independent person for the Audit responsibilities of the A&S Committee.

ANNUAL GOVERNANCE STATEMENT

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. For 2020/21 due to the COVID-19 restrictions, the majority of meetings were held remotely using Microsoft Teams and televised live on the internet via YouTube.

The Council's consultation charter sets out how it engages with stakeholders and partners. 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. A new Corporate Plan has been developed and consulted on. It is envisaged that the new plan will be adopted by September 2021.

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

ANNUAL GOVERNANCE STATEMENT

Performance is monitored against a key performance indicator (KPI) set 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. Corporate 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.

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 a member of 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 Corporate Management Team (SMT). Desk top exercises were held on a regular basis prior to the pandemic to test identified risks against our Business Continuity planning and these will need to be restarted in 2021. 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.

ANNUAL GOVERNANCE STATEMENT

Internal Audit

Each year an Internal Audit plan of work is agreed by the Chief Executive, the Section 151 Officer and the Audit and Standards Committee. Ordinarily, a risk-based plan is established and agreed prior to the start of the financial year. However, the audit planning process in 2020/21 was disrupted by the coronavirus outbreak and a new, more flexible approach had to be adopted to enable Internal Audit to continue to function during the crisis. Quarterly work plans were also introduced to help manage the uncertainty from one period to the next,

The majority of the audit work planned in 2020/21 was completed by the end of the financial year. This work included all core financial audits and a number of other audits and activities which were deemed a priority in light of the pandemic.

The Audit Manager reports monthly to the Chief Executive and quarterly to the A&SC on the audit reviews that have been undertaken, highlighting any significant recommendations that have been made. In addition, the Chief Executive 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.

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

ANNUAL GOVERNANCE STATEMENT

There are no outstanding issues to report from previous years, and the work carried out by Internal Audit in 2020/21 did not highlight any significant concerns regarding the internal control environment

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 Government's review of local government funding and review of business rates has been further delayed. This therefore continues to be 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 (£1.4m) through the devolvement of services to alternative providers including the new Bexhill-on-Sea Parish Council. 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 were further developed during 2020/21 and a new Financial Stability Programme has been established. This is a multifaceted programme designed to deliver the extra income and savings required by 2025.

Emerging new Corporate Plan – with the change in May 2019 of the political administration of the Council, a new Corporate Plan has been developed with new key objectives. Central to the new plan was becoming an even more customer centric organisation. The emerging themes are also focused on the environment and the delivery of new housing. Resources may 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.

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. Whilst no compulsory redundancies are currently planned, the current financial challenges could reduce morale and increase the risk of staff turnover. 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. The COVID-19 pandemic has negatively impacted some recruitment. However going forward the changes in working practice brought about in response to the pandemic has increased the flexibility of the Council can offer prospective employees, in particular homeworkers. In addition, the Council continues to employ and train apprentices which can include professional roles.

ANNUAL GOVERNANCE STATEMENT

Property Investment – The Council has a Property Investment Strategy (PIS) for the acquisition and development of commercial property in the district. The purpose of this strategy is to stimulate economic activity and generate rental income to support the revenue budget. However, the pandemic has temporarily slowed activity in the PIS which has meant that income targets are not currently being achieved. Most recent activity has focused on development opportunities which will bring jobs and yield a return in the longer term but will require time to bring to fruition. The Property Investment Panel carefully considers all property investment opportunities and seeks professional advice before making acquisitions but there are significant financial risks if the Council embarks on more speculative investments. Changes in working practices brought about by the pandemic may also have an impact on the future demand for commercial property and this could potentially have a negative impact on returns. As most property investment is funded through borrowing, returns are also very sensitive to increases in interest rates.

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, and much of the Income Manager module has also been in place for some time. However, the implementation of the Human Resources and Self Service modules, as well as specific aspects of the Income Manager module, are yet to be completed due to problems with system functionality. During 2020 the decision was taken to abandon the Unit 4 annual leave functionality and a new internally developed solution is now implemented. Self Service functionality for expenses is still planned to be implemented during 2021.

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. The projects are managed by 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. The Council has also established a wholly own housing company Alliance Homes (Rother) Limited to deliver the new housing in the district. The major schemes is likely to deliver over the coming years will be overseen by the Company's board which includes elected members.

Trading with European Union and Northern Ireland – the full ongoing impact of the Country's exit from the European Union remain unclear on the activities of the Council and its supply chain. The new trading agreement has resulted in increased work for the environmental health service issuing export health certificates. As trade recovers, the demands on the shared service with Wealden District Council will increase further. Any impact of food import controls due to start in October 2021 will not be known until later in the year.

Pandemic – The Covid-19 pandemic continues to impact the Council in 2021. This includes the long term diversion of staff resources into other activities required by Government.

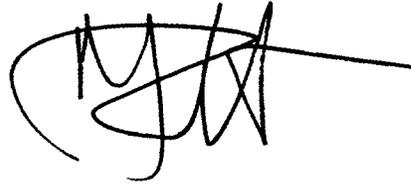
Climate Change Emergency – The actions the Council will need to take to meet its Climate Change Emergency commitments may limit some service provision or increased costs, particularly around major outsourced contracts, reductions in car mileage for visiting officers, the provision of electric vehicles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

Joint Waste Collection and Street Cleaning Contract – There is a residual risk of service disruption pending Biffa Municipal Ltd's final decisions on the need to re-route collection services in 2021 (delayed from 2020). This risk is

ANNUAL GOVERNANCE STATEMENT

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

On behalf of Rother District Council

Malcolm Johnston

Chief Executive

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 79 give a true and fair view of the financial position of the Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Robin Vennard

