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Audit and Governance Committee
10 December 2024

Lewes District Council

Time and venue:

5:00pm in Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER

Membership:

Councillor Stephen Gauntlett (Chair);

Councillors Daniel Stewart-Roberts (Deputy-Chair), Graham Clews, Cathy Gallagher, Olivia Honeyman, Charlotte Keenan and James Meek

Quorum: 4

Published: Monday, 2 December 2024

Agenda

1 Minutes (Pages 5 - 8)

To confirm and sign the minutes of the previous meeting held on 9 September 2024 (attached herewith).

2 Apologies for absence/declaration of substitute members

3 Declarations of interest

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972.

5 Written questions from Councillors

To deal with written questions from Councillors pursuant to Council Procedure Rule 12.3 (page D9 of the Constitution).

6 The External Auditor’s Report on the 2020/21 Statement of Accounts (Backstop) (Pages 9 - 170)

Report of Director of Finance and Performance (S151 Officer)

7 **External Audit Update (Pages 171 - 178)**

Report of Director of Finance and Performance (S151 Officer)

8 **Treasury Management 2024/25 Q2 (Pages 179 - 200)**

Report of Director of Finance and Performance (S151 Officer)

9 **Annual report on Covert Surveillance Management (Pages 201 - 206)**

Report of RIPA (Regulation of Investigatory Powers Act) Monitoring Officer

10 **Internal Audit and Counter Fraud Report for the first half of the financial year 2024-2025 - 1st April 2024 to 30th September 2024 (Pages 207 - 244)**

Report of Chief Internal Auditor

11 **Strategic Risk Register Quarterly Review (Pages 245 - 256)**

Report of Chief Internal Auditor

12 **Date of next meeting**

To note that the next meeting of the Audit and Governance Committee is scheduled to be held in Room 209/210, Marine Workshops, Newhaven, BN9 0ER, commencing at 5:00pm on a date to be confirmed (TBC).

Information for the public

Accessibility:

Please note that the venue for this meeting is wheelchair accessible and has a hearing loop to help people who are hearing impaired. <u>If you would like to use the hearing loop please advise Democratic Services (see below for contact details) either in advance of the meeting or when you arrive so that they can set you up with the relevant equipment to link into the system.</u>

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Public participation:

Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Information for councillors

Disclosure of interests:

Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (DPI), if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Councillor right of address:

A member of the Council may ask the Chair of a committee or sub-committee a question on any matter in relation to which the Council has powers or duties or which affect the District and which falls within the terms of reference of that Committee or Sub-Committee.

A member must give notice of the question to the Head of Democratic Services in writing or by electronic mail no later than close of business on the fourth working day before the meeting at which the question is to be asked.

Other participation:

Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Democratic Services

For any further queries regarding this agenda or notification of apologies please contact Democratic Services.

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Lewes District Council

Audit and Governance Committee

Minutes of the meeting held in Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER on 9 September 2024 at 5:00pm

Present:
Councillor Stephen Gauntlett (Chair);

Councillors Daniel Stewart-Roberts (Deputy-Chair), Graham Clews, Ezra Cohen (Substitute) and Olivia Honeyman

Officers in attendance:
Jackie Humphrey (Chief Internal Auditor), Jennifer Norman (Committee Officer) and Ross Sutton (Head of Financial Reporting)

Also in attendance remotely, via Microsoft Teams:
Ben Sheriff (Deloitte) and Mariska Marais (Deloitte)

21 Minutes

The minutes of the meeting held on the 5 August 2024 were submitted and approved, and the Chair was authorised to sign them as an accurate record.

22 Apologies for absence/declaration of substitute members

Apologies for absence were received from Councillors Charlotte Keenan and James Meek. It was confirmed that Councillor Ezra Cohen was acting as Substitute for Councillor Meek for the duration of the meeting.

23 Declarations of interest

There were none.

24 Urgent items

There were none.

25 Written questions from councillors

There were none.

26 External Audit update

The Committee received the report, which provided an update on progress in respect of the External Audit of outstanding draft financial statements for years

2020/21, 2021/22, 2022/23 and 2023/24, and expectations for completion of Audits for years 2024/25 to 2027/28.

The Head of Financial Reporting (HFR), on behalf of the Chair and the Committee, welcomed Ben Sheriff (Deloitte) and Mariska Marais (Deloitte) to the meeting.

The HFR summarised the report, clarifying that the date indicated in the last sentence of paragraph 4.1 should read 28 February 2025, and that the reference to Appendix C in paragraph 4.3 was an error.

Mr Sheriff discussed Deloitte's intended plan for the completion of audits for years 2020/21, 2021/22, and 2022/23, as set out in Appendix B.

Mr Sheriff highlighted the Minister's intention to lay secondary legislation to provide for an initial backstop date of 13 December 2024 for the completion of all outstanding audits up to the financial year 2022/23. He indicated that the proposed backstop date would result in modifications or disclaimers of the audit opinion for many local authorities.

As a result, the Council would be required to publish its unaudited accounts for financial years 2020/21, 2021/22 and 2022/23, giving time for the required 30-day Public Inspection Period and for External Auditor to give its opinion on those accounts by the 13 December 2024. It was noted that it might be necessary to move the next meeting of the Committee to December or hold an additional meeting, to meet this deadline.

The Chair asked for the Officers' and Deloitte's opinions, as to their level of confidence in the indicated timelines.

On behalf of the Council, Officers confirmed that as always and given adequate resources, Officers would continue to endeavour to meet all deadlines.

Mr Sheriff indicated that although Deloitte had originally obtained adequate staff support for August and September 2024, additional challenges had continued to arise as the deadlines approached. Deloitte's critical concern being that the accounts up to 2022/23 were not yet published. If any objections were received, there were statutory periods of time for these objections to be considered.

Further discussions included publication of the 2023/24 draft financial statements, external audit backstop update, the audit of the 2023/24 financial statements and implications of missing upcoming deadlines. The timeline for future audits and backstop dates for the years 2024/25 to 2027/28 were also discussed, as set out in Paragraph 5 of the report.

Following discussions, the Chair requested that the Director of Finance and Performance be invited to the next meeting of the Committee, so that Members could better understand the details of any related resource implications in respect of the completion of all outstanding External Audits. Officers agreed that the Director be requested to attend.

Resolved: That the report be noted.

27 Treasury Management 2024/25 Q1

The Committee received the report which provided details regarding the Treasury Management Activity for the period April to June 2024.

Resolved:

That it be noted that the Treasury Management activity for the period April to June 2024 had been in accordance with the approved Treasury Strategies.

28 Internal Audit and Counter Fraud report for the first quarter of the financial year 2024-2025 - 1st April 2024 to 30th June 2024

The Committee received the report which provided a summary of the activities of Internal Audit and Counter for the first quarter of the financial year 2024/25 - 1 April 2024 to 30 June 2024.

Resolved: That the report be noted.

29 Date of next meeting

It was noted that the next meeting of the Audit and Governance Committee was currently scheduled to be held on Monday, 11 November 2024, in Room 209/210 on the Second Floor, Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER, commencing at 5:00pm.

The meeting ended at 6:25pm.

Councillor Stephen Gauntlett (Chair)

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Report To:	**Audit & Governance Committee**
Date:	**10 December 2024**
Report Title:	**The External Auditor's Report on the 2020/21 Statement of Accounts (Backstop)**
Report of:	**Director of Finance and Performance (S151 Officer)**
Ward(s):	**All**
Purpose of report:	**To review the Independent Auditor's (Deloitte) report to those charged with governance regarding the audited 2020/21 Statement of Accounts.**
Officer Recommendations:	**1. To note the audit findings report 2020-21 and the disclaimer of audit opinion due to backstop 2020-21 detailed at Appendix A.** **2. Delegate authority to the Chair of the Audit and Governance Committee, in consultation with the Director of Finance and Performance (S151 Officer) to sign-off the audited LDC 2020/21 Statement of Accounts (Appendix B).** **3. Delegate authority to the Chair of the Audit and Governance Committee, in consultation with the Director of Finance and Performance (S151 Officer) to sign-off the 2020/21 Annual Auditor Report once it is available.** **4. Authorise the Director of Finance and Performance (S151 Officer) to sign the formal Letter of Representation to Deloitte.**
Reasons for recommendations:	**The Council is required to produce an Annual Statement of Accounts in line with the Accounts and Audit Regulations.**
Contact Officer(s):	**Name: Steven Houchin** **Post title: Deputy Chief Finance Officer** **E-mail: steven.houchin@lewes-eastbourne.gov.uk** **Telephone number: 07591 838068**

1. Introduction

1.1 This report summarises the key findings (Appendix A) arising from Deloitte review of the Council's Draft 2020/21 financial statements (Appendix B).

1.2 Local authorities are required by the Accounts and Audit (Amendment) Regulations 2024 to publish their financial statements and audit reports by a legislative 'backstop' date. This is 13 December 2024 for financial years up to 31 March 2023.

1.3 The introduction of the backstop has meant that Deloitte were unable to complete a full audit of the 2020-21 financial statements. As a result, the review of the statements is based on the planning report presented to committee on 9 September 2024.

2. 2020/21 Statement of Accounts

2.1 Under its terms of reference, it is the role of this Committee to review/approve the annual statement of accounts and the external auditor's report to those charged with governance, having considered whether appropriate accounting policies have been followed, and any issues raised by Deloitte from the audit of the accounts.

2.2 Deloitte have also undertaken a review of the arrangements made by the Council to secure economy, efficiency, and effectiveness in the use of resources (Value for Money - VFM).

2.3 Deloitte have confirmed that work is still on-going and will be reported in the Auditor's Annual Report which will be issued after the completion of the inspection period for the 2021/22 and 2022/23 statement of accounts. These statements have not yet been published.

2.4 The auditors envisage issuing a "Disclaimer of Opinion" on the Council's financial statements as the auditors have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion on the financial statements. This is due to the timescales imposed by the introduction of the 'backstop' deadline

2.5 The backstop arrangements have resulted in a report that is unusual. This report includes a significant number of items that auditors would not normally include in their report, such as:

a. Misstatement and disclosure deficiencies
b. Unresolved audit queries
c. Deficiencies in financial reporting controls
d. Deficiencies in internal controls

2.6 In reviewing the initial draft audit findings reports, officers have raised concerns about the structure of the report and its contents on the basis it would have benefited from greater objectivity and balance, especially in reference to the efforts and commitment of the Councils Finance Team. The report makes some moderate reference to the overall national context of wider local audit delays, audit failures, Deloitte's own capacity challenge and exceptionally high levels of staff turnover.

2.7 The Committee is reminded that Deloitte are the externally appointed auditors for the two authorities of Eastbourne and Lewes who are two independent and sovereign bodies, and the efficiency and effectiveness of the audit could have been greater if the resourcing reflected this key point.

2.8 Officers have been very clear that the timescales imposed by the backstop deadline and the requirement to publish all outstanding draft statements up to the financial year 2022/23 by 31 October 2024 meant that it was highly unlikely that issues identified within the report and any recommendations set out the 2020/21 Audit Findings Report could be resolved within the required timeframe.

2.9 Officers will continue to work on issues identified and will be making all the necessary adjustments in preparing for the next set of accounts. This will also result in an updated version of the Audit Findings Report Appendices being tabled at the meeting. It is only due to the tight backstop dates that some of these late adjustments are being made.

2.10 In order to meet the backstop date, which is the 13 December 2024 for the financial year 2020-21, Deloittes are required to present its findings and opinions to those in charge of governance prior to that date.

2.11 Recognising the audit challenges locally and nationally it is the officer's recommendation for members to note the audit opinion to enable the report to be published in order that the councils meet its obligations with respect to publication of 2020-21 statement of accounts by the backstop deadline.

3. Letter of Representation 2020-21

3.1 Each year, on completion of the audit of the Council's Financial Statements, Director of Finance and Performance (S151 Officer) is required to submit a Letter of Representation to the Council's external auditor. The letter formally and publicly confirms the accuracy and completeness of the presented Statement of Accounts

3.2 A copy of the draft Letter of Representation for 2020/21 is attached at Appendix C and on receipt of the signed Letter of Representation, the Council's external auditor will formally issue an opinion on the Financial Statements.

4. Statement of Accounts 2021/22 & 2022/23

4.1 An update on work to publish accounts for financial years 2021/22 and 2022/23 is included in the External Audit Update to be presented to the committee at this meeting.

5. Corporate plan and Council policies

5.1 Considered as part of the overall Accounts and Audit Regulations requirement and the timescales.

6. Financial Appraisal

6.1 There are no direct financial considerations arising from this report.

7. Risk Management Implications

7.1 There are no implications arising from this report.

8. Equality Analysis

8.1 This is a routine report for which a detailed Equality Analysis is not required to be undertaken.

9. Legal Implications

9.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published. Further comments from the Legal Services Team are not necessary for this routine monitoring report.

10. Environmental sustainability implications

10.1 There are no environmental implications from this report.

11. Appendices

11.1 Appendix A - Report to the Audit & Governance Committee on the Audit for the year ended 31 March 2021
11.2 Appendix B - 2020/21 LDC Statement of Accounts
11.3 Appendix C - Formal Letter of Representation to Deloitte

12. Background Papers

12.1 Draft 2020/21 Statement of Accounts

Deloitte.

Lewes District Council

Lewes District Council

Report to the Audit Committee on the 2020/21 audit

Deloitte Confidential: Government and Public Services

Contents

Executive summary (1)

The key messages in this report:

In this report, we present the results of the work we have performed as appointed auditor to Lewes District Council (the Council) for 2020/21.

Statement of Accounts

Nationally, there been delays in local authority accounts and audit processes, which have resulted in the introduction of a statutory ‘backstop’ date through new legislation. The introduction of the backstop was a response to the national backlog of local authority accounts and audits. At 30 September 2024, the final version (including audit report) of 592 local authority and pension fund accounts from years up to 31 March 2023 had not been published.

The Accounts and Audit (Amendment) Regulations 2024 require local authorities to publish their financial statements and audit reports by 13 December 2024 for financial years up to 31 March 2023. The introduction of the backstop has limited our ability to complete our financial statement audit work, as detailed in our Planning Report to the Committee dated 27 August 2024. Where the time available prevents the auditor from obtaining sufficient, appropriate audit evidence to form an opinion before the backstop date, they are required to issue an audit report with a disclaimer of opinion. Public Sector Audit Appointments Ltd forecast that 428 of the 592 outstanding audits will be subject to a disclaimer of opinion.

We received the draft statement of accounts for 2020/21 on 18 September 2024, which were then published for public inspection on 1 October 2024 (compared to a statutory publication date of the first working day of August 2021). Due to the need for the Council to prepare the remaining required years of accounts for Lewes, and the time available, it was not possible to complete required audit procedures before the backstop date. These limitations on the work that could be performed are significant and pervasive in extent, and auditing standards therefore require us to issue a disclaimer of opinion in our audit report for the financial year 2020/21. The time available and need to prepare later years of accounts has impacted management’s ability to address matters we have raised through procedures we have performed.

The Council has not yet published its statements of accounts for 2021/22 and 2022/23 for public inspection – these were required to be published for inspection by the first working day of August 2022 and June 2023 respectively. The Council therefore could not complete the statutory 30 working day inspection period before 13 December 2024 and is unable to meet the statutory backstop for those years. We will report on these years following the completion of the inspection period and approval of the statements of accounts by the Council.

We have reported a significant weakness in the Council’s arrangements for timely and reliable financial reporting, as discussed on page 16.

Executive summary (2)

The key messages in this report (continued):

Statement of Accounts (continued)	The Financial Reporting Council has published an accessible guide to the overall programme of work to recover the local authority accounts backlog, Local Audit Backlog - Rebuilding Assurance, and the implications of disclaimers of opinion for future years. We have performed the procedures outlined in our planning report (see pages 7 to 9), reflecting the Local Audit Reset and Recovery Implementation Guidance. Our key findings include: • **Misstatement and disclosure deficiencies:** Our procedures identified misstatements and disclosure deficiencies in the financial statements. Management has advised that due to the time available before the backstop date, and the need to prepare later years of accounts, it is not possible to update the financial statements to reflect these findings before 13 December. We have listed the uncorrected misstatements on page 26 to page 33. • **Unresolved audit queries:** Our procedures highlighted potential issues in the draft financial statements that would typically require further investigation before completing the audit. Due to time constraints, management has not been able to fully investigate all of our queries prior to the issue of this report but anticipate doing so before the Audit Committee. We will update you orally on whether these matters have been resolved, or, if there are unresolved matters or additional misstatements identified through these procedures, report to these to you. • **Deficiencies in financial reporting controls:** Our planning report recommended that management perform certain minimum procedures on the financial statements to ensure reliable financial reporting. As detailed on page 22, we found that some of these checks were not performed, leading to issues that could have been prevented. We emphasize the importance of a strong control environment for the preparation and review of the financial statements to ensure timely and accurate financial reporting in the future. • **Implementation of control recommendations:** Our reports on previous audits highlighted a number of deficiencies in internal control and included recommendations for improvement. We understand from discussion with management that the control recommendations have not yet been implemented (including due to the impact of the backstop provisions on the preparation of these accounts). Our control recommendations are set out on page 20. Our audit report will explain that the disclaimer of opinion is necessary due to the backstop provisions.

Executive summary (3)

The key messages in this report (continued):

Value for Money procedures	Our Value for Money work is on-going and will be reported in our Auditor’s Annual Report which will be issued after the completion of the inspection period for the 2021/22 and 2022/23 statement of accounts. We have concluded there is significant weakness in governance arrangements to ensure timely and reliable financial reporting, which is detailed on page 16 together with our recommendations. Our audit report will state that our Value for Money work is on-going.
Duties as public auditor	We did not receive any queries or objections from local electors regarding the financial year 2020/21. We have not identified any matters requiring us to issue a public interest report. We have not exercised any other audit powers under the Local Audit and Accountability Act 2014.
Interaction with the incoming auditor	The Council has not yet published its draft 2023/24 statement of accounts, which was required to be published for inspection by the first working day of July 2024. The backstop date for the 2023/24 audit is 28 February 2025. We will co-operate with Grant Thornton, your appointed auditor for 2023/24 onwards, in the handover of the audit of the Council.

Why we cannot issue an audit opinion

Our audit report will include a disclaimer of opinion, as we have not been able to obtain sufficient, appropriate audit evidence on which to base an opinion

Explanation

The introduction of the 'backstop' date has limited the scope of our financial statement audit work. The time available prevents us from obtaining sufficient, appropriate audit evidence to form an opinion before the backstop date.

Because we have not performed testing, the possible effect on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Auditing standards require us to issue a 'disclaimer of opinion' in this situation. The disclaimer applies to the whole of the financial statements. It means that readers should not rely on our audit work when using the financial statements.

The FRC has an accessible guide to what a disclaimed opinion means at Local Audit Backlog Disclaimed Opinions.

How the disclaimer affects our audit report

Our audit report is required to explain the reasons that gave rise to the disclaimer. The backstop is a limitation upon our audit due to legislative reasons, and we will explain this in our audit report.

Even with a disclaimer of opinion, we are still required to report any known, material issues in the financial statements. We have not identified any such matters to report.

While audit reports typically include commentary on the use of the going concern basis for preparing the financial statements, this commentary is not included when a disclaimer of opinion is issued

Because of the timing of the statutory backstop, we have not planned or performed procedures to address the risk of fraud or non-compliance with laws and regulations. We will state this in our audit report. There are no matters that have come to our attention from our other work that we consider necessary to report upon in respect of fraud or non-compliance with laws and regulations.

ISA required reporting

ISA 260 requires to communicate with those charged with governance:

- Significant difficulties, if any, encountered during the audit; and
- Any other significant matters arising during the audit that, in our professional judgement, are relevant to your oversight of the financial reporting process.

Our reporting in respect of the backstop fulfils this in respect of this significant matter.

We do not have any matters to report that represent significant difficulties (given the legislative nature of the backstop)

We have made a number of control recommendations in previous years and from our observations in respect of these accounts which reflect improvements needed in the financial reporting process. These recommendations will need to be addressed to ensure timely financial reporting and audit for future periods.

Impact on our audit report

The relevant sections of our audit report for 2020/21 are set out below:

The relevant sections of our 2020/21 audit report are set out below.

Disclaimer of opinion

We do not express an opinion on the accompanying financial statements of Lewes District Council ('the Authority') for the year ended 31 March 2021. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ("the Regulations") require the Authority to publish its statement of accounts, together with the audit report for the year ended 31 March 2021 by 13 December 2024.

The Authority was required by the Audit and Accounts Regulations (2015) to publish its draft statement of accounts for the year ended 31 March 2021 for public inspection by the first working day of August 2021. The Authority published its draft statement of accounts for inspection on 1 October 2024. Following the introduction of the Regulations, there was insufficient time to complete the necessary financial statement audit work to form an audit opinion.

As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items within the statement of accounts.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct our audit in accordance with International Standards on Auditing (UK), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We are required to design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud has been limited by the pervasive extent of the matters described in the basis for disclaimer of opinion section of our report.

(Continued on next page)

Impact on our audit report

The relevant sections of our audit report for 2020/21 are set out below (Continued):

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud (Continued)

We plan to consider the nature of the Authority and its control environment and review the Authority's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We enquired of management and internal audit about their own identification and assessment of the risks of non-compliance with laws and regulations.

We plan to obtain an understanding of the legal and regulatory framework that the Authority operates in.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In addressing the risk of fraud through management override of controls, we are required to: test the appropriateness of journal entries and other adjustments; assess whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluate the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our planned procedures include the following:

- *reviewing financial statement disclosures;*
- *performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;*
- *enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and*
- *where available, reading minutes of meetings of those charged with governance and reviewing internal audit reports.*

Owing to the pervasive limitations set out above, we were unable to complete all these procedures.

Summary of work performed: audit procedures and findings (1)

We have performed some of our originally planned audit procedures but are not able to complete the audit due to the backstop.

The table below shows the work performed and findings from our originally planned audit procedures.

Area of audit	Findings
Planning procedures	
We performed planning procedures in a number of areas as listed out below but stopped due to the impact of the backstop date on the audit timetable. We had not completed all work in these areas and had a number of unresolved queries. Areas where audit work was performed, but not completed (in addition to those areas where procedures performed for the purposes of the backstop): - Understand the entity and its environment - Understand internal control - Audit strategy and audit planning memorandum - Understanding the business processes around: i. financial reporting ii. revenue iii. expenditure iv. treasury v. fixed assets	Through correspondence obtained from the pension fund auditors, an error was noted in the level 3 investments within the pension scheme and is included on page 26. We also identified an additional deficiency within the IT system in performing our planning procedures. Further detail of the deficiency noted is reflected on page 21.

Summary of work performed: audit procedures and findings (2)

We have completed the procedures set out in our planning report

Overview of procedures performed

The table below shows our planned procedures as required in the context of the backstop (as per our planning report dated 27 August 2024) and our findings.

Financial statement procedures	Findings
We obtained an understanding of management's process for the preparation of the financial statements, including any updates to the originally published accounts necessary for findings from previous audits.	In our planning report, we had noted certain minimum checks upon the draft financial statements that we would expect the Council to perform. As noted on page 22, we have not seen evidence of the operation of several of these checks.
We reviewed the draft financial statements, including performing overall analytical procedures.	From our review of the draft financial statements, we noted a number of queries. We have not completed our planned overall analytical procedures, as we have not received responses to the queries we had raised. We will update you at the committee meeting on whether these queries have been resolved, and any findings arising from them.
We agreed the primary statements (comprehensive income and expenditure statement, balance sheet, statement of cashflows, and movement in reserves statement), the Housing Revenue Account, and the Collection Fund to supporting accounting records.	We have previously made control recommendations in respect of the clarity and quality of the audit trail from the financial statements to the general ledger. This continues to be the case, and we have noted the related control observations again on page 20. While improvements are needed to the Council's working papers, we were able to agree the primary statements to supporting accounting records.

Summary of work pperformed: audit procedures and findings (3)

Financial statement procedures	Findings
We agreed the opening balances and comparative figures to the prior year financial statements.	The primary statements and main balance notes agree to the prior year. Discrepancies in disclosure notes are included as disclosure deficiencies on page 30.
We performed a "call and cast" of the financial statements for internal consistency and arithmetic accuracy.	Our procedures identified a number of issues which has been detailed as part of our unresolved queries and uncorrected disclosure deficiencies.
We reviewed the financial statements for compliance with the CIPFA Code	We noted that a number of disclosures had been omitted. A list of these omissions has been included in our schedule of uncorrected disclosure misstatements. Please see page 26 to page 33.
We evaluated the misstatements and disclosure deficiencies identified and considered whether uncorrected items are individually or in aggregate material to the financial statements.	We have listed uncorrected misstatements in our schedule of unadjusted misstatements on pages 26 to 33. Uncorrected misstatements are immaterial to the financial statements.
Fraud inquiries	
We inquired of the Deputy Chief Finance Officer; Internal Audit; the Counter Fraud team; and the Audit Committee Chair, as to their knowledge of any fraud or allegations thereof affecting the Council for the period. Due to the timing of the statutory backstop, we have not been able to perform the other fraud-related procedures required by auditing standards.	Our inquiries did not identify any instances of fraud or allegations of fraud, other than matters already included in the counter-fraud reports to the Audit Committee.

Summary of work performed: audit procedures and findings (4)

Other planned procedures	Findings
Compliance with laws and regulation	
We inquired of Deputy Chief Finance Officer; Internal Audit; the Counter Fraud team; and the Audit Committee Chair, as to their knowledge of any instances of non-compliance with laws or regulation for the period. Management confirmed that there was no correspondence with regulators or HMRC in the period. Due to the timing of the statutory backstop, we have not been able to perform the other procedures related to non-compliance with laws and regulations required by auditing standards.	Our inquiries did not identify any material instances of non-compliance with laws and regulations that impacts our financial statement backstop procedures or matters which required reporting to the Audit Committee (other than in respect of compliance with reporting requirements).
Overall audit procedures that also impact upon our Value for Money procedures We reviewed the minutes of the Council and its principal committees for the period. We reviewed the Internal Audit reports for the period.	Our procedures did not identify any issues in respect of the financial statements requiring reporting.
Annual Governance Statement We reviewed the Council's Annual Governance Statement to determine whether it is misleading or inconsistent with other information known to us from our audit work (including from our Value for Money procedures).	We have raised queries on the content of the Annual Governance Statement. We will update you at the committee meeting on whether these queries have been resolved, and any findings arising from them.
Subsequent events We inquired of management whether there are any subsequent events that affect the open years of account, and if so whether and how they have been reflected in the financial statements.	No subsequent events were noted as of the date of this report.

Other matters for your consideration

Materiality

Although the extent of planned procedures does not include testing of balances, we are required to determine materiality to evaluate any identified misstatements (and so whether the financial statements are materially misstated).

We have set materiality based on expenditure adjusted for gains on sale and de-recognition of non-current assets and fair value movements on investment properties, per the draft financial statements, and the threshold above which we report misstatements to the you, as:

Financial year	Adjusted expenditure	Materiality	% of benchmark	Reporting threshold
2020/21	£81.2m	£1.6m	2%	£800k

Significant risks

We have not completed the risk assessment procedures required by ISAs to identify significant risks for the financial years subject to audit or performed procedures to respond to identified risks of material misstatement. The significant risks which we had identified in respect of the 2019/20 audit, and for which the Audit Committee may wish to consider the internal assurances in place in respect of for the open years of account, were:

- Management override of controls (a presumed risk for all audits);
- Cut off and completeness of expenditure via accruals and provisions; and
- Valuation of property assets

We had rebutted the presumed risk of fraud in revenue recognition for 2019/20 but have not determined whether this would be a risk for subsequent years. The Council received Covid grants in 2020/21, and the Audit Committee may wish to consider the impact of Covid 19 pandemic on the financial statements for 2020/21.

Other areas of audit focus in the 2019/20 audit which we reported on to the Audit Committee and which may remain relevant to subsequent years included:

•Valuation of the pensions

•Infrastructure assets accounting

The Audit Committee may also wish to consider how these matters have been treated in open years of account, in particular in respect of the pension liability given significant movements in valuations experienced by most organisations.

Value for Money: procedures pperformed (1)

Our Value for Money commentary will be included in our Auditor's Annual Report

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2024 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against two reporting criteria (financial sustainability and governance, with improving economy, efficiency and effectiveness not a required criterion for audits up to 31 March 2023);
- Perform a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit report.

Status of our work

Our Value for Money work is on-going and will be reported in our Auditor's Annual Report which will be issued after the completion of the inspection period in relation to the 2021/22 and 2022/23 statement of accounts.

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Value for Money: procedures pperformed (2)

Our Value for Money commentary will be included in our Auditor’s Annual Report

Work performed to obtain an understanding of the Council’s arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required.

Additionally, we have:

- considered the potential impact of matters identified in previous audits
- reviewed financial planning and monitoring documentation including budget setting reports, in year monitoring reports, and the Medium-Term Financial Strategy and Medium-Term Financial Plan
- reviewed the Council’s draft Narrative Report, Annual Governance Statement, and relevant Council papers and minutes.
- reviewed internal audit reports through the year and the Head of Internal Audit Opinion
- considered issues identified through our other audit and assurance work
- considered the Council’s financial performance and management through the period and subsequently
- reviewed the LGA Corporate Peer Challenge report from September 2022 and the Council’s response
- reviewed the CIPFA Assurance Review follow up from September 2023.

Findings of our work to date

We have identified a risk of significant weakness in governance arrangements to ensure timely and reliable financial reporting. Based on our work, we have concluded there is a significant weakness, as detailed on the following page.

Our audit report will state that:

- We have reported a significant weakness to the Council in respect of arrangements for 2020/21, and the recommendations made
- Our Value for Money work is ongoing.

We will issue our audit certificate, reporting completion of our Value for Money work, alongside our report on the 2021/22 and 2022/23 financial statements.

VfM: Significant weakness in arrangements for reliable and timely financial reporting

Nature of the significant weakness	We identified a significant weakness in arrangements in respect of governance (how the Council ensures that it makes informed decisions and properly manages its risks). This weakness relates to how the Council ensures effective processes and systems are in place to support its statutory financial reporting requirements. We have previously reported deficiencies in internal control at the Council, including in respect of the accounts closure process (with previous findings summarised in our report to the 9 September 2024 audit committee). These control deficiencies have contributed to material adjustments required in the financial statements for previous years. The nature of the financial reporting and close process means that each year's accounts reflect both processes in place during the financial year and then processes and arrangements in place during the following financial year for the year-end close and accounts preparation process, and to support the financial statement audit. The audit process for 2018/19 and 2019/20 was significantly delayed and whilst there were a number of factors involved, weaknesses in arrangements, in particular the capability and capacity in the finance team in relation to financial reporting, and the quality of the financial statements and supporting working papers contributed significantly to the delay in the audit of those accounts. We conclude that the weakness in arrangement which has contributed to this position is significant.
Evidence on which our judgement is based	We have considered: • The key findings from our audit of the financial statements for previous years, in particular control findings relating to the operation of the Council's accounts closure process for the 2019/20 financial year-end during later years, and our observations on the quality of the financial statements prepared. *(continued on next page)*

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VfM: Significant weakness in arrangements for reliable and timely financial reporting (2)

Evidence on which our judgement is based (continued)

- The timing of publication of the 2020/21, 2021/22 and 2022/23 statement of accounts, compared to statutory deadlines, and the time required for publication after the finalisation of previous accounts. These are summarised in the table below:

	FY19	FY20	FY21	FY22	FY23
Statutory publication date (first working day of month)	June 2019	September 2020	August 2021	August 2022	June 2023
Publication for inspection	November 2019	August 2022	October 2024	Not published in time to meet the statutory backstop	Not published in time to meet the statutory backstop
Material errors identified	Yes	Yes	N/A – audit impacted by backstop)	Not yet published	Not yet published

In forming our judgement, we noted:

- The preparation of the 2018/19 draft accounts had been delayed, delaying the 2018/19 audit which was then largely conducted in the circumstances of the pandemic. This impacted the 2019/20 accounts closure process during financial year 2020/21.
- The publication of the 2019/20 draft accounts for inspection was more than two years after the statutory publication date. The 2019/20 accounts required material adjustments.
- The publication of the 2020/21 draft accounts for inspection was more than three years after the statutory publication date.
- The 2021/22 and 2023 draft accounts were not published for inspection by 31 October 2024. This meant that they were unable to meet the statutory backstop for publication of approved accounts of 13 December 2024, due to the requirement for a 30-working day inspection period.
- The interaction of requirements for accounts preparation and audit support for Lewes District Council and Eastbourne Borough Council, which need to happen to the same timetable, and the capacity challenges this presents for the finance team.

VfM: Significant weakness in arrangements for reliable and timely financial reporting (3)

Impact on the Council	The Council has not complied with its statutory duties for publication of accounts for public inspection for any of the financial years 2018/19 to 2023/24. Issues in the quality of the financial statements, supporting working papers, and capacity of the finance team to support the audit has then delayed the audit process for years that have been published, and reporting timelines. The delays in the preparation 2020/21, 2021/22 and 2022/23 statement of accounts have delayed the preparation of the 2023/24 statement of accounts and put at risk the completion of audit work for the 2023/24 audit ahead of the 28 February 2025 backstop date for that financial year.
Financial years affected	We will report this as an exception to our VFM conclusion in respect of all three years (2020/21, 2021/22 and 2022/23).
Recommendation	We recommend: • The Council reassesses the capability and capacity in the finance function, including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit. This should include ensuring that there is sufficient capacity and capability to respond to audit queries during the audit period, as well as to ensure reliable in year reporting and operation of effective accounting control processes. • The Audit and Governance Committee strengthens its oversight of corrective action taken in response to previous external audit recommendations in respect of financial reporting.

Value for Money: financial sustainability

Financial sustainability

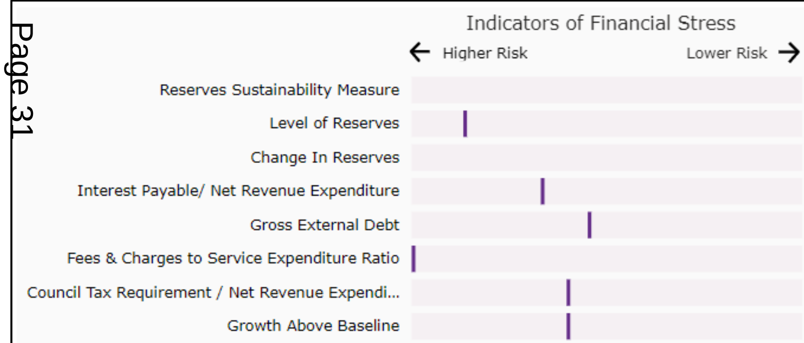
The funding environment for local authorities, combined with the significant impact on the Council's operations and performance of the pandemic, and subsequent macro-economic trends and the cost-of-living crisis, has placed increasing pressure on many authorities, extending beyond the 2022/23 period considered by this report.

In the 2023/24 financial year, the Council had an overspend of £0.3m compared to budget. Unallocated general fund reserves were £3.1m at 31 March 2024 (based on unaudited figures), a reduction of £0.5m on 31 March 2023. Total usable reserves totalled £27.8m. The 2024/25 budget assumes £0.7m use of reserves and is dependent upon £0.9m of savings.

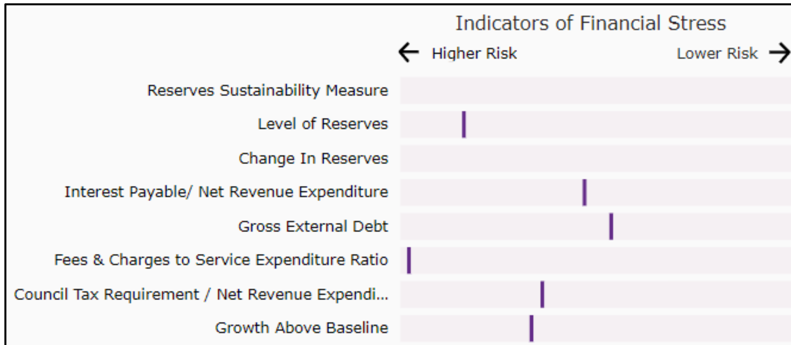
We highlight the importance of continued focus on ensuring the Council has suitable plans in place to meet the demands on the services it provides. Our Auditor's Annual Report will include commentary on arrangements in respect of financial sustainability.

We have included below extracts from the 2022/23 CIPFA Financial Resilience Index (the most recent available).

