Report to:	**Audit Committee**
Date:	**22 November 2024**
By:	**Chief Finance Officer**
Title of report:	**Review of the Grant Thornton (GT) report to those charged with governance and Statement of Accounts for 2023/24**
Purpose of report:	**For the Committee to review the Independent Auditor's (GT) report to those charged with governance prior to its submission to the Governance Committee.**

RECOMMENDATIONS: The Committee is recommended to:

(1) note the report and its appendices; and

(2) identify any concerns arising from the Independent Auditor's (GT) report or the management response to it, that need to be brought to the attention of the Governance Committee.

1. Background

1.1 This report summarises the key findings arising from GT's audit work in relation to the Council's 2023/24 financial statements. The audit report, at Appendix 1, references that whilst final audit files review remains to be completed, together with a review of the final set of financial statements, there is no suggestion that this will identify issues that require the audit opinion or statement of accounts to change.

2. Supporting Information

2.1 Under its terms of reference, it is the role of this Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.2 It is the role of the Governance Committee to approve the County Council Statement of Accounts having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit of the accounts.

2.3 The Grant Thornton Audit Findings Report to those charged with governance is attached at Appendix 1, with the Council's Statement of Accounts for 2023/24 at Appendix 3.

2.4 I am pleased to be able to report that GT are anticipating being able to issue an unqualified audit opinion for the 2023/24 Statement of Accounts.

2.5 The report's appendix D sets out the Audit Adjustments identified. A small number of presentational adjustments arising from normal audit work have been noted, discussed, and resolved. There were also items for which the decision was made not to adjust, as either not material or an extrapolated misstatement for which adjustment was not appropriate. Any decision to adjust the accounts considers whether the adjustment improves the reader's understanding of the accounts.

2.6 The report's appendix B identifies 2 management recommendations, for which there are management responses:

Issue and Risk	Recommendation	Management Response
GIA and Land Area Records There were instances identified where the Council was unable or struggled to obtain backing for their gross internal areas (GIA) and Land Areas.	The Council improves their system of storing data in relation to GIA and Land Area records to ensure that the information is being appropriately updated and is readily available for audit purposes.	We will undertake an appropriate review of the documentation held on land and floor areas and obtain updated support where necessary.
Cut off error in insurance claim income recognition One error was identified in which insurance claim income was being recognised based on when the Council received the income post year end, as opposed to when the Council had confirmation that the insurance claim was successful pre year end, which would have been the correct point at which to recognise the revenues under accrual principles.	The Council ensures that the income cut-off recognition policy (accruals based) is applied in the same way to all relevant streams of income that the Council receives.	We will provide training in year-end process to ensure that all transactions, both income and expenditure, are appropriately accrued in the future, where required.

2.7 Appendix 2 provides the Financial Statements: Information Technology report, as part of the overall audit. This has identified an issue with SAP, the main accounting system for ESCC, relating to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the Team structure. This issue was identified and reported in the 2022/23 financial year audit and has been revisited as part of the 2023/24 IT Audit Review. There is a SAP IT General Controls report that is in draft, which will be concluded once management responses have been received.

2.8 The report's appendix E sets out total audit fees of £279,996. The fee will be subject to Public Sector Audit Appointments review and confirmation in due course.

3. Conclusion and reasons for recommendations

3.1 In carrying out their responsibility for review, Members of the Audit Committee should consider:

- The findings made by the external auditors as a result of final audit of the 2023/24 accounts; and
- Whether there are any issues arising that Members might wish to bring to the attention of the Governance Committee when it meets to approve the Statement of Accounts for 2023/24.

IAN GUTSELL
Chief Finance Officer

Contact Officer:	Ian Gutsell, Chief Finance Officer
Tel. No.	07825 523633
Email:	Ian.Gutsell@eastsussex.gov.uk

Local Member(s): All

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Grant Thornton

The Audit Findings for East Sussex County Council

Year ended 31 March 2024

22 November 2024

Appendix 1

Grant Thornton

East Sussex County Council

County Hall St. Annes Crescent,
Lewes,
East Sussex,
BN7 1UE

22nd November 2024

Grant Thornton UK LLP

30 Finsbury Square,
London.
EC2A 1AG

[T +44 (0)20 7383 5100]

www.grantthornton.co.uk

Dear Members of the Audit Committee,

Audit Findings for East Sussex County Council for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management. This report is presented to the Audit Committee as at 22 November 2024 and summarises our audit findings and our conclusions.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Joanne Brown

Partner
For Grant Thornton UK LLP

Chartered Accountants
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Your key Grant Thornton team members are:

Joanne Brown
Key Audit Partner
E joanne.e.brown@uk.gt.com

Andy Conlan
Audit Senior Manager
E andy.n.conlan@uk.gt.com

Ella Connick
Audit In-charge
E ella.connick@uk.gt.com

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of East Sussex County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during July-October as planned. Our findings are summarised on pages 7-20. We have identified 1 adjusted misclassification in the financial statements and 1 proposed adjustment to the financial statements which if adjusted would result in a £1.967m adjustment to the Council's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Council's useable reserves. As the proposed adjustment is not material, the council have opted to leave this as an immaterial unadjusted misstatement. This report is presented to the Audit Committee as at 22 November and summarises our audit and our conclusions to date. We expect to sign the Auditor's Report after the meeting on the 22 November.

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

There are no matters of which we are aware that would require modification of our audit opinion (see Appendix F) or material changes to the financial statements, subject to the following outstanding matters;

- Clearance of final review notes raised from the Senior Management quality review of the completed audit sections;
- Receipt of the signed management representation letter; and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit opinion based upon the completed work to date and subject to satisfactory completion of the above outstanding points will be unqualified. We have also issued our final Auditor's Annual Report on Value for Money to this meeting of the Audit Committee included as a separate paper, and this details our view on the Authority's arrangements to secure Value for Money.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements is reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR) which is included as a separate paper reported to this meeting of the Audit Committee. In that work we have concluded that there is a significant weakness in arrangements to secure financial sustainability. This is a result of local government sector wide challenges, of increasing service demand coupled with static or reducing government funding creating a financial gap, and future affordability challenges, as it stands in a climate of limited reserves. We have issued a key recommendation with respect to this weakness. We have also made some more minor improvement recommendations in respect of governance and improving economy, efficiency and effectiveness. We have considered the findings detailed in the Auditor's Annual Report (AAR) and we are satisfied that these do not impact on the financial statements or our opinion on the financial statements.

Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code, however we will not be able to certify the completion of the audit when we give our audit opinion as the National Audit Office (NAO) have requested that auditor's hold open certificates as they will be completing further work on a sample of audits for 2023/24 yet to be confirmed.

Significant matters	
	Whilst we did not encounter any significant difficulties or identify any significant matters arising during our audit, we note that delayed responses from your professional valuation expert and from your estates team have continued to impact on our audit team completing the work around the valuation of land and buildings significant risk within the timeline which we set out for the audit.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Based on the work to date no material errors or issues have arisen which would require modification of our audit opinion. We will be able to issue our audit opinion once final review notes are cleared, we check the final amended set of financial statements and we receive the signed letter of representation.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for East Sussex County Council Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£17.180m	We have determined financial statement materiality based on a proportion (1.45%) of the gross expenditure of the council for the financial year.
Performance materiality	£12.885m	The maximum amount of misstatement the audit team could accept in an individual account or group of related accounts. This is less than materiality due to "aggregation risk" and represents 75% of the materiality figure determined above.
Trivial matters	£0.859m	We are obligated to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.
Materiality for Officers Remuneration	20k	Our assessment of what users would consider to be material with respect to Officers Remuneration. This is to scope in the public sensitivity and interest into senior officers pay in particular for public sector entities

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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
ISA240 fraudulent revenue recognition Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council and we have rebutted this significant risk for all revenue streams. For revenue streams that are derived from Council Tax, Business Rates and Grants, we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited. For other revenue streams, we have determined from our experience as auditor from the previous years, and through our documentation and walkthrough of your business processes around revenue recognition that the risk of fraud arising from recognition could be rebutted, because: - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical framework of local authorities, including East Sussex Country Council, mean that all forms of fraud are seen as unacceptable.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • Evaluated your accounting policy for recognition of income for appropriateness and compliance with the Local Government Code of Accounting Practice; • Updated our understanding of your system for accounting for income and evaluated the design of the associated controls; • Reviewed and sample tested income to supporting evidence corroborating the occurrence of the service/good delivered and the accuracy of the amount recognised; and • Evaluated and challenged significant estimates and the judgments made by management in the recognition of income. Our audit work has not identified any further issues in respect of revenue recognition, subject to completion of senior management quality review as set out on page 4.
Fraudulent expenditure recognition In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this does not present a significant risk of material misstatement in the 2023/24 accounts as: - the control environment around expenditure recognition [understood through our documented risk assessment understanding of your business processes] is considered to be in line with our expectations for an Authority of this size and complexity of operations; - we have not found significant issues, material errors or fraud in expenditure recognition in the prior years' audits; - our view is that, similar to revenues, there is little incentive to manipulate expenditure recognition.	There were no changes to our risk assessment reported in the Audit Plan. We carried out the following audit procedures: • Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the Local Government Code of Accounting Practice; • Updated our understanding of your system for accounting for expenditure and evaluated the design of the associated controls; • Reviewed and sample tested expenditure to supporting evidence corroborating the occurrence of the service/good obtained and the accuracy of the amount recognised; and • Evaluated and challenged significant estimates and the judgments made by management in the recognition of expenditure. Our audit work has not identified any further issues in respect of expenditure recognition, subject to completion of senior management quality review as set out on page 4.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • Evaluated the design and implementation of management controls over journals; • Analysed the journals listing and determined the criteria for selecting high risk unusual journals; • Identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.
Valuation of pension fund net liability – assumptions applied by the professional actuary in their calculation The Authority's pension fund net liability, as reflected in its balance sheet as the net liability on defined pension scheme, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£177.5m net asset before the application of the asset ceiling, and after the application a revised £40m net liability in the Authority's balance sheet at 23/24) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability. We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.	We have : • Updated our understanding of the processes and controls put in place by management to ensure the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their actuary for this estimate and the scope of the actuary's work; • Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the net asset; • Tested the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • Carried out detailed substantive analytical procedures to gain assurance over the key financial movement estimates made by the actuary in their roll forward estimation procedures; • Requested assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • Reviewed the calculation of the IFRIC14 asset ceiling calculation to conclude on the accuracy and reasonableness of the application of the asset ceiling. • Note in the assurance letters from the pension fund auditor they highlighted 2 issues/errors from their audit which led to understatements in the assets within the net pension fund liability. See Appendix D for full details. The errors were not material and were not adjusted in Note 42.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings The authority revalue its land and buildings on a rolling three-yearly basis to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date. The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration. We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach. In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations , corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluated the completeness and accuracy of source data provided directly from the Trust. We will then complete analytical procedures on their valuation report, with reference to external market data, to identify those assets at greater risk of material misstatement. For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is not materially different from the fair value at the balance sheet date.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • Tested revaluations made during the year to see if they are input correctly into the Authority's asset register; • Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Engaged an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used. Within our work there have been two areas which have led us to additional challenge around the Valuations of land and buildings: • As there was a change in the key valuation partner at Bruton Knowles in year, it was decided that they would update their Schools Valuation Methodology in relation to Developed and Undeveloped land calculation. We therefore challenged this new methodology to ensure we had sufficient assurance over the new methodology, ensuring that it was both appropriate and in line with the RICS Guidance. From this work we were able to satisfy ourselves over the reasonableness of this new approach, and that it was a change in the method underlying the accounting estimate as opposed to the method used in the previous years being erroneous or incorrect. We are satisfied that the method/basis of the accounting estimate for 2023/24 is an improvement on the prior years, but the prior year method/basis is not in error and is also reasonably under the RICs Red Book/CIPFA Code. We are therefore satisfied that there is no prior period error. • As reported in Appendix D - Impact of unadjusted misstatements, we challenged the Valuer on their application of November BCIS data rebased for Q1 2024 as opposed to actuals which were available at the valuation date (31/03/2024). We requested that the professional valuer confirmed the potential impact of this, they have been able to show us that where they update the BCIS data to the actuals available at 31/03/2024, the impact on the valuation would only be £1.967m. We were therefore able to satisfy ourselves that there is no material impact of this error, and management have decided not to adjust this in the financial statements. We are satisfied that this is reasonable. Our audit work has not identified any further issues in respect of the valuation of land and buildings.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Changes to risk assessment	
The following risks have been reassessed from the version previously communicated in the Audit Plan: - Investment Properties (Significant Risk)	Investment properties have been scoped out of our audit, due to their size (£9,941k) on the balance sheet which was significantly below our materiality threshold meaning that upon consideration the risk of material misstatement within this balance is no longer deemed to be significant.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £388.7m	Other land and buildings includes specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV). The Council engaged an external expert valuer to complete the valuation of properties as at 31 March 2024 on a 3-year cyclical basis. 76% of total assets were revalued during 2023/24. For each asset, management obtain the input and advice of their professional valuer, considered what the appropriate data inputs and method would be for specific assets/groups of assets. Sources of estimation uncertainty have been considered and disclosed in the financial statements. Management have considered the year end value of assets not revalued by their professional valuer in year. They have considered the average valuation movements for different classifications of land and buildings during the 2023/24 year and have applied this average against the assets not revalued to estimate whether the movement in valuation would be material. In doing this they were satisfied that the net movements were below trivial and therefore are satisfied that they could not lead to material misstatement. The total year end valuation of land and buildings was £388.7m, a net increase of £11.5m from 2022/23 (£377.2m).	• We have assessed management's valuation expert and concluded they are competent, capable and objective in producing the estimate. We have analysed the method, data and assumptions used to derive the accounting estimate; • We have assessed completeness and accuracy of the underlying information used to determine the estimate; • We confirmed there are no changes to valuation method; • Validated sources of information used by management, management's point estimate and disclosures relating to the accounting estimate; • We have reviewed management's approach to assets not revalued; • In respect of the approach referred to in the above bullet point: we have assessed the adequacy of the disclosure of estimate; • As there was a change in the key valuation partner at Bruton Knowles in year, it was decided that they would update their Schools Valuation Methodology in relation to Developed and Undeveloped land calculation. We therefore challenged this new methodology to ensure we had sufficient assurance over the new methodology, ensuring that it was both appropriate and in line with the RICS Guidance. From this work we were able to satisfy ourselves over the reasonableness of this new approach, and that it was a change in the method underlying the accounting estimate as opposed to the method used in the previous years being erroneous or incorrect. We are satisfied that the method/basis of the accounting estimate for 2023/24 is an improvement on the prior years, but the prior year method/basis is not in error and is also reasonably under the RICs Red Book/CIPFA Code. We are therefore satisfied that there is no prior period error. ; and • As reported in Appendix D - Impact of unadjusted misstatements, we have noted an error in relation to the application of November BCIS data rebased for Q1 2024 and not actuals available at the valuation date (31/03/2024). We requested that the professional valuer confirmed the potential impact of this, they have been able to show us that where they update the BCIS data to the actuals available at 31/03/2024, the impact on the valuation would only be £1.967m. We were therefore able to satisfy ourselves that there is no material impact of this error.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £40.016m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's net pension liability at 31 March 2024 is £40.016m (PY £42.852m). This is made up from a Pension Asset of £177.5m, an asset ceiling of £217.5m was then applied in line with IFRIC 14, to calculate the net liability. This balance is comprised of the East Sussex County Council PF Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £684.2m net actuarial gain/loss during 2023/24.	• We concluded management's actuarial expert is competent, capable and objective in producing the estimate; • Based on analytical procedures we concluded the Council's share of assets and liability was in line with our expectations. • We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verity the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce and that the method applied was reasonable; • Our auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range apart from Salary Growth. We have therefore challenged the client to understand why these rates were used, further to this we have carried out sensitivity analysis to satisfy ourselves that the impact of this could never be material. Therefore, satisfied that the following assessment is appropriate:	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80% to 4.95%	●
Pension increase rate	2.95%	2.85% to 3.00%	●
Salary growth	2.95%	0.5% to 2.5% p.a. above Pension Increase Rate	●
Life expectancy – Males currently aged 45/65	21.9 / 20.9	20.6 – 23.1 / 19.2 – 21.8	●
Life expectancy – Females currently aged 45/65	25.4 / 23.8	24.1 – 25.7 / 22.6 – 24.3	●

• We have contacted the auditor of the pension fund accounts to obtain assurances over the completeness and accuracy of information which has been provided to the actuary for determining the estimate. We have also carried out testing back to support held by the Council. Note in the assurance letters from the pension fund auditor they highlighted 2 issues/errors from their audit which led to understatements in the assets within the net pension fund liability. See Appendix D for full details. The errors were not material and were not adjusted in Note 42.

• We reviewed the adequacy of disclosure of estimate in the financial statements

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Additional procedures carried out to address risks arising from our findings
Asset 4000	ITGC assessment (design effectiveness only)	🟢	🟢	🟢	🟢	
ContrOCC	ITGC assessment (design effectiveness only)	🟢	🟢	🟢	🟢	
SAP	Detailed ITGC assessment (design effectiveness only)	🔴	🟡	🔴	🟡	Review of PY deficiency for this system was completed in year. And the deficiency was still in place during the 2023/24 financial year. See conclusions below.

SAP findings

Note – this section of report will be discussed in a separate part of the meeting.

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee . We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council ahead of the auditor's report being signed.

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2. Financial Statements: other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests in respect of your bank, investments and loan balances. This permission was granted, and the requests were sent and some were returned with positive confirmation. There are currently 3 requests not received and we are pursuing a response.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

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2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. This work has not identified any issues.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. However the National Audit Office (NAO) have requested that auditor's hold open certificates as they will be completing further work on a sample of audits for 2023/24 yet to be confirmed.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of East Sussex County Council on completion of any potential work requested by the NAO as per the row above.

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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

This work has been completed as reported separately in our Auditor's Annual Report (AAR) to this meeting. In this work, we have concluded that there is a significant weakness in arrangements to secure financial sustainability. This is a result of local government sector wide challenges, of increasing service demand coupled with static or reducing government funding creating a financial gap, and future affordability challenges, as it stands in a climate of limited reserves. We have issued a key recommendation with respect to this weakness. We have also made some more minor improvement recommendations in respect of governance and improving economy, efficiency and effectiveness. We have considered the findings detailed in the Auditor's Annual Report (AAR) and we are satisfied that these do not impact on the financial statements or our opinion on the financial statements.

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4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

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4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to September 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (if GT were to recommend a particular action or make a decision on behalf of management)	The scope of this work does not include making decisions on behalf of management or recommending a particular course of action.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee.

None of the services provided are subject to contingent fees.

