

**Rother District Council**

**FINANCIAL REPORT AND  
STATEMENT OF  
ACCOUNTS**

**2021/22**

**(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 2022 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 2021/22 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy. The Code is based on International Financial Reporting Standards, as adapted for the UK public sector under the oversight of the Financial Reporting Advisory Body.

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

The Accounts and Audit Regulations 2015 came into force on 1 April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduced earlier deadlines for publication of the accounts. However, recognising the impact of the pandemic on councils’ resources the Government introduced amendment regulations revising the completion deadline for the accounts from 31 May 2022 to 31 July 2022 for 2021/22 financial statements.

The publication date for audited 2021/22 accounts is revised from 31 July to 30 November 2022.

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.

This narrative report is structured as follows:

1. An Introduction to Rother
2. Summary of Achievements
3. Governance
4. Summary of the 2021/22 Financial Performance of the Council
5. Strategic Risks
6. Liability for Pensions Costs
7. Future Plans
8. Material assets/liabilities
9. Explanation of the Financial Statements
10. Acknowledgements

### 1. An Introduction to Rother

For the greater part, Rother is rural in character, forming the south-eastern part of the High Weald. However, it also embraces low-lying coastal areas at both the eastern and western ends of the District. The District covers some 200 square miles and serves a population of around 96,000 inhabitants. With the exception of Bexhill with its distinctive town centre and seaside character and the historic towns of Battle and Rye, the area is mainly rural.

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

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## The area we serve



## 2. Summary of Achievements

### Climate Emergency:

### Environment Strategy

Completed projects in 2021/22 include:

- Training with our various partners in conducting tree surveys, the urban forest/Trees for Cities project, carbon literacy training and reviewing the carbon footprint and carbon reduction.
- 200 survey plots were completed in 2021 for our tree survey
- Engaging with local volunteers to complete the tree surveys
- Working with our contractors to facilitate bio-diversity, reduce carbon emissions and reduce energy usage.

The Council's Climate Change Steering Group has also considered electric vehicle charging, carbon base-lining and other specific projects to reduce carbon emissions and increase bio-diversity across the district.

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## **Waste and Recycling**

The proportion of household waste that goes for reuse, recycling and composting has risen slightly from 50% to 51% based on current estimates.

Work during the year has been focused on reviewing the Governments draft UK Environment Bill which achieved Royal Assent in December 2021 and will positively impact recycling rates in the future.

A 'Rother District Litter Strategy' has been agreed which focuses on getting the 'Right Litter Bin in the Right Place' and work will continue on implementing the strategy.

## **Community Infrastructure Levy**

A new process for distributing the Community Infrastructure Levy (CIL) was approved in March 2022, reserving a proportion of funds for projects that directly address the climate emergency or those which have a distinctive environmental benefit, as long as they meet the base criteria for CIL.

Community Grants application forms have been updated to include environmental considerations and impacts.

## **Financial Stability:**

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

## **Regeneration Investment:**

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

## **Supply of Affordable Housing:**

- There were 112 affordable homes delivered in 2021/22. Of the 112 homes, 50 were for affordable rent, 62 for shared ownership. In December 2021, 1,867 households were on the Council's housing list. This is an increase of 148 households since March 2021.
- From the pandemic, there is a rise in households applying for housing and placed in temporary accommodation. In March 2021, households in temporary accommodation peaked at 87 and held at 87 households by June, falling to 69 by December 2021.
- In 2020/21 there were 153 new homes (net) in Rother. Between April and December 2021, the district gained 172 new homes (net). (This figure is provisional pending the end of year review).
- Blackfriars in Battle is a housing initiative led by Rother District Council. It will provide 200 new homes. Wates Residential, our partner contractor, is building the development. The project includes 42 affordable rented homes and 28 homes for shared ownership, starting in spring 2022. In November 2021, the Blackfriars development was named best housing development in the UK (suburban and rural category) at the Inside Housing Development Awards. All new homes are designed to significantly reduce energy consumption and carbon emissions.
- As part of the Council's Temporary Accommodation Support Scheme we have purchased 10 houses and flats for use as temporary accommodation, providing a dedicated support service to secure alternative accommodation.
- As part of the national pandemic response, the Council has actively supported the Government's call to bring all rough sleepers off the streets and into accommodation. All rough sleepers have been offered temporary accommodation solutions and we continue to accommodate over 25 rough sleepers who would otherwise be forced to sleep on the streets. The Council has stepped up to play its part in supporting the resettlement of Afghan nationals who are former employees of the British Armed Forces during the recent conflict. We have welcomed 2 Afghan families to date and have a further 2 arriving in March.

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## **Housing List Reduction:**

We now own 21 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. We will be completing a procurement process over the summer of 2022 for a provider to deliver the support. Opportunities to acquire accommodation will be on-going throughout the next financial year.

## **Disabled Facilities Grants**

Over the year the Council spent nearly £1.2 million on DFGs. This equates to 105 completed grants, however, a further 74 were worked on but for various reasons these did not progress to completion (client cancelled, client deceased, grant refused). This money helps residents to remain in their own homes.

## **Planning:**

### **Development Management**

Work has continued on implementing the recommendations of the iESE review. This will ultimately lead to a reduction in the current backlog of planning applications and the corresponding level of dissatisfaction with the service.

### **Local Plan**

A review of the programme has been completed following a change in the project team. The direction of the Local Plan has changed as the Green to the Core vision and the rural spatial strategy is being explored in a different way. 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 progressed to date highlights that further work is required to support the Plan. We wish to take the opportunity to continue to work jointly with neighbouring planning authorities and liaise with our towns and parish councils (in summer 2022) before we formally consult. This has not impacted on the local plan adoption target.

### **Empowered Organisation**

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

### **Economy**

The main activity over the year has been related to supporting businesses through the COVID-19 pandemic. Throughout the year the Government continued to supply funding for businesses suffering due to the COVID-19 pandemic. During 2021/22 the Council has paid out £9.58 million in business grants, of which £1.85 million has been discretionary awards where the eligibility criteria has been set by the Council.

## **A Fairer Society:**

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

The Anti-Poverty Task and Finish Group met throughout the year and has developed an action plan.

### **Age Friendly Rother**

In September 2020, the World Health Organisation approved the Council's application to join the global network of age-friendly cities and communities. This was an important step to help older people in Rother feel valued, supported and lead healthy and active lives. As part of its commitment to becoming recognised as age-friendly, the Council works with East Sussex County Council and Rother Voluntary Action to support and engage with older people in the district. Through the Healthy Ageing and Innovation in Rural Europe (HAIRE) project, volunteers have held over 200 hours of in-depth conversations with local older people about their lives, needs, and aspirations. The Council, in conjunction with Active Rother, held the 'How to Age Well in the 21st Century' event at the De La Warr Pavilion to support over 50s stay healthy and active.

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## An Open Council:

- All public Council meetings can be viewed online with links from our website.
- We have started a review of our customer service strategy.
- We are in the process of updating and modernising the Council's constitution.
- In 2021, the Council gave local people an opportunity to have their say on a wide variety of local issues, such as: high street shopping areas, our budget and financial plans, our draft Corporate Plan, the Bexhill Bike & Skate Park, the Council Tax Reduction Scheme, Rother's public space protection order and anti-social behaviour and extending street trading in Bexhill and Ticehurst.

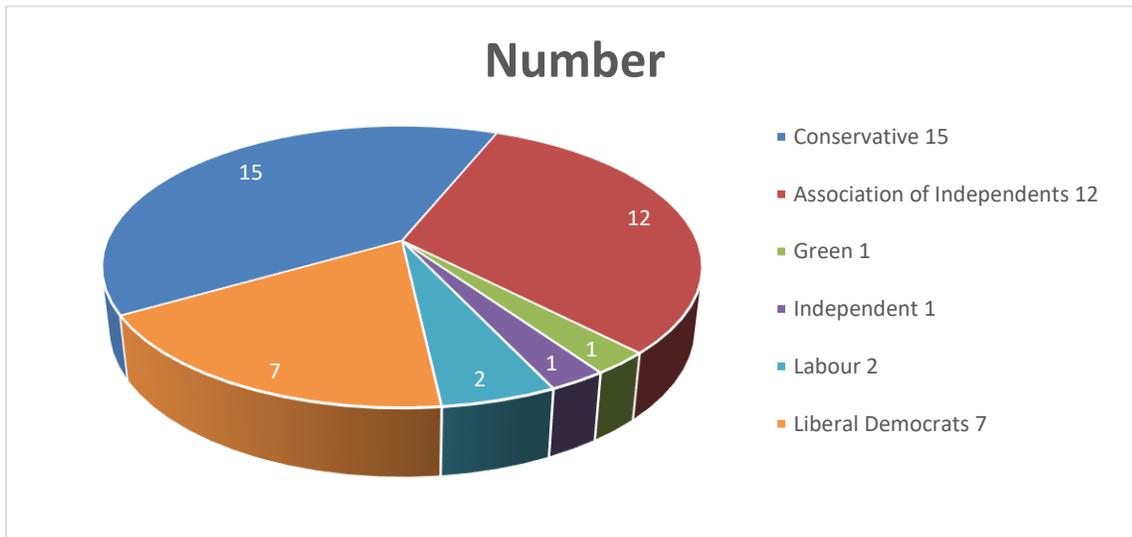
## Bexhill Town Council

A Parish Council for Bexhill-on-Sea (subsequently called a Town Council) was created on 1 April 2021 meaning that the whole of Rother is now parished. The first elections were held on 6 May 2021.

## 3. Governance

### The Council

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

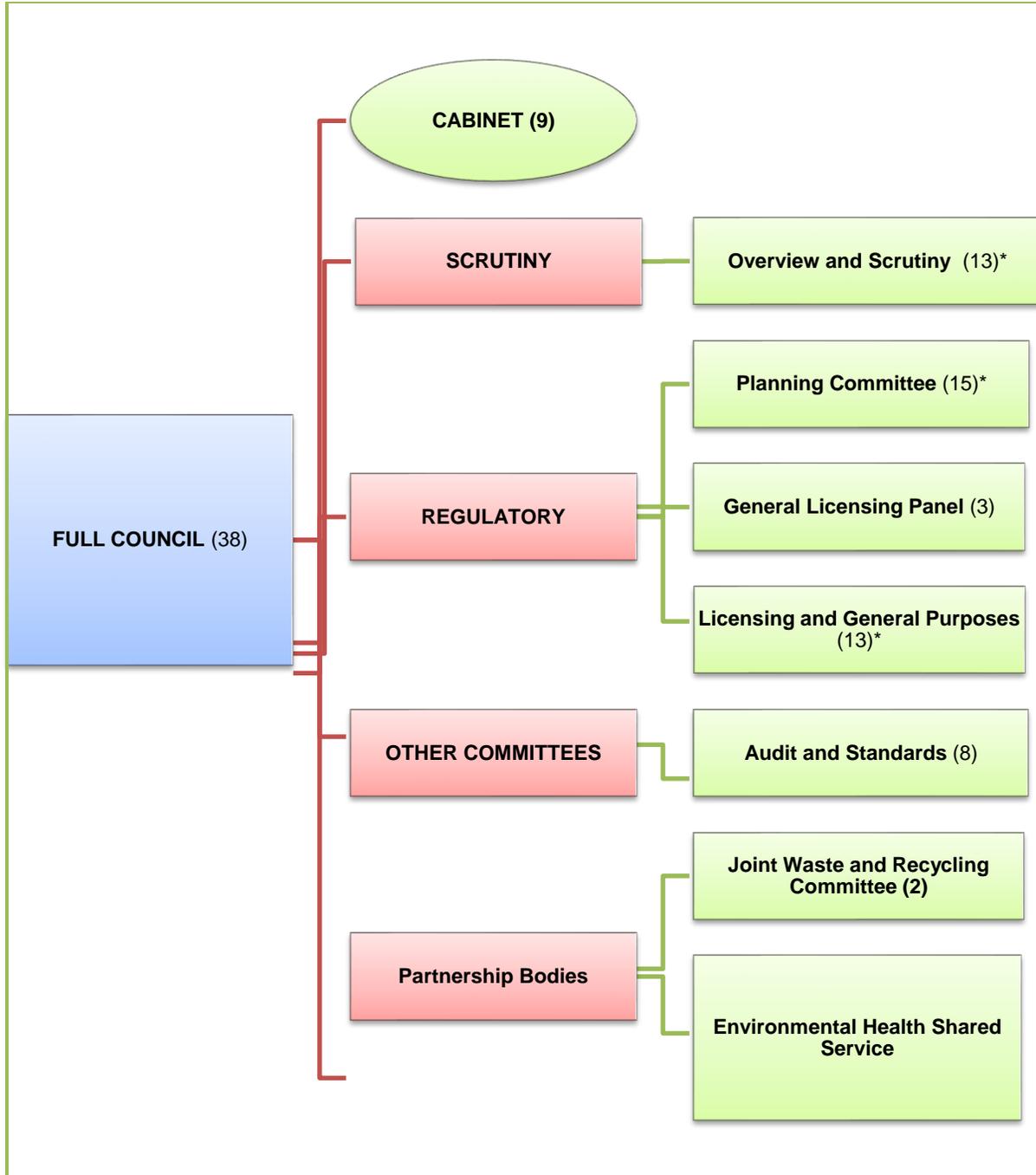


A by-election on 16 June 2022 did not change the political composition.

As a result, Council is led by a coalition of the Association of Independents, Liberal Democrat, Green and Labour Councillors (22 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 2021/22.

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\*Chairman 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:

# NARRATIVE

- (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.

## **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:

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

## ***General Licensing Panel***

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

## ***Taxi and Private Hire Licensing Panel***

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

## ***Planning Committee***

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

- 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.

The Council appoints a Monitoring Officer and Chief Finance Officer, as required by law. In addition, it appoints a Deputy Monitor 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>2020/21</b>	<b>2021/22</b>
Total number of current permanent full and part time employees	250	245

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Total number of current temporary / fixed term employees	22	11
Total number of current job share employees	0	0
<b>Total number of employees</b>	<b>272</b>	<b>256</b>
Total number of employees expressed as full time equivalents	235	221

<b>Posts</b>	<b>2020/21</b>	<b>2021/22</b>
Total number of permanent full and part time posts	255	258
Total number of temporary / fixed term posts	22	11
Total number of job share posts	0	0
<b>Total number of posts</b>	<b>277</b>	<b>269</b>
Total number of posts expressed as full time equivalents	240	226

Sickness and accident statistics are shown in the table below:

	<b>2020/21</b>	<b>2021/22</b>
Short term sickness (days per FTE)	0.76	2.77
Medium term sickness (days per FTE)	0.48	0.53
Long term sickness (days per FTE)	3.44	3.49
Overall sickness (days per FTE)	4.68	6.79
Number of accidents	4	4

## 4. A Summary of the 2021/22 Financial Performance of the Council

### General Fund

The Council approved a Council Tax Demand of £7.097 million at its budget meeting in February 2021 resulting in a Council Tax charge for a Band D property of £188.71, an increase of £4.61.