Page 31



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	[illegible]	na	[illegible]
Level of Reserves	-8,561.18 %	65.74%	270.03%
Change In Reserves	-10.24%	na	118.06%
Interest Payable/ Net Revenue Expenditure	-8.63%	7.16%	24.26%
Gross External Debt	£0k	£51,673k	£174,500k
Fees & Charges to Service Expenditure Ratio	4.70%	4.70%	53.78%
Council Tax Requirement / Net Revenue Expenditure	-2,279.55 %	61.31%	89.88%
Growth Above Baseline	27.63%	76.37%	127.44%



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	1.06	na	100.00
Level of Reserves	-8,561.18%	65.74%	1,968.96%
Change In Reserves	-104.95%	na	297.96%
Interest Payable/ Net Revenue Expenditure	-458.26%	7.16%	528.01%
Gross External Debt	£0k	£51,673k	£1,996,612k
Fees & Charges to Service Expenditure Ratio	0.18%	4.70%	57.96%
Council Tax Requirement / Net Revenue Expenditure	-2,279.55%	61.31%	583.02%
Growth Above Baseline	-153.23%	76.37%	435.83%

Internal control: control observations

Summary

In our 11 July 2024 report to the Audit Committee on the 2019/20 audit, we reported a number of deficiencies in internal control and made recommendations to address them which were included in our planning report. While we have not performed our usual procedures on internal controls and have not performed procedures to evaluate the extent to which management has implemented our recommendations, our procedures and discussions with management indicate that our control recommendations have not yet been implemented. This has impacted the quality of the draft financial statements.

We highlight the importance of the control environment over the preparation and review of the financial statements for the recovery of timely financial reporting for the Council in future years.

From the procedures performed, we have identified the following additional control observations:

Area	Observation	Priority
Capacity and capability in the finance function and other functions to support the financial reporting and close process	The Council should undertake a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high-quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include provision of training of staff in the finance function, and other functions that input to the financial reporting process, on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers.	High

Internal control: control observations (2)

Area	Observation	Priority
Quality of draft financial statements	**Note:** *We have raised this finding in our previous years' reports to those charged with governance, however given the importance of this finding and the amendment of the observation for the current year items we have reported this finding again:* 1. The initial draft financial statements which were published for public inspection were not of the expected standard. Issues noted included: • Arithmetic errors • Inconsistencies between notes and primary statements • Disclosure deficiencies noted within the financial statements as detailed on page 28 to page 35. 2. We have not seen evidence of the operation of the minimum financial statement checks in the preparation of the financial statements that we would expect. Further detail on the checks we had noted in our planning report are detailed on page 22. Together these indicate a deficiency in the financial reporting and close process. We recommend the Council review the year-end reporting and close process, including: • preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council • documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts • documented and reviewed use of CIPFA disclosure checklists • documented and reviewed internal checks of arithmetic accuracy and internal consistency • completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist • documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers	High
Lack of formal Data Classification	During our planning procedures performed in relation to the IT system it was noted that there is inadequate policies and processes in place related to information- and data management. This exposes the council to various risks, including data breaches, data loss, inconsistency in data handling and non-compliance with relevant data protection regulations. It is recommended that policies and processes are put in place to address these risks.	Low

Internal control: financial reporting controls (1)

Financial statement checks

In our planning report, we recommended management undertake at certain minimum procedures upon the statement of accounts, as part of the expected control environment for reliable financial reporting. There are a number of checks which management had not undertaken and issues we identified which would have been detected if these checks had operated effectively. As noted on page 21 we recommend that the Council review the year-end reporting and close process to improve the quality of the draft financial statements and improve the timeliness of reporting. We have summarised below exceptions noted

Overall procedures	**Issues noted**
Update of the draft financial statements so that comparatives and opening balances align to previous audited accounts, and all expected disclosures included, with documented check that opening balances and comparative figures agree to the previous audited accounts or updated draft of previous year.	The draft accounts provided on 18 September 2024 did not match to the last audited accounts in some areas and required further adjustment. The differences noted were not material and therefore have not impacted our audit report. This is reflected in our unadjusted audit misstatements as per page 30.
Completion of the CIPFA Disclosure Checklist and resolution of any issues arising for this	We noted a number of omitted disclosures which are included as uncorrected disclosure misstatements. Please see page 28 to 35.
Consistency check of the figures included in the narrative report to the financial statements	We did not see evidence of the operation of this control. We did not note any exceptions and note that the narrative report is primarily based on 'outturn' report figures rather than final figures in the financial statements.
Documented internal review of the financial statements	No issues noted.
Documented analytic review of movements in balances, with a clear and meaningful explanation for variances.	We did not see evidence of the operation of this control.
Documented internal "call and cast" of internal consistency and arithmetic accuracy	We noted a number of immaterial arithmetic errors and inconsistencies, which have been noted within the findings included in this report. Please see page 27 to 33.

Internal control: financial reporting controls (2)

Financial statement checks (continued)

Consistency checks	Issues noted
Documented check the figures agree to underlying supporting working papers, which have been appropriately completed and reviewed, with appropriate review of a documented audit trail of any adjustments between the general ledger and the statement of accounts	We did not see evidence of the operation of this control.
Agree the additions in the PPE and other fixed asset notes to the note on Capital Expenditure and Capital Financing	No issues noted.
Agree the depreciation and impairment charges in the PPE and other fixed asset notes to the Capital Adjustment Account and Statutory Adjustments notes	No issues noted.
Agree the surplus/deficit for the year from the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement, cashflow statement, and Expenditure and Funding Analysis.	No issues noted.
Agree the movement on the HRA balances in the Housing Revenue Account to the Movement in Reserves Statement.	No issues noted.
Check consistency of statutory overrides and adjustments between the Expenditure and Funding Analysis, Movement in Reserves Statement, and related disclosure notes.	No issues noted.
Check that the Capital Financing Requirement matches to fixed assets less revaluation reserve and capital adjustment account, or that any differences are understood.	No issues noted.

Purpose of our report and responsibility statement

Our report sets out the work we have performed and the impact of the backstop provisions upon our audit.

This report has been prepared for the Audit Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Deloitte LLP

London | 30 November 2024

Appendices

Audit adjustments

Unadjusted misstatements - 2020/21

The following uncorrected misstatements have been identified in respect of the 2020/21 financial statements, which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in current year						
Understatement of IAS 19 Pension Fund Level 3 Assets	[1]	(0.4m)	0.4m	-	-	N/A

[1] In obtaining the Grant Thornton protocol letter in relation to the pension fund held by Barnett Waddingham it was noted that level 3 investments have been understated by £25.2m, which taking forward the 1.76% share of the fund by Lewes District Council, represents a £443k uncorrected misstatement.

In the 2019/20 audit, we had reported the misstatement shown below. We have not determined whether the misstatement identified in the previous year's audit has been corrected at 31 March 2021, or the impact of any reversal on the financial statements for 2020/21.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in prior periods						
Understatement of NNDR Provision	[1]	0.2m	(0.2m)	-	-	N/A

[1] We identified a judgemental understatement of the provision for National Non-Domestic Rates appeal provision of £186,000.

Audit adjustments

Unadjusted disclosure misstatements

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
There are a number of areas of rounding differences and inconsistencies within the financial statements, which would ordinarily be corrected as part of the finalisation of the financial statements. For example, on page 11 of the narrative reporting, in the table under section 6.3, the Sum total of Reserves & Balances should be £19,589k, however the total balance reflected here is equal to £19,409k. The Council has not cross referenced each item in the Balance Sheet to its related information in the notes as required under the CIPFA code.	CIPFA code 3.4.2.86	Inconsistencies are below materiality.
Information in relation to the fair value disclosures required for financial instruments under the CIPFA code was not appropriately disclosed. The missing disclosures related to: - The Council has not provided quantitative information about the significant unobservable inputs used in the fair value measurement categorised as level 3 or given any information around the sensitivity within these unobservable inputs. - The classification of fair value of financial assets between Level 2 and Level 3 has changed year on year but not disclosure has been given as to the reason why or the Council's policy for transferring financial assets between levels and why this is appropriate. - A description of the valuation processes used in determining level 3 financial instruments has not been disclosed.	CIFPA code 2.10.4.1.3) a)	N/A

Audit adjustments

Unadjusted disclosure misstatements (2)

Disclosure misstatements (2)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Information around the credit risk management practices has not been fully reflected as required under the CIPFA code. The Council has not provided information in relation to: - The Council's definitions of default, including the reasons for selecting those definitions; - How the Council determined that financial assets are credit-impaired financial asset; and - The Council's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written off but are still subject to enforcement activity.	CIPFA code 7.3.3.11	N/A
The Council has not disclosed the methods and, when a valuation technique is used, the assumptions applied in measuring fair values of financial instruments in accordance with the requirements of Section 2.10 of the CIPFA Code.	CIPFA code 7.3.2.18	N/A
Items reflected as critical judgements and key sources of estimation uncertainty within note 4 and 5 of the financial statements does not meet the definition of key judgements or key sources of estimation uncertainty. The notes therefore do not comply with IAS1.	IAS1 1.122, IAS1 1.125 and CIPFA code 3.4.2.91 and 3.4.2.92.	N/A

Audit adjustments

Unadjusted disclosure misstatements (3)

Disclosure misstatements (3)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Key performance indicator (KPI) disclosure requirements do not adhere to the requirements set out in the CIPFA code. The following information is not included in the narrative report as required: - The KPIs do not reflect comparative balances; and - There is no narrative included in the narrative report to explain year on year movements within the KPIs.	CIPFA code 3.1.1.12 and 3.1.1.13	N/A
The Council has not disclosed an age analysis of assets that are past due but not impaired as at the reporting date as required under the CIPFA code.	CIPFA 5.2.4.2	N/A
The council should disclose the following in relation to subsequent events: a. Whether the statements were amended for subsequent events following the audit; b. Where information about conditions at the reporting date is received after the reporting period, but before the financial statements are authorised, disclosures should be updated for the subsequent information and conditions.	CIPFA code 3.8.4.1	N/A
The audit fee note should include explanatory narrative about the position given that there is both an unaccrued amount in respect of previous year costs, but also a need to accrue costs for the current year – the guidance in CIPFA Bulletin 18 has not been followed for backstop impacted accounts.	CIPFA Bulletin 18	N/A

Audit adjustments

Unadjusted disclosure misstatements (4)

Disclosure misstatements (4)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Disclosures, numbers and balances relating to the prior year has been noted that did not align to the signed prior year financial statements. The detail of these inconsistencies are below: • The prior year comparative in relation to Eastbourne Borough Council service costs, on page 57 per note 12 - £370,614, recharged do not agree to the signed Statement of accounts - £121,069. If this has been restated, the required restatement disclosures have not been made, and the value is immaterial and therefore a restatement would not be made. • The total property plant and equipment closing balance sheet position for 2019 on page 63 - £316,675k - do not agree to the signed financial statements - £311,014k. This is due to the fact that figures presented for the net book values as at 31 March 2019 are actually the gross book values and so an error in what is being presented. • The asset allocation figures for 2019/20 on page 84 do not appear to match the prior year accounts. The table does not show individual lines for cash or real estate that was reflected in the 2019/20 accounts. The table is also inconsistent with the one above it, which shows 2% in cash vs 7% in the lower table, 17% in bonds vs 15%, etc. The first table seems consistent with the prior year accounts but is missing 1% in "other debt securities" as noted in the prior year.	N/A	N/A

Audit adjustments

Unadjusted disclosure misstatements (5)

Disclosure misstatements (5)

Disclosure
Other disclosure deficiencies noted: - On page 51 within note 7b, note 2 reflects prior year information relating to impairment losses however no information is given in relation to the current year. - On page 57 relating to Note 12 - related parties. The narrative in regard to Eastbourne Borough Council could benefit from a more detailed discussion of the Council's relationship with Eastbourne Borough Council. - On page 59 within note 15 relating to grants and contributions receivables under the notes paragraph reference is made to 'Other Grants and Contributions excludes Covid-19 Grant income of £35.65m where the Council is acting as an intermediary agent for the government, rather than on its own behalf, for amounts paid over directly to businesses. No comparative balance is included in the narrative. - The narrative within note 18.3 on page 64 - valuation of property - could benefit from a more detailed discussion of the Council's valuation process for its assets. - The AGS reflects a table on joint ventures, which refers incorrectly to a £10m loan to Aspiration Homes. This is a facility rather than a loan. - The AGS refer to Lewes Housing Investment Company Ltd being an active company. This is incorrect as the company is dormant.

Audit adjustments

Uncorrected disclosure misstatements

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure
When organisations had published their accounts for inspection at the usual time, retaining the narrative report as written at that time can be a reasonable approach (with checks that no clearly incorrect statements made, and no additional explanatory narrative to provide). Given the document has been was provided for audit in September 2024, it is not clear 'when' the various statements are from when reading the narrative report. Examples such as risk disclosures, comments about impact of Covid and changes to accounting requirements are examples of areas where this was specifically noted and is particularly relevant where information is now known. The majority of the content is written as though it is 2021 but this is not the case throughout. Other examples include: - On page 4: The narrative states that the next election is in May 2021. - On page 8: The narrative states that the Council is "awaiting data from third party" for KPI data for 2020/21 - this seems unlikely given the date of publication. - On page 18 in relation to IFRS 16: The Council presumably won't implement IFRS 16 in 2022/23 and there were subsequent extensions to the dates available. This passage should therefore be updated. - On page 19: The discussion of what will be implemented in 2021/22 from Redmond did not happen - we recommend that this should all be updated as while this may have been expected in the first half of 2021, this is not true any longer and was not expected at the time that this document has been published for inspection.

Audit adjustments

Uncorrected disclosure misstatements (2)

Other disclosure recommendations (2)

Disclosure
The following observations and queries have been raised on the statement of accounts for the Council to consider correcting. These items do not represent a material disclosure deficiency, however in addressing these queries and observations it would improve the quality and clarity of the statement of accounts. - On page 9: We have noted that some of the coloured symbols to reflect the KPI achievements are the wrong way round for the data it represents. - In the AGS: The table on joint ventures refers to a £10m loan to Aspiration Homes. The disclosure is incorrect and should be updated as this is a facility rather than a loan. - In the AGS: The AGS refer to Lewes Housing Investment Company Ltd being an active company. This is not true as the company has been dormant throughout its period of existence, the narrative should be amended.

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Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and and our objectivity is not compromised.
Audit fees	Public Sector Audit Appointments Ltd (PSAA) set the scale fee for the audit of the Council for 2020/21 at £35k. The scale fee is based on assumptions about the scope and required time to complete our work. It does not reflect changes in the scope of work (including from the introduction of new Value for Money requirements in 2020/21). These are subject to separate agreement with the Council and PSAA. PSAA has not yet confirmed its approach for the determination of fees for audits affected by the backstop. With respect to previous periods where we have completed the audit, the total hours incurred on the audit for each year have been significantly higher than allowed for in the scale fee. After absorbing a significant proportion of the total hours, we submitted fee variation proposals to Council and PSAA for 2018/2019 and 2019/20. The fee variations are being reviewed by PSAA and have not yet been approved.
Non-audit services	There are no non-audit services we have provided in respect of the financial year 2020/21.
Relationships	Deloitte provides services supporting organisations in customs processes. As part of this, for clients using Lewes Port, Deloitte will have an account with LDC to pay import charges on behalf of clients (which are then recharged to the relevant client). We do not consider this a threat to our independence and is under normal commercial terms. We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

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Lewes District Council

Statement of Accounts

2020/21

Lewes District Council

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NARRATIVE REPORT BY CHIEF FINANCE OFFICER

1. INTRODUCTION

The Statement of Accounts contains the financial statements and disclosure notes required by statute. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards, together with guidance notes published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Lewes, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the outturn for 2020/21;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The Narrative Report provides information about Lewes, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2021 and is structured as below:

- About Lewes District Council
- How the Council Operates (Governance)
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2020/21
- Staffing
- Future Plans
- Key Considerations in relation to COVID-19
- Explanation of Financial Statements
- Further Information.

2. ABOUT LEWES DISTRICT COUNCIL

3. AN INTRODUCTION TO LEWES DISTRICT

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

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

East Sussex County Council covers the five districts and boroughs to provide services including education, social services, roads and transport, waste disposal and libraries.

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

4. THE COMMUNITY

Lewes District has a population of 103,268 (2019 projection). 77% of residents live within the five urban areas of Lewes, Newhaven, Peacehaven, Seaford and Telscombe Cliffs/East Saltdean. The rest live in 23 rural parishes. The population is projected to grow by 10.9% by 2033.

Life expectancy is higher than the East Sussex average. Around 20.3% of people are living with a limiting long-term illness and 19.2% have a disability, with both percentages likely to rise over the next decade. There is a higher than average occurrence of ill-health and mental health issues (including dementia) in some of the coastal communities.

5. THE ECONOMY

Lewes District benefits from an entrepreneurial economy with self-employment being a significant feature of the district, representing 13.9% of the economically active population. By industry, 14.6% are employed in wholesale and retail trade with the next highest categories being health & social work activities at 13.8% and education 11.8%. Micro-businesses (between 1 and 9 employees) account for 86.5% of all local businesses.

Unemployment in 2021 is estimated at 5.6% of the working age population which is slightly higher than the South East estimate of 5.3%. Average full-time weekly earnings are £602, higher than the East Sussex average of £554.

The outbreak of COVID-19 and the subsequent lockdowns will have impacted on the local economy. Small businesses and the self-employed felt the impact of this and unemployment is expected to increase as a result of COVID-19.

6. HOW THE COUNCIL OPERATES (GOVERNANCE)

The Council is a complex organisation. Elected councillors direct policies, which the Corporate Management Team (shared with Eastbourne Borough Council) then implements through the officers of the Council. There are 41 councillors representing 21 wards within the district. Full council elections take place every four years. The next election is in May 2021.

At 31 March 2021, composition of the Council was:

Conservative Party	19 Councillors
Liberal Democrat Party	9 Councillors
Green Party	8 Councillors
Labour Party	3 Councillors
Independent Group	2 Councillors

All councillors meet together as the Full Council. Meetings of the Full Council are normally open to the public. Here councillors decide the Council's overall policies and set the budget each year. The Full Council appoints members of the Scrutiny Committee and all other council committees – for example, the Audit and Standards Committee and the Planning Applications Committee. The Full Council considers recommendations made to it by the Cabinet and the Scrutiny Committee (with effect from May 2020, the Scrutiny Committee was replaced by the Policy and Performance Advisory Committee) as to any changes in policy which might need to be made.

The Executive is made up of the Leader, appointed by the Full Council, together with a Cabinet of councillors who the Leader appoints. Each member of the Cabinet has a portfolio of the areas for which they are responsible. Cabinet normally meets seven times in a municipal year.

At 31 March 2021, the Cabinet members and their Portfolio were:

Councillor James MacCleary	Leader of the Council and Regeneration and Prosperity
Councillor Zoe Nicholson	Deputy Leader and Finance
Councillor Emily O'Brien	Planning and Infrastructure
Councillor Julie Carr	Recycling, Waste and Open Spaces
Councillor Matthew Bird	Sustainability
Councillor William Meyer	Housing
Councillor Johnny Denis	Communities and Customers
Councillor Ruth O'Keeffe	Tourism and Devolution
Councillor Chris Collier	Performance and People

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

The Policy and Performance Advisory Committee is in place to ensure that the Full Council's policies, plans, decisions and actions are being made in the community's best interest. It consists of eleven councillors who are not on Cabinet. This enables non-executive members to influence decisions and ensure the views and needs of local people are taken into account. It is about being a 'critical friend'. A member of the main opposition group chairs the Policy and Performance Advisory Committee.

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

Robert Cottrill	Chief Executive (Statutory Head of Paid Service)
Ian Fitzpatrick	Deputy Chief Executive and Director of Regeneration and Planning
Tim Whelan	Director of Service Delivery
Phil Evans	Director of Tourism and Enterprise
Homira Javadi	Chief Finance Officer (Statutory Section 151 Officer)
Catherine Knight	Assistant Director of Legal and Democratic Services (Statutory Monitoring Officer) – *left employment in October 2020*
Oliver Dixon	Interim Head of Legal Services (Statutory Monitoring Officer) - *from October 2020*
Becky Cooke	Assistant Director of Human Resources and Transformation
Peter Finnis	Assistant Director of Corporate Governance – *left employment in October 2020*

The Full Council appoints the three statutory posts of Head of Paid Service, Section 151 Officer and Monitoring Officer as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is unable to set a balanced budget.

The Council is supported by a workforce which is fully shared and integrated with Eastbourne Borough Council to provide more flexible, customer-focused and cost-effective services. This was achieved via a phased Joint Transformation Programme (JTP) which has now largely concluded.

The JTP has delivered considerable changes in technology that has enabled the scale of transformation needed by the two Councils. The two Councils share a joint website (www.lewes-eastbourne.gov.uk) which continues to develop and become the main point of contact for many customers. An ongoing increase in the number of online transactions being completed demonstrates a positive direction of travel towards channel shift and the aspiration to be digital by default.

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

The Annual Governance Statement was approved by the Audit and Governance Committee on 26 July 2021 and is available on the Council's website www.lewes-eastbourne.gov.uk

7. CORPORATE RISK

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

The following strategic risks are reviewed by the Corporate Management team quarterly:

Risk Title	Description	Internal Controls
No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy unfit for purpose.	Reduces Likelihood 1. Create inclusive governance structures which rely on sound evidence for decision making. Reduces Impact 2. Annual review of corporate plan and Medium-Term Financial Strategy 3. Creating an organisational architecture that can respond to changes in the environment.
Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers. 2. Council objectives cannot be met. 3. COVID-19 has had a serious impact on the Council's finances.	Reduces Impact 1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture that can respond to changes in the environment. Reduces Likelihood 3. The Council is currently in ongoing discussions with the Ministry of Housing, Communities and Local Government around financial support to cover costs related to expenditure on response to the COVID-19 pandemic.
Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	Reduces Impact 1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)
The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	Reduces Likelihood 1. Changes undertaken to increase non-financial attractiveness of the Council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. Reduces Likelihood and Impact 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.
Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.	Reduces Likelihood 1. Deliver a fit for purpose organisational culture. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.

Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	Reduces Likelihood 1. Adoption of best practice IT and Asset Management policies and procedures. Reduces Likelihood and Impact 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. Reduces Impact 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event. 3. Work adversely affected by reduced staff numbers due to effects of pandemic virus.	Reduces Likelihood and Impact 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. Reduces Impact 3. Ongoing and robust risk profiling of local area (demographic and geographic). 4. Review budget and reserves in light of risk profile.
Failure to meet regulatory or legal requirements	1. Trust and confidence in the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties	Reduces Likelihood 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation. 6. All managers are required to abide by the Council's procurement rules. 7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.
Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	Reduces Likelihood 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to.
The Council suffers a personal data breach by inadequate handling of data	1. Trust and confidence in the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties	Reduces Likelihood 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course.

or by an IT incident	3. Deterioration of service performance as a result of regulatory intervention/penalties 4. Increased probability of compensation claims by persons affected by a personal data breach.	3. Ensure that the Data Protection Policy is regularly reviewed. 4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions. 5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements. 6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. Reduces Impact 8. Incident management procedures to mitigate loss or breach of data are in place.

8. SUMMARY OF ACHIEVEMENTS

In the 2020/21 financial year, the following key successes were delivered:

- Delivered £42 million of Covid Business grants and rate relief to business across Lewes District
- Revised council tax reduction scheme to provide more support for those on low incomes or incurring financial hardship
- Biodiversity strategy launched
- Planted new trees and hedgerow as part of Sussex Flow in the River Ouse area
- Began planning of a new green burial and bereavement facility in the district
- Ongoing delivery of the Local Enterprise & Apprenticeship Platform (LEAP) to provide local skills needed to start and grow a business locally and provide advice to existing businesses
- Supported Wave Leisure to carry on delivering during the pandemic and ensuring we have excellent quality leisure services in the future
- Helped enable the re-opening of Newhaven Fort
- Increased housing provision at Old Hamsey Lakes, South Chailey and Palmerston, Newhaven by 23 new dwellings.

9. KEY PERFORMANCE INDICATORS

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

Performance has improved in many areas, particularly around customer service (benefits processing and call answering times). The Council continues to monitor performance closely and is taking proactive measures in response to the new challenges arising from the COVID-19 crisis.

Performance indicator	Target for 2020/21	Performance in 2020/21	
Percentage of Major Planning Applications processed within 13 weeks	60%	79.2%	
Percentage of minor planning applications processed within 8 weeks	70%	71.1%	
Percentage of household waste sent for reuse, recycling and composting	43%	Awaiting data from third party	
Number of households living in emergency (nightly paid) accommodation	Data only	37	N/A
Average days to relet Council Homes (excluding temporary lets)	15	37.2	
Average days to process new claims for housing/council tax benefit	22	12.7	
Percentage of calls to contact centre answered within 60 seconds	80%	89.2%	
Percentage of Council Tax collected during the year	97.3%	96.9%	
Percentage of Business Rates collected during the year	96.5%	95.4%	
Average days lost per FTE employee due to sickness	8 days	6.37 days	

Key

Performance that is above target.

Performance that is slightly below target but is within an acceptable tolerance/projects where there are issues causing significant delay or change to planned activities.

Performance that is below target/projects that are not expected to be completed in time or within requirements.

The key financial metrics are referenced in areas of the financial performance below.

10.FINANCIAL PERFORMANCE OF THE COUNCIL IN 2020/21

The Council incurs both revenue and capital expenditure during the financial year. Revenue spending is generally on items that are consumed within a year and is financed from council tax, government grants and other income. Capital expenditure is on items which have a life beyond one year and which also add value to a fixed asset (known as non-current assets). This is financed largely by capital grants, loans and other capital contributions.

11.COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements and discloses a surplus for 2020/21 of £6.998m (split between General Fund surplus £3.482m and HRA surplus £3.516m). The Movement in Reserves Statement reconciles this IFRS ‘surplus’ together with other reserve transfers into a net increase in the general fund balance of £0.094m and an HRA surplus of £0.766m.

The General Fund and Housing Revenue outturn detailed below does not reconcile with the statutory presentation of the Comprehensive Income and Expenditure Statement as the outturn is prepared on the basis of how the Council sets its revenue budget rather than the accounting provisions of the Code, and therefore is not presented on the same basis as the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis at note 7, identifies the adjustments between the management and the financial accounts. The Council's underlying financial position, including usable Reserves, is identical in both its management and financial accounts.

12.GENERAL FUND

The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £13.75m (amount to be funded by government grant, council tax and business rates). The Council set a Band D Council Tax for 2020/21 of £209.53 (including Special Expenses of £17.46), being a £5 or 2.4% increase over 2019/20.

The 2020/21 financial year saw significant challenges as a result of the COVID-19 pandemic and associated lockdown. This prompted the Council to undertake a number of immediate actions in order to manage the unprecedented financial and operational impacts of the pandemic. These included:

- Early engagement with Ministry of Housing Communities and Local Government (MHCLG) for any additional financial support,
- active campaigning for more realistic COVID grant allocation,
- developing the Recovery and Reset Programme.

The revenue outturn provides a financial overview of the progress made by the Council during 2020/21 and measures the effectiveness of its actions in response to the pandemic.

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

General Fund	Original Budget £000	Current Budget £000	Actual £000	Variance £000
Corporate Services	5,525	4,646	4,773	127
Service Delivery	9,248	9,682	9,716	34
Regeneration and Planning	904	1,633	1,642	9
Tourism and Enterprise	434	452	602	150
Housing Revenue Account	(4,035)	(4,177)	(4,195)	(18)
Service Total	**12,076**	**12,236**	**12,538**	**302**
Cost of Finance & Interest Income	1,050	1,050	268	(782)
Corporate Efficiency Savings	(1,144)	-	-	-
Contingencies	342	-	-	-
Income Recovery	-	(800)	(726)	74
Total Expenditure	**12,324**	**12,486**	**12,080**	**(406)**
Transfers to/(from) Reserves	1,672	1,260	1,791	531
Budget Requirement	**13,996**	**13,746**	**13,871**	**125**
Council Tax	(7,796)	(7,796)	(7,796)	-
Business Rates	(5,417)	(5,167)	(5,191)	(24)
Government Grants	(783)	(783)	(884)	(101)
Total Funding	**(13,996)**	**(13,746)**	**(13,871)**	**(125)**
Total Net Overspend	**-**	**-**	**-**	**-**

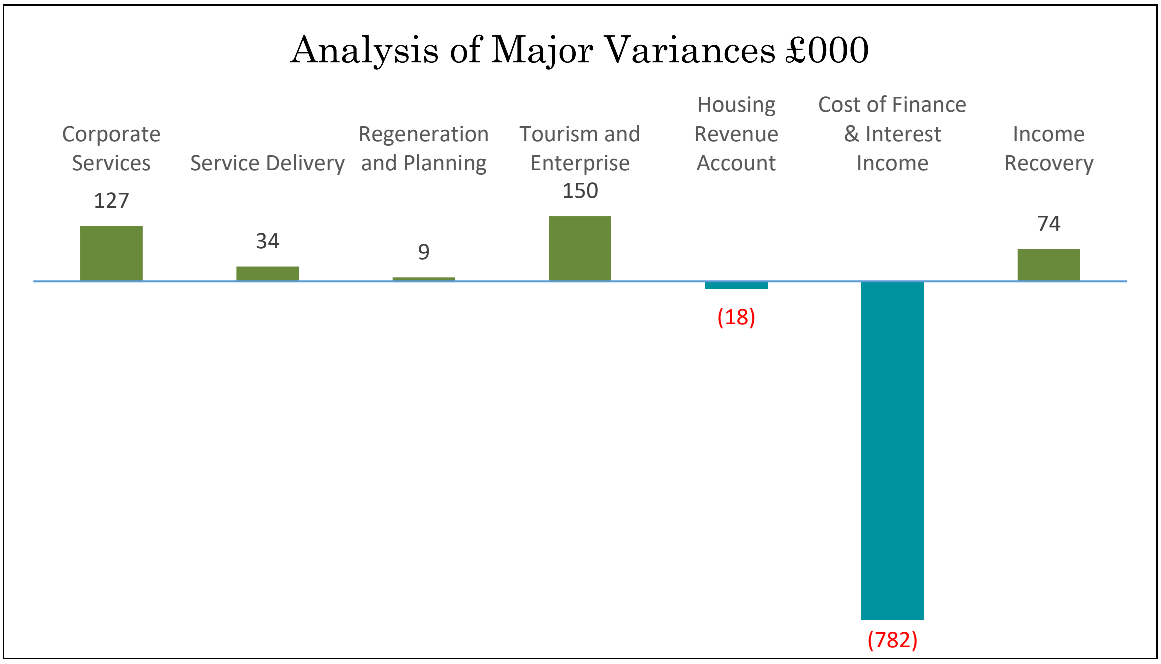
The actual in the table above is the revenue outturn position reported to Cabinet in July 2021 and is based on funding before any accounting adjustments under government regulations.

The Service outturn position is an overspend of £302,000 against the revised budget. Total expenditure is £406,000 underspent due to reduced cost of financing and additional interest income (£0.782m income). When the budget was originally set in February 2020 the Council estimated it would make a contribution of £1.672m to Reserves. The outturn transfer to Reserves was £1.791m. The Budget Requirement position was an additional £125,000 but this has been financed by additional funding from Business Rates (0.072m) and Government Grants (£0.101m)

The 2020/21 accounts include a disclosure Note 7a – the Expenditure and Funding Analysis (EFA) which sets out the net amounts chargeable to the General Fund, HRA and Earmarked reserves balances for the year as compared to the amounts accounted for under generally accepted accounting practices shown in the Comprehensive Income and Expenditure Statement. These amounts are analysed across the directorates of the Council on the same basis as shown in the outturn summary table above.

The main Service variances between the current budget and the actual net expenditure are detailed below:

Analysis of Major Variances	Variance £000
Corporate Services	
Increased pension liability	113
Service Delivery	
Waste & Recycling – additional income & underspend	(122)
Rent Allowances, Rebates & Homelessness	1,077
Emergency COVID-19 Grant	(821)
Flood Defences – reduction in capital financing costs	(143)
Regeneration & Planning	
Planning Policy – reduced consultancy/fees	(135)
Corporate Landlord – reduced rental income/business rates	417
Car Parks – reduced income	149
Facilities Management – reduced operational spend	(344)
Tourism & Enterprise	
Newhaven Fort – structure works	124



13. RESERVES AND BALANCES

As a result of the above movements, Total Reserves & Balances as at 31 March 2021 had increased by £6.688m to £19.409m. A new earmarked reserve of £4.433m was created for S31 Grant Business Rates that were received to offset reliefs given to businesses during lockdown. However, the grants received in 2020/21 are unavailable to utilised until 2021/22 and therefore have been transferred into a General Fund earmarked reserve.

Reserves & Balances	1 April 2020 £000	Transfers In/(Out) £000	31 March 2021 £000
Asset Management	2,200	(613)	1,587
Economic Regeneration	2,080	752	2,832
Revenue Grants & Contributions	503	536	1,039
Strategic Change	1,265	(357)	908
Vehicle & Equipment Replacement	751	(191)	560
Managing in Year Economic Downturn	296	(296)	-
Business Rates Equalisation	-	861	861
Income protection	-	125	125
Capital Financing support	-	500	500
Community Grants	-	105	105
Flats	166	(27)	139
S31 Grant Business Rates	-	4,433	4,433
Total Earmarked Reserves	**7,261**	**5,828**	**13,089**
General Fund Balance	2,869	94	2,963
HRA Balance	2,771	766	3,537
Total Reserves & Balances	**12,901**	**6,688**	**19,409**

14. HOUSING REVENUE ACCOUNT

The Council continues to be the major provider of rented accommodation in the district and is directly responsible for the management of the housing stock. At 31 March 2021 there were 3,217 dwellings provided for rent.

For 2020/21 the Housing Revenue Account net position shows an overall surplus of £691,000 for the year against an expected budgeted surplus of £182,000 resulting in an additional saving of £509,000 (as reported to Cabinet 8/7/21).

The following table compares the movement in the HRA Balance from the budget to the outturn for 2020/21:

HRA	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Income	(16,511)	(16,558)	(16,562)	(4)
Expenditure	13,700	13,872	13,595	(277)
Corporate & Democratic Core	590	590	163	(427)
Interest & Capital Financing	1,886	1,914	2,113	199
Total HRA (Surplus) / Deficit	**(335)**	**(182)**	**(691)**	**(509)**

The analysis on this table does not agree to HRA statutory accounts (page 88) due to the different reporting requirements such as depreciation and disposals.

The main variances between the revised budget and the actual net expenditure are detailed below:

Descriptions	Variance £000
Service Charges	(56)
Repairs & Maintenance	127
Corporate & Democratic Core	(428)
Total Variances	**(357)**

15. COLLECTION FUND

The Council has, by law, to maintain a specific account called the Collection Fund which records all income from Council Tax and Non-Domestic Rates and its distribution to the major precepting authorities, being Central Government, East Sussex County Council, Sussex Police and Crime Commissioner, East Sussex Fire Authority and Lewes District Council (see page 108).

The Council Tax element made a surplus of £1.112m during the year with a closing balance at 31 March 2021 of £2.049m surplus. The Council's share of the surplus is £0.313m. Business Rates had a deficit in the year of £9.961m with a closing deficit balance at 31 March 2021 of £8.506m.

The Council's share of the deficit is £3.350m The large deficit is a result of additional reliefs provided due to COVID-19. The deficit is reimbursed separately through section 31 grant from central government. Collection Fund surpluses or deficits declared by the billing authority are redistributed or recovered respectively to the relevant precepting bodies in the subsequent financial year.

Impact of COVID-19 Pandemic on the Collection Fund

It should be noted that as part of the Government's response to the COVID-19 pandemic and the impact it is having on Local Government finances, three-year phasing of 2020/21 collection fund deficits was introduced. This means that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three-year period (2021/22 to 2023/24) to ease immediate pressures on budgets. This will be factored into the calculations to determine the estimated Collection Fund surplus/deficit position in December/January.

Business Rate Pool

The local government finance regime was revised in 2013 with the introduction of the retained business rates retention scheme. The main aim of the scheme is to give local authorities a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates Tax Base.

