

**Rother District Council**

**FINANCIAL REPORT AND  
STATEMENT OF  
ACCOUNTS**

**2022/23**

**(subject to audit)**



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# NARRATIVE

## Introduction

The draft unaudited Statement of Accounts for Rother District Council for the year ended 31 March 2023 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 2022/23 ("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. Recognising the impact of the pandemic on councils' resources the Government introduced amendment regulations revising the completion deadline for the accounts from 31 May 2022 to 31 July 2022 for 2021/22 financial statements, however for 2022/23 the May deadline has been reinstated.

The publication date for audited 2022/23 accounts is 30 September 2023, however it is expected that this deadline is unlikely to be met due to audit delays experienced nationwide.

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 operates in an environment of continuous improvement. There are well identified financial challenges ahead and they are planned to be addressed through the implementation of the Financial Stability Programme the monitoring of which will be an integral part of regular budget monitoring.

This narrative report is structured as follows:

1. An Introduction to Rother
2. Summary of Achievements
3. Governance
4. Summary of the 2022/23 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. Except for Bexhill with its distinctive town centre and seaside character and the historic towns of Battle and Rye which together are home to 57% of the district's population, the area is mainly rural.

Most of the countryside located within the district falls within the High Weald Area of Outstanding Natural Beauty (83%) and 90% overall is considered protected landscape and includes Sites of Special Scientific Interest (SSSI) and RAMSAR sites (wetlands of international importance). 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.

The current Corporate Plan sets out the intent and ambition of the authority for the period 2020–2027, putting residents at the heart of all we do. The Plan details the Council's vision up until 2027, providing the framework and context for the Council's service provision, project interventions and resource allocation (financial and staffing) during that period. It reflects the essential needs and aspirations of our customers and communities and how we feel the Council can best

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use its resources to deliver services and outcomes that make a positive difference for everyone who lives in, works in, or visits the district of Rother.

The Plan identifies six key priorities to respond to the challenges our district faces in the years to come which can be [viewed here](#).

## The area we serve



## 2. Summary of Achievements

### Climate Emergency:

#### Environment Strategy

Our Environment Strategy ultimately aims for Net Zero both within our organisation and for the wider District by 2030. Our organisational Scope 1 and 2 emissions in 2022/23 remained stable compared to the previous year, at 153.2 Tonnes CO<sub>2</sub>e, which is 31% lower than our baseline year of 2019/20.

Internally, the Green Team was established and set to work on projects to promote Climate Awareness and Action amongst staff, such as developing a Workplace Environment Policy and measuring and addressing staff travel emissions. In November 2022 the Council participated in a “Couch to Carbon Zero Sprint”, a 10 day initiative to promote lifestyle changes that support Net Zero.

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Other environmental projects and initiatives in 2022/23 include:

- Creating an Urban Forest 1066 report detailing the number and condition of trees in Bexhill, along with a Tree Planting Strategy for Bexhill. The Council and our partners also planted 250 trees and 1,500 Whips.
- The Council's Community Grants application forms have been updated to include environmental considerations and impacts - £15k was ringfenced from the 2023/24 Community Grants Scheme for Reduce, Re-use and Recycle Grants.
- £500k from the CIL Climate Emergency Bonus Fund was awarded to the Village Halls Energy Project which will reduce the carbon emission of Community Halls across Rother.
- By January 2023, 95 households in the District had installed solar arrays via the Solar Together group purchase schemes that took place in 2020 and 2021. A further round took place in Spring 2023 and attracted a record number of registrants.
- In March we began an audit of 24 of the Council's larger green rural assets, with a view of providing a biodiversity baseline and future recommendations for their management to achieve ecological improvements.

## Waste and Recycling

In the financial year 2022/23 our annual recycling rate fell slightly to 49%. This can be attributed mainly to the drought conditions of Summer 2022 which reduced the tonnages of garden waste collected over the summer months.

The UK Environmental Bill received Royal Assent in Dec 2021, and includes household waste reduction and recycling strategies, (including food waste collections), which DEFRA are still progressing towards implementation. The focus at present is on food waste collections as DEFRA has currently set a target implementation date of March 2025 and this new service will potentially have the largest impact on the Councils medium term financial strategy for both capital and revenue expenditure.

We are currently awaiting clarity from DEFRA on 'additional burdens' funding from the Government for the purchase of food waste collection vehicles and associated equipment, alongside further details on revenue payments the Council may receive arising from the governments Packaging Extended Producer Responsibility (pEPR) introduction of food waste collections which as it stands must be introduced by 2025 nationally. We, along with the UK as a whole, await further updates from DEFRA regarding much needed detail before we can progress towards procuring vehicles and equipment.

In terms of general performance on the waste contract in 2022/23, our waste collections and street cleansing contractor Biffa has delivered a consistently high level of performance. The KPI recording the number of missed bins collected per 100,000 is consistently under the contract target of 77 per 100,000 and this in turn is reflected by the relatively low number of calls to Customer Services compared to previous years, and a reduction in service requests and complaints to the waste contract services team. Street cleansing is also in general meeting the contractual targets for litter, detritus, and dog fouling.

The beach cleansing during the summer season of 2022, particularly at Camber Sands, was generally regarded as a great success as Biffa and RDC officers work together as a team to continually seek and implement improvements in this challenging environment.

## Community Infrastructure Levy

A new governance structure for spending the Community Infrastructure Levy (CIL) was approved in March 2022, sub-dividing the Strategic CIL funds into four specific allocation areas and reserving proportions of the funds for projects specific to individual towns and parishes of Rother and for projects that directly contribute to the reduction of carbon emissions within Rother, if the projects meet the regulations for CIL spending.

## Financial Stability:

There has been an increased focus on delivering the required outcomes of the Financial Stability Programme, this includes the appointment of a dedicated project officer to drive the programme forward.

Some of the identified financial savings were expected to come from the Protection of Discretionary Services Strategy involving the leasehold transfer of services starting with 14 public conveniences to Bexhill-on-sea Town Council in phase one. This has not however been achieved as the Town Council has not yet agreed to the terms of transfer.

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Phase two of the strategy (savings effective from 1<sup>st</sup> April 2024) is devolution of services to the rest of the parishes in the District plus continuation of devolvement with Bexhill Town Council. These services include maintenance of open spaces, public conveniences, non-charged for car parks etc. If the maintenance of open spaces were devolved this would represent the bulk of the savings identified in the strategy (current costs are £800k+ pa).

Work continues with the Service Plan efficiencies with most of the identified savings occurring in 2024/25.

Ahead of the budget setting process and in the light of the current economic climate, the Financial Stability Programme will be reviewed. There will be an assessment of our Property Investment Strategy and acquisitions, capital and corporate projects, Investments Strategy, Asset review, contracts, and income generation.

## **Regeneration and Economic Development**

The Council has continued to focus on the regeneration of the District by acquiring and developing assets that give a positive return to the Council as well as protecting and creating jobs in the district.

Following the £145k allocation the council received from the Welcome Back fund in 2020-22 we applied for and received our £1m UK Shared Prosperity Fund allocation and a further £604k capital grant from the Rural England Prosperity Fund. Preparation for the allocation of this funding, principally to skills and business, took place during the last financial year and 2023/24 will start to see the grant spent with a deadline by the end of March 2025. UKSPF spend will include £91,000 of employment support for the economically inactive, £50,000 for training hubs, £30,000 capacity building infrastructure for civic community groups and many others. Rural England Prosperity Fund is planned to be spent on SME rural grants, energy /green grants for communities and grants for the development of rural economy.

The Council submitted a successful application to the Levelling Up Fund Round 2 for a cultural capital grant of £19.2m to allow development of a community hub in Sidley and the renovation of the De La Warr Pavilion on Bexhill seafront. Both projects aim to increase skills, tourism, and community cohesion.

The Beeching Road Studios project was completed in September 2022, which with a grant from the Local Growth Fund brought 6 derelict light industrial units back into use to support creative industries in Bexhill. We now have a fully occupied creative hub comprising commercial creative businesses, two CICs, a gallery space and 24 individual artist studios. The hub has formed strong partnerships with the local College, schools, and the De la Warr Pavilion.

Post Covid work is underway with the government's High Streets Task Force to look at the changing nature of our high streets and help us as a council support them to remain relevant for local customers.

Construction skills have continued to be supported through the implementation of Employment and Skills Plans attached to commercial developments, now at 11 agreements with a further 6 in discussion. These are section 106 agreements which secure contributions from developers to fund a Construction Skills Co-ordinator employed by Rother District Council.

The Council is also taking a lead role in sustaining the 1066 Country Marketing Group which is the district's Destination Management Organisation, consisting of a range of local businesses and organisations seeking to maximise visitor numbers to the region for the benefit of the local economy. 1066 Country is a recognised regional, national, and international brand and a recent impact study demonstrated that tourism accounts for over 6,000 full time equivalent jobs in Rother and is estimated to generate £287.3m to the local 1066 area economy

## **Supply of Affordable Housing:**

- There were 90 affordable homes delivered in 2022/23. Of the 90 homes, 52 were for affordable rent and 38 for shared ownership. The figures for 2022/23 include 15 units (12 for social rent, 3 shared ownership on a Community Land Trust scheme at Orchard Close, Icklesham.
- There continues to be an increase in the number of households applying for housing and being placed in temporary accommodation (TA) since the pandemic. In April 2022 there was 111 households in TA, of these 29 and the number is currently 156 households, as of 1 July 2023.
- As part of the Council's Temporary Accommodation Support Scheme we have purchased 32 houses and flats for use as temporary accommodation, and provided a dedicated support service to secure alternative accommodation. We have an active pipeline of new property purchases and we hope we will have secured up to 50 properties in total by March 2024.
- We are accommodating 11 former rough sleepers in our own Rough Sleeper Accommodation Programme. The Council is also playing its part in supporting the resettlement of Afghan nationals who are former

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employees of the British Armed Forces during the recent conflict. We have welcomed 2 Afghan families to date.

## **Housing List Reduction:**

We now own 32 units of accommodation across Bexhill and Rye and are looking at increasing that number. The accommodation is at varying stages from refurbishment to occupation. Support is currently delivered in house - this includes resident support and property management. Opportunities to acquire accommodation will be on-going throughout the next financial year, especially as we have been awarded over £2m in grant funding for Local Authority Housing Fund to support housing, temporarily, Ukrainians, Afghans, and general homeless households.

The Housing Allocations Policy is the criteria that the council uses to make nominations for vacant social housing properties which are managed by registered social landlords (housing associations). We have recently drafted an updated policy which is out for consultation during the summer 2023. We currently have 2,128 households on the housing register and only 185 properties were let last year (January 2022 to December 2022).

We have a range of measures in place to prevent and relieve homelessness, including the Rother Tenant Finder (RTF). The RTF is a comprehensive tenant finding service where we introduce landlords to prospective tenants and assist them in securing accommodation in the private rented sector. We also have a dedicated team of homelessness prevention officers working in community setting to support households to sustain their existing accommodation or secure a new home. They are funded from a Rough Sleeping Initiative (RSI) government grant. In addition, The East Sussex RSI works to reduce rough sleeping and consists of a multi-disciplinary team with specialist workers provided by East Sussex Healthcare Trust, Sussex Partnership NHS Foundation Trust, Change Grow Live, East Sussex County Council and Probation.

## **Disabled Facilities Grants**

Over the year the Council spent nearly £1.5m on DFGs, including purchase of an accessible bungalow for temporary accommodation. We approved 120 DFG cases. This money helps residents to remain in their own homes.

## **Local Plan**

A new Local Plan is being prepared for consultation. We wish to ensure that its public consultation (known as regulation 18) is based on a well-developed Local Plan document. It had been anticipated that we would undertake this consultation in spring 2022. However, the detailed evidence base highlighted that further work is required to support the Plan. We continue to work jointly with neighbouring planning authorities and liaise with our towns and parish councils before we formally consult, which is currently anticipated to be in Spring 2024.

## **Empowered Organisation:**

Reorganisation of senior management has now occurred with next tier review largely complete.

## **A Fairer Society:**

### **Anti-Poverty Task and Finish Group**

The Anti-Poverty Steering Group consists of a range of local service providers from across health, housing, social care, education, regeneration, welfare benefits and voluntary community sector partners to deliver the Anti-Poverty Strategy Action Plan and tackle poverty at a local level.

## **An Open Council:**

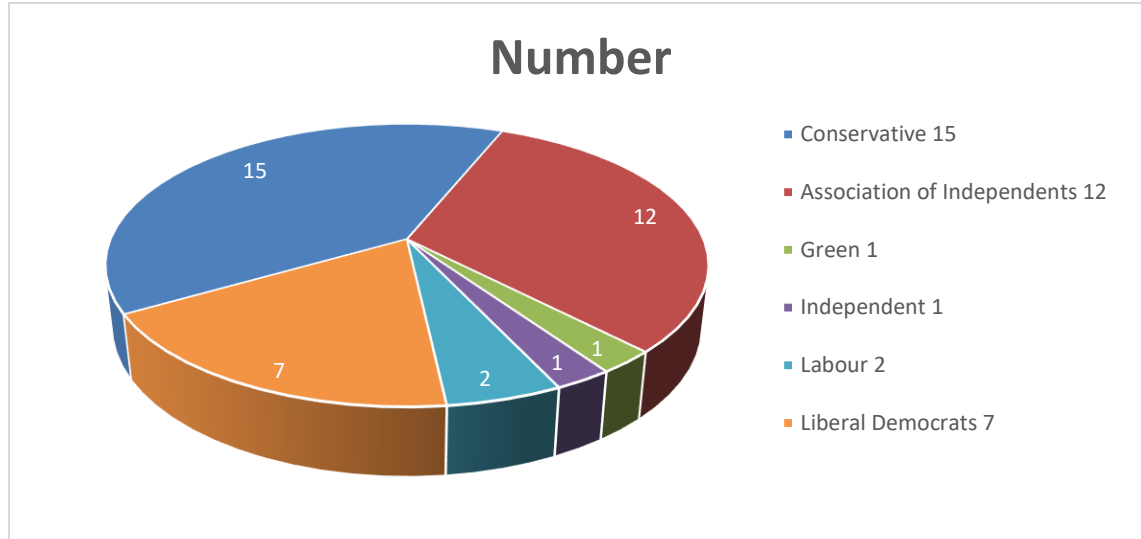
- All public Council meetings can be viewed live online via our website and the recording is available to view for up to 6 months afterwards.
- We are in the process of producing a Digital & Customer strategy.
- We have updated and modernised the Council's Constitution.
- During 2022/23 the Council gave local people an opportunity to have their say on a wide variety of local issues, such as, our budget and financial plans, and the Council Tax Reduction Scheme.

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## 3. Governance

### *The Council*

The Council has 38 District Councillors. The political composition of the Council at 31 March 2022 was:



A by-election on 16 June 2022 did not change the political composition.