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

	<b>2021/22 Budget £ (000)</b>	<b>2021/22 Revised Budget £(000)</b>	<b>2021/22 Outturn £ (000)</b>	<b>2021/22 Variance £ (000)</b>
Chief Executive & Corporate Core	2,034	1,985	1,938	(47)
Environmental Services	658	609	451	(158)
Strategy and Planning	1,090	1,043	1,506	463
Acquisitions, Transformation and Regeneration	(297)	(319)	(384)	(65)
Housing and Community Services	8,739	8,680	8,116	(564)
Resources	3,350	3,288	3,581	293
Total Cost of Services	15,574	15,286	15,208	(78)
Interest from Investments	(326)	(326)	(338)	(12)
MRP	513	513	214	(299)
Interest Payments	914	914	405	(509)
Salaries Turnover	(288)	0	0	0

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2020 savings and income generation	(632)	(632)	(195)	437
Capital Expenditure Charged to Revenue	619	619	678	59
<b>Net Cost of Services</b>	<b>16,374</b>	<b>16,374</b>	<b>15,972</b>	<b>(402)</b>

	<b>2021/22 Budget £ (000)</b>	<b>2021/22 Revised Budget £(000)</b>	<b>2021/22 Outturn £ (000)</b>	<b>2021/22 Variance £ (000)</b>
<b>Special Expenses</b>	(692)	(692)	(692)	(0)
<b>Business Rates</b>				
Local Share of business rates	(7,043)	(7,043)	(7,238)	(195)
s31 Grants	(2,020)	(2,020)	(1,922)	98
Tariff	5,121	5,121	5,121	0
Pooling levy payment	195	195	293	98
<b>Non-Specific Revenue Grants</b>				
New Homes Bonus Grant	(272)	(272)	(272)	(0)
Rural services delivery grant	(31)	(31)	(64)	(33)
Local Council tax Support Grant	(146)	(146)	(254)	(108)
Benefits Administration Grant	(223)	(223)	(220)	3
Homelessness Grant - Preventions	(462)	(462)	(559)	(97)
Covid support grants	(519)	(519)	(519)	0
Covid Support – partial support towards Sales, Fees and Charges losses	0	0	(44)	
Lower Tier Services Grant	0	0	(101)	(101)
New Burdens Grants	0	0	(403)	(403)
<b>Council Tax Requirement (Rother only)</b>	<b>(7,097)</b>	<b>(7,097)</b>	<b>(7,097)</b>	<b>(0)</b>
<b>Other Financing</b>				
Collection Fund (Surplus)/Deficit	134	134	120	(14)
Contributions to/(from) Earmarked Reserves to fund Capital Expenditure	(619)	(619)	(678)	(59)
Contributions to/(from) Earmarked Reserves	(2,700)	(2,700)	(1,443)	1,257
<b>Total Income</b>	<b>(16,374)</b>	<b>(16,374)</b>	<b>(15,972)</b>	<b>402</b>

The General Fund Revenue Budget outturn is a deficit of £1.443mln. The remaining drawdown of £0.678mln from earmarked reserves in 2021/22 was to fund capital expenditure. This therefore represents a total drawdown of £2.121 mln. When the budget was originally set in February 2021 the Council estimated it would need to draw down £3.319mln from reserves in respect of these.

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

## Executive Directors & Corporate Core - £47,000 Surplus

- £41,000 overspend on staff costs and recruitment expenses;
- £35,000 reduction in the running costs of Administrative Offices;
- £53,000 underspends within the Election services expenses.

## Environmental Health Service - £158,000 surplus

- £120,000 Savings in salary costs are mainly attributable to the funding of staff redirected to Covid containment and control activities;
- £38,000 Savings in operational costs (hired and contracted services, printing, equipment) spread across various cost centres.

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## Strategy and Planning Development - £463,000 deficit

- £111,000 under spend due to the delay in the Local Development Framework;
- £282,000 over spends on planning appeal costs during the year;
- £292,000 spend on external support to process Planning Applications, partially offset by salary savings.

## Acquisitions, Transformation and Regeneration (ATRS) - £65,000 surplus

- £65,000 surplus is due to increase in income receivables and salary savings from vacant posts across the service area.

## Housing, Community & Neighbourhood Services - £564,000 Surplus

- £280,000 Additional income in cemetery fees, garden waste and car parks;
- £38,000 lower than anticipated Covid related support for the De La Warr Pavilion, Leisure Centres and Homelessness Prevention;
- £131,000 expenditure savings on Camber, Coast Protection and Parks;
- £115,000 Savings on business rates due to change of legislation on Public Conveniences.

## Resources - £293,000 deficit

- £167,000 overspend on Agency staff and redundancy costs, partly offset by salary savings;
- £125,000 Overspend on Technology costs (remote working, licenses and telephones);
- £53,000 Overspend on bank and audit charges;
- £57,000 Pension fund costs underspend;
- £5,000 Net overspend on other minor variances.

## Other variations

- £820,000 under spend on Net Financing Costs mainly due to capital programme underspends, which resulted in a lower than expected borrowing requirement;
- £436,000 unachieved Financial Stability Programme savings mainly due to the pandemic.

## Income (excluding contributions to/from Reserves) - £793,000 Surplus

- £783,000 under spend due to the receipt of additional government grants during 2021/22, mainly to support Councils with the costs of new burdens.

## General Fund: Capital Programme

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

	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Forecast Outturn	2021/22 Variance
	£ (000)	£ (000)	£ (000)	£ (000)
<b><u>Acquisitions, Transformation and Regeneration</u></b>	-			
<b>Other Schemes</b>				
Community Grants	130	130	117	13
Cemetery Entrance	0	172	64	108
Rother Transformation ICT Investment	0	384	233	151
Corporate Document Image Processing System	0	435	15	420
1066 Pathways	0	66	68	(2)
Ravenside Roundabout	0	200	0	200
Development of Town Hall Bexhill	0	460	303	157
<b>Property Investment Strategy (PIS)</b>				
Office Development NE Bexhill	15,737	0	0	0
Mount View Street Development - Public commercial	0	964	0	964
PIS - Beeching Road/Wainwright Road	900	963	4	959

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PIS - Barnhorn Road	3,345	3,402	246	3,156
PIS - Beeching Road 18-40 (Creative Workspace)	392	582	582	(0)
PIS - 35 Beeching Road	0	0	0	0
PIS - 64 Ninfield Road	0	19	19	0
PIS - Buckhurst Place	0	0	0	0
PIS - Beeching Road/Wainwright Road development	0	15,000	0	15,000
<b>Housing Development Schemes</b>				
Community Led Housing Schemes	303	600	0	600
Mount View Street Development - Housing	3,657	6,940	4,490	2,450
Blackfriars Housing Development - infrastructure only	10,350	10,728	2,613	8,115
Rother DC Housing Company Ltd	25,000	25,000	67	24,933
RDC Housing Investment	0	101	0	101
<b><u>Housing and Community Services</u></b>				
De La Warr Pavilion - Capital Grant	54	54	56	(2)
Sidley Sports and Recreation	811	811	615	196
Land Swap re Former High School Site	0	1,085	0	1,085
Bexhill Leisure Centre - site development	0	0	0	0
Bexhill Leisure Centre - refurbishment	140	140	0	140
Disabled Facilities Grant	1,625	1,625	1,347	278
New bins	125	125	181	(56)
Bexhill Promenade - Outflow pipe	0	100	9	91
Bexhill Promenade - Protective Barriers	0	47	45	2
Bexhill Promenade - Shelter 1	0	0	16	(16)
Bexhill Promenade Water feature	0	0	0	0
Fairlight Coastal Protection	0	0	9	(9)
Housing (purchases - temp accommodation)	0	7,281	938	6,343
<b>Strategy &amp; Planning</b>				
Payments to Parishes - CIL	0	88	40	48
<b>Executive Directors &amp; Corporate Core</b>				
Accommodation Strategy	0	0	0	0
<b>Resources</b>				
ICT Infrastructure – Ongoing Upgrade Programme	0	0	2	(2)
ICT Infrastructure Replacement Programme	0	123	111	12
Invest To Save initiatives (Financial Stability Programme)	0	750	29	721
<b>Total Capital Programme</b>	<b>62,569</b>	<b>78,375</b>	<b>12,219</b>	<b>66,156</b>

	2021/22 Original Budget £ (000)	2021/22 Revised Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Variance £ (000)
<b>Funded By:</b>				
Capital Receipts	0	1,085	0	1,085
Grants and contributions	13,481	14,346	5,157	9,189
CIL	0	88	40	48
Borrowing	23,764	37,532	6,782	30,750
Capital Expenditure Charged to Revenue	324	324	173	151
Borrowing - Alliance Homes (Rother) Ltd	25,000	25,000	67	24,933

# NARRATIVE

<b>Total Funding</b>	<b>62,569</b>	<b>78,375</b>	<b>12,219</b>	<b>66,156</b>
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The outturn on the General Fund capital programme is an overall underspend of £66.1 mln against the revised programme agreed by Members. Revisions to the programme budget were mainly the result of slippage in expenditure from previous years' underspends. Schemes that are underspent are largely affected by timing issues to planned expenditure and will be reflected in 2022/23 Capital Programme. The reasons for the largest variances are as follows:

- Slippage of £15mln on the Beeching Road/Wainwright Road development - final scheme to be agreed and commenced in 2022/23;
- Slippage of £24.9mln on investment into the RDC Housing Company - it is anticipated that the Council will significantly increase its borrowing to the Housing Company once the Blackfriars Infrastructure development has been completed in 2022/23;
- Slippage of £8.1mln on Blackfriars Housing Development infrastructure - the scheme experienced delays in 2021/22 but is due to complete in 2022/23;
- Slippage of £6.3mln on temporary accommodation purchases - the pandemic restricted the Council's ability to identify suitable property purchases, but this situation continues to improve;
- Slippage of £3.1mln on the Barnhorn Road development - the scheme has been delayed due to extensive design work being carried out in conjunction with key third parties. Project costs are now being reviewed, including inflationary pressures, to assess options with regards to the next steps;
- Slippage of £2.4mln on the Mount Street Development – initial costs were not as high as originally anticipated, further developments are currently being negotiated with third parties
- Slippage - land swap re former High School Site £1.1m. Development of leisure facilities in Bexhill was put on hold by the Council in 2020 due to the impact of the pandemic. The scheme will carry over into 2022/23.

## Collection Fund

The outturn on the Collection Fund for the year is a deficit of £5.05 million on Business Rates against a January 2022 estimated surplus of £0.13 million and a surplus of £0.96 million on Council Tax against a budgeted deficit of £0.074 million. The difference between actual and budgeted will be adjusted in 2023/24 and 2024/25 tax setting.

The significant Business Rates deficit is mainly due to the impact of additional reliefs, particularly retail relief of £2.3mln (4.7mln in 2020-2021) administered to local businesses to cope with the impact of the pandemic. The Government meets the cost of reliefs by providing section 31 grants to the Council, which are credited to the General Fund in 2021-2022, not the Collection Fund. The impact on the council's share of the deficit, which is due to additional reliefs met by the section 31 grant is met by transfer from the earmarked reserves in 2021-2022 (in 2020-2021 a contribution to earmarked reserves was made to meet this deficit in 2021-22 and onwards).

In 2021-2022 Rother District Council received £6.9mln of grant funding to cover additional support to businesses. The difference between that and the £2.3mln distributed will need to be repaid to the government.

The Council's future share of the deficit, which is down to the additional reliefs met by the section 31 grant will be met by a transfer from the earmarked reserves.

## 5. Strategic Risks

<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
<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,	A recession or other unexpected or uncontrollable events could leave the	Robust monthly monitoring, which scrutinises forecast projections and

# NARRATIVE

particularly in relation to the Property Investment Strategy.	Council exposed to under-funding or large losses in income.	challenges material movements against budgeted targets.
<p><b>Medium Term impact on the economy of COVID – 19</b></p> <p>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.</p>	<p>Currently Rother would have to support 40% of the loss of income from business rates should there be business failures due to a prolonged economic downturn.</p> <p>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</p>	Continuing to engage with the DLUHC through their consultations to mitigate the loss of income to the council through enhanced central government support
<p><b>Rother DC Housing Copany Ltd</b></p> <p>Not meeting the target of delivering 1,000 new homes.</p>	The Council will be required to lend significant sums to the Company to enable it to achieve this target.	Borrowing will be structured and secured in a manner to minimise the risk the Council is exposed to from significant lending.

## 6. Liability for Pensions Costs

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of 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 £22.65 million at 31st March 2021 to £11.3 million at 31st March 2022 – see Note 8 to the accounts. Gross liabilities have decreased overall by £2.16 million mainly due to combination of changes in the discount rate (increased from 2% to 2.6%) and salary/inflation assessments (increased from 2.8% to 3.2%). This positive movement has been further reinforced by increases in the return on assets of £9.4 million.

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

## 7. Future Plans

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

The Medium Term Financial Strategy has recently been updated indicating that due to reductions in government funding and demands on Council services, as well as 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 2021/22 was set against a background of continuing fiscal tightening of local government through Government policy and managing the impact of the pandemic locally. The Council's Medium Term Financial Plan was set in February 2021 and updated in December of 2021 to update the effects of COVID – 19 on the Council's finances together with a reassessment of the deliverability of savings and income targets.

# NARRATIVE

The updated medium term financial plan for the period 2022/23 to 2026/27 is set out in the table below (source: Report CB211213 Medium Term Financial Plan 2022/23 to Cabinet 13 December 2021).