During 2020/21 the Council worked within a Business Rate Pool with the other East Sussex borough and district councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

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

16.CAPITAL PROGRAMME

The Council's capital programme spending in the year (as reported to Cabinet in July 2021) was £14.430m, compared with a revised budget of £66.675m, giving a net underspend of £52.245m. A key part of its response to the COVID-19 Pandemic, the Council made significant reductions to the programme in order to reduce its borrowing levels and the corresponding capital financing costs. The main items of capital programme expenditure are set out below:

Scheme	Original Estimate £'000	Revised Estimate £'000	Actual £'000	Variance £'000
HRA Housing	15,467	16,525	9,746	(6,779)
GF Housing	1,136	607	607	-
Loans to Housing Companies	1,250	18,292	1	(18,291)
IT & Transformation	235	1,059	663	(396)
Regeneration	24,950	26,056	543	(25,513)
Service Delivery	329	273	232	(41)
Coast Protection, Flooding & Air Quality	258	229	135	(94)
Parks & Pavilions	50	394	193	(201)
Indoor Leisure Facilities	50	594	503	(91)
Asset Management	850	1,238	399	(839)
Community Infrastructure Levy	-	1,408	1,408	-
TOTAL	**44,575**	**66,675**	**14,430**	**(52,245)**
Financed by:				
Borrowing	33,171	54,256	5,084	(49,172)
Capital Receipts	4,077	5,545	2,888	(2,657)
Major Repairs Reserve	5,413	2,784	2,901	117
Grants and Contributions	1,001	2,291	2,672	381
Earmarked Reserves	777	1,505	669	(836)
Revenue	136	294	216	(78)
TOTAL	**44,575**	**66,675**	**14,430**	**(52,245)**

Note

- Loans to Housing Companies – the 2020/21 budget has now been reprofiled to 2021/22 and later years.
- Regeneration – this included a scheme of £18.582m for Seaford Health Hub. The scheme has been deferred due to issues regarding its location.

The Council continues to invest in assets to support the local community and economy. The most significant planned capital schemes in future years are:

- Improvements to the Council's housing stock;
- Economic regeneration including Newhaven;
- Local Energy schemes.

17.PENSIONS

The Council's liability for future pension payments has increased from £14.7m to £15.4m. The Defined Benefit Obligations have increased by £10.7m from £78.7m to £89.4m and the fair value of fund assets has increased by £9.9m from £64.06m to £73.96m. It is important to realise that this accounting change does not trigger an immediate change in contribution rates, as these are assessed with a longer-term view of liabilities and of investment performance.

18.TREASURY MANAGEMENT

The Council's external loan debt at 31 March 2021, comprising long and short-term borrowing, stood at £56.7m excluding accrued interest payable (see Note 22). This is made up of £51.7m repayable in more than one year and £5.0m repayable in less than one year. This is no change in total from the previous year.

Short-term investments at 31 March 2021 were £13.0m, an increase of £11.0m from the previous year. The Council held cash equivalent balances as at 31 March 2021 of £2.6m, compared to £10.2m as at 31 March 2020, a decrease of £7.6m. Funds have been moved into short term investments during the year as a result of reviewing security, liquidity and yield risks.

19.STAFFING

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

20.FUTURE PLANS

21.THE CORPORATE PLAN

The Corporate Plan sets out our priorities and key projects covering the period 2020 to 2024. Refreshed annually (most recently in 2020) the four-year plan sets out the key outcomes the Council will deliver with its partners for our Borough. The Plan has been informed and developed in consultation with our residents, partners and other stakeholders. We monitor the Plan and report progress to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of our local communities. We publish the Plan on our website https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/

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

22.MEDIUM TERM FINANCIAL STRATEGY

The Council's spending plans that support the Corporate Plan continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2021/22 and the Medium Term Financial Strategy (the Strategy) for the years through to 2024/25 were set in February 2021 in the context of the multi-year Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2021/22. The Council continues to set a balanced budget without the need to draw from reserves to support recurring expenditure.

The Strategy included a set of financial assumptions and forecasts up to the financial year 2024/25, based on the most up to date information available at the time and presents the updated forecast financial position for 2021/22, taking into account:

- the capital strategy and programme approved by Council in February 2020,
- the budget changes identified since the publication of the Strategy;
- the latest intelligence regarding the Spending Review announcement on 25 November 2020; and
- the provisional 2021/22 local government funding settlement subsequently announced on the 17 December 2020.

The 2021/22 budget has been prepared during one of the most challenging and uncertain times due to the ongoing impacts of COVID-19 on the Council's finances, staff, residents, and local economy. Government spending to combat COVID-19 and mitigate its impact on businesses and individuals has led to record levels of public sector borrowing, and there is continuing uncertainty over the core funding that will be available to local authorities over the medium term.

One of the key outcomes of the Corporate Plan is achieving a robust financial strategy, the 2021/22 budget and the Strategy has been aligned to the Council's five strategic priorities.

The Strategy report highlighted the following key points that:

- The Strategy was prepared at a time of massive uncertainty arising from the COVID-19 pandemic and its impact on the economy.

- The Council has seen a significant drain on its budgets and reserves due to the impact of COVID-19. Although lockdown had eased (at that time), the full impact of the virus was still to be seen but the estimated net cost to the Council had been estimated to be circa £6.1m (mid case scenario) based on the position in June 2020.
- The financial position over the medium term showed a revenue budget deficit of £4m for 2020/21, with future years as follows:

Forecast Deficits	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Worst Case Scenario	2,781	1,907	1,733	1,495

The Strategy report added that the range of financial outcomes depended on the savings generated from the Recovery and Reset Programme.

The saving targets identified for the Recovery and Reset programme are based on early estimates. More detailed work is being carried out to specify the targets on project by project basis. In addition, the savings will need to be sufficient, not only to cover the deficits, but also to replenish the Council's reserves to ensure future financial resilience.

23.SUMMARY OF THE MEDIUM TERM FINANCIAL STRATEGY 2021-2025

	2020/21 £000	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Net Revenue Budget	14,859	14,625	14,625	14,625	14,625
COVID-19 Impact	4,100	750	-	-	-
New Government Funding	(2,123)	-	-	-	-
Recovery & Reset Programme	-	(600)	(600)	(600)	(600)
Pay Inflation and Increments	-	327	384	431	470
General Contract Inflation	-	40	41	42	42
Income Inflation	-	(121)	(123)	(126)	(128)
Net Revenue Budget Projection	**16,836**	**15,021**	**14,327**	**14,372**	**14,409**
Total Financing	(12,825)	(12,240)	(12,419)	(12,639)	(12,914)
Budget Shortfall	**4,011**	**2,781**	**1,908**	**1,733**	**1,495**

24.RECOVERY AND RESET PROGRAMME

Prior to the COVID-19 pandemic, the Council had set a challenging financial but realistic budget for the 2020/21 financial year because of various factors, including the end of government funding, sharp increases in demand for essential services particularly housing and homelessness, economic uncertainty and the significant support and investment the Council has undertaken to support the local economy. The budget set for the 2020/21 financial year included a requirement to achieve challenging savings and additional income targets of £1.193m.

The COVID-19 pandemic and associated lockdown has significantly affected the Council's financial position. The Council's ability to generate income through its investments, other fees and charges has been reduced. Alongside this, the Council has had to undertake activities in response to the COVID-19 pandemic which were not budgeted for and have put further pressure on the financial situation. In addition, many of the savings and income targets which were a budget requirement of the 2021/22 financial year may not be achievable in full due to the economic downturn.

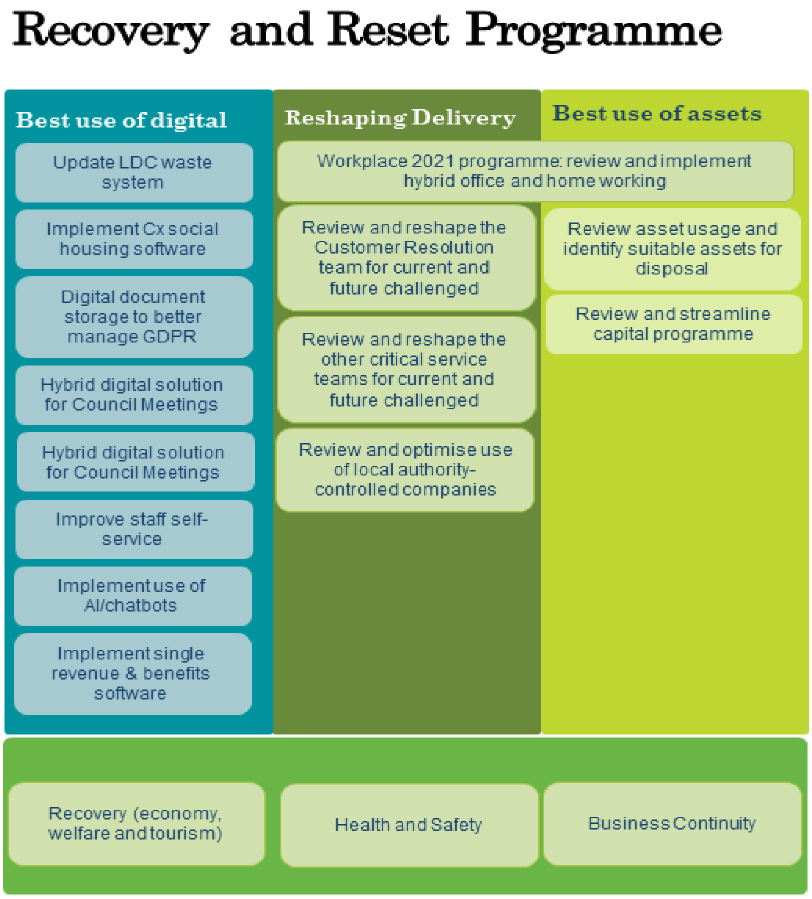
There has been some welcome support from the Government to offset the Council's additional expenditure and loss of income. However, this will not be sufficient to bridge the budget gap, as is demonstrated in the Medium Term Financial Strategy. It has become clear that there needs to be a fundamental reset of the Council's plans, and budgets to respond to this challenging situation. This reset will be undertaken at pace, in order to achieve a balanced budget position for the medium and long-term.

The changing needs of residents and how they interact with the Council will also need to drive future delivery. The Recovery and Reset Programme has been established to respond to these factors and deliver appropriate organisational change.

The purpose of the Recovery and Reset Programme is to address the Council's financial challenges in a sustainable way to ensure delivery of the following objectives:

- A sustainable service delivery model to adapt to the needs of residents and businesses because of the COVID-19 pandemic.
- A balanced budget.
- A sustainable Medium-Term Financial Strategy
- No on-going reliance on reserves to support revenue budgets.
- An affordable Capital Programme.
- A continued focus on the Corporate Plan priorities, recognising that these may need to be revisited considering resource limitations.

The Recovery and Reset programme is designed to deliver these objectives through a variety of projects and interventions falling under four main pillars; best use of digital, reshaping delivery, best use of assets, and restart. The Recovery and Reset programme builds on what we have learned through recent months and the Council's proven ability to flex and rapidly adapt to changing situations.



25. FORWARD CAPITAL PROGRAMME

The forward capital programme has been framed to deliver significant investment in the Council's assets in the future. It is funded by capital receipts, grants and contributions, reserves and borrowing.

The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs. The capital programme for 2020/21 to 2022/23 is as follows:

Summary of Capital Programme 2021 to 2023	Original Total 2020/21	Estimate Total 2021/22	Estimate Total 2022/23
Capital Programme	**£000**	**£000**	**£000**
HRA	17,853	17,705	18,145
GF	26,722	6,136	1,663
Total Programme	**44,575**	**23,841**	**19,808**
Financed By: -			
Capital Receipts HRA	3,531	574	596
1-4-1 RTB Receipt	371	380	388
Capital Receipts GF	135	135	135
Grants and Contributions	1,001	1,001	1,001
Major Repairs Reserve	11,565	5,902	5,446
Revenue Contributions GF	136	136	136
Revenue Contributions HRA	-	2,595	958
Reserves	777	550	927
GF Borrowing	27,059	6,700	1,850
HRA Borrowing	-	5,868	8,371
Total Financing	**44,575**	**23,841**	**19,808**

The capital programme recognises the significant spending limitations within the budget for 2021/22 and the impact of the COVID-19 pandemic on the resources available. Therefore, the capital programme is revised to prioritise delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's key priorities whilst reducing demand on its borrowing requirements.

The capital programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

The programme has been compiled taking account of the following main principles, to:

- Maintain an affordable four-year rolling capital programme.
- Reduce external borrowing.
- Ensure capital resources are aligned with the Council's key priorities.
- Maximise available resources by actively seeking external funding and disposal of surplus assets; and
- Not to anticipate receipts from disposals until they are realised or have a high degree of certainty to realise.

The current economic climate also places further emphasis on ensuring that the levels of capital receipts are maximised through improved asset management and through the sale of surplus and underused assets. The Council recognises disposal of its surplus assets key to its overall financing of capital investment and at the same time reduced the demand on the revenue costs of capital.

26. ADOPTION OF THE CIPFA FINANCIAL MANAGEMENT CODE OF PRACTICE

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

27. FINANCIAL REPORTING & GOVERNANCE - FUTURE CHANGES

- The implementation of IFRS 16 Leases remains the most significant known change to the Code beyond 2020/21. Due to the impact of COVID-19 and the resulting resource issues facing finance staff CIPFA has made the decision to delay implementing IFRS 16 until 1 April 2022 (previously delayed from 1 April 2020 to 1 April 2021). This means that the first accounts to be produced incorporating the standard will be for the year 2022/23. While the work required to implement the standard is significant, the Council is well placed to do so having begun preparation for implementation in 2019/20.

- The Redmond Review made a number of recommendations regarding the format and content of the Statement of Accounts which, if adopted, will impact on the production and audit of the accounts. They can be summarised into two proposed changes: (i) Summary Statements are introduced that are standardised, audited, compare costs to budget and are in addition to the statutory accounts (ii) The Code is reviewed to simplify presentation and remove disclosures. MHCLG published a formal response to the Redmond Review on 18 December.

  The response agreed with the Redmond Review that, to 'ensure all taxpayers across the country can effectively hold their local authority to account, more is needed to improve the accessibility of all authorities' accounts' and stated that 'the proposed measures will go some way towards further improving local transparency and accountability'.

- It is expected that MHCLG will work with CIPFA to introduce the Summary Statements from 2021/22. To enable this there may need to be an amendment to the Accounts and Audit Regulations to mandate the inclusion of the statement. The Code of Audit Practice will also need to be amended by the National Audit Office (NAO) to include the audit requirements.

- MHCLG has committed that additional funding will be made available to local authorities in 2021/22 to enable the preparation of the standardised statements although individual allocations have not been published.

- MHCLG also supported Redmond's view that there may be scope to simplify the presentation of local authority accounts by removing disclosure requirements. The earliest that that this can be incorporated into the accounts is through the 2022/23 Code. MHCLG acknowledged that significant changes would require a phased approach.

- MHCLG white paper on Corporate Audit recommends creating a new body to replace the Finance Reporting Council (FRC) with the Audit, Reporting and Governance Authority (ARGA). The Government is proposing to add the role of oversight of local authority audit to ARGA, while the PSAA will continue to have oversight of appointing individual local authority auditors.

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

28.KEY FINANCIAL IMPACT OF THE COVID-19 PANDEMIC

The Council has played a significant role in responding to the COVID-19 pandemic, in supporting businesses and the most vulnerable in our communities as well as running essential services. The financial impact of the COVID-19 pandemic has been an evolving picture throughout 2020/21 and this will continue into 2021/22. The Council in initially forecast additional costs in 2020/21 in the region of £6.1m including homelessness prevention, financial support and loss of income.

The Government has also provided support to local authorities through £4.6bn, new burdens funding, and income compensation support (75p compensation in every 95p of income loss from fees and charges). However, the Council's share of these financial supports, falls short of the projected costs and losses in 2020/21. The Council's capital programme has also been severely impacted by COVID-19 with several projects having to be reviewed, reduced and rephased.

The changing environment and "new normal" in which we now find ourselves requires the Council to review how its critical services are provided, to determine:

- which services are of the highest priority.
- which services require the same delivery model despite the global pandemic
- how to provide new services in response to local needs resulting from the pandemic
- budget reallocations required to meet the service delivery requirements.
- which income streams are impacted
- impact on the capital programme due to increased costs from suppliers or additional cost of construction, labour, and Personal Protection Equipment (PPE).

This work has resulted in the Recovery and Reset Programme.

The response by the community, voluntary and third sector has been significant in supporting residents and the Council is harnessing how this can continue for the future. This forms a key feature of the Council's COVID-19 pandemic response and assessing its vision for in the future.

The financial impact of the COVID-19 pandemic for 2021/22 and beyond is difficult to predict, income streams have been reviewed and revised where appropriate. The capital programme may also be impacted by supply difficulties, for example increased costs from suppliers or additional cost of construction, labour, and Personal Protection Equipment (PPE).

29. THE COUNCIL'S STEWARDSHIP, RESPONSIBILITIES AND FINANCIAL PROCEDURE RULES

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

The key areas covered by the Financial Procedure Rules are:

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

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

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

The Audit Opinion

The 2020/21 Audit Opinion and Certificate is available on page 24.

30. EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts comprises:

A Statement of Responsibilities - This statement defines the roles and responsibilities for preparing the accounts.

Independent Auditor's Report

The Core Accounting Statements:

- **Movement in Reserves Statement** – this statement shows the movements in the year of the different reserves held by the Council. It also provides the interaction of the economic costs and legislation and their impact on changes in the Council's reserves, showing the true cost of the provision of Council services funded by council tax payers.
- **Comprehensive Income and Expenditure Statement** – this statement sets out the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- **Balance Sheet** - this statement sets out the overall financial position of the Council as at 31 March 2021. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and Capital purposes for the financial year. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of Capital (i.e. borrowing) to the Council.
- **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

The Supplementary Single Entity Financial Statements:

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

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

31.FURTHER INFORMATION

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

Homira Javadi
Chief Finance Officer
Statutory Section 151 Officer

ADOPTION OF THE ACCOUNTS

In accordance with Accounts and Audit Regulations the Chair of the meeting adopting the Statement of Accounts must sign and date the statement in order to confirm that the adoption process has been completed.

The Statement of Accounts for 2020/21 was approved at the meeting of the Audit and Governance Committee held on 10 December 2024.

Signed

Councillor Stephen Gauntlett
Chair, Audit and Governance Committee

Date 10 December 2024

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts presents the true and fair financial position of the Council as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Homira Javadi

Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Date 10 December 2024

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

The audit opinion has been provided in a separate document.

MOVEMENT IN RESERVES

This statement shows the movements in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves. The purpose of individual reserves is set out in Note 2.20, and more details are given for earmarked and unusable reserves in Notes 16 and 28 respectively. The line entitled 'Total Comprehensive Expenditure and Income' shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

	General Fund	HRA Balance	Earmarked Reserves (Note 16)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	**(1,728)**	**(2,661)**	**(7,598)**	**(6,909)**	**(5,685)**	**(7,541)**	**(32,122)**	**(236,726)**	**(268,848)**
Movement in Reserves 2019/20									
Total Comprehensive Expenditure and Income	13,556	4,956	-	-	-	-	**18,512**	(27,261)	**(8,749)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,385)	(5,042)	-	(1,050)	449	986	**(19,042)**	19,042	**-**
Transfers (to)/from Earmarked Reserves (Note 16)	(312)	(24)	337	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(1,141)**	**(110)**	**337**	**(1,050)**	**449**	**986**	**(529)**	**(8,219)**	**(8,748)**
Balance at 31 March 2020	**(2,869)**	**(2,771)**	**(7,261)**	**(7,959)**	**(5,236)**	**(6,555)**	**(32,651)**	**(244,945)**	**(277,596)**
Movement in Reserves 2020/21									
Total Comprehensive Expenditure and Income	(3,482)	(3,516)	-	-	-	-	**(6,998)**	(24,327)	**(31,325)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(2,467)	2,777	-	(1,085)	(672)	(3,746)	**(5,193)**	5,193	**-**
Transfers (to)/from Earmarked Reserves (Note 16)	5,855	(27)	(5,828)	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(94)**	**(766)**	**(5,828)**	**(1,085)**	**(672)**	**(3,746)**	**(12,191)**	**(19,134)**	**(31,325)**
Balance at 31 March 2021	**(2,963)**	**(3,537)**	**(13,089)**	**(9,044)**	**(5,908)**	**(10,301)**	**(44,842)**	**(264,079)**	**(308,921)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019/20				2020/21		
Expenditure	**Income**	**Net Expenditure**		**Expenditure**	**Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
6,905	(3,356)	3,549	Corporate Services	4,130	(1,081)	3,049
47,597	(36,978)	10,619	Service Delivery	43,335	(33,449)	9,886
10,907	(3,957)	6,950	Regeneration and Planning	4,857	(3,272)	1,585
1,833	(182)	1,651	Tourism and Enterprise	1,354	(243)	1,111
15,787	(15,908)	(121)	Housing Revenue Account	11,090	(16,556)	(5,466)
83,029	**(60,381)**	**22,648**	**Cost of Services**	**64,766**	**(54,601)**	**10,165**
3,729	-	3,729	Town and Parish Council Precepts	4,198	-	4,198
148	-	148	Grants to Parish and Town Councils	-	-	-
303	-	303	Payments to housing capital receipts pool	495	-	495
10,374	(1,515)	8,859	(Gain) / Loss on sale and de-recognition of non-current assets	3,692	(3,693)	(1)
14,554	**(1,515)**	**13,039**	**Other Operating Expenditure**	**8,385**	**(3,693)**	**4,692**
2,040	-	2,040	Interest payable & similar charges (Note 22)	1,896	-	1,896
-	-	-	Expected Credit Loss	14	-	14
263	-	263	Net Interest on the Net Defined Benefit Liability (Note 29)	458	-	458
-	(368)	(368)	Interest & other investment income (Note 22)	-	(345)	(345)
218	(349)	(131)	Investment Properties	1,223	(351)	872
184	(189)	(5)	Trading Accounts	165	(207)	(42)
2,705	**(906)**	**1,799**	**Financing and Investment Income and Expenditure**	**3,756**	**(903)**	**2,853**
1,869	(5,704)	(3,835)	Non ring-fenced grants and contributions (Note 15)	1,407	(14,759)	(13,352)
-	(11,444)	(11,444)	Council Tax income	-	(12,164)	(12,164)
8,193	(11,888)	(3,695)	Non Domestic Rates Income and Expenditure	7,805	(6,997)	808
10,062	**(29,036)**	**(18,974)**	**Taxation and Non-specific Grant Income and Expenditure**	**9,212**	**(33,920)**	**(24,708)**
110,350	**(91,838)**	**18,512**	**Deficit on Provision of Services**	**86,119**	**(93,117)**	**(6,998)**
		(30,993)	Surplus on revaluation of Property, Plant and Equipment Assets (Note 28)			(24,398)
		3,732	Re-measurement of the net defined benefit liability (Note 29)			71

(27,261)	**Other Comprehensive Income & Expenditure**	**(24,327)**
(8,749)	**Total Comprehensive Income & Expenditure**	**(31,325)**

BALANCE SHEET

31 March 2020		Note	31 March 2021	
£000			£000	£000
317,867	Property, Plant & Equipment	18	346,370	
1,188	Infrastructure Assets	18	1,074	
9,403	Heritage Assets	19	9,298	
11,550	Investment Property	20	11,074	
1,772	Intangible Assets	21	1,376	
1,649	Long Term Debtors	24	2,129	
343,429	**Long Term Assets**			**371,321**
2,000	Short Term Investments	22	13,010	
79	Inventories		73	
13,348	Short Term Debtors	24	20,127	
10,199	Cash and Cash Equivalents	30	2,633	
25,626	**Current Assets**			**35,843**
(255)	Short Term Borrowing		(5,254)	
(16,956)	Short Term Creditors	25	(23,534)	
(594)	Short Term Provisions	26	(329)	
(17,805)	**Current Liabilities**			**(29,117)**
(2,055)	Capital Grants Receipts in Advance		(1,952)	
(56,673)	Long Term Borrowing	22	(51,673)	
(254)	Other Long Term Liabilities		(73)	
(14,672)	Long Term Liabilities Pensions	29	(15,428)	
(73,654)	**Long Term Liabilities**			**(69,126)**
277,596	**NET ASSETS**			**308,921**
(32,651)	Usable Reserves	27		(44,842)
(244,945)	Unusable Reserves	28		(264,079)
(277,596)	**TOTAL RESERVES**			**(308,921)**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31st March 2021 and its Comprehensive Income and Expenditure Statement for the year ended 31st March 2021.

Homira Javadi

Director of Finance and Performance (Chief Finance Officer – S151 Officer)

Date 10 December 2024

CASH FLOW STATEMENT

2019/20	CASH FLOW STATEMENT	Note	2020/21
£000			**£000**
(18,512)	Net Surplus / (Deficit) on the provision of services		6,998
32,254	Adjustment to Net Surplus or Deficit on the provision of services for non-cash movements	31	15,274
(4,146)	Adjustment for items included in the Net Surplus or Deficit on the provision of services that are investing and financing activities		(10,111)
9,596	**NET CASH INFLOWS FROM OPERATING ACTIVITIES**		**12,161**
(1,533)	Investing Activities	31	(13,627)
(543)	Financing Activities	31	(6,100)
7,520	**NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS**		**(7,566)**
2,679	Cash and cash equivalents at the beginning of the reporting period		10,199
10,199	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIODS**		**2,633**

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

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

NOTES TO THE ACCOUNTS

1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES

There are no significant changes to the Code of Practice, which was based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance.

PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

2. ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the end of 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

The Council regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the Code, the Council has disclosed the expected impact of new accounting standards that have been issued but not yet adopted.

2.2 Accruals of Expenditure and Income

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption and where the amounts are significant, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- A de-minimis level of £1,000 has been set for accruals. Income and expenditure below this amount may not be accrued as it is considered trivial.

In cases where a full year's income & expenditure is shown in the accounts, for example utility bills and annual contracts, no accrual is made in the accounts as this would overstate the annual position.

Housing Rents is billed and accounted for on a weekly basis, at the start of each week. No adjustment is made at year end to record income to 31 March unless the adjustment is material.

Housing Benefit Payments are made on a weekly basis. No adjustment is made to the accounts at year end to record payments to 31 March unless the adjustment is material.

Accounting for Council Tax

While the council tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The council tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to council tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. The cash collected by the Council from council tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for National Non Domestic Rates (NNDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Revenue Recognition

The Council accounts for revenue recognition in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Prior to this revenue was recognised under IAS 18 – Revenue. Under IFRS15, the principles of revenue recognition are determining if the transaction is an exchange or non-exchange transaction. With non-exchange transactions there is no or only nominal consideration in return. The obligating extent is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged. There is a contract which creates right and obligations. Performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied. Examples include fees and charges for services, sale of goods and services provided by the authority.

2.3 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an 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 which form an integral part of the Council’s cash management.

Cash Equivalents are generally defined as short-term, highly liquid investments that are readily convertible to cash. They are held for short term cash flow requirements rather than for investment gain and have an insignificant risk of a change in their value.

However, the Council uses these products for both short term cash flow requirements and investment gain purposes. The Council therefore defines only its accounts that are held for cash flow requirements as a cash equivalent used for short term cash flow requirements. The Council's annual Treasury Management Strategy sets out the type of investments that meet its security, liquidity and yield criteria.

2.4 Contingent Assets

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the Council, whose outcome is uncertain when the balance sheet is compiled.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.5 Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

2.6 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, honoraria 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 at the year-end because the difference between these and the wage and salary rates applicable in the following accounting year when the employee takes the benefit, will not be material. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits, and are charged on an accruals basis to the relevant service line in the Cost of Services section of the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of benefits or when the Council recognises costs for restructuring. When 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 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 Pension 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 any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on the iBoxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 2.6%.
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into the following components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
    - past services cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement;
    - net interest on the net defined benefit liability , i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Re-measurement comprising:
    - the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council's Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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 in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 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 able to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

<u>Discretionary Benefits</u>

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.

2.7 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.

2.8 Exceptional Items and Prior-Period Adjustments

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Where the Code specifies a change of accounting policy, it is usually applied retrospectively to the previous financial year, so that the comparative figures for the opening and closing balance sheets for that year will be changed, along with the other accounting statements and the notes to the accounting statements. A modified retrospective approach is sometimes permitted so that 1 April opening figures are adjusted and there is no requirement for a full restatement and third Balance Sheet.

Similar adjustments are made for any changes to accounting policies not directly specified by the Code, and to correct material errors in prior periods.

2.9 Financial Instruments

Financial Liabilities

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

For the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where loans are replaced through restructuring, there are distinct accounting treatments, as follows:

- *Modification* - Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
- *Substantially Different* - Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the

General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

- *Early repayment of loans* - The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Comprehensive Income and Expenditure Statement upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years. These provisions are affected in the Movement in Reserves Statement on the General Fund Balance, after debits and credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss

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

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

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of 5 years from 1/4/18) any unrealised gains or losses can be transferred via the Movement in Reserves Statement to a Pooled Investment Funds Adjustment Account in the Balance Sheet.

Any gains and losses that arise on de-recognition of the asset are debited or credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Generally, default does not occur later than when an asset is 90 days past due Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments.

Debtors where there is no contract are not classed as financial instruments and includes debtors for council tax, business rates and VAT. Creditors not classed as financial instruments includes creditors for council tax, business rates, VAT, HMRC and pension fund. The allowances for bad debts are based on incurred losses rather than expected credit losses.

Loans have been grouped into three types for assessing loss allowances:

- Group 1 – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis;
- Group 2 – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required;
- Group 3 - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the Balance Sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise. Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the General Fund balance and any gains or losses can be reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

2.10 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council external valuers takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

2.11 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line or taxation and non-specific grant income on the Comprehensive Income and Expenditure Statement.

Where Capital grants are credited to the Comprehensive Income and Expenditure Statement, 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. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund Capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds with appropriate planning consent. The Council charges for and collects the levy which is a planning charge. The income from the levy will be used to fund infrastructure projects to support the development of the district. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL income will be largely used to fund Capital expenditure but a small proportion will be used to fund revenue expenditure.

2.12 Property Plant and Equipment

Property plant and equipment consists of assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale).

Categories

- Council dwellings – council houses owned by the Council.
- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from Capital resources.
- Community assets – properties such as open spaces, which are used for the community as a whole, with no determinable market value in their present use, and unlikely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements, but which are not actively being marketed.
- Assets under construction – Capital expenditure on an asset before it is brought into use.

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred. Assets valued at less than £10,000 are not included on the balance for sheet, provided that the total excluded has no material impact.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Council dwellings – current value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – current value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – current value, for which depreciated historic cost is normally used as a proxy.
- Community Assets – depreciated at historic cost.
- Surplus assets - fair value, based on the highest and best use from a market participant’s perspective.
- Assets under construction – historic cost.

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

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

Impairment

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

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

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

Disposals and Non-Current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

Disposals for less than £10,000 are treated as revenue income within the Cost of Services in the Comprehensive Income and Expenditure Statement. In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. The income from these disposals cannot be used for debt reduction or Capital investment until it is actually received.

Depreciation

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

Depreciation is calculated on the following basis:

- Land – not subject to depreciation;
- Council dwellings – calculated on a component basis with life expectancies of between 15 and 60 years, as advised by the valuer;

- Buildings – straight-line allocation over the life of the property as estimated by the valuer;
- Vehicles, plant and equipment depreciated over the life of the type of asset, normally between 3 and 28 years;
- Community assets – not subject to depreciation;
- Surplus assets – not subject to depreciation;
- Assets under construction – not subject to depreciation.

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

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

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

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

Componentisation

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

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

2.13 Infrastructure Assets

Infrastructure assets are 'inalienable' assets, expenditure on which is only recoverable by continued use of the asset created, with no prospect of sale or alternative use. Examples include highways, bridges, coastal defences, water supply and drainage systems.

Lewes District Council is not the local highway authority under the Highways Act 1980 and this statutory duty is with East Sussex County Council. East Sussex County Council maintain the highways network infrastructure assets including carriageways, footways and cycle tracks, structures, street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

However, the Council still has infrastructure assets due mainly to its coast protection assets. In addition, there are some car parks, lay-bys, parking bays footpaths, estate roads and street lighting.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of infrastructure assets are assessed by the finance team using industry standards where applicable as follows:

Asset	Useful Life
Coast Protection	20 years
Car parks, parking bays, footpaths and estate roads	20 years
Street Lighting	15 years
Footpaths	12 years

Disposals and derecognition
When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, 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). The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Regulations
Under accounting regulations, that came into force from 25 December 2022, a new accounting practice allows the council to elect to treat any component of any infrastructure which are owned as having a value of nil when it is replaced and therefore there is no requirement to remove any amount from its balance sheet in respect of the disposal of that component. The regulations will apply to all financial years up to and including 2024/25. The council is not required to but has elected to apply this accounting treatment.

2.14 Heritage Assets

<u>Tangible heritage assets</u>

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

- land and buildings;
- civic regalia;
- works of art and museum exhibits.

Land and buildings comprises two properties: Market Tower built in the 18th century and Newhaven Fort built in the 19th century. These assets are recognised, measured, impaired and depreciated in accordance with the Council's accounting policies on Property, Plant and Equipment.

Civic regalia is a static collection comprising the Chair's chain of office and several smaller badges of civic office. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives, no depreciation is charged. Works of art and museum exhibits comprise artefacts held at Newhaven Fort and miscellaneous aesthetic items held at separate locations. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives, no depreciation is charged.

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

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

2.15 Investment Property

Investment properties are those assets that are held solely to earn rentals or for Capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support Council policy objectives fall under the category of property, plant and equipment (see Note 2.12) and not investment property.

Investment properties are initially measured at cost and subsequently at fair value being the price that would be received to sell such an asset in orderly transactions between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Cost of Services within the Comprehensive Income and Expenditure Statement However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.16 Intangible assets

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

The initial value of intangible assets is amortised to the Comprehensive Income and Expenditure Statement over the estimated period of their useful life. This is normally taken as a period of 1-7 years. The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but they are not proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

2.17 Leases

Definition of a Lease

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time. A finance lease is a lease that transfers substantially all of the risk and rewards incidental to ownership to the lessee. Any lease that does not come within this definition of a finance lease is accounted for as an operating lease.

The Council may also enter into an agreement which, while not itself a lease, nevertheless contains a right to use an asset in the same way as a lease. Such agreements are treated as either finance leases or operating leases as set out below.

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, the Council operates a de minimis level for low value assets and they are accounted for as operating leases.

The Council as Lessee

Finance Leases - Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and;

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases - Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to 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).

<u>The Council as Lessor</u>

Finance Leases - Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement 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), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases - 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

2.18 Overheads and Support Services

Support service costs are included within the Corporate Services directorate.

2.19 Provisions

The Council recognises provisions to represent liabilities of uncertain timings or amounts. Provisions in the balance sheet represent cases where:

- The Council has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

2.20 Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support Capital expenditure.
- Capital Grants and Contributions Unapplied Account: similarly the Council receives grants and contributions towards Capital expenditure, and, if there are no conditions preventing their use, these are also credited to the Comprehensive Income and Expenditure Statement and immediately transferred into the Capital Grants and Contributions Unapplied Reserve until required to finance Capital investment.

- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund or the Housing Revenue Account, and amounts are withdrawn as required to finance such expenditure. There are no restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- Housing Revenue Account: this is required to be maintained separately by legislation, to ensure that the provision of council housing is financed primarily from rental income and not from council tax.
- Major Repairs Reserve: this was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance can be used to finance Capital investment.
- 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:

- Collection Fund Adjustment Account: the net amount of the Council's share of council tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account and cannot be used until the following financial year.

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.
- Capital Adjustment Account: this receives credits when Capital is financed from revenue resources or other usable reserves and receives debits to offset depreciation and other charges relating to Capital which are not chargeable against the General Fund.
- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Deferred Capital Receipts Reserve: this holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new Capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

2.21 Revenue Expenditure Financed 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, has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, the cost of revenue expenditure funded from capital under statute is immediately charged to the revenue account for the appropriate service, and 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.

2.22 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 fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

2.23 Value Added Tax

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

2.24 Inventories and Long Term Contracts

Where the value is significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

2.25 Interests in Companies and Other Entities

Lewes Housing Investment Company Ltd is a wholly owned subsidiary of the Council. Aspiration Homes LLP is a limited liability Partnership owned equally by Eastbourne Borough Council and Lewes District Council. It was set up during 2017/18 for the purpose of developing housing.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

It is considered that the impact of these new standards on the Council's accounts will not be material.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Chief Finance Officer conducts an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities). Contingent liabilities have been estimated based on past experience and legal advice provided.
- The Council has reviewed its interests with external bodies as required by the Code and has concluded that it does not have any material interests in subsidiaries, associated companies or joint ventures that would require the production of Group Accounts in 2020/21.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment (PPE) - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if the Useful Economic Life of assets was to decrease by one year the annual depreciation charge would increase by £0.48m or 8.3%.