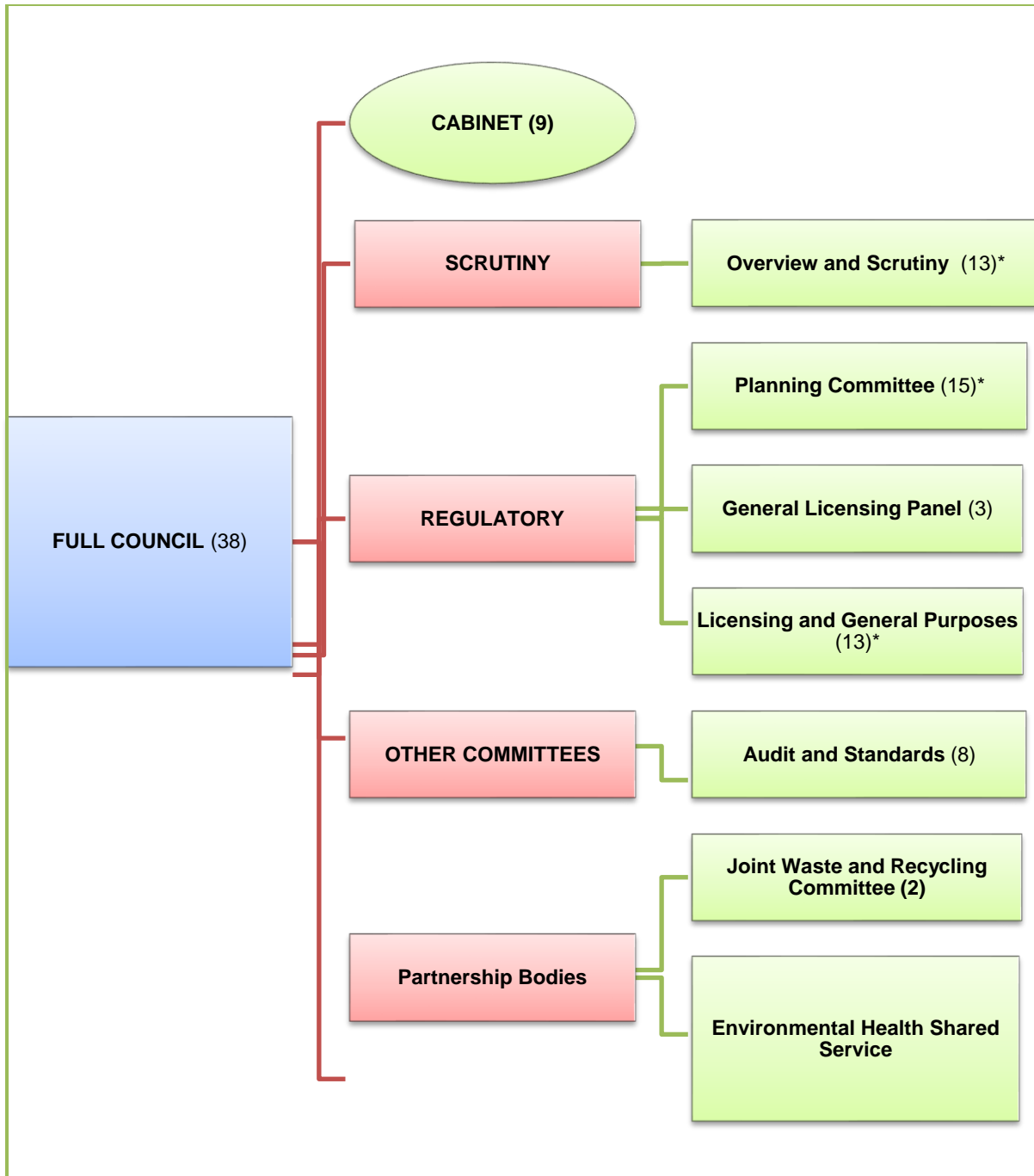
As a result, Council was led by a coalition of the Association of Independents, Liberal Democrat, Green and Labour Councillors (22 Members).

In December 2022 a Conservative Councillor resigned, but due to the pending local elections in May 2023, no by-election was held. On 4 May 2023, the district council elections took place and the political make-up of the Council changed to 10 Conservatives, 8 Rother Association of Independents, 8 Labour, 7 Liberal Democrats, 3 Green and 2 Independents (non-group). The Council is still led by a coalition of the Rother Association of Independents, Labour, Liberal Democrat and Green Councillors (26 Members).

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 2022/23.



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

## ***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:

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(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

## **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, 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 aims.

(b) Scrutiny:

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

## **Audit and Standards Committee**

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

When carrying out the Audit function, its purpose is

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

When carrying out the Standards functions, its purpose is

- to promote and maintain high standards of conduct by Members and Co-opted Members of the Council;
- to adopt a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity;
- to put in place arrangements to investigate and make decisions on written allegations against Elected Members both at District and Parish level and undertake an overview of complaints handling and Local Government Ombudsman investigations, including the power to make payments or other benefits in cases of maladministration etc.

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## ***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.

## ***Human Resources Committee***

In September 2022, Council agreed to the establishment of a Human Resources Committee comprising 7 Members. The functions of the Licensing and General Purposes Committee that relate to staffing matters are now dealt with by the HR Committee with the Licensing and General Purposes Committee dealing with licensing and other matters not relating to staffing.

## ***Planning Committee***

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

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

## ***Joint Waste and Recycling Committee***

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

The Joint Waste and Recycling 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 leadership team comprising the Deputy Chief Executive, Director of Place and Climate Change and Chief Finance Officer.

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The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. In addition, it appoints a Deputy Monitoring Officer (Democratic Services Manager). 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.

## Staffing

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

<b>Employees</b>	<b>2021/22</b>	<b>2022/23</b>
Total number of current permanent full and part time employees	245	250
Total number of current temporary / fixed term employees	11	9
Total number of current job share employees	0	0
<b>Total number of employees</b>	<b>256</b>	<b>259</b>
Total number of employees expressed as full-time equivalents (FTE)	221	223

<b>Posts</b>	<b>2021/22</b>	<b>2022/23</b>
Total number of permanent full and part time posts	258	259
Total number of temporary/fixed term posts	11	13
Total number of job share posts	0	0
<b>Total number of posts</b>	<b>269</b>	<b>272</b>
Total number of posts expressed as full-time equivalents (FTE)	226	232

Sickness and accident statistics are shown in the table below:

	<b>2021/22</b>	<b>2022/23</b>
Short term sickness (days per FTE)	2.77	1.54
Medium term sickness (days per FTE)	0.53	3.10
Long term sickness (days per FTE)	3.49	3.26
Overall sickness (days per FTE)	6.79	7.90
Number of accidents	4	5

## 4. A Summary of the 2022/23 Financial Performance of the Council

### General Fund

The Council approved a Council Tax Demand of £7.392m at its budget meeting in February 2022 resulting in a Council Tax charge for a Band D property of £193.38, an increase of £4.67.

A summary of the General Fund position is shown below in the format used for management accounting and reporting.

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Line	Rother District Council General Fund Summary	2022/23 Original Budget £'000	2022/23 Revised Budget £'000	2022/23 Draft Outturn £'000	2022/23 Draft Variance £'000
1	Corporate Core	2,173	2,173	2,234	61
2	Environmental Services	629	629	529	(100)
3	Strategy and Planning	1,325	1,325	1,229	(96)
4	Acquisitions, Transformation and Regeneration	(16)	(12)	(644)	(632)
5	Housing, Community & Neighbourhood Services	8,211	8,212	8,428	216
6	Resources	3,307	3,302	3,676	374
7	<b>Total Cost of Services</b>	<b>15,629</b>	<b>15,629</b>	<b>15,452</b>	<b>(177)</b>
8	Net Financing Costs	1,543	1,543	35	(1,508)
9	Budget Contingency	200	200	0	(200)
10	Financial Stability Programme - savings/cost reductions	(635)	(635)	(91)	544
					0
11	<b>Net Cost of Services</b>	<b>16,737</b>	<b>16,737</b>	<b>15,396</b>	<b>(1,341)</b>
	<b>Income</b>				
12	Special Expenses	(702)	(702)	(702)	0
13	Net Business Rates & Section 31 Grants	(3,747)	(3,747)	(3,845)	(98)
14	Non-Specific Revenue Grants	(1,650)	(1,650)	(1,904)	(254)
15	Council Tax Requirement (Rother only)	(7,470)	(7,392)	(7,392)	0
	<b>Other Financing</b>				
16	Collection Fund (Surplus)/Deficit	(59)	(59)	(33)	26
17	<b>Total Income</b>	<b>(13,628)</b>	<b>(13,550)</b>	<b>(13,876)</b>	<b>(326)</b>
	<b>Contribution (to)/from Reserves - Funding Gap/(Surplus)</b>	<b>3,109</b>	<b>3,187</b>	<b>1,520</b>	<b>(1,667)</b>

The General Fund Revenue Budget outturn is a deficit of £1.52m. When the budget was originally set in February 2022 the Council estimated it would need to draw down £3.109m from reserves in respect of this.

The subjective variances in the cost of services against budget are detailed in the following table:

2022/23 Variance by Directorate	Acquisitions, Transformation & Regeneration	Chief Executive & Corporate Core	Housing & Community Services	Resources	Strategy and Planning	Grand Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	(97)	(53)	(34)	(13)	77	(127)
Premises	55	37	(56)	0	0	43
Transport	(8)	(11)	18	(6)	(9)	(20)
Supplies and Services	72	7	1,471	981	175	2,690
Third Party payments	2	66	(96)	4	1	(23)
Recharged Costs	5	14	13	4	6	89
Agency payments	0	0	0	(585)	0	(585)
Income	(660)	1	(1,100)	(11)	(346)	(2,243)
	(632)	61	216	374	(96)	(177)

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## General Fund: Capital Programme

The outturn on the General Fund capital programme is an overall underspend of £155m against the revised programme agreed by Members. Revisions to the programme budget were mainly as a result of slippage in expenditure. Schemes that are underspent are largely affected by timing issues to planned expenditure and will be re-profiled in the Capital Programme 2023/24-2027/28 to reflect the timing of anticipated expenditure.

The following summarises the council's capital investment activity for 2022/23:

<i>Capital Investment 2022/23</i>	<b>£'000</b>
Purchase of Property including units for temporary housing	12,889
Investment in Council owned properties	6,031
Loans to RDC housing	2,345
Grants to individuals and organisations	1,923
Purchase of Refuse Equipment	134
Investment In IT	50
	<b><u>23,372</u></b>
 Financed by:	<b>£'000</b>
Prudential borrowing	18,129
Grants and contributions	4,944
Revenue/Reserve contributions	298
	<b><u>23,372</u></b>

## 5. Material assets/liabilities

In 2022-2023 the most significant assets purchased by the Council were the land at King Offa (£1.09m), Buckhurst Place (£10.2m) and Temporary Accommodation units for homeless households (£2.7m) and there was significant expenditure on the Blackfriars housing development (£2.8m).

These were financed by loans from the Public Works Loan Board (PWLb), grants and revenue contributions. At 31<sup>st</sup> March 2023 the Council's borrowing stood at £26.662m of long term loans with the PWLB and a £5m loan with Caerphilly County Borough Council.

## Collection Fund

The outturn on the Collection Fund for the year is a deficit of £6.276m on Business Rates against a January 2023 estimated deficit of £5.945m and a surplus of £2.6m on Council Tax against a budgeted surplus of £2.464m. The difference between actual and budgeted will be adjusted in 2024/25 and 2025/26 tax setting.

The significant Business Rates deficit is mainly due to the ongoing impact of additional reliefs particularly retail relief of £4.7m in 2020-2021 and £2.3m in 2021-2022 administered to local businesses to cope with the impact of the pandemic. The Government meets the cost of these reliefs by providing section 31 grants to the Council, which are credited to the

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General Fund in 2022-2023, not the Collection Fund. Such grant is taken to reserves at year end as the impact of the deficit is not felt within the General Fund until the following year. The Council's future share of the deficit, which is down to the additional reliefs will be met by a transfer from the earmarked reserves. In 2022-23 Rother received more grant funding than it provided reliefs and the difference contributed to those reserves.

## 6. Strategic Risks

Risk	Impact	Mitigation
<b>Business Rates</b> 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 DLUHC through their consultations.
<b>Reliance on Commercial Income</b> 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.	A recession or other unexpected or uncontrollable events could leave the Council exposed to under-funding or large losses in income.	Robust monthly monitoring, which scrutinises forecast projections and challenges material movements against budgeted targets.
<b>Medium Term impact on the economy of the high inflation/cost of living crisis</b> Possible impact of economic downturn on the number of businesses operating in Rother and potential increase in unemployment could reduce income from Council Tax as more households claim financial support from the Council.	Increased unemployment would see the claims for Council Tax reduction with resultant reduction in the taxbase and inability to compensate through higher levels of Council Tax charged to other households	Continuing to engage with the DLUHC through their consultations to mitigate the loss of income and administering support to residents and businesses through enhanced central government support
<b>Rother DC Housing Company Ltd</b> Not meeting the 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.

## 7. 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 actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The Council's net Pension Liability valued on an IAS 19 basis decreased from £18.051m net liability at 31<sup>st</sup> March 2022 to £1.742 at 31<sup>st</sup> March 2023. Gross liabilities have decreased by £33.186m mainly due to a change in financial assumptions. This positive movement has been partly offset by a decrease in the value of gross assets from £104.164m to £99.503m. There was an additional impact of an application of an asset ceiling of £12.216m as a result of IFRIC 14 regulations - see Note 8 to the accounts.

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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](http://www.eastsussex.gov.uk).

## 8. 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 other economic factors, the financing of the Council services remains challenging.

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

### ***The Medium Term Financial Plan***

The budget for 2022/23 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 2023 with a reassessment of the deliverability of savings and income targets.

The updated medium term financial plan for the period 2023/24 to 2027/28 is set out in the table below:



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	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
<b>Departmental Budgets</b>					
Corporate Core	2,219	2,141	2,141	2,141	2,141
Environmental Services	676	674	674	674	674
Strategy and Planning	1,129	1,113	1,113	1,113	1,113
Acquisitions, Transformation and Regeneration	(310)	(1,075)	(1,791)	(1,835)	(1,809)
Housing, Community & Neighbourhood Services	9,285	8,686	8,674	8,664	8,847
Resources	3,868	3,964	3,964	3,964	3,964
<b>Total Cost of Services</b>	<b>16,867</b>	<b>15,503</b>	<b>14,775</b>	<b>14,720</b>	<b>14,930</b>
Net Financing Costs	744	1,301	1,448	1,427	1,535
Inflation and Staff turnover savings	0	306	345	345	345
Budget Contingency	200	200	200	200	200
Financial Stability Programme	(1,106)	(1,917)	(1,917)	(1,917)	(1,917)
<b>Net Cost of Services</b>	<b>16,705</b>	<b>15,394</b>	<b>14,851</b>	<b>14,776</b>	<b>15,094</b>

	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Special Expenses	(751)	0	0	0	0
Business Rates - retained share	(4,473)	(4,709)	(4,709)	(4,709)	(4,709)
Non-Specific Revenue Grants (Government)	(1,796)	(1,694)	(1,478)	(1,499)	(1,521)
Council Tax Requirement (Rother only)	(7,650)	(8,061)	(8,396)	(8,728)	(9,057)
Collection Fund (Surplus)/Deficit	0	0	0	0	0
<b>Total Income</b>	<b>(14,670)</b>	<b>(14,465)</b>	<b>(14,584)</b>	<b>(14,937)</b>	<b>(15,288)</b>
<b>Funding Gap</b>	<b>2,035</b>	<b>929</b>	<b>267</b>	<b>(160)</b>	<b>(194)</b>

	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
<b>Potential Use of Reserves</b>					
Earmarked Reserves and General Reserves	(7,528)	(5,307)	(4,191)	(3,793)	(3,824)
Use of/(Contribution to) Reserves	2,221	1,116	397	(30)	(64)
<b>Total Reserves</b>	<b>(5,307)</b>	<b>(4,191)</b>	<b>(3,793)</b>	<b>(3,824)</b>	<b>(3,888)</b>
<b><u>Analysis of (Use of)/Contribution to reserves</u></b>					
To fund capital expenditure	186	187	130	130	130
To balance the budget	2,035	929	267	(160)	(194)
<b>TOTAL</b>	<b>2,221</b>	<b>1,116</b>	<b>397</b>	<b>(30)</b>	<b>(64)</b>

The Council has adopted a Property Investment Strategy (PIS) focussed on investment within Rother District in order to facilitate economic regeneration, secure existing employment and develop new employment space. This has been achieved in the last three years, and work on identifying other suitable properties continues.

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## ***Income Generation***

The Council has a number of key income streams besides Council Tax and Non-Domestic rates. These include car parking, planning, licensing and land charges. Please refer to Note 7b for details.

Another source of income is rents from land and industrial estates. The Council has increased the level of income it receives from property through the above-mentioned PIS. The table below highlights the contribution assets acquired through the PIS are making towards services:

<b>2021/22 Gross Additional Income £'000</b>	<b>Property</b>	<b>2022/23 Gross Additional Income £'000</b>
106	14 Terminus Road	106
90	18-40 Beeching Road	90
68	16 Beeching Road	93
479	Glovers House	475
195	Market Square, Battle	195
100	35 Beeching Road headlease	100
0	Ninfield Road, Sidley	9
0	Buckhurst Place	583
0	Beeching Park Estate	9
1,039	Total	1,660

## ***Property Funds***

The Council has £5mIn invested in the CCLA Property Fund and £3mIn in the Hermes Property Fund. The reason for these investments was, at the time of investment, the low interest rates offered by banks and to improve investment returns. These funds returned between 4.04% and 3.17%, respectively which helped to 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. At 31<sup>st</sup> March 2023 the value of the units held by RDC was worth £534,000 less than the original investment.

## ***Capital Strategy 2022/23***

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 activities 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 Housing schemes and its Property Investment Strategy as part of its regeneration ambitions.