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified 2 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	GIA and Land Area Records Within our audit work we noted many instances where the council was unable to find or struggled to obtain backing for their gross internal areas (GIAs) and Land areas. Where this information was found for GIAs, it was in the form of condition surveys and therefore floor plans were still unavailable. This meant that for some items not directly maintained by the council there were issues in finding information and required us to go back to information provided to the current valuers by their predecessors. For Land Areas, the client struggled to find audit evidence in a timely manner and we had to obtain some evidence of site areas from the valuer.	We therefore recommend that the council improves their system for storing data in relation to GIA and Land area records to ensure that the information is being appropriately updated and is readily available for audit purposes. **Management response** We will undertake an appropriate review of the documentation held on land and floor areas and obtain updated support where necessary.
	Cut off error in insurance claim income recognition During our testing of payments received to conclude on whether income had been recognised in the correct period, we identified one error in which insurance claim income was being recognised based on when the council received the income post year end, as opposed to when the Council had confirmation that the insurance claim was successful pre year end which would be the correct point at which to recognise the revenues under the accruals principle. The amount of the error was small but we raise a recommendation here against this control deficiency.	We therefore recommend that the council ensures that the income cut-off recognition policy (accruals based) is applied in the same way to all relevant streams of income that the council receives. **Management response** We will provide training on the year end process to ensure that all transactions, both income and expenditure, are appropriately accrued in the future, where required.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of East Sussex County Council Council's 2022/23 financial statements, which resulted in 2 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented our high priority recommendation from the Previous Year, our audit work is still ongoing in relation to the medium priority recommendation, and this will be concluded once this work has been finalised.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<u>Assets not revalued by the professional valuer</u> Management have considered the year end value of assets not revalued by their professional valuer in year. They have considered the average valuation movements for different classifications of land and buildings during the 2020/21 and 2021/22 years and have applied this average against the assets not revalued to estimate whether the movement in valuation would be likely to be material. Management have concluded that the movement in valuation would likely be material and have then used these indices to adjust the assets values in the general ledger and financial statements by £28m. As the finance team do not have the same expertise as the professional valuer in this particular estimate, this means there is greater estimation uncertainty in this valuation movement. Recommendations: The Council having assessed that assets not revalued could be materially misstated should have in our opinion engaged with their valuer to endorse the approach taken to apply a valuation to such assets, rather than apply a method by financial accountants	As per ESCC procedures in 23/24 FY, a larger proportion of assets have been revalued compared to the previous year, this has meant that there was significantly less variation in assets not revalued within the current year and therefore no indexation was required in year. Upon our assessment of assets revalued, we are satisfied that the average movement impact was less than our triviality threshold and therefore satisfied that they were not materially misstated.
✓	<u>Related Parties Form completeness check</u> During our audit we reviewed and tested the completeness of the related party transactions disclosed in the accounts. As part of our testing we gain assurance over the completeness of this disclosure by obtaining the Related Party return form for 22/23 and ensuring these are consistent with the note. For 22/23, we note that for the 2022/23 accounts a small number (3) of the return forms had not been received by the Council. These forms are key to ensuring that complete and accurate disclosures of any related party transactions are made in the financial statements. Recommendations: The Council should ensure that a process is in place to remind/chase members who have not submitted these return forms, to ensure a full set is received.	Work still ongoing. This will be updated upon completion of the Related Parties work.

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

In year no adjustment misstatements have been noted as part of our audit procedures.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Various minor casting/Disclosure amendments	We identified a small number of minor casting and disclosure issues. **Management response** Agreed and those were amended in the accounts	✓
Exit Packages Note	During testing we noted some inconsistencies between the balances disclosed within the Exit Packages note where compared to our expectation of the disclosure as per the code. Include the admission of some items which we would not expect to be disclosed and the omission of items including pension strain costs which we require to be disclosed. **Management response** Agreed and those were amended in the accounts in line with other Exit Packages disclosure made by the council and therefore in line with the code.	✓
Note 42 Defined Benefit Pension Schemes	In our review of the letter from the pension fund auditor detailing the findings of their completed audit it was highlighted that they had identified 2 misstatements in the assets which would impact the net pension liability in the Council financial statements: - In providing information to the actuary, the Pension Fund has provided the net investments of the plan. In accordance with IAS26, it should be the full net assets of the Pension Fund which should be provided to the actuary in order to make their valuation. This has led to a £5.531m understatement in the assets within the overall net liability in the Council financial statements. - In the testing of the Pension Fund investments by the pension fund auditor they identified a factual understatement in the investments which has led to a £4.601m understatement in the assets within the overall net liability in the Council financial statements. Note that due to the IFRIC14 asset ceiling limitation on recognition of a net asset these misstatements have no impact on the balance sheet valuation of the net pension liability, but they would only have an impact on the disclosure of the total assets in Note 42. As this is immaterial in total (a total £10.1m understatement of assets) management have opted not to amend the disclosure for this amount and we consider this reasonable as it falls below materiality and would not impact users understanding of the financial statements. **Management response** Agreed and as this is not material to the financial statements this has not been adjusted.	x

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D. Audit Adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 42 Defined Benefit Pension Schemes	In our review and testing of the disclosure of transactions relating to post-employment benefits that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement, we identified that the figure for Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code for 2023/24 was incorrect and did not agree to the Benefits charged to the surplus or deficit on provision of services stated above. The amount disclosed in the draft statements was £12.690m which was in fact the net of the total charges and the employers' contributions payable which is the adjustment between the accounting and funding basis. We challenged the Council and they agreed this was an error and the Note was amended so that the figure for Reversal of net charges was amended to £28.750m. **Management response** Agreed and this was amended in the accounts.	✓
Note 42 Defined Benefit Pension Schemes (Prior Period Error)	Similarly in our review and testing of Note 42, we identified that the prior year comparative figure for Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code for 2023/24 was incorrect and did not agree to the Benefits charged to the surplus or deficit on provision of services stated above. The amount disclosed in the draft statements was £437.010m which appeared to be an error made in extracting figures from the working papers. The figure should have been £37.550m to agree to the total Benefits charged to the surplus or deficit on provision of services stated above. We challenged the Council and they agreed this was an error and the Note was amended so that the figure for Reversal of net charges was amended to £37.550m. A disclosure of the nature of the error and the correction was also included under the table in order to meet the requirements of the Code section 3.3.4.5. **Management response** Agreed and this was amended in the accounts.	✓
Balance Sheet and Note 35 – Code Compliance	In our review and testing of liabilities in the accounts it was noted that the Council is disclosing a balance of "Income in Advance" on the Balance Sheet. The Code states that only Grants and Contributions Received in Advance are required to be reported on the face of the Balance Sheet. We recommended that the Council move the genuine income in advance within this total into the balance of Short Term Creditors and to change the title of the remaining balance. The Council has decided not to make this change and will instead carry out further analysis of this balance in the 2024/25 financial statements to ensure the change is accurate. We are satisfied that the income in advance balance is not material and that this is not fundamental/material to users' understanding of the financial statements, but note that the terminology is not Code compliant. We note that the financial statements disclose a further analysis of this Income in Advance termed more clearly as grants and contributions received in advance, though we are satisfied that the user of the financial statements would understand that this corresponds to the Income in Advance balance on the Balance Sheet. **Management response** Acknowledged that the terminology is not Code compliant and this will be looked at in the 2024/25 financial statements.	x

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D. Audit Adjustments (continued)

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 6 Expenditure and Funding Analysis note	This Note discloses a total of £74.23m in adjustments to arrive at the net amount chargeable to the General Fund. As this is material, it was our view that this should be further explained so that the user of the financial statements can understand the nature of these adjustments. Management response Agreed and a further explanatory note was added to explain these adjustments.	✓
Note 32 Officers' Remuneration	In our review and testing of this note we identified that 2 officers who should have been banded in the £80-85k classification instead of the £85-90K banding; Management response Agreed and this was amended in the statements.	✓
Note 33 Termination Benefits and Exit Packages	In our review and testing of this note we identified that: - Pension strain cost had been incorrectly omitted from the disclosure; - 1 package had been incorrectly banded in the disclosure. The note was amended to resolve both issues. Management response Agreed and this was amended in the statements.	✓

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D. Audit Adjustments (continued)

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on total net expenditure £000	Impact on general fund £000
Reclassification of PPE to Intangibles – Note 14 and 16 and Balance Sheet We noted that the MBOS/Oracle asset in development should have been classified as an intangible asset as opposed to Property, Plant and Equipment (PPE). Additions had been made into the PPE classification during 2023/24 therefore meaning that the additions and the closing balance were therefore misstated.	Nil	DR Additions Intangibles £6,912k CR Additions PPE £6,912k DR Closing Balance Intangibles £9,447k CR Closing Balance £9,447k	Nil	Nil
Overall impact	**Nil**	**Nil**	**Nil**	**Nil**

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D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
BCIS applied to Valuation We have noted an error in relation to the application of November BCIS data rebased for Q1 2024 and not actuals available at the valuation date (31/03/2024). We requested that the professional valuer confirmed the potential impact of this, they have been able to show us that where they update the BCIS data to the actuals available at 31/03/2024, the impact on the valuation would only be an increase of £1.967m. We were therefore able to satisfy ourselves that there is no material impact of this error.	CR Revaluation Reserve £1,967k	DR Non-Current Assets (Land & Buildings) £1,967k	CR Revaluation Reserve £1,967k	Nil	This balance is immaterial therefore appropriate to not adjust the accounts for this balance.
Overall impact	**£1,967k**	**(£1,967k)**	**£1,967k**	**Nil**	

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D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements. Satisfied where this is considered alongside any adjusted misstatements from the current year that these could not be cumulatively material.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Comment on any ongoing impact on the 2023/24 financial statements
Schools Land MEA As part of our testing of Land and Buildings valuation, we determined that the Council's professional valuer had taken an approach to the Modern Equivalent Asset (MEA) basis of valuation of schools developed and undeveloped land using a prescribed formula as per Bulletin 103 Annexure B (Site area). Our view was that this approach was reasonable, but in our testing we found there was an error in the application of the formula resulting in the valuation of schools land being overstated by £3,706,124.	DR Revaluation Reserve £3,706k	CR Non-Current Assets(Land & Buildings) £3,706k	DR Revaluation Reserve £3,706k	Nil	The assets have been revalued at the 2023/24 year end so this issue on the valuation at 2022/23 year end would no longer have an impact.
Schools Building MEA As part of our testing of Land and Buildings valuation, we determined that the Council's profession valuer had taken an approach to the Modern Equivalent Asset (MEA) basis of valuation of schools developed and undeveloped land using a prescribed formula as per Bulletin 103 Annexure B (Site area). Our view was that this approach was reasonable, but in our testing we found that there was an error in the application of the formula resulting in the valuation of schools buildings being overstated by £8,185,000.	DR Revaluation Reserve £8,185k	CR Non-Current Assets(Land & Buildings) £8,185k	DR Revaluation Reserve £8,185k	Nil	The assets have been revalued at the 2023/24 year end so this issue on the valuation at 2022/23 year end would no longer have an impact.
Overall impact	£11,891k	(£11,891k)	£11,891k	Nil	

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	£262,546	£262,546
Additional audit risk assessment and business process documentation related to ISA 315	£12,550	£12,550
Use of external audit valuation expert – current estimate as work is still in progress and the final disbursement is to be confirmed	£6,000	£4,900
Total audit fees (excluding VAT)	**£281,096**	**£279,996**

Non-audit fees for other services	Proposed fee
Teachers Pensions return certification	£12,500
Total non-audit fees (excluding VAT)	**£12,500**

The fees reconcile to the financial statements as follows:

- fees per financial statements as stated in Note 34 to the accounts and headed "Fees payable to Grant Thornton with regard to external services carried out by the appointed auditor for the year: £275k (composed of the Scale fee and the fee above for the additional audit risk assessment and business process documentation related to ISA315)
- reconciling item 1; the fee for the use of the external audit valuation expert £6k. Since the audit plan was communicated it has been confirmed by PSAA that such fees for external auditors will be treated as disbursement additional fees as opposed to being included in the Scale fee. As this is highly trivial in amount we have not proposed this as an adjustment to the fee accrued and disclosed in the accounts (also noting that this fee remains an estimated amount as we await confirmation from the auditor's valuation expert of the final fee).
- reconciling item 2, the fee included in the accounts and audit plan for the Teachers Pensions return certification was an early estimate based on prior year fees for the work; the actual fee for 2023/24 for this work has increased to £12,500. Similarly as this amount is highly trivial in amount we have not proposed this as an adjustment to the the fee accrued and disclosed in the accounts (also noting that this fee remains an estimated amount as the work has not been completed and so the fee is subject to change if the work does not progress as per specification).
- Reconciling item 3; external audit valuation expert final fee £1,100 less than proposed estimate.
- total fees per above: £280k

Note during the 2023/24 financial year amounts were billed relating to the Teachers Pensions return certification years 19/20 £7,000, 21/22 £7,500 and 22/23 £10,000. These non-audit service fees have been communicated previously and we have confirmed our independence with respect to this work in the relevant financial year.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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F. Audit opinion

Our audit opinion is included below.

Independent auditor's report to the members of East Sussex County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of East Sussex County Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and Notes to the Accounting Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's (Section 151 Officer) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance Officer's (Section 151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Chief Finance Officer's (Section 151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer (Section 151 Officer) with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. The Chief Finance Officer (Section 151 Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

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F. Audit opinion

Responsibilities of the Authority and the Chief Finance Officer (Section 151 Officer)

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (Section 151 Officer). The Chief Finance Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015,Local Government Act 2003 and the Local Government Act 1972.

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the risk of management bias in accounting estimates. We determined that the principal risks were in relation to:

- Journal entries that could alter the Trust's financial performance for the year;
- Material accounting estimates which were subject to significant management judgement, a high level of estimation uncertainty and high sensitivity to small changes in assumptions.

Our audit procedures involved:

- evaluation of the design effectiveness of controls management has in place to prevent and detect fraud;
- journal entry testing, with a focus on material manual journals posted close to year end, material manual accrual journals posted at year end, any journals posted by unauthorised users and journals posted by senior management;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and valuation of net defined benefit pension liability;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and the potential fraud risks to all engagement team members, including the potential for management override of controls and the risk of management bias in accounting estimates. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

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F. Audit opinion (continued)

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except on 22 November 2024 we identified a significant weakness in the Authority's arrangements for financial sustainability. This was in relation to the Authority's arrangements for ensuring future financial sustainability. This is a result of sector wide challenges, increasing service demand and reduced government funding creating a financial gap and affordability challenges which could require significant use and diminishment of reserves in future years if the financial gap is not closed. We have recommended that:

- the Authority's should continue to seek to be financially sustainable in the medium to long term by continuing to raise the challenges faced in all appropriate forums;
- the Authority should continue to develop savings plans, to identify savings via efficiencies and/or changes in services, so as to ensure that the authority's cost profile is as lean as it can be while providing the statutory services required; and
- the Authority should continue discussion on suitable funding for demand led services alongside national local government reform.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for East Sussex County Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Joanne Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Additional procedures carried out to address risks arising from our findings**
Asset 4000	ITGC assessment (design effectiveness only)	🟢	🟢	🟢	🟢	
ContrOCC	ITGC assessment (design effectiveness only)	🟢	🟢	🟢	🟢	
SAP	Detailed ITGC assessment (design effectiveness only)	🔴	🟡	🔴	🟡	Review of PY deficiency for this system was completed in year. See conclusions below.

SAP findings

The significant deficiencies identified in the Technology acquisition, development and maintenance control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment , as there are only limited segregation of duties in the team structure. This deficiency was first identified and reported to the council in our 2022/23 financial year audit. We have revisited the conclusions of that IT Audit review for our 2023/24 audit and our report is currently in draft for response with management – however in our draft report the overall ITGC rating and control area ratings remain at the same level, and we have concluded that the significant deficiency first identified in the 2022/23 review remains in place and has not been remediated. We continue to view this as a significant deficiency.

We do not regard this as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process. This is a significant deficiency however in overall IT governance. The final SAP IT General Controls report is currently in draft and will be discussed with your team responsible for management of SAP.

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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East Sussex County Council

Statement of Accounts

2023/24

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Additional Information

In addition to the Statement of Accounts, financial information can be gathered from the County Council's agendas and other publications, which are on display in the major public libraries in the County. Information on the Council's budget and finances can also be found on the website https://www.eastsussex.gov.uk/your-council/finance

Further information on particular aspects of the County Council's finances may be obtained from:

Joanna Membry
Financial Accounting Team
P O Box 3
County Hall
Lewes, East Sussex
BN7 1UE

or by email to: ClosureOfAccounts@eastsussex.gov.uk

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Narrative Report

About East Sussex County Council

East Sussex County Council (ESCC) is one of 21 county councils in England, covering an area of around 172,000 hectares. Census 2021 data estimated the population of East Sussex to be 545,800. The Council forms the upper tier of local government within East Sussex (excluding Brighton & Hove City Council).

East Sussex has a rich natural environment, with over two thirds of the county being covered by one or more environmental designations: the three largest being Area of Outstanding Natural Beauty 45%, Environmental Stewardship Agreement 16% and National Park 13%. The key habitats are grassland, arable farmland and woodland.

The county is divided into 50 electoral divisions, each represented by one Councillor. Local elections are held every four years, with the last full election taking place on 6 May 2021. Two by-elections were held in 2023/24, on 27 July and 3 August 2023, which saw one division won by the Green Party and the second won by the Liberal Democrats. The Authority moved into "no overall" control, with the make-up of political groups as follows:

- Conservative – 25 seats
- Liberal Democrats – 12 seats
- Labour – 5 seats
- Green – 5 seats
- Independent Democrats – 2 seats
- Independents – 1 seat

The next full local election is due in May 2025.

Councillors make sure that the services that ESCC provides meet the needs of residents and those who work in the county, by setting the overall policies and strategies for the Council and by monitoring the way in which these are carried out.

They have set four overarching priority outcomes: driving sustainable economic growth; keeping vulnerable people safe; helping people help themselves; and making best use of resources in the short and long term. Making best use of resources in the short and long term is the gateway priority through which any activity and accompanying resources must pass.

Chief Officers, led by our Chief Executive Becky Shaw, help Councillors to develop policies and objectives. Their main role is to provide the public with the highest possible standards of service within the money that the Councillors make available.

Council Officers are the people who work for the Council and who are paid to deliver the services agreed by Councillors. Overall, the workforce comprises 9,174 people and 7,383 'full time equivalent' employees as at 31 March 2024.

The five ESCC departments and their main responsibilities are:

- Adult Social Care and Health: Provide social care services for residents over 16, including residential care and sensory care services. It also has the public health remit.
- Children's Services: Provide social care for people under 16, state education and other childcare services.
- Communities, Economy and Transport: Responsible for community services such as libraries and registrars, customer access/services, roads, transport planning, economy and the East Sussex environment, including climate change.
- Business Services: Responsible for managing our finances, Information Technology & Digital (IT&D), human resources, procurement and property, including climate change.
- Governance Services: Provides advice on governance of the Council, including legal and constitutional arrangements.