Assistant Director Resources 26 July 2021

Approval of Accounts

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

Councillor Ashan Jeeawon

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

2019-20				2020-21			
Expenditure	Income	Net		Expenditure	Income	Net	
£'000	£'000	£'000		£'000	£'000		£'000
3,084	(535)	2,549	Corporate Core (incl Chief Executive)	2,574	(204)	2,370	
2,724	(2,088)	636	Environmental Services	2,448	(2,350)	98	
2,127	(1,122)	1,005	Strategy and Planning and Development	2,190	(890)	1,300	
5,268	(1,093)	4,175	Acquisitions, Transformation and Regeneration	1,904	(1,176)	728	
13,166	(4,381)	8,785	Housing and Community Services	14,352	(3,955)	10,397	
23,246	(19,478)	3,768	Resources	27,281	(23,125)	4,156	
49,615	(28,697)	20,918	Cost of Services	50,749	(31,700)	19,049	
1,656	0	1,656	Parish Council Precepts	1,774	0	1,774	
130	0	130	Levies	134	0	134	
32	(282)	(250)	(Gains) on the disposal of assets	0	(223)	(223)	
1,818	(282)	1,536	Other Operating Expenditure	1,908	(223)	1,685	
615	0	615	Net interest on defined pension liabilities (note 8)	492	0	492	
0	(508)	(508)	Interest receivable and similar income	0	(324)	(324)	
286	0	286	Interest payable and similar expenses	292	0	292	
317	0	317	Gains and losses on financial assets – (note 20)	147	0	147	
179	(3,737)	(3,558)	Income and expenditure in relation to investment properties and changes in their fair value (note 14)	334	(803)	(469)	
1,397	(4,245)	(2,848)	Financing and Investment Income and Expenditure	1,265	(1,127)	138	
0	(9,194)	(9,194)	Council Tax Income	0	(9,417)	(9,417)	
5,715	(7,693)	(1,978)	Non Domestic Rates	5,614	(3,158)	2,456	
0	(3,076)	(3,076)	Non-ringfenced government grants	0	(9,880)	(9,880)	
0	(2,930)	(2,930)	Capital grants and contributions	0	(2,857)	(2,857)	
5,715	(22,893)	(17,178)	Taxation and non-specific grant income and expenditure	5,614	(25,312)	(19,698)	
58,545	(56,117)	2,428	(Surplus) or Deficit on Provision of Services	59,536	(58,362)	1,174	
		(7,613)	(Surplus)/deficit on revaluation of non-current assets.			3,183	
		(1)	Valuation (gains) / losses on available for sale financial assets reserve			0	
		(9,351)	Remeasurement of the net defined benefit pension liability			3,294	
		(16,965)	Other Comprehensive (Income) and Expenditure			6,477	
		(14,537)	Total Comprehensive (Income) and Expenditure			7,651	

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019/20								
Balance at 1 April 2019	1,000	16,362	17,362	2,902	1,873	22,137	25,470	47,607
Movement in Reserves in 2019/20:								
Surplus (deficit) on the provision of services (accounting basis)	(2,428)	0	(2,428)	0	0	(2,428)	0	(2,428)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	16,965	16,965
Total Comprehensive Income and Expenditure	(2,428)	0	(2,428)	0	0	(2,428)	16,965	14,537
Adjustments between accounting and funding basis under regulation - note 6	36	0	36	285	2,693	3,014	(3,014)	0
Net increase/decrease before transfers to Earmarked reserves	(2,392)	0	(2,392)	285	2,693	586	13,951	14,537
Transfers to/from Earmarked reserves - note 10	2,392	(2,392)	0	0	0	0	0	0
Increase/(Decrease) in Year	0	(2,392)	(2,392)	285	2,693	586	13,951	14,537
Balance at 31 March 2020	1,000	13,970	14,970	3,187	4,566	22,723	39,421	62,144

MOVEMENT IN RESERVES

	General Fund Balance	Ear-marked Reserves	Total General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2020/21								
Balance at 1 April 2020	1,000	13,970	14,970	3,187	4,566	22,723	39,421	62,144
Movement in Reserves in 2020/21:								
Surplus (deficit) on the provision of services (accounting basis)	(1,174)	0	(1,174)	0	0	(1,174)	0	(1,174)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(6,477)	(6,477)
Total Comprehensive Income and Expenditure	(1,174)	0	(1,174)	0	0	(1,174)	(6,477)	(7,651)
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	4,467	0	4,467	227	1,423	6,117	(6,117)	0
Net increase/decrease before transfers to Earmarked reserves	3,293	0	3,293	227	1,423	4,943	(12,594)	(7,651)
Transfers to/from Earmarked reserves - <i>note 10</i>	(3,293)	3,293	0	0	0	0	0	0
Increase/(Decrease) in Year	0	3,293	3,293	227	1,423	4,943	(12,594)	(7,651)
Balance at 31 March 2021	1,000	17,263	18,263	3,414	5,989	27,666	26,827	54,493

BALANCE SHEET

31 March 2020 £'000		31 March 2021 £'000
59,850	Property, Plant and Equipment	60,453
12,357	Investment Properties	11,513
610	Intangible Assets	501
7,714	Long Term Investments	7,601
37	Long Term Debtors	33
80,568	LONG TERM ASSETS	80,101
6,306	Short Term Debtors	14,942
14	Inventories	18
0	Short Term Investments	0
16,069	Cash and Cash Equivalents	23,507
22,389	CURRENT ASSETS	38,467
(7,626)	Short Term Creditors	(26,407)
(1,105)	Provisions	(905)
(248)	Short Term Borrowing	(249)
(1)	Capital grants receipts in advance	0
(8,980)	CURRENT LIABILITIES	(27,561)
(2,114)	Capital grants receipts in advance	(2,115)
(11,869)	Long Term Borrowing	(11,751)
(17,850)	Net Defined Pension liability	(22,648)
(31,833)	LONG TERM LIABILITIES	(36,514)
62,144	NET ASSETS	54,493
1,000	General Fund	1,000
13,970	Earmarked Reserves	17,263
3,187	Capital Receipts Reserve	3,414
4,566	Capital grants unapplied reserves	5,989
22,723	USABLE RESERVES	27,666
24,669	Revaluation Reserve	21,290
32,361	Capital Adjustment Account	33,010
37	Deferred capital receipts	33
(17,850)	Pensions Reserve	(22,648)
647	Collection Fund Adjustment Account	(4,264)
(157)	Accumulated Absences Account	(195)
(286)	Pooled Investment Funds Adjustment Account	(399)
39,421	UNUSABLE RESERVES	26,827
62,144	TOTAL RESERVES	54,493

CASH FLOW STATEMENT

2019-20		2020-21
£'000		£'000
(17,020)	Taxation	(12,118)
(26,553)	Grants and Contributions	(41,066)
(7,908)	Sales of goods and rendering of services	(5,640)
(563)	Interest received	(324)
(122)	Other receipts from operating activities	(17)
(52,166)	Cash inflows generated from operating activities	(59,165)
8,346	Cash paid to and on behalf of employees	8,284
18,671	Housing benefit payments	19,127
5,715	NNDR levy and tariff payments	5,614
1,786	Precepts paid	1,908
11,364	Cash paid to suppliers of goods and services	11,696
160	Interest paid	294
5,240	Other operating cash payments	9,676
51,282	Cash outflows generated from operating activities	56,599
(884)	Net cashflows from operating activities	(2,566)
(282)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(223)
12,568	Purchase of property, plant and equipment, investment property and intangible assets	4,268
11,490	Purchase of short-term and long-term investments	0
(19,990)	Proceeds from the sale of short-term and long-term investments	0
0	Other payments for investing activities	0
(1,590)	Other receipts from investing activities	(3,280)
2,196	Net cashflows from investing activities	765
(11,150)	Cash Receipts - long/short term borrowing	0
61	Repayments of long/short term borrowing	115
559	Changes in Council Tax balances held for preceptors	1,637
(1,251)	Changes in National Non-Domestic Rates balances held for preceptors	7,385
0	Change in covid etc grants held for Government	(14,774)
(11,781)	Net cashflows from financing activities	(5,637)
(10,469)	Net (Increase) / decrease in cash and cash equivalents	(7,438)
5,600	Cash and cash equivalents 1 April	16,069
10,469	Net increase / (decrease) in cash and cash equivalents	7,438
16,069	Cash and cash equivalents 31 March	23,507
2	Cash in hand	2
3,003	Call accounts and short term deposits	9,993
13,064	Bank balances	13,512
16,069	Cash and cash equivalents 31 March	23,507

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 1. ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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.
- Accruals are made for amounts exceeding £100.