# NARRATIVE

The Council's latest Capital Strategy was approved by full Council on 20 February 2023 and is available on the Council's website. Capital budgets have been updated following the 2022/23 outturn and are shown in the table below:

	Revised 2022/23 budget	Actual spend 2022/23	Remaining Budget	2023/24 Updated	2024/25 Updated	2025/26 Updated	2026/27 Updated	2027/28 Updated
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
<b>Acquisitions, Transformation and Regeneration</b>								
<b>Other Schemes</b>								
Corporate Document Image Processing System	98	11	87	87	0	0	0	0
Rother Transformation ICT Investment	153	36	117	117	0	0	0	0
Community Grants	900	120	780	260	130	130	130	130
Cemetery Entrance	3	4	0	0	0	0	0	0
Development of Town Hall Bexhill	553	553	0	0	0	0	0	0
Ravenside Roundabout	200	0	200	200	0	0	0	0
UK Shared Prosperity Fund	131	0	131	131	0	0	0	0
CIL Scheme 1 Village Hall Energy Project	500	17	483	458	25	0	0	0
<b>Property Investment Strategy</b>								
PIS - 35 Beeching Road	0	0	0	0	0	0	0	0
Beeching Road Hotel and Foodstore Development	14,616	13	14,604	2,604	12,000	0	0	0
PIS - Beeching Park Estate	450	0	450	450	0	0	0	0
PIS - Beeching Road 18-40 (Creative Workspace)	192	192	0	0	0	0	0	0
Barnhorn Green GP Surgery and Industrial Development	8,802	547	8,255	3,313	4,942	0	0	0
PIS - Buckhurst Place	10,500	10,182	318	318	0	0	0	0
<b>Housing Development Schemes</b>								
Community Led Housing Scheme - CHF	297	297	0	0	0	0	0	0
Blackfriars Housing Development - infrastructure only	7,917	2,833	5,084	5,084	0	0	0	0
RDC Housing Company Ltd Investment	79,923	2,620	77,303	7,000	37,000	7,000	0	26,303
Development of council owned sites	214	0	213	213	0	0	0	0
King Offa Residential scheme	703	44	659	659	0	0	0	0
Community Led Housing Schemes - Cemetery Lodge	200	0	200	200	0	0	0	0
Camber, Old Lydd Road	369	27	342	342	0	0	0	0
<b>Housing and Community Services</b>								
De La Warr Pavilion - Capital Grant	170	58	113	56	57	0	0	0
Land Swap re Former High School Site	1,092	1,092	0	0	0	0	0	0
Bexhill Leisure Centre - site development	78	0	78	78	0	0	0	0
Fairlight Coastal Protection	229	12	217	217	0	0	0	0
Disabled Facilities Grant	9,556	1,431	8,125	1,625	1,625	1,625	1,625	1,625
Sidley Sports and Recreation	207	207	0	0	0	0	0	0
New bins	769	134	635	135	125	125	125	125
Bexhill Promenade - Protective Barriers	2	0	2	2	0	0	0	0
Housing - Temporary Accommodation Purchase	10,174	2,707	7,467	6,717	750	0	0	0
Bexhill Promenade - Shelter 1	55	43	12	12	0	0	0	0
Bexhill Promenade - Outflow pipe	191	0	191	191	0	0	0	0
Bexhill Leisure Centre - refurbishment	140	110	30	30	0	0	0	0
Capital - Northiam Cemetery Extension – S106	50	50	0	0	0	0	0	0
Capital - Sidley House Open Space Improvements - Parks LUF	75	4	71	71	0	0	0	0
Pebsham Toilets	54	0	54	54	0	0	0	0
Camber Conveniences - GRANT/CIL	1,012	0	1,012	1,012	0	0	0	0
<b>Strategy &amp; Planning</b>								
Payments to Parishes - CIL	171	0	171	171	0	0	0	0
<b>Resources</b>								
New website development	11	3	8	8	0	0	0	0
Invest To Save initiatives (Financial Stability Prog)	721	16	705	705	0	0	0	0
LUF De La Warr Pavilion Project LUF Grant	23,203	9	23,194	2,560	2,125	13,466	5,043	0
LUF Heart of Sidley Programme	2,692	2	2,690	188	1,765	737	0	0
Battle Train Station - CIL	1,000	0	1,000	1,000	0	0	0	0
Sedlescombe Traffic Calming Measures - CIL	74	0	74	74	0	0	0	0
Battle Sports Pavilion - CIL	400	0	400	400	0	0	0	0
<b>Total Capital Programme</b>	<b>178,848</b>	<b>23,372</b>	<b>155,477</b>	<b>36,744</b>	<b>60,544</b>	<b>23,083</b>	<b>6,923</b>	<b>28,183</b>
<b>Funded By:</b>								
Capital Receipts	3,192	1,092	2,100	2,100	0	0	0	0
Grants and contributions	44,325	5,057	39,269	9,633	5,515	15,828	6,668	1,625
CIL	3,938	17	3,921	3,896	25	0	0	0
Borrowing	45,211	14,237	30,975	12,782	17,817	125	125	125
Capital Expenditure Charged to Revenue	2,009	298	1,710	1,134	187	130	130	130
Borrowing and Loan for Rother DC Housing Company Ltd	79,923	2,620	77,303	7,000	37,000	7,000	0	26,303
Section 106	250	50	200	200	0	0	0	0
<b>Total Funding</b>	<b>178,848</b>	<b>23,372</b>	<b>155,477</b>	<b>36,744</b>	<b>60,544</b>	<b>23,083</b>	<b>6,923</b>	<b>28,183</b>

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## 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 accounting 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 between 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 usable and unusable reserves.
- **Cash Flow Statement** shows the changes in the Council's cash and cash equivalents during the reporting period.
- **Collection Fund** is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to precepting bodies.

## 10. Acknowledgements

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

**Duncan Ellis**

Interim Chief Finance Officer

# ANNUAL GOVERNANCE STATEMENT

## 1. SCOPE OF RESPONSIBILITY

1.1. Rother District Council (RDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, effectively and equitably. 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.

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

1.3. RDC has approved and adopted a Local Code of Corporate Governance, although this has been reviewed and updated for the 2022/23 financial year based on the 'Delivering Good Governance in Local Government: Framework' (CIPFA/Solace, 2016) ('the Framework') which was introduced in 2016/17. A copy of the Council's Local Code can be accessed on our website. This statement demonstrates how RDC has complied with the Framework and supports the requirement of the Accounts and Audit (England) Regulations 2015 in relation to the approval (Part 2 regulation 6) and publication (Part 3 regulation 10) of an Annual Governance Statement (AGS). The statement is prepared in accordance with proper practices in relation to internal control and is reviewed annually or more frequently as required. In addition, RDC's framework for delivering good corporate governance is embedded within its Constitution, policies and procedures.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1. The governance framework comprises the systems, processes, 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 Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to appropriate, cost-effective service delivery.

2.2. The system of internal control is a significant part of that framework and is designed 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.

2.3. The governance framework has been in place at RDC for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK – THE SEVEN CORE PRINCIPLES

3.1. The Council's governance framework is derived from the following core principles as per the CIPFA/SOLACE 2016 Framework which is based upon the 7 core principles of the International Framework for Corporate Governance in the Public Sector as follows:

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

B - Ensuring openness and comprehensive stakeholder engagement;

C - Defining outcomes in terms of sustainable economic, social and environmental benefits;

# ANNUAL GOVERNANCE STATEMENT

D - Determining the interventions necessary to optimise the achievement of the intended outcomes;

E - Developing the entity's capacity, including the capability of its leadership and the individuals within it;

F - Managing risks and performance through robust internal control and strong public financial management and;

G - Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.2. The Local Code of Corporate Governance highlights how good governance supports the Council and demonstrates what we aim to achieve by following the seven core principles, along with the tools we use to support our compliance. It goes further to identify the behaviours and actions that can demonstrate our compliance with the code, how we put this into practice and the source documents, policies, procedures and frameworks that enable us to evidence compliance.

3.3. Vision and Priorities - Our Vision is 'To put residents at the heart of all we do'.

To help us deliver this vision we have produced our Corporate Plan 2020 - 2027 that reflects the priorities and high-level outcomes for the Rother area over a seven-year period.

3.4. Quality of Services - The Council monitors both performance and the delivery of objectives and key performance indicators (KPIs), with quarterly performance reviews being considered by Cabinet and the Overview and Scrutiny Committee. We publish information about our performance and carry out satisfaction surveys so that everyone can see the progress we are making.

3.5. Constitution and Responsibilities - A comprehensive document setting out the Council's Constitution exists which sets out the clearly defined structure for the Council's organisational and decision-making arrangements based upon a Cabinet/Executive model. In essence the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere including the setting of the council tax;
- Cabinet is allocated authority by Council to approve policies not reserved for consideration by Council, deliver policies and to take most significant executive decisions;
- Cabinet follows a Work Programme which is updated on a monthly basis and provides details of forthcoming decisions for up to four months ahead;
- All executive decisions are recorded in a Decision List, with formal minutes being available for public inspection;
- The work of the Cabinet and the Council as a whole is supported by the Overview and Scrutiny Committee and its task and finish groups;
- The Scrutiny Committee has developed its own work programme for the review of Council services in addition to scrutinising the work of the Cabinet. It can 'call-in' a decision which has been made by the Executive but not yet implemented;
- The Audit and Standards Committee is well established and is responsible for the review of the work of the Internal and External Audit functions and provides independent assurance of the effectiveness of governance arrangements, risk management and financial management processes. It also has the responsibility for the approval of the Statements of Accounts;

# ANNUAL GOVERNANCE STATEMENT

- Separate committees exist for Planning and Licensing;
- Delegation arrangements to committees, the Executive and officers are set out in detail within the Constitution; and
- Regular meetings take place between relevant senior officers and Members of the Council to discuss and propose policy.

The Constitution also includes sections on procedure rules, financial regulations and conduct of meetings. The Constitution is reviewed periodically with interim updates made as and when appropriate.

3.6. Codes of Conduct - The Council has various Codes of Conduct applying to both Members (here) and officers as well as a protocol for Councillor/officer relationships. These have enabled the authority to develop an inclusive culture over the years, whereby Members and officers work together to deliver the Council's vision and quality services to its residents. The Codes include reference to the need to declare any interests that may conflict with the individual's role at the Council and such registers for Councillors and officers are maintained by the Council.

3.7. Complaints - The Council has in place a Whistle-blowing Policy (which was revised during the year) as well as a complaints procedure that ensures that any referrals are fully investigated, properly resolved and learning applied to service delivery. Systems and procedures have been enhanced to ensure that complaints/service requests are the cornerstone of the Council's management approach.

3.8. Policies, Procedures, Laws and Regulations - The Council's statutory officers are the Chief Executive (Head of Paid Service), the Monitoring Officer (Deputy Chief Executive) and the Section 151 Officer (Chief Finance Officer). They are responsible for ensuring the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources. There is also a requirement to ensure the authority's financial management arrangements conform to the governance requirements as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the Role of the Chief Financial Officer (2010). Service Managers are responsible for ensuring legislation and policy relating to service delivery and health and safety are implemented in practice.

3.9. Development and training needs – RDC is a learning organisation, both in terms of Members and officers and continues to deliver a programme to develop the skills of its workforce. RDC is committed to investing in staff development and ensures that staff are valued and given the opportunities to develop and achieve their full potential. Training and Development is at the core of the appraisal system and our most recent Staff Survey was conducted during December 2022 to listen and act on feedback. RDC continues to deliver a training and development programme to provide Members with the support and skills necessary to assist them in carrying out their duties as evidence through the Member induction programme following the recent May 2023 elections.

3.10. Risk Management – The Council's Risk Management Framework shows how the Council manages risk in an active way in terms of service delivery, reporting the Corporate Risk Register to the Audit and Standards Committee every 6 months. Lower-level operational risks are also monitored and considered through the Council's Service Planning process. The more significant capital schemes also have their own requirements in relation to risk and risk logs. The Council is in the process of reviewing Business Continuity Plans (BCPs) to ensure that they are consistent and regularly reviewed and updated to address key operational risks. Zurich are supporting this process and it is anticipated that developing a corporate BCP which is regularly updated will negate the need for all of the departmental BCPs. All committee reports contain a mandatory risk section to ensure that Members can consider the risks and opportunities of any recommendations or options, so that the consideration of risk forms an integral part of all decision making.

3.11. Communication – The Council believes public understanding of its work, achievements and services, coupled with consultation with residents is key to maintaining high satisfaction levels. This is achieved through continuous communications and consultation activity and upholding the Council's values of transparency and openness. RDC

# ANNUAL GOVERNANCE STATEMENT

regularly publishes information on its website and via a variety of social media channels, working with the local media to provide information to ensure residents are kept informed. This is further supported by the Council's 'My Alerts' which provides a weekly email update for residents and businesses and now has approximately 27,000 customers as at May 2023.

3.12. Partnerships – The Council is involved with a variety of partnerships that have developed over the years, this does however need to be supported by a Partnership Governance Framework and Partnership Register to help ensure that we maintain a consistent approach when entering into any new partnerships.

3.13. Transparency – As a Council we want to be publicly accountable and present our work with openness and transparency, we present a range of information on our 'Transparency Data' pages on the website, ranging from contract and purchasing information to car park data.

3.14. If there are any areas outlined above which require strengthening, these are highlighted within the Annual Governance Statement as part of the Action Plan within Section 5.

## 4. REVIEW OF EFFECTIVENESS

4.1. RDC annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and from comments made by the external auditors and other inspection agencies.

4.2. Reviews have taken place both during the year and at year end, and cover the following:

4.2.1. Cabinet is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. It is also responsible for key decisions and for initiating corrective action where appropriate while the Audit and Standards Committee (A&SC) consider corporate risk and internal control issues.

4.2.2. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. It is a 'living document' and is subject to amendment and updating on a regular basis.

4.2.3. The Council has an Overview and Scrutiny Committee that can establish 'task and finish' groups, to look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Cabinet. Scrutiny can "call-in" decisions of the Cabinet, which are yet to be implemented, to enable it to consider whether the decision is appropriate. In addition, the Overview and Scrutiny Committee can exercise its scrutiny role in respect of any Cabinet function, regardless of service area or functional responsibility, and will conduct regular performance monitoring of all services, with particular attention to areas identified as under- performing.

4.2.4. The Local Government and Public Involvement in Health Act 2007 include powers to enable Councillors to champion local issues where problems have arisen in their ward. The Council has embedded the "Councillor Call for Action" which allows Councillors to ask for discussion at Overview and Scrutiny Committee on issues where other methods of resolution by the District Member have been exhausted.

4.2.5. The development of the procurement function across the public sector has led to the establishment of several framework agreements for purchasing where the detailed work on price and quantity with suppliers has already been carried out. Contracts for supply are only established when goods, works or services are called off under the agreement.



# ANNUAL GOVERNANCE STATEMENT

4.2.6. The Council has in place a Procurement Strategy and works in partnership as part of the East Sussex Procurement Hub with Wealden and Hastings.

4.2.7. The Standards and Conduct provisions of the Localism Act 2011 came into force on 1st July 2012. The authority has appointed an Independent Person pursuant to the Act and has incorporated the standards element into the Audit and Standards Committee. The Council has also appointed an Independent Person in respect of the Audit Committee function in line with best practice.

4.2.8. The Council also has in place an anti-fraud and corruption framework which provides a suite of policies and procedures to help raise awareness of fraud and corruption issues and to promote their prevention, detection and investigation. These documents are known collectively as the Anti-Fraud and Corruption Framework.

4.2.9. The A&SC met six times during the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control and standards environment. The Committee received regular reports on, internal control and governance matters in accordance with its agreed work programme. The Committee undertook a self-assessment for the first time in March 2023 and a report, including improvement recommendations, will be provided to the new committee in July 2023 for their consideration.

4.2.10. The Annual Internal Audit Plan was considered and approved by the A&SC at the March 2022 meeting ahead of the forthcoming financial year. The 2022/23 Internal Audit Plan approved included a total of 532 days, encompassing 22 internal audit reviews, plus provisions for counter fraud work to provide adequate coverage over the Governance, Risk Management and Control framework informing the annual audit opinion.

4.2.11. During the 2022/23 financial year there were 22 planned internal audit assignments (23 in 2021/22) of which 16 were completed (21 in 2021/22) and a positive audit opinion was given by the Audit Manager for the year overall.