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000
Chief Executive & Corporate Core	1,998	1,998	1,998	1,998	1,998	1,998
Environmental Services	609	613	611	611	611	611
Strategy and Planning	1,043	1,493	1,043	1,043	1,043	1,043
Acquisitions, Transformation and Regeneration	(329)	(542)	(1,291)	(1,974)	(2,318)	(2,372)
Housing and Community Services	8,672	8,190	8,177	8,177	8,177	8,177
Resources	3,293	3,297	3,296	3,295	3,296	3,295
<b>Total Cost of Services</b>	<b>15,286</b>	<b>15,049</b>	<b>13,834</b>	<b>13,150</b>	<b>12,807</b>	<b>12,752</b>
Interest from Investments	(326)	(342)	(342)	(342)	(342)	(342)
MRP	513	1,059	1,078	1,098	1,118	1,116
Interest payments	914	843	832	819	807	796
Pay Inflation	0	99	100	101	102	103
Non-Pay and income Inflation	0	123	132	135	145	148
Vacancy Provision/Salary Turnover	0	(197)	(201)	(205)	(210)	(214)
Capital Expenditure Charged to Revenue	619	374	186	187	130	130
<b>Savings and Income generation</b>						
(i) Increase income - Property Investment Strategy	0	0	0	0	0	0
(ii) Increase income (net) - other	(107)	(202)	(202)	(202)	(202)	(202)
(iii) Lean and Demand	(180)	(180)	(180)	(180)	(180)	(180)
(iv) Service Prioritisation/Devolution	(250)	(158)	(1,660)	(1,720)	(1,720)	(1,720)
(v) Reduced Staffing Structure	(95)	(95)	(95)	(95)	(95)	(95)
<b>Net Cost of Services</b>	<b>16,374</b>	<b>16,373</b>	<b>13,482</b>	<b>12,746</b>	<b>12,360</b>	<b>12,292</b>

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000
<b>Special Expenses</b>	(692)	(702)	0	0	0	0
<b>Business Rates</b>						

## NARRATIVE

Local Share of business rates 44% 2019/20 and 40% thereafter	(7,043)	(7,043)	(7,043)	(7,043)	(7,043)	(7,043)
s31 Grants	(2,020)	(2,020)	(2,020)	(2,020)	(2,020)	(2,020)
Tariff	5,121	5,121	5,121	5,121	5,121	5,121
Pooling Levy	195	195	195	195	195	195
<b>Non-Specific Revenue Grants</b>						
New Homes Bonus Grant	(272)	0	0	0	0	0
Rural services delivery grant	(30)	(32)	(33)	(34)	(34)	(35)
Local Council tax Support Grant	(146)	(150)	(153)	(157)	(161)	(164)
Benefits Administration Grant	(223)	(228)	(234)	(239)	(245)	(251)
Homelessness Grant - Preventions	(462)	(473)	(484)	(496)	(508)	(520)
Flexible Homeless Support Grant	0	0	0	0	0	0
Covid Support Grants	(519)	0	0	0	0	0
<b>Council Tax Requirement (Rother only)</b>	<b>(7,097)</b>	<b>(7,501)</b>	<b>(7,694)</b>	<b>(7,890)</b>	<b>(8,082)</b>	<b>(8,283)</b>
<b>Other Financing</b>						
Collection Fund (Surplus)/Deficit	134	134	134	134	0	0
Capital expenditure funded from reserves	(619)	(374)	(186)	(187)	(130)	(130)
<b>Total Income</b>	<b>(13,673)</b>	<b>(13,073)</b>	<b>(12,397)</b>	<b>(12,616)</b>	<b>(12,907)</b>	<b>(13,130)</b>
<b>Funding Gap - from Earmarked Reserves to balance the budget</b>	<b>2,701</b>	<b>3,300</b>	<b>1,085</b>	<b>130</b>	<b>(547)</b>	<b>(838)</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 2020/2021 and 2021/2022, and work on identifying other suitable properties continues.

### **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:

2020/21 Gross Additional Income	Property	2021/22 Gross Additional Income
£'000		£'000
106	14 Terminus Road	106
93	18-40 Beeching Road	90

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97	16 Beeching Road	68
437	Glovers House*	479
195	Market Square, Battle	195
*2	11 Beeching Road headlease	100
930	Total	1,039

\*Not reported in 2020-2021 due to immateriality

## Property Funds

The Council has £5million invested in the CCLA Property Fund and £3million in the Hermes Property Fund. The reason for these investments was due to the current low interest rates offered by banks and to try to achieve improved investment returns. These funds returned between 3.41 and 3.68%, 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. As of 31 March 2022 the value of the units held by RDC was worth £830,000 more 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.

The Council's latest Capital Strategy was approved by full Council on 22 February 2021 and is available on the Council's website. The table below also includes estimates for 2026/27 to align with the Council's Medium Term Financial Plan.

	2021/22 Revised Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	Total Budget £000
<b><u>Acquisitions, Transformation and Regeneration</u></b>							
<b>Other Schemes</b>							
Community Grants	130	130	130	130	130	130	780
Cemetery Entrance	172	83					255
Rother Transformation ICT Investment	384	153					537
Corporate Document Image Processing System	435	399					834
1066 Pathways	66						66
Ravenside Roundabout	200	200					400
Development of Town Hall Bexhill	460	15					475

# NARRATIVE

<b>Property Investment Strategy</b>							
Mount View Street Development - Public commercial	964						964
PIS - Beeching Road/Wainwright Road	963	2,590					3,553
PIS - Barnhorn Road	3,402	6,099	3,313				12,814
PIS - Beeching Road 18-40 (Creative Workspace)	501	29					530
PIS - 64 Ninfield Road	100						100
<b>Housing Development Schemes</b>							
Community Led Housing Schemes	600	166					766
Mount View Street Development - Housing	6,940						6,940
Blackfriars Housing Development - infrastructure only	10,728	7,450					18,178
Rother DC Housing Company Ltd	25,000	60,492	18,000				103,492
RDC Housing Investment	100						100
<b><u>Housing and Community Services</u></b>							
De La Warr Pavilion - Capital Grant	54	55	56	57			222
Sidley Sports and Recreation	811	101					912
Land Swap re Former High School Site	1,085	900					1,985
Bexhill Leisure Centre - site development	0	189					189
Bexhill Leisure Centre - refurbishment	140	90					230
Disabled Facilities Grant	1,625	1,625	1,625	1,625	1,625	1,625	9,750
New bins	125	125	125	125	125	125	750
Bexhill Promenade - Outflow pipe	100	80					180
Bexhill Promenade - Protective Barriers	47						47
Bexhill Promenade - Shelter 1		55					55
Fairlight Coastal Protection							0
Housing (purchases - temp accommodation)	7,300	4,000	1,500				12,800
<b>Strategy &amp; Planning</b>							
Payments to Parishes - CIL	88	48					136
<b>Resources</b>							
ICT Infrastructure – Ongoing Upgrade Programme	123	14					137

# NARRATIVE

Invest To Save initiatives (Financial Stability Programme)	50	350	350				750
<b>Total Capital Programme</b>	<b>62,693</b>	<b>85,438</b>	<b>25,099</b>	<b>1,937</b>	<b>1,880</b>	<b>1,880</b>	<b>178,927</b>

	2021/22 Revised Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	Total £000
<b>Funded By:</b>							
Capital Receipts	1,085	900					1,985
Grants and contributions	13,893	7,200	1,625	1,625	1,625	1,625	27,593
CIL	431	446					877
Borrowing	20,846	15,384	5,288	125	125	125	41,893
Capital Expenditure Charged to Revenue	1,438	1,016	186	187	130	130	3,087
Borrowing - Rother DC Housing Company Ltd	25,000	60,492	18,000				103,492
<b>Total Funding</b>	<b>62,693</b>	<b>85,438</b>	<b>25,099</b>	<b>1,937</b>	<b>1,880</b>	<b>1,880</b>	<b>178,927</b>

## 8. Material assets/liabilities

In 2021-2022 the most significant assets purchased by the Council were the acquisition of land at Mount View Street (£4.5 mln), the Blackfriars housing development (£2.6mln) and Temporary Accommodation units for homeless households (£938,000).

These were financed by loans from the Public Works Loan Board (PWLB) and Homes England grants. As at 31<sup>st</sup> March 2022 the Council's borrowing stood at £27.312m long term loans with PWLB and £5mln short term loan with another local authority.

## 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.

# NARRATIVE

- **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 (NDR) 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.

**Antony Baden**

Chief Finance Officer

# ANNUAL GOVERNANCE STATEMENT

## **Scope of Responsibility**

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

In discharging this overall responsibility, RDC is responsible for putting in place proper arrangements for the governance of its affairs, which facilitate the effective exercising of its functions. This also includes making arrangements for the management of risk.

RDC has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on the RDC website or can be obtained from the Council's Monitoring Officer, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787273. This statement explains how RDC has complied with the code and meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## **The Purpose of the Governance Framework**

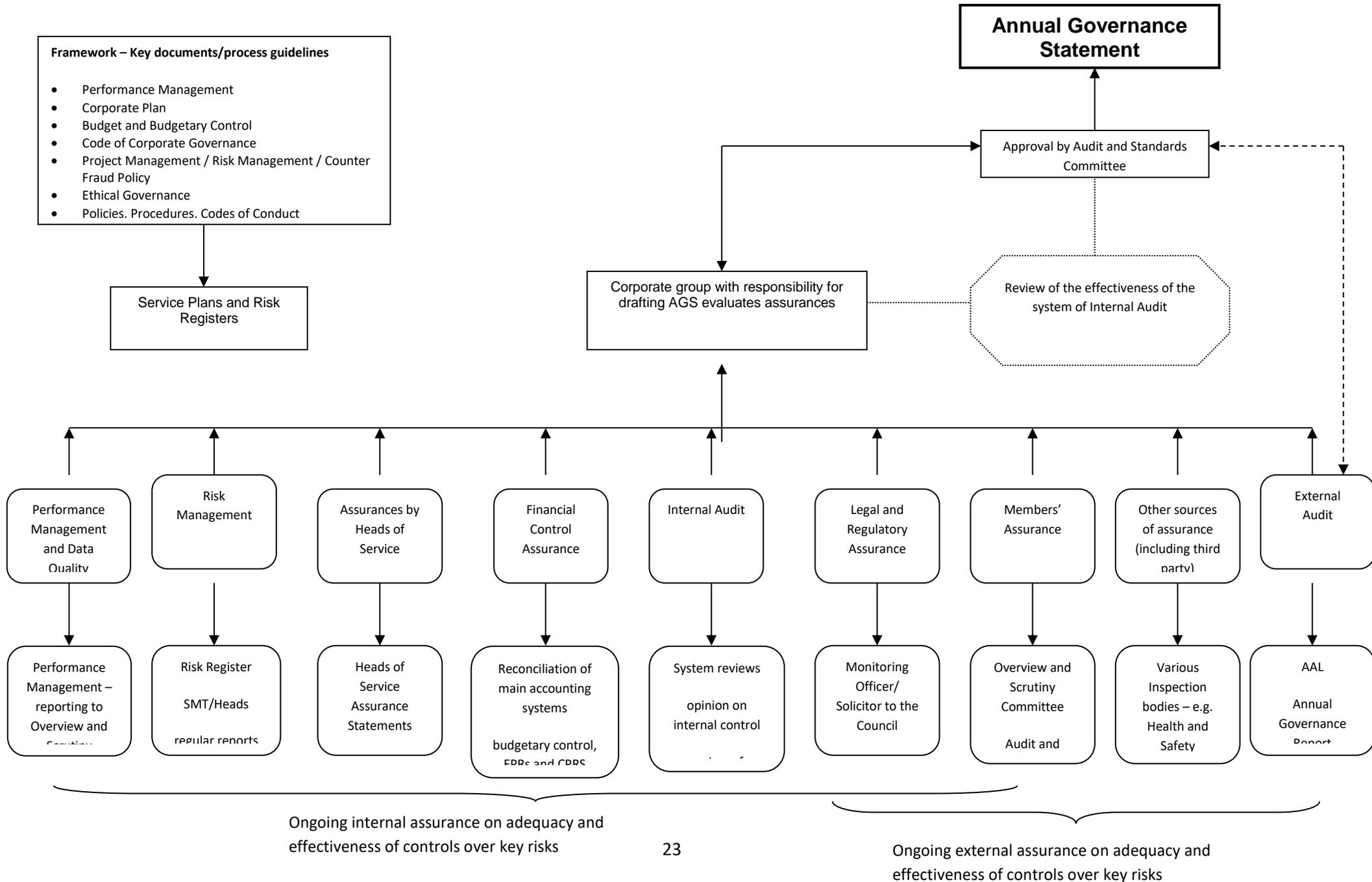
The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective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

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

The governance framework has been in place at Rother for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

# ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE FRAMEWORK TO 31 MARCH 2022



# ANNUAL GOVERNANCE STATEMENT

## **Review of Effectiveness**

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

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

### **Legal and Regulatory Assurance**

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

The Deputy Chief Executive appointed in January 2022 is the Council's Monitoring Officer, which was a post previously held by the Democratic Services Manager who now becomes the Deputy Monitoring Officer. The Council's Legal Services are provided by Wealden District Council and their lead officer is the appointed Solicitor to the Council.

### **Members' Assurance – Audit and Standards Committee**

During 2021/22, the Audit and Standards Committee (A&SC) received and scrutinised quarterly reports from the Audit Manager on the reviews carried out and progress against the plan and the year-end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

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

In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives a bi-annual report and an annual report on the Council's whole year performance. The Council has since the financial year end, created a new role and now appointed an independent person for the Audit responsibilities of the A&S Committee.

### **Anti-Fraud and Corruption Framework**

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

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

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

## **PRINCIPLE B – Ensuring openness and comprehensive stakeholder engagement**

Full Council, Cabinet, Regulatory and Scrutiny meetings are available to view live on the Council's website and can be viewed after the meeting using the link from the relevant meeting on the website as well as being open to the public to attend in person. All agenda papers, reports and decisions made by the Council are published on the Council's website

# ANNUAL GOVERNANCE STATEMENT

together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication.

The Council's consultation charter sets out how it engages with stakeholders and partners. The Council website has a section called "Ask the Leader!" where the Leader of the Council will answer question posted online. The Council has a public question time scheme which allows the public to put questions to the appropriate Member of Cabinet or Committee Chairman at full Council meetings. Anyone who works or lives in the Rother District can submit one written question to full Council attended by all the elected Councillors.