Land and buildings are revalued every five years but a revaluation review is carried out annually which provides an indexation to be applied to some assets. Indexation is applied to a class of assets but does not take into account any individual assets and therefore the net book value at year end for some assets may change when a new professional valuation is carried out.

PPE has increased by £28.5m to £346.37m at 31 March 2021. Within the increase there has been a significant change between the value of land and the value of buildings for council dwellings. Note 6 below provides further details.

Pensions Liability - Estimation of the net liability to pay pensions depends on 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 is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the real discount rate assumption would result in an increase in the pension liability of £1.39m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 5-6%, a 0.1% increase in the Salary Increase Rate would increase the pension liability by £7,000 and a 0.1% increase in the Pension Increase Rate would increase the pension liability by £1.39m.

The Virgin Media vs NTL Pension Trustees II Limited case has the potential to impact benefits due under defined benefit pension schemes. At present, the impact on the pension scheme and the Council's liabilities is not known and will be assessed as more information becomes available.

Arrears - At 31 March 2021, the Council had a total debtors balance (gross) of £24.1m (£16.2m at 31/3/20). A review of these balances indicates that an impairment of doubtful debts of £3.98m is appropriate (£2.86m at 31/3/20). Note 23 Financial Instruments provides further details on credit risk.

The Council had a balance of current and long term debtors (net) at 31 March 2021 of £22.3m.

Business Rates - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2021. There is a risk that future appeals will exceed the estimation. The appeals provision at 31 March 2021 was £0.33m. A 10% increase in the amount of provision is £33,000.

Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS)

As part of the COVID-19 response, the government announced a range of grant schemes to support businesses to be administered by local billing authorities e.g. the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and multiple Local Restrictions grants. Billing authorities are responsible for paying over the grants to the businesses and are then reimbursed by government using a grant under Section 31 of the Local Government Act 2003. Some of the schemes are fully reimbursed, others are a set allocation. The eligibility criteria for these schemes are set out in government guidance and billing authorities are required to use their business rates system to identify the properties that meet the eligibility criteria. However, these grants are not Collection Fund transactions. Billing authorities have used their judgement to assess whether they should be accounting for the S31 grants paid to them by BEIS and the distribution of the grants to eligible business, as either principal or agent transactions in accordance with CIPFA Code.

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

Business Support Grant Funding from Department for Business, Energy and Industrial Strategy (BEIS) – see paragraph above under section 5 above.

Collection Fund (timing difference) - during 2020/21, local authorities received section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the s31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This could lead to potentially misleading 2020/21 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. The appropriate action is to transfer the grant income to an earmarked reserve within the General Fund.

6.a EVENTS AFTER THE REPORTING PERIOD

The statement of accounts was authorised for issue by the Director of Finance and Performance (Chief Finance Officer – S151 Officer) on 10 December 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for any events, which took place after 31 March 2021, that would have provided information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

7. EXPENDITURE AND FUNDING ANALYSIS

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

2020/21	**As reported for Resource Management**	**Adjustments to arrive at the Net Amount chargeable to the General Fund and HRA**	**Net Expenditure Chargeable to the General Fund and HRA**	**Adjustments between the Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**	**£000**	**£000**
Corporate Services	4,773	(2,744)	2,029	1,020	3,049
Service Delivery	9,716	(1,110)	8,606	1,280	9,886
Regeneration and Planning	1,642	(427)	1,215	370	1,585
Tourism and Enterprise	602	-	602	509	1,111
Housing Revenue Account	(4,195)	(2,323)	(6,518)	1,052	(5,466)
Net Cost of Services	**12,538**	**(6,604)**	**5,934**	**4,231**	**10,165**
Other Income and Expenditure	(12,538)	(85)	(12,623)	(4,541)	(17,163)
Surplus on the Provision of Services	**-**	**(6,689)**	**(6,689)**	**(310)**	**(6,998)**
Opening General Fund and HRA Balances at 1 April			**(5,639)**		
Surplus on General Fund and HRA for year			(6,689)		
Transfer to Reserves			5,828		
Closing General Fund and HRA Balances at 31 March			**(6,500)**		

Lewes District Council

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2019/20	As reported for Resource Management	Adjustments to arrive at the Net Amount chargeable to the General Fund and HRA	Net Expenditure Chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**	**£000**
Corporate Services	3,658	(147)	3,511	38	3,549
Service Delivery	7,202	(38)	7,164	3,455	10,619
Regeneration and Planning	546	241	788	6,163	6,950
Tourism and Enterprise	591	1	592	1,059	1,651
Housing Revenue Account	(86)	(6,759)	(6,845)	6,724	(121)
Net Cost of Services	**11,911**	**(6,702)**	**5,209**	**17,439**	**22,648**
Other Income and Expenditure	(11,911)	5,787	(6,124)	1,988	(4,136)
(Surplus) or Deficit on the Provision of Services	**-**	**(915)**	**(915)**	**19,427**	**18,512**
Opening General Fund and HRA Balances at 1 April			**(4,388)**		
Surplus on General Fund and HRA for year			(915)		
Transfer from Reserves			(337)		
Closing General Fund and HRA Balances at 31 March			**(5,640)**		

Notes:

For a split between the balance on the General Fund and Housing Revenue Account see the Movement in Reserves Statement.

7a Note to the Expenditure and Funding Analysis

2019/20 Adjustment for Capital Purposes	2019/20 Net Changes for the Pensions Adjustments	2019/20 Other Differences	2019/20 Total Adjustments		2020/21 Adjustment for Capital Purposes	2020/21 Net Changes for the Pensions Adjustments	2020/21 Other Differences	2020/21 Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
511	(473)	-	38	Corporate Services	793	227	-	1,020
3,455	-	-	3,455	Service Delivery	1,280	-	-	1,280
6,163	-	-	6,163	Regeneration & Planning	370	-	-	370
1,059	-	-	1,059	Tourism and Enterprise	509	-	-	509
6,724	-	-	6,724	Housing Revenue Account	1,052	-	-	1,052
17,912	**(473)**	**-**	**17,439**	**COST OF SERVICES**	**4,004**	**227**	**-**	**4,231**
2,186	263	(461)	1,988	Other Income and Expenditure	(8,384)	458	3,386	(4,540)
20,098	**(210)**	**(461)**	**19,427**	**Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit**	**(4,380)**	**685**	**3,386**	**(309)**

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
  - **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure –** the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- **Net Change for the Pensions Adjustments** – Net change for the removal of pensions contributions and the addition of IAS 19 employee Benefits pension related expenditure and income.
  - **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
  - **For Financing and Investment income and expenditure** – the net interest on defined benefit liability is charged to the CIES.

- **Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- **The charge under Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 7b - Analysis of Income and Expenditure by Nature

2019/20 £000		2020/21 £000
	Expenditure	
15,596	Employees benefits expenses (Note 1)	16,857
51,276	Other service expenses	44,309
18,363	Depreciation, amortisation, impairment losses and reversals (Note 2)	6,867
2,041	Interest payments	1,896
12,397	Precepts and levies (including Non Domestic Rates)	12,003
303	Payments to the Housing Capital Receipts Pool	495
10,374	Loss on the disposal of assets	3,692
110,350	**Total expenditure**	**86,119**
	Income	
(27,650)	Fees, charges and other service income	(26,531)
(368)	Interest and investment income	(345)
(23,332)	Income from Council Tax and Non-Domestic Rates	(19,162)
(38,973)	Government Grants and Contributions	(43,386)
(1,515)	Gain on the disposal of assets	(3,693)
(91,838)	**Total income**	**(93,117)**
18,512	**Deficit on the Provision of Services**	**(6,998)**

Note

1. Employee benefits expenses includes the cost of staff provided through the shared service arrangement with Eastbourne Borough Council;
2. The total includes £8.379m of impairment losses in 2019/20 of which £1.783m related to the HRA.

Note 7c – Fees, Charges & Other Service income by Operating Segment

2019/20 £000		2020/21 £000
(2,125)	Corporate Services	(1,706)
(5,688)	Service Delivery	(4,886)
(3,210)	Regeneration and Planning	(2,777)
(182)	Tourism and Enterprise	(49)
(15,908)	Housing Revenue Account	(16,556)
(537)	Trading Accounts and Investment Properties	(557)
(27,650)	**Total Fees, Charges & Other Service Income**	**(26,531)**

Note

Income recognition is under IFRS 15 – Revenue from Contracts with Customers. Material volumes of income shown as Fees, charges and other service income above that relate to contracts with service recipients are mainly in respect of HRA Housing Rents £15.1m (£14.6m 2019/20) and under Service Delivery, Parking Charges £0.5m (£0.9m), Planning & Building Control Fees £0.7m (£1.0m) and Waste Collection £1m (£1.1m). The performance obligations relating to these items are fulfilled when the payment is made and therefore there are no performance obligations unsatisfied at the Balance Sheet date.

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future Capital and revenue expenditure.

2020/21	**General Fund**	**HRA Balance**	**Major Repairs Reserve**	**Capital Receipts**	**Capital Grants & Contributions Unapplied**
	£000	**£000**	**£000**	**£000**	**£000**
ADJUSTMENT TO THE REVENUE RESOURCES					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
• Pensions costs (transferred to/from the Pensions Reserve	(685)	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	(3,371)	-	-	-	-
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	-	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):					
- Charges for depreciation and credits for impairment reversals of non-current assets	(1,725)	(1,387)	-	-	-
- Movements in the fair value of investment properties	(1,083)	-	-	-	-
- Amortisation of intangible assets	(591)	(3)	-	-	-
- Revenue expenditure funded from capital under statute	(2,079)	-	-	-	-
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(31)	(3,661)	-	-	-
- Expected Credit Loss	(14)	-	-	-	-
- Capital Grants and Contributions Received	6,418	-	-	-	(6,418)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(3,161)**	**(5,051)**	**-**	**-**	**(6,418)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7	3,692	-	(3,699)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(495)	-	-	495	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,992	(3,992)	-	-

2020/21	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied
	£000	£000	£000	£000	£000
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	453	-		-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	729	149	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**694**	**7,833**	**(3,992)**	**(3,204)**	**-**
ADJUSTMENTS TO CAPITAL RESOURCES					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	2,532	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	2,907	-	-
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	2,672
Cash payments in relation to deferred capital receipts	-	(5)	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**(5)**	**2,907**	**2,532**	**2,672**
Total Adjustments 2020/21	**(2,467)**	**2,777**	**(1,085)**	**(672)**	**(3,746)**

2019/20	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied
	£000	£000	£000	£000	£000
ADJUSTMENT TO THE REVENUE RESOURCES					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
• Pensions costs (transferred to/from the Pensions Reserve	210	-	-	-	-
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	462	-	-	-	-
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	39	-	-	-	-
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):					
- Charges for depreciation and credits for impairment reversals of non-current assets	(9,381)	(6,827)	-	-	-

2019/20	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied
	£000	£000	£000	£000	£000
- Movements in the fair value of investment properties	(95)		-	-	-
- Amortisation of intangible assets	(359)	(3)	-	-	-
- Revenue expenditure funded from capital under statute	(3,468)	(39)	-	-	-
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(5,473)	(4,901)	-	-	-
- Donated Assets Received	11	-	-	-	-
- Capital Grants and Contributions Received	2,464	166	-	-	(2,630)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(15,590)**	**(11,604)**	**-**	**-**	**(2,630)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	1,536		(1,536)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(303)	-	-	303	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	5,046	(5,046)	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	292	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,217	-	-	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**1,206**	**6,582**	**(5,046)**	**(1,233)**	**-**
ADJUSTMENTS TO CAPITAL RESOURCES					
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	1,683	-
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,996	-	-
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	3,616
Cash payments in relation to deferred capital receipts	-	(21)	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**(21)**	**3,996**	**1,683**	**3,616**
Total Adjustments 2019/20	**(14,384)**	**(5,043)**	**(1,050)**	**450**	**986**

9. AUDIT FEES

The Council incurred the following fees relating to statutory external audit and inspection, together with other payments to the auditors:

2019/20 £000		2020/21 £000
7	Fees payable for the certification of grant claims and returns for the year	37
43	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	36
50	**Total**	**73**

10. MEMBERS' ALLOWANCES

Allowances and expenses paid during the year amounted to:

2019/20 £000		2020/21 £000
226	Members' Allowances	223
4	Expenses	-
230	**Total**	**223**

11. OFFICERS' REMUNERATION

Lewes District Council (LDC) shares a Corporate Management Team of senior officers with Eastbourne Borough Council (EBC). LDC continues to directly employ one senior management officer – the Assistant Director of Legal and Democratic Services. All other senior management officers are directly employed by EBC.

Senior Management Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Loss of office £	Pension Contribution £	Total £
Shared Chief Executive	2020/21	145,004	2,660	-	30,016	**177,680**
	2019/20	141,123	2,660	-	24,970	**168,753**
Deputy Chief Executive/ Director of Regeneration & Planning	2020/21	118,163	2,130	-	24,840	**145,133**
	2019/20	122,138	2,130	-	21,933	**146,201**
Chief Finance Officer	2020/21	91,775	-	-	18,952	**110,727**
	2019/20	89,318	-	-	15,765	**105,083**
Director of Service Delivery	2020/21	87,456	-	-	18,060	**105,516**
	2019/20	84,590	-	-	14,930	**99,520**
Director of Tourism and Enterprise	2020/21	98,253	-	-	20,289	**118,542**
	2019/20	95,098	-	-	16,785	**111,883**
Assistant Director of HR and Transformation	2020/21	91,775	-	-	18,952	**110,727**
	2019/20	87,992	-	-	15,531	**103,523**
Assistant Director of Corporate Governance	2020/21	45,496	2,803	10,871	9,395	**68,565**
	2019/20	78,547	-	-	13,864	**92,411**
Assistant Director of Legal and Democratic Services	2020/21	68,471	-	12,320	12,813	**93,604**
	2019/20	89,318	-	-	16,077	**105,395**

Notes:

- The Assistant Director of Corporate Governance left employment on 23/10/20;
- The Assistant Director of Legal and Democratic Services left employment on 23/10/20.

Senior Management costs are apportioned to Lewes District Council as follows:

	Lewes District Council
Shared Chief Executive	50%
Deputy Chief Executive	40%
Chief Finance Officer	40%
Director of Service Delivery	50%
Director of Tourism and Enterprise	20%
Assistant Director of Corporate Governance	10%

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

Remuneration Bands

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

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

Number of Employees per Remuneration Band	2019/20	2020/21
£50,000 - £54,999	21	21
£55,000 - £59,999	14	14
£60,000 - £64,999	6	9
£65,000 - £69,999	1	8
£70,000 - £74,999	1	1
£80,000 - £84,999	1	-
£90,000 - £94,499	-	2
£95,000 - £99,999	-	1
Total	**44**	**56**

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

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Cost of exit packages in each band £	
Exit package cost band (including special payments	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	2	22	9	44	11	66	97,538	537,711
£20,001 - £40,000	-	4	1	19	1	23	34,442	641,404
£40,001 - £60,000	-	-	-	2	-	2	-	90,604
£60,001 - £80,000	-	-	-	1	-	1	-	62,018

£80,001 - £100,000	-	-	-	1	-	1	-	87,792
Total	**2**	**26**	**10**	**67**	**12**	**93**	**131,980**	**1,419,529**

12. RELATED PARTIES

12.1 Definition

The term 'related party' covers relationships between the Council and body or individual where one of the parties has the potential to control or influence the Council or be controlled or influenced by the Council.

12.2 Central Government

Central Government provides much of the Council's funding and determines its statutory framework. Details of transactions are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and Notes 15 (grants and contributions), 24 (debtors) and 25 (creditors).

12.3 East Sussex Pension Scheme

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

12.4 Eastbourne Borough Council (EBC)

The Council is engaging in a Joint Transformation Programme (JTP) with EBC under which staff and services are being integrated. EBC now employs all of CMT and the majority of LDC staff who were TUPE'd to EBC during 2017/18 and costs are recharged to the Council. Staff within Legal services remain employees of the Council and services are provided to both Councils and costs recharged. In 2020/21 this amount was £382,783 (£370,614 2019/20).

12.5 Saxon House

Alongside the East Sussex Fire Authority (ESFA) and Sussex Police, the Council are a partner in the setting up of a shared facility in Newhaven which opened in January 2016. The Council has a lease to use a portion of the building for which it paid ESFA a service charge of £32,882 in 2020/21 (£34,648 in 2019/20).

12.6 Wave Leisure Trust

Wave Leisure Trust Limited, is a charitable company and limited by guarantee. It was established in 2006 to operate the Council's indoor leisure facilities. The company also operates the Council's Newhaven Fort historic visitor attraction and with the Council is working on a project to improve the facility, supported by grant from the Heritage Lottery Fund. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2020/21 the Council paid Wave Leisure service fees of £104,204 (£204,204 in 2019/20). From April 2017, the Council has provided a guarantee to a leasing company with which Wave Leisure has entered into various fixed term equipment hire agreements, to be triggered in the event that Wave Leisure defaults on its obligations. The guarantee is up to a maximum of £500,000 across four agreements. A Step-In agreement gives the Council an indemnity in the event that it has to meet its obligations under the guarantee.

12.7 Lewes Housing Investment Company Limited

Lewes Housing Investment Company Limited (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC has been set up to acquire, improve and let residential property at market rents. The capital programme includes a potential commercial loan funding to LHIC to facilitate property purchases although none of this facility was drawn down in 2020/21. No other payments were made to, or monies received from, LHIC during 2020/21 and no amounts were owing to, or owed by, LHIC at the end of the year. Dormant accounts were filed by the company for the year ending 31 March 2021. Group accounts are not required as the amounts are not considered material.

12.8 Aspiration Homes

Aspiration Homes LLP is a limited liability partnership owned equally by Eastbourne BC and Lewes DC. Incorporated in June 2017, it has been set up for the purpose of developing housing to be let at affordable rent. The capital programme includes a potential commercial loan funding to facilitate property purchases. The total drawn down at 31 March 2021 was £912,910 but no new loans were drawn down in the year (see Note 24). A Working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above base rate and £20,000 has been drawn down at 31 March 2021. Group accounts have not been prepared for 2020/21. The Council has provided funding towards one site in Lewes (and no joint sites) but this is not considered to be material for group accounts.

12.9 Members and Officers

Members of the Council (41 district councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 10. Five Members are also members of East Sussex County Council.

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

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

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

13. LEASING

Operating leases – Council acting as lessor

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

2019/20 Minimum Lease Income £000		**2020/21 Minimum Lease Income £000**
1,531	Within one year	1,532
4,684	Between two and five years	4,060
28,775	Later than five years	28,293
34,990	**Total**	**33,885**

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

14. OBLIGATIONS UNDER LONG TERM LEASES

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

15. GRANTS AND CONTRIBUTIONS RECEIVABLE

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement.

2019/20		2020/21
£000		**£000**
	Grants and contributions within Cost of Services	
(30,386)	DWP Benefit grants	(27,534)
(2,883)	Other grants and contributions	(1,679)
(33,269)	**Total within Cost of Services**	**(29,213)**
	Grants and contributions within Taxation and non-specific grant income	
(2,153)	Section 31 Business Rates	(6,731)
(457)	New Homes Bonus	(439)
(101)	Localising Council Tax Support	(117)
(250)	Housing Benefit Administration	(277)
(2,641)	Grants and contributions towards capital expenditure	(6,418)
(102)	Other grants and contributions	(777)
(5,704)	**Total within Taxation and non-specific grant income**	**(14,759)**
(38,973)	**Total**	**(43,972)**

Notes

Other Grants and Contributions excludes Covid-19 Grant income of £35.65m where the Council is acting as an intermediary agent for the government, rather than on its own behalf, for amounts paid over directly to businesses.

Additional section 31 grant was received from government in 2020/21 to compensate for the loss of business rate income arising from additional Covid-19 reliefs provided to businesses.

2019/20	Capital Grants and Contributions – Receipts in Advance	2020/21
£000		**£000**
(2,055)	Section 106 agreements	(1,952)

Notes

The Council has received a number of grants and contributions under section 106 planning agreements that have yet to be recognised as income. This is because the grants and contributions have conditions attached to them that will require the monies to be returned to the donor if the Council does not satisfy those conditions. It is the Council’s intention to satisfy the conditions so that no monies are returned.

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

16. TRANSFER TO/ FROM EARMARKED RESERVES

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

Earmarked Reserve	Balance 31/3/19	Transfers In 2019/20	Transfers Out 2019/20	Balance 31/3/20	Transfers In 2020/21	Transfers Out 2020/21	Balance 31/3/21
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Asset Management	(2,716)	-	516	(2,200)	-	613	(1,587)
Economic Regeneration	(1,124)	(1,491)	535	(2,080)	(1,113)	361	(2,832)
Managing Economic Downturn	-	(296)	-	(296)	-	296	-
Revenue Grants and Contributions	(468)	(35)	-	(503)	(536)	-	(1,039)
Strategic Change	(1,969)	(26)	730	(1,265)	-	357	(908)
Vehicle & Equipment Replacement	(1,132)	-	381	(751)	-	191	(560)
Business Rates Equalisation	-	-	-	-	(861)	-	(861)
Income Protection	-	-	-	-	(125)	-	(125)
Capital Financing Support	-	-	-	-	(500)	-	(500)
Community Grants	-	-	-	-	(105)	-	(105)
Flats	(189)	-	23	(166)	(19)	46	(139)
Total	**(7,598)**	**(1,848)**	**2,185**	**(7,261)**	**(3,259)**	**1,864**	**(8,656)**
S31 Grant Business Rates	-	-	-	-	(4,433)	-	(4,433)
Total Earmarked Reserves	**(7,598)**	**(1,848)**	**2,185**	**(7,261)**	**(7,692)**	**1,864**	**(13,089)**

The purpose of each reserve is set out below:

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

Economic Regeneration - support growth of local business and enterprise including the Newhaven Enterprise Zone.

Managing Economic Downturn – manage fluctuations in the economy.

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

Strategic Change - support the Council's Joint Transformation Programme of integration and shared services and its other programmes of change.

Vehicle and Equipment Replacement - support the replacement of vehicles and equipment.

Business Rates Equalisation - to mitigate the risk of appeals.

Income Protection – provide resilience against future income losses.

Capital Financing Support – mitigate against future fluctuations in financing costs.

Community Grants – grant funding to voluntary and community organisations.

Flats – maintenance reserve for sold flats.

S31 Grant Business Rates - during 2020/21, local authorities received section 31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the s31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year. This could lead to potentially misleading 2020/21 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. The appropriate action is to transfer the grant income to an earmarked reserve within the General Fund.

17. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The Capital Financing Requirement represents the Council's net need to borrow to finance its Capital investment, made up of all funding of Capital from loans in previous years, less amounts set aside each year for the redemption of debt.

2019/20 £000		2020/21 £000
81,745	**Opening Capital Financing Requirement**	**84,761**
	Capital Investment	
8,874	Property, Plant and Equipment	11,138
504	Infrastructure, Heritage, Investment and Intangible Assets	356
3,508	Revenue expenditure financed from capital under statute	2,078
933	Loans and Advances	505
13,819	**Total Capital Investment**	**14,077**
	Sources of finance	
(1,682)	Capital receipts	(2,532)
(3,616)	Grants and contributions	(2,672)
(3,996)	Major repairs reserve	(2,908)
(1,217)	Revenue contribution to capital	(878)
(292)	Revenue provision for repayment of debt	(453)
(10,803)	**Total Sources of finance**	**(9,443)**
3,016	**Movement in the Year**	**4,634**
84,761	**Closing Capital Financing Requirement**	**89,395**
	Explanation of movements in year	
3,129	Increase in underlying need to borrowing (unsupported by government financial assistance)	4,634
(113)	Decrease in lease liability	-
3,016	**Increase in Capital Financing Requirement**	**4,634**

18. PROPERTY PLANT AND EQUIPMENT

18.1 Movements in 2020/21

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Properties £000	Total £000
Cost or Valuation at 1 April 2020	**242,537**	**54,942**	**16,451**	**1,657**	**5,837**	**2,066**	**323,490**
Additions	3,235	185	471	1	7,088	156	**11,136**
Revaluations recognised in the Revaluation Reserve	18,959	1,164	-	-	-	455	**20,578**
Revaluations recognised in the Surplus or Deficit on Provision of Services	2,641	139	-	-	-	(152)	**2,628**
De-recognition & Disposals	(3,650)	(46)	(11)	-	(16)	-	**(3,723)**
Transfers	7,680	(366)	-	-	(6,630)	(1,274)	**(590)**
At 31 March 2021	**271,402**	**56,018**	**16,911**	**1,658**	**6,279**	**1,251**	**353,519**
At 1 April 2020	-	(54)	(5,569)	-	-	-	**(5,623)**
Depreciation Charge for the year	(3,602)	(452)	(1,321)	-	-	-	**(5,375)**
Depreciation written out on revaluation	3,593	218	-	-	-	-	**3,811**
De-recognition & Disposals	9	26	3	-	-	-	**38**
At 31 March 2021	**-**	**(262)**	**(6,887)**	**-**	**-**	**-**	**(7,149)**
Net Book Value							
At 31 March 2021	**271,402**	**55,756**	**10,024**	**1,658**	**6,279**	**1,251**	**346,370**
At 31 March 2020	**242,537**	**54,888**	**10,882**	**1,657**	**5,837**	**2,066**	**317,867**

Movements in 2019/20

The table below shows the movements in the various categories during the previous year:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets under Construction £000	Surplus Properties £000	Total £000
Cost or Valuation at 1 April 2019	**231,960**	**56,206**	**16,061**	**1,612**	**3,240**	**7,596**	**316,675**
Additions	3,810	296	786	45	3,913	24	**8,874**
Revaluations recognised in the Revaluation Reserve	17,833	4,640	1,763	44	-	(1,122)	**23,158**
Revaluations recognised in the Surplus or Deficit on Provision of Services	(8,908)	(3,362)	(13)	(44)	-	(1,205)	**(13,532)**
De-recognition & Disposals	(4,526)	(2,846)	(1,400)	-	(3)	(2,880)	**(11,655)**
Transfers	2,368	8	(746)	-	(1,313)	(347)	**(30)**
At 31 March 2020	**242,537**	**54,942**	**16,451**	**1,657**	**5,837**	**2,066**	**323,490**
At 1 April 2019	**-**	**(34)**	**(5,627)**	**-**	**-**	**-**	**(5,661)**
Depreciation Charge for the year	(4,378)	(1,817)	(1,454)	-		-	**(7,649)**
Depreciation written out on revaluation	4,365	1,364	678	-		-	**6,407**
De-recognition & Disposals	13	433	834	-		-	**1,280**
At 31 March 2020	**-**	**(54)**	**(5,569)**	**-**		**-**	**(5,623)**
Net Book Value							
At 31 March 2020	**242,537**	**54,888**	**10,882**	**1,657**	**5,837**	**2,065**	**317,867**
At 31 March 2019	**231,960**	**56,206**	**16,061**	**1,612**	**3,240**	**7,596**	**316,675**

18.2 Infrastructure Assets

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

	2020/21 £000		2019/20 £000
Cost or Valuation at 1 April 2020	**11,721**	**Cost or Valuation at 1 April 2019**	**11,540**
Additions	85	Additions	181
At 31 March 2021	**11,806**	**At 31 March 2020**	**11,721**
Accumulated Depreciation and Impairment		**Accumulated Depreciation and Impairment**	
At 1 April 2020	**(10,533)**	**At 1 April 2019**	**(10,345)**
Depreciation Charge	(199)	Depreciation Charge	(188)
At 31 March 2021	**(10,732)**	**At 31 March 2020**	**(10,533)**
Net Book Value		**Net Book Value**	
31 March 2021	1,074	31 March 2020	1,188
31 March 2020	1,188	31 March 2019	1,195

18.3 Valuation of Property

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

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

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

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

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

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

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

	Council Dwellings £000	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Community Assets £000**	**Assets Under Construction £000**	**Surplus Properties £000**	**Total £000**
Carried at Historical Cost	**-**	**-**	**12,388**	**1,657**	**5,837**	**-**	**19,882**
Values at fair value in:							
31 March 2021	271,402	56,018	4,523	1	442	1,251	**333,637**
31 March 2017 – 31 March 2020	-						
Gross Cost or Valuation	**271,402**	**56,018**	**16,911**	**1,658**	**6,279**	**1,251**	**353,519**

The valuations are not reported as subject to 'material valuation uncertainty' as defined by RICS Valuation Global Standards. The exception is retail and specific assets/sectors such as car parks which continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base judgements.

18.4 Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £3.72m (£0.96m as at 31 March 2020) as detailed in the table below.

£000

HRA dwellings	3,051
Other commitments	673
Total	**3,724**

18.5 Fair Value Hierarchy

As at 31 March 2021, there are six properties classed as surplus, no change from the previous year. No properties were reclassified as held for sale. The fair value hierarchy of surplus assets at 31 March are as follows:

	Quoted prices in active markets for identical assets (Level 1)	**Other significant observable inputs (Level 2)**	**Other significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**	**£000**
Surplus Assets NBV 31 March 2021	-	1,251	-	**1,251**
Surplus Assets NBV 31 March 2020	-	2,066	-	**2,066**

The surplus assets are measured at Level 2 in the fair value hierarchy as the measurement technique uses significant observable inputs to measure the fair value. The fair value has been derived on a comparable basis for income producing assets or residential properties (using rent yield or capital value per square metre) or derived through an assessment of prevailing land values for unconsented sites or a residual land appraisal. For assets offering development potential (alternative use) the valuation is based on the highest value that has a reasonable prospect of securing an appropriate planning consent. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions. Highest and best use is determined only from the perspective of market participants, even if the Council intends a different use. Alternative uses of those assets are considered if there are alternative uses that would maximise their fair value. However, the Council is not required to perform an exhaustive search for other potential uses of the assets if there is no evidence to suggest that the current use of an asset is not its highest and best use.

19. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

	Works of Art (Note 1)	**Regalia**	**Museum Exhibits**	**Land & Buildings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019	**289**	**23**	**453**	**2,018**	**2,783**
Additions	10	-	-	-	**10**
Revaluations (Note 2)	10	-	-	6,653	**6,663**
Depreciation	-	-	-	(53)	**(53)**
Balance at 31 March 2020	**309**	**23**	**453**	**8,618**	**9,403**
Additions	-	-	-	51	**51**
Revaluations	-	-	-	10	**10**
Depreciation	-	-	-	(166)	**(166)**
Balance at 31 March 2021	**309**	**23**	**453**	**8,513**	**9,298**

Notes

1. Works of Art include paintings, sculptures and antiques. There are no transactions that are not recognised in the Balance Sheet and no assets were acquired by donation during the year.

2. The increase in Land & Buildings in 2019/20 is due to the revaluation of Newhaven Fort.

Acquisitions Policy

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

Disposals Policy

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

20. INVESTMENT PROPERTIES

In 2020/21 the Council received £0.349m (£0.344m in 2019/20) as rental income from investment properties. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2019/20 £000		**2020/21 £000**
11,654	**Balance at 1 April**	**11,550**
13	Additions	17
(117)	Net gains / (losses) from fair value adjustments	(1,083)
-	Disposals & Derecognition	-
-	Transfers	590
11,550	**Balance at 31 March**	**11,074**

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 2.10 Accounting Policy for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

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

Highest and Best Use

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2021 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

21 INTANGIBLE ASSETS

The Council accounts for its software as Intangible Assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets also cover the initial purchased licences on implementation. All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software used by the Council range between one and seven years.

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

2019/20 Net Book Value		**2020/21 Gross Cost**	**Amortisation**	**Net Book Value**
£000		**£000**	**£000**	**£000**
1,782	**Balance 1 April**	2,550	(778)	**1,772**
	Written down to services			
(344)	Corporate Services	-	(571)	**(571)**
(5)	Service Delivery	-	(10)	**(10)**
(10)	Regeneration and Planning	-	(10)	**(10)**
(3)	Housing Revenue Account	-	(3)	**(3)**
(362)	**Total**	**-**	**(594)**	**(594)**
322	Added during year	205	-	**205**
30	Transfers	-	-	**-**
-	Written out on completion of expected life	(19)	12	**(7)**
(10)	**Net transactions during the year**	**186**	**(582)**	**(396)**
1,772	**Balance at 31 March**	**2,736**	**(1,360)**	**1,376**

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

	Carrying Amount		**Remaining Amortisation (years)**
	31 March 2020 £000	**31 March 2021 £000**	
Joint Transformation Programme	1,453	1,207	5 - 7

Note

The Joint Transformation Programme is the implementation of a shared service strategy to integrate services between Lewes District Council and Eastbourne Borough Council. This includes implementing a common approach to information and communications technology with new and replaced systems and integrating and updating core infrastructure.

22. FINANCIAL INSTRUMENTS

The Council has adopted new classifications for financial assets with effect from 1 April 2018, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK, IFRS 9 – Financial Instruments. Financial assets previously classified as Loans and Receivables are now classed as Amortised Cost with the exception of money market funds which have been classed as Fair Value through Profit or Loss. The Council had no assets previously classified as Available for Sale.

22.1 Categories of Financial Instruments - the following categories of financial instruments are carried in the Balance Sheet

	Long-term		Current	
	31 March 2020 £000	**31 March 2021 £000**	**31 March 2020 £000**	**31 March 2021 £000**
Financial Assets				
Fair Value through Profit and Loss				
Investments	-	-	2,500	1
Amortised Cost				
Debtors	1,649	2,143	7,718	10,004
Investments & Cash Equivalents	-	-	9,699	15,642
Total Financial Assets	**1,649**	**2,143**	**19,917**	**25,647**
Non Financial Assets	-	-	5,630	10,123
Total	**1,649**	**2,143**	**25,547**	**35,770**
Financial Liabilities				
Fair Value through Profit and Loss	-	-	-	-
Amortised Cost				
Creditors	(254)	(73)	(10,873)	(19,268)
Borrowings	(56,673)	(51,673)	(255)	(5,254)
Total Financial Liabilities	**(56,927)**	**(51,746)**	**(11,128)**	**(24,522)**
Non Financial Liabilities	(2,055)	(1,952)	(6,083)	(4,266)
Total	**(58,982)**	**(53,698)**	**(17,211)**	**(28,788)**

22.2 Financial Instruments Designated at Fair Value through Profit or Loss

The financial assets designated at fair value through profit or loss include £0.01m of funds invested with low volatility money market funds (LVNAV) at 31/3/21 (£2.5m at 31/3/20). There were no financial liabilities designated at fair value through profit or loss.

22.3 Income, expense, gains and losses

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

	2019/20		2020/21	
	Surplus or Deficit on Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Net (gains) / losses on:				
Financial assets measured at FVPL	(19)	-	(19)	-
Financial liabilities measured at FVPL	-	-	-	-
Interest revenue:				
Financial assets measured at amortised cost	(349)	-	(326)	-
Interest expense:				

Financial liabilities measured at amortised cost	2,040	-	1,896	-

22.4 Fair Value

The basis for recurring fair value measurements is:

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

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/20 £000	As at 31/3/21 £000
Fair Value through profit or loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	2,500	1

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

22.5 Fair Values of Financial Assets and Financial Liabilities that are not measured at fair value [but for which fair value disclosures are required]

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, under debt redemption procedures, prevailing market rates have been applied to provide the fair value;
- For non-PWLB loans payable, under debt redemption procedures, prevailing market rates have been applied to provide the fair value;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£000	£000	£000	£000
Financial Liabilities at amortised cost	(56,673)	(66,289)	(51,673)	(60,958)
Long Term Creditors	(254)	(254)	(73)	(73)
Total Long Term	**(56,927)**	**(66,543)**	**(51,746)**	**(61,031)**
Short Term Borrowing and Creditors	(11,128)	(11,128)	(24,522)	(24,522)
Total Short & Long Term	**(68,055)**	**(77,671)**	**(76,268)**	**(85,553)**

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2021, arising from a commitment to pay interest to lenders above current market rates.