4.2.12. An annual review of the effectiveness of the internal audit function is undertaken and this is reported to the A&SC prior to 31 March each year so that the Committee can place reliance on the findings of internal audit when considering the AGS. In summary, no new issues were highlighted as part of the March 2023 assessment demonstrating the Internal Audit Service continues to achieve a good level of compliance with the Standards. The Audit Manager concluded that there was a high level of effectiveness overall and this conclusion was supported by both the Section 151 Officer and Monitoring Officer.

4.2.13. The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The conclusions of the internal audit enable an opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control to be provided. In addition, Internal Audit can undertake fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred. All significant weaknesses in the control environment identified by Internal Audit are reported to senior management and the Audit and Standards Committee (A&SC). No audits completed during the 2022/23 financial year received a good assurance rating (the highest level of assurance that can be achieved), although 10 out of 15 audits were given a substantial assurance which represents 67% of the audits completed. However, five of the audits received limited assurance, namely:

- Procurement
- Capital Programme
- Property Investment
- Community Infrastructure Levy
- Public Conveniences Cleaning Contract

# ANNUAL GOVERNANCE STATEMENT

4.2.14. The Audit Manager also carries out regular reviews of the status of implementation of Internal Audit recommendations. There are 7 historical recommendations overdue at the year end, 2 relating to 2018/19 and 5 for 2021/22.

4.2.15. Internal audit only met or exceeded two (out of five) of its performance indicators for the year which was as a result of resourcing issues (both with the team and in client departments) and a higher than usual volume of audits with control audits.

4.2.16. The External Auditor's Annual Audit Letter for 2021/22 was considered by (A&SC) at its meeting of 20th March 2023, with a management response prepared in respect of the recommendations made.

4.2.17. A&SC and SLT/CMT monitor and continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks.

4.2.18. The Council continues to review its treasury management arrangements in line with best practice and in response to regular updates and advice from the Council's Treasury advisors, Link Group, who also provide training to both officers and Members on treasury management related issues.

4.2.19. Key officers complete an annual Self-Assessment Assurance Statement which identifies non-compliance in a number of areas including procedures, risk and control, financial management and procurement. Any significant areas of non-compliance will either be taken account of in Service Plans or if corporate included in the AGS action plan.

4.3. The year-end review of the governance and the control environment arrangements by SLT included:

4.3.1. Obtaining assurances from the Chief Executive and Assistant Directors that key elements of the control framework were in place during the year in their departments.

4.3.2. The statement itself was considered and signed off by SLT and is supported by them as an accurate reflection of the governance arrangements in place for the year.

4.3.3. Obtaining assurances from other senior management, including the Monitoring Officer, that internal control and corporate governance arrangements were operating effectively within their areas of responsibility throughout the year.

4.3.4. Reviewing any high-level audit recommendations that remained outstanding at the year end and taking appropriate action if necessary.

4.3.5. Reviewing external inspection reports received by the Council during the year, the opinion of the Audit Manager in his annual report to management and an evaluation of management information in key areas to identify any indications that the control environment may not be sound.

4.3.6. Reviewing and updating the Council's Local Code of Corporate Governance, to include a detailed review in terms of the CIPFA best practice framework.

# ANNUAL GOVERNANCE STATEMENT

4.4. The A&SC received assurances from the Audi Manager that standards of internal control, corporate governance arrangements and systems of risk management were operating to an adequate standard in most cases, with a positive assurance being concluded.

4.5. The A&SC review the effectiveness of the governance framework as part of an annual review of the Local Code of Corporate Governance, and an improvement plan to address weaknesses and ensure continuous improvement of the system is in place.

## 5. GOVERNANCE ISSUES

5.1. Managers' Self-Assessment Assurance Statements – these have been introduced for the first time this year and support best practice. They are completed by the Chief Executive, Deputy Chief Executive Directors and Heads of Service/Managers across the Council relating to their service areas. The Statements cover key areas of responsibility including identifying and managing risk, Business Continuity, control systems and identification of weaknesses and whistleblowing.

5.2. Following a review of the Statements supplied, the AGS is drafted in consultation with CMT before being considered by the SLT. Once approved by SLT the statement is approved by A&SC before being signed off by the Chief Executive and the Leader of the Council.

5.3. Self-Assessment Assurance Statements for 2022/23 – Officers are required to confirm they have met a number of conditions, with evidence and action required recorded where appropriate if there have been any issues. Officers are also required to note any issues they feel represent a significant control risk or governance issue and which need improving which then feeds into the improvement recommendations.

5.4. Following the review of the Statements and the draft Annual Governance Statement for 2022/23, the following have been identified in terms of emerging themes for the organisation.

1. Business Continuity – several officers highlighted the need to review and update their Business Continuity Plans and to have a more consistent approach to development of these plans corporately.

2. HR/Payroll system – the payroll system does not include user friendly human resources functionality and as such is limiting the ability of the organisation to develop these aspects and to facilitate self-service. The payroll system itself often has glitches and causes errors which, while they are identified, cause resourcing issues in terms of having to rectify and correct issues.

5.5. Crucially, the responses have highlighted that there are no significant governance issues and governance arrangements are mainly consistent across the Council. Where partial responses have been provided, managers have already identified actions that are being progressed to address these areas and the implementation progress will be monitored during 2023/24.

5.6. There have not been any alleged or proven frauds during the 2022/23 financial year.

5.7. Completion of the more detailed Local Code of Corporate Governance assessment in line with CIPFA best practice has highlighted a number of areas for further development and improvement. The following Action Plan has been developed to help address any control or governance issues identified as part of the Local Code and AGS process.

# ANNUAL GOVERNANCE STATEMENT

Issue	Action/Outcome	Officer(s)	Target Date
Not all service areas have an up-to-date Business Continuity Plan and there is not a consistent corporate approach to their development	Zurich Municipal have been engaged to support a more corporate approach to development and delivery of Business Continuity Plans and this work will be progressing over the summer. It is anticipated that an updated organisation wide BCP will remove the need for departmental plans	SLT/CMT	31 December 2023
System errors with the payroll system waste resources addressing and fixing issues and the system does not include user friendly human resources functionality and as such is limiting the ability of the organisation to develop these aspects and to facilitate self-service	Consideration should be given to acquiring a dedicated payroll/HR system to better support the Council's workforce development plans	Human Resources Manager	31 December 2023 (initial business case and options appraisal)
Coast protection is a discretionary service area but would benefit from having a policy in place to determine when and where investment in coast protection assets should be undertaken	To develop a Coast Protection Policy for Rother	Head of Neighbourhood Services	September 2024
At the start of April 2023, the Audit and Standards Committee undertook a self-assessment to help identify future improvements. One area highlighted was the need for an Annual Report to Full Council to be produced to update on the Committee's work each year	The A&SC to produce an annual report to Full Council	A&SC	September 2023
While the Council has a communications Forward Plan in place it does not have an overarching Communications Strategy to support our engagement initiatives	Develop a Communications Strategy to help support the Council's wider engagement and communication with residents and partners	Marketing Communications Account Manager	September 2024
There is no formal Partnership Framework or guidance in place for officers to support this process or to help assess the benefits of partnerships so consideration should be given to developing one	Develop a Partnership Framework and guidance to help officers assess partnership benefits and ensure adequate governance arrangements are in place	Corporate Policy & Projects Manager	December 2024

# ANNUAL GOVERNANCE STATEMENT

There are no procedures in place to capture and share positive feedback and compliments and this should be considered alongside the complaints process	Consider a system to capture and share compliments and positive feedback to sit alongside the complaints process	Head of Service – Digital and Customer Service	July 2024
The Council does not have a Customer and Digital Strategy so this should be developed to further support the Council's overall governance and transparency arrangements and to help direct and prioritise our resources to digitally enable Council services	Develop a Customer and Digital Strategy to act as a road map and provide strategic direction in relation to our customer and digital service aspirations	Head of Service – Digital and Customer Service	December 2024
The Council should develop an up-to-date Asset Management Plan to further support decision making around assets	Develop an Asset Management Plan to support strategic asset decision making	Economic Development Manager	March 2025
The Council does not have an overarching Workforce Plan and this is an issue which has been raised by the external auditors so consideration should be given as to how best to deliver one	Develop a People Plan to provide insight into current and future workforce requirements and development	Human Resources Manager	December 2024
While the Council does have in place a Scheme of Delegation this needs urgent review and updating following the implementation of the new officer structure	The Scheme of Delegation should be updated to reflect the new officer structure	Democratic Services Manager	December 2023
There is a need to introduce a more robust Performance Management Framework, particularly in relation to key corporate projects in terms of assessing and establishing them, gateway reviews, ongoing monitoring and governance and undertaking a formal review at the end of projects to consider 'lessons learnt' that can be fed back into future projects	The Council should develop a robust Performance Management Framework to ensure there are adequate governance processes in place to assess, monitor and review corporate projects and benefit realisation	Corporate Policy & Projects Manager / Corporate Programme & Improvement Manager	March 2024

# ANNUAL GOVERNANCE STATEMENT

Whilst it is not a statutory requirement, it is best practice to also have an officer designated as a Senior Information Risk Officer (SIRO) so consideration should be given as to the value such a role could play in strengthening the Council's information security arrangements	SLT should consider the benefits of allocating the SIRO role to an officer	SLT	September 2023
While the Council has undertaken some service reviews and benchmarking, these aspects should be considered more corporately to provide additional management information in relation to decision making and performance	CMT should consider the benefits benchmarking and service reviews could bring to service improvements and efficiency	CMT	March 2024
There is a need to ensure that outstanding internal audit recommendations are cleared as soon as practically possible	SLT should reinforce the importance of timely completion of internal audit improvement actions to CMT	CMT	September 2023

## 6. CERTIFICATION

6.1. To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year except for those areas identified above. We propose over the coming year to take steps to address the above matters to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the 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

Lorna Ford

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 Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

## **The Chief Finance Officer's Responsibility**

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Chief Finance Officer has also:

- kept proper accounting records 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 33 to 84 give a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2023 and its income and expenditure for the year ended 31<sup>st</sup> March 2023.

Duncan Ellis

Interim Chief Financial Officer [Date 19 February 2024]

## **Approval of Accounts**

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

Councillor Bryan Drayson

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

2021-22				2022-23		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
			Corporate Core (incl Chief Executive)			
2,795	(566)	2,229		2,639	(66)	2,573
2,881	(2,577)	304	Environmental Services	2,766	(2,167)	599
2,826	(1,024)	1,802	Strategy and Planning	2,928	(1,396)	1,532
2,524	(1,610)	914	Acquisitions, Transformation and Regeneration	4,436	(2,338)	2,098
14,544	(5,356)	9,188	Housing and Community Services	15,401	(5,572)	9,829
24,611	(20,303)	4,308	Resources	22,966	(19,354)	3,612
<b>50,181</b>	<b>(31,436)</b>	<b>18,745</b>	<b>Cost of Services</b>	<b>51,136</b>	<b>(30,893)</b>	<b>20,243</b>
2,151	0	2,151	Parish Council Precepts	2,350	0	2,350
136	0	136	Levies	142	0	142
0	(387)	(387)	(Gains) on the disposal of assets	0	(468)	(468)
<b>2,287</b>	<b>(387)</b>	<b>1,900</b>	<b>Other Operating Expenditure</b>	<b>2,492</b>	<b>(468)</b>	<b>2,024</b>
487	0	487	Net interest on defined pension liabilities (note 8)	445	0	445
0	(338)	(338)	Interest receivable and similar income	0	(1,006)	(1,006)
405	0	405	Interest payable and similar expenses	621	0	621
0	(1,347)	(1,347)	Gains and losses on financial assets – (note 20)	1,536	0	1,536
121	(1,199)	(1,078)	Income and expenditure in relation to investment properties and changes in their fair value (note 14)	120	(1,544)	(1,424)
<b>1,013</b>	<b>(2,884)</b>	<b>(1,871)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>2,722</b>	<b>(2,550)</b>	<b>172</b>
0	(10,111)	(10,111)	Council Tax Income	0	(10,621)	(10,621)
5,413	(4,870)	543	Non Domestic Rates	5,782	(6,351)	(569)
0	(6,538)	(6,538)	Non-ringfenced government grants	0	(4,744)	(4,744)
0	(3,943)	(3,943)	Capital grants and contributions	0	(4,879)	(4,879)
<b>5,413</b>	<b>(25,462)</b>	<b>(20,049)</b>	<b>Taxation and non-specific grant income and expenditure</b>	<b>5,782</b>	<b>(26,595)</b>	<b>(20, 813)</b>
<b>58,894</b>	<b>(60,169)</b>	<b>(1,275)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>62,132</b>	<b>(60,506)</b>	<b>1,626</b>
		<b>(1,371)</b>	(Surplus)/deficit on revaluation of non-current assets.			<b>201</b>
		<b>(7,325)</b>	Remeasurement of the net defined benefit pension liability			<b>(18,031)</b>
		<b>(8,696)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(17,830)</b>
		<b>(9,971)</b>	<b>Total Comprehensive (Income/Surplus) and Expenditure/Deficit</b>			<b>(16,204)</b>

## 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
<b>2021/22</b>								
Balance at 1 April 2021	1,000	17,263	18,263	3,414	5,989	27,666	28,117	55,783
Movement in Reserves in 2021/22:								
Surplus/(deficit) on the provision of services (accounting basis)	1,275	0	1,275	0	0	1,275	0	1,275
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	8,696	8,696
Total Comprehensive Income and Expenditure	1,275	0	1,275	0	0	1,275	8,696	9,971
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	(5,131)	0	(5,131)	565	1,413	(3,153)	3,153	0
Net increase/decrease before transfers to Earmarked reserves	(3,856)	0	(3,856)	565	1,413	(1,878)	11,849	9,971
Transfers to/from Earmarked reserves - <i>note 10</i>	3,856	(3,856)	0	0	0	0	0	0
Increase/(Decrease) in Year	0	(3,856)	(3,856)	565	1,413	(1,878)	11,849	9,971
<b>Balance at 31 March 2022</b>	<b>1,000</b>	<b>13,407</b>	<b>14,407</b>	<b>3,979</b>	<b>7,402</b>	<b>25,788</b>	<b>39,966</b>	<b>65,754</b>

## MOVEMENT IN RESERVES

	General Fund Balance £'000	Ear-marked Reserves £'000	Total General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>2022/23</b>								
Balance at 1 April 2022	1,000	13,407	14,407	3,979	7,402	25,788	39,966	65,754
Movement in Reserves in 2022/23:								
Surplus/(deficit) on the provision of services (accounting basis)	(1,626)	0	(1,626)	0	0	(1,626)	0	(1,626)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	17,830	17,830
Total Comprehensive Income and Expenditure	(1,626)	0	(1,626)	0	0	(1,626)	17,830	16,204
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	48	0	48	2,658	1,365	4,071	(4,071)	0
Net increase/decrease before transfers to Earmarked reserves	(1,578)	0	(1,578)	2,658	1,365	2,445	13,759	16,204
Transfers to/from Earmarked reserves - <i>note 10</i>	5,579	(5,579)	0	0	0	0	0	0
Rounding adjustment	(1)	(1)	(2)		1	(1)	1	0
Increase/(Decrease) in Year	4,000	(5,580)	(1,580)	2,658	1,366	2,444	13,760	16,204
<b>Balance at 31 March 2023</b>	<b>5,000</b>	<b>7,827</b>	<b>12,827</b>	<b>6,637</b>	<b>8,768</b>	<b>28,232</b>	<b>53,726</b>	<b>81,958</b>