## **PRINCIPLES C AND D - Defining, optimising and achieving outcomes**

Rother's new Corporate Plan 2020-2027 was adopted by Full Council on 5 July 2021. The Corporate Plan provides the strategic direction for the Council and shapes the work programmes and Service Plans throughout this period. The overarching vision of the Corporate Plan is to put customers at the heart of everything the council does. It also sets out the following key themes:

- Financial Stability
- Increasing the supply of affordable homes across the district
- Protecting the natural environment and tackling climate change
- Empowering our people and strengthening processes and resources
- Delivering more effective services
- Prosperity and economic development

The Corporate Plan sets out several priority objectives which are underpinned by key actions, milestones and targets. An annual report setting out progress against the Corporate Plan is reported to Overview and Scrutiny Committee on an annual basis. This also provides an opportunity to review data about the district, national policy, and the external context to determine whether any changes are needed to the Corporate Plan. The programmes and projects within the plan are also monitored on a quarterly basis by Members through the Corporate Programme Board.

Rother's Performance Framework is reviewed annually by Overview and Scrutiny Committee who make recommendations to Cabinet on what measures should form part of our Key Performance Indicators to be monitored regularly by the Committee. These reports also allow the opportunity for exception reporting of performance indicators monitored by services that need focus. Overview and Scrutiny Committee recommends action and resource allocation for consideration by Cabinet where appropriate.

## **PRINCIPLE E – Developing capacity and capability**

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

Although recruiting to professional posts is becoming increasingly difficult due to skills shortages in several areas, the Council has for some time had a very effective process for training and developing its own talent from within. Although not a quick fix it has helped to mitigate skills shortages across certain service areas.

## **PRINCIPLE F – Managing risks and performance**

### Risk Management

The Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and officers have in the identification and minimisation of risk. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of meetings of the Corporate Management Team (SMT). Desk top exercises were held on a regular basis prior to the pandemic to test identified risks against our Business Continuity planning and these will need to be restarted in 2021. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but work continues to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk management process and is now available throughout the Council's services.

# ANNUAL GOVERNANCE STATEMENT

## **Financial Control Assurance**

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to the Senior Leadership Team and Cabinet. The quality of reporting is continually under review by Finance and improvements have been during 2021/22.

## **Internal Audit**

Each year an Internal Audit plan of work is agreed by the Chief Executive, the Section 151 Officer and the Audit and Standards Committee. Most of the audit work planned in 2021/22 was completed by the financial year end. This work included the core financial audits and several other audits that had been categorised as high/medium risk within the Audit Plan.

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

The Accounts and Audit Regulations 2015 state that ultimate responsibility for maintaining a sound system of internal control rests with the Council, but this has been delegated to the Chief Finance Officer (as s.151 Officer). The assessment of the control environment is made by reviewing Internal Audit report recommendations and the production of the Annual Governance Statement.

At Audit & Standards Committee on the 20<sup>th</sup> June 2022 the Internal Audit Manager reported that of the audit reports completed in 2021/22, three received a limited assurance rating although of the 69 control objectives examined only one had not been met. The quarterly Internal Audit activity reports also showed that most of the expected controls are in place and no significant concerns were found with the internal control environment. As a result, the Internal Audit Manager's overall opinion on the Council's framework of governance, risk management and control in 2021/22 deemed that it was adequate and effective, (minute AS22/12).

## **External Audit**

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

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

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

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

## **Significant Governance Issues**

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

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

There are no outstanding issues to report from previous years, and the work carried out by Internal Audit in 2021/22 did not highlight any significant concerns regarding the internal control environment

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

**Local Government Funding Review and Business Rate Retention Scheme reset** – the Government's review of local government funding and business rates has been further delayed by at least another year. This continues to be a significant source of uncertainty over the Council's financial stability.

**Achieving a balanced budget** – as a result of the above uncertainty and the projected funding shortfall in the Medium-Term Financial Plan, pressure remains on the Council to deliver savings and additional income up to £2.2 million by

# ANNUAL GOVERNANCE STATEMENT

2024/25. The current plan includes the delivery of savings of £1.7 million through the devolvement of services to alternative providers including Town and Parish Councils. Failure to deliver these will result in difficulties in achieving a balanced revenue budget without recourse to using a major proportion of the Council's reserves. The Council's plans to deliver savings were further developed during 2021/22 and are overseen by the Corporate Programme Board following a decision by Cabinet on the 28<sup>th</sup> March 2022 (CB21/98) to merge the Financial Stability Programme and the Protecting Discretionary Service Strategy into a single project.

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

**Loss of staff and recruitment** – Several internal and external factors are having a negative impact on staff morale. Whilst no compulsory redundancies are currently planned, the current financial challenges could reduce morale and increase the risk of staff turnover. This could result in the loss of knowledge and experience which the Council relies upon moving forward. In addition, the recruitment of professional level Local Government posts continues to be problematic. There are a range of factors influencing this, but seasoned professionals and specialists are becoming a real issue for Local Government and in particular, semi-rural Councils such as Rother. The Council's ability to deliver services and projects can be severely compromised by the inability to recruit, combined with the retirement of qualified and experienced staff. The COVID-19 pandemic has negatively impacted some recruitment. However, going forward the changes in working practice brought about in response to the pandemic has increased the flexibility of the Council can offer prospective employees, in particular homeworkers. In addition, the Council continues to employ and train apprentices which can include professional roles.

**Property Investment** - The Council has a Property Investment Strategy (PIS) for the acquisition and development of commercial property in the district. The strategy enables the Council to invest primarily to stimulate economic activity/regeneration. Recent activity has focused on development opportunities which will bring jobs and yield a return in the longer term but will require time to bring to fruition. The Property Investment Panel carefully considers all property investment opportunities and seeks professional advice before making acquisitions but there are significant financial risks if the Council embarks on more speculative investments. As most property investment is funded through borrowing, returns are very sensitive to increases in interest rates.

**U4BW ERP Implementation Project** – The project has moved to a fine-tuning phase with no further work planned other than scheduled upgrades. The required elements of the Income Manager module are now fully operational. Mastercard are discontinuing their payment services with Unit 4 and will be replaced by Capita. Development work on the Expenses and Self-Service modules has paused whilst alternative delivery options are explored.

**Major Projects** – The Council is undertaking several high-profile projects with the aim of delivering housing and economic regeneration to the district. The Council has also established a wholly owned housing company to deliver the new housing. The projects are managed by special projects team in the Acquisitions, Transformation and Regeneration Service. The Corporate Programme Board has regular oversight of all the major projects and progress is reported annually through the Corporate Plan monitoring report.

**Trading with European Union and Northern Ireland** – the full ongoing impact of the Country's exit from the European Union remain unclear on the activities of the Council and its supply chain. The new trading agreement has resulted in increased work for the environmental health service issuing export health certificates. As trade recovers, the demands on the shared service with Wealden District Council will increase further.

**Pandemic** – Although all restrictions in place during the Covid-19 pandemic have now been removed there is still an on-going impact on the Council's staffing resources in terms of dealing with on-going outbreaks of Covid-19. The cost of this is generally funded by Government but that source of funding is likely to end after 21/22 (although unspent funding can be carried forward into the next financial year) and the Council will need to consider the 'business as usual' implications into the future.

**Climate Change Emergency** – The Council's Climate Change Steering Group has had oversight of the delivery of the Council's Environment Strategy. During 2021/22 work has been underway to develop the Council's carbon baseline. The next steps will be to develop a carbon descent plan which will quantify (carbon saved and cost) the interventions the Council can take to reduce its carbon emissions balanced against any carbon offsetting. Several projects have been progressed and monitoring continues through the Steering Group.

# ANNUAL GOVERNANCE STATEMENT

**Joint Waste Collection and Street Cleaning Contract** – The Council's waste and street cleansing contract is managed through the Joint Waste and Recycling Committee (made up of representatives from Rother, Wealden and Hastings Councils). This committee meets quarterly, and the agenda and minutes are available on the Council's website.

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



Cllr Doug Oliver

Malcolm Johnston

Leader of the Council

Chief Executive

On behalf of Rother District Council

On behalf of Rother District Council

# STATEMENT OF RESPONSIBILITIES

## **The Council's Responsibility**

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. At Rother District Council this officer is the 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 31 to 84 give a true and fair view of the financial position of the Council as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Antony Baden

Chief Financial Officer [Date 22 August 2022]

## **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

2020-21			2021-22		
Expenditure	Income	Net	Expenditure	Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
2,574	(204)	2,370	2,793	(566)	2,227
2,448	(2,350)	98	2,878	(2,577)	301
2,190	(890)	1,300	2,824	(1,024)	1,800
1,904	(1,176)	728	3,117	(1,610)	1,507
14,352	(3,955)	10,397	14,540	(5,356)	9,184
27,281	(23,125)	4,156	24,612	(20,303)	4,309
50,749	(31,700)	19,049	50,764	(31,436)	19,328
					<b>Cost of Services</b>
1,774	0	1,774	2,151	0	2,151
134	0	134	136	0	136
0	(223)	(223)	0	(387)	(387)
1,908	(223)	1,685	2,287	(387)	1,900
					<b>Other Operating Expenditure</b>
492	0	492	491	0	491
0	(324)	(324)	0	(338)	(338)
292	0	292	405	0	405
147	0	147		(1,347)	(1,347)
334	(803)	(469)	121	(1,199)	(1,078)
1,265	(1,127)	138	1,017	(2,884)	(1,867)
					<b>Financing and Investment Income and Expenditure</b>
0	(9,417)	(9,417)	0	(10,111)	(10,111)
5,614	(3,158)	2,456	5,413	(4,870)	543
0	(9,880)	(9,880)	0	(6,538)	(6,538)
0	(2,857)	(2,857)	0	(3,943)	(3,943)
5,614	(25,312)	(19,698)	5,413	(25,462)	(20,049)
					<b>Taxation and non-specific grant income and expenditure</b>
59,536	(58,362)	1,174	59,481	(60,169)	(688)
					<b>(Surplus) or Deficit on Provision of Services</b>
		1,893			(1,371)
		0			0
		3,294			(14,068)
		5,187			(15,439)
		6,361			(16,127)
					<b>Other Comprehensive (Income) and Expenditure</b>
					<b>Total Comprehensive (Income/Surplus) and Expenditure/Deficit</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>2020/21</b>								
Balance at 1 April 2020	1,000	13,970	14,970	3,187	4,566	22,723	39,421	62,144
Movement in Reserves in 2020/21:								
Surplus (deficit) on the provision of services (accounting basis)	(1,174)	0	(1,174)	0	0	(1,174)	0	(1,174)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(5,187)	(5,187)
Total Comprehensive Income and Expenditure	(1,174)	0	(1,174)	0	0	(1,174)	(5,187)	(6,361)
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	4,467	0	4,467	227	1,423	6,117	(6,117)	0
Net increase/decrease before transfers to Earmarked reserves	3,293	0	3,293	227	1,423	4,943	(11,304)	(6,361)
Transfers to/from Earmarked reserves - <i>note 10</i>	(3,293)	3,293	0	0	0	0	0	0
Increase/(Decrease) in Year	0	3,293	3,293	227	1,423	4,943	(11,304)	(6,361)
<b>Balance at 31 March 2021</b>	<b>1,000</b>	<b>17,263</b>	<b>18,263</b>	<b>3,414</b>	<b>5,989</b>	<b>27,666</b>	<b>28,117</b>	<b>55,783</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)	688	0	688	0	0	688	0	688
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	15,439	15,439
Total Comprehensive Income and Expenditure	688	0	688	0	0	688	15,439	16,127
Adjustments between accounting and funding basis under regulation - <i>note 6</i>	(4,544)	0	(4,544)	565	1,413	(2,566)	2,566	0
Net increase/decrease before transfers to Earmarked reserves	(3,856)	0	(3,856)	565	1,413	(1,878)	18,005	16,127
Transfers to/from Earmarked reserves - <i>note 10</i>	3856	(3,856)	0	0	0	0	0	0
Increase/(Decrease) in Year	0	(3,856)	(3,856)	565	1,413	(1,878)	18,005	16,127
<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>46,122</b>	<b>71,910</b>

# BALANCE SHEET

31 March 2021 £'000		31 March 2022 £'000
61,743	Property, Plant and Equipment	<i>Note 13</i> 70,105
11,513	Investment Properties	<i>Note 14</i> 13,379
501	Intangible Assets	<i>Note 15</i> 492
7,601	Long Term Investments	<i>Note 20</i> 9,018
33	Long Term Debtors	375
81,391	<b>LONG TERM ASSETS</b>	93,369
14,942	Short Term Debtors	<i>Note 16</i> 6,730
18	Inventories	17
0	Short Term Investments	<i>Note 20</i> 0
23,507	Cash and Cash Equivalents	<i>CFS</i> 41,816
38,467	<b>CURRENT ASSETS</b>	48,563
(26,407)	Short Term Creditors	<i>Note 17</i> (27,028)
(905)	Provisions	<i>Note 18</i> (843)
(249)	Short Term Borrowing	<i>Note 20</i> (511)
0	Capital grants receipts in advance	<i>Note 19</i> (550)
(27,561)	<b>CURRENT LIABILITIES</b>	(28,932)
(2,115)	Capital grants receipts in advance	<i>Note 19</i> (2,800)
(11,751)	Long Term Borrowing	<i>Note 20</i> (26,990)
(22,648)	Net Defined Pension liability	<i>Note 8</i> (11,300)
(36,514)	<b>LONG TERM LIABILITIES</b>	(41,090)
55,783	<b>NET ASSETS</b>	71,910
1,000	General Fund	1,000
17,263	Earmarked Reserves	<i>Note 10</i> 13,407
3,414	Capital Receipts Reserve	3,979
5,989	Capital grants unapplied reserves	7,402
27,666	<b>USABLE RESERVES</b>	25,788
22,580	Revaluation Reserve	22,518
33,010	Capital Adjustment Account	35,908
33	Deferred capital receipts	75
(22,648)	Pensions Reserve	(11,300)
(4,264)	Collection Fund Adjustment Account	(1,898)
(195)	Accumulated Absences Account	(99)
(399)	Pooled Investment Funds Adjustment Account	918
28,117	<b>UNUSABLE RESERVES</b>	<i>Note 11</i> 46,122
55,783	<b>TOTAL RESERVES</b>	71,910