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	**£000**	**£000**	**£000**	**£000**
Financial Assets at amortised cost	-	-	-	-
Long Term Debtors	1,649	1,649	2,143	2,143
Total Long Term	**1,649**	**1,649**	**2,143**	**2,143**
Short Term Investments and Debtors	17,417	17,417	25,646	25,646
Total Short & Long Term	**19,066**	**19,066**	**27,789**	**27,789**

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

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

	31 March 2021			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Liabilities				
Financial Liabilities at amortised cost	-	(60,958)	-	(60,958)
Long Term Creditors	-	(73)	-	(73)
Total Long Term	**-**	**(61,031)**	**-**	**(61,031)**
Financial Assets				
Financial Assets at amortised cost	-	2,143	-	2,143
Long Term Debtors	-	-	-	-
Total Long Term	**-**	**2,143**	**-**	**2,143**

	31 March 2020			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Liabilities				
Financial Liabilities at amortised cost	-	(66,289)	-	(66,289)
Long Term Creditors	-	(254)	-	(254)
Total Long Term	**-**	**(66,543)**	**-**	**(66,543)**
Financial Assets				
Financial Assets at amortised cost	-	-	1,649	1,649
Long Term Debtors	-	-	-	-
Total Long Term	**-**	**-**	**1,649**	**1,649**

The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate. The assessment is made by calculating the present value of the cash flows that will take place over the remaining term of the instruments. For financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

23. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations, standing orders and constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its management of interest rate exposure;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24 February 2020 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £132m. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £122m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt (see Refinancing and Maturity table below).

Risk management is carried out by a treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority’s customers. This risk is minimised through the Annual Investment Strategy, which is available on the authority’s website. There are continuing financial risks of COVID-19 due to the uncertainty surrounding its impact on residents and Council Tax collection rates, the slowdown in house building and the reduction in the council tax base and income and on businesses and business rates collection rates.

Credit Risk Management Practices

The Council’s credit risk management practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody’s and Standard & Poor’s Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Council are detailed below.

The Council uses the creditworthiness service provided by Arlingclose. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody’s and Standard and Poor’s, forming the core element.

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2020/21 was approved by Full Council on 24 February 2020 and is available on the Council’s website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council’s maximum exposure to credit risk in relation to its investments in financial institutions of £16m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses (ECL)

The changes in loss allowance during the year are as follows:

	12 Month ECL	**Lifetime ECL**	**Lifetime ECL – Simplified Approach**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance 1 April 2020	-	-	**(2,438)**	**(2,438)**
Change in credit loss	(14)	-	(986)	(1,000)
Closing balance at 31 March 2021	**(14)**	**-**	**(3,424)**	**(3,438)**

12 Month ECL includes treasury investments but there is no ECL as the investments are either call accounts or local authority investments which are exempt. Lifetime ECL includes third party loans, but the only loan is £0.93m to Aspiration Homes (£0.93m at 31/3/20) a subsidiary of the Council. Lifetime ECL simplified includes debtor system invoices and other debtor accruals including council house rents.

Council tax and business rates are non financial assets and the provision for bad debts is calculated separately and based on incurred losses.

The table below summarises the credit risk exposures of the Council's investment portfolio at 31 March 2021 by the type of counterparty:

Credit Rating	31 March 2019 £000	31 March 2020 £000
Banks, Building Societies & Corporates		
AAA	-	-
AA	-	-
A	9,699	10,642
Money Market Funds - AAA	2,500	1
Local Authorities - unrated	-	5,000
Total	**12,199**	**15,643**

Collateral – During the reporting period the Council held no collateral as security.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2020 £000	31 March 2021 £000
Less than one year	19,917	26,647
Between five and ten years	1,649	2,129
Total	**21,566**	**28,776**

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing;
- rescheduling of the existing debt;
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments (when applicable) provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Minimum Limit %	Approved Maximum Limit %	31 March 2020 £000	31 March 2021 £000
Less than one year	0%	25%	(11,128)	(24,522)
Between one and two years	0%	40%	(5,254)	(73)
Between two and five years	0%	60%	(10,000)	(10,000)
Between five and ten years	0%	70%	(10,000)	(10,000)
More than ten years	0%	90%	(31,673)	(31,673)
Total			**(68,055)**	**(76,268)**

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest rate on variable rate borrowings	-
Increase in interest rate on variable rate investments	156
Total impact on Comprehensive Income and Expenditure	**156**

All borrowings are at fixed rates with no variable rates.

Price risk

The Council is not exposed to significant price risk given the nature of its financial assets.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

24. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2020 £000		31 March 2021 £000
	Financial Assets	
1,324	Trade Receivables	1,349
6,394	Other Receivables (Note 1)	8,654
7,718	**Total**	**10,003**
	Non Financial Assets	
185	Prepayments	277
3,537	Debtors for Local Taxation (Notes 2 and 3)	9,576
1,908	Other Receivables	271
5,630	**Total**	**10,124**
13,348	**Total**	**20,127**

Note

1. Other Receivables includes a provision for losses at 31 March 2021 of £3.977m (£2.438m at 31 March 2020).

2. Debtors for Local Taxation has increased due to the Business Rates deficit on the Collection Fund (see page 91) of £8.5m in 2020/21 (£1.5m surplus 2019/20) arising from additional Covid-19 reliefs of which 60% is recovered from central government and preceptors.

3. Debtors for Local Taxation includes a provision for losses at 31 March 2021 of £0.552m (£0.419m at 31 March 2020).

The past due but not impaired amount for local taxation (LDC share of council tax and non-domestic rates) arrears at 31 March 2021 was £2.087m (£1.554m at 31 March 2020).

Long-term debtors outstanding as at 31 March are:

31 March 2020 £000		31 March 2021 £000
1,649	Other Receivable Amounts	2,129
1,649	**Total**	**2,129**

Note

Long Term Debtors at 31 March 2021 includes £0.706m (£0.716m at 31 March 2020) relating to council dwelling sales and £933,000 (£0.933m at 31 March 2020) of capital loans to Aspiration Homes and other loans £0.504m (£nil at 31 March 2020) and an expected credit loss credit of £0.014m.

25. CREDITORS

Short term creditors as at 31 March are:

31 March 2020 £000		31 March 2021 £000
	Financial Liabilities	
(65)	Trade Payables	(1,241)
(10,808)	Other Payables	(18,027)
(10,873)	**Total**	**(19,268)**
	Non Financial Assets	
(3,074)	Receipts in Advance	(2,102)
(2,956)	Creditors for Local Taxation	(2,123)
(53)	Other Payables	(41)
(6,083)	**Total**	(4,266)
(16,956)	**Total**	**(23,534)**

Other Long Term liabilities as at 31 March are:

31 March 2020 £000		31 March 2021 £000
(254)	Lease Liability	(73)
(254)	**Total**	**(73)**

26. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2021 are:

	1 April 2020 £000	Additions £000	Amounts used £000	31 March 2021 £000
Business Rate Appeals	(594)	-	265	(329)
Total	**(594)**	**-**	**265**	**(329)**

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

27. USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.19. Details of Earmarked Reserves are shown at note 16.

31 March 2020 £000		31 March 2021 £000
(2,869)	General Fund Balance	(2,963)
(7,261)	Earmarked Reserves	(13,089)
(2,771)	HRA Balance	(3,537)
(7,959)	Major Repairs Reserve	(9,044)
(5,236)	Capital Receipts Reserve	(5,908)
(6,555)	Capital Grants & Contributions Unapplied	(10,301)
(32,651)	**Total Usable reserves**	**(44,842)**

Major Repairs Reserve

The authority is required to maintain the major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

2019/20 £000		2020/21 £000
(6,909)	**Balance at 1 April**	**(7,959)**
(5,046)	Posting of HRA resources from revenue to the major repairs reserve	(3,992)
3,996	Use of the major repairs reserve to finance capital expenditure	2,907
(7,959)	**Balance at 31 March**	**(9,044)**

Capital Receipts Reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

2019/20 £000		2020/21 £000
(5,685)	**Balance at 1 April**	**(5,236)**
(1,549)	Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(3,756)
13	Administrative costs of non-current asset disposals	57
303	Payments to the government housing receipts pool	495
1,682	Use of the capital receipts reserve to finance capital expenditure	2,532
(5,236)	**Balance at 31 March**	**(5,908)**

Capital Grants Unapplied Account

The capital grants unapplied account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2019/20 £000		2020/21 £000
(7,541)	**Balance at 1 April**	**(6,555)**
(2,630)	Grants and contributions received	(6,418)
3,616	Application of capital grants to finance capital expenditure	2,672
(6,555)	**Balance at 31 March**	**(10,301)**

28. UNUSABLE RESERVES

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

31 March 2020 £000		31 March 2021 £000
(728)	Deferred Capital Receipts Reserve	(722)
(945)	Collection Fund Adjustment Account	2,426
(124,528)	Revaluation Reserve	(147,577)
(133,425)	Capital Adjustment Account	(133,643)
14,672	Pension Reserve	15,428
9	Accumulated Absence Account	9
(244,945)	**Total Unusable reserves**	**(264,079)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019/20 £000		2020/21 £000
(748)	**Balance at 1 April**	**(728)**
20	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(728)	**Balance at 31 March**	**(722)**

Collection Fund Adjustment Account

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

2019/20 £000		2020/21 £000
(483)	**Balance at 1 April**	**(945)**
(137)	Amount by which council tax debited or credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(170)
(325)	Amount by which non-domestic rate income debited or credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rate income calculated for the year in accordance with statutory requirements	3,541
(462)	**Total**	**3,371**
(945)	**Balance at 31 March**	**2,426**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

2019/20 £000		2020/21 £000	2020/21 £000
(90,506)	**Balance at 1 April**		**(124,528)**
(10,282)	Transfer from the Capital Adjustment Account	-	
(31,464)	Upward revaluation of assets	(24,398)	
471	Downward revaluation of assets	-	
(30,993)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(24,398)**
2,258	Difference between fair value depreciation and historical cost depreciation	1,329	
4,995	Accumulated gains on assets sold or scrapped	20	
7,253	Amount written off to the Capital Adjustment Account		**1,349**
(124,528)	**Balance at 31 March**		**(147,577)**

Note

The 'Transfer from the Capital Adjustment Account' in 2019/20 relates to previous revaluation losses credited to Deficit/Surplus on Provision of Services that should have been credited to the Revaluation Reserve.

Capital Adjustment Account

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

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

2019/20		**2020/21**	
£000		**£000**	**£000**
(156,186)	**Balance at 1 April**		**(133,425)**
10,282	Transfer to the Revaluation Reserve (Note 1)	-	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
16,209	Charges for depreciation and impairment of non-current assets	3,112	
361	Amortisation of intangible assets	594	
-	Expected Credit Loss	14	
3,508	Revenue expenditure funded from capital under statute	2,079	
10,374	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,692	
30,452			**9,491**
(7,253)	Adjusting amounts written out of the Revaluation Reserve		(1,349)
23,199	**Net written out amount of the cost of non-current assets consumed in the year**		**8,142**
	Capital financing applied in the year:		
(1,682)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,532)	
(3,996)	Use of the Major Repairs Reserve to finance new capital expenditure	(2,908)	
-	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	
(3,616)	Application of grants to capital financing from the Capital Grants Unapplied Account	(2,672)	
(293)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(453)	
-	Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-	
(1,217)	Capital expenditure charged against the General Fund and HRA balances	(878)	
(10,804)			**(9,443)**

95	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,083
(11)	Movements in the Donated Assets Account debited or credited to the Comprehensive Income and Expenditure Statement	-
(133,425)	**Balance at 31 March**	**(133,643)**

Notes

1. The 2019/20 'Transfer to the Revaluation Reserve' relates to previous revaluation losses credited to Deficit/Surplus on Provision of Services that should have been credited to the Revaluation Reserve.

Pension Reserve

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

2019/20 £000		**2020/21 £000**
11,150	**Balance at 1 April**	**14,672**
3,732	Re-measurement of the net defined benefit liability/(asset)	71
512	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	896
(722)	Employer's pensions contributions and direct payments to pensioners payable in the year	(211)
14,672	**Balance at 31 March**	**15,428**

Accumulated Absences Account

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

2019/20 £000		**2020/21 £000**
48	**Balance at 1 April**	**9**
(48)	Settlement or cancellation of accrual made at the end of the preceding year	-
9	Amounts accrued at the end of the current year	-
9	**Balance at 31 March**	**9**

29. POST EMPLOYMENT BENEFITS

29.1 Participation in defined benefit pension plan

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies Note 2.6.

29.2 Transactions relating to post-employment benefits

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

2019/20 £000		**2020/21 £000**
	Service Cost comprising:	
249	Current Service Cost	219
-	Past Service Cost	219
	Financing & Investment Income & Expenditure	
263	Net Interest	386
-	**Administration Expenses**	72
512	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**896**
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
6,608	Return on Assets	(12,093)
(4,386)	Changes in financial assumptions	14,758
(2,265)	Changes in demographic assumptions	(1,255)
3,775	Other experience	(1,339)
3,732	**Other Comprehensive Income & Expenditure**	**71**

4,244	**Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement**	**967**
	Movement in Reserves Statement	
(512)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(896)
722	Actual amount charged to the General Fund Balance for pensions in the year	211
210	**Net adjustment in Movement in Reserves Statement**	**685**

29.3 Pensions Assets and Liabilities recognised in the balance Sheet

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

31 March 2020 £000		**31 March 2021 £000**
64,059	Fair value of employer assets	73,962
(77,949)	Present value of funded liabilities	(88,610)
(782)	Present value of unfunded liabilities	(780)
(14,672)	**Net liability arising from defined benefit obligation**	**(15,428)**

29.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

2019/20 £000		**2020/21 £000**
71,895	**Opening fair value of assets**	**64,059**
-	Administration Expenses	(72)
1,693	Interest income	1,220
	Re-measurement gain/(loss):	
(6,608)	Return on plan assets	12,093
651	Contributions from employer - Funded	211
71	Contributions from employer - Unfunded	-
43	Contributions from employees into the scheme	43
(3,615)	Benefits paid - Funded	(3,522)
(71)	Benefits paid - Unfunded	(70)
64,059	**Closing fair value of scheme assets**	**73,962**

29.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2019/20 £000		**2020/21 £000**
(83,045)	**Opening balance at 1 April**	**(78,731)**
(249)	Current service costs	(219)
-	Past Service costs	(219)
(1,956)	Interest costs	(1,606)
(43)	Contributions from scheme participants	(43)
	Re-measurement (gains) and losses:	
4,386	Changes in financial assumptions	(14,758)
2,265	Changes in demographic assumptions	1,255

(3,775)	Other experience	1,339
3,615	Benefits paid - funded	3,522
71	Benefits paid - unfunded	70
(78,731)	**Closing Balance at 31 March**	**(89,390)**

29.6 Local Government Pension Scheme Assets comprised

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

	31 March 2020		31 March 2021	
	Quoted %	**Unquoted %**	**Quoted %**	**Unquoted %**
Index Linked Government Securities				
UK	-	-	-	3.1%
Overseas	-	-	-	-
Corporate Bonds				
UK	-	-	-	10.6%
Overseas	-	-	-	-
Equities				
UK	-	-	-	-
Overseas	-	34%	-	44.4%
Property				
All	-	9%	-	7.5%
Others				
Absolute Return Portfolio	-	-	-	23.2%
Private Equity	-	7%	-	8.2%
Infrastructure	-	2%	-	0.3%
Bonds	-	17%		
Other	-	29%	-	1.0%
Cash/Temporary Investments	2%	-	1.3%	-
Net Current Assets				
Debtors	-	-	0.4%	-
Creditors	-	-	-	-
Total	**2%**	**98%**	**1.7%**	**98.3%**

Estimated asset allocation

	31 March 2020		31 March 2021	
	£000	**%**	**£000**	**%**
Equities	47,690	74%	56,063	76%
Bonds	9,312	15%	11,076	15%
Property	2,321	4%	5,565	7%
Cash/Other assets	4,736	7%	1,258	2%
Total	**64,059**	**100%**	**73,962**	**100%**

29.7 Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

2019/20		**2020/21**
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.6	Males	21.1
23.9	Females	23.7
	Longevity at 65 for future pensioners:	
22.5	Males	21.9
25.3	Females	25.0
2.0%	Rate of inflation (CPI)	2.9%
2.0%	Rate of increase in salaries	2.9%
2.0%	Rate of Increase in Pensions	2.9%
2.3%	Rate for discounting scheme liabilities	1.95%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

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

	Present Value of Total Obligation £000	**Present Value of Total Obligation %**
0.1% increase in Discount Rate	(1,391)	-1.56%
0.1% increase in the Salary Increase Rate	7	0.01%
0.1% increase in the Pension Increase Rate	1,393	1.56%

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

29.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The triennial valuation due at 31 March 2019 has been completed.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2017. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council projects paying £130,000 employer contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2019.

	Liability Split (£000) as at 31 March 2021	Liability Split (%) as at 31 March 2021
Active Members	7,978	8.9%
Deferred Members	17,058	19.1%
Pensioner Members	63,031	70.5%
Unfunded Members	1,323	1.5%
Total	**89,390**	**100%**

30. CASH AND CASH EQUIVALENTS

31 March 2020 £000		31 March 2021 £000
1	Cash held by the Authority	1
7,698	Bank Current Accounts	2,631
2,500	Short Term Deposits with Banks	1
10,199	**Total**	**2,633**

31. CASH FLOW

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

2019/20 £000		2020/21 £000
7,890	Depreciation	5,740
8,319	Impairment and (reversal) of impairment and valuation movements	(2,628)
361	Amortisation	594
5,912	Increase in Creditors	7,988
(17)	Increase in Debtors	(1,635)
-	Decrease in Inventories	6
(210)	Movement in pension liability	685
10,373	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,692
(374)	Other non-cash items charged to the net surplus or deficit on the provision of services	832
32,254	**Adjustment for Non-Cash Movements included in the provision of services**	**15,274**

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

£000		£000
-	Proceeds from short and long term investments	-
(1,516)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,693)
(2,630)	Other items for which the cash effects are investing or financing activities	(6,418)

(4,146)	**Adjustment for items that are investing and financing activities**	**(10,111)**

£000	**Investing Activities**	**£000**
(8,157)	Purchase of property, plant and equipment, investment property and intangible assets	(12,326)
(98,600)	Purchase of short-term and long-term investments	(456,336)
(1,301)	Other payments for investing activities	(505)
1,444	Proceeds from sales of property, plant and equipment, investment property and intangible assets	3,791
102,124	Proceeds from short and long term investments	445,326
2,957	Other receipts from investing activities	6,423
(1,533)	**Net cash flows from investing activities**	**(13,627)**

£000	**Financing Activities**	**£000**
-	Cash receipts of short and long-term borrowing	-
-	Other receipts from financing activities	-
-	Repayment of short and long-term borrowing	-
(543)	Other payments for financing activities	(6,100)
(543)	**Net cash flows from financing activities**	**(6,100)**

Reconciliation of Liabilities arising from Financing Activities	**1 April 2020**	**Financing Cash Flows**	**Non-Cash Changes**	**31 March 2021**
	£000	**£000**	**£000**	**£000**
Short Term Borrowings	(255)	1	(5,000)	(5,254)
Long Term Borrowings	(56,673)	-	5,000	(51,673)
Net cash outflow from financing activities	**(56,928)**	**1**	**-**	**(56,927)**

32. CONTINGENT LIABILITIES

Wave Leisure

The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Trust Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. At 31 March 2021 the pension liability of Wave Leisure Trust Ltd is £2,117,000 (£729,000 at 31 March 2020). The Council has also given a guarantee in respect of leases which Wave Leisure entered into during 2018/19, as disclosed in Note 12.6.

HOUSING REVENUE ACCOUNT (HRA)

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

HRA INCOME AND EXPENDITURE STATEMENT

2019/20 £000		2020/21 £000
	Income	
(14,195)	Dwelling Rents	(14,783)
(409)	Non-Dwelling Rents	(364)
(1,108)	Charges for Services and Facilities	(1,241)
(199)	Contributions Towards Expenditure	(168)
(15,911)	**Total Income**	**(16,556)**
	Expenditure	
3,868	Repairs and Maintenance	4,612
3,465	Supervision and Management	3,314
949	Special Services	1,293
123	Rents, rates, taxes and other charges	206
6,869	Depreciation, Amortisation and Impairment of Non Current Assets	1,390
120	Movement in the allowance for bad debts	106
-	Debt Management Costs	6
15,394	**Total Expenditure**	**10,927**
(517)	**Net Expenditure or HRA Services as included in the whole authority Income and Expenditure Statement**	**(5,629)**
396	HRA services share of Corporate and Democratic Core	163
(121)	**Net Expenditure for HRA Services**	**(5,466)**
3,387	(Gain)/loss on sale of HRA assets	(25)
1,928	Interest Payable and Similar Charges	1,984
(72)	Interest and Investment Income	(9)
(166)	Capital Grants and Contributions Received	-
4,956	**(Surplus) / Deficit for the Year**	**(3,516)**

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MOVEMENT ON THE HRA STATEMENT

2019/20 £000		2020/21 £000	2020/21 £000
(2,661)	**HRA opening balance**		**(2,771)**
4,956	**Deficit on HRA Income and Expenditure Statement**	**(3,516)**	
	Adjustments between accounting and funding basis:		
(4,901)	Gain on disposal of non-current assets	(3,661)	
1,536	Transfer from Capital Receipts Reserve	3,692	
-	Capital expenditure funded by the HRA	149	
166	Capital grants and contributions	-	
(20)	Deferred Capital Receipts Reserve	(5)	
(6,869)	Transfer from Capital Adjustment Account	(1,390)	
5,046	Transfer to Major Repairs Reserve	3,992	
(5,042)			**2,777**
(24)	Transfers to earmarked reserves		(27)
(110)	**Increase in the year**		**(766)**
(2,771)	**HRA closing balance**		**(3,537)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2020		31 March 2021
	Houses and Bungalows	
223	- one bedroom	223
637	- two bedrooms	643
860	- three bedrooms	860
72	- four or more bedrooms	73
1,792	**Total Houses and Bungalows**	**1,799**
	Flats	
689	- one bedroom	694
533	- two bedrooms	533
52	- three or more bedrooms	58
133	- bed-sits	133
1,407	**Total Flats**	**1,418**
3,199	**All Dwellings**	**3,217**

In addition the Council has shared ownership arrangements covering 6.84 full property equivalents (4.89 at 31 March 2020).

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

	31 March 2020 £000	31 March 2021 £000
Council Dwellings	242,537	271,402
Other Land & Buildings	5,228	5,199
Other Assets	5,062	4,879
Total	**252,827**	**281,480**

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of dwellings was fully re-valued by Wilks, Head & Eve in 2019/20. The private open market value of the housing stock at 31 March 2020 was £721m. However, the stock has to be valued using an Existing Use Value – Social Housing methodology. The 2019/20 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value. The difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing housing at less than open market rents. For 2020/21, a market review by the valuer proposed increases of 11% for houses and 9% for flats and maisonettes.

3. MAJOR REPAIRS RESERVE

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

2019/20 £000		2020/21 £000
(6,909)	**Balance as at 1 April**	**(7,959)**
3,996	Financing of Capital Expenditure	2,907
(5,046)	Depreciation	(3,992)
(7,959)	**Balance as at 31 March**	**(9,044)**

4. CAPITAL EXPENDITURE AND FINANCING

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

2019/20 £000		2020/21 £000
6,672	**Total Capital Expenditure**	**9,746**
	Funding:	
1,548	Borrowing	4,203
1,126	Capital Receipts	2,458
3,996	Major Repairs Reserve	2,901
-	Grants & Contributions	184
2	Revenue	-
6,672	**Total Funding**	**9,746**

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2019/20 £000		2020/21 £000
1,534	Right to Buy Sales	1,564
15	Other Sales	2,185
1,549	**Total Receipts**	**3,749**

6. DEPRECIATION

2019/20 £000		2020/21 £000
4,331	Dwellings	3,599
328	Other Land and Buildings	48
387	Other Assets	345
5,046	**Total Depreciation**	**3,992**

7. REVALUATION OF HRA STOCK

A full revaluation of the HRA stock was undertaken at 31 March 2020, by Wilks, Head & Eve, a member of the Chartered Surveyors and Town Planners. The stock was previously valued in 2015 by the Valuation Office Agency. Between those dates, annual market reviews and uplifts were carried out by Wilks, Head & Eve and also for financial year 2020/21.

8. RENT ARREARS

Rent arrears at 31 March 2021 amounted to £1,144,569 (£833,884 at 31 March 2020) and include former tenants' arrears. During 2020/21, former tenant arrears of £1,882 were written off (£15,087 in 2019/20). The Council has an impairment allowance for doubtful debts of £933,827 at 31 March 2021 (£829,208 at 31 March 2020).

COLLECTION FUND REVENUE ACCOUNT

2019/20 Total £000		2020/21 Business Rates £000	Council Tax £000	Total £000
	Income			
(75,932)	Income collectable from Council Tax	-	(79,828)	(79,828)
(25,469)	Income collectable from Non-Domestic Rates	(15,336)	-	(15,336)
(326)	Transitional Relief	(105)	-	(105)
(101,727)	**Total Fund Income**	**(15,441)**	**(79,828)**	**95,269**
	Expenditure			
	Precepts, Demands and Shares			
6,214	Central Government	12,496	-	12,496
59,205	East Sussex County Council	2,249	54,923	57,172
22,183	Lewes District Council	9,997	11,911	21,908
6,981	Sussex Police and Crime Commissioner	-	7,359	7,359
4,687	East Sussex Fire Authority	250	3,517	3,767
99,270		**24,992**	**77,710**	**102,702**
325	Rates retained in respect of Newhaven Enterprise Zone	361	-	361
138	Business Rates Costs of Collection	136	-	136
	Charges to Collection Fund			
(1,280)	Allowance for Appeals	(529)	-	(529)
210	Write-offs of uncollectable amounts	242	74	316
195	Allowance for impairment of doubtful debts	46	382	428
(412)		**256**	**456**	**712**
	Apportionment of previous year's Collection Fund Surplus			
112	Central Government	9	-	9
300	East Sussex County Council	60	389	449
149	Lewes District Council	73	83	156
34	Sussex Police and Crime Commissioner	-	53	53
20	East Sussex Fire Authority	12	25	37
615		**154**	**550**	**704**
99,473	**Total Fund Expenditure**	**25,402**	**78,716**	**104,118**
(2,254)	**Movement on Fund Balance**	**9,961**	**(1,112)**	**8,849**
	COLLECTION FUND BALANCE			
(138)	**Balance at 1st April**	(1,455)	(937)	(2,392)
(2,254)	(Surplus)/Deficit for the year	9,961	(1,112)	8,849

(2,392)	**Balance as at 31st March**	**8,506**	**(2,049)**	**6,457**

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:	**2020/21**
	£000
Gross amount of Council Tax	**87,641**
Less:	
Council Tax Support Scheme	(7,554)
Discounts	(246)
Exemptions	(123)
Disabled Relief	(476)
Net Yield from Council Tax	**79,242**

Council Tax Base

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

Band	Chargeable Dwellings	Estimate Taxable Properties	Ratio to Band D	Band D Equivalent Properties	Yield £000
A Disregarded	7	5	5/9	2.51	£5
A	4,262	2,431	6/9	1,620.41	£3,421
B	6,033	4,226	7/9	3,286.67	£6,938
C	13,274	10,776	8/9	9,578.84	£20,221
D	9,611	8,419	9/9	8,418.51	£17,772
E	5,737	5,226	11/9	6,387.49	£13,484
F	3,069	2,864	13/9	4,137.11	£8,734
G	2,292	2,182	15/9	3,635.90	£7,675
H	212	200	18/9	399.50	£843
	44,497	**36,327**		**37,466.94**	**£79,093**
Less: 1.75% reduction to allow for collection losses				(655.63)	(£1,384)
				36,811.32	**£77,709**

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

Comparison of Actual versus Theoretical Gross Yields:		
Tax base (as above)	A	36,811.32
Band D Council Tax 2019/20 (Budget report)	B	£2,111.03
Theoretical gross yield	A x B	£77,709,801
Actual gross yield (as above)	C	£79,242,046
Theoretical gross yield - actual gross yield	(A x B) – C	(£1,532,245)

2. INCOME FROM BUSINESS RATE PAYERS

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency multiplied by a uniform business rate set nationally by Central Government. The table below shows the total rateable value and multipliers.

		2019/20	2020/21
Total non-domestic rateable value	**£m**	71.8	72.4
Standard Multiplier	**pence**	50.4	51.2
Small Business Multiplier	**pence**	49.1	49.9
Product	**£m**	25.5	15.3

The gross yield before adjustments represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements. The business rates share payable in 2020/21 was estimated before the start of the financial year as £25.0m. These sums have been paid into 2020/21 and charged to the collection fund in year. The Council's share is £10.0m.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	**COUNCIL TAX**			**NON-DOMESTIC BUSINESS RATES**		
	Precept	**Distribution of prior years surplus**	**Total**	**Share**	**Distribution of prior years surplus**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Lewes District Council	7,713	83	7,796	9,997	73	10,070
Lewes District Town and Parish Councils	4,198	-	4,198	-	-	-
Central Government	-	-	-	12,496	9	12,505
East Sussex County Council	54,923	389	55,312	2,249	60	2,309
Sussex Police and Crime Commissioner	7,359	53	7,412	-	-	-
East Sussex Fire Authority	3,517	25	3,542	250	12	262
Total	**77,710**	**550**	**78,260**	**24,992**	**154**	**25,146**

When the retained business rates income scheme was introduced, the Government set a baseline funding level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive the baseline amount. Tariffs due from authorities payable to the Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. Any sums above the baseline funding are subject to a levy payment, for this Council this is 50%.

The amounts for this Council are as follows:

	2019/20 £000	**2020/21 £000**
Actual Business Rate income due	13,603	11,782
Tariff payment	(8,668)	(7,805)
	4,935	**3,977**
Baseline Funding	(2,207)	(2,243)
Amount above (below) baseline	**2,728**	**1,734**

4. COLLECTION FUND BALANCE

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

	COUNCIL TAX		**BUSINESS RATES**	
	31 March 20 £000	**31 March 21 £000**	**31 March 20 £000**	**31 March 21 £000**
Lewes District Council	(143)	(313)	(640)	3,350
Central Government	-	-	(364)	4,578
East Sussex County Council	(663)	(1,446)	(378)	545
Sussex Police and Crime Commissioner	(88)	(198)	-	-
East Sussex Fire Authority	(43)	(92)	(73)	33
(Surplus) / Deficit	**(937)**	**(2,049)**	**(1,455)**	**8,506**

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

GLOSSARY

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

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

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

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

Balances
These represent the accumulated surplus of revenue income over expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non Domestic Rates (NDR) (also known as Business Rates)
Non Domestic Rates are levied on businesses within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

Precept
The amount levied by various Authorities that is collected by the Council on their behalf. The precepting Authorities in Lewes are East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority.

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

Public Works Loans Board
The Government body which provides loans to local authorities.

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

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

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

Revenue Expenditure financed from Capital under Statute (Refcus)
Expenditure that can be classified as Capital expenditure but which does not result in the acquisition of a tangible or physical asset.

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

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

Appendix C

Lewes District Council

Our Ref:

Dear Engagement Partner

This representation letter is provided in connection with your audit of the financial statements of Lewes District Council for the year ended March 2021. We acknowledge our responsibility for preparing financial statements that give a true and fair view of the financial position of Lewes District Council as of March 2021 and the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). We confirm, to the best of our knowledge and belief, subject to the pervasive matters that resulted in the disclaimer of opinion, the following representations:

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

2. The methods, the data, and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of *IAS24 "Related party disclosures".*

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements and disclosure deficiencies is detailed in the appendix to this letter.

6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including principal conditions or events and our plans. In making our going concern assessment we have adopted the 'continuing provision of service' approach and accordingly we are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Council's ability to continue as a going concern. There are no circumstances that we are aware of that would affect the

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homira.javadi@lewes-eastbourne.gov.uk
Dir Tel: 01273 085011

appropriateness of the ‘continuing provision of service’ approach. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. The measurement processes, including related assumptions and models used to determine accounting estimates in the context of applicable financial reporting framework are appropriate and have been applied consistently.

8. The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures.

9. The disclosures related to accounting estimates under the Council’s applicable financial reporting framework are complete and appropriate.

10. There have been no subsequent events that require adjustments to the accounting estimates and disclosures included in the financial statements.

11. The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council’s assets and assets pledged as collateral.

12. We have recorded or disclosed, as appropriate, all liabilities both actual and contingent.

13. We are not aware of any deficiencies in internal control other than as raised in audit process, by internal audit, or disclosed in the Annual Governance Statement.

14. We have considered the accounting for inventory (total value £73k), which as disclosed in the financial statements is not accounted for in accordance with IFRS (as is on a “last invoice” basis). We confirm we do not consider this area of non-compliance to be significant to the financial statements.

15. We acknowledge our responsibility for ensuring appropriate processes and controls are in place in respect of Covid-19 specific funding and expenditure streams. We have considered the accounting treatment of grants received, including whether the Council is acting as agent or principal in respect of transactions, and whether any amounts receivable or payable should be accrued, reflecting all relevant guidance and circumstances.

16. We have evaluated whether the restrictions, terms or conditions on grants or donations have been fulfilled with and deferred income to the extent that they have not.

17. We have considered the valuation of the Council’s Property, Plant and Equipment that have not been subject to revaluation in year and are not aware of any circumstances indicating an impairment or volatility in asset values (either in year, or on a cumulative basis since the last revaluation of the assets) that would suggest the carrying value is materially misstated as a result of it not being revalued.

18. We have reconsidered the remaining useful lives of the Council’s Property, Plant and Equipment and confirm that the present rates of depreciation are appropriate to amortise the cost or revalued amount less residual value over the remaining useful lives.

19. We confirm that:
    a. all retirement benefits and schemes, including funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
    b. all settlements and curtailments have been identified and properly accounted for;
    c. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
    d. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Council's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
    e. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
    f. the amounts included in the financial statements derived from the work of the actuary are appropriate.

20. We have reviewed our provisioning for Non-Domestic Rates appeals and consider that the assumptions used reflect our best assessment of the liability in respect of appeals.

21. We have reviewed our provisioning for recoverability of non-exchange debtors, including in respect of Non-Domestic Rates, Council tax and Housing benefit overpayments, and consider the assumptions in respect of recoverability to reflect our best assessment of the recoverable amount of these balances.

22. A national issue emerged in 2023 regarding the use of Reinforced Autoclaved Aerated Concrete (RAAC) in public sector buildings. Buildings with this material have been found to be structurally unsound and, in some instances, were closed due to safety concerns. We reviewed the work performed by the Council to consider the potential for presence of RAAC in the Council's estate, and assessment of the risk against the value of properties not yet inspected and consider the risk in remaining assets to be inspected to be immaterial to the financial statements.

Information provided

23. We have provided you with all relevant information and access as required the Local Audit and Accountability Act 2014 other than as noted in representation 36 – the 'unresolved audit queries' representation below.

24. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

25. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error and we believe we have appropriately fulfilled those responsibilities.

26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

27. We are not aware of any fraud or suspected fraud that affects the council and involves:

    (i) management;

(ii) employees who have significant roles in internal control; or

(iii) others where the fraud could have a material effect on the financial statements.

28. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the council's financial statements communicated by employees, former employees, analysts, regulators or others.

29. All minutes of member and management meetings during and since the financial year have been made available to you.

30. We have disclosed to you all known instances of non-compliance, or suspected non-compliance, with laws, regulations and contractual agreements whose effects should be considered when preparing financial statements.

31. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

32. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.

33. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

34. We confirm that all of the disclosures within the Narrative Report and Annual Governance Statement and in the remuneration disclosures within the financial statements, have been prepared in accordance with the relevant legislation and guidance.

35. We confirm that:

(i) we consider that the council has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

(ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

36. Due to the time constraints of the backstop, we have not been able to respond to all queries you have raised in respect of the financial statements. In respect of the unresolved audit queries listed in the Appendix, we confirm that we are not aware of any matters that would require any adjustments to the financial statements, including to the disclosures included therein.

37. We acknowledge our responsibility for ensuring the Council has put in place arrangements for securing economy, efficiency and effectiveness in its use of resources.

38. We are not aware of any deficiencies in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Board of Directors

Appendix 1

Schedule of Uncorrected Misstatements

Unadjusted misstatements - 2020/21

The following uncorrected misstatements have been identified in respect of the 2020/21 financial statements, which we request that you ask management to correct as required by ISAs (UK).

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in current year						
Understatement of IAS 19 Pension Fund Level 3 Assets	[1]	(0.4m)	0.4m	-	-	N/A

[1] In obtaining the Grant Thornton protocol letter in relation to the pension fund held by Barnett Waddingham it was noted that level 3 investments have been understated by £25.2m, which taking forward the 1.76% share of the fund by Lewes District Council, represents a £443k uncorrected misstatement.