# BALANCE SHEET

31 March 2022 £'000		31 March 2023 £'000	
67,770	Property, Plant and Equipment	<i>Note 13</i>	84,839
13,379	Investment Properties	<i>Note 14</i>	12,858
492	Intangible Assets	<i>Note 15</i>	363
8,918	Long Term Investments	<i>Note 21</i>	7,466
475	Long Term Debtors	<i>Note 17</i>	2,815
877	Non-Current Assets Held for Sale	<i>Note 16</i>	877
<b>91,911</b>	<b>LONG TERM ASSETS</b>		<b>109,218</b>
6,730	Short Term Debtors	<i>Note 18</i>	10,085
17	Inventories		19
41,816	Cash and Cash Equivalents	<i>CFS</i>	12,149
2,053	Current Assets Held for Sale		0
<b>50,616</b>	<b>CURRENT ASSETS</b>		<b>22,253</b>
(27,028)	Short Term Creditors	<i>Note 19</i>	(10,585)
(843)	Provisions	<i>Note 120</i>	(835)
(511)	Short Term Borrowing	<i>Note 22</i>	(587)
(550)	Capital grants receipts in advance	<i>Note 21</i>	(570)
<b>(28,932)</b>	<b>CURRENT LIABILITIES</b>		<b>(12,577)</b>
(2,800)	Capital grants receipts in advance	<i>Note 21</i>	(3,532)
(26,990)	Long Term Borrowing	<i>Note 22</i>	(31,662)
(18,051)	Net Defined Pension liability	<i>Note 8</i>	(1,742)
<b>(47,841)</b>	<b>LONG TERM LIABILITIES</b>		<b>(36,936)</b>
<b>65,754</b>	<b>NET ASSETS</b>		<b>81,958</b>
1,000	General Fund		5,000
13,407	Earmarked Reserves	<i>Note 10</i>	7,827
3,979	Capital Receipts Reserve		6,637
7,402	Capital grants unapplied reserves		8,768
<b>25,788</b>	<b>USABLE RESERVES</b>		<b>28,232</b>
22,518	Revaluation Reserve		21,640
36,503	Capital Adjustment Account		36,572
75	Deferred capital receipts		70
(18,051)	Pensions Reserve		(1,742)
(1,898)	Collection Fund Adjustment Account		(2,189)
(99)	Accumulated Absences Account		(91)
918	Pooled Investment Funds Adjustment Account		(534)
<b>39, 966</b>	<b>UNUSABLE RESERVES</b>	<i>Note 11</i>	<b>53,726</b>
<b>65,754</b>	<b>TOTAL RESERVES</b>		<b>81,958</b>

# CASH FLOW STATEMENT

2021-22 £'000		2022-23 £'000
(15,542)	Taxation	(16,839)
(27,735)	Grants and Contributions	(20,051)
(13,407)	Sales of goods and rendering of services	(4,744)
(336)	Interest received	(1,006)
-	Other receipts from operating activities	(134)
<b>(57,020)</b>	<b>Cash inflows generated from operating activities</b>	<b>(42,774)</b>
8,424	Cash paid to and on behalf of employees	8,643
17,503	Housing benefit payments	17,721
5,413	NNDR levy and tariff payments	5,782
2,287	Precepts paid	2,492
11,626	Cash paid to suppliers of goods and services	14,119
347	Interest paid	552
7,327	Other operating cash payments	8,587
<b>52,927</b>	<b>Cash outflows generated from operating activities</b>	<b>57,896</b>
<b>(4,093)</b>	<b>Net cashflows from operating activities</b>	<b>15,122</b>
(606)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,638)
10,377	Purchase of property, plant and equipment, investment property and intangible assets	18,923
100	Purchase of short-term and long-term investments	0
(6,643)	Other receipts from investing activities	(6,451)
<b>3,228</b>	<b>Net cashflows from investing activities</b>	<b>9,834</b>
(15,600)	Cash Receipts - long/short term borrowing	(5,000)
158	Repayments of long/short term borrowing	322
(2,426)	Changes in Council Tax balances held for preceptors	(1,187)
(3,832)	Changes in National Non-Domestic Rates balances held for preceptors	877
4,256	Change in Covid grants held for Government – (increase) or decrease in creditors due to agency arrangements	10,584
	Change in Energy Grants held for Government (increase) or decrease in creditors due to agency arrangements	(885)
<b>(17,444)</b>	<b>Net cashflows from financing activities</b>	<b>(4,711)</b>
<b>(18,309)</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>29,667</b>
23,507	Cash and cash equivalents 1 April	41,816
18,309	Net increase/(decrease) in cash and cash equivalents	(29,667)
<b>41,816</b>	<b>Cash and cash equivalents 31 March</b>	<b>12,149</b>
2	Cash in hand	2
9,999	Call accounts and short-term deposits	7,086
31,815	Bank balances	5,061
<b>41,816</b>	<b>Cash and cash equivalents 31 March</b>	<b>12,149</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 1. ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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 generally 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 short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They will typically mature in no more than ninety days from the date of acquisition. In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change

# NOTES TO THE ACCOUNTING STATEMENTS

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.

# 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 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.



# NOTES TO THE ACCOUNTING STATEMENTS

The Council measures the asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interest. When measuring the fair value the Council takes into account the market participants' ability to generate economic benefits by using the asset or liability in its highest or best use, or by selling it to another party that would use the asset or liability for its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the year end;
- Level 2 Inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 Unobservable inputs for the asset or liability.

## 10. Financial Instruments

### Financial Liabilities

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

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CI&ES is the amount payable for the year according to the loan agreement. Liabilities include trade payables. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

### Financial Assets

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

- Amortised cost;
- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI).

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

#### *Financial Assets Measured at Amortised Cost*

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

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CI&ES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and

# NOTES TO THE ACCOUNTING STATEMENTS

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. 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:

# NOTES TO THE ACCOUNTING STATEMENTS

- 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 above treatments relate to grants received by the Council as the Principal. However, where the Council acts as an agent passporting support grants to local residents and businesses, both the grant income and expenditure are removed from the financial statements and any potential difference between the two at the end of the financial year results in creation of a debtor or creditor with the central government.

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 13 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 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.

# NOTES TO THE ACCOUNTING STATEMENTS

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;
- 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;

# NOTES TO THE ACCOUNTING STATEMENTS

- 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 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 25 years.
- Infrastructure - straight-line allocation over 50 years.

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

Reclassified assets are depreciated from year of reclassification.

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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 reviewed its approach and elected to componentise elements of buildings which make up at least 10% of the building value or £50,000, whichever is higher.

## 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.

# NOTES TO THE ACCOUNTING STATEMENTS

## Contingent Assets

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

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

## 18. Reserves

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

Usable reserves comprise the following:

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

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

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
  - revalued downwards or impaired and the gains are lost;
  - used in the provision of services and the gains are consumed through depreciation, or;
  - disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts or 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 Rother DC Housing Company Ltd. The company was incorporated in October 2020. Group accounts were not prepared for 2022/23, however the transactions between the council and the company have been disclosed as part of Note 28.

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 standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

a) IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year). Otherwise IFRS 16 Lease accounting mandatory implementation date is deferred to 1 April 2024.

b) Where an authority adopted IFRS 16 in 2022/23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023/24 information on that more specific accounting change will be required in its 2022/23 statements of accounts.

c) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

d) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

e) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

f) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24, and item b) will only be applicable to local authorities that have voluntarily implemented IFRS 16 in 2022/23 but chose to defer implementation for PFI/PPP arrangements until 2023/24. It is likely that though they lead to improved reporting that items c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. Item e) will only be applicable to local authorities with group accounts and it is likely that there will be limited application of item f).

It is judged that the introduction of the changes in 2022/23 will not have a material impact on the Council's financial position and performance.

## **NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

### **Rother District Council Housing Company Ltd**

The Council is sole shareholder of Rother District Council Housing Company Ltd. Since the company's inception in October 2020 costs incurred by the company have been relatively small in scale. The Council has determined that group accounts will not be prepared in 2022/23, in addition to its single entity accounts, since the interest in the company as of 31<sup>st</sup> March 2023 was not material to the Council's overall financial position. However, transactions between the entities have been disclosed in Note 26.



# NOTES TO THE ACCOUNTING STATEMENTS

## 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<sup>st</sup> March 2023 on which such assumptions have been made are as follows:

### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries, Barnett Waddingham LLP, 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 £1.325mIn;
- A 0.1% increase in the Salary Increase Rate would result in an increase in the pension liability of £0.092mIn;
- A 0.1% increase in the Pension Increase Rate would result in an increase in the pension liability of £1.255mIn;
- A 1 year increase in estimated life expectancy would result in an increase in the pension liability of £4.031mIn.

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 and Investment Properties

Following the disruption and the economic impact of the COVID-19 the property markets at 31 March 2023 are 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 and investment properties valuations are not being reported as being subject to material valuation uncertainty.

PPE and Investment Properties are one of the largest values on the balance sheet being £84.839m and £12.858m respectively. If their valuations were to change by just 1%, the effect would be significant as it could mean an increase or decrease in the balance sheet value of £811,000.

Depreciation charges applied to Property, Plant and Equipment

The depreciation charge for the year is based on the assumed remaining Useful Economic Life (UEL) of relevant assets and was calculated as £1,206,000 for 2022/2023. If the UEL applied were to be decreased or increased it would have had the following effect on the depreciation charge.

Change to Estimated remaining Useful Economic life (UEL) across the board	Impact on Depreciation charge Increase/(decrease)
-20%	£302,000
-10%	£134,000
10%	(£109,000)
20%	(£201,000)

### 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.

# NOTES TO THE ACCOUNTING STATEMENTS

Taking into account these individual judgements, the total allowance for impairments of doubtful debts included in the financial statements is £1,541,000. If, as a result of changes to these judgements, there was a need to increase the allowance, an aggregated increase of 10% would require an additional allowance of £154,000.

## **Allowance for impact of rating appeals**

There are a number of appeals against rating values outstanding, a few 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 in the district rose by 12.4%, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain whilst the outstanding cases are still being processed by the Valuation Office Agency. The Council has made a provision for the likely impact on its yield of expected future successful appeals based on both the 2010 and 2017 lists for the period to the end of March 2023 based on work completed by Analyse Local. The allowance was £835,000.

If appeals on the list are rejected or settled at a lower value from the amount taken into account in the appeals provision, the provision for the excess would be released. If appeals on the list are settled at a higher value than the appeals provision or appeals are settled that are not included on the list at 31 March 2022, there would be an impact on the business rates income to the authority under the Rates Retention Scheme. A £100,000 increase which represents just under 5% change in provision for appeals including settlements would mean a £40,000 corresponding decrease in NNDR income for the council, however there is a great deal of uncertainty around what appeals and when might be lodged with the VOA by the ratepayers and this allowance could be materially different in 12 months' time.

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

2021-22				2022-23			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
1,940	289	2,229	Corporate Core (incl. Chief Executive)	2,232	341	2,573	
(46)	350	304	Environmental Services	275	324	599	
1,506	296	1,802	Strategy and Planning	1,224	308	1,532	
149	765	914	Acquisitions, Transformation and Regeneration	(62)	2,160	2,098	
8,116	1,072	9,188	Housing and Community Services	8,414	1,415	9,829	
3,441	867	4,308	Resources	3,532	80	3,612	
<b>15,106</b>	<b>3,639</b>	<b>18,745</b>	<b>Cost of Services</b>	<b>15,615</b>	<b>4,628</b>	<b>20,243</b>	
(11,250)	(8,770)	(20,020)	Other Income and Expenditure	(15,321)	(3,296)	(18,617)	
<b>3,856</b>	<b>(5,131)</b>	<b>(1,275)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>294</b>	<b>1,332</b>	<b>1,626</b>	
<b>Earmarked Reserves</b>	<b>General Fund</b>	<b>Total</b>		<b>Earmarked Reserves</b>	<b>General Fund</b>	<b>Total</b>	
£'000	£'000	£'000		£'000	£'000	£'000	
17,263	1,000	<b>18,263</b>	Opening balances	13,407	1,000	<b>14,407</b>	
0	(3,856)	<b>(3,856)</b>	Surplus or (Deficit) on Provision of Services	0	(1,626)	<b>(1,626)</b>	
(3,856)	3,856	<b>0</b>	Transfers between General Fund and earmarked reserves	(1,578)	1,626	<b>48</b>	
			Transfer to increase the General Fund reserve	(4,000)	4,000		
			Rounding	(2)		<b>(2)</b>	
<b>13,407</b>	<b>1,000</b>	<b>14,407</b>	<b>Closing General Fund balance</b>	<b>7,827</b>	<b>5,000</b>	<b>12,827</b>	

# NOTES TO THE ACCOUNTING STATEMENTS

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>2021-22</b>					
Corporate Core	64	234	0	(9)	<b>289</b>
Environmental Services	0	363	0	(13)	<b>350</b>
Strategy and Planning	0	317	0	(21)	<b>296</b>
Acquisitions, Transformation and Regeneration	538	237	0	(10)	<b>765</b>
Housing and Community Services	613	478	0	(19)	<b>1,072</b>
Resources	278	612	0	(23)	<b>867</b>
Cost of Services	1,493	2,241	0	(95)	<b>3,639</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,573)	487	(2,367)	(1,317)	<b>(8,770)</b>
<b>Total for 2021-22</b>	<b>(4,080)</b>	<b>2,728</b>	<b>(2,367)</b>	<b>(1,412)</b>	<b>(5,131)</b>

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>2022-23</b>					
Corporate Core	116	227	0	(2)	<b>341</b>
Environmental Services	0	325	0	(1)	<b>324</b>
Strategy and Planning	0	304	0	4	<b>308</b>
Acquisitions, Transformation and Regeneration	1,951	218	0	(9)	<b>2,160</b>
Housing and Community Services	957	459	0	(1)	<b>1,415</b>
Resources	333	(255)	0	2	<b>80</b>
Cost of Services	3,357	1,278	0	(7)	<b>4,628</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,484)	445	291	1,452	<b>(3,296)</b>
<b>Total for 2022-23</b>	<b>(2,127)</b>	<b>1,723</b>	<b>291</b>	<b>1,445</b>	<b>1,332</b>

# NOTES TO THE ACCOUNTING STATEMENTS

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

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
<b>2021-22</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(129)	0	0	129	0
Depreciation and impairment of non-current assets	(1,188)	0	0	1,188	0
Movements in value of Investment Properties	350	0	0	(350)	0
Disposal of non-current assets	(171)			171	
Capital receipts to Usable Capital Receipts Reserve	559	(565)	0	6	0
Capital grants and contributions to Capital Grants Unapplied Reserve	1,583	0	(1,583)	0	0
Difference between accounting and statutory employment benefit	96	0	0	(96)	0
Difference between accounting and statutory credit for Council Tax	220	0	0	(220)	0
Difference between accounting and statutory credit for Non-Domestic Rates	2,147	0	0	(2,147)	0
Revenue Expenditure Financed from Capital under Statute	(1,628)	0	0	1,628	0
Difference between accounting and statutory credit for pension costs	(2,728)	0	0	2,728	0
Difference between accounting and statutory credit for pooled investment funds	1,317	0	0	(1,317)	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	678	0	0	(678)	0
Other adjustments					
Minimum revenue provision	214	0	0	(214)	0
Capital expenditure financed from Capital grants and contributions	3,811	0	170	(3,981)	0
<b>Total for 2021-22</b>	<b>5,131</b>	<b>(565)</b>	<b>(1,413)</b>	<b>(3,153)</b>	<b>0</b>

# NOTES TO THE ACCOUNTING STATEMENTS

	General Fund Balance £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Unusable Reserves £'000	Total £'000
<b>2022-23</b>					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Amortise Intangible Assets	(143)	0	0	143	0
Depreciation and impairment of non-current assets	(2,721)	0	0	2,721	0
Movements in value of Investment Properties	771	0	0	(771)	0
Disposal of non-current assets	(2,170)			2,170	
Capital receipts to Usable Capital Receipts Reserve	2,653	(2,658)	0	5	0
Capital grants and contributions to Capital Grants Unapplied Reserve	1,485	0	(1,485)	0	0
Difference between accounting and statutory employment benefit	7	0	0	(7)	0
Difference between accounting and statutory credit for Council Tax	198	0	0	(198)	0
Difference between accounting and statutory credit for Non-Domestic Rates	(489)	0	0	489	0
Revenue Expenditure Financed from Capital under Statute	(1,923)	0	0	1,923	0
Difference between accounting and statutory credit for pension costs	(1,722)	0	0	1,722	0
Difference between accounting and statutory credit for pooled investment funds	(1,452)	0	0	1,452	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Capital expenditure financed from revenue	298	0	0	(298)	0
Other adjustments					
Minimum revenue provision	336	0	0	(336)	0
Capital expenditure financed from Capital grants and contributions	4,824	0	120	(4,944)	0
<b>Total for 2022-23</b>	<b>(48)</b>	<b>(2,658)</b>	<b>(1,365)</b>	<b>4,071</b>	<b>0</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 7A. EXPENDITURE AND INCOME ANALYSED BY NATURE

2021-22		2022-23
Surplus / Deficit on the Provision of Services		Surplus / Deficit on the Provision of Services
£'000		£'000
13,355	Employee benefits expenses	12,752
41,530	Other service expenses	41,867
405	Interest payments	621
1,317	Depreciation, amortisation, impairment etc	2,864
2,287	Precepts and levies	2,492
0	IFRS Adjustments	84
0	Changes in value of Long term investments	1,452
<b>58,894</b>	<b>Total Expenditure</b>	<b>62,132</b>
(9,569)	Fees, charges and other service income	(11,572)
(350)	Investment Properties changes in fair value	(771)
(336)	Interest and investment income	(1,006)
(14,980)	Council Tax and Non-Domestic Rate income	(16,972)
(33,200)	Grants and Contributions	(29,717)
(387)	Gains on the disposal of assets	(468)
(1,317)	Changes in value of long term investments	0
(30)	IFRS Adjustments	0
<b>(60,169)</b>	<b>Total income</b>	<b>(60,506)</b>
<b>(1,275)</b>	<b>Net</b>	<b>1,626</b>

## NOTE 7B. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

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

2021/2022		2022/2023
£'000	Acquisitions, Transformation, Regeneration	£'000
28	Street Naming/House Numbering and other income	42
	<b>Environmental Health Services</b>	

# NOTES TO THE ACCOUNTING STATEMENTS

91	Alcohol Licensing	97
68	Taxi Licensing	82
67	Other income	106
<b>Executive Directors and Corporate Core</b>		
6	Feed in Tariff and other income	6
<b>Housing and Community Services</b>		
1,850	Car Parks	2,028
1,138	Refuse Collection	1,240
191	Cemeteries	162
73	Other income	72
<b>Resources</b>		
54	Printing income	66
<b>Planning</b>		
615	Planning Applications	940
186	Land Charges	167
28	Planning Enquiries	178
<hr/>		
<b>4,395</b>	<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>5,186</b>

## 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 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 actuarial valuation of the Fund was carried out as at 31<sup>st</sup> March 2022 and contributions for the period from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2026 were set accordingly. 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.