Financial Report

In presenting these draft accounts for 2023/24, they have been prepared in line with the CIPFA code of accounting practice.

The 2023/24 Approved Budget

The County Council plans and monitors its performance, policy and resources through a single process, called Reconciling Policy, Performance and Resources (RPPR). For full details of the County Council's challenges and the financial implications, the attached is a link to the report on the Council's website, which was presented to Council on 7 February 2023:
Agenda for Full Council on Tuesday, 7th February, 2023, 10.00 am | East Sussex County Council

The RPPR process:

- Enables us to be business-like and test comparative returns on investment so that the Council can be confident it is making best use of resources. It also ensures savings in one area do not give rise to unforeseen consequences in another area;
- Maximises efficiency, exploits technology, and makes the best use of all our assets;
- Maximises East Sussex resources through strong partnership working, income generation, lobbying and exploring new ways of working;
- Removes management and support costs wherever possible, to maximise the resources available to the front line;
- Sustains investment in activity that will most help manage demand;
- Encourages communities to help achieve their priority outcomes;
- Is open and transparent to provide clarity about priorities and consequences, specifying clearly what the County Council will do;
- Delivers service change and facilitative programmes aimed at providing modern services which meet the needs of local people, working with others to do this in a way that makes the best use of resources; and
- Uses our local evidence base to meet the most important needs of our communities and leading to innovative solutions which build a compelling future, rather than managing decline.

The RPPR process matches available resources with delivery plans for priority outcomes. It has enabled us to give relative protection to priority services. The process has been applied across all services in the development of the Council Plan supported by the Medium-Term Financial Plan (MTFP) and Capital Programme. The table below sets out the necessary investments in services to meet the needs of our residents.

Summary of Budget Growth and Funding 2023/24	**(£m)**
Inflation: contractual	35.5
Pay Awards	16.6
Service Investment:	
Adult Social Care	2.8
Children's Services	9.4
Management of service pressures through other revenue budgets	(16.1)
Total Budget Growth	**48.2**
Council Tax	(18.7)
Business Rates	(8.3)
Government Grants	(21.2)
Total Additional Funding	**(48.2)**
Balanced Budget	**0.0**

The Capital Programme is also very constrained by limited resources. In the past, Members have been able to meet core need and make investment in the County's economy, for example significant additional investment in road and broadband infrastructure. The current programme, based on an assumption of significantly reduced future funding, contains only basic need for school places, highways, building maintenance, IT&D, libraries and house adaptations.

The Authority's 10 year planned programme is supported by a 20 year Capital Strategy. The purpose of the strategy is to drive the authority's capital investment ambition in support of the Council Plan, whilst ensuring appropriate capital expenditure, capital financing and treasury management.

Outturn 2023/24

The Council maintains a robust framework of budget monitoring to ensure pressures are identified early and action taken by directorates to manage potential variations within their cash limited budgets. Despite this, the council's net outturn at year end was £499.16m against a revised net budget of £498.12m, a net overspend of £1.04m. The revenue budget outturn is set out under 'Analysis of the Revenue Budget' on page 7; it is presented before Corporate Funding and therefore differs in presentation from the Quarter 4 Monitoring Report presented to Cabinet on 25 June 2024. https://democracy.eastsussex.gov.uk/documents/g5889/Public%20reports%20pack%2025th-Jun-2024%2010.00%20Cabinet.pdf?T=10

Service budgets overspent by £30.10m in 2023/24. This comprised a significant overspend in Children's Services, in particular for Looked After Children, with cost pressures for Agency Residential placements continuing the trend demonstrated this year of a small number of children placing high pressure on the budget. The service has worked with IMPOWER to support longer term placement sufficiency and identify opportunities for delivering improved care placement options for children and young people through the 'Valuing Care' approach. Containing costs in Children's Services continues to be a significant challenge across the country, reflecting a national picture of market challenges for the provision of services against a background of increased demand and complexity of needs. Adult Social Care overspent in 2023/24 by £1.98m through growing demand and the requirement to make an increasing number of placements above the normal fees paid to providers, due to pressures in the sector.

The service overspend is offset by an underspend of £29.06m in Corporate Budgets, where all of the General Contingency budget was required to be applied and Treasury Management underspent by £8.12m due to no additional borrowing during the year plus improved investment returns resulting from higher than forecast interest rates. A Council Tax Collection Fund surplus of £2.03m,

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Covid funding, plus a draw of £1.52m from the Financial Management Reserve have also been used to offset the service overspend. This is one-off funding that cannot be used again and thereby impacts on the financial sustainability of the authority in future years.

Continued Impact of COVID-19

The Council experienced residual COVID-19 related costs and income losses which were fully mitigated from general and specific funding. The following table shows use of this funding by department in 2023/24:

	General Tranche Funding	Contain Outbreak Management Fund
	£m	£m
Adult Social Care	-	3.86
Children's Services	1.69	-
Business Services	0.01	-
Communities, Economy and Transport	0.01	-
Corporate Budgets (to offset service overspend)	5.67	-
Total	**7.38**	**3.86**
Carried forward & committed in 2024/25	**1.76**	**0.41**

Homes for Ukraine Scheme

Since March 2022, a programme of services has been established to support Ukrainian guests to settle in East Sussex. The programme is led by ESCC with oversight and governance being provided by the Homes for Ukraine Programme Board. The programme is delivered in cross-sector partnership against shared priorities; independence & wellbeing, English language support, access to employment & education, sustainable and affordable housing/accommodation and sustainable sponsorship. Funding for the programme is provided by the Department for Levelling Up, Housing & Communities (DLUHC) and the allocation is calculated on the bases of i) a tariff payment per guest arriving and ii) a thank you payment to each sponsoring household. The final grant settlement is yet to be confirmed by DLUHC but has been estimated at a total of £20.1m. Of this, £6.0m was spent in 2023/24 in supporting 1,769 guests who were reported to have arrived in East Sussex in the period 1 March 2022 to 31 March 2024. The balance of the grant funding will be carried forward to 2024/25 to fund ongoing costs of supporting guests.

Household Support Fund

To continue to address the impact of the cost-of-living crisis, the government announced a further extension to the original Household Support Fund (HSF) which ended on 31 March 2022. The extension covered the periods 1 April 2023 to 31 March 2024. The grant is intended to support those most in need and the expectation is that the funding should be used to support households with food, energy and water, housing costs, and other essentials.

ESCC received a total allocation in 2023-24 of £7.794m and the allocation was fully spent in supporting eligible households in several ways including:

- Distribution of £1.895m on targeted support through District and Borough Councils.
- £3.191m on provision of food vouchers to eligible free school meal pupils for the school holidays.
- Distribution of £1.4m on targeted support through Voluntary Community and Social Enterprises.
- £0.5m on provision of food through Foodbanks and Food Partnerships.
- Distribution of £0.758m directly to vulnerable families and children via Children's Services teams.
- Provision of £0.050m support through Warmer Homes.

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Analysis of the Revenue Budget

The table below shows actual net spending of £499.16m during 2023/24, based on the total cost of providing services including charges for support services, treasury management and use of assets.

The analysis of revenue expenditure provided is for budgetary comparison purposes and reconciles to the analysis contained in the Expenditure and Funding Analysis (EFA) on page 63. The table below sets out the revenue budget for 2023/24 using the standard management reporting format and how these compare with outturn:

Departments	**Current Estimate**	**Actual Outturn**	**Variation**
	£m	**£m**	**£m**
Adult Social Care	237.48	239.46	1.98
Public Health	-	-	-
Governance Services	8.46	8.29	(0.17)
Children's Services	120.52	150.94	30.42
Orbis	3.75	3.75	-
Business Services	25.56	25.16	(0.40)
Communities, Economy and Transport	71.64	69.91	(1.73)
Service Spend (incl. DSG Related)	**467.41**	**497.51**	**30.10**
Corporate Budgets	20.11	9.07	(11.04)
Debt Impairment	-	0.60	0.60
Transfers to/from Reserves	(3.33)	(13.83)	(10.50)
Treasury Management	13.93	5.81	(8.12)
Net Expenditure	**498.12**	**499.16**	**1.04**
Financed from:			
Revenue Support Grant	(4.08)	(4.08)	-
Social Care Grant	(44.61)	(44.61)	-
Service Grant	(2.92)	(3.04)	(0.12)
Business Rate Retention	(12.37)	(12.37)	-
Business Rate Top-up	(64.83)	(64.91)	(0.08)
Business Rates Compensation Grants	(16.82)	(16.82)	-
Business Rate Pool	(2.19)	(1.70)	0.49
Business Rates adjustments for previous years	1.88	0.55	(1.33)
Council Tax	(351.83)	(351.83)	-
New Home Bonus Grant	(0.35)	(0.35)	-
	(498.12)	**(499.16)**	**(1.04)**
Balances:			
Opening	10.00	10.00	
Added / (withdrawn) during the year	-	-	
Closing	**10.00**	**10.00**	

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How much was spent on the revenue account – by service

The Council services expenditure is presented in the chart below, and shows that 78% of total service spend was spent on Adults and Children's Social Care services.

What the money was spent on – by expenditure type

County Council services are staff intensive and employee costs account for 29% of the expenditure. Non-employee expenditure includes costs of premises at 2%, supplies and services at 15% and third party payments at 39%, with other expenditure at 11%. Capital financing (the cost of borrowing, interest and repayments) and accounting for on-going Private Finance Initiative (PFI) within the ESCC Balance Sheet accounts for the remaining 4%.

Where the money came from

The chart shows that 42% of our income came from Specific Government grants including Dedicated Schools Grant (DSG), many of which have limited flexibility for their use. 29% came from residents through Council Tax, 10% from other grants & contributions, 11% from other income including use of reserves and bank interest. Business Rates consisted of 1%, and 8% of our income came from users of our services, with Revenue Support Grant representing 0.33% of the Council's Funding.

The Capital Programme

Capital expenditure represents money spent by the Council on purchasing, upgrading, and improving assets that will be of benefit to the community over many years. The approved capital budget (gross) at February 2023 for 2023/24 was £96.7m. This was further adjusted to reflect the variation at outturn (March 2024), re-profiling of budgets and approved variations in line with financial regulations and governance (detail of which is shown below).

Capital Programme gross movements during 2023/24:

	£m
Budget as per February 2023	**96.7**
Project re-profiling following reviews	(38.4)
Approved Variations	21.8
Budget as per February 2024	**80.1**
Post budget approved variations	5.8
Revised Budget as per March 2024	**85.9**

During the financial year the capital programme is regularly reviewed and where necessary projects are re-profiled as part of the ongoing RPPR process. The revised gross budget for the end of March 2024 was £85.9m.

In 2023/24 the County Council spent £77.5m gross of which £8.7m was supported by scheme specific resources, giving a net expenditure of £68.8m. The larger schemes that took place during the year included the structural maintenance of highway infrastructure throughout the county, IT & digital strategy implementation, capital building improvements, and many other improvements to schools, buildings and roads. There has been slippage across a number of projects as the programme continues to experience extended lead-in times, and where inflation and material cost increases have resulted in the pause and reassessment of a number of projects to ensure delivery within budgets, as well as other project specific factors. There was also an overspend on a major road network scheme due to compensation claims payable.

The chart below shows a high level analysis of the 2023/24 capital expenditure.

As per the approved budget at February 2024, the County Council plans to invest £96.7m in capital projects in 2024/25, funded by:

	£m
Borrowing	32.1
Scheme Specific grants and contributions	30.5
Non-specific grants	23.9
Capital reserves and revenue contributions	3.1
Capital Receipts	7.1
Total resources	**96.7**

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Non-Financial Performance

The non-financial performance of the Council is reported quarterly and the year end position for 2023/24 was reported to Cabinet on 25 June 2024. Attached below is a link to the report on the Council's website:

https://democracy.eastsussex.gov.uk/documents/g5889/Public%20reports%20pack%2025th-Jun-2024%2010.00%20Cabinet.pdf?T=10

Earmarked Reserves and Provisions

The financial statements also set out details of the Council's earmarked reserves, which are another essential tool to manage risk exposure and smooth the impact of major costs and unexpected events. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement, and regard to LAAP Bulletin 99 - Local Authority Reserves and Balances.

It is the S151 Officer's duty to consider the robustness of the Council's budgets, the adequacy of reserves and the general fund when they are set annually. This consideration is summarised in the annual Robustness Statement which is published as part of RPPR. The Council's reserves policy supports the Council's strategic agenda and corporate cross cutting priorities, and in particular:

- The ongoing impact of high inflation in recent years and increases in the national living wage which also impacts social care provision costs
- Increase borrowing costs due to higher interest rates
- Uncertainty over future funding from Government
- The service response to the national policy agenda
- The residual impact of the COVID-19 pandemic
- The heightened risk profile across Local Government

Reserves are the only source of financing available to fund risks and one-off pressures over a number of years. Reserves can only be spent once and the possibility of creating new reserves in an era where budgets are tight and can become overspent, not just individually but corporately, is increasingly limited.

Details of the Council's earmarked reserves can be found on page 69, Note 10 to the Accounting Statements.

The level of the general fund is consistent with the overall financial environment and the key financial risks faced by the Council. This risk assessment is formally carried out at least twice annually and takes account of circumstances at the time. The Council's general fund balance of £10.0m at the year end plus general contingency of £4.9m is in line with the target minimum level of 2.5% (actual 2.99%) of the net revenue budget set by the Council.

In calculating the level of provisions, the Council exercises judgement; they are measured at the Council's best estimate of the costs required to settle obligations at the Balance Sheet date. The level of the Council's provisions is set out in Note 23.

Future Years

The General Fund balance of £10.0m is a minimum general balance which, whilst it remains lower proportionately than a lot of other authorities, is considered adequate on the basis that an in-year budgeted general contingency is also held. Should the General Fund Balance have to be used, the Council would have to consider how this could be topped back up to an adequate level to manage future years' risks. The general contingency for 2024/25 is £5.3m and will be used in the first instance to cushion the impact of pressures in-year. Any unused balance will be transferred to strategic reserves at the end of the financial year, in line with the approved reserves policy.

Strategic, Service and Other earmarked reserves held at 31 March 2024 totalled £95.9m. Of this, £13.1m is ringfenced for Public Health and others, £9.9m relates to future funding for the capital programme, £19.5m to meet the estimated future costs of managing the Private Finance Initiative (PFI) waste facility, and £10.4m to mitigate specific risks around insurance liabilities to manage litigation and adult social care reform.

Within the opening balances of the strategic Financial Management and Transformation Reserves, £16.7m is considered to be available for any unforeseen budgetary pressures, noting that its use would impact on the Authority's Medium Term Financial Plan (MTFP): firstly the reserve would need to be built up again, thereby adding an additional budget pressure; secondly, if the reserve is not available to support the development and investment in services then this would place additional burdens on the future financial viability of the authority. Whilst the 2024/25 budget has been prepared on a sound financial basis, there is a significant underlying deficit position which means that a draw from the Financial Management Reserve of £14.3m is required as a result of increased service demands and inflation, together with the increase in national living wage and lack of a sustainable funding settlement for 2024/25.

Of the balance on the Revenue Grants and Contributions Reserve, £1.8m relates to general COVID-19 funding which is fully committed in 2024/25 to fund covid-related pressures relating to future Looked After Children costs. The remaining balances are committed for specific purposes.

The Council does not hold large balances for capital receipts or unapplied capital grants, and any balances have a planned use.

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Whilst the level of reserves are considered adequate to enable the council to set a balanced position for 2024/25, strategic reserves are projected to reduce to £16.7m by 2028 after taking into account the planned draw for 2024/25, which is unsustainable and underlines the need for actions to be taken if government funding is not forthcoming. The use of reserves in this way means the council has had to abandon its usual approach of maintaining reserves to help future proof Council services from unforeseen risks and contributes to the Council's unsustainable financial position.

Financial Challenges for 2024/25 and beyond

At a national level, the Government funding that ESCC will receive between 2025/26 and 2027/28 is yet to be confirmed. The Local Government Financial Settlement was only a detailed one-year settlement and was the last year of the Autumn Statement 2021 Spending Review. There is no indication of the level of funding that will be available from 2025/26 onwards. We therefore await the provisional settlement for 2025/26, which would normally be announced in the late autumn of 2024.

As part of the Settlement, the Government announced £500m of additional grant funding to support pressures in social care and confirmed the continuation of a range of short-term grants announced in the 2023/24 Settlement. However, this will not be sufficient to fund the demand and inflationary pressures facing services in ESCC in 2024/25, and the council will still require a significant draw on reserves. The size of the deficit is forecast to increase significantly over the medium term and the continued use of reserves is not sustainable. Without an adequate and sustainable funding settlement, the council will be required to undertake a range of actions to set a balanced budget in 2025/26 and beyond.

Delays to funding reform, including the deferral of the new social care charging regime, has meant greater uncertainty about the shape of any long-term sustainable settlement for local authorities. This uncertainty is not expected to abate with a pending General Election on 4 July 2024.

At a local level, the ongoing impact of the economic downturn and cost of living crisis will have on the collection of business rates and council tax respectively has yet to be fully assessed. There is a risk that the extension of Local Council Tax Reduction Schemes discounts by our District and Borough Councils will see reductions in the collection of Council Tax.

Existing financial pressures that have already impacted in 2023/24, whilst recognised within the additional investment when the budget was set, are expected to continue into 2024/25, particularly in Children's Services, where Looked After Children and Home to School Transport service demands are significant; and Adult Social Care, due to the impact of the national living wage increase and rising levels of debt. In addition, pressures are emerging around provision of Special Educations Needs services where a deficit position is being modelled by the end of 2024/25 and use of the DSG statutory override may be required. The table below sets out the investment for 2024/25.

Summary of Budget Growth and Funding 2024/25	**(£m)**
Inflation: contractual	28.2
Pay Awards	7.9
Service Investment:	
Adult Social Care	3.9
Children's Services	19.1
Management of service pressures through other revenue budgets	(8.0)
Total Budget Growth	**51.1**
Council Tax	(21.7)
Business Rates	(7.5)
Government Grants	(7.6)
Total Additional Funding	**(36.8)**
Budget Deficit	**14.3**

The risk to revenue budgets are offset to an extent by increased interest rates for Treasury Management, and the recent triennial pension valuation has the potential to release some budget, but with interest rates expected to fall during the latter part of 2024, this only provides a temporary mitigation.

For the Capital Programme, there remain challenges in price pressures, where inflation and material cost increases have resulted in the pause and reassessment of projects to ensure delivery within budgets. Further significant pressures may materialise as new schemes are developed and go out to tender. Uncertainty around the level of government grants and other sources of capital programme funding such as developer contributions provide additional risks, which alongside a volatile interest rate environment, could significantly increase the cost of borrowing to fund the capital programme, increasing pressures on the Council's revenue budget in an already challenging financial environment. A capital risk provision in the form of additional borrowing flexibility of up to £7.5m is in place to provide the ability to react to such risks.