In the 2019/20 audit, we had reported the misstatement shown below. We have not determined whether the misstatement identified in the previous year's audit has been corrected at 31 March 2021, or the impact of any reversal on the financial statements for 2020/21.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m	If applicable, control deficiency identified
Misstatements identified in prior periods						
Understatement of NNDR Provision	[1]	0.2m	(0.2m)	-	-	N/A

[1] We identified a judgemental understatement of the provision for National Non-Domestic Rates appeal provision of £186,000.

Disclosure deficiencies:

Unadjusted disclosure misstatements

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
There are a number of areas of rounding differences and inconsistencies within the financial statements, which would ordinarily be corrected as part of the finalisation of the financial statements. For example, on page 11 of the narrative reporting, in the table under section 6.3, the Sum total of Reserves & Balances should be £19,589k, however the total balance reflected here is equal to £19,409k. The Council has not cross referenced each item in the Balance Sheet to its related information in the notes as required under the CIPFA code.	CIPFA code 3.4.2.86	Inconsistencies are below materiality.
Information in relation to the fair value disclosures required for financial instruments under the CIPFA code was not appropriately disclosed. The missing disclosures related to: - The Council has not provided quantitative information about the significant unobservable inputs used in the fair value measurement categorised as level 3 or given any information around the sensitivity within these unobservable inputs. - The classification of fair value of financial assets between Level 2 and Level 3 has changed year on year but not disclosure has been given as to the reason why or the Council's policy for transferring financial assets between levels and why this is appropriate. - A description of the valuation processes used in determining level 3 financial instruments has not been disclosed.	CIPFA code 2.10.4.1.3) a)	N/A

Unadjusted disclosure misstatements (2)

Disclosure misstatements (2)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Information around the credit risk management practices has not been fully reflected as required under the CIPFA code. The Council has not provided information in relation to: - The Council's definitions of default, including the reasons for selecting those definitions; - How the Council determined that financial assets are credit-impaired financial asset; and - The Council's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written off but are still subject to enforcement activity.	CIPFA code 7.3.3.11	N/A
The Council has not disclosed the methods and, when a valuation technique is used, the assumptions applied in measuring fair values of financial instruments in accordance with the requirements of Section 2.10 of the CIPFA Code.	CIPFA code 7.3.2.18	N/A
Items reflected as critical judgements and key sources of estimation uncertainty within note 4 and 5 of the financial statements does not meet the definition of key judgements or key sources of estimation uncertainty. The notes therefore do not comply with IAS1.	IAS1 1.122, IAS1 1.125 and CIPFA code 3.4.2.91 and 3.4.2.92.	N/A

Unadjusted disclosure misstatements (3)

Disclosure misstatements (3)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Key performance indicator (KPI) disclosure requirements do not adhere to the requirements set out in the CIPFA code. The following information is not included in the narrative report as required: - The KPIs do not reflect comparative balances; and - There is no narrative included in the narrative report to explain year on year movements within the KPIs.	CIPFA code 3.1.1.12 and 3.1.1.13	N/A
The Council has not disclosed an age analysis of assets that are past due but not impaired as at the reporting date as required under the CIPFA code.	CIPFA 5.2.4.2	N/A
The council should disclose the following in relation to subsequent events: a. Whether the statements were amended for subsequent events following the audit; b. Where information about conditions at the reporting date is received after the reporting period, but before the financial statements are authorised, disclosures should be updated for the subsequent information and conditions.	CIPFA code 3.8.4.1	N/A
The audit fee note should include explanatory narrative about the position given that there is both an unaccrued amount in respect of previous year costs, but also a need to accrue costs for the current year – the guidance in CIPFA Bulletin 18 has not been followed for backstop impacted accounts.	CIPFA Bulletin 18	N/A

Unadjusted disclosure misstatements (4)

Disclosure misstatements (4)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Disclosures, numbers and balances relating to the prior year has been noted that did not align to the signed prior year financial statements. The detail of these inconsistencies are below: • The prior year comparative in relation to Eastbourne Borough Council service costs, on page 57 per note 12 - £370,614, recharged do not agree to the signed Statement of accounts - £121,069. If this has been restated, the required restatement disclosures have not been made, and the value is immaterial and therefore a restatement would not be made. • The total property plant and equipment closing balance sheet position for 2019 on page 63 - £316,675k - do not agree to the signed financial statements - £311,014k. This is due to the fact that figures presented for the net book values as at 31 March 2019 are actually the gross book values and so an error in what is being presented. • The asset allocation figures for 2019/20 on page 84 do not appear to match the prior year accounts. The table does not show individual lines for cash or real estate that was reflected in the 2019/20 accounts. The table is also inconsistent with the one above it, which shows 2% in cash vs 7% in the lower table, 17% in bonds vs 15%, etc. The first table seems consistent with the prior year accounts but is missing 1% in "other debt securities" as noted in the prior year.	N/A	N/A

Disclosure misstatements (5)

Disclosure
Other disclosure deficiencies noted: - On page 51 within note 7b, note 2 reflects prior year information relating to impairment losses however no information is given in relation to the current year. - On page 57 relating to Note 12 - related parties. The narrative in regard to Eastbourne Borough Council could benefit from a more detailed discussion of the Council's relationship with Eastbourne Borough Council. - On page 59 within note 15 relating to grants and contributions receivables under the notes paragraph reference is made to 'Other Grants and Contributions excludes Covid-19 Grant income of £35.65m where the Council is acting as an intermediary agent for the government, rather than on its own behalf, for amounts paid over directly to businesses. No comparative balance is included in the narrative. - The narrative within note 18.3 on page 64 - valuation of property - could benefit from a more detailed discussion of the Council's valuation process for its assets. - The AGS reflects a table on joint ventures, which refers incorrectly to a £10m loan to Aspiration Homes. This is a facility rather than a loan. - The AGS refer to Lewes Housing Investment Company Ltd being an active company. This is incorrect as the company is dormant.

Unresolved audit queries:

TBC at date of signing

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Agenda Item 7

Report To:	**Audit & Governance Committee**
Date:	**10 December 2024**
Report Title:	**External Audit Update**
Report of:	**Director of Finance and Performance (S151 Officer)**
Ward(s):	**All**
Purpose of report:	**To provide an update on progress to complete the external audit of outstanding draft financial statements for years 2020/21, 2021/22, 2022/23 & 2023/24 and expectations for completion of audits for years 2024/25 to 2027/28.**
Officer Recommendations:	**To note the report and associated appendices.**
Reasons for recommendations:	**The Council is required to produce an Annual Statement of Accounts in line with the Accounts and Audit Regulations.**
Contact Officer(s):	**Name: Steven Houchin** **Post title: Deputy Chief Finance Officer** **e-mail: steven.houchin@lewes-eastbourne.gov.uk** **Telephone number: 07591 838068**

1. Background

1.1 The Government abolished the Audit Commission in 2012, and its audit practice was outsourced to private audit firms. The regulations for this Act disbanded the residual Audit Commission and introduced a new local audit framework. The Government's closure of the Audit Commission was expected to save over £1bn.

2. Public Sector Audit Appointments Limited (PSAA)

2.1 Public Sector Audit Appointments Limited (PSAA) was incorporated by the Local Government Association (LGA) in August 2014.

2.2 In July 2016, the Minister of State for Housing Communities and Local Government specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

2.3 Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme.

2.4 PSAA produces quarterly reports on the contracted firms, building up information as the year progresses. The data pack covers audit opinions, approved fee variations and electors' objections at 30 September 2024.

Audit Year Publishing Date	Number of Opted Bodies	Percentage of audits completed by publishing date
2022/23	467	1%
2021/22	467	12%
2020/21	474	9%
2019/20	589	45%
2018/19	487	57%

2.5 In total 518 audit opinions were recorded as delayed (excluding three opinions outstanding at one authority for 2015/16 to 2017/18).

3. External Audit Backstop Update

3.1 On 30th July 2024 all Chief Financial Officers in England received a letter from the new Minister of State for Housing, Communities and Local Government, Jim McMahon OBE MP confirming that a written update had been provided to Parliament with an update on the arrangements to tackle the local backlog of audits in England (known as the "Backstop").

3.2 Secondary legislation has since been approved providing for an initial backstop date of 13 December 2024 for the completion of all outstanding audits up to the financial year 2022/23, and a second backstop date for the completion of audits for the financial year 2023/24 by 28th February 2025.

3.3 On 28th October 2024 all Chief Financial Officers in England received a letter from Catherine Frances, Director General for Local Government and Public Services setting out the implications not to be able to publish outstanding unaudited (draft) accounts for one or more financial years up-to-and-including 2022/23 by 31 October 2024.

3.4 This deadline is important as it allows the draft statements published to complete the statutory 30-day inspection period ahead of the first backstop deadline of 13th December 2024.

3.5 This letter confirms that if councils are not able to publish draft statements up to 2022/23 by 31 October, and therefore not meeting the requirements of the backstop, they will be required to publish an explanation, send a copy of this to the Secretary of State and publish audited accounts as soon as practicable.

3.6 If councils believed they would not be able to publish unaudited accounts by 31st October, they were asked to inform MHCLG.

4.0 LDC Statements 2020/21 to 2022/23

4.1 Following changes to the national audit process detailed above, turnover in finance staff, external auditor lack of capacity and delays and significant year to year interdependencies, the publication of LDC Statement of accounts for 2018/19 were delayed. 2019/20 audited accounts were published following the completion of the 2018/19 accounts in August 2024.

4.2 Since then, draft accounts for the year ending 31st March 2021 were published on the Councils website on Tuesday 1st October with the 30-day inspection period ending on 11th November.

4.3 However, due to a temporary gap in the staffing capacity, the requirement to prepare multiple accounts simultaneously and respond to issues identified within those accounts, the draft accounts for years ending 31st March 2022 and 31st March 2023 did not meet the 31st October deadline.

4.4 The Council is therefore required to publish an explanation for not meeting the deadline, officers will publish the explanation after 13th December and send a copy of this to the Secretary of State. The Council will then be required to publish audited accounts for those years as soon as practicable.

4.5 We have therefore informed MHCLG of this fact.

5.0 Audit of 2023/24 Financial Statements.

5.1 Following discussions with our outgoing auditors Deloittes and our incoming auditors Grant Thornton (GT) it was agreed to prioritise the publication of all outstanding accounts up to 2022/23 ahead of work to complete the 2023/24 statements.

5.2 This was on the basis that we could publish accounts between Mid-November and Mid-December to allow GT time to complete a full audit on at least one set of accounts for one of the Councils.

5.3 However due to greater than anticipated delays in completing LDC 2021/22 and 2022/23 statements and following the recent and unexpected departure of a senior member of staff, we have confirmed that we do not expect publication of 2023/24 accounts to occur until 16th January 2025.

5.4 This is the date the council is required to publish 2023/24 accounts to ensure that they have completed the statutory 30-day inspection period before the second backstop date of 28th February 2025.

5.5 GT have therefore confirmed that they will be unable to undertake a complete audit of the 2023/24 financial statements and expect to publish a modified opinion in line with the 2020/21 accounts.

6.0 Future Audits

6.1 For financial years 2024/25 to 2027/28, the date by which councils should publish draft financial statements will change from 31 May to 30 June following the financial year to which they relate.

6.2 For financial years 2024/25 to 2027/28, the date by which councils should publish final audited financial statements are as follows:

Financial Year	Backstop Date
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

7.0 Financial Appraisal

7.1 There are no direct financial considerations arising from this report.

8.0 Risk Management Implications

8.1 There are no implications arising from this report.

9.0 Equality Analysis

9.1 This is a routine report for which a detailed Equality Analysis is not required to be undertaken.

10. Legal Implications

10.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published. Further comments from the Legal Services Team is not necessary for this routine monitoring report.

11.0 Environmental sustainability implications

11.1 There are no environmental implications from this report.

10.0 Appendices

10.1 **Appendix A** – Letter from Catherine Frances, Director General for Local Government and Public Services (MHCLG)

12.0 Background Papers

12.1 None.

Catherine Frances
Director General for Local Government and Public Services
2 Marsham Street
London
SW1P 4DF

Ministry of Housing, Communities & Local Government

To Chief Executives, Chief Financial Officers, Local Authority Leaders, and Audit Committee Chairs

28 October 2024

Dear Colleagues,

UNAUDITED ACCOUNTS AND MEASURES TO TACKLE THE LOCAL AUDIT BACKLOG IN ENGLAND

I am writing to your authority and a number of others regarding the Government's measures to tackle the local audit backlog in England. In particular, I am writing to set out the implications should you not be able to publish outstanding unaudited (draft) accounts for one or more financial years up-to-and-including 2022/23 by 31 October 2024.

The detail of the measures has been set out in the Ministerial Written Ministerial Statement (WMS) of 30 July 2024 and a range of associated communications, including my letter of 20 September to Chief Executives, Leaders, Section 151 Officers and the partners of local audit firms. Aspects of these proposals are uncomfortable, particularly the issuing of modified or disclaimed audit opinions where audits cannot be completed by a backstop date.

Given the scale of the backlog, however, and the absence of viable alternatives, the difficult decision was taken to proceed. Without these measures, audits would continue to be delayed, and the system will move even further away from timely assurance. All key local audit organisations support these bold measures, while recognising their exceptional nature.

The Accounts and Audit Regulations 2015, as recently amended, require local bodies to publish audited accounts (specifically, their accountability statements, defined in regulation 9A(9), which includes the audit opinion) by statutory backstop dates. To help clear the backlog, the Regulations include a backstop of 13 December 2024 for financial years up-to-and-including 2022/23. Where auditors have been unable to complete audits, they will issue a disclaimed or modified audit opinion.

Auditors are likely to issue hundreds of disclaimed audit opinions and disclaimed opinions will likely continue for some bodies for a number of years.

The Regulations also include further backstop dates for financial years 2023/24 to 2027/28 to enable audit assurance to be rebuilt over several audit cycles. It is the aspiration of the Government and key local audit system partners that disclaimed opinions driven by backstop dates should, in most cases, cease after the backstop date for 2024/25 (27 February 2026). Page 4 of the Financial Reporting Council's Accessible Guide provides an example of how this may work for bodies that receive a disclaimed opinion for 2022/23.

My understanding is that, at the time of writing, your authority has yet to publish unaudited (draft) accounts (financial statements, the annual governance statement and narrative statement) and hold the 30-working day public inspection period for one or more financial years up-to-and-including 2022/23. These steps are prerequisites to publishing audited accounts by the 13 December 2024 backstop date. The audit opinion can only be issued once the inspection period has been completed. For this to happen in time, unaudited accounts for the relevant years would need to be published by 31 October (this Thursday) at the latest – publication on this date would enable the public inspection period to run between 1 November and 12 December. I also note that it should not be necessary for the audit of the previous year's accounts to be completed for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view, as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

If you expect that you will be unable to publish outstanding unaudited accounts for financial years up-to-and-including 2022/23 by 31 October then I would be grateful if you could contact the Department (localaudit@communities.gov.uk).

Bodies may be exempt from meeting a backstop date in limited and specific circumstances (these align with exemptions for auditors provided in the draft Code of Audit Practice 2024). The Accounts and Audit Regulations 2015 outline the following scenarios in which bodies may be exempt where the auditor has not entered their opinion by the relevant backstop date:

- where auditors are considering a material objection;
- where an objector has appealed or could still appeal the auditor's decision in relation to the objection;
- the auditor thinks that an item of account may be contrary to law and has made, or is considering making, an application to the Court on that basis;
- or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money (VFM) arrangements.

Where such an exemption exists, the legislation includes a requirement to publish the audit opinion as soon as practicable. For transparency, if a body is exempt, they are required to publish an explanation of their exemption at the time of a backstop date.

Bodies that are non-exempt but fail to comply with a backstop date will be required to publish an explanation, to send a copy of this to the Secretary of State (via localaudit@communities.gov.uk) and publish audited accounts as soon as practicable. The Government intends to publish a list of bodies and auditors that do not meet the proposed backstop dates, which will make clear where unaudited (draft) accounts were not published in time. The Government also intends to keep the issue of consequences under close review and may explore further mechanisms to take appropriate action.

The second backstop, for financial year 2023/24, is 28 February 2025. If you expect any issues with publishing outstanding unaudited accounts for this year sufficiently in advance of the backstop then, following engagement with your auditor, please also contact the Department (localaudit@communities.gov.uk).

You may also wish to note that the Chartered Institute of Public Finance and Accountancy (CIPFA) will soon publish information to help preparers understand the impact of the backstop dates and how they should approach any unpublished accounts, alongside guidance for audit committees via its Better Governance Forum.

I appreciate and am thankful for all the hard work that finance teams, key audit partners and others have delivered in support of these measures. Continued and effective collaboration between auditors and bodies is vital to ensure the best possible outcomes. As set out by the Minister in his WMS, the Government's manifesto commits to overhauling the local audit system ensuring that taxpayers get better value for money. The Government will update Parliament in the Autumn on its long-term plans.

Catherine Frances

Director General for Local Government and Public Services

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Report To:	**Audit and Governance Committee**
Date:	**10 December 2024**
Report Title:	**Treasury Management 2024/25 Q2**
Report of:	**Director of Finance and Performance (Chief Finance Officer - S151 Officer)**
Ward(s):	**All**
Purpose of report:	**To present details of recent Treasury Management activities.**
Officer Recommendations:	**The Committee is recommended to note the report of the Director of Finance and Performance and the assurances contained within and agree that Treasury Management Activities for the period April to September 2024 (Mid Year) have been in accordance with the approved Treasury Strategies.**
Reasons for recommendations:	**Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.**
Contact Officer(s):	**Name: Ross Sutton** **Post title: Head of Financial Reporting** **e-mail: ross.sutton@lewes-eastbourne.gov.uk** **Telephone number: 07591 988346** **Name: Steven Houchin** **Post title: Deputy Chief Finance Officer** **e-mail: steven.houchin@lewes-eastbourne.gov.uk** **Telephone number: 07591 838068**

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1. Introduction

1.1 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

i. Prudential and treasury indicators and treasury strategy
ii. A mid-year treasury management report
iii. An annual treasury report

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by Cabinet and the Audit and Governance Committee.

1.2 In addition to the three major reports above, quarterly reporting is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately scrutinised. This role is undertaken by the Audit and Governance Committee.

1.3 The Treasury Management Strategy covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury Management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the Authority
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 The criteria for lending to Banks are derived from the list of approved counter parties provided by the Council's Treasury Management advisors, Link Market Services. The list is amended to reduce the risk to the Council by removing the lowest rated counterparties and reducing the maximum loan duration.

2. Economic Background

2.1 The Bank of England's Monetary Policy Committee (MPC) reduced the Bank Rate from 5.0% to 4.75% on 7 November 2024. The rate had previously been reduced from 5.25% to 5.0% on 1 August 2024, the 5.25% rate being in place since August 2023. A detailed economic update, provided by Link, for the second quarter is attached as **Appendix A**.

3. Interest Rate Forecasts

3.1 Link, as treasury advisors, will help to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. The lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (see also paragraph 7.2).

3.2 Link's forecast of bank rate, earnings and PWLB borrowing rates are set out below for the period to December 2027.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Note

Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months. The forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

3.3 The 11/11/24 forecast (updated from 29/5/24) sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of a stubbornly robust economy and a tight labour market. The next rate cut is now expected in March 2025. The bank rate is then expected to continue fall and reach 3.5% by December 2026.

4. Annual Investment Strategy

4.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes in December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represent balances that need to be invested until the cash is required for use in the course of business.

4.2 The Treasury Management Strategy Statement (TMSS) for 2024/25 which includes the Annual Investment Strategy (AIS), was approved by the Full Council on 28 February 2024. It sets out the Council's investment priorities as being:

- Security (of Capital)
- Liquidity
- Yield

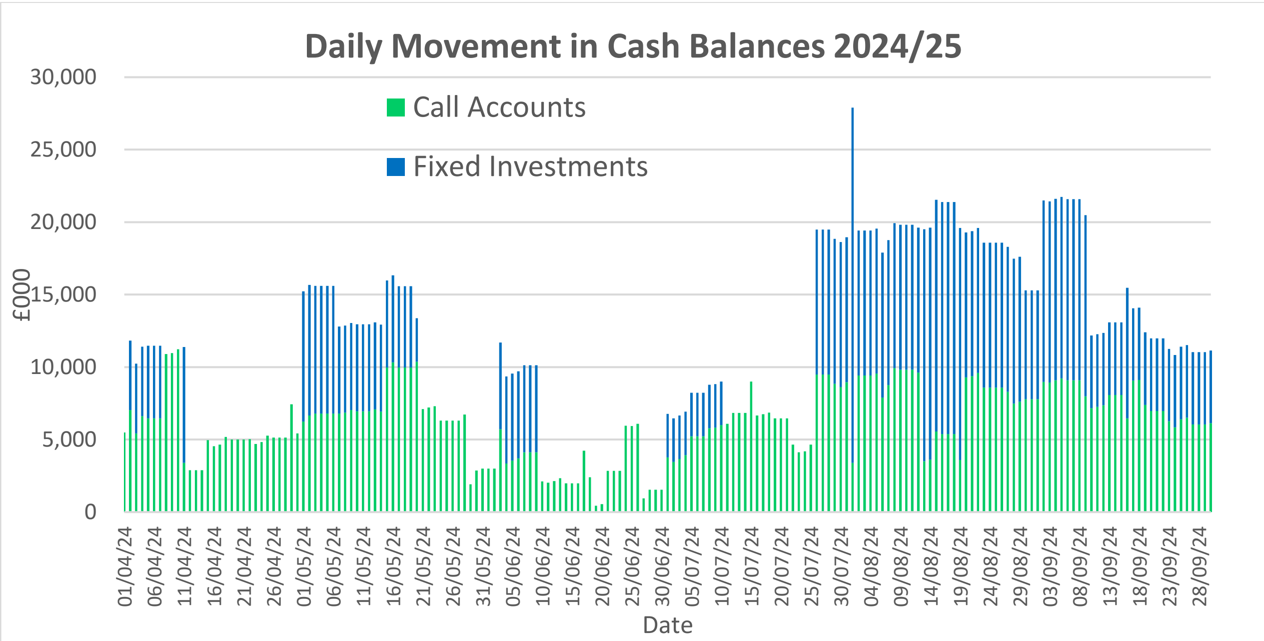
4.3 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

4.4 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.5 There have been some changes to individual counterparty credit ratings over the period. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

5. Treasury Management Activity

5.1 The chart below summarises the Council's investment position over the period 1 April to 30 September 2024. It shows the total sums invested each day split between Fixed Term investments and amounts held in Call accounts. Cash balances at 1 April were £5.5m and had increased to £11.1m by 30 September. The average balance over the quarter was £11.0m (£6.2m Fixed Term and £4.8m Call). Investments (cash) are used to finance the capital programme (i.e. internal borrowing) and repay debt.



5.2 Fixed Term Deposits pending maturity

The following table shows there were £5m fixed term deposits held at the end of the 30 September 2024 (and identifies the long-term credit rating of counterparties at the date of investment). It is important to note that credit ratings are only one of the criteria that are considered when determining whether a potential counterparty is suitable. All the deposits met the necessary criteria, the minimum rating required for deposits made in terms of long-term A- (Fitch).

Counterparty	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Standard Chartered (Sustainable)	27/9/24	4/10/24	7	5,000,000	4.75	A+
Debt Management Office (DMO)	-	-	-	-	-	*

Note: * indicates UK Government body and therefore not subject to a credit rating.

5.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured in the second quarter (Jul-Sep) in maturity date order. It is important to note that the table includes sums reinvested.

Counterparty	Principal	Date From	Date To	Days	Rate %	Long Term Rating
DMO	£3,000,000	01/07/24	11/07/24	10	5.20%	*
DMO	£14,500,000	01/08/24	02/08/24	1	5.07%	*
DMO	£10,000,000	26/07/24	13/08/24	18	5.12%	*
DMO	£16,000,000	13/08/24	14/08/24	1	4.94%	*
DMO	£16,000,000	14/08/24	20/08/24	6	4.94%	*
DMO	£5,000,000	20/08/24	30/08/24	10	4.94%	*
DMO	£2,500,000	30/08/24	10/09/24	11	4.94%	*
DMO	£5,000,000	02/09/24	10/09/24	8	4.94%	*
DMO	£4,000,000	16/09/24	17/09/24	1	4.94%	*
Standard Chartered - Sustainable	£5,000,000	20/08/24	20/09/24	31	4.83%	A+
Standard Chartered - Sustainable	£5,000,000	20/09/24	27/09/24	7	4.75%	A+

The weighted average rate of interest earned on deposits held in the period 1 April to 30 September 2024 was 5.01%. The average Bank of England bank rate over the period was 5.17%.

5.4 Use of Call accounts

In addition to the fixed term deposits, the Council has made use of the following accounts in the period covered by this report, with the average amount held being £2.068m, generating interest to-date of £127k.

Counterparty	Balance at 30/9/24 £000	Average Balance £000	Average Interest Rate %	Current Interest Rate %
Santander Business Reserve Account	£0	£284	3.19%	2.98%
Lloyds Bank Current Account	£432	£1,786	2.10%	2.10%
Lloyds Bank Call Account	£5,710	£4,134	5.06%	4.88%

5.5 Money Market Funds

There were no funds Money Market Funds held at 30 September 2024, and there was no activity in the year.

5.6 Bond Funds, Multi-Asset Income Funds and Property Funds

There were no Short Dated Bond Funds, Multi-Asset Income Funds or Property Funds held at 30 September 2024, and there was no activity in the year.

6. Capital Position

6.1 This table shows the capital expenditure to-date compared to the revised budget. **Appendix B** provides further details. Note – the ‘Revenue and Capital Outturn’ report to Cabinet 5 December 2024 Cabinet provides full capital scheme details.

	Original Budget £000	Revised Budget £000	Actual Q2 £000
HRA	17,023	28,292	6,622
General Fund	45,945	50,103	5,388
Total Capital Expenditure	**62,968**	**78,395**	**12,010**

6.2 The budget has been updated for scheme expenditure deferred from the previous year. The programme is currently under review as part of the Medium Term Financial Strategy (MTFS) process which will inform the projected outturn and revised budget for 2024/25 and reprofiling of the future years.

6.3 The financing of the capital programme will be updated in line with expenditure forecast changes. The borrowing element of this will increase the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt, the Minimum Revenue Provision. The current updated budget amount of unfinanced capital expenditure (i.e. borrowing) in the year for the GF is £24.49m and HRA £9.30m. This will be updated as part of the revised budget review.

7. Borrowing

7.1 The Council’s capital financing requirement (CFR) for 2024/25 is forecast as £138.7m (GF £51.4m and HRA £87.3m) based on the budget position for the Programme as a whole. The CFR denotes the Council’s underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

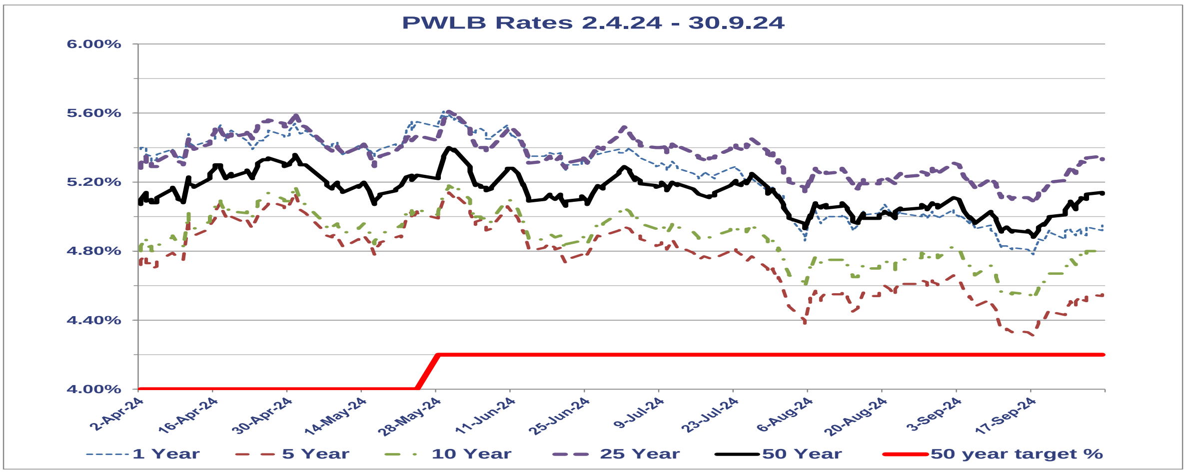
PWLB Rates

7.2 Regarding PWLB borrowing rates, the margins attributed to their pricing are:

- PWLB Standard Rate is gilt + 100 basis points (bps)
- PWLB Certainty Rate is gilt + 80 basis points
- Local Infrastructure Rate is gilt + 60bps
- HRA Borrowing rate is gilt + 40bps

7.3 Gilt yields and PWLB certainty rates were less volatile than at this time last year. Overall, the 10, 25 and 50-year part of the curve endured a little volatility but finished September very much as it started in April. At the beginning of April, the 5-year rate was the cheapest part of the curve at 4.72% whilst the 25-year rate was relatively expensive at 5.28%.

May saw yields at their highest across the whole curve. Conversely, 17 September saw the low point for the whole curve, with the 5-year rate falling to 4.31% before rebounding to 4.55% by the end of the month. Similarly, the 50-year rate fell to 4.88% but finished the month at 5.13%, slightly higher than at the start of April.



HIGH/LOW/AVERAGE PWLB RATES FOR 2/4/24 – 30/9/24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

7.4 As can be seen, with rates remaining elevated across the whole of the curve, it is advised to not borrow long-term unless the Council wants certainty of rate and judges the cost to be affordable. Link's core debt management advice remains unaltered, to continue to reappraise any capital expenditure plans/profiles, and internally/temporarily borrow for any financing and re-financing. Only seek longer-dated debt if there is absolute certainty on the long-term rates and can conclude it is affordable, sustainable and prudent if funded at prevailing levels.

External Debt

7.5 The Council's long term borrowing at 30 September 2024 was £41.7m (£43.7m at Q1) including £36.7m Public Works Loan Board (PWLB) and £5m Barclays loan. Debt at the start of the year was £43.7m. £2m of PWLB loans have matured in the year tod-date. Long term borrowing is at fixed rates of interest ranging from 2.63% to 4.50%.

7.6 Short term (temporary) borrowing at 30 September 2024 was £10m (£16m at Q1). Total external debt at 30 September 2024 was £53.7m (£59.7m at Q1). The General

Fund makes internal loans to the Housing Revenue Account and the balance at 30 September 2024 was £36.4m (£34.4m at Q1).

7.7 No new long term borrowing has been undertaken this year to-date and will depend on future PWLB rates subject to future base rate cuts. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if upside risk to gilt yields prevails.

8. Debt Rescheduling

8.1 Debt rescheduling opportunities have increased significantly in the year. The premature repayment of long-dated PWLB borrowing is attractive with discount rates at a high of 4.64% (26.5 - 27.5 years). However, this mainly applies where there is significant surplus cash and no new borrowing need. No debt rescheduling has been undertaken in the financial year to-date.

9. Capital Financing Costs Summary

9.1 The table below summaries the General Fund (GF) interest payable, minimum revenue provision (MRP) and interest receivable forecast for the year.

General Fund	Original Budget £000	Forecast Outturn Q2 £000
MRP	925	926
Interest Payable	1,387	1,300
Interest Receivable	(1,389)	(2,162)
Net Cost	**923**	**64**

9.2 MRP is charged at the end of the financial year as is interest payable on HRA balances and interest receivable on GF loans to the HRA.

9.3 The table below summaries the Housing Revenue Account (HRA interest payable and interest receivable forecast for the year.

HRA	Original Budget £000	Forecast Outturn Q2 £000
Interest Payable (PWLB, Market & GF loans)	2,954	3,362
Interest Receivable (on HRA Balances)	(549)	(600)
Net Interest Cost	**2,405**	**2,762**

9.4 HRA Interest payable on PWLB and market loans is payable twice yearly in September and March. Interest on GF loans is charged at the end of the financial year as is interest receivable on HRA balances.

10. Compliance with Treasury and Prudential Limits

10.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council’s approved Treasury and Prudential Indicators (affordability limits) are included in the approved Treasury Management Strategy Statement and Treasury Management Practices (TMPs).

10.2 The tables below show the RAG status of the Prudential and Treasury Indicators comparing the Budget position to the Forecast for the year.

Prudential Indicators	**2024/25 Budget**	**2024/25 Forecast Q2**	**RAG Status**
Authorised Limit for external debt	£180m	£180m	GREEN
Operational Boundary for external debt	£172m	£172m	GREEN
Capital Financing Requirement (CFR)	£145m	£139m	GREEN
Gross External debt [Notes 1 & 2]	£80m	£90m	AMBER
Debt compared to CFR under / (over) borrowing	£69m	£49m	GREEN
Proportion of GF Financing Costs to Net Revenue Stream (Note 2)	7.4%	8.5%	AMBER
Proportion of HRA Financing Costs to Rental Income	48.2%	49.6%	GREEN
Proportion of net income from Commercial and Service investments to Net Revenue Stream	10.3%	10.3%	GREEN

Notes

1. Higher Q2 forecast figures are caused by the deferral of capital schemes from the previous year which are now included within 2024/25.
2. Includes GF loans to HRA.

Section 6 and Appendix B include details of the requirement for a Capital Expenditure indicator.

Treasury Indicators	**2024/25 Budget**	**2024/25 Forecast Q2**	**RAG Status**
Upper limit for principal sums invested for longer than 365 days	£2m	£2m	GREEN
Maturity structure of fixed rate borrowing - upper limits:			
Under 12 months	25%	25%	GREEN
12 months to 2 years	40%	40%	GREEN
2 years to 5 years	50%	50%	GREEN
5 years to 10 years	75%	75%	GREEN
10 years and above	100%	100%	GREEN

Paragraphs 10.5 to 10.7 and Appendix C include details of the requirement for a Liability Benchmark indicator.

10.3 As at 30 September 2024, all indicators have a green status with the exception of gross external debt which is amber and linked to this the proportion of GF financing costs to net revenue stream. Gross external debt has increased due to £10m additional short term borrowing. The Capital Financing Requirement (CFR) has reduced by £20m from an estimated £145m (Jan 2024) to a forecast of £139m. The reduction is due to lower capital expenditure in the previous year (financed through borrowing).

10.4 Approved limits within the Annual Investment Strategy were not breached during the period ending 30 September 2024. Daily balances with Lloyds Bank did not exceed the £10m investment limit and no Council bank accounts were overdrawn.

Liability Benchmark

10.5 There is a requirement to provide a comparison of the existing loan portfolio against committed borrowing needs in order to understand future debt requirements. The chart covers the following four areas

i. Existing Loan Debt = current borrowing portfolio;
ii. Capital Financing Requirement (loans only);
iii. Net Loans Requirement = loan debt (less treasury management investments) forecast based on approved prudential borrowing and planned MRP;
iv. Liability Benchmark = Net Loans Requirement plus short term liquidity allowance.

10.6 Appendix C includes liability benchmark charts for both the General Fund and HRA. Only approved expenditure and financing budgets for the period to 2027/28 are to be included although the charts cover the full debt maturity profile and MRP to 2066/67.

10.7 The GF chart shows the CFR reducing over time due to MRP payments. The liability benchmark line moves negative in 2055 when MRP exceeds loan debt. The HRA chart shows the CFR increasing and then levelling out as there are no MRP payments or capital receipts set aside. PWLB debt reduces over time as debt matures. Any gaps between actual loan debt outstanding and the liability benchmark will need to be managed over time.

11. Non-treasury investments

11.1 Lewes Housing Investment Company

Lewes Housing Investment Company is a wholly owned subsidiary of the Council incorporated in July 2017. It was established to acquire, improve, and let residential property at market rents. Capital allocations would need to be approved as potential commercial loan funding to facilitate property purchases. No loans have been made to-date.

11.2 **Aspiration Homes LLP**

Aspiration Homes LLP is a limited liability partnership owned jointly by Lewes District Council and Eastbourne Borough Council incorporated in June 2017. It was established for the purpose of developing housing to be let at affordable rent. Loans outstanding total £3.04m relating to two schemes (Grays School, Newhaven and Caburn Field, Ringmer). In addition, £20k of working capital loans have been made. No loans have been made during the year to-date.

11.3 Total interest from loans is forecast to be £172k in the year.

12. Environmental, Social and Governance (ESG) Investment

12.1 The Cabinet at its meeting on 1 February 2024 approved the 2024/25 Treasury Management and Investment Strategy, which include Non-Specified investments in Green Energy Bonds and/or other ESG products that met the Council's internal and external due diligence criteria.