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

NOTES TO THE ACCOUNTING STATEMENTS

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 2.0% based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.

NOTES TO THE ACCOUNTING STATEMENTS

- 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 pension liability is analysed into the following components:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the 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

NOTES TO THE ACCOUNTING STATEMENTS

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

NOTES TO THE ACCOUNTING STATEMENTS

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 the CI&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 the CI&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

NOTES TO THE ACCOUNTING STATEMENTS

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 the CI&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

NOTES TO THE ACCOUNTING STATEMENTS

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 the CI&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

NOTES TO THE ACCOUNTING STATEMENTS

- 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.

NOTES TO THE ACCOUNTING STATEMENTS

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

NOTES TO THE ACCOUNTING STATEMENTS

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.

NOTES TO THE ACCOUNTING STATEMENTS

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 is 100% shareholder of Alliance Homes (Rother) Ltd. The company was incorporated in October 2020. Group accounts will be prepared where material.

In the Council's own single-entity accounts, its interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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 2021/22 Code are as follows.

- Definition of a business: Amendments to IFRS3 Business Combinations.
- Interest rate benchmark reform: Amendments to IFRS9, IAS39 and IFRS7.
- Interest rate benchmark reform-Phase 2: Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16.
- IFRS 16 Lease accounting (deferred implementation to 1 April 2022)

It is judged that the introduction of the changes in 2021/22 will not have a material impact on the Council's financial position and performance.

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Alliance Homes (Rother) Ltd

The Council is sole shareholder of Alliance Homes (Rother) Ltd. Since the company's inception in October 2020 costs incurred by Alliance Homes have been small in scale. The Council has determined that group accounts will not be prepared in 2020/21, in addition to its single entity accounts, since the interest in the company is not material to the Council's overall financial position. It is anticipated however that group accounts will be prepared for 2021/22.

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 2021 on which such assumptions have been made are as follows:

NOTES TO THE ACCOUNTING STATEMENTS

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, Barnett Waddingham, is engaged to provide the Council with expert advice about the assumptions to be applied. For instance:

- A 0.1% decrease in the real discount rate assumption would result in an increase in the pension liability of £2.266m.
- A 0.1% increase in the Salary Increase Rate would result in an increase in the pension liability of £0.149m.
- A 0.1% increase in the Pension Increase Rate would result in an increase in the pension liability of £2.097m.
- A 1 year increase in estimated life expectancy would result in an increase in the pension liability of £6.057m.

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.

Property, Plant and Equipment

The ongoing pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at 31 March 2021 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, the property, plant and equipment valuations are not being reported as being subject to material valuation uncertainty except for retail and specific trading related assets such as car parks. For retail/trading/car parks, at 31 March there remains an unprecedented set of circumstances caused by Covid 19 and an absence of relevant/sufficient market evidence on which to base judgements.

The valuation of these assets (car parks and specific trading related assets) are therefore reported as being subject to material valuation uncertainty and a higher degree of caution should be attached to their valuation than would normally be the case. Note that it does not mean that the valuations cannot be relied upon.

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 40%) 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 2021 based on work completed by Analyse Local.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

2019-20			2020-21			
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
2,218	331	2,549	Corporate Core (incl Chief Executive)	2,117	253	2,370
321	315	636	Environmental Services	(187)	285	98
759	246	1,005	Strategy and Planning and Development	1,032	268	1,300
434	3,741	4,175	Acquisitions, Transformation and Regeneration	290	438	728
7,357	1,428	8,785	Housing and Community Services	9,264	1,133	10,397
3,648	120	3,768	Resources	4,089	67	4,156
14,737	6,181	20,918	Cost of Services	16,605	2,444	19,049
(12,345)	(6,145)	(18,490)	Other Income and Expenditure	(19,898)	2,023	(17,875)
2,392	36	2,428	(Surplus) or Deficit on Provision of Services	(3,293)	4,467	1,174
Earmarked Reserves	General Fund	Total		Earmarked Reserves	General Fund	Total
£'000	£'000	£'000		£'000	£'000	£'000
16,362	1,000	17,362	Opening balances	13,970	1,000	14,970
0	(2,392)	(2,392)	Surplus or (Deficit) on Provision of Services	0	3,293	3,293
(2,392)	2,392	0	Transfers between General Fund and earmarked reserves	3,293	(3,293)	0
13,970	1,000	14,970	Closing General Fund balance	17,263	1,000	18,263

NOTES TO THE ACCOUNTING STATEMENTS

	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

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
2020-21					
Corporate Core	62	184	0	7	253
Environmental Services	0	293	0	(8)	285
Strategy and Planning and Development	0	248	0	20	268
Acquisitions, Transformation and Regeneration	258	176	0	4	438
Housing and Community Services	732	393	0	8	1,133
Resources	342	(282)	0	7	67
Cost of Services	1,394	1,012	0	38	2,444
Other Income and Expenditure from the Expenditure and Funding Analysis	(3,493)	492	4,911	113	2,023
Total for 2020-21	(2,099)	1,504	4,911	151	4,467

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
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	0	0	0	0	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	(1,853)	0	0	1,853	0
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

	General Fund Balance	Capital Receipts reserve	Capital grants unapplied	Unusable Reserves	Total
	£'000	£'000	£'000	£'000	£'000
2020-21					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(126)	0	0	126	0
Depreciation and impairment of non-current assets	(1,060)	0	0	1,060	0
Movements in value of Investment Properties	(214)	0	0	214	0
Disposal of non-current assets					
Capital receipts to Usable Capital Receipts Reserve	223	(227)	0	4	0
Capital grants and contributions to Capital Grants Unapplied Reserve	1,498	0	(1,498)	0	0
Difference between accounting and statutory employment benefit	(38)	0	0	38	0
Difference between accounting and statutory credit for Council Tax	(154)	0	0	154	0
Difference between accounting and statutory credit for Non-Domestic Rates	(4,757)	0	0	4,757	0
Revenue Expenditure Financed from Capital under Statute	(1,244)	0	0	1,244	0
Difference between accounting and statutory credit for pension costs	(1,504)	0	0	1,504	0
Difference between accounting and statutory credit for pooled investment funds	(113)	0	0	113	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	477	0	0	(477)	0
Other adjustments					
Minimum revenue provision	150	0	0	(150)	0
Capital expenditure financed from Capital grants and contributions	2,394	0	75	(2,469)	0
Total for 2020-21	(4,467)	(227)	(1,423)	6,117	0