2021-22 £'000		2022-23 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
3,278	Current Service Cost	3,085
826	Past service cost (inc. curtailments)	0
<b>4,104</b>	<b>Cost of Services</b>	<b>3,085</b>
487	Net interest expense	445
<b>487</b>	<b>Financing and Investment Income and Expenditure</b>	<b>445</b>
<b>4,591</b>	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>3,530</b>
(9,646)	Return on plan assets, less included in interest expense	5,529
	Actuarial gains & losses:	
1,147	Changes in demographic assumptions	0
(4,728)	Changes in financial assumptions	(45,569)
5,902	Other	9,793
0	Changes as a result of Asset Ceiling	12,216
<b>(7,325)</b>	<b>Remeasurement of the net defined benefit liability</b>	<b>(18,031)</b>
<b>(2,734)</b>	<b>Total Comprehensive Income and Expenditure Statement</b>	<b>(14,501)</b>
	<b>Movement in Reserves Statement</b>	
4,591	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	3,530
(1,863)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,808)
<b>2,728</b>	<b>Total taken to Note 6</b>	<b>1,722</b>

# NOTES TO THE ACCOUNTING STATEMENTS

The table below details the fair value of the scheme assets – factors such as current high levels of inflation will affect the returns on bonds and property investments.

<b>2021-22</b>		<b>2022-23</b>
<b>£'000</b>	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	<b>£'000</b>
97,804	Value of Assets at 1 April	104,164
1,789	Interest income on plan assets	2,686
445	Contributions by Members	457
1,863	Contributions by the Employer	1,808
9,646	Return on assets excluding amounts recognised in Other Comprehensive Income	(5,529)
(4,232)	Benefits Paid	(4,007)
(51)	Administration expenses	(76)
(3,100)	Other Actuarial gains and (losses)	0
0	Impact of asset ceiling	(12,216)
<b>104,164</b>		<b>87,287</b>
<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>		
(120,452)	Value of Liabilities at 1 April	(122,215)
(3,227)	Current Service Cost	(3,009)
(826)	Past service cost (incl. curtailments)	0
(2,276)	Interest Cost	(3,131)
(445)	Contribution by Members	(457)
	Actuarial Gains and (Losses):	
(1,147)	Change in demographic assumptions	0
4,728	Change in financial assumptions	45,569
(2,802)	Other experience gains and (losses)	(9,793)
4,232	Benefits Paid	4,007
<b>(122,215)</b>		<b>(89,029)</b>
<b>(18,051)</b>	<b>Net Asset /(Liability) at 31<sup>st</sup> March</b>	<b>(1,742)</b>

The actuary applied an asset ceiling which is the present value of any economic benefit available to the Employer in the form of refunds or reduced future employer contributions. This was based on the following assumptions:

- There is no prospect of the Employer having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund
- The Employer will participate in the Fund indefinitely and is open to new employees. It is assumed that new entrants continue to join the Fund such that a stable population is maintained
- The present value of the cost of future accrual in respect of the expected period of participation is £70,740,000
- The present value of primary contributions in respect of the expected period of participation is £75,767,000
- The potential economic benefit from future contribution reductions is therefore nil
- An additional liability of £799,000 is recognisable in respect of the Employer's obligation to pay future deficit contributions, thereby increasing or generating an irrecoverable surplus

# NOTES TO THE ACCOUNTING STATEMENTS

Excerpt from the actuary's IAS 19 report:

Asset ceiling approach	Allow for contributions over employer lifetime £000s
<b>Unadjusted funded deficit /(surplus) (A)</b>	<b>(11,417)</b>
Present value of primary contributions (B)	75,767
Present value of future service cost (C)	70,740
Economic benefit from contribution refunds (D=max(C- B,0))	-
Present value of deficit contributions (E)	799
Liability due to deficit contributions (F= max((E-max(A,0),0))	799
Asset ceiling (G=D-F)	(799)
<b>Adjusted funded deficit /(surplus) (H= -min(-A,G))</b>	<b>799</b>
Unfunded obligation	943
Past service cost	-
<b>Net defined benefit liability / (asset)</b>	<b>1,742</b>

## Fair value of employer assets

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

Asset Category	31 March 2023		
	Quoted Prices in Active Markets	Prices not quoted in Active markets	Total
	%	%	%
Index Linked Government Securities:			
UK	0	2.0	2.0
Overseas	0	0	0
Corporate Bonds:			
UK	0	9.0	9.0
Overseas	0	0	0

# NOTES TO THE ACCOUNTING STATEMENTS

Equities:			
UK	0	0	0
Overseas	5.0	40.0	45.0
Property (all)	0	7.0	7.0
Others:			
Absolute return portfolio	0	18.0	18.0
Private Equity	0	8.0	8.0
Infrastructure	0	9.0	9.0
Other	0	1.0	1.0
Cash/temporary invests	1.0	0.0	1.0
<b>Totals</b>	<b>6.0</b>	<b>94.0</b>	<b>100.0</b>

(The estimated return on the Fund, on a bid value to bid value basis, for the year to 31<sup>st</sup> March 2023 is -2.75%.)

The estimated asset allocation for Rother District Council at 31<sup>st</sup> March 2023 is as follows:

31 March 2022			31 March 2023		
Total		Asset Category	Total		
£'000	%		£'000	%	
76,553	74%	Equities	70,237	71%	
13,582	13%	Bonds	12,079	12%	
11,795	11%	Property	15,997	16%	
2,234	2%	Cash	1,190	1%	
<b>104,164</b>	<b>100%</b>		<b>99,503</b>	<b>100%</b>	

## 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 Barnett Waddingham LLP, an independent firm of Actuaries, estimates being based on the latest full valuation of the scheme at 31<sup>st</sup> March 2022.

2021-22		2022-23
3.2%	Rate of increase in salaries	2.95%
3.2%	Rate of increase in pensions	2.95%
2.6%	Rate for discounting scheme liabilities	4.8%

The projections of liabilities assume the following mortality rates:

2021-22		2022-23
Mortality assumptions:		
Longevity at 65 for current pensioners:		
21.1	Men	21.1
24.0	Women	24.1
Longevity at 65 for future pensioners:		

# NOTES TO THE ACCOUNTING STATEMENTS

22.1	Men	22.2
25.5	Women	25.6

## Sensitivity analysis for impact in the defined benefit obligation in the scheme

	Increase in assumption	Decrease in assumption
	£'000	£'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,293)	1,325
Rate of increase in salaries (increase or decrease by 0.1%)	92	(92)
Rate of increase in pensions (increase or decrease by 0.1%)	1,255	(1,226)
Longevity (increase or decrease in 1 year)	4,031	(3,839)

## Impact on the Council's Cash Flows

The Council anticipates paying £1,639,000 of contributions to the scheme in 2023/24.

## NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

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

2021-22 £'000		2022-23 £'000
RESTATED		
(2,324)	Covid grants and related support	(64)
(16,867)	DWP benefits grants	(16,550)
(1,452)	Grants for revenue financed from capital under statute	(1,431)
(1,579)	Other Grants and Contributions	(1,810)
(498)	Unused DFG grant moved to the Grants reserve	(239)
<b>(22,720)</b>	<b>Total within Cost of Services</b>	<b>(20,094)</b>
2021-22 £'000		2022-23 £'000
(902)	Covid grants and related support	0
(41)	New Burden Grant	(178)
(220)	Benefits Administration Grant	(228)
(272)	New Homes Bonus	(466)
(4,105)	Section 31 Grant Income	(2,840)
(254)	Local Services Support Grant	(111)
(744)	Other grants	(921)
(3,943)	Grants and contributions towards capital expenditure	(4,879)
<b>(10,481)</b>	<b>Total within Taxation and non-specific grant income</b>	<b>(9,623)</b>
<b>(33,201)</b>	<b>Total income from grants and contributions</b>	<b>(29,717)</b>

Covid support grants ceased with the end of the previous financial year, but in 2022-23 the Council either received additional New Burdens funding relating to the previous year's Covid grants administration activities and was able to use and recognise some residual amounts from the previous year.

Other Grants and Contributions figure of £1,810,000 includes:

# NOTES TO THE ACCOUNTING STATEMENTS

- £453,000 Housing Support Funding grant funded by East Sussex County Council of which £397,000 was paid as grants to residents in need while the remainder covered admin and other costs of operating the scheme;
- £279,000 Discretionary element of Council Tax Energy Rebate funded by the government;
- Afghan and Syrian Resettlement Scheme Grants from the government to fund these schemes totalling £300,000.

The values not included in the above tables or in the Council's accounts due to the Council acting as an intermediary (agent):

- The Council paid the Council Tax Energy rebate grants to residents on behalf of the government either directly to their bank accounts or as credits to residents' council tax accounts. The value of these grants was £4,369,000;
- The Council administered the Homes for Ukraine Scheme as an agent for the government. £403,000 was paid to Ukrainian hosts in 2022-2023 and a grant to the same value was received or accrued.

## 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 2021	Transfers out	Transfers in	Balance at 31 March 2022	Transfers out	Transfers in	Balance at 31 March 2023
	£'000	£' 000	£' 000	£'000	£' 000	£' 000	£'000
Medium Term Financial Strategy Reserve	3,803	(4,432)	2,208	1,579	(1,438)	1,950	2,091
Economic Development Fund	319	0	0	319	(319)	0	0
Risk Management Fund	195	0	0	195	(195)	0	0
Repairs and Renewals Reserve	942	(84)	0	858	0	0	858
Affordable Housing Reserve	921	0	0	921	(921)	0	0
Corporate Development Reserve	358	(33)	23	348	(320)	0	28
Planning Improvement & LDF Reserve	217	(58)	20	179	(206)	124	97
Homelessness Reserve	214	0	0	214	(214)	0	0
Grants Reserve	3,277	(153)	653	3,777	(477)	453	3,753
Treasury Investment Reserve	7,017	(2,000)	0	5,017	(5,017)	0	0
Business Rates Volatility Reserve	0	0	0	0	0	1,000	1,000
<b>Total</b>	<b>17,263</b>	<b>(6,760)</b>	<b>2,904</b>	<b>13,407</b>	<b>(9,107)</b>	<b>3,527</b>	<b>7,827</b>

The transfer from reserves shown in the MIRS as at the 31<sup>st</sup> March 2023 is £5,580,000, of which £1,580,000 was used to support the revenue budget and £4,000,000 to increase the General Fund Balance to £5,000,000. The corresponding drawdown in 2021-22 was £3,856,000

# NOTES TO THE ACCOUNTING STATEMENTS

The purposes of these reserves are set out below. The reserves were re-assessed at the end of the financial year and consolidated by transfers into MTFS reserve.

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 the pressures and uncertainties of the current financial climate.
Economic Development Reserve	A reserve created to fund one off research, investigation and projects that relate to the economic development of the Rother area.
Risk Management	A reserve to meet expenditure under excess arising from insurance claims.
Repair and Renewals	A reserve to fund expected repairs and renewals of the Council's assets.
Affordable Housing	A reserve to subsidise social housing providers capital projects relating to the provision of new affordable housing.
Corporate Development	A reserve funding a variety of Council provided services supporting among others Tourism, Economic Development, Democratic Engagement, Staff and Member training etc.
Planning Improvement and LDF	A reserve supporting the development and maintenance of the Council's long term Planning Strategy.
Homelessness	A reserve to support the prevention of homelessness.
Grant Reserve	A reserve created to hold grants received in one year with no conditions but used in following years.
Treasury Management Reserve	This reserve has been created to help stabilise the impact of movements in interest rates.
Business Rates Volatility Reserve	This reserve has been created to help smooth the effect of variances in Section 31 grants on funding future collection fund deficits

## NOTE 11. UNUSABLE RESERVES

### Revaluation Reserve

2021-22		2022-23
£'000		£'000
22,580	Balance 1 April	22,518
	Comprehensive Income & Expenditure:	
1,371	Gain/(loss) on revaluation of assets	(201)
	Accounting/Financing Adjustments:	
(199)	Depreciation charged to Revaluation Reserve	(220)
(1,234)	Other movements*	(457)
<b>22,518</b>	<b>Balance 31 March</b>	<b>21,640</b>

\* Removal of Revaluation reserve amounts on Disposals and reclassifications

# NOTES TO THE ACCOUNTING STATEMENTS

## Capital Adjustment Account

2021-22		2022-23
£'000		£'000
33,010	Balance 1 April	36,503
	Accounting/Financing Adjustments:	
(129)	Amortisation of Intangible Assets	(143)
(1,188)	Depreciation and impairment of non-current assets	(2,721)
350	Movements in value of Investment Properties	771
(218)	Disposals of non-current assets	(2,170)
(1,628)	Revenue Expenditure Financed from Capital under Statute	(1,923)
678	Capital expenditure financed from revenue	298
214	Minimum revenue provision	336
3,981	Capital expenditure financed from Capital grants and contributions	4,944
199	Depreciation charged to Revaluation Reserve	220
1,234	Other movements*	457
<b>36,503</b>	<b>Balance 31 March</b>	<b>36,572</b>

\*Removal of Revaluation reserve amounts on Disposals and reclassifications

## Deferred Capital Receipts Reserve

2021-22		2022-23
£'000		£'000
33	Balance 1 April	75
47	Addition of Finance lease – council as a lessor	0
	Accounting / Financing Adjustments:	
(5)	Deferred receipts received to Capital Receipts Reserve	(5)
<b>75</b>	<b>Balance 31 March</b>	<b>70</b>

## Pensions Reserve

2021-22		2022-23
£'000		£'000
(22,648)	Balance 1 April	(18,051)
	Comprehensive Income & Expenditure:	
7,325	Remeasurement of the net defined benefit liability	18,031
	Accounting / Financing Adjustments:	
(2,728)	Difference between accounting and statutory credit for pension costs	(1,722)
<b>(18,051)</b>	<b>Balance 31 March</b>	<b>(1,742)</b>

## Collection Fund Adjustment Account

2021-22		2022-23
£'000		£'000
(4,264)	Balance 1 April	(1,898)
	Accounting / Financing Adjustments:	
220	Difference between accounting and statutory credit for Council Tax	198
2,146	Difference between accounting and statutory credit for Non-Domestic Rates	(489)
<b>(1,898)</b>	<b>Balance 31 March</b>	<b>(2,189)</b>



# NOTES TO THE ACCOUNTING STATEMENTS

## Accumulated Absences Account

2021-22		2022-23
£'000		£'000
(195)	Balance 1 April	(99)
	Accounting / Financing Adjustments:	
96	Difference between accounting and statutory employment benefit	7
	Rounding difference	1
<b>(99)</b>	<b>Balance 31 March</b>	<b>(91)</b>