12.2 ESG loan and project assets include green financing, sustainable infrastructure projects, micro-finance, and access to finance for SME business banking. It addresses the long-term environmental challenges such as climate change, health, and financial inclusion plus being dedicated towards financing sustainable loans and projects aligned to the United Nation's Sustainable Development Goals.

12.3 While a wide range of ESG investments are currently limited, there are expectations to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent, the Council in conjunction with the treasury management advisor (Link Market Services) will continue to monitor ESG investment opportunities within the parameters of the Council's counterparty criteria and in compliance with the DLUHC Investment Guidance.

12.4 When treasury balances allow, the Council holds investments with the Standard Chartered Bank Sustainable Time Deposit where the deposits are referenced against qualifying sustainable loans and projects that meet their Green and Sustainable Product Framework.

12.5 In June, Cabinet agreed in principle to provide financial support in the form of a loan to the Wave Community Bank. This is a not-for-profit cooperative which offers ethical, affordable loans and savings accounts to people in the local area. The Council are also exploring a proposal of providing loans to homeowners and landlords in the district through a Community Interest Company (CIC).

13. Financial Appraisal

13.1 All relevant implications are referred to in the above paragraphs.

14. Risk Management Implications

14.1 The risk management implication associated with this activity is explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

15. Equality Analysis

15.1 This is a routine report for which a detailed Equality Analysis is not required to be undertaken.

16. Legal Implications

16.1 There are no legal implications from this report.

17. Environmental sustainability implications

17.1 This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report that would affect the Council’s sustainability policy. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the treasury activities and highlights compliance with the Council’s policies previously approved by members.

18. Appendices

Appendix A - Link Market Services Economic Update

Appendix B - LDC Capital Programme 2024/25

Appendix C - Liability Benchmark

Appendix D - Glossary of Terms

19. Background Papers

19.1 Treasury Management and Prudential Indicators 2024/25, Capital Strategy & Investment Strategy (Cabinet 1/2/24)

Link Market Services – Economic update

- The second quarter of 2024 (July to September) saw:

- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.

- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.

- The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.

- The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

- Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August.

That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

- A forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.

- Looking at gilt movements in the first half of 2024/25, and note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

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Capital Programme 2024/25	Original Budget £000	Revised Budget £000	Actual Q2 £000
HOUSING REVENUE ACCOUNT (HRA)			
Construction of New Dwellings	8,200	17,448	5,120
Improvements to Stock	8,329	10,321	1,451
Adaptations for Disabled Tenants	441	441	46
Housing Estates Recreation and Play Areas	53	82	5
Total HRA	**17,023**	**28,292**	**6,623**
GENERAL FUND (GF)			
Housing Grants	1,135	3,910	51
Loans to Housing Companies	500	500	-
Regeneration (see Note)	26,788	23,642	3,803
Asset Management	2,460	2,719	399
Indoor Leisure Facilities	1,909	1,989	72
Energy Schemes	3,895	3,895	-
Community Infrastructure Levy	900	900	232
Service Delivery (see Note)	7,367	8,935	596
Flood Alleviation & Coastal Protection	236	460	12
Parks & Pavilions	200	1,043	2
Open Spaces - Biodiversity	-	1,508	67
IT Block Allocation	150	334	153
Stabilisation and Growth	255	268	-
Finance Transformation	150	-	-
Total General Fund	**45,945**	**50,103**	**5,387**
Total Capital Expenditure	**62,968**	**78,395**	**12,010**

Note

Regeneration includes Newhaven Levelling Up Fund, Future High Streets Fund and Town Deal projects.
Service Delivery includes new Crematorium and Green Burial facility.

Financing	Original	Revised
HRA		
Capital Receipts	7,195	7,195
Grants & Contributions	-	-
Major Repairs Reserve	8,720	10,691
Revenue/Reserves	1,108	1,108
Borrowing Need (TBC subject to housing grants available)	-	9,298
Total HRA	**17,023**	**28,292**

General Fund		
Capital Receipts	8,870	8,733
Grants & Contributions	16,432	16,882
Revenue/Reserves	-	
Reserves	-	
Borrowing Need	20,643	24,488
Total GF	**45,945**	**50,103**

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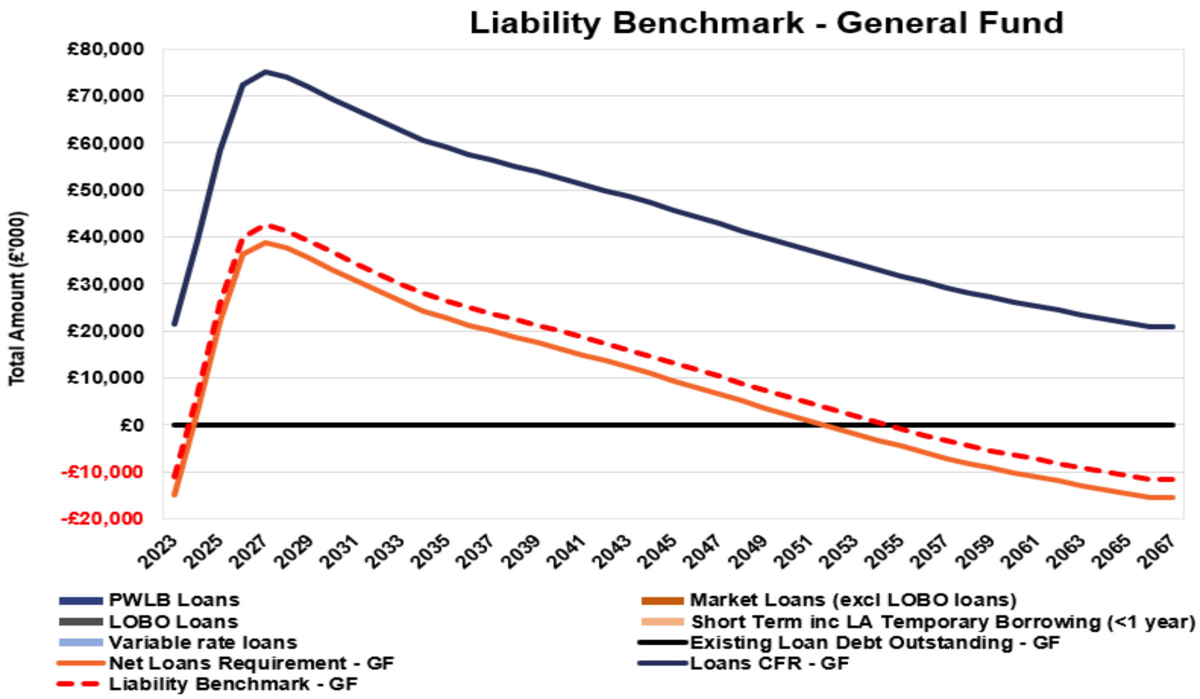
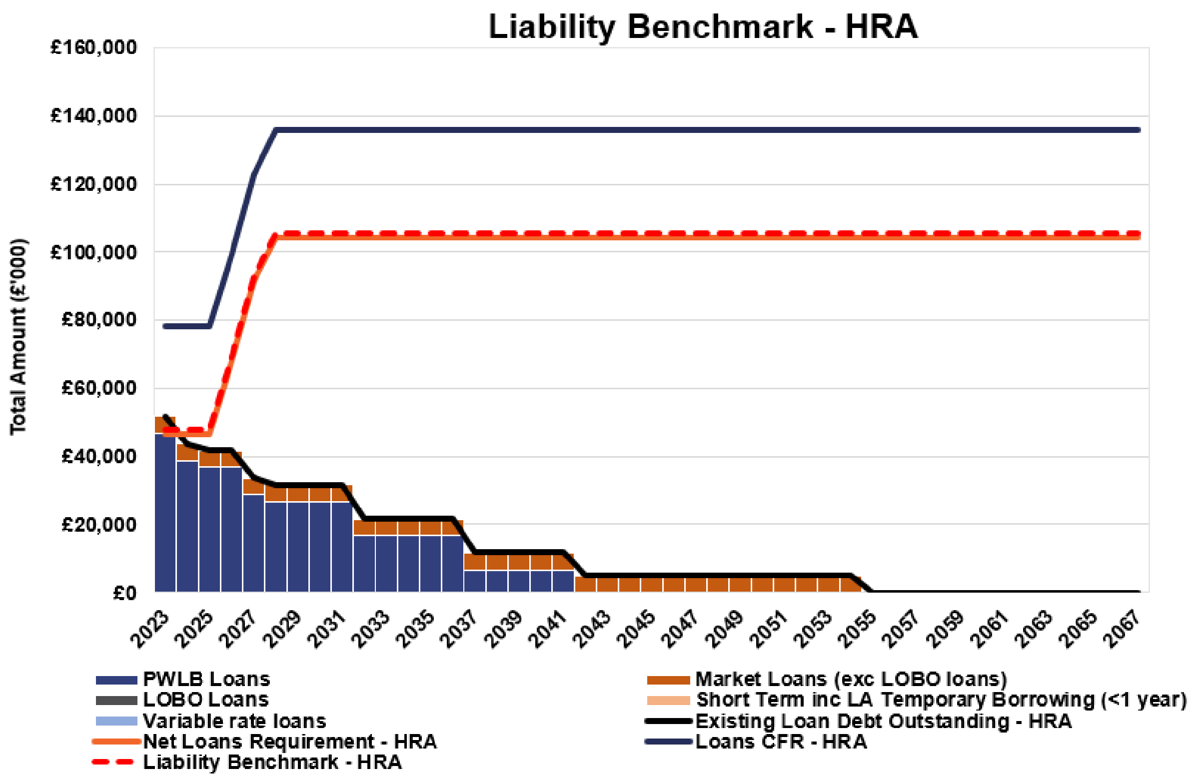
Liability Benchmark Charts





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GLOSSARY

Local Authority Treasury Management Terms

Term	Description
Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets.
Borrowing	Usually refers to the stock of outstanding loans owed, and bonds issued.
Capital Financing Requirement (CFR)	A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and Minimum Revenue Provision (MRP).
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is a UK-based international accountancy membership and standard-setting body.
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty Limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
CPI	Consumer Price Index - the main measure of inflation for macroeconomic purposes.
Deposit	A regulated placing of cash with a financial institution.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DLUHC	Department for Levelling Up, Housing and Communities supports communities across the UK to thrive. Now MHCLG.
DMO	Debt Management Office is an executive agency of HM Treasury responsible for debt and cash management for the UK Government lending to local authorities and managing certain public funds.
Equity	An investment which usually confers ownership and voting rights.
FTSE	Financial Times Stock Exchange – an important indicator of the health of the UK stock market and economy. The FTSE100 is an index made up of shares from the biggest 100 companies by market capitalisation.
GDP	Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country in a specific time period.
Income Return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
Gilts	A gilt is a UK government liability denominated in sterling, issued by HM Treasury and listed on the stock exchange.

Term	Description
LIBID and LIBOR	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR. London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. No longer in use, see SONIA below.
LOBO	Lender's Option Borrower's option.
MHCLG	Ministry of Housing, Communities and Local Government
MMF	A Money Market Fund is a type of mutual fund that invests in cash, cash equivalents and short term debt securities.
MPC	The Bank of England's Monetary Policy Committee (MPC) are responsible for making decisions about the bank rate.
Minimum Revenue Provision (MRP)	Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme.
OBR	The Office for Budget Responsibility gives independent and authoritative analysis of the UK's public finances. OBR is an executive non-departmental public body, sponsored by HM Treasury.
PMI	Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. Market conditions can be expanding, staying the same or contracting.
PWLB	Public Works Loan Board is a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments.
Quantitative Easing (QE)	Process by which central banks directly increase the quantity of money in the economy to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
TMSS	Treasury Management Strategy Statement.

Report to:	**Audit and Governance Committee**
Date:	**10 December 2024**
Title:	**Annual report on Covert Surveillance Management**
Report of:	**RIPA (Regulation of Investigatory Powers Act) Monitoring Officer**
Ward(s):	**All**
Purpose of report:	**To provide an overview of the Council's use of covert surveillance and acquisition of communication data powers in 23/24.**
Officer recommendation(s):	**To note the covert surveillance summary for September 2023 to September 2024.**
Reasons for recommendations:	**Best practice requires an annual update to the Committee on Covert Surveillance Policy adherence.**
Contact Officer(s):	**Name: Lee Ewan** **Post title: Counter-Fraud Investigations Manager and RIPA Monitoring Officer** **E-mail: lee.ewan@lewes-eastbourne.gov.uk** **Telephone number: 01323 415123**

1 Introduction

1.1 This report summarises the Council's use of covert surveillance powers and acquisition of communication data gathered from September 2023 to September 2024.

1.2 It also highlights the governance arrangements and preparation for the Investigatory Powers Commissioner's Office (IPCO) inspection anticipated to take place in June 2025.

2 Directed Surveillance Legislative and Policy Background

2.1 Part 2 of the Regulation of Investigatory Powers Act 2000 ('RIPA') provides for the authorisation by certain public bodies, including Lewes District Council, of 'Directed Surveillance'.

2.2 'Directed Surveillance' is covert surveillance carried out in relation to a specific investigation or operation in such a manner as is likely to result in the obtaining of private information about any person, other than by way of immediate response to events or circumstances.

2.3 In conducting directed surveillance, the Council must comply not just with RIPA but with the relevant Home Office code of practice and the Council's own policy, links to which are provided in paragraph 10 below.

2.4 In procedural terms, the most important steps under RIPA are for the directed surveillance to be authorised internally by a trained and designated senior manager, and for that authorisation to be approved by a justice of the peace, i.e. a magistrate or district judge.

2.5 At both stages, the authorising officer and JP must be satisfied that the proposed surveillance is necessary for the prevention or detection of a crime punishable, on conviction, by a custodial sentence of at least six months; and is proportionate to what is sought to be achieved by carrying it out. This involves balancing the seriousness of the intrusion into the privacy of the subject (or any other person who may be affected) against the need for the activity in investigative and operational terms.

3 Governance Arrangements

3.1 IPCO provides independent oversight of the use of investigatory powers by intelligence agencies, police forces and other public authorities. Its purpose is to oversee how these powers are used, taking account of the public interest and ensuring that investigations are conducted in accordance with the law.

3.2 IPCO's oversight includes the inspection of the public authorities. Lewes and Eastbourne Councils are inspected once every three years, most recently in June 2022. Details of this inspection and recommendations were presented and noted by the Audit and Governance Committee in the annual surveillance management report on 13 November 2023.

3.3 Internally, the Council regulates its use of surveillance powers through specially trained managers, consisting of:

- RIPA Senior Responsible Officer – Oliver Dixon
- RIPA Monitoring Officer – Lee Ewan
- RIPA Authorising Officers – Linda Farley and one additional vacancy – an appointment will be made by CMT shortly

3.4 To ensure continuing capability over the past 12 months, Linda Farley attended a RIPA Authorising Officer refresher course in February 2024. Three Counter-Fraud Investigation Officers attended a RIPA refresher course in May 2024. Training and system access was also organised in May 2024 for Linda Farley and officers within the Counter-Fraud team to access Communications Data; further information can be found in paragraph 5 below.

3.5 Training for the current vacant RIPA Authorising Officer will be organised upon the next available opportunity once this position has been filled. Oliver Dixon and Lee Ewan will also be due to attend respective refresher courses in their roles as RIPA Senior Responsible Officer and RIPA Monitoring Officer within the next 12 months to maintain up to date knowledge and capability.

3.6 Surveillance arrangements are also subject to periodic internal audit.

4 Use of Covert Surveillance Powers between September 2023 and September 2024

4.1 Over the period September 2023 – September 2024, no council officer sought authorisation to conduct directed surveillance or to use a covert human intelligence source (CHIS). Accordingly, no authorisations for these activities were granted during this time.

4.2 The non-use of directed surveillance powers is in part explained by the strict criteria relating to authorisation, as detailed in Paragraph 2.5 above. The Council continues to investigate suspected criminal offences (mainly fraud), breach of tenancy agreements and non-payment of fees or taxes but, in the majority of cases, directed surveillance cannot be justified under RIPA criteria and is therefore not used.

5 Acquisition of Communications Data and use of these powers between September 2023 and September 2024

5.1 Part 3 of the Investigatory Powers Act 2016 (“the Act”) permits certain public bodies to acquire specified types of communications data in limited circumstances, subject to prior authorisation granted in accordance with the Act. The Act grants powers to local authorities to acquire data in relation to cases involving the prevention or detection of serious crime.

5.2 The communications data which, in defined circumstances, local authorities are permitted to obtain under the Act is known as ‘entity data’ and ‘events data’. This broadly contains data which can identify who a suspected offender has been in communication with, or their location via the movement of their mobile phone. However, the Act does not permit the Council to monitor the content of the call.

5.3 The application process for obtaining Communications Data is centralised through the National Anti-Fraud Network (NAFN) who act as a single point of contact for local authorities. Where an application meets the threshold requirements, internal authorisation is still required by one of the council’s Authorising Officers before NAFN review the application and liaise with communication providers to obtain the entity and/or events data.

5.4 Lewes District Council had previously not sought to obtain Communications Data or had access to the NAFN application system. In May 2024 training and access to the application system was provided by NAFN to the council’s Authorising Officer, RIPA Monitoring Officer and Counter-Fraud Investigation officers.

5.5 Following the implementation of access to the NAFN system, two applications for Communications data have been made and authorised which covers the period up until September 2024.

6 IPCO inspection

6.1 IPCO made one recommendation following their inspection of the Council's surveillance management systems in June 2022, which has been implemented. The recommendation centred on amendments to the Council's RIPA policies to incorporate the retention, review and destruction (RRD) of data gathered utilising the covert powers available. On 14 November 2022, the Audit and Standards Committee approved:

(i) the Council's updated policy on the use of covert surveillance and covert human intelligence sources; and

(ii) the Council's new policy on the acquisition of communications data.

6.2 In accordance with the updated policies (see paragraph 10, background papers) a new recording process has been introduced to incorporate Communications Data, which will provide compliance with the RRD requirements and held for future inspection by IPCO. An existing RRD process is held for directed surveillance cases, however no applications have been made since the last IPCO inspection.

6.3 It is anticipated the Council's next inspection by IPCO will be due in June 2025, and work has already begun in preparation for this inspection.

7 Financial appraisal

7.1 There are no immediate financial implications associated with this report, however the committee should note that there is a small cost associated with the training costs for three officers estimated to be £1,000.

Date of financial input: 11.11.24

8 Legal implications

8.1 For the Council's directed surveillance, use of a CHIS or acquisition of communications data to comply with human rights legislation (specifically the right to respect for family and private life, and the right to a fair trial), it must comply with the controls and procedures set down by the Regulation of Investigatory Powers Act 2000 or the Investigatory Powers Act 2016 (as applicable). The Council must also have regard to the relevant Home Office codes of practice which set out the practical steps local authorities should follow in applying these regulatory controls.

Date of legal input: 16.10.24 *Legal ref: 11448-JOINT-OD*

9 Risk management implications

9.1 Failure to implement IPCO's recommendations brings with it the risk of (1) non-compliance with surveillance legislation and codes of practice, leading to a potential challenge by affected parties that could undermine the validity of data collected; and (2) censure by IPCO at their next inspection, causing reputational harm to the Council.

10 Background papers

10.1 The background papers used in compiling this report were as follows:

- Home Office Code of Practice on Covert Surveillance and Property Interference (August 2018)
- Home Office Code of Practice on Communications Data (November 2018)
- LEC's policy on use of covert surveillance and/or covert human intelligence sources
- LEC's policy on the acquisition of communications data

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Report to:	**Audit and Governance Committee**
Date:	**10th December 2024**
Title:	**Internal Audit and Counter Fraud Report for the first half of the financial year 2024-2025 – 1st April 2024 to 30th September 2024**
Report of:	**Chief Internal Auditor**
Ward(s):	**All**
Purpose of report:	**To provide a summary of the activities of Internal Audit and Counter Fraud for the first half of the financial year 2024-2025 – 1st April 2024 to 30th September 2024.**
Officer recommendation(s):	**That the information in this report be noted and members identify any further information requirements.**
Reasons for recommendations:	**The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.**
Contact Officer(s):	**Name: Jackie Humphrey** **Post title: Chief Internal Auditor** **E-mail: jackie.humphrey@lewes-eastbourne.gov.uk** **Telephone number: 01323 415925**

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1 Introduction

1.1 The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.

1.2 The quarterly report includes a review of work undertaken by Internal Audit and Counter Fraud.

1.3 This report summarises the work carried out by Internal Audit and Counter Fraud across the first half of the financial year 2024-25.

2 Review of the work of Internal Audit carried out in the first half of the financial year 2024-25

2.1 During this second quarter of the financial year, six follow up reports and four final reports have been issued. A further three reports are out in draft awaiting responses. Work was ongoing on a further eight audit reviews.

2.2 As previously reported, Risk Management has been out in draft, and awaiting responses, since January. The issue is that there is no one person with an overall responsibility for overseeing risk management. For this reason, it is not possible to direct the recommendations accurately. The draft report was taken to Corporate Management Team to explain the issue and to ask for a decision to be made about which officer should be give the remit for overseeing risk management, updating the policy, ensuring training is given and for ensuring that risk registers are completed. The Chief Internal Auditor was assured that this would be arranged. A lead officer had been suggested and the Chief Internal Auditor held a brief meeting with this officer to explain what is required. No further action was taken as the officer was busy with another project. However, at the time of writing this report, another meeting has been held which went into more detail. The draft report was updated with comments and this agreed and issued in final after the end of the second quarter.

2.3 Appendix A lists all the audit reports issued during the year. The first table shows all the follow up reports issued, the second table is the list of all other audit report issued in final, and the last table lists the audit reports issued in draft and awaiting responses from managers.

2.4 Appendix B is the list of all the audits that are still subject to follow up reviews. It shows the results of all the follow ups carried out and when the next follow up is due. When all recommendations have been addressed this will be reported once and then that audit will be removed from the list

2.5 Appendix C is the list of all outstanding recommendations and includes the latest responses from managers. A second table has been added to show recommendations from previous annual audit reviews that remain outstanding.

2.6 The following should be noted when reviewing the appendices:

Arrears Collection

The Assistant Director Revenues and Benefits was asked for an update on progress. He reported that the importance of this policy is recognised and added that it requires careful consideration and consultation before adoption. However, work continues on additional areas to add to the new Revenues and Benefits software system which remains a key priority for 24/25. He added that it is possible that the updating of this policy may have to be moved to their plan for 25/26. For this reason, the assurance level has been reduced to Partial.

Construction Industry Scheme

A fourth follow up has been carried out and showed no further progress on the recommendations made. The assurance level for this review has therefore been downgraded from Substantial to Partial to reflect the lack of progress. A verbal update received after the end of the quarter was that process notes are currently being written and should be completed in December.

Complaints

A third follow up has been completed and no recommendations have been addressed. However, there is a reason for this. In order to address the recommendations, the Complaints Policy must first be updated. The follow ups have been checking on the progress of the policy and it is noted that it has been updated, taken to Cabinet and a public consultation arranged.

Grounds Maintenance

The completed follow-up showed that one high risk and one medium risk recommendation had been addressed. Of the remaining four high and three medium risk recommendations, progress on addressing these is ongoing. It should also be noted that relevant managers attended a meeting of the Scrutiny Committee on 16th September to give a verbal updated on progress.

Annual Audits

It has previously been explained that, traditionally, follow ups have not been carried out as the audit reviews are repeated every year. However, it was noted that some recommendations were being repeated each year. Where reviews find that recommendations from previous years' reviews are still outstanding, some of these date back to audit reviews carried out in 2019-20, these have also been added to Appendix C.

Many of the annual reviews come under the remit of Finance. An Excel workbook was produced and shared with Finance, as reported to the committee at last quarter, which lists all outstanding recommendations. The Deputy Chief Finance Officer has reported that these will be put onto Pentana and a responsible officer allocated to each. However, no progress has yet been made.

3 Public Sector Internal Audit Standards

3.1 The Internal Audit function has to abide by the UK Public Sector Internal Audit Standards. A self-assessment against these is carried out annually and reported to this committee at the end of the financial year.

3.2 The Public Sector Internal Audit Standards are largely based on the Global Institute of Internal Auditors' "Global Internal Audit Standards". As previously reported, the Global Standards have recently been updated. However, it is the Public Sector Internal Audit Standards that are mandatory for councils in the UK.

3.3 The Internal Audit Standards Advisory Board (IASAB) have now commenced a period of consultation on proposals new material to replace the current UK Public Sector Standards. The IASAB have stated that they have "determined that it (the Global Standards) is applicable to the internal audit of UK public sector bodies, subject to some additional requirements and interpretations". They are therefore not intending to issue a parallel set of standards but have developed an Application Note for the UK Public Sector, setting out the requirements and interpretations.

3.4 The Chief Internal Auditor will respond to the consultation and continue to work on an action plan already put together from the Global Standards. Once the consultation period is over (end October), the results will be fully reported to the committee.

3.5 The current UK Public Sector Internal Audit Standards will remain in force until the end of the financial year 31st March 2025. Therefore, one last self-assessment against these standards will take place at the end of the financial year, with the new standards coming into force for the year 2025-26.

4 Review of the work of Counter Fraud carried out in the first half of the financial year 2024-25

4.1 The Counter – Fraud team continues to target the high risk and value areas impacting the council, in particular Tenancy and Revenue fraud. The team have also undertaken income generating work around Council Tax discounts/exemptions and have started assisting the Neighbourhood Team with fly-tipping offences impacting the district.

4.2 Housing Tenancy – the team continue to work closely with colleagues in Homes First and Legal services. There are currently 34 ongoing sublet/abandonment tenancy investigations at various stages. Possession of one property has been awarded by a Court and this is due to be returned to the council on the 23 October 2024. One other property is due to be returned on 17 November following work by the team. Two cases were closed during the second quarter with no further action.

4.3 Right To Buy - the second quarter has shown a consistent stream of new applications which has followed widespread public awareness of possible changes to the Right to Buy scheme and the annual increase in discount, with the maximum discount now at £102,400 from April 2024. 12 cases are currently either being checked to prevent and detect fraud and protect the authority against money laundering or waiting for a home visit to verify residential status. Two applications were withdrawn following intervention by the team, resulting in a net preventative saving of £205,450.

4.4 Housing Applications – the team continue to work with the Housing Allocations team with a new review expected to commence in 2024/25 with any highlighted fraud cases to be passed to the Counter-Fraud team to investigate.

4.5 Housing options/homeless placement – the team are working directly with colleagues in Homes First to implement additional counter-fraud measures to ensure the limited housing stock that is available will only be allocated to those in genuine need. This included providing refresher training to staff around credit checks and land registry systems to verify and reduce error and fraud.

4.6 Home Upgrade Grant – after the government's announcement to award a combined grant funding of £6,230,700 for home energy improvements to eligible homes within Eastbourne Borough, Hastings Borough, Lewes District and Rother District Councils, the Counter-Fraud team have been working with the scheme leads to reduce the risk of fraud by implementing enhanced verification checks and officer training in fraud prevention.

4.7 Council Tax – eight cases have been closed following investigation during the second quarter as part of a review of Exemptions and Disregards, with a net recoverable income of £10,034.42 generated for the authority and a preventative saving of £2,524.48.

4.8 Council Tax Reduction – four cases have been closed during this quarter generating a total recoverable income of £13,793.76 and a preventative saving of £2,368.64.

4.9 Housing Benefit – the team continue to work closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section. Due to resource restrictions and a pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over this period, 24 cases were closed generating a combined recoverable Housing Benefit overpayments of £91,142.56 and a preventative saving of £25,129.60.

4.10 National Fraud Initiative – work has now started on providing data to the Cabinet Office for the 2024/25 National Fraud Initiative, we expect the first batch of results to be returned in January 2025.

4.11 Fly-Tipping – the Counter-Fraud team are delivering training in criminal investigations to the Neighbourhood First team and assisting with Interviews Under Caution for Fly-Tipping offences impacting the town and communities.

4.12 Data Protection Requests – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the quarter the team dealt with 2 DPA requests from the Police and other authorities. In addition, 3 fit and proper person checks were completed for a new HMO licence and 1 gas safety checks for council properties were completed where a safeguarding concern or possible abandonment risk was identified.

4.13 Work has started on an online fraud awareness course for all council employees.

4.14 A table showing the savings made by the Counter Fraud team in 2024-2025 can be found at Appendix D.

5 Financial appraisal

5.1 There are no financial implications relating to expenditure arising from this report. Details of savings generated by the Counter Fraud team are included in Appendix D.

6 Legal implications

6.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

7 Risk management implications

7.1 If the council does not have an effective governance framework that is subject to proper oversight by councillors it will not be able to demonstrate that it has in place adequate means to safeguard council assets and services, and it could be subject to criticism from the council’s external auditor or the public.

8 Equality analysis

8.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

9 Environmental sustainability implications

Not applicable.

10 Appendices

10.1 Appendix A - List of reports issued during the year
10.2 Appendix B - Position of audits requiring follow up
10.3 Appendix C - Recommendations outstanding after follow-ups
10.4 Appendix D - Counter Fraud savings

11 Background papers

11.1 None.

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Appendix A – Quarterly Report On Internal Audit and Counter Fraud Work

LIST OF ALL REPORTS ISSUED DURING THE YEAR 2024-25

Follow Up Reports Issued In Current Year

AUDIT	FOLLOW UP	DATE FOLLOW UP ISSUED	ASSURANCE LEVEL	
Creditors – annual 21-22		03.04.24	Substantial	See appendices B and C for details
Complaints	Second	25.04.24	Partial	See appendices B and C for details
Managerial Responsibilities Training	First	30.04.24	Full	All recommendations addressed
Counter-Fraud Management	First	06.08.24	Substantial	See appendices B and C for details
Complaints	Third	20.08.24	Partial	See appendices B and C for details
Equality and Diversity	First	06.09.24	Substantial	See appendices B and C for details
Waste Services	First	06.09.24	Full	All recommendations addressed
Construction Industry Scheme	Fourth	30.09.24	Partial	See appendices B and C for details
Grounds Maintenance	First	30.09.24	Minimal	See appendices B and C for details

Audit Reports Issued In Current Year

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-DUE
Equality and Diversity	15.04.24	Substantial	August 24
Non-Residential Properties Portfolio Management	14.05.24	Partial	September 24
Homelessness and Emergency Accommodation	20.05.24	Substantial	September 24
Creditors – annual 22-23	30.05.24	Substantial	September 24
Emergency Planning	28.06.24	Partial	October 24
ICT – annual 23-24	07.08.24	Partial	December 24
Payroll – annual 23-24	07.08.24	Substantial	December 24
Creditors – annual 23-24	21.08.24	Substantial	December 24
Treasury Management – annual 23-24	22.08.24	Substantial	December 24

Draft Reports Issued In the Current Year That Are Awaiting Responses

AUDIT	DATE DRAFT ISSUED
Risk Management	20.12.23
Housing Rents – annual 23-24	03.07.24
Cash and Bank – annual 23-24	26.07.24
Housing Benefits – annual 22-23 – follow up	02.09.24

Key to assurance levels

Assurance Level	Description
Full Assurance	Full assurance that the controls reduce the risk to an acceptable level.
Substantial Assurance	Significant assurance that the controls reduce the level of risk, but there are some reservations; most risks are adequately managed, for others there are minor issues that need to be addressed by management.
Partial Assurance	Partial assurance that the controls reduce the level of risk. Only some of the risks are adequately managed; for others there are significant issues that need to be addressed by management.
Minimal Assurance	Little assurance that the controls reduce the level of risk to an acceptable level; the level of risk remains high and immediate action is required by management.
No Assurance	No assurance can be given. The reasons will be explained thoroughly in the report.