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 7A. EXPENDITURE AND INCOME ANALYSED BY NATURE

2019-20 Surplus / Deficit on the Provision of Services		2020-21 Surplus / Deficit on the Provision of Services	
	£'000	£'000	
	12,537	Employee benefits expenses	12,239
	39,124	Other service expenses	43,697
	286	Interest payments	292
	4,779	Depreciation, amortisation, impairment etc	1,186
	1,786	Precepts and levies	1,908
	0	Investment properties change in fair value	214
	32	Asset disposals	0
	1	Other	0
	58,545	Total Expenditure	59,536
	(7,549)	Fees, charges and other service income	(7,480)
	(2,901)	Investment Properties changes in fair value	0
	(508)	Interest and investment income	(324)
	(16,887)	Council Tax and Non-Domestic Rate income	(12,575)
	(27,989)	Grants and Contributions	(37,759)
	(282)	Gains on the disposal of assets	(223)
	(1)	Other	(1)
	(56,117)	Total income	(58,362)
	2,428	Net	1,174

NOTE 7B. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

2019/2020		2020/2021
£'000	Acquisitions, Transformation, Regeneration	£'000
24	Street Naming/House Numbering and other income	30
	Environmental Health Services	
91	Alcohol Licensing	83
89	Taxi Licensing	67
53	Other income	47

NOTES TO THE ACCOUNTING STATEMENTS

Executive Directors and Corporate Core		
3	Feed in Tariff and other income	3
Housing and Community Services		
1,587	Car Parks	1,276
789	Refuse Collection	863
187	Cemeteries	140
65	Other income	34
Resources		
70	Printing income	26
Planning		
606	Planning Applications	581
155	Land Charges	168
38	Planning Enquiries	27
<hr/>		
3,757	Total included in Comprehensive Income and Expenditure Statement	3,345
<hr/>		

NOTE 8. DEFINED BENEFIT PENSION SCHEME

Characteristics of defined benefit plans and associated risks

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

The administering authority for the Fund is East Sussex County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, East Sussex County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

NOTES TO THE ACCOUNTING STATEMENTS

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the East Sussex County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

2019-20 £'000		2020-21 £'000
	Comprehensive Income and Expenditure Statement	
2,962	Current Service Cost	2,834
177	Past service cost (inc. curtailments)	156
3,139	Cost of Services	2,990
615	Net interest expense	492
615	Financing and Investment Income and Expenditure	492
3,754	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	3,482
7,602	Return on plan assets, less included in interest expense	(15,437)
	Actuarial gains & losses:	
(3,103)	Changes in demographic assumptions	(1,605)
(9,107)	Changes in financial assumptions	21,652
(4,743)	Other	(1,316)
(9,351)	Remeasurement of the net defined benefit liability	3,294
(5,597)	Total Comprehensive Income and Expenditure Statement	6,776
	Movement in Reserves Statement	
3,754	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	3,482
(1,901)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,978)
1,853	Total taken to Note 6	1,504

NOTES TO THE ACCOUNTING STATEMENTS

2019-20		2020-21
£'000	Reconciliation of Fair Value of Employer Assets (scheme Assets):	£'000
89,110	Value of Assets at 1 April	82,302
2,127	Interest income on plan assets	1,518
440	Contributions by Members	449
1,901	Contributions by the Employer	1,978
(7,602)	Return on assets excluding amounts recognised in Other Comprehensive Income	15,437
(3,674)	Benefits Paid	(3,788)
0	Administration expenses	(92)
82,302		97,804
Reconciliation of Defined Benefit Obligation (scheme Liabilities):		
(114,458)	Value of Liabilities at 1 April	(100,152)
(2,962)	Current Service Cost	(2,742)
(177)	Past service cost (incl. curtailments)	(156)
(2,742)	Interest Cost	(2,010)
(440)	Contribution by Members	(449)
	Actuarial Gains and (Losses):	
3,103	Change in demographic assumptions	1,605
9,107	Change in financial assumptions	(21,652)
4,743	Other experience gains and (losses)	1,316
3,674	Benefits Paid	3,788
(100,152)		(120,452)
(17,850)	Net Liability at 31st March	(22,648)

Fair value of employer assets

The percentage of the Total Fund held in each asset class is as follows:

Asset Category	31 March 2021		Total %
	Quoted Prices in Active Markets	Prices not quoted in Active markets	
	%	%	
Index Linked			
Government Securities:			
UK	0	3.1	3.1
Overseas	0	0	0
Corporate Bonds:			
UK	0	10.6	10.6
Overseas	0	0	0

NOTES TO THE ACCOUNTING STATEMENTS

Equities:			
UK	0	0	0
Overseas	0	44.3	44.4
Property (all)	0	7.5	7.5
Others:			
Absolute return portfolio	0	23.2	23.2
Private Equity	0	8.2	8.2
Infrastructure	0	0.3	0.3
Other	0	1.0	1.0
Cash/temporary invests	1.4	0.0	1.4
Net current assets			
Debtors	0.4	0	0.4
Totals	1.8	98.2	100.0

(The estimated return on the Fund, on a bid value to bid value basis, for the year to 31 March 2021 is 21.3%.)

The estimated asset allocation for Rother District Council as at 31 March 2021 is as follows:

31 March 2020			31 March 2021		
Total	%	Asset Category	Total	%	
£,000	%		£,000	%	
59,186	74%	Equities	74,136	76%	
14,081	17%	Bonds	14,646	15%	
7,520	9%	Property	7,359	7%	
1,515	2%	Cash	1,663	2%	
82,302	100%		97,804	100%	

NOTES TO THE ACCOUNTING STATEMENTS

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.

2019-20		2020-21
1.9%	Rate of inflation	2.8%
1.9%	Rate of increase in salaries	2.8%
1.9%	Rate of increase in pensions	2.8%
2.3%	Rate for discounting scheme liabilities	2.0%
	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:

2019-20		2020-21
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.6	Men	21.1
23.9	Women	23.7
	Longevity at 65 for future pensioners:	
22.5	Men	21.9
25.3	Women	25.0

Impact on the Council's Cash Flows

The Council anticipates paying £1,715,000 of contributions to the scheme in 2021/22.

NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

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

2019-20		2020-21
£'000		£'000
0	Covid grants and related support	(3,313)
(18,540)	DWP benefits grants	(18,589)
(1,460)	Grants for revenue financed from capital under statute	(1,036)
(1,984)	Other Grants and Contributions	(2,084)
<u>(21,984)</u>	Total within Cost of Services	<u>(25,022)</u>
0	Covid grants and related support	(7,525)
(237)	New Burden Grant	(81)
(214)	Benefits Administration Grant	(220)
(449)	New Homes Bonus	(247)
(2,079)	Section 31 Grant Income	(1,517)
(96)	Local Services Support Grant	(102)

NOTES TO THE ACCOUNTING STATEMENTS

0	Other grants	(188)
(2,930)	Grants and contributions towards capital expenditure	(2,857)
<u>(6,005)</u>	Total within Taxation and non-specific grant income	<u>(12,737)</u>
<u>(27,989)</u>	Total income from grants and contributions	<u>(37,759)</u>

The value of grants provided to the Council in respect of Covid and related support amounted to £10,838,000 in 2020/21.

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 2019	Transfers out	Transfers in	Balance at 31 March 2020	Transfers out	Transfers in	Balance at 31 March 2021
	£'000	£'000		£'000	£'000		£'000
Medium Term Financial Strategy Reserve	3,734	(3,057)	487	1,164	(54)	2,693	3,803
Economic Development Fund	30	0	289	319	0	0	319
Risk Management Fund	195	0	0	195	0	0	195
Repairs and Renewals Reserve	1,414	(475)	4	943	(1)	0	942
Affordable Housing Reserve	921	0	0	921	0	0	921
Corporate Development Reserve	321	(107)	131	345	(13)	26	358
Planning Improvement & LDF Reserve	283	(140)	97	240	(23)	0	217
Homelessness Reserve	214	0	0	214	0	0	214
Grants Reserve	2,233	(93)	472	2,612	(86)	751	3,277
Treasury Investment Reserve	7,017	0	0	7,017	0	0	7,017
Total	16,362	(3,872)	1,480	13,970	(177)	3,470	17,263

The transfer from reserves shown in the MIRS as at the 31 March 2021 is £3,293,000 (£3,470,000 less £177,000).

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.

NOTES TO THE ACCOUNTING STATEMENTS

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 to help stabilise the impact of movements in interest rates.

NOTE 11. UNUSABLE RESERVES

Revaluation Reserve

2019-20		2020-21
£000		£000
17,362	Balance 1 April	24,669
	Comprehensive Income & Expenditure:	
7,613	Gain/(loss) on revaluation of assets	(3,182)
	Accounting / Financing Adjustments:	
(306)	Depreciation charged to Revaluation Reserve	(197)
24,669	Balance 31 March	21,290

Capital Adjustment Account

2019-20		2020-21
£000		£000
33,447	Balance 1 April	32,361
	Accounting / Financing Adjustments:	
(114)	Write down Intangible Assets	(126)
(4,665)	Depreciation and impairment of non-current assets	(1,060)
2,901	Movements in value of Investment Properties	(214)
(32)	Gain or (loss) on sale of non-current assets	0
(1,624)	Revenue Expenditure Financed from Capital under Statute	(1,244)
416	Capital expenditure financed from revenue	477
29	Minimum revenue provision	150
1,697	Capital expenditure financed from Capital grants and contributions	2,469
306	Depreciation charged to Revaluation Reserve	197
32,361	Balance 31 March	33,010

Deferred Capital Receipts Reserve

2019-20		2020-21
£000		£000
41	Balance 1 April	37
	Accounting / Financing Adjustments:	
(4)	Deferred receipts received to Capital Receipts Reserve	(4)
37	Balance 31 March	33

NOTES TO THE ACCOUNTING STATEMENTS

Pensions Reserve

2019-20		2020-21
£000		£000
(25,348)	Balance 1 April	(17,850)
	Comprehensive Income & Expenditure:	
9,351	Remeasurement of the net defined benefit liability	(3,294)
	Accounting / Financing Adjustments:	
(1,853)	Difference between accounting and statutory credit for pension costs	(1,504)
(17,850)	Balance 31 March	(22,648)

Collection Fund Adjustment Account

2019-20		2020-21
£000		£000
190	Balance 1 April	647
	Accounting / Financing Adjustments:	
(118)	Difference between accounting and statutory credit for Council Tax	(154)
575	Difference between accounting and statutory credit for Non-Domestic Rates	(4,757)
647	Balance 31 March	(4,264)

Accumulated Absences Account

2019-20		2020-21
£000		£000
(157)	Balance 1 April	(157)
	Accounting / Financing Adjustments:	
0	Difference between accounting and statutory employment benefit	(38)
(157)	Balance 31 March	(195)

Pooled Investment Funds Adjustment Account

2019-20		2020-21
£000		£000
(65)	Balance b/f	(286)
	Comprehensive Income & Expenditure:	
(221)	Gain/(Loss) revaluation Pooled Investment funds	(113)
(286)	Balance 31 March	(399)

NOTES TO THE ACCOUNTING STATEMENTS

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.

2019-20 £'000		2020-21 £'000
3,757	Opening Capital Financing Requirement 1 April	15,788
	<i>Capital Investment</i>	
12,486	Property, Plant and Equipment	4,215
63	Intangible assets	17
1,624	Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,244
(29)	<i>Minimum Revenue Provision</i>	(150)
	<i>Sources of finance</i>	
0	Capital receipts	0
(345)	Government grants and other contributions	(1,433)
(416)	Sums set aside from revenue and reserves	(477)
(1,352)	Grants and contributions towards REFCUS	(1,036)
15,788	Closing Capital Financing Requirement 31 March	18,168

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

31 March 2020 £'000		31 March 2021 £'000
59,850	Property, Plant and Equipment	60,453
12,357	Investment Properties	11,513
610	Intangible Assets	501
0	Assets Held for Sale	0
(24,669)	Revaluation Reserve	(21,290)
(32,360)	Capital Adjustment Account	(33,009)
15,788		18,168

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 2019	24,221	1,236	14,560	0	300	7,442	47,759
Additions	11,726	91	90	0	579	0	12,486

NOTES TO THE ACCOUNTING STATEMENTS

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	6,306	0	0	0	0	259	6,565
Other movements	(1)	0	(1)	0	0	0	(2)
Value 31 March 2020	38,699	1,292	14,649	0	879	7,721	63,240
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	38,699	755	11,796	0	879	7,721	59,850

NOTES TO THE ACCOUNTING STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Proprs.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2020	38,699	1,292	14,649	0	879	7,721	63,240
Additions	3,242	129	0	0	845	0	4,216
Disposals	0	0	0	0	0	0	0
Impairment losses	(174)	0	0	0	0	0	(174)
Reclassifications	630	0	0	0	0	43	673
Revaluations	(760)	0	0	0	0	(2,840)	(3,600)
Other movements	1	(1)	0	0	0	0	0
Value 31 March 2021	41,638	1,420	14,649	0	1,724	4,924	64,355
Cumulative Depreciation:							
Opening value 1 April 2020	0	(537)	(2,853)	0	0	0	(3,390)
Charge for the year	(470)	(126)	(291)	0	0	0	(887)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	375	0	0	0	0	0	375
Other movements	0	0	0	0	0	0	0
Balance 31 March 2021	(95)	(663)	(3,144)	0	0	0	(3,902)
Net book value 31 March 2021	41,543	757	11,505	0	1,724	4,924	60,453

The Council's assets are fully revalued on a 5 year programme and 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. The useful economic life of operational land and buildings was also assessed at that time. An annual desktop assessment is undertaken at the end of each financial year, where there has not been a full revaluation carried out. In addition, assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

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.