# CASH FLOW STATEMENT

<b>2020-21</b>		<b>2021-22</b>
£'000		£'000
(12,118)	Taxation	(15,542)
(41,066)	Grants and Contributions	(27,735)
(5,640)	Sales of goods and rendering of services	(12,027)
(324)	Interest received	(336)
(17)	Other receipts from operating activities	-
<b>(59,165)</b>	<b>Cash inflows generated from operating activities</b>	<b>(55,640)</b>
8,284	Cash paid to and on behalf of employees	8,424
19,127	Housing benefit payments	17,503
5,614	NNDR levy and tariff payments	5,413
1,908	Precepts paid	2,287
11,696	Cash paid to suppliers of goods and services	30,734
294	Interest paid	347
9,676	Other operating cash payments	7,327
<b>56,599</b>	<b>Cash outflows generated from operating activities</b>	<b>72,035</b>
<b>(2,566)</b>	<b>Net cashflows from operating activities</b>	<b>16,395</b>
(223)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(606)
4,268	Purchase of property, plant and equipment, investment property and intangible assets	10,377
0	Purchase of short-term and long-term investments	100
0	Proceeds from the sale of short-term and long-term investments	0
0	Other payments for investing activities	0
(3,280)	Other receipts from investing activities	(8,101)
<b>765</b>	<b>Net cashflows from investing activities</b>	<b>1,770</b>
0	Cash Receipts - long/short term borrowing	(15,600)
115	Repayments of long/short term borrowing	158
1,637	Changes in Council Tax balances held for preceptors	(2,426)
7,385	Changes in National Non-Domestic Rates balances held for preceptors	(3,832)
(14,774)	Change in covid etc grants held for Government	(14,774)
<b>(5,637)</b>	<b>Net cashflows from financing activities</b>	<b>(36,474)</b>
<b>(7,438)</b>	<b>Net (Increase) / decrease in cash and cash equivalents</b>	<b>(18,309)</b>
16,069	Cash and cash equivalents 1 April	23,507
7,438	Net increase / (decrease) in cash and cash equivalents	18,309
<b>23,507</b>	<b>Cash and cash equivalents 31 March</b>	<b>41,816</b>
2	Cash in hand	2
9,993	Call accounts and short term deposits	9,999
13,512	Bank balances	31,815
<b>23,507</b>	<b>Cash and cash equivalents 31 March</b>	<b>41,816</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 1. ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients whether for services or the provision of goods, is recognised when (or as) the goods are transferred to the service recipient in accordance with the performance obligations in the contract. However, for low individual value annual transactions (e.g. annual payment for beach hut licences) this is recognised on a cash basis.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals are made for amounts exceeding £100.

### 3. Accounting for Council Tax and Non-Domestic Rates

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

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

### 4. Cash and Cash Equivalents

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

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

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

# NOTES TO THE ACCOUNTING STATEMENTS

change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## 6. Charges to Revenue for Non-Current Assets

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

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

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

## 7. Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

### Post-Employment Benefits

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

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

- The liabilities of the East Sussex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.0% based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.

# NOTES TO THE ACCOUNTING STATEMENTS

- The assets of the East Sussex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value
- The change in the net pension liability is analysed into the following components:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the cost of the Resources service
  - net interest on the defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit liability at the beginning of the period – taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
  - remeasurements comprising:
    - the return on plan assets, excluding amounts included in net interest on the net defined liability, charged to the Pension Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains or losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the East Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## Discretionary Benefits

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

## 8. Events after the Reporting Period

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

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

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

## 9. Fair Values

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

# NOTES TO THE ACCOUNTING STATEMENTS

takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market.

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

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

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

Inputs to the valuation techniques for assets and liabilities that are measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

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

## 10. Financial Instruments

### Financial Liabilities

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

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

### Financial Assets

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

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

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

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

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

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

Interest is credited to the Financing and Investment Income and Expenditure line in the CI&ES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to

# NOTES TO THE ACCOUNTING STATEMENTS

increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CI&ES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CI&ES.

## *Expected Credit Loss Model*

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

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

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

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

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

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

## *Financial Assets Measured at Fair Value through Profit or Loss*

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

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

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

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

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

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

## *Financial Assets Measured at Fair Value through Other Comprehensive Income*

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are charged to the Other Comprehensive Income and Expenditure and are held in the Financial Instrument Revaluation Reserve.

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

# NOTES TO THE ACCOUNTING STATEMENTS

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

## 11. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

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

The 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 1.16 below. The infrastructure investment is determined by a panel and it is not necessarily this Council that will undertake the works. Part of the CIL income is retained to offset the cost of administration and is accounted for as income for the Strategy and Planning service. Some is also payable to parishes: this is treated as an agency service and is excluded from the CI&ES. The rest is intended for use to finance capital and is treated as capital contributions. As it is received without conditions it is recognised immediately as capital grants and contributions income and is then transferred to the Capital Grants Unapplied Reserve.

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

## 12. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&ES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 13. Intangible Assets

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

# NOTES TO THE ACCOUNTING STATEMENTS

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

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

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is written down over its useful life, to the appropriate line in 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.

# NOTES TO THE ACCOUNTING STATEMENTS

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

## Impairment

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

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

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

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

## Depreciation

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

Depreciation is calculated on the following bases:

# NOTES TO THE ACCOUNTING STATEMENTS

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

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

Reclassified assets are depreciated from year of reclassification.

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

## Componentisation of Property Assets

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where the Council has revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property using the following major component analysis:

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

The Council has 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

# NOTES TO THE ACCOUNTING STATEMENTS

control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

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

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

## 18. Reserves

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

Usable reserves comprise the following:

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

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

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date were consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
  - revalued downwards or impaired and the gains are lost
  - used in the provision of services and the gains are consumed through depreciation, or
  - disposed of and the gains are realised.
- Capital Adjustment Account: Receives credits when capital is financed from the General Fund or from the Capital Receipts and Capital Grants Unapplied reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The account contains revaluation gains accumulated on non-current assets before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from the Council) an asset is disposed of, but the income cannot be collected immediately. The Council maintains records for a long-term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CI&ES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of Council Tax income and Non-Domestic Rates in the CI&ES as they fall due from payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

# NOTES TO THE ACCOUNTING STATEMENTS

- Accumulated Absences Reserve: this contains the difference between the statutory and accounting liability for the cost of accumulated absences: the cost is properly chargeable to the CI&ES, but not to the General Fund.
- Pooled Investment Fund Adjustment Account: this contains the unrealised gains or losses made by the Council arising from increases or decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

## **19. Revenue Expenditure Funded from Capital under Statute**

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

## **20. VAT**

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

## **21. Interests in Companies and Other Entities**

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

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

## **NOTE 2. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

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

At the balance sheet date the following new standards and amendments to existing standards have been published and will be introduced by the 2021/22 Code of Practice of Local Authority Accounting in the United Kingdom:

Annual improvement to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards –

- IFRS1 (first time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS,
- IAS37 (Onerous Contracts) – clarifies the intention of the standard,
- IFRS16 (Leases) – amendment removed a misleading example that is not referenced in the Code material, and
- IAS41 (Agriculture) – one of a small number of IFRS that are only expected to apply to local authorities in limited circumstances.

Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16).

IFRS 16 Lease accounting has had its implementation date deferred to 1 April 2024.

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

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

### **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 2021/22, in addition to its single entity accounts, since the interest in the company of £400,000 as of 31 March 2022 was not material to the Council's overall financial position. With the increased level of funding agreed since it is anticipated that group accounts will be prepared for 2022/23.

# 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 March 2022 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 £2.211m.
- A 0.1% increase in the Salary Increase Rate would result in an increase in the pension liability of £0.14m.
- A 0.1% increase in the Pension Increase Rate would result in an increase in the pension liability of £2.056m.
- A 1 year increase in estimated life expectancy would result in an increase in the pension liability of £5.764m.

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

### **Property, Plant and Equipment**

The COVID-19 pandemic and measures taken to mitigate its impact continue to affect economies and real estate markets globally. Nevertheless, as at 31 March 2022 property markets are mostly functioning again, with transaction volumes and other relevant evidence, at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, the property, plant and equipment valuations are not being reported as being subject to material valuation uncertainty.

### **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.

Taking into account these individual judgements, the total bad debts provision included in the financial statements is £1,365,000. If, as a result of changes to these judgements, there was a need to increase the provision, an aggregated increase of 10% would require an additional provision of £136,000.

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

There are a number of appeals against rating values outstanding, many going back to 1 April 2010, and this Council is liable for its share (currently 40%) of the losses resulting from successful appeals.

Following the 2017 revaluation, where average rateable values rose by 12.4%, a new check, challenge, appeal process has been introduced, the impact of which is highly uncertain with very few challenges lodged to date for Rother. The Council has made a provision for the likely impact on its yield of expected future successful appeals based on both the 2010 and 2017 lists for the period to the end of March 2022 based on work completed by Analyse Local.

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 5. EXPENDITURE AND FUNDING ANALYSIS

2020-21				2021-22			
Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
2,117	253	2,370	Corporate Core (incl Chief Executive)	1,940	287	2,227	
(187)	285	98	Environmental Services	(46)	347	301	
1,032	268	1,300	Strategy and Planning and Development	1,506	294	1,800	
290	438	728	Acquisitions, Transformation and Regeneration	149	1,358	1,507	
9,264	1,133	10,397	Housing and Community Services	8,116	1,068	9,184	
4,089	67	4,156	Resources	3,441	868	4,309	
<b>16,605</b>	<b>2,444</b>	<b>19,049</b>	<b>Cost of Services</b>	<b>15,106</b>	<b>4,222</b>	<b>19,328</b>	
(19,898)	2,023	(17,875)	Other Income and Expenditure	(11,250)	(8,766)	(20,016)	
<b>(3,293)</b>	<b>4,467</b>	<b>1,174</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,856</b>	<b>(4,544)</b>	<b>(688)</b>	
Earmarked Reserves	General Fund	Total		Earmarked Reserves	General Fund	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
13,970	1,000	14,970	Opening balances	17,263	1,000	18,263	
0	3,293	3,293	Surplus or (Deficit) on Provision of Services	0	(3,856)	(3,856)	
3,293	(3,293)	0	Transfers between General Fund and earmarked reserves	(3,856)	3,856	0	
<b>17,263</b>	<b>1,000</b>	<b>18,263</b>	<b>Closing General Fund balance</b>	<b>13,407</b>	<b>1,000</b>	<b>14,407</b>	

# NOTES TO THE ACCOUNTING STATEMENTS

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

	Financing and Accounting Adjustments				
	Capital and Assets	Pensions	Tax Collection	Other	Total
	£'000	£'000	£'000	£'000	£'000
<b>2021-22</b>					
Corporate Core	64	232	0	(9)	<b>287</b>
Environmental Services	0	360	0	(13)	<b>347</b>
Strategy and Planning and Development	0	315	0	(22)	<b>293</b>
Acquisitions, Transformation and Regeneration	1,133	235	0	(10)	<b>1,358</b>
Housing and Community Services	613	474	0	(18)	<b>1,069</b>
Resources	278	613	0	(23)	<b>868</b>
Cost of Services	2,088	2,229	0	(95)	<b>4,222</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,573)	491	(2,367)	(1,317)	<b>(8,766)</b>
<b>Total for 2021-22</b>	<b>(3,485)</b>	<b>2,720</b>	<b>(2,367)</b>	<b>(1,412)</b>	<b>(4,544)</b>

# NOTES TO THE ACCOUNTING STATEMENTS

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

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

## NOTES TO THE ACCOUNTING STATEMENTS

	<b>General Fund Balance</b>	<b>Capital Receipts reserve</b>	<b>Capital grants unapplied</b>	<b>Unusable Reserves</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'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	(1,783)	0	0	1,783	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	(2,720)	0	0	2,720	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>4, 544</b>	<b>(565)</b>	<b>(1,413)</b>	<b>(2,566)</b>	<b>0</b>

# NOTES TO THE ACCOUNTING STATEMENTS

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

Surplus / Deficit on the Provision of Services		Surplus / Deficit on the Provision of Services	
	£'000	£'000	
	12,239	Employee benefits expenses	13,346
	43,697	Other service expenses	40,181
	292	Interest payments	405
	1,186	Depreciation, amortisation, impairment etc	1,912
	1,908	Precepts and levies	2,287
	214	Investment properties change in fair value	0
	0	Asset disposals	68
	0	Other	0
	<b>59,536</b>	<b>Total Expenditure</b>	<b>58,199</b>
	(7,480)	Fees, charges and other service income	(9,565)
	0	Investment Properties changes in fair value	(350)
	(324)	Interest and investment income	(336)
	(12,575)	Council Tax and Non-Domestic Rate income	(14,980)
	(37,759)	Grants and Contributions	(33,200)
	(223)	Gains on the disposal of assets	(559)
	(1)	Other	0
	<b>(58,362)</b>	<b>Total income</b>	<b>(58,990)</b>
	<b>1,174</b>	<b>Net</b>	<b>(791)</b>

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

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

2020/2021		2021/2022
£'000	Acquisitions, Transformation, Regeneration	£'000
30	Street Naming/House Numbering and other income	28
	<b>Environmental Health Services</b>	
83	Alcohol Licensing	91
67	Taxi Licensing	68
47	Other income	67

# NOTES TO THE ACCOUNTING STATEMENTS

<b>Executive Directors and Corporate Core</b>		
3	Feed in Tariff and other income	6
<b>Housing and Community Services</b>		
1,276	Car Parks	1,850
863	Refuse Collection	1,138
140	Cemeteries	191
34	Other income	73
<b>Resources</b>		
26	Printing income	54
<b>Planning</b>		
581	Planning Applications	615
168	Land Charges	186
27	Planning Enquiries	28
<hr/>		
3,345	Total included in Comprehensive Income and Expenditure Statement	4,395
<hr/>		

## NOTE 8. DEFINED BENEFIT PENSION SCHEME

### Characteristics of defined benefit plans and associated risks

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

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

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

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

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

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

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;

# NOTES TO THE ACCOUNTING STATEMENTS

- 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.