APPENDIX B – Quarterly Report on Internal Audit and Counter Fraud Work

POSITION OF AUDITS REQUIRING FOLLOW UP

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-UP DATE	FIRST FOLLOW UP ASSURANCE LEVEL	SECOND FOLLOW-UP DATE	SECOND FOLLOW UP ASSURANCE LEVEL	THIRD FOLLOW-UP DATE	THIRD FOLLOW- UP ASSURANCE LEVEL	FOURTH FOLLOW UP DATE	FOURTH FOLLOW UP ASSURANCE LEVEL	FIFTH FOLLOW UP DATE	FIFTH FOLLOW UP ASSURANCE LEVEL	SIXTH FOLLOW
Arrears Collection	Jan 21	Partial	Sep 21	Partial	Jan 22	Partial	May 22	Substantial	Nov 22	Substantial	Jan 24	Substantial	Jun 24 - Partial
Construction Industry Scheme	Feb 22	Partial	Feb 23	Partial	Aug 23	Substantial	Jan 24	Substantial	Oct 24	Partial	Mar 25		
Casual Workers	Apl 23	Partial	Jan 24	Partial	Ongoing								
Complaints	Aug 23	Partial	Dec 23	Partial	Apl 24	Partial	Aug 24	Partial	Nov 24				
Grounds Maintenance	Feb 24	Minimal	Sep 24	Minimal	Jan 25								
Counter Fraud Management	Mar 24	Substantial	Aug 24	Substantial	Dec 24								
Equality and Diversity	Apl 24	Substantial	Sep 24	Substantial	Jan 25								
Waste Services	Apl 24	Substantial	Sep 24	Full									
Community Wealth Building	Apl 24	Substantial	Apl 25										
Non-Residential Properties Portfolio Management	May 24	Partial	Feb 25										
Homelessness and Emergency Accommodation	May 24	Substantial	Ongoing										
Emergency Planning	Jun 24	Partial	Oct 24										

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RECOMMENDATIONS FROM AUDIT REPORTS WHICH REMAIN OUTSTANDING AFTER FOLLOW UP

COLOUR KEY
High Risk
Medium Risk
Low Risk

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Arrears Collection January 2021	Partial	2	2	3	Jun 24	Fourth	Partial	0	0	1	Nov 24	An overarching corporate arrears collection strategy must be drawn up and adopted, under which the separate policies for the individual debt streams sit, to ensure council departments responsible for collecting monies are acting in accordance with approved guidelines. (3 months)	**Audit Comment** Centralised debt collection is due to begin in February 2024. The Lead for Income Maximisation and Welfare has confirmed that writing a Corporate Fair Debt Policy is on the priorities list for 2024/25 JUNE 24 The Assistant Director Revenues and Benefits recognises the importance of this policy but current work pressures on additional areas to add to the new software system is a priority. Therefore updating the policy may have to be moved to the plan for 25/26 For this reason, the assurance level has been downgraded since the last follow up from Substantial to Partial

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Construction Industry Scheme February 2022	Partial	0	5	0	Sep 24	Third	Partial	0	1	0	Mar 25	Procedures for CIS payments must be written up and regularly updated as directives from HMRC change. (6 months)	**First follow up** Procedures for CIS payments will be developed and regularly updated in line with the HMRC changes. **Second follow up** The Systems and Transactional Manager confirmed that procedure notes for CIS have not been written. Resourcing issues are currently impacting on the team's ability to undertake this. **Third follow up** Same response as second follow up but now with a target completion date July 2024. **Fourth follow up** No further recommendations have been addressed and the target date has been moved to December 24. The assurance level has been downgraded sine the last follow up due to the continued lack of procedures.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Casual Workers May 2023	Partial	1	12	0	Feb 24	First	Partial	0	7	0	Ongoing	All staff must complete a Close Personal Declaration form at the beginning of their employment. The form must be kept on record and annual reminders sent to update the information if necessary. For Casual Workers the form must be included in the Casual Starter Pack. Managers must be reminded that a form must be completed if a casual workers position regarding close personal relationships changes at any time during the year. (6 months)	The new Starter Pack contains a Close Personal Relationship(CPR) form. The Casual Workers Guidance for Managers contains instructions on the annual reviewing /updating of CPR forms. Whilst the forms are being completed, they are not being routinely saved on D360. **Audit comment:** The Director and HR are aware of this issue and confirmed that a solution to managing Starter Packs through D360 will be found, and the project to move the Starter Pack online will be discussed with IT- online Starter Packs have the potential to resolve all of the outstanding Starter Pack issues.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Casual Workers May 2023 **continued**	Partial	1	12	0	Feb 24	First	Partial	0	7	0	Ongoing	Managers must be reminded that all casual workers must have a complete copy of the Casual Starter Pack sent to HR. HR must return incomplete Starter Pack to the manager responsible. Consideration must be given to an online version of the form which can be safely completed and delivered without the need for casual workers to attend the office. Hard copies must be destroyed once they have been scanned and delivered to HR and digital copies must not be stored on local devices. (1 month)	Casual Worker Guidance gives instructions on completing Casual Worker Starter Packs for all Casual Workers. The instructions include the directive to send the Starter Packs to both HR and Payroll. **Audit comment:** Testing showed that Starter Packs are, more often than not, being sent to Payroll alone. Payroll extract the Payroll related information and add it to D360, but because the information is not being sent to HR, HR related information is not being saved. It was reported that discussions have been had regarding online Starter Packs, but no decisions were reported. Hard copies are still being retained. The Director and HR are aware of this issue and confirmed that a solution to managing Starter Packs through D360 will be found, and the project to move the Starter Pack online will be discussed with IT- online Starter Packs have the potential to resolve all of the outstanding Starter Pack issues.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Casual Workers May 2023 **continued**	Partial	1	12	0	Feb 24	First	Partial	0	7	0	Ongoing	Manager's confirmation, signature and date on copies of identity documents must be attached to all Casual Starter Packs and saved on D360. (1 month)	The Casual Workers Guidance for Managers lists the procedures for managing identity documents. **Audit comment:** Testing showed that where identity documents were available on D360 they were nearly always annotated, however many of the samples taken did not have identity documents present on D360. The Director and HR are aware of this issue and confirmed that a solution to managing Starter Packs through D360 will be found, and the project to move the Starter Pack online will be discussed with IT- online Starter Packs have the potential to resolve all of the outstanding Starter Pack issues.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Casual Workers May 2023 **continued**	Partial	1	12	0	Feb 24	First	Partial	0	7	0	Ongoing	Managers must be reminded that written role duties and expectations must be given to each casual worker and must either form part of the completed Casual Starter Pack or be saved alongside it on D360. (1 month)	Starter Packs containing role duties, as well as more detailed duty descriptions for more senior roles, are regularly being sent to Payroll, but not transferred to D360 in their entirety. **Audit comment:** The Director and HR are aware of this issue and confirmed that a solution to managing Starter Packs through D360 will be found, and the project to move the Starter Pack online will be discussed with IT- online Starter Packs have the potential to resolve all of the outstanding Starter Pack issues.
												Managers must be reminded that casual workers must have a related wages amendment form for rates that differ from their original payment code. (3 months)	**Audit comment:** Payroll reported that there has been an improvement in this area, but that there are still instances of it happening. Testing supported this position with a number of casual worker pay codes / rates out of date on D360 – some by a number of years. The Director and HR are aware of this issue. Managers will be reminded that staff must have up-to-date rates and payment code on file.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Casual Workers May 2023 **continued**	Partial	1	12	0	Feb 24	First	Partial	0	7	0	Ongoing	Managers must be reminded that casual workers must be given Health and Safety training relevant to the roles they are undertaking. (3 months)	Meetings between the Health and Safety Manager and Devonshire Quarter managers are happening frequently, and specific Health and Safety (H&S) related training sessions are being given. The Director confirmed they have been present at a number of H&S inductions carried out by the Events team and that they are comprehensive as far as the specific duties being carried out for the event are concerned. However, H&S training for Casual Workers is not always happening. It was reported that a barrier to providing basic H&S training, especially to casual workers who are taken on at short notice and those working for short periods of time, is the lack of access to OLLE training as this requires a council email address. **Audit comment:** The Director confirmed they will speak with Health and Safety Manager to help pinpoint H&S shortfalls and discuss potential ways to address them.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Casual Workers May 2023 **continued**	Partial	1	12	0	Feb 24	First	Partial	0	7	0	Ongoing	All casual workers that require a qualification and/or a background check to carry out their duties must have the relevant documents retained on their personnel file. (1 month)	**Audit comment:** A review of the DBS checks held by HR for relevant staff was carried out. However, in testing, one sample was found to have no DBS check on file. It was reported that issues regarding the speed at which DBS checks are happening and the relevant documents are being passed onto HR has been identified as a problem. It was confirmed that discussions are already happening with managers and measures put in place to address the ongoing issues.
Complaints August 2023	Partial	9	7	0	Aug 24	Third	Partial	9	7	0	Nov 24	An aligned complaint management policy for defining and handling customer complaints must be drafted, implemented, and regularly reviewed. It must meet all complaint management requirements to avoid the need for separate supplementary polices. (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** The complaints policy has been written jointly between Customer First and Homes First and has been through the cabinet cycle. We are now taking it to public consultation and expect to roll out the new policy in August.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 **continued**	Partial	9	7	0	Aug 24	Third	Partial	9	7	0	Nov 24	An aligned complaint management procedure for handling customer complaints and the associated record-keeping requirements must be drafted, implemented, and regularly reviewed. It must meet all complaint management requirements to avoid the need for separate supplementary procedures. (6 months)	**3rd Follow Up In progress** **Assistant Director Customer Service and Delivery** As above
												All council-wide complaint management documents and user guides must be reviewed, updated, and implemented to address inconsistencies and omissions. All documents must have quality assurance cover sheets. (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** These documents will be updated following the public consultation
												The support available to those who may otherwise struggle to make a written complaint must be widely and consistently communicated. (3 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** As above

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 **continued**	Partial	9	7	0	Aug 24	Third	Partial	9	7	0	Nov 24	Consideration must be given to procuring a dedicated complaint management system that meets all complaint management, recording and reporting needs. (6 months)	**3rd Follow Up On hold Assistant Director Customer Service and Delivery** Not progressing any further at this stage due to budgetary constraints
												Complaints management system templates must support good documentation and record keeping practices. (3 months)	**3rd Follow Up In progress Assistant Director Customer Service and Delivery** To be completed after public consultation
												Complaints must be handled in line with the documented complaints procedures. Mandatory training programmes must be devised and implemented . All staff handling complaints, including all frontline staff, must complete the online Customer Complaints Procedure training course on the councils' online learning portal, Online Learning in Lewes and Eastbourne (OLLE). (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** Training is now mandatory To be completed after public consultation

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 **continued**	Partial	9	7	0	Aug 24	Third	Partial	9	7	0	Nov 24	All records supporting a complaint request / complaint must be appropriately stored and retained together. An explanatory file note must be left on the original complaint file for aborted and cancelled complaints. (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** To be included as part of the training programme
												A process must be implemented to ensure complaints are resolved and closed in a timely manner. (3 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** To be included as part of the training programme and has been discussed at Senior Managers Forum
												The complaint alert notification email distribution list must be kept up to date. Change requests to the distribution list must be submitted and processed in a timely manner. The process for updating the distribution list must be reviewed, updated, and implemented. (1 month)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** The Customer First Resolution Team Specialist Advisor (Complaints and Improvement) has updated where possible, and continues to review, the distribution lists **Internal Audit Comment** The format of the distribution list is in the process of being revised and will be reviewed as part of the next follow up

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 **continued**	Partial	9	7	0	Aug 24	Third	Partial	9	7	0	Nov 24	Information on the complaints management process detailed on The Hub and external website, must be reviewed and updated, and aligned with guidance. (1 month)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** Needs to be updated and will be done after public consultation
												Staff must receive alerts when complaints they have been assigned are approaching their target resolution dates and when they have reached their target resolution dates. (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** To be completed after public consultation
												Customers must be signposted to where they can provide feedback on the way in which their complaint was handled. That feedback must be logged and reviewed, and lessons learnt disseminated and implemented across the councils. (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** To be completed after public consultation

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Complaints August 2023 **continued**	Partial	9	7	0	Aug 24	Third	Partial	9	7	0	Nov 24	Root cause analysis of complaints, and systems and processes to disseminate and implement lessons learnt from root cause analysis, must be extended across the councils. (3 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** An internal working group focussed on learning from complaints is being arranged to meet quarterly
												Reports must be designed to meet all complaint reporting needs. (6 months)	**3rd Follow Up** **Outstanding** **Assistant Director Customer Service and Delivery** Not yet started
												All service areas must be responsible for monitoring and recording their own complaints data in a standardised format for timely submission to Customer First to meet PI reporting requirements. (6 months)	**3rd Follow Up** **In progress** **Assistant Director Customer Service and Delivery** This will form part of the internal working groups terms of reference

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Grounds Maintenance February 2024	Minimal	5	4	0	Sep 24	First	Minimal	4	3	0	Jan 25	Consideration must be given to how best to monitor contract service delivery and performance most effectively with the resources available, including: ensuring the contractor provides the contract management and monitoring information required of them under the terms of the contract, and by identifying key areas which must be monitored regularly and those which can be monitored less frequently by carrying out intermittent spot checks. (3 months)	**In progress** The contractor is providing daily schedule emails and weekly inspection tick sheets. **Internal Audit Comment** The Auditor requested examples of the spot checks undertaken but these were not provided. The Auditor also requested a copy of the complaints log the contractor is required to provide monthly but did not receive a copy. These will be confirmed as part of the next review in three months
												Contract management records must be maintained in accordance with the joint Data Retention, Storage and Disposal Policy. The records must be filed centrally, be accessible to all relevant staff, and be sufficient to support management of all aspects of the contract. (3 months)	**In progress** **Neighbourhood First Operational Manager** As original comment, the contract files have been moved to a drive that is accessible to the relevant staff **Internal Audit Comment** The Auditor was advised that a contract management filing system is to be agreed and implemented by August 2024. This will be reviewed as part of the next review in three months

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Grounds Maintenance February 2024 **Continued**	Minimal	5	4	0	Sep 24	First	Minimal	4	3	0	Jan 25	The format of the contract meeting minutes must be reviewed, revised and implemented to ensure that good practice is followed, including adherence to an agenda, agreement of previous minutes, clearly recorded agreed actions (what, who, when) with updated actions addressed under matters arising at next meeting. (1 month)	**Partially addressed** The minutes now adhere to the standing agenda, however, actions agreed during the meeting (what, who, when) are not clearly recorded. **Neighbourhood First Operational Manager** As original comment above
												The contract must be reviewed in a timely manner to ensure that sufficient time is available to consider future options and proposals for grounds maintenance contracts in Lewes and Eastbourne Councils and so that the approved option(s) are ready for implementation once the current contract expires on 31 March 2026. (12 months)	**In progress** **Neighbourhood First Operational Manager** With additional support now in place this will be achieved in the time frame required **Internal Audit Comment** The Auditor requested confirmation of the additional support put in place, but this information was not provided. This will be confirmed as part of the next review in three months.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Grounds Maintenance February 2024 **Continued**	Minimal	5	4	0	Sep 24	First	Minimal	4	3	0	Jan 25	For ease of monitoring, consideration should be given to extracting the requirements of both the Authority and the Contractor from all relevant contract documents, including the contract, the specification, and change control orders. (6 months)	**In progress** **Neighbourhood First Operational Manager** With additional support now in place this will be achieved in the time frame required
												Performance indicators must be used to measure the Contractor's performance over time. (3 months)	**In progress** **Neighbourhood First Operational Manager** As original comment above **Internal Audit Comment** Details of the KPIs were requested but not provided. This will be confirmed as part of the next review in three months
												Performance figures must be reported on to CMT and significant or ongoing issues must be reported on to CMT and committee. (3 months)	**In progress** **Neighbourhood First Operational Manager** As original comment above **Internal Audit Comment** The Auditor requested examples of issues reported to CMT but these were not provided. This will be confirmed as part of the next review in three months

Appendix C – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Counter Fraud Management March 24	Substantial	1	4	0	Aug 24	First	Substantial	0	3	0	Nov 24	Recommended improvements on failing fraud controls should be recorded and a scheduled in follow up should take place to ensure failing controls have been reviewed. (6 months)	**Outstanding** **Counter-Fraud Investigations Manager Comment** I have created a spreadsheet, to record any incidents with actions/ recommendations for improvements on failing fraud controls. I shall incorporate this into my quarterly reviews, so any issues are recorded.
												Current and emerging fraud risks should be reported to Internal Audit. (3 months)	**Outstanding** **Counter-Fraud Investigations Manager Comment** Current and emerging fraud risks are informally shared on an ad hoc basis with Internal Audit via management meetings attended by the Fraud Investigations Manager, Audit Manager, and the Chief Internal Auditor and when both teams work alongside each other in the office. **Chief Internal Auditor Comment** I will add current and emerging fraud risks to the Audit and Counter Fraud management meeting agenda as a standing item to formalise the reporting of this information.

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Counter Fraud Management March 24 **continued**	Substantial	1	4	0	Aug 24	First	Substantial	0	3	0	Nov 24	There should be a more structured approach to counter-fraud training ensuring training and refresher training is scheduled for all teams. (3 months)	**Outstanding** The OLLE course has had approval from HR. However, the Counter-Fraud Investigations Manager is in the process of exploring how he could include videos within the training as he wants to ensure the training is impactful.
Equalities and Diversity April 24	Substantial	2	2	1	Sep 24	First	Substantial	0	1	0	Jan 25	A reminder must be sent out to officers and members to complete their Equality and Diversity training on OLLE. (3 months)	**In Progress** 73% of officers have completed their Equality and Diversity training. The auditor was advised that a reminder was sent out and that the course is currently being revised. When this work has been completed HR will send out another email asking all staff to complete this course again.

ANNUAL AUDITS

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Payroll (22/23) December 2023	Substantial	Nov 24	0	3	1	**2020/21 Outstanding Recommendation** All pay awards must detail an explanation for why the award is being made. (6 months)	**2020/21 and 2021/22** **Client Comment** HR Business Partners will ensure that payroll are provided with a summary of the additional duties that are being undertaken, how the payment for these has been calculated and the period to which the payment relates, to the best of the information provided to us at the time. HR will also check any calculations provided by managers. **2022/23 Head of HR** HR will remind managers of the requirement for this. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding as no samples to test**
						2020/21 Recommendation Outstanding All discretionary pay awards must detail an explanation for why the award is being made (6-12 months)	**Outstanding action from 2020/21** HR Business Partners will ensure that payroll are provided with a summary of the additional duties that are being undertaken, how the payment for these has been calculated and the period to which the payment relates, to the best of the information provided to us at the time. HR will also check any calculations provided by managers. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding as no samples to test**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Payroll (22/23) December 2023 **Continued**	Substantial	Nov 24	0	3	1	**2020/21 Recommendation Outstanding** Records for agreed acting up and honorarium allowances must detail how each payment was calculated and each calculation must be independently checked for accuracy. There must be an easily identifiable record of this on D360. (*2022/23 Auditor Note: this outstanding recommendation has been superseded by the revised recommendation below to reflect HR's confirmation that D360 is not compatible to many HR processes*). **2022/23 Recommendation** Records for agreed acting up and honorarium allowances must detail how each payment was calculated and each calculation must be independently checked for accuracy. (6 months)	**2020/2021 and 2021/22** **Client Comment** HR Business Partners will ensure that payroll are provided with a summary of the additional duties that are being undertaken, how the payment for these has been calculated and the period to which the payment relates, to the best of the information provided to us at the time. HR will also check any calculations provided by managers. **2022/23 Head of HR** Agreed **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding as no samples to test**
						2020/21 Recommendation Outstanding For transparency, an annual report listing honoraria, acting-up, ex-gratia and added responsibilities payments made should be submitted to CMT. (2022/23 Auditor Note: this outstanding recommendation has been superseded by the revised recommendation below.) **2022/23 Recommendation** For transparency, an annual report listing honoraria and acting up / additional responsibilities payments must be submitted to CMT. (6 months)	**2020/2021 and 2021/22** **Client Comment** Agreed. **2022/23 Head of HR** Agreed **Current update** **Follow up completed after end of Q3 shows this recommendation is In Progress**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Debtors (21/22) **Follow Up**	Partial	Nov 24	2	5	0	The VAT codes used on burial service-related invoices and leasehold maintenance fee invoices must be reviewed by an Accountant / VAT Tax Specialist.	**Accountant (Corporate Finance)** Initial review undertaken. Follow-up questions being asked to understand exactly what is being charged for. May need to refer some of them to PSTAX (Public Sector Tax Consultancy). **Current update** **Follow up completed after end of Q3 shows this recommendation is In Progress**
						Recommendation outstanding from 2020-21 Written procedures for write offs must be updated. **Recommendation amended for 2021-22** Aligned procedures must be written for writing off sundry debtor debts and made available to appropriate staff. (6 months)	**Deputy Chief Finance Officer** Agreed. Target date 9 months from date follow-up report issued. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
						The VAT codes linked to charge codes must be reviewed and steps taken to ensure the correct VAT codes are linked to all new charge codes.	**Systems and Transactional Manager and Accountant (Corporate Finance)** A review of the current codes and monitoring of new codes have resource implications that need to considered. **Deputy Chief Finance Officer** VAT codes used in past 12 months to be sampled to identify codes that may require a more detailed review. Target date 12 months **Current update** **Follow up completed after end of Q3 shows this recommendation is In Progress**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Debtors (21/22) **Follow Up** **continued**	Partial	Nov 24	2	5	0	**Recommendation outstanding from 2020-21** It must be ensured that adequate checking of any amendments made is carried out and any unusual transactions questioned. **Recommendation amended for 2021-22** Running regular reports on new and amended charge codes must be implemented as the key compensating control for managing risk posed by many users having access to set-up and amend charge codes. (3 months)	**Deputy Chief Finance Officer** Agreed. To be addressed this [fiscal] year. Target date 3 months from date follow-up report issued. **Current update** **Follow up completed after end of Q3 shows this recommendation is In Progress**
						Recommendation outstanding from 2019-20 The debt recovery procedures should be rewritten. **Recommendation outstanding from 2020-21** The Debt Recovery Procedures guide should be updated to include current job titles, of senior managers that are required to authorise writing off debt. **Recommendations amended for 2021-22** An aligned procedure reflecting an overarching corporate arrears collection strategy that fully details the arrears and recovery processes in place for overdue amounts must be drafted and regularly reviewed. (6 months)	**Deputy Chief Finance Officer** Agreed. Target date 9 months from date follow-up report issued. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
						Heads of Service and managers must be reminded that when requesting authorisation and counter authorisation to write off a debt, all debt recovery steps undertaken must be listed and fully documented, and the reason(s) for the write off request must be explicitly stated. (3 months)	**Deputy Chief Finance Officer** Agreed. Target date 9 months from date follow-up report issued. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Debtors (21/22) **Follow Up** **continued**	Partial	Nov 24	2	5	0	**Outstanding Recommendation from 2019/20** Evidence of details for the invoice and the authorisation for raising these must be retained. **Outstanding Recommendation from 2021/22** Heads of Service and managers must be reminded that the authoriser must be specified on the requisition whatever the format the requisition takes (form, spreadsheet, email). Email authorisations must remain attached to requisitions so that both documents are retained together. Invoices must not be raised without authorisation.	**2022/23 Audit** Confirmed in 2021/22 debtors Audit follow up that steps are being taken to address these recommendations. In progress **Current update** **Follow up completed after end of Q3 shows this recommendation is In Progress**
Main Accounting (21/22) **Follow Up**	Partial	Nov 24	1	3	1	Finance and IT must work together to get historical bank reconciliation variances cleared as a matter of urgency. (6 months)	Historic variances remain on the system. **DCFO Comment:** A fresh approach to this issue is needed to understand its history, establish what attempts have already been made to rectify it, and to obtain a written reason from Civica regarding the current position and what, if anything, can be done to rectify it. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
						As well as showing when the financial procedure rules were written, the documents should include an indication of when they will be reviewed. (6 months)	There has been no update of the Financial Procedure Rules since the report was issued in January 2023 and no date for review has been added. **DCFO Comment** In consultation with the Audit and Governance Committees, a formal schedule of reviewing and updating the Financial Procedure Rules needs to be agreed. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Main Accounting (21/22) **Follow Up** **continued**	Partial	Nov 24	1	3	1	**Outstanding Recommendation from 2019/20** Financial policies and procedures must be reviewed and updated to include the restructure of Finance, the changes in IT systems and all officer roles. All documents must have a record of the date reviewed, the next review date and the officer responsible. Policies and procedures must be filed in a central location and time set aside in the annual finance timetable to ensure they are up to date. **Recommendation 2022** A list of up-to-date finance procedures should be collated, including procedure name and date, to allow for ease of monitoring and to ensure that procedures are written for any areas that are lacking procedures. (6 months)	**DCFO Comment** The Chief Finance Officer has identified and discussed with Managers the need to improve policies and procedures across the area, with an emphasis on consistent reporting. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
						A decision must be taken, procedures written, and action verified around whether reconciliations should clearly identify who carries them out and how often, and by whom, they should be checked. (6 months)	Testing revealed that reconciliations are signed and dated by the officer undertaking the reconciliation, but not signed and dated by a second officer. **DCFO Comment** The Chief Finance Officer has identified and discussed with Managers the need to improve policies and procedures across the area, with an emphasis on consistent reporting. **Current update** **Follow up completed after end of Q3 shows this recommendation is In Progress**
						All working papers should have the name of the officer revieing as well as the officer completing them. (6 months)	Some working papers are still in draft and have yet to be signed off. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Treasury Management (21/22) **Follow Up**	Substantial	Nov 24	0	1	1	**Recommendation outstanding from 2020/21** Formal training must be organised to ensure that adequate contingency arrangements are in place to cover for unplanned staff absence (6 months)	The Head of Financial Reporting stated that there are no resources for additional staff who could be trained for Treasury Management. A request has been put forward for redeployed resourcing from within the team which should create more resilience. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
						Recommendation outstanding from 2020/21 Work on updating and aligning internal Treasury Management Procedures must be completed. (6 months)	The auditor observed significant updates on the procedure documents, however the main Treasury Management Practices is yet to be finalised. It was confirmed that the documents are still a work in progress. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
Creditors **(21/22)**	Substantial	Nov 24	0	1	0	Clear guidelines should be drawn up and distributed to all officers that manage faster payments (3 months).	**DCFO Comment:** Guidelines will be developed. **Outstanding** Agreed timeframe for completion 3 months **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
Cash and Banking (21/22) **Follow Up**	Minimal	Nov 24	1	1	1	A list of all of the cash offices within the organisations must be maintained within Finance; the list should also detail safes or cash storage facilities and key holders. (3 months)	**Audit Comment** A list of council offices that deposit cash has been started, though the list has yet to have details added. **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**

AUDIT	Original Assurance Level	Latest Update	High	Medium	Low	Outstanding recommendations	Update
Cash and Banking (21/22) **Follow Up** **continued**	Minimal	Nov 24	1	1	1	The cash limits and insurance cover for all cash offices and safes must be reviewed to ensure there is adequate cover. Cash limits for individual safes must be shared with appropriate members of staff. (6 months)	The Insurance Officer reported that a central, definitive list of all council cash offices is required before appropriate and adequate insurance cover can be put in place. **Audit Comment** A list of council offices that deposit cash has been started, though the list has yet to have details added. Timeframe 9 months **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**
						Recommendation outstanding from 2020/21 Procedures must be reviewed to ensure that bank charges are correct and monitored (3 months)	**Head of Financial Reporting** There has been an ongoing issue with receiving these statements from the post room. The post room have been informed to scan and email the statements to the relevant Finance Officer. The bank has advised that, going forward, they will be issuing statements electronically **Current update** **Follow up completed after end of Q3 shows this recommendation is Outstanding**

Appendix D – Quarterly report on Audit and Counter Fraud work

INCOME AND SAVINGS ACROSS THE FINANCIAL YEAR 2024-25

Areas of savings	QUARTER ONE		QUARTER TWO		QUARTER THREE		QUARTER FOUR		YEAR TOTAL	
	Income	**Savings**	**Income**	**Savings**	**Income**	**Savings**	**Income**	**Savings**	**Income**	**Savings**
Tenancy Housing										
Recovery of council properties	£6,548.90	£186,000.00	0	0	0	0	0	0	£6,548.90	£186,000.00
Right To Buy value saved through intervention	0	£301,450.00	0	£205,450.00	0	0	0	0	0	£506,900.00
Housing intervention/fraud	0	0	0	0	0	0	0	0	0	0
Revenues										
National Non Domestic Rates	0	0	0	0	0	0	0	0	0	0
Council Tax	£41,006.74	0	£10,034.42	0	0	0	0	0	£51,041.16	0
Value of ongoing Council Tax increase per week	0	£10,224.64	0	£2,524.48	0	0	0	0	0	£12,749.12
Council Tax Penalties	0	0	0	0	0	0	0	0	0	0
CTR & Housing Benefit										
Council Tax Reduction	£6,415.37	0	£13,793.76	0	0	0	0	0	£20,209.13	0
Council Tax Reduction weekly incorrect benefit	0	0	0	£2,368.64	0	0	0	0	0	£2,368.64
Housing Benefit	£8,490.32	0	£91,142.56	0	0	0	0	0	£99,632.88	0
Housing Benefit weekly incorrect benefit	0	£2,609.92	0	£25,129.60	0	0	0	0	0	£27,739.52
National Fraud Initiative										
Overpayments identified			0	0	0	0	0	0	0	0
Weekly incorrect benefit identified			0	0	0	0	0	0	0	0
TOTALS	**£62,461.33**	**£500,284.56**	**£114,970.74**	**£23,5472.72**	**0**	**0**	**0**	**0**	**£177,432.07**	**£735,757.28**

Explanation of Savings Recorded	
Tenancy Housing	
Recovery of council properties	Value of £93k per returned property based on NFI estimate
Right To Buy value saved through intervention	Value based on the discount saved for each withdrawn application (varies)
Housing intervention/fraud	Value based on an estimate of emergency placement costs £12k or removal from housing waiting list £3,400
Revenues	
National Non Domestic Rates	Value based on the outstanding liable bills now due following Counter-Fraud intervention
Council Tax	Value based on the outstanding liable bills now due following Counter-Fraud intervention
Value of ongoing Council Tax increase per week	Estimate of the amount saved based on a calculation of the length of undetected fraud - 32 weeks
Council Tax Penalties	Value of £70 or £280 penalty added to Council Tax Bill where discount/exemption fraud is found
CTR & Housing Benefit	
Council Tax Reduction	Value based on the re-assessment of entitlement following Counter-Fraud intervention
Council Tax Reduction weekly incorrect benefit	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks
Housing Benefit	Value based on the re-assessment of entitlement following Counter-Fraud intervention
Housing Benefit weekly incorrect benefit	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks
Income from Administrative penalty collection	The amount collected from Administrative Penalties following Dep for Work and Pension investigation
NFI	
Overpayments identified	Value of any overpayments detected in this quarter
Weekly incorrect benefit identified	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks

Report to:	**Audit and Governance Committee**
Date:	**10th December 2024**
Title:	**Strategic Risk Register Quarterly Review**
Report of:	**Chief Internal Auditor**
Ward(s):	**All**
Purpose of report:	**To report to Committee the outcomes of the quarterly review of the register by Corporate Management Team.**
Officer recommendation(s):	**To receive and note the update to the Strategic Risk Register.**
Reasons for recommendations:	**The Council is committed to proper risk management and to regularly updating the committee with regard to the Strategic Risk Register.**
Contact Officer(s):	**Name: Jackie Humphrey** **Post title: Chief Internal Auditor** **E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk** **Telephone number: 01323 415925**

1 Introduction

1.1 The Strategic Risk Register is a high-level document that records the key risks facing the council: those risks that would prevent the authority from achieving its overall strategies and objectives.

1.2 Maintaining the Strategic Risk Register is a vital part of the governance arrangements of the authority and, as such, it is overseen by the Corporate Management Team who review it on a quarterly basis.

1.3 The risk register shows the risk, a description of the risk, the risk score if no action is taken (original risk score), the internal controls put in place to mitigate the risk and the risk score after these controls are in place (current risk score).

1.4 The risk register is brought to the committee when any changes have been made to it following review by the Corporate Management Team and after an election.

2 Process

2.1 The Strategic Risk Register is the top level of the risk management process. Whilst the Strategic Risk Register is considered quarterly at the Corporate Management Team, this is a simply a review of the register itself.

2.2 There are many different risks and pieces of work that feed into the Strategic Risk Register. These are managed and monitored on a day-to-day basis within the relevant sections and departments.

2.3 The quarterly meeting of the Corporate Management Team to discuss the Strategic Risk Register allows the relevant Director/Assistant Director to provide feedback on risks in their area. This information is then used to consider changes that may need to be made to the Strategic Risk Register.

2.4 The Corporate Management Team will also carry out “horizon scanning” at these meetings: considering issues that are arising and considering whether they need to be included in the register.

3 November 2024 Review

3.1 The Strategic Risk Register was taken to Corporate Management Team on 6th November 2024 for the quarterly review.

3.2 The Corporate Management Team reviewed the risk scores for all the risks and considered that the scores should remain at their current levels.

3.3 The wording of the risks, descriptions and internal controls were also reviewed and the following changes made.

- All references to “Recovery and Stabilisation” have been changed to “Strategic Finance programme” throughout as a new programme of work has commenced.
- SR_022 – “Changes to the economic environment….”

  N.B. previous description and internal control numbers are shown in brackets.

  Description (3) – “Council will need to provide a new service for inspecting imports at the port” has been removed and the remaining descriptions renumbered.

  Description 3 (4) – the word “residual” has been added before “inflation”.

  Description 5 (6) – “Rising energy prices and inflation affecting the cost of living will affect customers’ ability to pay rent and council tax” has been amended to read “….may have affected customers’ ability…..”

  Description 6 (7) – “Uncertainty over government fiscal policies such as Fair Funding review, Rent Cap and Business Rate reset etc”. The words “rent cap” have been removed.

  Description (8) – the description concerning increased homeless presentations has been removed.

  Internal control 9 – the words “in light of the recently introduced rent cap” have been removed.

  Internal control (10) – this control was regarding management of increased homeless presentation. This has been removed.

- SR_023 – “Unforeseen socio-economic and/or demographic shift….”

  Description (6) – the description concerning increased homeless presentations has been removed.

  Internal control (4) – this control was regarding management of increased homeless presentation. This has been removed.

3.4 The Strategic Risk Register can be seen at Appendix A.

4. Financial appraisal

4.1 There are no financial implications arising from this report.

5. Legal implications

5.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

6. Risk management implications

6.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

7. Equality analysis

7.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

8 Environmental sustainability implications

8.1 Not applicable.

9. Appendices

9.1 Appendix A - Strategic Risk Register

10 Background papers

10.1 None.

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Strategic Risk Register (Lewes)

Report Type: Risks Report
Generated on: 07 November 2024

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_021	No political and partnership continuity/consensus with regard to organisational objectives.	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy, unfit for purpose.	4	4	16	Reduces Likelihood 1. Create inclusive governance structures which rely on sound evidence for decision making. Reduces Impact 2. Annual review of corporate plan and Medium-Term Financial Strategy. 3. Creating an organisational architecture that can respond to changes in the environment.	Chief Executive	2	3	6	Amber	04-Feb-2025
SR_022	Changes to the economic environment makes the council economically less sustainable.	1. Economic development of the district suffers. 2. Council objectives cannot be met. 3. Residual inflation affecting council costs is having a significant impact on the council's finances. 4. The council's Strategic Finance programme fails to meet its objectives.	5	5	25	Reduces Impact 1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macroeconomic environment triennially. 2. Creating an organisational architecture that can respond to changes in the environment.	Director of Finance and Performance (Chief Finance Officer S.151 Officer)	4	5	20	Red	04-Feb-2025

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		5. Rising energy prices and inflation affecting the cost of living may have affected customers' ability to pay rent and council tax. 6. Uncertainty over government fiscal policies such as Fair funding review and Business Rate Reset.etc.				3. Working with the port authority to provide support, advice and to help explore funding options. 4. The corporate management team has considered any shared service implications and are satisfied that sufficient arrangements have been made in flexibility of changes in either councils' circumstances. <u>Reduces Likelihood</u> 5. Regular monitoring of the progress and outcomes of the Strategic Finance programme. 6. Continuous monitoring and impact assessment of government fiscal policies. 7. Responding to government consultation. 8. Maintaining appropriate levels of earmarked provisions. 9. Continuous review and monitoring of the council's Housing Revenue Business Plan.						
SR_023	Unforeseen socio-economic and/or demographic shifts creating significant changes of	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose.	5	5	25	<u>Reduces Likelihood and Impact</u> 1. Grounding significant corporate decisions based on up-to-date, robust, evidence base. (e.g. Census; Corporate Plan Place	Director of Regeneration and Planning	3	3	9	Amber	04-Feb-2025

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	demands and expectations.	4. Heightened likelihood of fraud. 5. Failure to support Newhaven Port Authority could result in an economic downturn in the town.				Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme). 3. Working with the Port Authority to provide support, advice and to help explore funding options.						
SR_024	The employment market provides unsustainable employment base for the needs of the organisation.	Employment market unable to fulfil recruitment, and council unable to retain staff, resulting in a decline in performance standards and an increase in service costs.	4	4	16	<u>Reduces Likelihood</u> 1. Changes increase non-financial attractiveness of the council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. <u>Reduces Likelihood and Impact</u> 3. Pursuit of mutually beneficial shared service arrangements. 4. Maximising flexibility around recruitment and retention.	Director of Organisational Development/ Director of Devonshire Quarter	5	2	10	Amber	04-Feb-2025
SR_025	Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure.	4	4	16	<u>Reduces Likelihood</u> 1. Build an organisational culture that supports equality and inclusivity through communication and support. <u>Reduces Likelihood and Impact</u>	Director of Organisational Development/ Director of Devonshire Quarter	3	4	12	Amber	04-Feb-2025

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		6. Increased possibility of fraud. 7. The council's Strategic Finance programme fails to meet its objectives.				2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff. 4. Regular monitoring of the progress and outcomes of the Strategic Finance programme.						
SR_026	Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property. 2. Denial of access to technology/information. 3. Denial of access to people.	5	5	25	Reduces Likelihood 1. Adoption of best practice IT and Asset Management policies and procedures. Reduces Likelihood and Impact 2. The council has created a more flexible, less locationally dependent service architecture. Reduces Impact 3. Regularly reviewed and tested Business Continuity Plans and updated contingency plans actioned. 4. Regularly reviewed and tested Disaster Recovery Plan.	Chief Executive	2	4	8	Amber	04-Feb-2025

Appendix A

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_027	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act.	1. Service profile of the council changes materially as a result of the impact of the event. 2. Cost profile of the council changes materially as a result of the impact of the event. 3. Work adversely affected by reduced staff numbers owing to effects of pandemic virus. 4. Emergency caused by a climate change event (e.g. increased flooding risks	5	5	25	<u>Reduces Likelihood and Impact</u> 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of council's emergency powers. 3. Working with the Environment Agency on climate change measures. <u>Reduces Impact</u> 4. Ongoing and robust risk profiling of local area (demographic and geographic). 5. Review budget and reserves in light of risk profile. 6. Funds set aside to help fund responses to an event. <u>Reduces Likelihood</u> 7. Adoption of, and action taken to implement, the council's Climate Change and Sustainability Strategy.	Chief Executive	2	3	6	Amber	04-Feb-2025

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_028	Failure to meet regulatory or legal requirements.	1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties.	3	4	12	Reduces Likelihood 1. Developing, maintaining and monitoring robust governance framework for the council. 2. The council has adopted and published an Asset Management Strategy (AMS) that set out how the council uses its land and property assets effectively to deliver its service and the rules by which the council can purchase assets in the future. These strategies are updated on a yearly basis as part of the Capital and Medium-Term Financial Strategies. 3. Ensure there is full understanding the impact of new legislation. 4. All managers are required to abide by the council's procurement rules. Reduces Likelihood and Impact 5. Building relationships with regulatory bodies. 6. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.	Chief Executive	2	4	8	Amber	04-Feb-2025

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_029	Commercial enterprises and investments do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	5	5	25	<u>Reduces Likelihood</u> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Up, or re, -skill staff to maximise commercial opportunities. <u>Reduces Likelihood and Impact</u> 3. Ensure that projects meet core principles. 4. Ensure governance processes are set up and adhered to.	Chief Executive; Director of Regeneration and Planning	3	3	9	Amber	04-Feb-2025
SR_030	The council suffers a personal data breach by inadequate handling of data or by an IT incident.	1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties. 4. Increased probability of compensation claims by persons affected by a personal data breach.	3	4	12	<u>Reduces Likelihood</u> 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course. 3. Ensure that the Data Protection Policy is regularly reviewed. 4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions. 5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements. 6. Ensure the suite of IT policies is kept up to date.	Chief Executive	2	4	8	Amber	04-Feb-2025

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Portfolio Owners	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						7. Ensure that IT security is in place and regularly tested. Reduces Impact 8. Incident management procedures to mitigate loss or breach of data are in place.						