There has been a downward revaluation of £2.84m in respect of land the Council holds south of Marley Lane, Battle. The adjustment mainly reflects an estimated increase in building costs on the land on the basis of the plans for development there.

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

Update on uncertainties affecting the valuations of the Council's other land and buildings

The ongoing pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at 31 March 2021 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

NOTES TO THE ACCOUNTING STATEMENTS

Accordingly, and for the avoidance of doubt, the valuations are not being reported as being subject to material valuation uncertainty except for retail and specific trading related assets such as car parks. At 31 March there remains an unprecedented set of circumstances caused by Covid 19 and an absence of relevant/sufficient market evidence on which to base judgements.

The valuation of these assets (car parks and specific trading related assets) are therefore reported as being subject to material valuation uncertainty and a higher degree of caution should be attached to the valuation than would normally be the case. Note that it does not mean that the valuations cannot be relied upon.

Capital Commitments

At 31 March 2021 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:

2019-20		2020-21
	£'000	£'000
(836)	Rental income from investment property	(803)
179	Direct operating expenses arising from investment property	120
(2,901)	Net (gains)/losses from in year fair value adjustments	171
0	Correction to previous year fair value adjustment-transfer asset	43
(3,558)	Total	(469)

Balance Sheet movements in Investment Properties during the year:

2019-20		2020-21
	£'000	£'000
9,456	Balance at start of the year	12,357
0	Disposals	0
2,901	Net gains/(loss) from fair value adjustments	(171)
0	Assets reclassified to Property Plant & Equipment	(673)
12,357	Balance at end of the year	11,513

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.

Following the full revaluation of the Council's investment properties at 31 March 2020, a "desktop" review has been undertaken by Wilks Head and Eve Chartered Surveyors with values updated accordingly.

Update on uncertainties affecting the valuation of the Council's investment properties

The ongoing pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

NOTES TO THE ACCOUNTING STATEMENTS

Nevertheless, as at 31 March 2021 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, the valuations are not being reported as being subject to material valuation uncertainty.

NOTE 15. INTANGIBLE ASSETS

2019-20	2020-21
£'000	£'000
756 Gross Carrying Amount 1 April	819
(95) Accumulated Amortisation 1 April	(209)
661 Net Carrying Amount at start of year	610
63 Additions	17
0 Disposals	0
(114) Amortisation	(126)
819 Gross Carrying Amount 31 March	836
(209) Accumulated Amortisation 31 March	(335)
610 Total	501

NOTE 16. SHORT TERM DEBTORS

31 March 2020	31 March 2021
£'000	£'000
414 Central government bodies	4,763
1,361 Other Local Authorities & Public Bodies	4,781
0 NHS	3
5,776 All other bodies	6,718
7,551 Total short term debtors before impairment provision	16,265

Impairment provision of short term debtors

31 March 2020	31 March 2021
£'000	£'000
(429) Local taxation	(591)
(470) Housing Benefits	(421)
(151) Housing	(178)
(195) Other	(133)
(1,245) Total impairment	(1,323)
6,306 Total Short Term Debtors	14,942

NOTES TO THE ACCOUNTING STATEMENTS

Short term debtors includes amounts due from major preceptors and central government on council tax and business rates, for balances held on an agency basis. The impact of the pandemic on the collectability and performance of local taxation in 2020/21 has resulted in balances due significantly increasing, as follows:

31 March 2020	Council tax and business rates agency balances due	31 March 2021
£'000		£'000
0	Central government	4,139
309	Major precepting authorities	2,874

NOTE 17. CREDITORS

31 March 2020		31 March 2021
£'000		£'000
	Amounts falling due within one year:	
(4,131)	Central government bodies	(23,449)
(1,138)	Other Local Authorities & Public Bodies	(410)
0	Public Corporations	0
(2,357)	All other bodies	(2,548)
<u>(7,626)</u>	Total short term creditors	<u>(26,407)</u>

Amounts due to central government bodies of £23,449k in 2020/21 includes £16,317k of covid (and associated) funding where the Council is acting as agent for the Government when paying over the sums to eligible businesses/individuals.

In addition, the Council owes £6,340k to the Government for overpaid s31 grant in respect of business rates relief. To assist billing authority cash flows affected during the pandemic in 2020/21, the Government paid over all preceptors' shares to the Council with the intention to recover the overpayment later in 2021.

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 decreased from £1,105,000 to £905,000 during 2020/21.

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% in 2015. Following the payments of the levy there remains a potential liability for a further £179,451. 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

8,037	7,751	Long term Assets	8,033	7,634
0	0	Financial assets at amortised Cost	0	0
0	0	Short term Investments	0	0
897	897	Short Term Debtors	2,311	2,311
3,401	3,401	Trade accounts receivable	3,522	3,522
3,003	3,037	Bank deposits less than 3 months	0	0
13,066	13,068	Cash and bank accounts	23,507	23,507
20,367	20,404	Other financial assets at amortised cost	29,340	29,340
28,404	28,155	Total Financial Assets	37,373	36,974

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.

31 March 2020			31 March 2021	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
(1,329)	(1,329)	Short Term Creditors	(16,186)	(16,186)
(248)	(248)	Public Works Loan Board	(249)	(249)
(1,577)	(1,577)	Short Term Financial liabilities at amortised cost	(16,435)	(16,435)
(11,869)	(11,612)	Public Works Loan Board	(11,751)	(12,448)
(11,869)	(11,612)	LongTerm Liabilities at amortised cost	(11,751)	(12,448)
(13,446)	(13,189)	Total Financial Liabilities	(28,186)	(28,883)

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).