All these factors, alongside the underlying demographic and economic factors of the county, combine to create the volatile and highly challenging backdrop against which we must plan for the future.

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East Sussex has a much older age profile compared to England and the South East. 26% of the county's population is aged 65 or over, compared to 19% in England and 20% regionally. 3.8% of the population is over 85 years old, compared to 2.7% in the South East and 2.4% nationally.

In East Sussex there are 329 Lower Super Output Areas (LSOAs), 22 are in the most deprived 10% nationally, 16 of these are in Hastings, four in Eastbourne, and two in Rother. 21 LSOAs are in the least deprived 10%, 13 are in Wealden, six in Lewes, and two in Eastbourne. People that are more deprived may produce higher demand for Council and other public services. Deprived LSOAs are characterised by poorer health and disability, lower skills, educational disadvantage, higher crime and drug misuse.

77.1% of the East Sussex working age population (age 16-64) were in employment between January – December 2022 (up from 75.0% in 2021). This was higher than the national average of 75.4% but below the average across the South East of 78.1%.

There remains a significant gap between the income we currently expect to receive and the costs of providing core services, with significant additional risk arising from Adult Social Care and wider service reforms. Fundamentally, without further Government support or sustainable reform of local government finances we will not have the funding we need for the future and impacts on services will start to be felt. The Council will continue to lobby Government for sustainable funding and work internally to identify solutions.

Climate Change

In October 2019 the County Council declared a climate emergency and in February 2023 it approved its latest corporate climate emergency action plan, covering the period up to March 2025. The action plan commits to reducing the County Council's own corporate carbon emissions by half every 5 years, which is a science-based reduction target to reach net zero by no later than 2050,and equates to an average reduction of 13% per year.

In 2021-22 the County Council agreed funding of an additional £9.8m to reduce corporate carbon emissions; this has since reduced to £8.8m. The County Council has also secured over £1.3m of external funding to support delivery of corporate carbon reduction. The table below provides a summary of actual spend to date and forecast spend to the end of March 2025.

	2021/22 actual £'000	2022/23 actual £'000	2023/24 estimate £'000	2024/25 estimate £'000	Total estimate £'000
Capital:					
LED lighting schemes	38	196	16	163	**413**
Solar PV schemes	6	488	1,066	981	**2,541**
Heat decarbonisation schemes	20	644	1,761	2,577	**5,002**
Revenue:					
Salaries	-	56	181	287	**524**
Training	1	32	11	13	**57**
Consultancy	3	5	107	79	**194**
Total	**68**	**1,421**	**3,142**	**4,100**	**8,731**
Funding Available:					
Allocated budget - capital & revenue					**8,827**
Grants					**1,286**
Total Funding Available					**10,113**
Remaining Funding					**1,382**

The corporate Climate Emergency Plan sets out the actions that will be delivered up to March 2025, including capital investment in measures to cut carbon. The majority of the £8.8m budget will cover the cost of delivering energy efficient lighting, solar PV panels on roofs and decarbonisation of heating, including in schools. Modelling work completed in 2022 by an independent specialist asset management and construction consultancy confirmed that investing in this combination of interventions represents the most effective use of resources to cut carbon at least cost. . In addition, work is being undertaken on climate adaption and on the County Council's Scope 3 emissions (i.e. those within its supply chain).

The key challenges to delivery of the Climate Emergency Plan are:

1) The up-front cost to cut carbon emissions by an average of 13% per year: the modelling referred to above indicated that the County Council would need to invest approximately £200m up to 2050 in order to meet the 13% per year carbon reduction target. This is unaffordable, particularly given the current financial challenges facing the County Council.
2) The inflationary increase in costs over the last couple of years, and constraints within the supply chain of labour and parts.

The accounts have been prepared based on current accounting standards. The risks associated with climate change, whilst it may be argued are being felt now, are longer term and are not reflected in these accounts.

Treasury Management Borrowing Facilities and Investments

The strategy for 2023/24, agreed in February 2023, was set against a background of market uncertainty and a prudent approach was taken with all investments. The emphasis continues to be on security (protection of the capital sum invested) and liquidity (keeping money readily available for expenditure when needed). The strategy and limits are consistent with the capital programme and revenue budget. As will be clear from the current global events, it is impossible in practical terms to eliminate all credit and market risk. This Council seeks to be as prudent as possible.

This Council has always adopted a prudent approach on its investment strategy and, in the last few years, there have been changes to the list of the approved organisations used for investment of short-term surpluses. This list is regularly reviewed to ensure that the Council is able to invest at the best available rates consistent with low risk. The organisations are also regularly monitored to ensure that their financial strength and low risk has been maintained.

The average level of funds available for investment purposes during 2023/24 was £271m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

The total amount received in short term interest and dividends for the twelve months to 31 March 2024 was £13.3m at an average rate of 4.89%.

Investment returns have improved during the year in line with the peak of Bank of England (BoE) interest rates at 5.25%. During the year the authority reduced balances in liquidity accounts and funds to support both cashflow and to take opportunities to secure a positive level of return into 2024/25. This was achieved by lending to other Local Authorities and select banking names for a duration of up to 12 months, a fall in the BoE base rate is anticipated at steady intervals to 31 March 2025.

At 31 March 2024, the majority of the Council's external debt was held as long-term loans (£212m), and no additional longer-term borrowing was undertaken during 2023/24.

Capital expenditure levels, market conditions and interest rate levels will continue to be monitored in order to minimise borrowing costs over the medium to longer-term and to maintain stability. Given the on-going cuts to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

The authority manages cashflow daily with a high level forecast out to 30 September 2025. This is reviewed daily from an estimate to actual and updated for all known material items of income and expenditure.

The DLUHC requires Councils to set aside 'prudent' provision for the repayment of debt where they have used borrowing arrangements to finance capital expenditure (historic and current) but allows certain flexibility as to how this is calculated.

The authority has a steady debt and investment maturity profile, but when cashflows are forecasted on a downward trend investment notice accounts can be redeemed to support the authority's daily activity. In addition, any 'pinch points' can be funded through short term borrowing in the local authority market, an approved method of borrowing. In the near-term surplus balances are kept liquid but opportunities are taken within the parameters of the investment strategy to support expenditure and any reduced income profile. This is also undertaken following the fundamental principles of security, liquidity and then yield in this current economic climate.

East Sussex Pension Fund

In line with the accounting standard IAS19, the Council's net liability for future pension payments, as shown in the Balance Sheet, has decreased by £2.8m from £42.8m at the start of the year to £40.0m at 31 March 2024. Note 42 to the accounting statement provides detailed information. The resultant impact on the CIES is a net credit of £12.7m to reflect the present value of the defined benefit obligation and, following the Actuarial remeasurements, a net Actuarial loss on pension assets and liabilities of £9.9m.

The explanations for this change in Actuarial remeasurement are as follows:

- Since assessing liabilities for retirement benefits at 31 March 2023, discount rates have increased and future inflation assumptions have remained constant which will have improved the balance sheet position as at 31 March 2023. The change in the real discount rate over the year along with revised financial and demographic assumptions has resulted in a decrease in the liabilities measured at today's prices of around £22.2m
- Asset returns on the Fund in the year to 31 March 2024 were higher than expected for the Council, which improved the balance sheet position by £44.1m.
- In applying an asset ceiling adjustment under IFRIC 14 to adjust for the value of the asset that cannot be realised by the Authority either through refunds or by reducing future employer contributions, there was a reduction to the asset value of £76.2m.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS), and using the roll forward model, the actuarial estimate of the present value of funded liabilities is approximately £1,473.0m in respect of employee members, deferred pensioners and pensioners as at 31 March 2024. There is also a liability of approximately £40.0m in respect of LGPS and Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

The Balance Sheet

Despite the challenges, the Council continues to maintain a strong balance sheet -

At 31 March 2023 £000		At 31 March 2024 £000
996,257	Long Term Assets (including Property, Plant & Equipment)	1,021,490
376,414	Current Assets (including debtors and short term investments)	336,410
(159,406)	Current Liabilities (including creditors and bank overdraft)	(197,162)
(345,204)	Long Term Liabilities	(333,862)
868,061	**Net Assets**	**826,876**
	Represented by:	
260,002	Usable Reserves	192,949
608,059	Unusable Reserves	633,927
868,061	**Total Reserves**	**826,876**

The main changes to the balance sheet in 2023/24 are a decrease in useable reserves of £67m, £50m of which relates to the net movement on the revenue grants and contributions reserve. This has been matched by a corresponding decrease in short term investments shown within current assets.

Academy Schools – seven schools are expected to convert to Academy status in 2024/25. Four are already off balance-sheet due to being Voluntary Controlled schools, whereas the net book value of property, plant and equipment of the other three will be written out of the Council's balance sheet at the date of conversion. Their net book value included within the balance sheet at 31 March 2024 is £4.758m.

Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). To make the document as useful as possible to its audience and make meaningful comparisons between authorities the Code requires:

- All Statements of Accounts to reflect a consistent presentation;
- Interpretation and explanation of the Statement of Accounts to be provided; and
- The Statement of Accounts and supporting notes to be written in plain language.

This Statement of Accounts comprises various sections and statements, which are briefly explained below:

- Narrative Report - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2023/24;
- The Statement of Responsibilities which details the responsibilities of the Council and the Chief Finance Officer (S151 Officer) concerning the Council's financial affairs and the actual Statement of Accounts;
- The Independent Auditor's Report to the Council – this is provided by the external auditors, Grant Thornton UK LLP, following the completion of the annual audit;
- Annual Governance Statement – the Council is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2023/24. However, any significant events or developments that occur between 31 March 2024 and the date on which the Statement of Accounts is signed by the Chief Finance Officer must also be reported;
- The Core Accounting Statements comprise:

  ~ The Comprehensive Income and Expenditure Statement (CIES) – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year.

  ~ The Movement in Reserves Statement (MiRS) – this statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure and mitigate the risk and impact of unplanned events) and other reserves.

  ~ The Balance Sheet – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

  ~ The Cash Flow Statement – this summarises the changes in cash and cash equivalents of the Council during the reporting period.
- The Accounting Policies Note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements;

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- The Notes to the Accounting Statements provide supporting and explanatory information and are fundamentally important in the presentation of a true and fair view;
- The Pension Fund Accounts – the East Sussex Pension Fund is administered by the Council; however, the Pension Fund must be completely separate from the Council's own finances. This statement is an extract from the Pension Fund Annual Report and summarises the financial position of the East Sussex Pension Fund, including all income and expenditure for 2023/24, together with assets and liabilities as at 31 March 2024; and
- A glossary to the Statement of Accounts is also included to help to make what is ultimately a technical accounting document more understandable to the reader.

Changes to financial reporting requirements and accounting policies

The Code of Practice is based on International Financial Reporting Standards (IFRSs) 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.

The Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or before 1 January 2023 and applies for accounting periods commencing on or after 1 April 2023. The key accounting changes principally introduced by the Code in 2023/24 are:

a) Amendments to Section 3.3 of the Code reflecting amendments to IAS 8, which clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.
b) Amendments to Section 3.4 of the Code reflecting changes to IAS 1, which help preparers to provide more focused and proportionate information on accounting policies.
c) Amendments to Section 4.1 of the Code, which provide a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets.
d) A new Annex to Section 4.1 of the Code that sets out the prescriptions of the Code for infrastructure assets in predecessor Codes.
e) Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2022/23 and 2023/24 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2023/24 Code, while also having regard to requirements in relation to voluntary adoption of IFRS 16.
f) Confirmation in Appendix D (New or Amended Standards Introduced to the 2023/24 Code) of the new standards introduced to the 2023/24 Code.

Under the Code, the Authority is required to disclose details on the impact of an accounting change required by new accounting standards that have been issued, but not yet adopted, by the Code. The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements are:

a) IFRS 16 Leases issued in January 2016
b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

The Council's Stewardship, Responsibilities and Financial Management Polices

The Council deals with considerable sums of public money. The Council's Financial Regulations 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 Regulations provide clarity about the accountability of individuals – Cabinet; Members; the Chief Executive; the Monitoring Officer; the Chief Finance Officer and Service Directors.

There are five key areas covered by the Financial Regulations. These are:

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

These Financial Regulations link with other internal regulatory documents forming part of the County Council's Constitution, including Standing Orders, Standard Financial Procedures and Departmental Guidance and Procedures. This Statement of

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Accounts is part of that stewardship process, i.e. the process for being publicly accountable for the collection and application of public money. The responsibilities of the Council and its designated Chief Finance Officer are set out in the Constitution.

The Annual Governance Statement, which accompanies this Statement of Accounts, covers more than just financial matters and is set out in full on pages 22 – 37.

Our financial framework relies on the quality of the financial systems of the Council. There is a commitment to 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 2023/24 Audit Opinion and Certificate is available on pages 18 – 21.

After the audit is finished the auditor will issue a certificate of completion.

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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer – Section 151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts, which include the accounting statements for East Sussex Pension Fund.

The Responsibilities of the Chief Finance Officer – Section 151 Officer

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy/Local Authorities (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2024.

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; and
- complied with the 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 controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the Council's financial position and its income and expenditure for the year ended 31 March 2024.

Ian Gutsell
Chief Finance Officer (Section 151 Officer)
31 May 2024

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East Sussex County Council Annual Governance Statement 2023/24

Executive Summary

The Annual Governance Statement (AGS) explains the processes and systems which give assurance for the effectiveness of the County Council's discharge of its responsibilities. It covers the period 1 April 2023 to 31 March 2024.

A summary of assurance is given for each of the seven principles on which the Statement is based.

The Purpose of the Governance Assurance Framework

1. East Sussex County Council (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

2. In discharging this overall responsibility, County Councillors ('Members') and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Local Code of Corporate Governance (the 'Local Code'), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website and is set out in Annex C. This Statement also sets out how the Council has complied with its Local Code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

3. Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.

4. The Local Code can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally, the Council's system of internal control is designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.

5. The Local Code and the system of internal control have been in place at the Council for the year ended 31 March 2024 and up to the date of the approval of the statement of accounts.

6. The East Sussex County Council Framework for the Annual Governance Statement is set out at Annex D.

Review of effectiveness

7. The Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:

   - the work of Members through the Cabinet, Committees (including Governance Committee, Standards Committee, Audit Committee, Scrutiny Committees) generally and the full Council;
   - the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
   - the work of the Chief Executive, Monitoring Officer, Chief Finance Officer and the Statutory Officers Group (SOG);
   - the risk management arrangements, including the maintenance and regular review of strategic risks by Chief Officers and departmental risks by management teams;
   - the work of the internal audit service including their quarterly progress reports, ongoing action tracking arrangements and overall annual report and opinion;

- the external auditors in their audit annual letter and annual governance report;
- the judgements of a range of external inspection and other statutory bodies including the Local Government and Social Care Ombudsman, the Care Quality Commission and the Office for Standards in Education.

Key elements of the governance and internal control environments

8. The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:

- a Council Plan that sets out our vision for the community and the outcomes we intend to achieve;
- an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of performance and the need to improve both customer focus and efficiency;
- a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and Members;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and Members;
- financial management structures which promote ownership of financial issues within service departments;
- compliance with CIPFA's Statement on the Role of the Chief Finance Officer;
- the Council's constitution which sets out clear arrangements for decision-making, scrutiny, communication and the delegation of powers to officers and Members;
- codes of conduct for Members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Procurement and Contract Standing Orders, Financial Regulations and Standard Financial Procedures;
- a risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- Member committees with clear responsibilities for governance, audit and standards;
- established arrangements for dealing with complaints and whistleblowing, and combating fraud and corruption;
- schemes for identifying the development needs of Members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, ICT security, access to information, data protection and project management.

<u>The Governance Assurance Framework Principles</u>

9. There are seven principles and sub-principles of Corporate Governance adopted by the Council, as set out below. Assurance for how they are met is provided in the text below each principle in this Statement. Whilst descriptions of how the principles are met are included in each section, this Statement should be viewed in its entirety as there is overlap between the principles and how they are met. Further work to be done is highlighted and set out at Annex E.

Principle	Description of Principle
A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimize the achievement of the intended outcomes.

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Principle	Description of Principle
E	Developing the entity's capacity including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The County Council's Governance Framework

10. The governance framework covers the allocation of functions, the rules for how they are carried out and the mechanisms for tracking that this happens correctly. The relationship of responsibilities is shown here:

Section A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Assured The Council has high standards for sound governance as set out in law and government guidance. It promotes a culture of compliance. The Council's codes of conduct set out expectations and requirements for behaving with integrity for both Members and officers. Action was taken to promote these and provide assurance that they continue to be implemented fully and correctly.

11. The Governance Committee oversees the democratic arrangements of the Council and reviews and advises Full Council on the Constitution. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require Members and officers to ensure that all decisions are compliant with internal policies and procedures, as well as with the law. These help ensure transparent decision-making, giving authority and certainty to the allocation of responsibilities as set out in the Constitution.

12. Part 5 of the Constitution contains the Code of Conduct for Members. A parallel Code of Conduct for officers sits in the suite of employee policies. The Council has also adopted policies relating to responsibilities for ethical behaviour including equality and sustainability, such as the Equality of Opportunity and Diversity Policy Statement. Decision-making is supported by advice from officers and internal guidance that should ensure compliance with these policies.

13. The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making as part of the Corporate Management Team, as well as being signatories to all key and other significant decisions.

14. The codes of conduct define the standards of behaviour for Members and officers. All Members undertake training on the Member Code of Conduct. Member conduct is monitored by the Standards Committee, which has a remit to deal with complaints of breaches of the Member Code of Conduct. All Members complete the register of interests and receive quarterly reminders on the subject of personal interest declarations, and it is a standing item on all formal meeting agendas for both officers and Members. In relation to the appointment of Members to outside bodies, the Council will avoid structural conflict of interests where possible.

15. The Council has a whistleblowing policy to offer a route for challenges to processes or actions within the Council where complainants need confidentiality. The use and effectiveness of the policy is overseen by the SOG made up of the Chief Executive, Monitoring Officer, Chief Finance Officer, Chief Internal Auditor, Assistant Director for HR, and the Chief Operating Officer.

16. A system for recording officer interests, including gifts and hospitality, is in place and kept under review. A review of the system was undertaken in 2020 and actions were identified to improve the current system. The current system is situated within SharePoint 2013, support for which is soon to be withdrawn. Work is under way to migrate the system to SharePoint Online.

17. The Council's Procurement and Contract Standing Orders and the Financial Regulations and Procedures provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Chief Operating Officer, Monitoring Officer, and Chief Financial Officer in consultation with the Governance Committee. These Standing Orders help ensure transparency and a Governance framework in relation to how decisions are made.