## Pooled Investment Funds Adjustment Account

2021-22		2022-23
£'000		£'000
(399)	Balance 1 April	918
	Comprehensive Income & Expenditure:	
1,317	Gain/(Loss) revaluation Pooled Investment funds	(1,452)
<b>918</b>	<b>Balance 31 March – overall nominal gain (loss) on original investment</b>	<b>(534)</b>

## 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), which is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2021-22		2022-23
£'000		£'000
RESTATED		
<b>18,168</b>	Opening Capital Financing Requirement 1 April	<b>25,951</b>
	<i>Capital Investment</i>	
10,508	Property, Plant and Equipment	18,815
121	Intangible assets	14
	Revenue Expenditure Funded from Capital under Statute	
1,628	(REFCUS)	1,923
400	Loans to Rother DC Housing Company Ltd	2,345
(214)	<i>Minimum Revenue Provision</i>	(336)
	<i>Sources of finance</i>	
(2,530)	Government grants and other contributions	(3,485)
(678)	Sums set aside from revenue and reserves	(298)
(1,452)	Grants and contributions towards REFCUS	(1,460)
<b>25,951</b>	<b>Closing Capital Financing Requirement 31 March</b>	<b>43,469</b>

# NOTES TO THE ACCOUNTING STATEMENTS

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

31 March 2022		31 March 2023
£'000		£'000
70,105	Property, Plant and Equipment and Assets Held for Sale	83,608
13,379	Investment Properties	12,858
492	Intangible Assets	363
400	Long Term Debtor	2,745
(22,517)	Revaluation Reserve	(21,224)
(35,908)	Capital Adjustment Account	(34,881)
<b>25,951</b>		<b>43,469</b>

## NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infrastructure	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
Opening value 1 April 2021	41,638	1,420	14,649	1,724	6,214	65,645
Additions	5,990	496	9	4,014	0	10,509
Disposals	(57)	(219)	0	(11)	(150)	(437)
Impairment losses	446	0	0	0	(705)	(259)
Reclassifications*	(3,937)	0	0	(3)	0	(3,940)
Revaluations	3,337	0	0	0	(3,099)	238
Other movements	1	0	0	0	0	1
Value 31 March 2022	47,418	1,697	14,658	5,724	2,260	71,757
Cumulative Depreciation:						
Opening value 1 April 2021	(95)	(663)	(3,144)	0	0	(3,902)
Charge for the year	(531)	(108)	(292)	0	0	(931)
Disposals	0	219	0	0	0	219
Reclassifications	0	0	0	0	0	0
Revaluations	627	0	0	0	0	627
Other movements	(1)	0	1	0	0	0
Balance 31 March 2022	0	(552)	(3,435)	0	0	(3,987)
<b>Net book value 31 March 2022</b>	<b>47,418</b>	<b>1,145</b>	<b>11,223</b>	<b>5,724</b>	<b>2,260</b>	<b>67,770</b>

\*Reclassifications relate to movement of Land at Mount View Street Plot 2 and 3 to Assets Held for Sale Current and Non-Current respectively as well as reclassification of the Amherst Road office building as an investment property.

# NOTES TO THE ACCOUNTING STATEMENTS

	Land & Buildings	Vehicles Plant etc	Infrastructure	Assets under Construction	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
Opening value 1 April 2022	47,418	1,697	14,658	5,724	2,260	71,757
Additions	10,986	170	12	7,597	0	18,765
Disposals	(116)	0	0	0	0	(116)
Impairment losses	(1,495)	0	0	0	(112)	(1,607)
Reclassifications	1,294	0	0	(2)	0	1,292
Revaluations	(594)	0	0	0	(23)	(617)
Other movements	0	0	0	0	0	0
Value 31 March 2023	57,909	1,867	14,670	13,319	2,125	89,890
Cumulative Depreciation:						
Opening value 1 April 2022	0	(552)	(3,435)	0	0	(3,987)
Charge for the year	(585)	(187)	(292)	0	0	(1,064)
Disposals	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
Other movements						
Balance 31 March 2023	(585)	(739)	(3,727)	0	0	(5,051)
<b>Net book value 31 March 2023</b>	<b>57,324</b>	<b>1,128</b>	<b>10,943</b>	<b>13,319</b>	<b>2,125</b>	<b>84,839</b>

The Council's assets are typically fully revalued on a 5 year programme, but the Council arranged for a full revaluation of its land and property (including its investment property) as at 31 March 2023 as was the case last year. 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. 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. A property at Buckhurst Place which was acquired within the financial year was classified as Surplus as it is not used for operational purposes but with regeneration potential in mind.

Blackfriars land (south of Marley Lane, Battle) is currently held at the value of £613,000 based on the use as amenity land and woodland. This is because increased costs of the planned housing development are thought to be higher than what can be expected to be achieved in housing sales.

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

## Capital Commitments

At 31 March 2023 the Council had a number of material commitments relating to capital expenditure on Property Plant and Equipment. There is ongoing work and associated commitments on the Blackfriars Spine Road and a number of other projects, however in view of the current economic climate with high inflation and increasing borrowing costs elements of the programme are going to be re-assessed for viability and affordability. For details of the capital programme please refer to the narrative report.

# NOTES TO THE ACCOUNTING STATEMENTS

## 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:

2021-22		2022-23
£'000		£'000
(849)	Rental income from investment property	(773)
121	Direct operating expenses arising from investment property	120
(350)	Net (gains)/losses from in year fair value adjustments	(771)
<b>(1,078)</b>	<b>Total</b>	<b>(1,424)</b>

Balance Sheet movements in Investment Properties during the year:

2021-22		2022-23
£'000		£'000
11,513	Balance at start of the year	13,379
0	Disposals	0
350	Net gains/(loss) from fair value adjustments	771
1,513	Assets reclassified from Property Plant & Equipment	(1,292)
3	Assets reclassified from Assets Under Construction	0
<b>13,379</b>	<b>Balance at end of the year</b>	<b>12,858</b>

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

A full revaluation of the Council's investment properties at 31<sup>st</sup> March 2023 has been undertaken by Wilks Head and Eve Chartered Surveyors with values updated accordingly.

## NOTE 15. INTANGIBLE ASSETS

2021-22		2022-23
£'000		£'000
836	Gross Carrying Amount 1 April	926
(335)	Accumulated Amortisation 1 April	(434)
501	Net Carrying Amount at start of year	492
120	Additions	14
(30)	Disposals	0
(129)	Amortisation	(143)
30	Amortisation on disposal	0
926	Gross Carrying Amount 31 March	940
(434)	Accumulated Amortisation 31 March	(577)
<b>492</b>	<b>Total</b>	<b>363</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 16. NON CURRENT ASSETS HELD FOR SALE

2021-22		2022-23
£'000		£'000
877	Opening balance	877
0	Assets reclassified as held for sale	0
0	Assets sold in the year	0
<b>877</b>	<b>Total</b>	<b>877</b>

This asset is Plot 2 of Land at Mount View Street. The whole site was purchased for £4.5m in 2021-2022 and was subsequently divided into three plots, two of which were subject to Options Agreements with an NHS Trust while the third one remains as part of Property Plant and Equipment. The fair value of Plot 2 was £1,010,400 as at 31 March 2023, however as per the Code it is being held at the lower of the carrying value (from last year) and the fair value less cost to sell.

## NOTE 17. LONG TERM DEBTORS

The Council lent to its wholly owned subsidiary, Rother DC Housing Company Limited, £2,620,000 to 31 March 2023 to enable it to develop much needed housing in the district. Interest accrued on the loan amounts to £125,000 giving a total of £2,745,000

A formal working capital agreement and a loan agreement between the company and the Council have yet to be finalised and external advice is being sought with regards to an appropriate commercial uplift to be applied to interest rate to be charged for the loan.

The remainder of the £2,815,000 long term debtor balance consists £25,000 outstanding loan on a mortgage to Hastings Furniture Service and £45,000 Finance Lease receivable.

## NOTE 18. SHORT TERM DEBTORS

31 March 2022		31 March 2023
£'000		£'000
1,603	Central government bodies	3,382
628	Other Local Authorities & Public Bodies	2,031
0	NHS	46
5,864	All other bodies	6,167
<b>8,095</b>	<b>Total short term debtors before impairment provision</b>	<b>11,626</b>

### Impairment provision of short term debtors

31 March 2022		31 March 2023
£'000		£'000
(727)	Local taxation	(826)
(296)	Housing Benefits	(300)
(170)	Housing	(202)
(172)	Other	(213)
<b>(1,365)</b>	<b>Total impairment</b>	<b>(1,541)</b>
<b>6,730</b>	<b>Total Short Term Debtors</b>	<b>10,085</b>

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.

# NOTES TO THE ACCOUNTING STATEMENTS

31 March 2022	Council tax and business rates agency balances due	31 March 2023
£'000		£'000
1,029	Central government	1,760
206	Major precepting authorities	352
<b>1,235</b>	<b>Total</b>	<b>2,112</b>

## NOTE 19. SHORT TERM CREDITORS

31 March 2022		31 March 2023
£'000		£'000
	Amounts falling due within one year:	
(22,417)	Central government bodies	(6,274)
(1,479)	Other Local Authorities & Public Bodies	(2,236)
0	Public Corporations	0
(3,132)	All other bodies	(2,075)
<b>(27,028)</b>	<b>Total short term creditors</b>	<b>(10,585)</b>

## NOTE 20. 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 £843,000 to £835,000 during 2022/23.

### Contingent Liabilities - Municipal Mutual Insurance Limited (MMI)

In 1993 the Council's insurers, MMI, ceased accepting new business. On 13<sup>th</sup> 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 30<sup>th</sup> 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 28<sup>th</sup> 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. There have not been any subsequent changes to this liability.

## NOTE 21. CAPITAL GRANTS RECEIPTS IN ADVANCE

31 March 2022		31 March 2023
£'000		£'000
RESTATED*	Amounts falling due within one year:	
50	S106 Station Road, Northiam, Northiam Cemetery	0
0	S106 Worsham Farm	158
0	S106 Blackfriars Employment and Skills Plan Contribution	24
0	Local Authority Housing Fund	388
<b>50</b>	<b>Total short term capital grants received in advance</b>	<b>570</b>
	Amounts falling due after one year (all other bodies):	
884	S106 Unit 10 Ravenside, Bexhill-on-Sea	862
709	S106 Land off Pebsham Lane, Bexhill	709

# NOTES TO THE ACCOUNTING STATEMENTS

500	Brownfield Land Release Fund*	456
0	Brownfield Land Release Fund 2	158
167	S106 Station Road, Northiam	167
37	S106 The Saltings	37
266	S106 Barnhorn Road Willow Drive	266
737	S106 Worsham Farm	876
0	S106 Other	1
<b>3,300</b>	<b>Total long term capital grants received in advance</b>	<b>3,532</b>

\*In 2021-2022 considered short term

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

On the 13<sup>th</sup> May 2015, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Pebsham Lane, Bexhill-on-Sea. The agreement resulted in 3 payments to the Council totalling £520,000. £134,000 was for a new leisure centre, £277,000 for maintenance of pitches and £109,000 was for creation of a Countryside Park. The monies have to be expended within 10 years of the date of the agreement or they will have to be repaid to the property owner plus interest. £109,000 was paid out in 2017/18 to the Coombe Valley Countryside Park. A further £193,000 was received for arts and public realm, £28,000 for a community worker and £77,000 employment contribution. The balance at 31<sup>st</sup> March 2023 is £709,000.

<u>Purpose</u>	<u>£'000</u>
A new leisure centre	134
Maintenance of pitches	277
Creation of a Countryside Park	109
Arts and public realm	193
A community worker	28
Employment contribution	77
<u>Total Receipts</u>	<u>818</u>
 <u>Expenditure</u>	
Coombe Valley Countryside Park	(109)
 <b>Balance</b>	<b>709</b>

On 24<sup>th</sup> March 2016 the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site to the north east of Bexhill on Sea known as Worsham Farm. The agreement has so far resulted in the receipt by RDC the contractor's contribution among others to the Countryside Park, provision of leisure facilities and open spaces in the area as well as towards local employment and skills. £1,259,000 was received in total and £225,000 spent by the authority resulting in the remaining balance of £1,034 split between short and long term.

Over the last two financial years the council received 3 capital grants to improve availability of appropriate house through development and acquisitions. Brownfield Land Release Fund and Local Authority Housing Fund are planned to be used in 2023-24 to achieve these objectives by funding eligible capital programme projects.

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 22. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

31 March 2022			31 March 2023	
Book Value £'000	Fair Value £'000		Book Value £'000	Fair Value £'000
RESTATED	RESTATED			
		Financial assets at fair value through profit and loss		
8,917	8,917	Group 1 - Commercial Investments in line with Treasury Management Policy	7,466	7,466
		Financial assets at amortised Cost		
46	46	Group 1 - Commercial investments in line with Treasury Management Policy	45	45
400	400	Group 2 - Loans to related parties	2,745	2,745
29	29	Group 3 - Other Loans to local businesses	25	25
<b>9,393</b>	<b>9,393</b>	<b>Long term Assets</b>	<b>10,281</b>	<b>10,281</b>
537	537	Short Term Debtors	1,402	1,402
2,919	2,919	Trade accounts receivable	3,161	3,161
9,999	10,003	Bank deposits less than 3 months	7,086	7,109
31,817	32,371	Cash and bank accounts	5,063	5,608
<b>45,272</b>	<b>45,830</b>	<b>Other financial assets at amortised cost</b>	<b>16,712</b>	<b>17,280</b>
<b>54,665</b>	<b>55,223</b>	<b>Total Financial Assets</b>	<b>26,993</b>	<b>27,561</b>

Group 2 Loans to related parties consists of a loan to a wholly owned subsidiary Rother DC Housing Company Limited. See Note 17

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 18 and 19 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

31 March 2022			31 March 2023	
Book Value £'000	Fair Value £'000		Book Value £'000	Fair Value £'000
(2,072)	(2,072)	Short Term Creditors	(4,488)	(4,488)
0	0	Short term Market Loan	(71)	(71)
(511)	(511)	Public Works Loan Board	(516)	(516)
<b>(2,583)</b>	<b>(2,583)</b>	<b>Short -Term Financial liabilities at amortised cost</b>	<b>(5,075)</b>	<b>(5,075)</b>



# NOTES TO THE ACCOUNTING STATEMENTS

0	0	Long Term Market Loan	(5,000)	-(4,843)
(26,990)	(24,078)	Public Works Loan Board	(26,662)	(16,573)
		<b>Long-Term Liabilities at amortised cost</b>		
(26,990)	(24,078)		(31,662)	(21,416)
		<b>Total Financial Liabilities</b>		
(29,573)	(26,661)		(36,737)	(26,491)

## 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 ie., equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same.

Fair values in the tables above are calculated in line with the levels described in Accounting Policy 1.9 above. The Fair value through the profit and loss assets are assessed at Level 1 (quoted price), while the others are at Level 2 (observable inputs other than quoted prices). For loans from the PWLB, valued in line with level 2, new loan rates from the PWLB have been applied to provide the fair value.

## Nature and Extent of Risks arising from financial instruments

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

- (i) credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- (ii) liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- (iii) market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movement.

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

## Credit Risk

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

The credit criteria in respect of the financial assets held by the Council at 31<sup>st</sup> March 2023 are summarised below.

- i. All investments will be with approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.

# NOTES TO THE ACCOUNTING STATEMENTS

- 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 £10mln

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 2022/23 of past experience:

The council does not generally allow credit for customers such that £596,000 is past due for payment. The past due not impaired is analysed as follows:

31 March 2022		31 March 2023
£'000		£'000
1	0 to 28 days	2
20	1st reminder - 29 to 42 days	31
4	2nd reminder - 43 to 55 days	25
627	Over 55 days	538
<b>652</b>	<b>Total</b>	<b>596</b>

Debtors include trade receivables of £3,161,000 at 31<sup>st</sup> March 2023 (£2,919,000 at 31<sup>st</sup> March 2022). The historical experience of default is 9.10% (31<sup>st</sup> March 2022 6.97%) with an estimated exposure to default of non-collection of £288,000 (31<sup>st</sup> March 2022 £203,000). The Council has provided £288,000 (31<sup>st</sup> March 2022 £203,000) 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 2023	Historical Experience of Default	Estimated maximum exposure to default and uncollectability at 31 March 2023
		£'000	%	£'000
<b>Deposits more than 3 months</b>				
None		0		0
		0		
<b>Short-Term Deposits - less than 3 months (excluding accrued interest)</b>				
Santander 31 Day Notice Account and call account	A+	2,000	0.00%	0
Barclays	A+	5,086	0.00%	0
Lloyds Bank Plc.	A+	5,572	0.00%	0
Customer Debtors		3,161	9.10%	288
<b>Total</b>		<b>15,820</b>		<b>288</b>

## Gains and Losses

31 March 2022		31 March 2023
£'000		£'000
(30)	Impairment change (gain)/loss	84
(1,317)	(Gains)/losses on financial assets measured at fair value through profit and loss	1,452
<b>(1,347)</b>	<b>Total</b>	<b>1,536</b>

# 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.

31 March 2022	PWLB and Market	31 March 2023
£'000		£'000
1,063	Less than one year	1,218
1,747	Between one and two years	6,762
2,621	Between two and five years	2,621
4,368	Maturing in five to ten years	4,368
33,919	Maturing in more than ten years	33,045
<b>43,718</b>	<b>Total</b>	<b>48,014</b>

## 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 interest rate achieved by the council on its investments for the reported year was 2.32% (0.72% for 2021-22).