NOTES TO THE ACCOUNTING STATEMENTS

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 2021 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 2020/21 of past experience:

The council does not generally allow credit for customers such that £700,000 is past due for payment. The past due not impaired is analysed as follows'

31 March 2020		31 March 2021
£'000		£'000
21	0 to 28 days	128
21	1st reminder - 29 to 42 days	42
42	2nd reminder - 43 to 55 days	24

NOTES TO THE ACCOUNTING STATEMENTS

484	Over 55 days	506
568	Total	700

Debtors include trade receivables of £3,522,000 as at 31 March 2021 (£3,401,000 as at 31 March 2020). The historical experience of default is 6.62% (31 March 2020 5.85%) with an estimated exposure to default of non-collection of £233,000 (31 March 2020 £199,000). The Council has provided £233,000 (31 March 2020 £199,000) 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 2021	Historical Experience of Default	Estimated maximum exposure to default and uncollectability at 31 March 2021
		£'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 and call account	A+	4,997	0.00%	0
Barclays	A+	4,996	0.00%	0
Lloyds Bank Plc.	A+	14,054	0.00%	0
Customer Debtors		3,522	6.62%	233
Total		27,569		233

Gains and Losses

31 March 2020 £,000	31 March 2021 £,000
0	0
96	34
221	113
317	147

NOTES TO THE ACCOUNTING STATEMENTS

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 2020	PWLB	31 March 2021
£'000		£'000
248	Less than one year	249
239	Between one and two years	245
382	Between two and five years	391
703	Maturing in five to ten years	720
<u>10,545</u>	Maturing in more than ten years	<u>10,395</u>
<u>12,117</u>	Total	<u>12,000</u>

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 0.83% (1.59% for 2019-20).

If interest rates had been 1% higher as at 31 March 2021 with all other variables held constant, the financial effect would be:

	£'000
Increase or decrease in interest receivable on variable rate investments	386

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 2021 an investment in the Local Authorities' (CCLA) Property Fund valued at £4.8m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £48,212

The Council held at 31st March 2021 an investment in the Hermes Property Fund valued at £2.8m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £27,798.

NOTES TO THE ACCOUNTING STATEMENTS

NOTE 21. AGENCY EXPENDITURE AND INCOME

During the financial year the Council acted as the lead authority for three arrangements: the Joint Waste Partnership, Rother and Wealden Environmental Health Shared Service and Sussex Training Consortium.

The Joint Waste 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.

Rother District Council employed staff to provide an overarching contract administration function and acted 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.

From 1 April 2021 the Joint Waste Office has been based at Wealden District Council after the relevant staff have been transferred under TUPE.

Another lead authority arrangement under which expenditure is initially incurred by this Council and recharged to the partner councils is Rother and Wealden Environmental Health Shared Service and Sussex Training Consortium. Rother employs and manages staff who operate in both local authority areas. The cost of support services charges associated with the running of the partnership is excluded from total expenditure in the relevant columns shown below. Income from fees and charges is accounted for by each of the councils separately and does not feature in the table below.

The third arrangement, the Sussex Training Consortium which organised training sessions on behalf of a number of local authorities was transferred to Arun District Council in the course of the financial year.

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.

	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)

	2020-21			
	Joint Waste	Environmental Health	Sussex Training Consortium	Total
	£'000	£'000	£'000	£'000
Total expenditure	13,482	219	39	13,740
Income	0	(30)	0	(30)
Net Cost	13,482	189	39	13,710
Recharged to Rother District Council	(5,132)	663	(6)	(4,475)

NOTES TO THE ACCOUNTING STATEMENTS

Recharged to partner councils	(8,395)	-852	(33)	(9,280)
Total recharges	(13,527)	(189)	(39)	(13,755)
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 2020	31 March 2021
£'000	£'000
64 Not later than one year	38
84 Later than one year and not later than five years	56
148	94

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 2020	31 March 2021
£'000	£'000
1,390 Not later than one year	1,517
5,009 Later than one year and not later than five years	4,964
24,656 Later than five years	23,478
31,055	29,959

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 2020/21 the Council received £246,447 in contingent rents, compared to £200,545 in 2019/20.

NOTE 23. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2019-20	2020-21
£'000	£'000
214 Members Allowances	217
9 Travelling Expenses	0
223	217

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- pen- sation for loss of office	Pension Cont- ributions	Total Remun- eration
	£	£	£	£	£
Financial Year: 2019-20					
(re-stated*)					
Executive Director (a) (note i)	99,564	0	0	17,291	116,855
Executive Director (b)	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
Service Manager Neighbourhood Services	50,697	0	0	8,626	59,323

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pen- sation for loss of office	Pension Cont- ributions	Total Remun- eration
	£	£	£	£	£
Financial Year: 2020-21					
Chief Executive	106,974	0	0	19,468	126,442
Executive Director (b) (note ii)	88,072	0	97,539	8,741	194,352
Assistant Director Resources	85,874	0	0	15,066	100,940
Service Manager Strategy and Planning	68,576	0	0	11,892	80,468
Head of Service Acquisitions, Transformation and Regeneration	68,576	0	0	11,892	80,468
Service Manager Environmental Services	68,576	0	0	11,892	80,468
Head of Service Housing and Community	68,576	0	0	11,892	80,468
Service Manager Neighbourhood Services (note iii)	53,747	0	0	10,236	63,983

- i) Executive Director (a) was appointed to the role of Chief Executive in September 2020.
- ii) Executive Director (b) – post was made redundant in September 2020.
- iii) Service Manager Neighbourhood Services became a member of the service management team in March 2021. *2019-20 comparatives have been re-stated to include this role.

NOTES TO THE ACCOUNTING STATEMENTS

Remuneration of over £50,000

Remuneration includes the cost of compensation for loss of office.

The number of employees (including senior employees) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2019-20		2020-21	
6	£50,000 - 54,999	8	
2	£55,000 - 59,999	2	
0	£60,000 - 64,999	2	
4	£65,000 - 69,999	4	
0	£70,000 - 74,999	0	
0	£75,000 - 79,999	0	
2	£80,000 - 84,999	0	
0	£85,000 - 89,999	1	
1	£90,000 - £94,999	0	
2	£95,000 - £99,999	0	
0	£100,000 - £104,999	0	
0	£105,000 - £109,999	1	
0	£110,000 - £184,999	0	
0	£185,000 - £189,999	1	
<u>17</u>		<u>19</u>	

Exit Packages

2019-20				Banding	2020-21			
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
0	4	4	55	£0 - 20,000	0	1	1	20
0	8	8	221	£20,001 - 40,000	0	0	0	0
0	1	1	41	£40,001 - 60,000	0	0	0	0
0	0	0	0	£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 - 140,000	1	0	1	121
<u>0</u>	<u>13</u>	<u>13</u>	<u>317</u>		<u>1</u>	<u>1</u>	<u>2</u>	<u>141</u>

NOTE 25. EXTERNAL AUDIT COSTS

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

2019-20	2020-21
£'000	£'000

NOTES TO THE ACCOUNTING STATEMENTS

44	External audit services	44
13	Other services	13
<hr/>		<hr/>
57		57

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).

Alliance Homes (Rother) Ltd

In October 2020, the Council's wholly owned company, Alliance Homes (Rother) Ltd was formed. The directors of the Board are 4 councillors appointed by the Council. As at 31 March 2021, the company owed the Council £9,965 for initial set up costs and for officer time. No monies were due from the Council to the company at the year end.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2020/21 related party transactions to the value of £1,563,175 as shown below, took place with organisations in which Members had a related party interest. Where applicable, Covid grant funding from the Council has been included within the sums disclosed.