18. The Officer Scheme of Delegation is held under regular review by the Chief Executive and the Monitoring Officer, with any new delegations needing the agreement of the Leader of the Council (for executive functions) or the Governance Committee (for non-executive functions).

Section B: Ensuring openness and comprehensive stakeholder engagement
Assured The Council exists to serve its residents and is dependent on a wide range of stakeholders for working effectively in partnership. Consultation and engagement mechanisms are in place and are used effectively. The Council has clear decision-making processes and rules and procedures to enforce them which emphasise openness and transparency.

Decision-making and Scrutiny

19. The Council is the principal decision-making body and forum for political debate. All Council meetings take place in public and are webcast. The Council sets the strategic aims that form the Policy Framework and determines the Council's budget following a well-developed process of Member engagement and scrutiny.

20. The Executive (Cabinet) takes decisions on most matters of Council policy and service delivery. The non-executive responsibilities of the Council are discharged through its non-executive committees as described in the Constitution. The Council appoints Members to Scrutiny Committees, by which Cabinet is held to account through Member overview and scrutiny. Scrutiny Committees are politically proportionate. Chairs and Vice-Chairs are appointed by Full Council. Influential scrutiny is achieved by ensuring the Scrutiny Committee's involvement in the Reconciling Policy, Performance and Resources (RPPR) process and having significant decisions or proposals previewed. Proposals may also be called in for scrutiny after a decision has been proposed in final form. The Council has determined that all Scrutiny Committee meetings take place in public and be webcast. An overview and summary of the work of the Scrutiny Committees is reported to the Governance Committee on a 6 monthly basis.

21. The Forward Plan describes all significant (key) decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by Scrutiny Committees to help plan business. As decisions become more significant in terms of service changes and savings proposals there is a greater need to ensure early awareness by, and engagement with, all Members.

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22. Decision-making operates with a presumption of openness. Cabinet, Lead Member and committee meetings are held in public. Members of the public can subscribe to email updates on Council committee meetings in which they have expressed an interest. Agendas and reports for Cabinet and committee meetings, unless considered exempt from publication, are published at least five clear working days in advance – exceptions are explained in public documents.

23. Decisions and agendas are held on the Council's website. The content management system, Modern.Gov, is the principal method of publishing the Forward Plan, decisions, agendas, and minutes. Members and staff have portable devices which can easily access Modern.gov information. The Constitution also prescribes the rules and constraints around urgent decisions (including those not notified in the Forward Plan). Key decisions taken under special urgency provisions (as set out in the Constitution) are reported to the Council. The report to the Council includes a summary of the decisions taken under these provisions.

24. To retain the benefits identified through remote meetings, the Council has agreed the following measures, which are permitted under existing legislation:

    Full Council – All Council Members must attend in person.

    Cabinet – all Members of the Cabinet must attend in person. Officers and other Members (including opposition spokespersons and local Members), as well as petitioners are permitted (with the agreement of the Chair) to attend and speak remotely.
    Planning Committee – All Members of the Committee must attend in person. Officers and members of the public or local Members making representations are permitted to attend remotely.
    At the Council's **Panels and Committees** (including Governance Committee, Pension Committee, Scrutiny Committees, Audit Committee and Health and Wellbeing Board) – Committee and Panel Members must be present in person (unless legally permitted to attend remotely). Other participants, including officers and advisors, may attend remotely.
    Pension Board – may be wholly remote or a hybrid meeting with some Members present physically and others remotely at the Chair's discretion.
    Lead Member decisions are not subject to the same legislation that applies to the majority of Council and committee meetings (i.e., that requires the Members of those committees to meet in person). The Council agreed that Lead Member decisions can continue to be made remotely on an ongoing basis, subject to the discretion of the Lead Member to hold a physical meeting if preferred. Other Members, with the agreement of the Lead Member, are able to attend and speak virtually at Lead Member meetings, whether the meeting itself is a remote or a physical meeting. All Lead Member meetings held remotely are webcast to facilitate public access and provision is made at County Hall for those members of the public who may not have access to the webcast to be able to watch it.

25. During 2023, the Council undertook a review of its process for considering Notices of Motion to ensure that the process remains efficient, effective and fit for purpose.

26. Full Council agreed, to retain the existing process whereby the Chairman of the Council determines the most appropriate route for the Motion to take. However, it was agreed that where a motion is referred straight to Full Council, it shall be accompanied by an officer briefing to ensure that full context and background information is provided. It was also agreed that where a motion is referred straight to Full Council, the deadline for submitting a Notice of Motion shall be twenty Working Days before the meeting at which it is to be considered. The revised process will be kept under review.

27. Communication to the public is via the Council's website, in public meetings, and through social media. The Council's corporate website meets legal requirements to ensure content is accessible to as many people as possible. A transition to the new, accessible corporate pages was completed in May 2022. Stakeholders and Partnership

28. The Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS, and Sussex Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning, and community development. There are both formal and informal forums in place for regular liaison with elected Members and senior officers in the district and borough councils, including regular meetings of all the leaders of the councils (East Sussex Joint Leaders Meetings), to discuss issues of common interest, and regular meetings of all chief executives, including the Chief Fire Officer, Chief Superintendent and the Chief Executive of East Sussex College Group (East Sussex Chief Executives Group). The Leader and Chief Executive of the Council are members of the East Sussex Strategic Partnership, which brings together public services, local businesses, community groups, and Voluntary, Community and Social Enterprise (VCSE) sector organisations to work together in a co-ordinated way to plan local services, tackle issues that matter to residents, and improve quality of life in East Sussex.

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29. Regular meetings with other partners are held at various levels between officers to oversee operational, commissioning and service planning. For several years the Council has operated a joint service commissioning and pooled budget agreement with the NHS to cover a range of social care and NHS services, principally through the Better Care Fund.

30. The Sussex Integrated Care System (ICS) is made up of two statutory bodies; the Sussex Health and Care Assembly (the Integrated Care Partnership) and the NHS Sussex Integrated care Board (ICB). The Sussex Assembly is a joint committee formed by the NHS Sussex ICB with East Sussex County Council (ESCC), West Sussex County Council (WSCC), and Brighton & Hove City Council (BHCC). The Leader of the Council is a member of the Sussex Assembly (the ICP) in his role as Chair of the East Sussex Health and Wellbeing Board, the principal forum for health and social care liaison and partnership. It was agreed in February 2024 that a new Independent Assembly Chair will be engaged by one of the Local Authorities on behalf of all four statutory partner members through a competitive selection process, with unanimous support for the successful candidate. The Chair will work closely with NHS Sussex ICB and all three Local Authorities to plan meetings and agendas in advance of meetings. ESCC will take the lead on recruiting the Independent Assembly Chair in 2024/25, and NHS Sussex will continue to publish the agendas, papers and meeting recordings on the Sussex Health and Care website. By agreement of the Chief Executives of each of the Councils, the three upper tier Councils in Sussex (namely East Sussex County Council, West Sussex County Council and Brighton and Hove City Council) are represented on the NHS Sussex Integrated Care Board (the ICB) by the ESCC Director of Adult Social Care and Health, the BHCC Director of Children's Services and the WSCC Director of Public Health. Each Officer provides a collective view from their professional peers drawn from across all three councils, which will alternate between professions on a timely basis.

31. The five-year Sussex Integrated Care Strategy 'Improving Lives Together' was approved by the Sussex Assembly in December 2022 which sets out our shared ambition for a healthier future for everyone in Sussex over the next five years. In line with the NHS England Joint Forward Plan guidance, the supporting Sussex Shared Delivery Plan (SDP) was developed and agreed by all system partners in July 2023, and covers areas for immediate, continuous and long term improvement, as well as shared priorities specific to each of the three statutory Health and Wellbeing Boards and their populations in Sussex. Joint work takes place with the NHS on a pan-Sussex and Place (East Sussex) level which contributes to a range of service improvement objectives for the benefit of the East Sussex population.

32. Both the Strategy and the SDP build on our understanding of population health needs in East Sussex, and the refreshed East Sussex Health and Wellbeing Strategy 'Healthy Lives, Healthy People (2022 – 2027)'. Delivery plans reflect our shared HWB priority transformation programmes covering children and young people, mental health, community (and integrated community teams) and improving health outcomes. A core principle for this joint work is that the primary building blocks in Sussex are the three 'Places' (East Sussex, West Sussex and Brighton and Hove). East Sussex is clear that 'Place' is key to strategic leadership, local commissioning and delivery in order to achieve the best health, care and wellbeing outcome for our population. This is operationalised through the East Sussex Health and Care Partnership which brings together local NHS partners with the County Council, Borough and District Councils, the VCSE Alliance and Healthwatch. The Partnership is accountable to the HWB and is the forum for local strategic management of integration and delivery of the SDP. There is a joint Executive Delivery Group that oversees system pressures, specific transformation programmes and the Better Care Fund (BCF), and a wider strategic Partnership Board.

33. The Council has set out its commitment to working in partnership with residents, businesses, communities, the VCSE sector, and local authority partners through a number of initiatives. It has a set of partnership principles with the VCSE sector for the commitment to more effective ways of working together, building stronger alliances, and empowering joint action.

34. The Leader of the Council is also appointed on behalf of the Council as a director of South East Local Enterprise Partnership Limited (SELEP). Following the government's announcement in August 2023 that the national network of local enterprise partnerships would no longer be funded beyond 2023/24 and that local enterprise functions would be transferred to the constituent upper tier local authorities, it was anticipated that SELEP would be wound up by 31 March 2024.

35. The functions that transferred to the Council on 1 April 2024 are business representation and strategic economic planning. The winding up the LEP is expected to take place in the 2024/25 finance year. The Leader will cease as a director of SELEP with effect from the date it is wound up.

36. Cabinet agreed the SELEP Transition Plan in March 2024 and the Council will enter into a Transition Agreement with Essex County Council (as the accountable body for SELEP), the other SELEP upper tier local authorities and the Department for Levelling Up, Housing and Communities later in 2024 to formalise the transfer arrangements.

Consultation and engagement in East Sussex

37. The Council is committed to working with residents, businesses, communities, service users, and partners to help prioritise what it does, to give them a say over the approach and to have the chance to get involved in delivery and change. This requires sound arrangements for engagement and consultation.

38. The Council uses a variety of ways to engage residents and other stakeholders - publications (printed and digital), press releases and social media to keep people informed of plans or decisions, and engagement via questionnaires, public events, workshops, focus groups, satisfaction surveys and feedback forms.

39. In 2023 the Council developed a communications strategy setting out how ESCC's communications are designed to support the council's priority outcomes and keep residents well informed of services, information and activities that may be useful to them.

40. Consultation and Engagement Quality Assurance is managed within departments. Services must develop projects which are robust and produce reliable valid data upon which decisions can be made.

Formal consultation

41. Formal consultation will generally only be undertaken where there is a statutory duty or legitimate expectation and where there is a service or policy need to do so. Consultations are carried out in accordance with current national Consultation Principles guidance and, where applicable, the Council's 'Statement of Community Involvement'. Individual services are required to maintain open channels of communication with relevant stakeholder groups and representative bodies where relevant to service planning.

42. All formal public consultations and engagement projects are made accessible online using the 'Citizen Space' consultation hub software. Other formats are available on request. They are also published on the Council's News and Press Release webpages. The Council ensures compliance with the public sector equality duty when processing and securing formal key decisions. The Council has taken steps to improve consistency and appropriateness of use of Equality Impact Assessments, and the template documentation for Key Decisions has been updated to include a prompt for officers to consider Equality implications. Further attention is required to ensure consistent compliance across all types of decisions.

43. The information gathered is analysed and considered as part of the decision-making process. Analysis reports and decisions are made available on the 'Citizen Space' engagement hub webpages as a means of ensuring clarity and increasing public trust in decision-making processes.

44. All elected Members, as part of their induction, were offered Equality, Diversity, and Inclusion in Leadership training to enable them to recognise the considerations that underpin fair decision-making in the Council and to ensure they can fulfil their legal obligations under the Equality Act 2010. All elected Members, as part of their induction, were offered "Let's Talk Equality" training which explored language and terminology around equality characteristics as well as training on Census 2021 equality data.

45. The Council's Corporate Equality Board continues to champion and support the integration of Equality, Diversity and Inclusion in day-to-day business throughout the Council's services. Through its work, the Board helps the Council secure its vision of creating services that understand and effectively respond to our local communities and to meet its legal duties.

46. Through the Board, the Council develops and agrees an annual Equality, Diversity & Inclusion Action Plan. It defines priority cross-council functions for each year and the plan for 2024-25 will be agreed in May. Key successes from the 2023-24 Plan include:

    - updating the Council's equality commitment, to reflect our approach and ambitions;
    - a joint project with the NHS to improve the quality of equality information we collect to better inform and improve service delivery and workplace activity;
    - further training and guidance has been provided to support strong recruitment practice to ensure the council recruits the best candidates for its diverse roles;
    - The recommendations of our workplace adjustment review have been implemented to strengthen support and streamline the process; and
    - further equality learning opportunities have been offered to all elected Members, including a session focused on Census 2021 data on ethnic minority people in the county and current issues.

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The Council continues to implement its equality objectives as part of our public sector equality duty compliance.

47. The Council has a Petitions Scheme describing how petitions from residents are dealt with by the Council. These enable a petitioner to speak with a Cabinet Member or at a committee, or to the Council if prescribed thresholds for signatures are reached. A response is made to each petition, explaining what the Council will or will not do in response.

SECTION C: Defining outcomes in terms of sustainable economic, social, and environmental benefits
Assured The Council has established arrangements to define outcomes and monitor performance against agreed measures. These cover the strategic aims for supporting the economy, complement the social value policy of the Council and are built against a theme to address sustainability to support the Council's climate change commitments. In setting policies and strategies, the Council takes a long-term view of outcomes, taking into account sustainable economic, social, and environmental aims and has effective, comprehensive performance monitoring in place. The corporate document 'the Council Plan' was adopted by the Council in February 2024. The Plan covers the period 2023-26 and performance has and will continue to be monitored in a structured, timely and transparent way by the leadership team, by Cabinet Members and through Scrutiny Committees.

48. The Council Plan 2024-2025 outlines the priorities for the Council over the next three years and how they are to be assessed in terms of delivery and measures to monitor performance. It was agreed by Full Council in February 2024 and is subject to quarterly performance monitoring by Cabinet and Full Council. The Council Plan was developed by the Cabinet and Corporate Management Team with the engagement of elected Members, Scrutiny Committees, and officers at all levels. Measures and targets were developed and approved as part of the agreed plan and are published online as well as being reported and scrutinised in public.

49. Active monitoring of performance is undertaken through regular reviews of business plans and with all staff through individual staff performance conversations. These arrangements link to performance and regular reviews of business plans. The Cabinet reviews the Quarterly Monitoring Report on a quarterly basis and this is reported to Full Council. The Council remains committed to the sustainable economic growth of East Sussex. Over the last year we have been developing a new strategy to guide the investment we and our partners make to achieve the growth and prosperity we aspire to. The strategy has been subject to wide ranging consultation, to ensure it reflects the needs of residents, businesses and stakeholders.

50. The strategy takes a long-term view, with a time horizon of 2050, and complements other related strategies around decarbonization, health & wellbeing, and transport. It is a strategy for East Sussex, and the membership of Team East Sussex (the de facto Growth Board for East Sussex), its sub boards such as Skills East Sussex, and Business East Sussex have been integral to its development.

51. Following the Council's Notice of Motion on climate change, agreed in September 2019, a Climate Emergency Plan was formulated with the aim for the organisation to achieve carbon neutrality from its activities as soon as possible and in any event by 2050. *A* revised climate action plan for the period 2022-25 *was adopted in February 2023 after Member engagement and scrutiny.*

52. An internal Officer Climate Emergency Board is in place to lead and oversee the delivery of our climate change action plan. The Board reports on progress each year to Full Council. A dedicated budget of £9.867 is in place to deliver the action plan, supplemented by £1.9m of successful bids for external funding.

53. Following an internal audit review of the Council's arrangements in relation to climate change in 2022/23 which received an audit opinion of partial assurance, a follow-up audit was completed 2023-24. This resulted in an improved opinion of reasonable assurance.

54. Climate change is embedded in the Council Plan for 2023/24, in the corporate capital programme as a basic need, and in the corporate strategic risk register. Quarterly reporting to Cabinet and monthly management reporting (internal) will highlight progress on key climate change indicators

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55. The Council's Social Value Policy (adopted in September 2022) seeks to infuse Social Value into the Council's culture through Good Commissioning, Good Procurement and Good Contract Management. The Council's Social Value Review Group, which consists of a group of subject matter experts, enables the Council to deliver real, meaningful value to local communities and residents.

56. The Place Scrutiny Committee carried out a Scrutiny Review of Procurement in 2022/23 which focussed on Social Value and 'Buying Local' policies and procedures. The Review considered a wide range of evidence and endorsed the Social Value Policy. The Review made nine recommendations for improvements to the Council's approach to Social Value, including: continued engagement and training on social value requirements; improvements in monitoring the delivery of social value commitments; changes to strengthen linkages between social value requirements and achieving the Council's objectives; changes in the Council's approach to carbon reduction and climate change measures; and a recommendation to conduct a trial with the Adult Social Care and Health department to pilot a more qualitative approach to measuring social value, which may have benefits for the Council, local communities, our Voluntary, Community and Social Enterprise partners.

57. In response to the Place Scrutiny Committee's review, the Chief Operating Officer and officers in Business Services devised an action plan setting out the steps the Council will take to deliver against the recommendations. The recommendations of the Scrutiny Review together the Chief Officer's Action Plan were presented to Cabinet for comment on 18 April 2023 and were accepted at Full Council on 9 May 2023.

58. Place Scrutiny Committee considered an update on the implementation of the Action Plan in March 2024 and were pleased with the progress that has been made; in particular, the Social Value trial. The Place Scrutiny Committee will consider a further update report in September 2024.

59. The Council adopted an Environmentally Sustainable Procurement Policy in 2022, in conjunction with Surrey County Council and Brighton & Hove City Council. This sets out a clear commitment to ensuring our operations are environmentally sustainable and resilient to future change through its procurement and supply chain activities and has been embedded in a number of contracts since it was adopted. In 2024 the policy was updated to improve the use of the waste hierarchy, promoting avoidance and reduction, inclusion of Carbon Reduction Plans and aligning it with emerging legislation.

SECTION D: Determining the interventions necessary to optimise the achievement of the intended outcomes
Assured The Council takes decisions on interventions based on the priorities agreed in the Council Plan. In areas identified for improvement, systems for governance, oversight, and scrutiny of interventions will continue to be given particular focus.