2020-21 £'000		2021-22 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
2,834	Current Service Cost	3,262
156	Past service cost (inc. curtailments)	830
2,990	<b>Cost of Services</b>	<b>4,092</b>
492	Net interest expense	491
492	<b>Financing and Investment Income and Expenditure</b>	<b>491</b>
3,482	<b>Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>4,583</b>
(15,437)	Return on plan assets, less included in interest expense	(9,381)
	Actuarial gains & losses:	
(1,605)	Changes in demographic assumptions	0
21,652	Changes in financial assumptions	(4,980)
(1,316)	Other	293
3,294	Remeasurement of the net defined benefit liability	(14,068)
6,776	<b>Total Comprehensive Income and Expenditure Statement</b>	<b>9,485</b>
	<b>Movement in Reserves Statement</b>	
3,482	Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	4,583
(1,978)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,863)
1,504	<b>Total taken to Note 6</b>	<b>2,720</b>

2020-21 £'000	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	2021-22 £'000
82,302	Value of Assets at 1 April	97,804

## NOTES TO THE ACCOUNTING STATEMENTS

1,518	Interest income on plan assets	1,788
449	Contributions by Members	445
1,978	Contributions by the Employer	1,863
15,437	Return on assets excluding amounts recognised in Other Comprehensive Income	9,381
(3,788)	Benefits Paid	(4,232)
(92)	Administration expenses	(64)
97,804		106,985

### Reconciliation of Defined Benefit Obligation (scheme Liabilities):

(100,152)	Value of Liabilities at 1 April	(120,452)
(2,742)	Current Service Cost	(3,198)
(156)	Past service cost (incl. curtailments)	(830)
(2,010)	Interest Cost	(2,279)
(449)	Contribution by Members	(445)
	Actuarial Gains and (Losses):	
1,605	Change in demographic assumptions	0
(21,652)	Change in financial assumptions	4,980
1,316	Other experience gains and (losses)	(293)
3,788	Benefits Paid	4,232
(120,452)		(118,285)
(22,648)	Net Liability at 31st March	(11,300)

### Fair value of employer assets

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

Asset Category	31 March 2022		Total %
	Quoted Prices in Active Markets	Prices not quoted in Active markets	
	%	%	
Index Linked			
Government Securities:			
UK	0	3.0	3.0
Overseas	0	0	0
Corporate Bonds:			
UK	0	9.0	9.0
Overseas	0	0	0
Equities:			
UK	0	0	0
Overseas	5.0	38.0	43.0
Property (all)	0	8.0	8.0

# NOTES TO THE ACCOUNTING STATEMENTS

Others:

Absolute return portfolio	0	22.0	22.0
Private Equity	0	8.0	8.0
Infrastructure	0	3.0	3.0
Other	0	2.0	2.0
Cash/temporary invests	2.0	0.0	2.0

Net current assets

Debtors

<b>Totals</b>	<b>7.0</b>	<b>93.0</b>	<b>100.0</b>
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(The estimated return on the Fund, on a bid value to bid value basis, for the year to 31 March 2022 is 11.53%.)

The estimated asset allocation for Rother District Council as at 31 March 2022 is as follows:

31 March 2021			31 March 2022		
Total	%	Asset Category	Total	%	
£,000	%		£,000	%	
74,136	76%	Equities	78,797	74%	
14,646	15%	Bonds	17,195	16%	
7,359	7%	Property	8,925	8%	
1,663	2%	Cash	2,068	2%	
<u>97,804</u>	<u>100%</u>		<u>106,985</u>	<u>100%</u>	

## 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 as at 31 March 2019.

2020-21		2021-22
2.8%	Rate of inflation	4.0%
2.8%	Rate of increase in salaries	3.2%
2.8%	Rate of increase in pensions	3.2%
2.0%	Rate for discounting scheme liabilities	2.6%

The projections of liabilities assume the following mortality rates:

2020-21		2021-22
Mortality assumptions:		
Longevity at 65 for current pensioners:		
21.1	Men	21.2

# NOTES TO THE ACCOUNTING STATEMENTS

23.7	Women	23.8
	Longevity at 65 for future pensioners:	
21.9	Men	22.0
25.0	Women	25.1

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

	Increase in assumption £000s	Decrease in assumption £000s
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,170)	2,211
Rate of increase in salaries (increase or decrease by 0.1%)	140	(140)
Rate of increase in pensions (increase or decrease by 0.1%)	2,056	(2,020)
Longevity (increase or decrease in 1 year)	5,764	(5,487)

## Impact on the Council's Cash Flows

The Council anticipates paying £1,662,000 of contributions to the scheme in 2022/23.

## NOTE 9. INCOME FROM GRANTS AND CONTRIBUTIONS

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

2020-21 £'000		2021-22 £'000
(3,313)	Covid grants and related support	(2,324)
(18,589)	DWP benefits grants	(16,867)
(1,036)	Grants for revenue financed from capital under statute	(1,452)
(2,084)	Other Grants and Contributions	(1,579)
<u>(25,022)</u>	<b>Total within Cost of Services</b>	<u>(22,222)</u>
(7,525)	Covid grants and related support	(3,272)
(81)	New Burden Grant	(41)
(220)	Benefits Administration Grant	(220)
(247)	New Homes Bonus	(272)
(1,517)	Section 31 Grant Income	(1,735)
(102)	Local Services Support Grant	(254)
(188)	Other grants	(744)
(2,857)	Grants and contributions towards capital expenditure	(3,943)
<u>(12,737)</u>	<b>Total within Taxation and non-specific grant income</b>	<u>(10,481)</u>
<u>(37,759)</u>	<b>Total income from grants and contributions</b>	<u>(32,703)</u>

The value of grants provided to the Council in respect of Covid and related support amounted to £5,596,000 in 2021/22.

# NOTES TO THE ACCOUNTING STATEMENTS

## 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.

	<b>Balance at 31 March 2021</b>	<b>Transfers out</b>	<b>Transfers in</b>	<b>Balance at 31 March 2021</b>	<b>Transfers out</b>	<b>Transfers in</b>	<b>Balance at 31 March 2022</b>
	£'000	£'000		£'000	£'000		£'000
Medium Term Financial Strategy Reserve	1,164	(54)	2,693	3,803	(4,432)	2,208	1,579
Economic Development Fund	319	0	0	319	0	0	319
Risk Management Fund	195	0	0	195	0	0	195
Repairs and Renewals Reserve	943	(1)	0	942	(84)	0	858
Affordable Housing Reserve	921	0	0	921	0	0	921
Corporate Development Reserve	345	(13)	26	358	(33)	23	348
Planning Improvement & LDF Reserve	240	(23)	0	217	(58)	20	179
Homelessness Reserve	214	0	0	214	0	0	214
Grants Reserve	2,612	(86)	751	3,277	(153)	653	3,777
Treasury Investment Reserve	7,017	0	0	7,017	(2,000)	0	5,017
<b>Total</b>	<b>13,970</b>	<b>(177)</b>	<b>3,470</b>	<b>17,263</b>	<b>(6,760)</b>	<b>2,904</b>	<b>13,407</b>

The transfer from reserves shown in the MIRS as at the 31 March 2022 is £3,856,000 (£6,760,000 less £2,904,000).

The purposes of these reserves are set out below:

Medium Term Financial Strategy	A reserve created to help the Council meet our agreed objectives not just now but moving into the future. It is primarily aligned with the Council's Corporate Plan but can also be used to respond to the pressures and uncertainties of the current financial climate.
Economic Development	A reserve created to fund one off research, investigation and projects that relate to the economic development of the Rother area.
Risk Management	A reserve to meet expenditure under excess arising from insurance claims.
Repair and Renewals	A reserve to fund expected repairs and renewals of the Council's assets.
Affordable Housing	A reserve to subsidise social housing providers capital projects relating to the provision of new affordable housing.
Corporate Development	A reserve funding a variety of Council provided services supporting among others Tourism, Economic Development, Democratic Engagement, Staff and Member training etc.
Planning Improvement and LDF	A reserve supporting the development and maintenance of the Council's long term Planning Strategy.
Homelessness	A reserve to support the prevention of homelessness.
Grant Reserve	A reserve created to hold grants received in one year with no conditions but used in following years.
Treasury Management Reserve	This reserve has been created to help stabilise the impact of movements in interest rates.

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 11. UNUSABLE RESERVES

### Revaluation Reserve

2020-21		2021-22
£000		£000
24,669	Balance 1 April	22,580
	Comprehensive Income & Expenditure:	
(1,893)	Gain/(loss) on revaluation of assets	1,371
	Accounting / Financing Adjustments:	
(196)	Depreciation charged to Revaluation Reserve	(199)
0	Other movements*	(1,234)
<b>22,580</b>	<b>Balance 31 March</b>	<b>22,518</b>

\*Removal of Revaluation reserve amounts on Disposals and reclassifications

### Capital Adjustment Account

2020-21		2021-22
£000		£000
32,361	Balance 1 April	33,010
	Accounting / Financing Adjustments:	
(126)	Write down Intangible Assets	(129)
(1,060)	Depreciation and impairment of non-current assets	(1,783)
(214)	Movements in value of Investment Properties	350
0	Gain or (loss) on sale of non-current assets	(218)
(1,244)	Revenue Expenditure Financed from Capital under Statute	(1,628)
477	Capital expenditure financed from revenue	678
150	Minimum revenue provision	214
2,469	Capital expenditure financed from Capital grants and contributions	3,981
197	Depreciation charged to Revaluation Reserve	199
0	Other movements*	1,234
<b>33,010</b>	<b>Balance 31 March</b>	<b>35,908</b>

\*Removal of Revaluation reserve amounts on Disposals and reclassifications

### Deferred Capital Receipts Reserve

2020-21		2021-22
£000		£000
37	Balance 1 April	33
	Addition of Finance lease – council as a lessor	47
	Accounting / Financing Adjustments:	
(4)	Deferred receipts received to Capital Receipts Reserve	(5)
<b>33</b>	<b>Balance 31 March</b>	<b>75</b>

### Pensions Reserve

2020-21		2021-22
£000		£000
(17,850)	Balance 1 April	(22,648)

## NOTES TO THE ACCOUNTING STATEMENTS

	Comprehensive Income & Expenditure:	
(3,294)	Remeasurement of the net defined benefit liability	14,068
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for	
(1,504)	pension costs	(2,720)
<b>(22,648) Balance 31 March</b>		<b>(11,300)</b>

### Collection Fund Adjustment Account

<b>2020-21</b>		<b>2021-22</b>
£000		£000
647	Balance 1 April	(4,264)
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory credit for	
(154)	Council Tax	220
	Difference between accounting and statutory credit for Non-	
(4,757)	Domestic Rates	2,146
<b>(4,264) Balance 31 March</b>		<b>(1,898)</b>

### Accumulated Absences Account

<b>2020-21</b>		<b>2021-22</b>
£000		£000
(157)	Balance 1 April	(195)
	Accounting / Financing Adjustments:	
	Difference between accounting and statutory employment	
(38)	benefit	96
<b>(195) Balance 31 March</b>		<b>(99)</b>

### Pooled Investment Funds Adjustment Account

<b>2020-21</b>		<b>2021-22</b>
£000		£000
(286)	Balance b/f	(399)
	Comprehensive Income & Expenditure:	
(113)	Gain/(Loss) revaluation Pooled Investment funds	1,317
<b>(399) Balance 31 March</b>		<b>918</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 12. CAPITAL EXPENDITURE AND FINANCING

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

2020-21 £'000		2021-22 £'000
15,788	Opening Capital Financing Requirement 1 April	18,168
	<i>Capital Investment</i>	
4,215	Property, Plant and Equipment	10,508
17	Intangible assets	121
1,244	Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,628
(150)	<i>Minimum Revenue Provision</i>	(214)
	<i>Sources of finance</i>	
0	Capital receipts	0
(1,433)	Government grants and other contributions	(2,530)
(477)	Sums set aside from revenue and reserves	(678)
(1,036)	Grants and contributions towards REFCUS	(1,452)
18,168	Closing Capital Financing Requirement 31 March	25,551

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

31 March 2021 £'000		31 March 2022 £'000
61,743	Property, Plant and Equipment	70,105
11,513	Investment Properties	13,379
501	Intangible Assets	492
0	Assets Held for Sale	0
(22,580)	Revaluation Reserve	(22,517)
(33,009)	Capital Adjustment Account	(35,908)
18,168		25,551

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2020	38,699	1,292	14,649	0	879	7,721	63,240
Additions	3,242	129	0	0	845	0	4,216
Disposals	0	0	0	0	0	0	0
Impairment losses	(174)	0	0	0	0	0	(174)
Reclassifications	630	0	0	0	0	43	673
Revaluations	(760)	0	0	0	0	(1,550)	(2,310)
Other movements	1	(1)	0	0	0	0	0
<b>Value 31 March 2021</b>	<b>41,638</b>	<b>1,420</b>	<b>14,649</b>	<b>0</b>	<b>1,724</b>	<b>6,214</b>	<b>65,645</b>
Cumulative Depreciation:							
Opening value 1 April 2020	0	(537)	(2,853)	0	0	0	(3,390)
Charge for the year	(470)	(126)	(291)	0	0	0	(887)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Revaluations	375	0	0	0	0	0	375
Other movements	0	0	0	0	0	0	0
<b>Balance 31 March 2021</b>	<b>(95)</b>	<b>(663)</b>	<b>(3,144)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,902)</b>
<b>Net book value 31 March 2021</b>	<b>41,543</b>	<b>757</b>	<b>11,505</b>	<b>0</b>	<b>1,724</b>	<b>6,214</b>	<b>61,743</b>

	Land & Buildings	Vehicles Plant etc	Infra-structure	Commun. Assets	Assets under Const-ruktion	Surplus Props.	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost:							
Opening value 1 April 2021	41,638	1,420	14,649	0	1,724	6,214	65,645
Additions	5,990	496	9	0	4,014	0	10,509
Disposals	(57)	(219)	0	0	(11)	(150)	(437)
Impairment losses	446	0	0	0	0	(1,300)	(853)
Reclassifications	(1,513)	0	0	0	(3)	0	(1,516)
Revaluations	3,843	0	0	0	0	(3,099)	744
Other movements	1	0	0	0	0	0	0
<b>Value 31 March 2022</b>	<b>50,348</b>	<b>1,697</b>	<b>14,658</b>	<b>0</b>	<b>5,724</b>	<b>1,665</b>	<b>74,092</b>
Cumulative Depreciation:							
Opening value 1 April 2021	(95)	(663)	(3,144)	0	0	0	(3,902)
Charge for the year	(531)	(108)	(292)	0	0	0	(931)
Disposals	0	219	0	0	0	0	219
Reclassifications	0	0	0	0	0	0	0

# NOTES TO THE ACCOUNTING STATEMENTS

Revaluations	627	0	0	0	0	0	627
Other movements	(1)	0	1	0	0	0	0
Balance 31 March 2022	0	(552)	(3,435)	0	0	0	(3,987)
<b>Net book value 31 March 2022</b>	<b>50,348</b>	<b>1,145</b>	<b>11,223</b>	<b>0</b>	<b>5,724</b>	<b>1,665</b>	<b>70,105</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 2022 two years after the previous full revaluation. 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.