2019-20		2020-21
£		£
(re-stated)		
0	Alliance Homes (Rother) Ltd	9,965
0	Battle Pre-school	8,000
0	Brede Parish Council	10,000
0	Battle Chamber of Commerce	9,000
0	St Mary the Virgin Battle	3,130
683,000	De La Warr Pavilion Charitable Trust	720,124
0	Digilicious Ltd	1,334
363,179	East Sussex County Council	310,082
126,004	Romney Marsh Internal Drainage Board	129,245
1,050	Action in Rural Sussex	-
61,145	Combe Valley Community Interest Company	-
85,000	Rother District Citizens Advice Bureau	85,000
54,614	Rother Voluntary Action	63,730
20,450	Hastings Advice & Representation Centre	19,000
10,011	Local Government Association	9,188
11,900	Hastings and Rother Mediation Service	9,400
5,742	South East Employers	5,600
8,580	Bexhill Museum Association	43,660
5,250	Sussex Wildlife Trust	4,000

NOTES TO THE ACCOUNTING STATEMENTS

6,949	Hastings Furniture Service Ltd	65,058
1,335	Sea Change Sussex	790
712	District Councils Network	957
0	Robertsbridge Childrens Services	25,000
0	Sedlescombe Parish Council	1,895
0	Light Up Bexhill CIC	17,000
600	Etchingham Trust for Sport and Recreation	10,808
<u>1,445,521</u>	Total	<u>1,561,966</u>

* 2019/20 comparative for East Sussex County Council has been re-stated to the correct value.

Officers

During 2020/21 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 £1,978,000 during 2020/21 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,901,000 in 2019/20. 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 26 July 2021. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided further information about conditions existing after 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no material non-adjusting events after the Balance Sheet requiring disclosure.

COLLECTION FUND STATEMENT AND NOTES

2019-20		2020-21
£'000		£'000
	<u>Council Tax</u>	
	INCOME	
(75,216)	Income from Council Taxpayers	(77,200)
<u>(0)</u>	Transfer from General Fund-S13(1)(c) Discounts	<u>(675)</u>
(75,216)		(77,875)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
54,599	East Sussex County Council	56,883
7,227	Sussex Police Authority	7,621
3,565	East Sussex Fire Authority	3,642
9,159	Rother District Council	9,479
	Apportionments of previous year surplus	
915	East Sussex County Council	545
109	Sussex Police Authority	72
60	East Sussex Fire Authority	36
154	Rother District Council	91
	Bad & Doubtful Debts	
118	Write offs of uncollectable income	25
266	Provision for uncollectable income-addition	737
<u>76,172</u>		<u>79,131</u>
<u>956</u>	Movement on Fund Balance - (surplus)/deficit	<u>1,256</u>
	FUND BALANCE FOR COUNCIL TAX	
(1,427)	Balance brought forward	(471)
956	Deficit for year	1,256
<u>(471)</u>	Balance - (surplus)/deficit carried forward	<u>785</u>

COLLECTION FUND STATEMENT AND NOTES

2019-20		2020-21
£'000		£'000
	<u>Non-Domestic Rates</u>	
	INCOME	
(18,035)	Income from Ratepayers (note 3)	(8,035)
	Apportionments of previous year deficit	
(613)	Government	0
(110)	East Sussex County Council	0
(12)	East Sussex Fire Authority	0
(491)	Rother District Council	0
(414)	Transitional relief	(5)
<hr/> (19,675)	Total	<hr/> (8,040)
	EXPENDITURE	
	Precepts and demands on Collection Fund	
4,323	Government	8,946
4,496	East Sussex County Council	1,610
865	East Sussex Fire Authority	179
7,609	Rother District Council	7,157
	Apportionment of previous year surplus	
0	Government	775
0	East Sussex County Council	263
0	East Sussex Fire Authority	41
0	Rother District Council	758
	Bad & Doubtful Debts	
43	Write offs of uncollectable income	4
73	Provision for uncollectable income	237
	Impairments resulting from appeals	
401	Write offs of uncollectable income	0
295	Provision for uncollectable income	(248)
152	Transfer to General Fund - Cost of Collection Allowance	153
<hr/> 18,257		<hr/> 19,875
<hr/> (1,418)	Movement on Fund Balance - (surplus) / deficit	<hr/> 11,835
	FUND BALANCE FOR NON-DOMESTIC RATES	
(34)	Balance brought forward	(1,452)
(1,418)	(Surplus) / deficit for year	11,835
<hr/> (1,452)	Balance - (surplus) / deficit carried forward	<hr/> 10,383

COLLECTION FUND STATEMENT AND NOTES

TOTAL COLLECTION FUND BALANCE

(1,461)	Balances brought forward	(1,923)
(462)	(Surplus) / deficit for year	13,091
<hr/>		
(1,923)	Balance – (surplus)/deficit carried forward	11,168
<hr/>		

NOTE 1. GENERAL

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)	2.5	5/9	1.4
Band A - up to £40,000	3,155.6	6/9	2,103.7
Band B - over £40,000 up to £52,000	4,899.6	7/9	3,810.8
Band C - over £52,000 up to £68,000	7,678.1	8/9	6,825.0
Band D - over £68,000 up to £88,000	7,771.0	9/9	7,771.0
Band E - over £88,000 up to £120,000	6,494.7	11/9	7,938.0
Band F - over £120,000 up to £160,000	3,557.6	13/9	5,138.7
Band G - over £160,000 up to £320,000	2,450.9	15/9	4,084.9
Band H - over £320,000	225.6	18/9	451.1
	<hr/> 36,235.6 <hr/>		<hr/> 38,124.6 <hr/>

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 2020/21 were:

- 49.9p for qualifying Small Businesses (49.1p in 2019/20)
- 51.2p for other businesses (50.4p in 2019/20) – the standard multiplier

The rateable value as at the 31st March 2021 was £56,330,428 (£55,902,579 as at 31 March 2020).

COLLECTION FUND STATEMENT AND NOTES

NOTE 3 - INCOME FROM RATEPAYERS

£'000		'£000
(27,404)	Gross rates payable	(27,851)
7,611	Mandatory business rate reliefs	7,759
-	- Retail discount relief (coronavirus)	11,336
-	- Nursery relief (coronavirus)	54
1,758	Other business rate reliefs	667
<u>(18,035)</u>	Total	<u>(8,035)</u>

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 fair 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 New Homes Bonus and Housing Benefit Subsidy.

INFRASTRUCTURE ASSETS

Long-Term Assets that are irreparable, 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.

SURPLUS ASSETS

Items of Property Plant and Equipment that are currently not being used to deliver council services, and 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.