60. In December 2023 the Council was inspected by the Office for Standards in Education, Children's Services and Skills (Ofsted) under the framework and evaluation schedule for Inspections of Local Authority Children's Services (ILACS). The service was judged to be good overall and outstanding for the experiences and progress of children in care. The report and its findings were reported to Cabinet in March 2024. The report identified a number of good areas of practice and three areas for improvement relating to the quality of plans for children and care leavers so that they are all specific, measurable and timebound; the recording of management oversight, supervision and direction; the oversight, timeliness and rigour of the response to children experiencing neglect, including children in Public Law Outline pre-proceedings, and in private fostering arrangement. An improvement is being prepared and will be shared with Ofsted.The financial outlook faced by the Council represents a step change. Growth in need for the statutory, demand-led services for vulnerable children and adults which account for around three quarters of our budget, coupled with the escalation in costs being felt right across the Council, have significantly increased the expenditure required to maintain core services. Our increased costs have not been offset by additional income.

61. The demand for children's social care and complexity of cases has continued to increase nationally and locally; whilst locally the total number of looked after children has remained relatively constant, the cost of all placements but specifically residential and specialist placements has risen significantly. In line with many other councils, there are some instances when no placements are available and ESCC has had to use unregistered placements until a registered placement can be found. In all cases comprehensive risk assessments are undertaken, which have senior management oversight. Increased visiting by the allocated social worker is undertaken. Due diligence checks are undertaken on all agencies commissioned to provide care and support. In addition unregistered placements are scrutinised by the Head of Service for Looked After

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Children, and Assistant Director on a monthly basis and overseen at monthly DMT, and monthly updates are provided to the DCS, Chief Executive and Ofsted.

62. The Ofsted inspection of Children's Services in December 2023 highlighted that 'A very small number of children with highly complex needs live in unregistered children's homes. The arrangements are closely monitored and the search to identify registered and suitable provision to meet children's needs is an ongoing process'.

63. The Council has commissioned external consultants, IMPOWER to support Children's Services (CSD) make informed estimates on future numbers and trends in relation to children cared for by the Council and define current challenges and opportunities relating to sufficiency and children in care. In May 2023, a Steering Group to manage the project was established and terms of reference for the Steering Group agreed. The Steering Group is Chaired by the Director of Children's Services and includes the Director of Adult Social Care and Health, the Chief Finance Officer, officers from CSD, and IMPOWER. Progress updates on this work are regularly reported to CMT.

64. Work carried out by IMPOWER between May and July 2023 helped the Council better understand the challenges facing the Council as well as potential opportunities and new ways of working, by drawing on data analysis, benchmarking, and significant stakeholder engagement. Working with IMPOWER, CSD developed a set of interventions to enable the Council to realise the opportunities identified to reduce cost and improve outcomes. Together these interventions form a change programme focused on care and sufficiency and targeting improvement in outcomes and reduction in cost.

65. Phase 2 of the project was approved in July 2023 and work commenced at pace to ensure benefits realisation and mitigation of pressures could take place within this financial year. Phase 3 was agreed in October 2023 and saw the Council establish a Valuing Care Panel; role out further Valuing Care training, host a matching event with potential placements planned and delivered as well as the first set of fostering workshops completed.

66. Artificial Intelligence (AI) describes when computers act independently, in a way that resembles human reasoning. AI applies advanced analysis and logic-based techniques to interpret events, support and automate decisions, and take action. The future of AI in local government in the UK is a topic of increasing importance and interest. As AI technology continues to advance and become more widely available, local authorities are exploring how it could be used to improve key services and support communities. At the same time, there are concerns about the potential limitations and risks of using AI in local government, and the need to carefully consider the implications of this technology.

67. The Council's Corporate Digital Board oversees the governance of AI. Throughout 2023/24 the Corporate Digital Board has been working to develop pragmatic Guidance, Guardrails and Governance for the Council's use of AI. The initial workstreams focused on a usage policy for generative AI, which was considered by CMT in April 2024, and agreeing a best practice model to manage demand for technologies like ChatGPT. Subsequent workstreams include developing and sharing best practice guidance and also exploring what an Ethics Policy should look like and where one would best fit within the Council's governance and policy structure. Pilots will be identified to ensure that development of support and guidance aligns closely with service needs.

68. In the medium term, it is proposed that the Corporate Digital Board will develop an underpinning strategic framework that interprets National AI Strategy into local context. This will set out clear foundations on which departments can innovate and shape their service response in a consistent way, all the while keeping abreast of the evolving regulatory landscape and enhanced technological developments.

69. All Directorates are expected to prepare and monitor Portfolio Plans which set out the actions required to meet the outcomes set in the Council Plan and the measures, targets and milestones used to monitor their delivery. These are in place and progress is reviewed regularly by Departmental Management Teams (DMTs) alongside financial performance and the directorate's risk register. The Portfolio Plans are refreshed each year as part of the annual update of the Council Plan.

70. The Quarterly Monitoring Report provides details of our performance against our objectives in the Council Plan. The Cabinet and Full Council review performance through quarterly monitoring and the work of the Scrutiny Committees and Audit Committee.

71. The Quarterly Monitoring Report provides an overview of performance against the agreed priorities within the Council Plan and tracks financial performance and our strategic risks to ensure intended outcomes are kept in focus and expenditure controlled. The Quarterly Monitoring Report focuses on the delivery of:

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- Council Plan and Performance Measures;
- Medium Financial Term Strategy and in-year budget;
- Strategic Risk Management.

72. All recommendations made by the Ombudsman are reported through the Quarterly Monitoring Report and all recommendations and findings have been accepted.

73. Executive decision reports provide a public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received, consultation undertaken and how risks are managed.

74. A number of officer boards chaired by senior officers ensure oversight of strategic areas of Council business on behalf of the Corporate Management Team. These boards co-ordinate subject matter expertise as well as overseeing arrangements for the delivery of priorities at an officer level, prior to Member consideration. They include the Corporate Equality Board, the Corporate Climate Emergency Board, the Communications Management Board, the Corporate Digital Board, the Customer Experience Board, the Capital Board and the HR Management Board.

SECTION E: Developing the entity's capacity, including the capability of its leadership and the individuals within it
Assured Officers and Members are expected to have a clear sense of their purpose, roles, and responsibilities in line with the Council's vision and the suite of policies and processes which support it. The Chief Executive and the Corporate Management Team manage the Council's workforce, skills and resource planning. All officers are expected to have their performance monitored and their development needs identified and addressed. Specific attention is paid to programmes for leadership development. Work continues to enable the Council's leaders to promote a positive and supportive culture and to provide the means of enhancing or reinforcing good leadership skills. The Council launched a second wave of its leadership programme (Ladder to Leadership) in September 2023. The programme is designed to encourage junior/mid-level managers to develop the skills required for senior leadership positions. This includes coaching, mentoring and masterclasses focussed on leadership styles and strategic leadership as well as the opportunity to work on inter-departmental projects. All senior leaders are also offered a series of masterclasses designed to support the development of Heads of Service and Assistant Directors. These masterclasses provide insight into key topic areas that are relevant for strategic leadership in the public sector. A system is in place to ensure that all elected Members have an understanding of their roles and responsibilities when appointed or elected to particular positions within the Council. Members are expected to be able to fulfil the expectations and demands of their roles as local Members and those positions to which they may be appointed. Areas of focus for review are identified. Members have received training and support to help them to focus on the strategic nature of their roles.

Members

75. Arrangements for the Council's Member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Cabinet. The Council makes appointments to all committees. Changes can be made at each Full Council meeting. All terms of reference are published. There is a system for reviewing and refreshing all constitutional terms of reference for committees and boards which transact Council business.

76. Member roles – Executive and non-executive roles are defined and published within the Constitution on the Council's website and as part of the Members' Area of the intranet. The Member induction and training programmes cover these roles. All Member development sessions have attendance and feedback recorded.

77. The knowledge and development needs of Members are identified and addressed through a cross-party Member Reference Group (MRG). The MRG oversees the delivery of a planned programme of development to meet Member training needs, taking into account Members' views on priorities through surveys and feedback. It reviews the impact of Member development work and identifies areas for improvement.

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78. Two new members were appointed following by-elections in July and August 2023. Those members were provided with an induction following their election. Member Services have provided access to All Members to training sessions designed to help them focus on their strategic roles, including training relating to Fiduciary duties, planning reform, the role of public health in local government, climate change, race equality in East Sussex, highways East Sussex, town and village green panels and treasury management. Courses on 'getting the most out of Microsoft' and questioning skills (scrutiny) have also been provided to Members. Members also received training on their duties around Member Interests and the Code of Conduct in September 2023. Guidance, which was agreed by the Governance Committee, has been developed and made available to members in relation to the use of Social Media.

79. Specialist training is given to Members according to the roles they carry out. This includes training for Cabinet Members, Members appointed to the Scrutiny Committees and Members of the Regulatory Committee, Audit Committee, Planning Committee, Pensions Committee and Appeals Panels. Enhanced DBS checks are carried out for Members in Adult and Children's Services related roles, with an online training module also available. As part of the Member Induction, training was also provided to ensure awareness of Information Governance and data protection responsibilities as they apply to elected Members. Members also received guidance on cyber security.

Officers

80. Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Assistant Chief Executive as the Monitoring Officer and the Chief Finance Officer as s.151 officer. Other critical statutory and leadership roles and their responsibilities are described in the Council's Constitution. These include the Director of Children's Services, the Director of Adult Social Care (ASC) and the Director of Public Health. All Directors are formally required each year to give assurance as to their compliance and that of their Service with a range of requirements and expectations of them as senior leaders within the Council.

81. All levels of management within the Council have a designated role profile and these profiles are accessible via the Council's intranet. Officers are given copies of their roles on appointment and are supported through induction training, their personal development review and supervision in understanding and developing their roles. Internally published HR procedures cover all aspects of performance and procedure to support managers.

82. Personal development priorities are agreed through a personal development review process. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system. Leadership skills and development for senior officers is led by the Assistant Director of Human Resources and Organisational Development.

83. Issues of capacity and service resilience to ensure service effectiveness are covered through workforce planning as part of directorate business planning. Being an employer of choice is key to ensuring the Council can attract and retain the high calibre staff it needs. There are a number of initiatives underway that support this, including:

- the implementation of hybrid working arrangements as part of the Workstyles review;
- the launch of a new employer recruitment brand – 'We Choose East Sussex';
- a range of targeted recruitment and retention strategies including a 'Refer a Friend Scheme', 'Apprenticeships Incentives Policy', an updated relocation policy, salary sacrifice schemes, employee loans policy and financial wellbeing resources;
- targeted actions such as the use of market supplements etc. for specifically identified job roles where a particular focus is needed;
- review of the corporate Equality, Diversity and Inclusion Action Plan which includes a number of workforce specific actions to support having a diverse workforce.

84. In April 2023 the Council launched an 'Officer's Guide to Governance' as a reference guide for officers to understand how the Council's governance processes operate. The Guide covers a range of topics including: the Council's Constitution, the role of Members, Scrutiny, Procurement, Finance and Data & Information Management and draws together a range of information from other sources into a single document.

SECTION F: Managing risks and performance through robust internal control and strong public financial management
Assured Risk management is robust overall and risks are being considered during business planning and decision-making processes, corporately and across all services.

Service and corporate performance management has been addressed in earlier sections of the report.

The Council has robust internal financial controls in place, displays strong public financial management and operates systems to manage risks and performance in the most effective manner.

85. The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for Member and officer oversight and transparency.

86. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures which comply with the CIPFA 'Good Practice Guide for Financial Regulations in a modern English Council'. Control is maintained through regular management information, supervision and a structure of delegation and accountability. External audit of the 2021/22 statement of accounts has now been concluded and Grant Thornton has provided their final report, which confirms an unqualified audit opinion. Grant Thornton reported the audit findings for the 2022/23 statement of accounts to the Council's Audit Committee on 24 November 2023. At the time further work was required to conclude the audit and provide final sign off. The audit of the 2022/23 accounts is nearing completion in April 2024. The report confirms a draft unqualified audit opinion, but sets out those matters that are yet to be concluded. A certificate of audit completion is anticipated in early or mid-April. The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010'. A continuous review is maintained. The Financial Regulations and Procedures are kept under review by the Chief Finance Officer.

87. In completing and signing the Directorate Assurance Statement, each Chief Officer reviews the effectiveness of governance arrangements, risk management processes and the system of internal control and considers:

- The adequacy and effectiveness of management review processes;
- The work of the department's management team and other managers and staff;
- The regular review of the department's performance against both financial and non-financial targets;
- Outcomes from the strategic and operational risk management processes;
- The level of compliance with the Council's key policies and procedures;
- Relevant internal audit reports and results of follow-ups regarding implementation of agreed actions in relation to audit findings; and
- Outcomes from reviews of services by other bodies including our external auditors, inspectorates and other statutory and regulatory review bodies.

88. Evidence of assurance given is supplemented in the Annual Assurance Statement for each directorate. These include actions for improvement. In 23/24 Internal Audit conducted an audit aimed to provide assurance over the extent to which policies and procedures exist which contribute to the Council's overall governance arrangements, and that Directorate Assurance Statements are in place to improve governance within individual departments of the Council.

89. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Activities to enhance Council governance arrangements, and therefore the integrity, transparency and efficiency of the Council, are taken in a timely manner by appropriate individuals;
- Key policies and procedures that contribute to the Council's overall governance arrangements are in place and subject to regular review, update and approval; and
- Actions from the previous audit have been implemented as agreed.

90. The Audit was completed in 23/24 and provided substantial assurance

91. The officer scheme of delegation is critical for the effectiveness of controls of spending and performance. Directors are required to ensure and confirm the effectiveness of the scheme of officer authorisation and have worked with the Assistant Chief Executive to ensure that there is shared understanding of the operation of delegations and the need to continually review them.

92. The County Council annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the Chief Internal Auditor's Annual Audit Report and Opinion 2023/24, by the external auditor and other agencies and inspectorates. These findings are brought together within this Statement and are reported annually to the Audit Committee. The Audit Committee undertakes the functions of an audit committee. This includes review of the work and findings of Internal Audit. The audit

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arrangements which support and reinforce financial controls and assurance are fully addressed under Principle G below.

93. The appropriate management of risk is a fundamental element of the Council's ability to provide cost effective, quality services and to deliver its four priority outcomes. To achieve this, sound risk management policy and practice are firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. In developing its Risk Management Framework, the Council recognises that risks cannot be fully managed and that, in being more innovative, efficient and effective in the delivery of its services, it may choose to take and/or accept more risk. Where this is the case, robust risk management practice will help ensure that the Council takes appropriately informed decisions, having properly evaluated the potential risks and the associated opportunities.

94. The Council's risk profile is dynamic and continually changing due to the influence of external factors and/or internal influences. The level of risk can alter and consequently, identified risks and associated mitigations are regularly re-assessed to address and combat the impact of these changes. In addition, new risks will periodically emerge which must be identified and analysed to reduce the Council's exposure to adverse risk.

95. Risk information is recorded within registers maintained at a corporate (strategic) level and individual department/divisional level. As a minimum, all risk registers should be formally reviewed and updated on a quarterly basis as part of the Council monitoring process. This process includes a review of departmental risk registers by each DMT, including any strategic risks for which the Chief Officer concerned has responsibility, prior to subsequent review by the Corporate Management Team. The Strategic Risk Register is also reviewed and updated by the Corporate Management Team prior to being reported to Cabinet and the Audit Committee.

96. As part of the above process, consideration is given as to the escalation and de-escalation of risks between the Departmental and Strategic Risk Registers.

97. There is a separate requirement for material risks connected with proposals, policies and spending decisions to be formally identified with actions taken to manage such risks in all recorded and published decision reports.

98. Risk management is delivered through robust directorate controls including the business planning process, supported by the Risk Management Framework. The Chief Operating Officer carries the operational officer responsibility for risk management. The Chief Executive is accountable to the Council for the effectiveness of the risk strategy.

SECTION G: Implementing good practices in transparency, reporting and audit, to deliver effective accountability
Assured The Council has transparent processes in place through publication of the Forward Plan of key decisions as well as agendas and reports of its meetings and those of its committees. This includes key decision reports on the website and the prominence given to reporting and enforcing of agreed audit actions through the Audit Committee, which meets in public. The Council has effective, open data reporting arrangements to ensure the accessibility of significant spend, contractual and other data relevant to financial performance. This has also been addressed through the development of the performance management reporting arrangements linked to the implementation of the Council Plan.

99. All meetings of the Full Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Cabinet, Lead Member and Committee decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session, but only when the subject matter of the report meets the prescribed criteria set out in the Local Government Act 1972.

Assurance and Significant Governance Issues

100. The Audit Committee undertakes the functions of an audit committee. This includes review of the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of agreed audit actions.

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101. In 2021, the Council undertook a high-level a self-assessment of its governance arrangements in light of the 'Lessons Learned' report published by Grant Thornton in the same year. In 2023/24, the Council updated this self-assessment in light of the updated Grant Thornton report issued in September 2022. Additionally, the Council carried out a self-assessment against the 'characteristics of a well-functioning authority' and 'potential indicators of failure' identified by the Department for Levelling Up, Housing and Communities (DLUHC) in the draft statutory guidance, 'Best Value Standards and Intervention', issued in July 2023. The self-assessment found that the Council's arrangements for governance are robust and well managed.

102. As a key part of its sector-led support programme, the Local Government Association (LGA) offers a Corporate Peer Challenge (CPC) to all councils, approximately every five years. LGA CPCs are intended to be a robust and effective continuous improvement tool managed and delivered by the sector, for the sector, with local government officers and members – as 'peers' - at the heart of the process. The Council's latest CPC took place in June 2023. The review offered a timely opportunity to check in on the Council's progress over the recent challenging years, including the impact of the pandemic, and to provide an external perspective on how the Council has been approaching future challenges and whether we are capturing all we can from national best practice.

103. As part of the CPC, the peer team considered five themes which form the core components of all CPCs, and which are critical to the Council's performance and development: Local priorities and outcomes; organisational and place leadership; governance and culture; financial planning and management; and capacity for improvement. The public report produced by the LGA following the CPC was very positive, finding ESCC to be a well-run and well-managed council, a trusted and respected partner with a strong track record of service delivery. Following the CPC, the peer team made eight recommendations for areas to develop, building on strong foundations already in place. The Council's response to the recommendations was reported to Cabinet in September 2023 and thereafter made publicly available.

104. No assurance can ever be absolute; however, this Statement seeks to provide a reasonable assurance that there are no significant weaknesses in the Council's governance arrangements. On the basis of the review of the sources of assurance set out in this Statement (in Annex A), the LGA CPC and the self-assessments carried out, we are satisfied that the Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

105. The Annual Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Annually, the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement and this is provided in the Internal Audit Annual Report and Opinion. Based on the internal audit work completed, the Orbis Chief Internal Auditor has provided reasonable assurance that the Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

106. Additionally, every five years, Orbis Internal Audit is subject to an independent external assessment, with the scope including assessment of compliance, benchmarking against best practice and assessment of internal audit's profile and impact with client organisations. The most recent review was completed in Autumn 2022 by the Chartered Institute of Internal Auditors who assessed Orbis internal audit as achieving the highest level of conformance against professional standards, with no areas of non-compliance identified.