If interest rates had been 1% higher at 31<sup>st</sup> March 2023 with all other variables held constant, the financial effect would be:

	£'000
Increase or decrease in interest receivable on variable rate investments	388
<b>Impact on Surplus/Deficit on Provision of Services</b>	<b>388</b>

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 31<sup>st</sup> March 2023 an investment in the Local Authorities' (CCLA) Property Fund valued at £4.7m (£5.6m the previous year). A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £47,331.

The Council held at 31<sup>st</sup> March 2023 an investment in the Hermes Property Fund valued at £2.7m (£3.2m the previous year). A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £27,326.

The losses would only be realised if the Council decided to dispose of the investment. Any losses or gains do not affect the council tax payers thanks to a statutory override which means that their impact is reversed and any cumulative loss or gain held in an Unusable reserve.

## NOTE 23. AGENCY EXPENDITURE AND INCOME

During the financial year the Council acted as the lead authority for one arrangement: the Rother and Wealden Environmental Health Shared Service.

Under the arrangement all expenditure is initially incurred by this Council and is subsequently recharged to Wealden District Council. 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

# NOTES TO THE ACCOUNTING STATEMENTS

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

2021-22		2022-23	
Environmental Health		Environmental Health	
£'000		£'000	
1,367	Total expenditure	1,744	
(47)	Income	(36)	
<b>1,320</b>	<b>Net Cost</b>	<b>1,708</b>	
(505)	Recharged to Rother District Council	(658)	
(815)	Recharged to partner councils	(1,050)	
<b>(1,320)</b>	<b>Total recharges</b>	<b>(1,708)</b>	
<b>0</b>	<b>Net Cost</b>	<b>0</b>	

## NOTE 24. 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 2022		31 March 2023	
£'000		£'000	
40	Not later than one year	54	
92	Later than one year and not later than five years	78	
<b>132</b>	<b>Total</b>	<b>132</b>	

### Council as Lessor:

#### Operating Lease

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 2022		31 March 2023	
£'000		£'000	
1,603	Not later than one year	1,936	
4,778	Later than one year and not later than five years	4,560	
23,117	Later than five years	22,035	
<b>29,498</b>	<b>Total</b>	<b>28,531</b>	

# NOTES TO THE ACCOUNTING STATEMENTS

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 2022/23 the Council received £270,068 in contingent rents, compared to £267,407 in 2021/22.

## Finance Lease

The council has leased out land at Hoads Wood, Fairlight and the Royal Oak Inn, Pett on finance leases with the term of 999 years. The council has a gross investment in the lease, made up of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term receivable for the interest in the property acquired by the lessee and finance income earned by the Council.

	31 March 2023 £'000
<b>Finance Lease receivable</b>	
Current	1
Non-Current	48
Interest	46
<b>Total</b>	<b>95</b>

	31 March 2023 £'000
<b>Gross investment in lease</b>	
Not later than one year	3
Later than one year and not later than five years	10
Later than five years	702
<b>Total</b>	<b>715</b>

	31 March 2023 £'000
<b>Minimum lease payments</b>	
Not later than one year	1
Later than one year and not later than five years	3
Later than five years	41
<b>Total</b>	<b>45</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## NOTE 25. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2021-22 £'000		2022-23 £'000
224	Members Allowances	227
2	Travelling Expenses	5
<b>226</b>	<b>Total</b>	<b>232</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 26. OFFICERS' REMUNERATION AND EXIT PACKAGES

### Senior Officer Remuneration

The Council's Senior Employees' remuneration was as follows (expense allowances were nil for all posts in both 2021/22 and 2022/23):

Post holder information - Post title	Salary Inc. fees & Allowances	Compensation for loss of office	Pension Contributions	Total Remuneration
	£	£	£	£
<b>Financial Year: 2021-22</b>				
Chief Executive	123,256	0	21,926	145,182
Deputy Chief Executive	18,086	0	3,176	21,262
Chief Finance Officer	57,059	0	9,871	66,930
Assistant Director Resources (III)	67,717	79,179	11,444	158,340
Service Manager Strategy and Planning (III)	36,099	79,690	4,996	120,785
Head of Service Acquisitions, Transformation and Regeneration	70,643	0	12,271	82,914
Service Manager Environmental Services	69,492	0	12,267	81,759
Head of Service Housing and Community	69,492	0	12,060	81,552
Service Manager Neighbourhood Services	66,574	0	10,757	77,331
<b>TOTALS</b>	<b>578,418</b>	<b>158,869</b>	<b>98,768</b>	<b>836,055</b>

Post holder information - Post title	Salary Inc. fees & Allowances	Compensation for loss of office	Pension Contributions	Total Remuneration
	£	£	£	£
<b>Financial Year: 2022-23</b>				
Chief Executive	128,586	0	22,904	151,490
Deputy Chief Executive	94,633	0	16,674	111,307
Chief Finance Officer	60,649	0	10,514	71,163
Assistant Director Resources	0	0	0	0
Service Manager Strategy and Planning	0	0	0	0
Head of Service Acquisitions, Transformation and Regeneration	0	0	0	0
Director of Place and Climate Change	77,253	0	13,484	90,737
Service Manager Environmental Services	70,639	0	12,477	83,116
Head of Service Housing and Community	70,639	0	12,271	82,910
Service Manager Neighbourhood Services	70,639	0	12,271	82,910
<b>TOTALS</b>	<b>573,038</b>	<b>0</b>	<b>100,595</b>	<b>673,633</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## Remuneration over £50,000 at 31<sup>st</sup> March 2023

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:

2021/22	Band	2022/23
6	£50,000 - £54,999	1
1	£55,000 - £59,999	6
0	£60,000 - £64,999	1
4	£65,000 - £69,999	1
1	£70,000 - £74,999	3
0	£75,000 - £79,999	1
1	£85,000 - £89,999	0
0	£95,000 - £99,999	1
1	£120,000 - £124,999	0
0	£125,000 - £130,000	1
1	£130,000 - £134,999	0
1	£165,000-£169,999	0
<b>16</b>		<b>15</b>

## Exit Packages

2021-22				Exit package cost band	2022-23			
Number of exit packages			Cost		Number of exit packages			Cost
Compulsory redundancies	Other departures	Total exit packages	Total		Compulsory redundancies	Other departures	Total exit packages	Total
			£'000					£'000
3	0	3	25	£0 - £20,000	1	0	1	10
1	0	1	25	£20,001-£40,000	0	0	0	0
2	0	2	159	£60,000 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	0	0	0	£100,001 - £120,000	0	0	0	0
0	0	0	0	£120,001 - £140,000	0	0	0	0
<b>6</b>	<b>0</b>	<b>6</b>	<b>209</b>	<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>10</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 27. EXTERNAL AUDIT COSTS

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

2021-22		2022-23
£'000		£'000
71	External audit services	63
15	Other services	22
<b>86</b>	<b>Total</b>	<b>85</b>

## NOTE 28. 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).

### Rother DC Housing Company Ltd

In October 2020, the Council's wholly owned company, Rother DC Housing Company Ltd was formed. The directors of the Board are 4 councillors appointed by the Council. At 31 March 2023 the company owed the Council almost £2,620,000. The Council will charge interest on the loan of 3% over the PWLB rate prevalent on the loan instalment date.

### Members

Members of the Council have direct control over the Council's financial and operating policies. During 2022/23 related party transactions to the value of £4,665,767 as shown below, took place with organisations in which Members had a related party interest. Where applicable, discretionary Covid grant funding from the Council had been included within the sums disclosed in 2021-22. There were none in 2022-23.

2021-22		2022-23
£		£
400,000	Rother DC Housing Company	2,220,000
6,153	Battle Pre-school	0
22,615	Brede Parish Council	0
9,000	Battle Chamber of Commerce	0
0	St Mary the Virgin Battle	366
654,765	De La Warr Pavilion Charitable Trust	576,989
7,352	Digilicious Ltd	0
415,062	East Sussex County Council	1,432,684
131,796	Romney Marsh Internal Drainage Board	137,819
100,000	Action in Rural Sussex	0
105,000	Rother District Citizens Advice Bureau	85,000
48,500	Rother Voluntary Action	38,500
19,000	Hastings Advice & Representation Centre	19,000
9,471	Local Government Association	9,559
9,400	Hastings and Rother Mediation Service	9,400
6,421	South East Employers	5,250



# NOTES TO THE ACCOUNTING STATEMENTS

10,000	Bexhill Museum Ltd	8,500
55,500	Sussex Wildlife Trust	14,612
10,701	Hastings Furniture Service Ltd	4,514
0	Seaview Project	300
1,448	District Councils Network	2,563
30,000	Robertsbridge Childrens Services	0
9,939	Sedlescombe Parish Council	30,500
15,500	Light Up Bexhill CIC	18,500
0	Pevensey and Cuckmere Water Level Management Board	4,626
1,165	Bexhill Caring Community	0
750	Bexhill in Bloom	750
1,281	Rye and District Chamber of Commerce	0
20,561	Sussex Police & Crime Commissioner	0
9,000	Attwood Academies	0
138,829	Battle Town Council	13,635
0	Bexhill United Football Club	550
0	Bexhill United Ladies FC	100
0	St Michael's Hospice (Retail) Ltd	2,800
0	The HUG Forum (Bexhill Homelessness Unity Group)	30,000
<b>2,249,209</b>	<b>Total</b>	<b>4,666,517</b>

## Officers

During 2022/23 officers with pecuniary interests made appropriate declarations during Committee meetings and took no part in decision making. Interests are recorded in the minutes of the relevant meetings and are available at [www.rother.gov.uk](http://www.rother.gov.uk). There were 7 related party transaction in the year between the Council and its officer acting as the COO for the Rother DC Housing Company Ltd for part of that financial year. They were all of the same nature, namely loan instalments. The value is disclosed in the above table.

## East Sussex County Council pension fund

The Council made payments totalling £1,808,000 during 2022/23 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,863,000 in 2021/22. Note 8 provides further information on the Council's pension arrangements.

## NOTE 29. EVENTS AFTER THE BALANCE SHEET

### *Non-adjusting event*

The financial statements were authorised by the Chief Finance Officer on 19 February 2024. 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<sup>st</sup> March 2023, 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

2021-22		2022-23
£'000		£'000
<b><u>Council Tax</u></b>		
<b>INCOME</b>		
(81,767)	Income from Council Taxpayers	(86,323)
	Apportionments of previous year deficit:	
(294)	East Sussex County Council	(146)
(39)	Sussex Police Authority	(21)
(19)	East Sussex Fire Authority	(9)
(49)	Rother District Council	(21)
(21)	Transfer from General Fund-S13(1)(c) Discounts	
<b>(82,189)</b>		<b>(86,520)</b>
<b>EXPENDITURE</b>		
	Precepts and demands on Collection Fund	
58,066	East Sussex County Council	61,673
8,082	Sussex Police Authority	8,598
3,664	East Sussex Fire Authority	3,799
9,939	Rother District Council	10,444
	Apportionments of previous year surplus	
0	East Sussex County Council	0
0	Sussex Police Authority	0
0	East Sussex Fire Authority	0
0	Rother District Council	0
	Bad & Doubtful Debts	
152	Write offs of uncollectable income	285
541	Provision for uncollectable income-addition	81
<b>80,444</b>		<b>84,880</b>
<b>(1,745)</b>	<b>Movement on Fund Balance - (surplus)/deficit</b>	<b>(1,640)</b>
<b>FUND BALANCE FOR COUNCIL TAX</b>		
785	Balance brought forward	(960)
(1,745)	Deficit/(Surplus) for year	(1,640)
<b>(960)</b>	<b>Balance - (surplus)/deficit carried forward</b>	<b>(2,600)</b>

# COLLECTION FUND STATEMENT AND NOTES

2021-22		2022-23
£'000		£'000
<b><u>Non-Domestic Rates</u></b>		
<b>INCOME</b>		
(12,453)	Income from Ratepayers (note 3)	(16,360)
	Apportionments of previous year deficit	
(5,529)	Government	0
(1,078)	East Sussex County Council	0
(128)	East Sussex Fire Authority	0
(4,516)	Rother District Council	0
(26)	Transitional relief	0
<b>(23,730)</b>		<b>(16,360)</b>
<b>EXPENDITURE</b>		
	Precepts and demands on Collection Fund	
9,048	Government	8,484
1,629	East Sussex County Council	1,527
181	East Sussex Fire Authority	170
7,239	Rother District Council	6,787
0	Transitional Relief	14
	Apportionment of previous year surplus	
0	Government	66
0	East Sussex County Council	12
0	East Sussex Fire Authority	1
0	Rother District Council	53
	Bad & Doubtful Debts	
0	Write offs of uncollectable income	122
304	Provision for uncollectable income	219
	Impairments resulting from appeals	
0	Write offs of uncollectable income	(2,247)
(155)	Provision for uncollectable income	2,228
155	Transfer to General Fund - Cost of Collection Allowance	146
<b>18,401</b>		<b>17,582</b>
<b>(5,329)</b>	<b>Movement on Fund Balance - (surplus) / deficit</b>	<b>1,222</b>
<b>FUND BALANCE FOR NON-DOMESTIC RATES</b>		
10,383	Balance brought forward	5,054
(5,329)	(Surplus)/deficit for year	1,222
<b>5,054</b>	<b>Balance - (surplus)/deficit carried forward</b>	<b>6,276</b>
<b>TOTAL COLLECTION FUND BALANCE</b>		
11,168	Balances brought forward	4,094
(7,074)	(Surplus)/deficit for year	(418)
<b>4,094</b>	<b>Balance - (surplus)/deficit carried forward</b>	<b>3,676</b>

# COLLECTION FUND STATEMENT AND NOTES

## 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 relating 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)	14.1	5/9	7.9
Band A - up to £40,000	3,113.0	6/9	2,075.4
Band B - over £40,000 up to £52,000	4,944.2	7/9	3,845.8
Band C - over £52,000 up to £68,000	7,807.4	8/9	6,939.7
Band D - over £68,000 up to £88,000	7,896.7	9/9	7,897.3
Band E - over £88,000 up to £120,000	6,664.1	11/9	8,144.8
Band F - over £120,000 up to £160,000	3,674.6	13/9	5,307.6
Band G - over £160,000 up to £320,000	2,522.6	15/9	4,204.7
Band H - over £320,000	232.5	18/9	465.0
	<b>36,869.1</b>		<b>38,888.2</b>

The Council Tax Base is shown in the final column above before a collection rate of 98.3% has been applied.

## 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 2022/23 were:

- 49.9p for qualifying Small Businesses (no change from 2021/22)
- 51.2p for other businesses (no change from 2021/22) – the standard multiplier

The rateable value at the 31<sup>st</sup> March 2023 was £56,553,567 (£56,286,966 at 31<sup>st</sup> March 2022).

## NOTE 3 - INCOME FROM RATEPAYERS

2021-22 £'000		2022-23 £'000
(26,796)	Gross rates payable	(27,446)
8,152	Mandatory business rate reliefs	8,342
4,495	Retail discount relief (coronavirus)	1,848
1,123	COVID-19 Additional Relief Fund (CARF)	131
573	Other business rate reliefs	765
<b>(12,453)</b>	<b>Total</b>	<b>(16,360)</b>

# 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).

## **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, which have no determinable useful life and 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 inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

## **INTANGIBLE ASSETS**

Identifiable non-monetary assets such as software licences.

## **INVESTMENT PROPERTIES**

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

## **LEASE**

An agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time.

## **PAST SERVICE COST**

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

## **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, eg. 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 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 & 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.