There has been a downward revaluation of £4.59m in respect of land the Council holds south of Marley Lane, Battle. The adjustment mainly reflects an estimated increase in building costs on the land on the basis of the plans for development there.

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

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

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

Nevertheless, as at 31 March 2022 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

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

## **Capital Commitments**

At 31 March 2022 the Council had a number of material commitments relating to capital expenditure on Property Plant and Equipment. There is an ongoing work and associated commitments on the Blackfriars Spine Road and preliminary expenditure on the Town Hall Renaissance Project. For details please see the Capital Programme Section of the narrative report.

## **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:

<b>2020-21</b>	<b>2021-22</b>
£'000	£'000
(803) Rental income from investment property	<b>(849)</b>
120 Direct operating expenses arising from investment property	<b>121</b>
171 Net (gains)/losses from in year fair value adjustments	<b>(350)</b>
43 Correction to previous year fair value adjustment-transfer asset	
(469) Total	<b>(1,078)</b>

# NOTES TO THE ACCOUNTING STATEMENTS

Balance Sheet movements in Investment Properties during the year:

<b>2020-21</b>	<b>2021-22</b>
£'000	<b>£'000</b>
12,357 Balance at start of the year	<b>11,513</b>
0 Disposals	<b>0</b>
(171) Net gains/(loss) from fair value adjustments	<b>350</b>
(673) Assets reclassified fromo Property Plant & Equipment	<b>1,513</b>
Assets reclassified from Assets Under Construction	<b>3</b>
11,513 Balance at end of the year	<b>13,379</b>

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

A full revaluation of the Council's investment properties at 31 March 2022 has been undertaken by Wilks Head and Eve Chartered Surveyors with values updated accordingly.

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

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

Nevertheless, as at 31 March 2022 property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Moreover, despite the initial worrying estimates regarding income streams from investment properties, no significant reduction to those was reported at the end of the financial year.

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

## **NOTE 15. INTANGIBLE ASSETS**

<b>2020-21</b>	<b>2021-22</b>
£'000	<b>£'000</b>
819 Gross Carrying Amount 1 April	<b>836</b>
(209) Accumulated Amortisation 1 April	<b>(335)</b>
610 Net Carrying Amount at start of year	<b>501</b>
17 Additions	<b>120</b>
0 Disposals	<b>(30)</b>
(126) Amortisation	<b>(129)</b>
Amortisation on disposal	<b>30</b>
836 Gross Carrying Amount 31 March	<b>926</b>
(335) Accumulated Amortisation 31 March	<b>(434)</b>
501 Total	<b>492</b>

# NOTES TO THE ACCOUNTING STATEMENTS

## NOTE 16. SHORT TERM DEBTORS

31 March 2021		31 March 2022
£'000		£'000
4,763	Central government bodies	1,603
4,781	Other Local Authorities & Public Bodies	628
3	NHS	0
6,718	All other bodies	5,864
<hr/>		<hr/>
16,265	Total short term debtors before impairment provision	8,095

### Impairment provision of short term debtors

31 March 2021		31 March 2022
£'000		£'000
(591)	Local taxation	(727)
(421)	Housing Benefits	(296)
(178)	Housing	(170)
(133)	Other	(172)
<hr/>		<hr/>
(1,323)	Total impairment	(1,365)
<hr/>		<hr/>
14,942	<b>Total Short Term Debtors</b>	<b>6,730</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. The impact of the pandemic on the collectability and performance of local taxation in 2021/22 has resulted in due balances significantly decreasing, as follows:

31 March 2021	Council tax and business rates agency balances due	31 March 2022
£'000		£'000
4,139	Central government	1,029
2,874	Major precepting authorities	206

## NOTE 17. CREDITORS

31 March 2021		31 March 2022
£'000		£'000
	Amounts falling due within one year:	
(23,449)	Central government bodies	(22,417)
(410)	Other Local Authorities & Public Bodies	(1,479)
0	Public Corporations	0
(2,548)	All other bodies	(3,132)
<hr/>		<hr/>
(26,407)	Total short term creditors	(27,028)

Amounts due to central government bodies of £22,417k in 2021/22 includes £12,059k of Covid (and other) funding including £11.9 mln where the Council was acting as agent for the Government when paying over the Covid 19 support sums to eligible businesses/individuals.

# NOTES TO THE ACCOUNTING STATEMENTS

In addition, the Council owes £4,493k to the Government for overpaid s31 grants in respect of business rates relief.

## NOTE 18. PROVISIONS AND CONTINGENT LIABILITIES

### Provisions

The Council has a liability for its share of refunds of rate income arising from successful appeals against rateable values. The provision decreased from £905,000 to £843,000 during 2021/22.

### Contingent Liabilities

#### Municipal Mutual Insurance Limited (MMI)

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

The Scheme Administrator, Ernst & Young LLP had originally determined that a levy rate of 15% shall be applied to the value of claims paid since 30th September 1993. This levy was increased to 25% in 2015. Following the payments of the levy there remains a potential liability for a further £179,451. The trigger event related to the Supreme Court ruling on the 28th March 2012 which said that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

## NOTE 19. CAPITAL GRANTS RECEIPTS IN ADVANCE

31 March 2021		31 March 2022
£'000		£'000
	Amounts falling due within one year:	
0	Brownfield Land Release Fund	500
	S106 Station Road, Northiam, Northiam Cemetery	50
0	Total short term capital grants received in advance	550
	Amounts falling due after one year (all other bodies)	
884	S106 Unit 10 Ravenside, Bexhill-on-Sea	884
709	S106 Land off Pebsham Lane, Bexhill	709
218	S106 Station Road, Northiam	167
37	S106 The Saltings	37
266	S106 Barnhorn Road Willow Drive	266
0	S106 Worsham Farm	737
1	S106 Other	
2,115	Total long term capital grants received in advance	2,800

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

# NOTES TO THE ACCOUNTING STATEMENTS

On the 13 May 2015, the Council entered into an agreement under Section 106 of the Town and Country Planning Act 1990, with regard to a site at Pebsham Lane, Bexhill-on-Sea. The agreement resulted in 3 payments to the Council totalling £520,000. £134,000 was for a new leisure centre, £277,000 for maintenance of pitches and £109,000 was for creation of a Countryside Park, The monies have to be expended within 10 years of the date of the agreement or they will have to be repaid to the property owner plus interest. £109,000 was paid out in 2017/18 to the Coombe Valley Countryside Park. A further £193,000 was received for arts and public realm, £28,000 for a community worker and £77,000 employment contribution. The balance at the 31<sup>st</sup> March 2022 is £709,000.

Purpose	£000
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
<b>Total Receipts</b>	<b>818</b>
	0
<b>Expenditure</b>	<b>0</b>
Coombe Valley Countryside Park	(109)
	0
<b>Balance</b>	<b>709</b>

## NOTE 20. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

31 March 2021			31 March 2022	
Book Value	Fair Value		Book Value	Fair Value
£,000	£,000		£,000	£,000
7,601	7,601	Financial assets at fair value through profit and loss	9,018	9,018
33	33	Financial assets at amortised Cost	29	29
<b>7,634</b>	<b>7,634</b>	<b>Long term Assets</b>	<b>9,047</b>	<b>9,047</b>
0	0	Financial assets at amortised Cost	0	0
<b>0</b>	<b>0</b>	<b>Short term Investments</b>	<b>0</b>	<b>0</b>
2,311	2,311	Short Term Debtors	537	537
3,522	3,522	Trade accounts receivable	2,919	2,919
9,993	9,993	Bank deposits less than 3 months	9,999	10,003
13,514	14,054	Cash and bank accounts	31,817	32,371
<b>29,340</b>	<b>29,880</b>	<b>Other financial assets at amortised cost</b>	<b>45,272</b>	<b>45,830</b>

# NOTES TO THE ACCOUNTING STATEMENTS

36,974	37,514	<b>Total Financial Assets</b>	54,319	54,877
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The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes 16 and 17 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

31 March 2021			31 March 2022	
Book Value £,000	Fair Value £,000		Book Value £,000	Fair Value £,000
(1,397)	(1,397)	Short Term Creditors	(2,072)	(2,072)
(249)	(249)	Public Works Loan Board	(511)	(511)
<hr/>		<b>Short Term Financial liabilities at amortised cost</b>	<hr/>	
(1,646)	(1,646)		(2,583)	(2,583)
<hr/>		Public Works Loan Board	<hr/>	
(11,751)	(12,448)		(26,990)	(24,078)
<hr/>		<b>Long Term Liabilities at amortised cost</b>	<hr/>	
(11,751)	(12,448)		(26,990)	(24,078)
<hr/>		<b>Total Financial Liabilities</b>	<hr/>	
(13,397)	(14,094)		(29,573)	(26,661)

## Valuation Techniques for Fair Values

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

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

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

## Nature and Extent of Risks arising from financial instruments

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the resources available to fund services. The procedures for risk

# NOTES TO THE ACCOUNTING STATEMENTS

management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the Annual Treasury Management Strategy Statement and Annual Investment Strategy, which govern the maximum type of investment risk to which the Council can be exposed.

## Credit Risk

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

The credit criteria in respect of the financial assets held by the Council at 31 March 2022 are summarised below.

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

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

The following analysis summarises the Council's potential maximum exposure to credit risk, based on a review during 2021/22 of past experience:

The council does not generally allow credit for customers such that £652,000 is past due for payment. The past due not impaired is analysed as follows'

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£'000</b>		<b>£'000</b>
3	0 to 28 days	1
111	1st reminder - 29 to 42 days	20
70	2nd reminder - 43 to 55 days	4
664	Over 55 days	627
<hr/> <b>848</b>	<b>Total</b>	<hr/> <b>652</b>

Debtors include trade receivables of £2,919,000 as at 31 March 2022 (£3,522,000 as at 31 March 2021). The historical experience of default is 6.97% (31 March 2021 6.62%) with an estimated exposure to default of non-collection of £203,000 (31 March 2021 £233,000). The Council has provided £203,000 (31 March 2021 £233,000) as a general impairment allowance for non-collection of this debt.

# NOTES TO THE ACCOUNTING STATEMENTS

Deposits with Banks and Financial Institutions	Long Term Rating - Fitch	Amount at 31 March 2022	Historical Experience of Default	Estimated maximum exposure to default and uncollectability at 31 March 2022
		£'000	%	£'000
<b>Deposits more than 3 months</b>				
None		0		0
		<u>0</u>		
<b>Short-Term Deposits - less than 3 months (excluding accrued interest)</b>				
Santander 31 Day Notice Account and call account	A+	5,001	0.00%	0
Barclays	A+	4,998	0.00%	0
Lloyds Bank Plc.	A+	0	0.00%	0
Customer Debtors		<u>2,919</u>	6.97%	<u>203</u>
<b>Total</b>		<u><b>12,918</b></u>		<u><b>233</b></u>

## Gains and Losses

31 March 2021 £,000		31 March 2022 £,000
0	Gains and losses arising from the derecognition of financial assets measured at amortised cost	0
34	Impairment change (gain)	(30)
113	(Gains) on financial assets measure at fair value through profit and loss	(1,317)
<u>147</u>	<b>Total</b>	<u>(1,347)</u>

## Liquidity Risk

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

## Liquidity Risk

31 March 2021 £'000	PWLB	31 March 2022 £'000
249	Less than one year	511
245	Between one and two years	663
391	Between two and five years	1,045
720	Maturing in five to ten years	1,887
<u>10,395</u>	Maturing in more than ten years	<u>23,395</u>
<u>12,000</u>	<b>Total</b>	<u>27,501</u>

# NOTES TO THE ACCOUNTING STATEMENTS

## 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 0.72% (0.83% for 2020-21).

If interest rates had been 1% higher as at 31 March 2022 with all other variables held constant, the financial effect would be:

	£'000
Increase or decrease in interest receivable on variable rate investments	466
<b>Impact on Surplus/Deficit on Provision of Services</b>	<b>466</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 31st March 2022 an investment in the Local Authorities' (CCLA) Property Fund valued at £5.6m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £56,674

The Council held at 31st March 2022 an investment in the Hermes Property Fund valued at £3.2m. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £32,504.

## NOTE 21. 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 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.

In previous financial years Rother District Council led on two other partnership arrangements.

The Joint Waste Partnership is not a legal entity in its own right and involves Rother District Council, Hastings Borough Council and Wealden District Council. The three Councils have a joint contract with Biffa for the provision of waste collection, recycling and street & beach cleaning. The contract has been in place since 29 June 2019.

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

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

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

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

# NOTES TO THE ACCOUNTING STATEMENTS

	2020-21			
	Joint Waste	Environmental Health	Sussex Training Consortium	Total
	£'000	£'000	£'000	£'000
Total expenditure	13,482	219	3	13,704
Income	0	(30)	(3)	(33)
<b>Net Cost</b>	<b>13,482</b>	<b>189</b>	<b>0</b>	<b>13,671</b>
Recharged to Rother District Council	(5,132)	663	0	(4,469)
Recharged to partner councils	(8,395)	(852)	0	(9,247)
<b>Total recharges</b>	<b>(13,527)</b>	<b>(189)</b>	<b>0</b>	<b>(13,716)</b>
<b>Net Cost</b>	<b>(45)</b>	<b>0</b>	<b>0</b>	<b>(45)</b>

	2021-22			
	Joint Waste	Environmental Health	Sussex Training Consortium	Total
	£'000	£'000	£'000	£'000
Total expenditure	0	1,367	0	1,367
Income		(47)	0	(47)
<b>Net Cost</b>	<b>0</b>	<b>1,320</b>	<b>0</b>	<b>1,320</b>
Recharged to Rother District Council	0	(505)	0	(505)
Recharged to partner councils	0	(815)	0	(815)
<b>Total recharges</b>	<b>0</b>	<b>(1,320)</b>	<b>0</b>	<b>(1,320)</b>
<b>Net Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## NOTE 22. LEASES

### Council as a Lessee

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

31 March 2021		31 March 2022
£'000		£'000
38	Not later than one year	40
56	Later than one year and not later than five years	92
<u>94</u>		<u>132</u>

### Council as Lessor:

#### Operating Lease

# NOTES TO THE ACCOUNTING STATEMENTS

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:

<b>31 March 2021</b>		<b>31 March 2022</b>
£'000		£'000
1,518	Not later than one year	1,603
4,982	Later than one year and not later than five years	4,778
23,575	Later than five years	23,117
30,075		29,498

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 2021/22 the Council received £267,407 in contingent rents, compared to £268,023 (restated) in 2020/21.