107. The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.

108. Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs and reflect best practice and our intention to achieve excellence in all our activities. The Council, through the Directorate Assurance Statements and the Chief Finance Officer's Assurance Statement, has identified a number of areas where it wishes to enhance its governance arrangements. These are set out in Annex A to this Statement, together with the department responsible for them. Each Director has included in their Directorate Assurance Statement confirmation that the actions identified for 2023/24 have been completed or provided an update and explanation regarding progress.

109. In 2022 CIPFA updated its position statement on local authority audit committees and recommended that each local authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise. Also in 2022, the Council's external auditor recommended the Council to carry out a self-assessment of the effectiveness of the Council's Audit Committee in line with the National

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Audit Office's (NAO) 'Audit and Risk Assurance Committee effectiveness tool'. In October 2023, the Council agreed the proposal to add two co-opted independent members to the Audit Committee.

110. In addition, officers of the Council have carried out an assessment of the Audit Committee and members of the Audit Committee were asked to self-assess their skills, both of which were carried out by reference to the CIPFA Code of Practice. The outcome of the self-assessment were reported to the Audit Committee in March 2023. The two independent members of the Committee will be recruited in 2024/25 based on the skills gaps identified through the member self-assessment. The findings of the self-assessment were reported to the Audit Committee in March 2024. For the large part, the assessment identified full compliance to good practice; however, some areas that require improvement were identified. Actions to address these were included in the report to Audit Committee. In particular, a standalone Audit Committee Annual Report will now be presented to Governance Committee; the first one in June 2024 and the Audit Committee terms of reference will be reviewed to ensure clarity.

111. Internal Audit completed a review of the Annual Governance Statement (Directorate Assurance Statements and Policy Review) in July 2023. The audit provided assurance over the extent to which policies and procedures exist which contribute to the Council's overall governance arrangements, and that Directorate Assurance Statements are in place to improve governance within individual departments of the Council. The audit concluded substantial assurance.

112. The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan monitoring process. The areas outlined in Annex A will be monitored through departmental business plans.

113. Details of bodies where the Council is a Member or appoints a Director are set out in Annex B. Where members are appointed to outside bodies, the Council avoids structural conflict of interests where possible.

Keith Glazier Leader of the Council 16 July 2024

Becky Shaw Chief Executive 16 July 2024

Link to full Annual Governance Statement:
https://democracy.eastsussex.gov.uk/documents/s60275/Annual%20Governance%20Statement%202023-24%20report.pdf

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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. Council's raise taxation 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.

2022/23				2023/24		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
337,714	(152,475)	185,239	Adult Social Care	425,887	(148,806)	277,081
33,209	(33,267)	(58)	Public Health	35,516	(34,104)	1,412
8,595	(715)	7,880	Governance Services	9,061	(762)	8,299
443,361	(312,161)	131,200	Children's Services	491,512	(318,272)	173,240
53,017	(19,419)	33,598	Business Services	58,606	(26,625)	31,981
138,492	(50,074)	88,418	Communities, Economy & Transport	157,868	(55,921)	101,947
10,998	(799)	10,199	Corporate Expenditure	6,420	(2,493)	3,927
1,025,386	**(568,910)**	**456,476**	**Cost of Services**	**1,184,870**	**(586,983)**	**597,887**
39,896	-	39,896	Other operating expenditure - Note 11	12,433	-	12,433
5,824	(6,189)	(365)	Financing and investment (income) and expenditure - Note 12	13,757	(14,571)	(814)
-	(492,686)	(492,686)	Taxation and non-specific grant income - Note 13	-	(552,368)	(552,368)
		3,321	**Deficit on Provision of Services**			**57,138**
		(52,394)	Surplus on revaluation of non-current assets – Note 25			(25,807)
		(434,917)	Remeasurement of the net defined pension liability – Note 25			9,854
		(487,311)	**Other Comprehensive (Income) and Expenditure**			**(15,953)**
		(483,990)	**Total Comprehensive (Income) and Expenditure**			**41,185**

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Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure and mitigate risk and impact of unplanned events) and other 'unusable' reserves. It shows how the movements in year of the reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Schools balance movements in the year following those adjustments.

2022/23	General Fund Balance	Schools Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022 - Notes 24 and 25	**9,999**	**21,328**	**206,433**	**237,760**	**9,931**	**14,123**	**261,814**	**122,257**	**384,071**
Movement in Reserves during 2022/23									
Total Comprehensive Income and Expenditure	(3,321)	-	-	**(3,321)**	-	-	**(3,321)**	487,311	**483,990**
Adjustments between accounting basis & funding basis under regulations - Note 7	10,386	-	-	**10,386**	(7,559)	(1,318)	**1,509**	(1,509)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**7,065**	**-**	**-**	**7,065**	**(7,559)**	**(1,318)**	**(1,812)**	**485,802**	**483,990**
Transfers to / (from) Earmarked Reserves - Note 10	(7,065)	(1,246)	8,311	**-**	-	-	**-**	-	**-**
Increase / (Decrease) in Year	**-**	**(1,246)**	**8,311**	**7,065**	**(7,559)**	**(1,318)**	**(1,812)**	**485,802**	**483,990**
Balance at 31 March 2023 - Notes 24 and 25	**9,999**	**20,082**	**214,744**	**244,825**	**2,372**	**12,805**	**260,002**	**608,059**	**868,061**

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Movement in Reserves Statement

2023/24	General Fund Balance	Schools Balance	Earmarked Reserves	Total General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023 - Notes 24 and 25	**9,999**	**20,082**	**214,744**	**244,825**	**2,372**	**12,805**	**260,002**	**608,059**	**868,061**
Movement in Reserves during 2023/24									
Total Comprehensive Income and Expenditure	(57,138)	-	-	**(57,138)**	-	-	**(57,138)**	15,953	**(41,185)**
Adjustments between accounting basis & funding basis under regulations - Note 7	(17,092)	-	-	**(17,092)**	4,929	2,248	**(9,915)**	9,915	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(74,230)**	**-**	**-**	**(74,230)**	**4,929**	**2,248**	**(67,053)**	**25,868**	**(41,185)**
Transfers to / (from) Earmarked Reserves - Note 10	74,230	(1,824)	(72,406)	**-**	-	-	**-**	-	**-**
Increase / (Decrease) in Year	**-**	**(1,824)**	**(72,406)**	**(74,230)**	**4,929**	**2,248**	**(67,053)**	**25,868**	**(41,185)**
Balance at 31 March 2024 - Notes 24 and 25	**9,999**	**18,258**	**142,338**	**170,595**	**7,301**	**15,053**	**192,949**	**633,927**	**826,876**

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Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves represents those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2023			31 March 2024
£000		**Note**	**£000**
967,889	Property, Plant & Equipment	14	974,405
654	Heritage Assets	17	654
12,105	Investment Property	15	9,941
6,439	Intangible Assets	16	24,365
4,380	Long Term Investments	18	4,210
4,790	Long Term Debtors	20	7,915
996,257	**Long Term Assets**		**1,021,490**
239,137	Short Term Investments	18	188,541
5,793	Assets Held for Sale	19	3,556
10,646	Payments in Advance	20	11,482
15	Inventories		15
90,896	Short Term Debtors	20	105,253
29,927	Cash and Cash Equivalents	21	27,563
376,414	**Current Assets**		**336,410**
(38,191)	Income in Advance	22	(34,239)
(5,556)	Short Term Borrowing	18	(9,697)
(4,102)	Bank overdraft and Accrued balance for third parties	21	(9,574)
(4,644)	Provisions	23	(4,734)
(106,913)	Short Term Creditors	22	(138,918)
(159,406)	**Current Liabilities**		**(197,162)**
(42,852)	Liabilities related to defined benefits pension schemes	42	(40,016)
(10,040)	Provisions	23	(9,886)
(217,824)	Long Term Borrowing	18	(212,344)
(18,961)	Capital Grants & Contributions Receipts in Advance	35	(20,706)
(55,527)	Other Long Term Liabilities	40	(50,910)
(345,204)	**Long Term Liabilities**		**(333,862)**
868,061	**Net Assets**		**826,876**
260,002	Usable Reserves	24	192,949
608,059	Unusable Reserves	25	633,927
868,061	**Total Reserves**		**826,876**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2024 and its Comprehensive Income and Expenditure Statement for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

The Governance Committee approved the Statement of Accounts on xx September 2024

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Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. 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 operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to 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.

2022/23 £000		**2023/24 £000**
3,321	Net deficit on the provision of services	57,138
(42,436)	Adjustments to net deficit on the provision of services for non-cash movements	(72,292)
39,170	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	55,440
55	Net cash inflow from Operating Activities - Note 26	**40,286**
(8,101)	Investing Activities - Note 27	(43,288)
18,165	Financing Activities - Note 28	10,838
10,119	**Net decrease in net cash and cash equivalents** - Note 21	**7,836**
(35,944)	Net cash and cash equivalents at the beginning of the reporting period - Note 21	(25,825)
(25,825)	**Net cash and cash equivalents at the end of the reporting period** - Note 21	**(17,989)**

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Notes to the Accounting Statements

1. Authorisation of the Statement of Accounts

Authorisation of the Statement of Accounts - These accounts were authorised for issue by Ian Gutsell, Chief Finance Officer (Section 151 Officer), and the Statement of Accounts (approved on xx September 2024) is published with an audit opinion.

2. Accounting Policies

i. General

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These require them to be prepared in accordance with proper accounting practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts are prepared on a going concern basis and adopt the accounting convention of principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared with the overriding requirement that they give a true and fair view of the financial position, performance, and cash flows of the Council. Information is presented in a manner that provides relevant, reliable, comparable, and understandable information.

The Council uses rounding to the nearest £000 in presenting amounts in its financial statements and has abbreviated £million to £m.

ii. Accruals of Income and Expenditure

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

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

iii. Revenue Recognition

Revenue is recognised in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Which of the two standards is applicable depends on determining whether the transaction is an exchange (IFRS 15) or non-exchange transaction (IPSAS 23). 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 (e.g. fees and charges for services and the sale of goods provided). There is a contract which creates both right and obligations. Under IFRS 15 the 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.

iv. Debtors and Creditors

The Council record all material transactions on the basis of income and expenditure. In order to achieve this we account for actual or estimated debtors and creditors at the end of the year, except in two cases:

- Charges for utilities (gas, electricity and telephones) are not accrued, so long as we have paid for a full twelve months during each financial year;
- Accruals are generally not raised where amounts are immaterial, although managers' discretion may be used. This exception has no material effect on the financial statements.

Most accounts for Trust Funds are kept on a receipts and payments basis.

Lump sum payments relating to redundancy cases are accounted for in the period when the related decision was taken.

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v. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held by the Council as part of its normal cash management including all deposit accounts with financial institutions repayable without penalty on notice of not more than 24 hours. 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.

The Code of Practice defines cash equivalents as highly liquid investments that are readily convertible to known amounts of cash and any investment that could be recalled the same day without penalty, which includes call accounts, money market funds and instant deposits. 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. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management. Short Term Investments are those investments that are not classified as a cash equivalent as they are held for investment gain purposes. The Council's annual Treasury Management Strategy sets out the type of investments that meet its security, liquidity and yield criteria.

vi. Exceptional Items

When items of income and expense 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.

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

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

viii. Charges to Revenue and Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment assets and Intangible assets during the year:

- Depreciation is provided for on all assets used by the relevant service with a determinable finite life (except for investment properties, assets under construction and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they 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 amortisations. 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 amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

ix. Employee Benefits

Employee benefits are accounted for in accordance with the Code's interpretation of IAS 19 – Employee Benefits. This standard covers both benefits payable during and after employment.

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, recognition for additional responsibility and non-monetary benefits 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 earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the

Provision of Services, but then reversed out through the Movement in Reserves Statement so that 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. These costs are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The Council contributes to three separate pension schemes that meet the needs of different groups of employees. The schemes are:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The Local Government Pension Scheme;
- The NHS Pension Scheme, administered by the NHS Business Service Authority.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

Teachers' Pensions

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

Local Government Pensions Scheme

Most other employees can join the Local Government Pension Scheme. The Council administers the pension fund for all local authorities within the geographical area of East Sussex. The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price;
- unquoted securities – professional estimate of fair value;
- unitised securities – current bid price;
- property – market value.

The change in the net pension's liability is analysed into seven 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 service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

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- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- 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 – debited to the Pensions Reserve;
- contributions paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In assessing liabilities for retirement benefits at 31 March 2024, the actuary has advised a discount rate of 4.9%, derived so that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows. In assessing liabilities for retirement benefits at 31 March 2023, the actuary advised that a rate of 4.8% is appropriate.

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

Discretionary Benefits - The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) 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.

x. Events After the Balance Sheet Date

The accounts have taken into consideration any material event after the balance sheet, which 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 approved and 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 for which the Council shall adjust the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- Those that are indicative of conditions that arose after the end of 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.

xi. 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.

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- *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 effected 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 or Loss

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

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

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

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

- **Level 1 inputs** – quoted prices (unadjusted) in active markets for identical assets that the 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.

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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 7 years from 1/4/18 until 31/3/25) 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. 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.

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.

xii. Foreign Currency Transaction

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xiii. Government Grants and Contributions

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

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

Government grants and third party contributions and donations to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in 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 (CIL)

CIL is a planning charge on developments used to fund a wide range of infrastructure that is needed because of the development. The Charging Authorities (District & Borough Councils) are required to produce a CIL Charging Schedule, which sets out the rates of CIL to be charged on development. The Council can then approach the Charging Authority to drawdown some or all of the CIL to fund infrastructure projects. The CIL is recognised in the Comprehensive Income and Expenditure Statement in accordance with the grants and contributions policy above.

xiv. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The expected useful life is normally up to seven years. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 on disposal (for any sale proceeds greater than £10,000) the Capital Receipts Reserve. Capital receipts (if more than the de minimis level of £10,000) from the sale of assets are held in a reserve until they are required to finance capital expenditure.

xv. Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities, which would require it to prepare group accounts alongside its own financial statements. The investments in the Council's accounts are shown at fair value through profit and loss or at amortised cost.

xvi. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the latest invoice price.

xvii. Investment Property

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

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Investment properties are measured initially at cost and subsequently at fair value, highest and best use, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the 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 Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and on disposal (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xviii. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

xix. Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

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).

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The Council as Lessor

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.

xx. Overheads and Support Services

Following changes to the 2016/17 Code of Practice on Local Authority Accounting in the UK, support service costs are no longer apportioned across service segments but are reported as a single segment so that they are based on the way in which services are operated and managed internally. For the Council this segment is the Business Services department.

xxi. Property, Plant and Equipment and Assets Held for Sale

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

Recognition

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

Recorded as capital expenditure are all transactions that involve the purchase of new Property, Plant and Equipment or expenditure that adds to their value. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Otherwise, individual items of vehicles and equipment are treated as capital if the value is over £20,000. If the value is less than this sum, it is charged to revenue.

Measurement

Assets are initially measured at cost, comprising:

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

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The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

- operational land, buildings and plant – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value;
- infrastructure, community assets and assets under construction – at depreciated historical cost;
- surplus assets – at fair value in highest and best use, the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

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

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

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

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

Componentisation Policy

The Council ensures that the overall value of an asset is fairly apportioned over significant components that need to be accounted for separately and that their useful lives and the method of depreciation are determined on a reasonable and consistent basis. The Council's adopted componentisation policy is as follows:

- Each part of an item of Property Plant and Equipment (PP&E) with a cost that is significant in relation to the total cost of the items is depreciated separately. Where there is more than one significant part of the same asset, which has the same useful life and depreciation method, such parts are grouped in determining the depreciation charge;

- Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles of capitalising expenditure with a de minimus level of £20,000;

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- All components that have a different useful economic life from the main asset are identified separately – provided the amount is above the £20,000 de minimus level, and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised. Component assets could include building structure, roof, heating, electrical, lifts and external works. The expected useful economic lives of components are shown in the depreciation section below.

- De-recognition of a component of PP&E takes place when no future economic benefits are expected from its use (i.e. its service potential is used up) and it is removed from the Balance Sheet. For example, if a new roof is significant in relation to the total value of the asset, part of the existing carrying value of the building would be derecognised and then the new roof recognised;

- For revalued assets (as part of the rolling programme), the individual valuation sheets produced by the external valuers would be compared to the beacon analysis. If a particular asset conforms to the components identified in the beacon, and it is significant in relation to the total value, those percentages will be applied to the carrying value. If it does not conform to the beacon, revised percentages will be obtained;

- On componentisation, any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets (with the exceptions shown in the table below) and calculated on a straight-line basis over the expected life of the asset, on the difference between the net book value and any estimated residual value. The depreciation charge is calculated on an asset's opening balance and therefore the first charge is in the year after the expenditure is initially incurred.

The life expectancies of the assets and the depreciation are calculated on the following bases:

Operational land	Not depreciated as an infinite life expectancy
Operational buildings, buildings structure, roof and external works	Individually assessed by valuers, usually up to 60 years
Heating and lighting components	Individually assessed by valuers, usually up to 25 years
Lifts	Individually assessed by valuers, usually up to 15 years
Vehicles	Individually assessed on acquisition, usually up to 10 years
Information Technology	Individually assessed on acquisition, usually up to 10 years
Other plant, furniture and equipment	Individually assessed on acquisition, usually up to 20 years
Infrastructure	New roads 30 years; Highways component assets between 10 & 80 years
Infrastructure land	Not depreciated as an infinite life expectancy
Community land	Not depreciated as an infinite life expectancy
Assets under construction	Not depreciated until the asset becomes operational
Surplus buildings	Life remains the same as when the asset was previously an operational building until it can be reassessed by valuers
Surplus land	Not depreciated as an infinite life expectancy

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

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.

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. Held for sale assets are measured at highest and best use. 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 previously recognised losses 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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When an asset is disposed of or decommissioned, 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. 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

The Council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Trust / Foundation Schools

Schools Non-Current (fixed) Assets are recognised in the Balance Sheet where the Council directly owns the assets or where the School/Governing body own the assets or have had rights to use the assets transferred to them. Community Schools are owned by the Council and are, therefore, recognised on the Balance Sheet.

Of the Council's Voluntary Aided and Controlled schools, the majority are controlled by the respective Diocese with no formal rights to use the assets passed to the School or Governing Bodies. As a result these schools are not recognised on the Balance Sheet.