## 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.

	<b>31 March 2022</b>
	£'000
<b>Finance Lease receivable</b>	
Current	1
Non-Current	45
Interest	49
	95

	<b>31 March 2022</b>
	£'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	705
<b>Total</b>	718

	<b>31 March 2022</b>
	£'000
<b>Minimum lease payments</b>	
Not later than one year	1

# NOTES TO THE ACCOUNTING STATEMENTS

Later than one year and not later than five years	3
Later than five years	42
<b>Total</b>	<b>46</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 23. MEMBERS' ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2020-21 £'000	2021-22 £'000
217 Members Allowances	224
0 Travelling Expenses	2
217	226

## NOTE 24. OFFICERS' REMUNERATION AND EXIT PACKAGES

### Senior Officer Remuneration

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

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions	Total Remun- eration
	£	£	£	£	£
<b>Financial Year: 2020-21</b>					
Chief Executive	106,974	0	0	19,468	126,442
Deputy Chief Executive (ii)	0	0	0	0	0
Chief Finance Officer	0	0	0	0	0
Executive Director (a) (note i)	64,533	0	121,078	8,741	194,352
Assistant Director Resources	85,874	0	0	15,066	100,940
Service Manager Strategy and Planning	68,576	0	0	11,892	80,468
Head of Service Acquisitions, Transformation and Regeneration	68,576	0	0	11,892	80,468
Service Manager Environmental Services	68,576	0	0	11,892	80,468
Head of Service Housing and Community	68,576	0	0	11,892	80,468
Service Manager Neighbourhood Services (note ii)	53,747	0	0	10,236	63,983

# NOTES TO THE ACCOUNTING STATEMENTS

Post holder information (Post title)	Salary (Inc. fees & Allow- ances)	Expense Allowance	Com- pensation for loss of office	Pension Con- tributions	Total Remun- eration
	£	£	£	£	£
<b>Financial Year: 2021-22</b>					
Chief Executive	123,256	0	0	21,926	145,182
Deputy Chief Executive (ii)	18,086			3,176	21,262
Chief Finance Officer (ii)	57,059			9,871	66,930
Executive Director (i) (note iv)	0	0	0	0	0
Assistant Director Resources (iii)	67,717	0	79,179	11,444	158,340
Service Manager Strategy and Planning (iii)	36,099	0	79,690	4,996	120,785
Head of Service Acquisitions, Transformation and Regeneration	70,643	0	0	12,271	82,914
Service Manager Environmental Services	69,492	0	0	12,267	81,759
Head of Service Housing and Community	59,492	0	0	12,060	71,552
Service Manager Neighbourhood Services	66,574	0	0	10,757	77,331

- i) Executive Director (a) – post was made redundant in September 2020.
- ii) new post created in 2021-2022
- iii) post made redundant in 2021-2022
- iv) post made redundant in 2020-2021

## Remuneration of over £50,000

Remuneration includes the cost of compensation for loss of office.

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

2020-21		2021-22
8	£50,000 - 54,999	6
2	£55,000 - 59,999	1
2	£60,000 - 64,999	0
4	£65,000 - 69,999	4
0	£70,000 - 74,999	1
0	£75,000 - 79,999	0
0	£80,000 - 84,999	0
1	£85,000 - 89,999	1
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0

# NOTES TO THE ACCOUNTING STATEMENTS

0	£100,000 - £104,999	0
1	£105,000 - £109,999	0
0	£110,000 - £119,999	0
0	£120,000 - £124,999	1
0	£130,000 - £134,499	1
0	£165,000 - £169,999	1
1	£185,000 - £189,999	0
<u>19</u>		<u>16</u>

## Exit Packages

2020-21				Banding	2021-22			
Number of exit packages			Cost		Number of exit packages			Cost
Compuls. Redund.	Other departures	Total exit packages	Total		Compuls. Redund.	Other departures	Total exit packages	Total
			£					£'000
0	1	1	20	£0 - 20,000	3	0	3	25
0	0	0	0	£20,001 - 40,000	1	0	1	25
0	0	0	0	£40,001 - 60,000	0	0	0	0
0	0	0	0	£60,001 - 80,000	2	0	2	159
0	0	0	0	£80,001 - 100,000	0	0	0	0
1	0	1	121	£100,001 - 140,000	0	0	0	0
<u>1</u>	<u>1</u>	<u>2</u>	<u>141</u>		<u>6</u>	<u>0</u>	<u>6</u>	<u>209</u>

## NOTE 25. EXTERNAL AUDIT COSTS

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

2020-21		2021-22
£'000		£'000
60	External audit services	66
13	Other services	13
<u>73</u>		<u>79</u>

## NOTE 26. RELATED PARTIES

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

### Central Government

# NOTES TO THE ACCOUNTING STATEMENTS

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. As at 31 March 2022, the company owed the Council almost £69,000 for initial set up costs and for officer time. However, this was more than offset by £86,500 Rother owed to the company for the government grant funded spine road paid by the company to its contractor. As a result RDC owed the company the net figure of just under £18,000.

## Members

Members of the Council have direct control over the Council's financial and operating policies. During 2021/22 related party transactions to the value of £2,149,208 as shown below, took place with organisations in which Members had a related party interest. Where applicable, Covid grant funding from the Council has been included within the sums disclosed.

2020-21		2021-22
£		£
9,965	Rother DC Housing Company	<b>300,000</b>
8,000	Battle Pre-school	<b>6,153</b>
10,000	Brede Parish Council	<b>22,615</b>
9,000	Battle Chamber of Commerce	<b>9,000</b>
3,130	St Mary the Virgin Battle	<b>0</b>
720,124	De La Warr Pavilion Charitable Trust	<b>654,765</b>
1,334	Digilicious Ltd	<b>7,352</b>
310,082	East Sussex County Council	<b>415,062</b>
129,245	Romney Marsh Internal Drainage Board	<b>131,796</b>
-	Action in Rural Sussex	<b>100,000</b>
85,000	Rother District Citizens Advice Bureau	<b>105,000</b>
63,730	Rother Voluntary Action	<b>48,500</b>
19,000	Hastings Advice & Representation Centre	<b>19,000</b>
9,188	Local Government Association	<b>9,471</b>
9,400	Hastings and Rother Mediation Service	<b>9,400</b>
5,600	South East Employers	<b>6,421</b>
43,660	Bexhill Museum Association	<b>10,000</b>
4,000	Sussex Wildlife Trust	<b>55,500</b>
65,058	Hastings Furniture Service Ltd	<b>10,701</b>
790	Sea Change Sussex	<b>0</b>
957	District Councils Network	<b>1,448</b>
25,000	Robertsbridge Childrens Services	<b>30,000</b>
1,895	Sedlescombe Parish Council	<b>9,939</b>
17,000	Light Up Bexhill CIC	<b>15,500</b>
10,808	Etchingham Trust for Sport and Recreation	<b>0</b>
0	Bexhill Caring Community	<b>1,165</b>
0	Bexhill in Bloom	<b>750</b>
0	Rye and District Chamber of Commerce	<b>1,281</b>
0	Sussex Police & Crime Commissioner	<b>20,561</b>
0	Attwood Academies	<b>9,000</b>
0	Battle Town Council	<b>138,829</b>
<u>1,561,966</u>	<b>Total</b>	<u><b>2,149,209</b></u>

# NOTES TO THE ACCOUNTING STATEMENTS

## **Officers**

During 2021/22 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 was only one related party transaction in the year between the Council and officers apart from those already disclosed in Officers Remuneration (note 24). The transaction was with Rother DC Housing company and the value is disclosed already in the above table.

## **East Sussex County Council pension fund**

The Council made payments totalling £1,863,000 during 2021/22 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund, compared to £1,978,000 in 2020/21. Note 8 provides further information on the Council's pension arrangements.

## **NOTE 27. EVENTS AFTER THE BALANCE SHEET**

### *Non-adjusting event*

The financial statements were authorised by the Chief Finance Officer on 22 August 2022. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided further information about conditions existing after 31 March 2022, 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

2020-21		2021-22
£'000		£'000
	<b><u>Council Tax</u></b>	
	<b>INCOME</b>	
<b>(77,200)</b>	Income from Council Taxpayers	(81,767)
	Apportionments of previous year deficit	
<b>0</b>	East Sussex County Council	(294)
<b>0</b>	Sussex Police Authority	(39)
<b>0</b>	East Sussex Fire Authority	(19)
<b>0</b>	Rother District Council	(49)
<b>(675)</b>	Transfer from General Fund-S13(1)(c) Discounts	(21)
<b>(77,875)</b>		<b>(82,189)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
<b>56,883</b>	East Sussex County Council	58,066
<b>7,621</b>	Sussex Police Authority	8,082
<b>3,642</b>	East Sussex Fire Authority	3,664
<b>9,479</b>	Rother District Council	9,939
	Apportionments of previous year surplus	
<b>545</b>	East Sussex County Council	0
<b>72</b>	Sussex Police Authority	0
<b>36</b>	East Sussex Fire Authority	0
<b>91</b>	Rother District Council	0
	Bad & Doubtful Debts	
<b>25</b>	Write offs of uncollectable income	152
<b>737</b>	Provision for uncollectable income-addition	541
<b>79,131</b>		<b>80,444</b>
<b>1,256</b>	Movement on Fund Balance - (surplus)/deficit	<b>(1,745)</b>
	<b>FUND BALANCE FOR COUNCIL TAX</b>	
<b>(471)</b>	Balance brought forward	785
<b>1,256</b>	Deficit/(Surplus) for year	(1,745)
<b>785</b>	Balance - (surplus)/deficit carried forward	<b>(960)</b>

# COLLECTION FUND STATEMENT AND NOTES

2020-21		2021-22
£'000		£'000
	<b><u>Non-Domestic Rates</u></b>	
	<b>INCOME</b>	
<b>(8,035)</b>	Income from Ratepayers (note 3)	<b>(12,453)</b>
	Apportionments of previous year deficit	
<b>0</b>	Government	<b>(5,529)</b>
<b>0</b>	East Sussex County Council	<b>(1,078)</b>
<b>0</b>	East Sussex Fire Authority	<b>(128)</b>
<b>0</b>	Rother District Council	<b>(4,516)</b>
<b>(5)</b>	Transitional relief	<b>(26)</b>
<b>(8,040)</b>	<b>Total</b>	<b>(23,730)</b>
	<b>EXPENDITURE</b>	
	Precepts and demands on Collection Fund	
<b>8,946</b>	Government	<b>9,048</b>
<b>1,610</b>	East Sussex County Council	<b>1,629</b>
<b>179</b>	East Sussex Fire Authority	<b>181</b>
<b>7,157</b>	Rother District Council	<b>7,239</b>
	Apportionment of previous year surplus	
<b>775</b>	Government	<b>0</b>
<b>263</b>	East Sussex County Council	<b>0</b>
<b>41</b>	East Sussex Fire Authority	<b>0</b>
<b>758</b>	Rother District Council	<b>0</b>
	Bad & Doubtful Debts	
<b>4</b>	Write offs of uncollectable income	<b>0</b>
<b>237</b>	Provision for uncollectable income	<b>304</b>
	Impairments resulting from appeals	
<b>0</b>	Write offs of uncollectable income	<b>0</b>
<b>(248)</b>	Provision for uncollectable income	<b>(155)</b>
<b>153</b>	Transfer to General Fund - Cost of Collection Allowance	<b>155</b>
<b>19,875</b>		<b>18,401</b>
<b>11,835</b>	<b>Movement on Fund Balance - (surplus) / deficit</b>	<b>(5,329)</b>
	<b>FUND BALANCE FOR NON-DOMESTIC RATES</b>	
<b>(1,452)</b>	Balance brought forward	<b>10,383</b>
<b>11,835</b>	(Surplus) / deficit for year	<b>(5,329)</b>
<b>10,383</b>	<b>Balance - (surplus) / deficit carried forward</b>	<b>5,054</b>
	<b>TOTAL COLLECTION FUND BALANCE</b>	
<b>(1,923)</b>	Balances brought forward	<b>11,168</b>
<b>13,091</b>	(Surplus) / deficit for year	<b>(7,074)</b>
<b>11,168</b>	<b>Balance - (surplus)/deficit carried forward</b>	<b>4,094</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)	3.7	5/9	2.1
Band A - up to £40,000	3,025.3	6/9	2,016.7
Band B - over £40,000 up to £52,000	4,802.2	7/9	3,735.1
Band C - over £52,000 up to £68,000	7,670.1	8/9	6,817.7
Band D - over £68,000 up to £88,000	7,805.4	9/9	7,806.3
Band E - over £88,000 up to £120,000	6,563.8	11/9	8,022.6
Band F - over £120,000 up to £160,000	3,623.1	13/9	5,233.7
Band G - over £160,000 up to £320,000	2,497.7	15/9	4,163.0
Band H - over £320,000	230.0	18/9	459.9
	<b>36,221.2</b>		<b>38,257.1</b>

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

## 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 2021/22 were:

- 49.9p for qualifying Small Businesses (49.9p in 2020/21)
- 51.2p for other businesses (51.2p in 2020/21) – the standard multiplier

The rateable value as at the 31st March 2022 was £56,286,966 (£56,330,428 as at 31 March 2021).

### NOTE 3 - INCOME FROM RATEPAYERS

2020-21 £'000		2021-22 £'000
<b>(27,851)</b>	Gross rates payable	<b>(26,796)</b>
<b>7,759</b>	Mandatory business rate reliefs	<b>8,152</b>
<b>11,336</b>	Retail discount relief (coronavirus)	<b>4,495</b>
<b>0</b>	COVID-19 Additional Relief Fund (CARF)	<b>1,123</b>
<b>54</b>	Nursery relief (coronavirus)	<b>0</b>

# COLLECTION FUND STATEMENT AND NOTES

667	Other business rate reliefs	573
<u>(8,035)</u>	Total	<u>(12,453)</u>

# GLOSSARY

## **ACCRUALS**

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

## **ACTUARIAL GAINS & LOSSES**

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

## **AMORTISATION**

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

## **BUDGET**

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

## **CAPITAL EXPENDITURE**

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

## **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, e.g. Land and Buildings.

## **PROVISIONS**

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

# GLOSSARY

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Government 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 & 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.