There are currently twenty Voluntary Controlled schools under the Council's ownership which are recognised on the Balance Sheet. Where the ownership of Trust/Foundation Schools lies with a charitable Trust, the school is not recognised on the Council's Balance Sheet. Where the ownership lies with the school/Governing Body the school is recognised on the Council's Balance sheet.

All other income, expenditure, assets, liabilities, reserves and cash flows of maintained schools are recognised in the Council's accounts.

xxii. Private Finance Initiative and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Any payments towards the operator's capital investment before the assets become operational (and recognised as Property, Plant and Equipment and finance leases) are included in debtors as a prepayment. When the asset is made available (i.e., operational), the prepayment is written out against the set aside PFI reserve.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

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- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge (based on an Internal Rate of Return of 9.80% for Peacehaven Schools and 5.97% for the Joint Integrated Waste Management Service PFI Contract) on the outstanding Balance Sheet liability, is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, the profile of write-downs is calculated using the same principles as for a finance lease;
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out for the Joint Integrated Waste Management Service PFI Contract. This expenditure is recognised as revenue expenditure for Peacehaven Schools, where there are non-significant lifecycle replacements costs charged to prepayment.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Closed Landfill Sites

The Environment Agency's landfill permit requires restoration and after care of sites previously used for landfill. The Council continue to own a number of closed landfill sites and also retain responsibility for a number of sites that have been disposed of. Aftercare is usually required for a period of sixty years following the closure and restoration of the landfill site. Aftercare includes leachate management, gas management and environmental monitoring. The Council is required to recognise a provision as there is a legal present obligation arising from the past event of landfill. The amount recognised is the best estimate of the expenditure required to settle the obligation and is discounted to reflect the time value of money.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

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xxiv. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxv. Revenue Expenditure Funded from Capital under Statute (Refcus)

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. In some cases, this includes expenditure on assets not owned by the Council, capital grants and on feasibility studies for schemes that may or may not take place.

Expenditure on academy or voluntary aided schools' assets, i.e. properties not owned by the Council, is treated as Refcus. In addition, the Government may direct the Council to treat as capital expenditure items, which would normally be considered as revenue expenditure. These would not result in an asset or an increase to the value of existing assets and are therefore also treated as Refcus.

xxvi. Value Added Tax (VAT)

VAT paid by the Council is only shown in the accounts as an amount recoverable from HM Customs and Revenue. VAT charged by the Council to its customers is payable to Customs and Revenue and is therefore shown only as a reduction of the net amount payable.

xxvii. Redemption of Debt

There is a legal requirement for the Council to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. The Council adopted the Asset Life Method (annuity method) as a result of any PFI assets coming on the Balance Sheet and any related Minimum Revenue Provision (MRP) will be equivalent to the "capital repayment element" of the annual service charge payable to the PFI Operator and for finance leases. MRP will also be equivalent to the "capital repayment (principal) element" of the annual rental payable under the lease agreement. This is not a cost to the Comprehensive Income & Expenditure Statement but is charged to the General Fund through the Movement in Reserve Statement.

xxviii. Council Tax and Business Rates

Business rates and council tax are collected on behalf of the Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council. The Council as a precepting authority is required to show business rates and council tax income in the Comprehensive Income and Expenditure Statement on an accruals basis.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Council is also required to recognise its share of arrears, bad debt allowances, overpayments, prepayments, cash, and business rates appeal provision in its Balance Sheet.

xxix. Heritage Assets

The Council's Heritage Assets are managed by East Sussex Record Office, which holds the historic and administrative archives for the County of East Sussex and, under an SLA agreement, for the City of Brighton & Hove. These comprise records dating from 1101 to the present and they are held for: increasing the knowledge, understanding and appreciation of the Council's history and local area, ensuring their preservation and providing public access to information recording the county's and city's heritage.

The archives, ranging from a single piece of paper to thousands of documents, are held by the Council under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase. The majority of archives held by the Council are on deposit.

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Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant, and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also present below. The Council's collections of heritage assets are accounted for as follows:

Art Collection

- The art collection is reported in the Balance Sheet at insurance replacement value as an estimate of market value. The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence, the Council does not consider it appropriate to charge depreciation.
- Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost, and donations are recognised at fair value and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Equipment and other Artefacts

- The Council considers that obtaining valuations for the vast majority of equipment and other artefacts would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. Other than the small number of items that have been acquired recently, i.e., bequeathed to the Council, the Council does not recognise this collection of heritage assets on the Balance Sheet.
- The Council own the contents of Bentley Museum, which is recognised in the Balance Sheet in accordance with a valuation carried out by Sotheby's.
- Other collections held by the ESCC Records office are not recognised in the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all items in the collection are believed to have a value of less than £500 and as far as the Council is aware no individual item is worth more than £20,000. The majority of the collection was acquired by donation over a century ago.
- In addition, there is wealth of material available for study in East Sussex, thus drawing attention to groups of records, i.e., the records of businesses, and of societies; and the existence of some deposits, which are not yet fully listed. Again, the Council considers that due to the lack of comparable market values it is not possible to provide either cost or valuation information for either the intangible or the tangible element of these assets. Consequently, the Council does not recognise the assets on the Balance Sheet.

Archaeology

- The Council does not consider that reliable cost or valuation information can be obtained for the items held by the Records Offices as the Council's Archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.
- The Council's acquisitions principally relate to the collection of donated assets. The Council does not (normally) make any purchases of archaeological items.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments.

xxx. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets, assets held for sale and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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's external Valuers take 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.

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Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the 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.

3. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2024. The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been 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:

a) IFRS 16 Leases issued in January 2016

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

It is likely that though they provide clarifications, items b), c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. There will be limited application of items e) and f).

The implementation of IFRS 16 Leases will have a significant impact on the 2024/25 accounts, the standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is less than one year or the underlying asset has a low value. Transition work is underway and a working group has been established to assist with the implementation, but currently the impact of IFRS 16 in terms of the value of liabilities and right of use assets to be brought onto the balance sheet as at 1 April 2024 cannot be reasonably estimated.

As the 2024/25 Code requires implementation from 1 April 2024 it has no impact on the data within the 2023/24 Statement of Accounts.

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 judgements made in the Accounting Statements are:

- Financial Pressures - the Council anticipates that the pressures on public expenditure will continue to be severe. There remains a significant gap between the income we currently expect to receive and the costs of providing core services, with significant additional risk arising from Adult Social Care and wider service reforms. Fundamentally, without further Government support or sustainable reform of local government finances we will not have the funding we need for the future and impacts on services will start to be felt. The Council will continue to lobby Government for sustainable funding and work internally to identify solutions. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Planning process which has assessed the period to 31 March 2025. As a consequence, whilst there are pressures and uncertainties, the Council is of the view that the level of uncertainty for the next year is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.

- Accounting for Schools – the Council recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority-maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

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Where the land and building assets used by the school are owned by an entity other than the Council, school, or school Governing Body then it is not included on the Council's Balance Sheet. The exception is where the entity has transferred the rights of use of the asset to the Council, school, or school Governing Body. The Council has completed a school by school assessment across the different types of schools it controls within the County. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to employ the staff of the school and is able to set the admission criteria.

There are currently 5 types of schools within the County:

- Community schools
- Voluntary Controlled (VC) schools
- Voluntary Aided (VA) schools
- Foundation (Trust) schools
- Academy schools

Community schools' staff are appointed by the Council and the Council sets the admission criteria. These schools are, therefore, recognised on the Council's Balance Sheet. Legal ownership of twenty-seven VC school land and buildings rests with a charity, normally a religious body.

Foundation Trust, Voluntary Aided, and Academy schools' staff are appointed by the schools' governing body, who also set the admission criteria. Therefore, the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's balance sheet.

For VA schools, legal ownership of the VA school land and buildings rests with the relevant Dioceses. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Council's Balance Sheet.

Foundation and Foundation Trust schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For a Foundation school, the school Governing Body has legal ownership of the land and buildings and thus are included on the Council's Balance Sheet. For the remaining Foundation Trust School, a separate Trust owns the land and buildings so these assets are not included on the Council's Balance Sheet.

Academies are not considered to be maintained schools in the Council's control. Thus the land and building assets are not owned by the Council and are not included on the Council's Balance Sheet. When a school held on the Council's Balance Sheet transfers to Academy status the Council treats this as an asset disposal for nil consideration. The disposal is completed on the date that the school converts to Academy status.

The table below illustrates the number and type of schools within the County at March 2024:

Type of School	Primary	Secondary	Special	All Through	Total
Community	36	6	1	-	43
Voluntary Controlled	38	-	-	-	38
Voluntary Aided	19	1	-	-	20
Foundation / Trust	2	1	-	-	3
Academy	52	15	11	3	81
Total	**147**	**23**	**12**	**3**	**185**

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5. Assumptions made about the future and other major sources of estimation uncertainty

The accounting statements contain estimates and assumptions about the future or events that are otherwise uncertain, which affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. This means that the Council is required to make estimates and assumptions. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or in future periods if it also affects future periods. The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property Plant and Equipment	The Council estimates the useful lives of Property, Plant and Equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of Property, Plant, and Equipment are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of Property, Plant, and Equipment is based on external technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Property, Plant and Equipment would increase recorded expenses and decrease non-current assets. The Council operates a policy of revaluing its Property, Plant, and Equipment on a rolling three year basis, with the aim of revaluing all of its assets within this period. Indexation may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date. When indexation is applied there is greater uncertainty surrounding the valuation movement as it has not been calculated by a professional valuer on an individual asset by asset basis but rather has been determined based on the average movement of comparable assets valued in year.	The total depreciation and amortisation charged in 2023/24 is £50.6m and the net book value of property, plant and equipment at 31 March 2024 is £990.8m. If the useful life of assets reduces, depreciation increases and the carrying amount of each asset falls. It is estimated that the annual depreciation charge for non-current assets would increase by £6.8m for every one year that useful lives had to be reduced.
	Impairment / reversal of impairment - The Council has significant investments in Property, Plant and Equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, thus requiring the book value to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if impairment should be reversed requires a high degree of judgement and may depend to a large extent on the selection of key assumptions about the future use. Assets / properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least annually.	The Council carries out an annual impairment review of its asset base, which takes into account such factors as the current economic climate. There were no adjustments due to asset impairment made in 2023/24, however the level of revaluation decreases charged in 2023/24 to the Surplus on Provision of Services is £13.86m and £37.76m to the Revaluation Reserve.

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Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value estimations	When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: • For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; • For level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the authority employs RICS qualified valuers (Bruton Knowles) to identify the most appropriate valuation techniques to determine fair value. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with property services, and the accounts team on a regular basis regarding all valuation matters.	The Council uses External valuer valuations models to measure the fair value of its Investment Properties, Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets. Information about the valuation techniques and inputs used in determining the fair value of these assets is set out in Notes 2, 14 and 15. Investment Properties are valued using comparable house prices, land values, rent/yield basis or deferred market value. A 1% reduction in market rents or house prices and land values would reduce the Investment Property valuations by £0.725m. A 10% reduction in house prices and land values would reduce them by £1.494m. Surplus Properties are valued using comparable land values, residual site values and rent/yield basis. A 1% reduction in land values would reduce the surplus property valuations by £0.104m. A 10% reduction would reduce them by £1.043m.
Pension Liability	The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'. When estimating the present value of defined pension benefit obligations that represent a gross long-term liability in the Balance Sheet, and, indirectly, the period's net pension expense in the Comprehensive Income and Expenditure Statement, the actuary makes a number of critical assumptions affecting these estimates. Most notably, assumptions include a number of judgements and estimations in respect of the expected rate of return on assets, the discount rate, inflation assumptions, the rate of increase in salaries, life expectancy, and the annual rate of compensation increase, which have a direct and potentially material impact on the amounts presented. Significant changes in these assumptions between periods can have a material effect on the financial statements. However, the assumptions interact in complex ways.	The value of the Pension Liability is calculated by a qualified Actuary in accordance with current accounting requirements and based on the information provided by the Pension Fund. During 2023/24, the Council's actuary advised that the net pension's liability has decreased from £42.85m at the start of the year to £40.02m at 31 March 2024. Note 42 to the Accounting Statements provide detailed information. Details of the sensitivity analysis of the actuarial assumptions can be found in Note 42 on page 108.

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6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by adjustments that are made in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's service departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The column showing adjustments to the figures reported for Resource Management to arrive at the net amount chargeable to General Fund is in respect of the movements to and from Earmarked Reserves (see note 10) as these movements get included in Resource Management reporting but are not included in the Comprehensive Income and Expenditure Statement as they get adjusted for in the Movement in Reserves Statement.

2022/23	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adult Social Care	204,983	(21,137)	183,845	1,394	185,239
Public Health	-	(164)	(164)	106	(58)
Governance Services	7,597	140	7,737	143	7,880
Children's Services	115,020	2,767	117,787	13,413	131,200
Business Services	26,723	(1,127)	25,596	8,002	33,598
Communities, Economy & Transport	61,903	(7,987)	53,916	34,502	88,418
Total	**416,226**	**(27,508)**	**388,717**	**57,560**	**446,277**
Corporate Expenditure	36,479	(27,159)	9,320	879	10,199
Net Cost of Services	**452,705**	**(54,667)**	**398,037**	**58,439**	**456,476**
Other Income and Expenditure from the Expenditure and Funding Analysis					
Other Corporate Expenditure	(1,763)	47,603	45,840	(6,309)	39,531
Financing	(450,942)	(1)	(450,942)	(41,744)	(492,686)
Total	**(452,705)**	**47,602**	**(405,102)**	**(48,053)**	**(453,155)**
(Surplus) / Deficit for the Year	**-**	**(7,065)**	**(7,065)**	**10,386**	**3,321**

General Fund Balance at 1 April 2022	**(237,760)**
Add: Surplus for the Year	(7,065)
General Fund Balance at 31 March 2023	**(244,825)**

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2023/24	As Reported for Resource Management	Adjustment to arrive at the net amount chargeable to General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adult Social Care	239,464	36,447	275,911	1,170	277,081
Public Health	-	1,517	1,517	(105)	1,412
Governance Services	8,294	197	8,491	(192)	8,299
Children's Services	150,933	8,450	159,383	13,857	173,240
Business Services	28,911	(1,352)	27,559	4,422	31,981
Communities, Economy & Transport	69,908	(6,004)	63,904	38,043	101,947
Total	**497,510**	**39,255**	**536,765**	**57,195**	**593,960**
Corporate Expenditure	12,152	(7,337)	4,815	(888)	3,927
Net Cost of Services	**509,662**	**31,918**	**541,580**	**56,307**	**597,887**
Other Income and Expenditure from the Expenditure and Funding Analysis					
Other Corporate Expenditure	(5,932)	42,312	36,380	(24,761)	11,619
Financing	(503,730)	-	(503,730)	(48,638)	(552,368)
Total	**(509,662)**	**42,312**	**(467,350)**	**(73,399)**	**(540,749)**
(Surplus) / Deficit for the Year	**-**	**74,230**	**74,230**	**(17,092)**	**57,138**

General Fund Balance at 1 April 2023	**(244,825)**
Add: Deficit for the Year	74,230
General Fund Balance at 31 March 2024	**(170,595)**

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(a) Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2023/24	**£000**	**£000**	**£000**	**£000**
Adult Social Care	3,170	(2,044)	44	1,170
Public Health	-	(105)	-	(105)
Governance Services	-	(194)	2	(192)
Children's Services	18,137	(4,407)	127	13,857
Business Services	5,256	(857)	23	4,422
Communities, Economy & Transport	38,705	(678)	16	38,043
Total	**65,268**	**(8,285)**	**212**	**57,195**
Corporate Expenditure	-	(888)	-	(888)
Net Cost of Services	**65,268**	**(9,173)**	**212**	**56,307**
Other income and expenditure from the Expenditure and Funding Analysis	**(71,702)**	**(3,516)**	**1,819**	**(73,399)**
Difference between General Fund deficit and CIES deficit in provision of services	**(6,434)**	**(12,689)**	**2,031**	**(17,092)**

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2022/23	**£000**	**£000**	**£000**	**£000**
Adult Social Care	(52)	1,702	(256)	1,394
Public Health	-	106	-	106
Governance Services	-	158	(15)	143
Children's Services	10,282	3,956	(825)	13,413
Business Services	7,394	705	(97)	8,002
Communities, Economy & Transport	34,022	564	(84)	34,502
Total	**51,646**	**7,191**	**(1,277)**	**57,560**
Corporate Expenditure	-	879	-	879
Net Cost of Services	**51,646**	**8,070**	**(1,277)**	**58,439**
Other income and expenditure from the Expenditure and Funding Analysis	**(33,944)**	**(10,164)**	**(3,945)**	**(48,053)**
Difference between General Fund deficit and CIES deficit in provision of services	**17,702**	**(2,094)**	**(5,222)**	**10,386**

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 pension 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 authority 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 the defined benefit liability is charged to the CIES.

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Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For financing and investment income and expenditure the Other Differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts. 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 NNDR 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.

(b) Income received on a segmental basis is analysed below:

	2022/23 £000	2023/24 £000
Adult Social Care	40,961	50,598
Public Health	103	84
Governance Services	345	362
Children's Services	9,698	9,037
Business Services	10,344	12,152
Communities, Economy & Transport	23,193	23,283
Corporate Expenditure	263	355
Total Income analysed on a segmental basis	**84,907**	**95,871**

(c) The subjective nature of expenditure and income is analysed below:

	2022/23 £000	2023/24 £000
Expenditure		
Employee benefits expenses	352,043	363,677
Other service expenses	623,328	759,149
Depreciation, amortisation, impairment	40,539	59,782
Interest payments	15,920	16,444
Precepts and levies	606	633
Loss on the disposal of assets	39,289	11,800
Total Expenditure	**1,071,725**	**1,211,485**
Income		
Fees, charges and other service income	(84,907)	(95,871)
Interest and investment income	(5,780)	(14,036)
Income from council tax & non domestic rates	(407,956)	(431,756)
Government grants and contributions	(569,761)	(612,684)
Total Income	**(1,068,404)**	**(1,154,347)**
Deficit on the Provision of Services	**3,321**	**57,138**

IFRS 15 (Revenue from Contracts with Customers)
Of the £95.9m total of income received from fees, charges and other service income listed above for 2023/24, £84.7m of this balance would been accounted for under IFRS 15 and £11.2m would have been outside the scope of the reporting standard.

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7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

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.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) 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.

2023/24	**Usable Reserves**		
	General Fund Balance	**Capital Receipts Reserve**	**Capital Grants Unapplied**
	£000	**£000**	**£000**
Adjustments 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	(12,690)	-	-
Financial Instruments transferred to the Financial Instruments Adjustment Account	(188)	-	-
Financial Instruments transferred to the Pooled Investment Funds Adjustment Account	171	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	1,747	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	212	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	33,232	-	2,248
Total Adjustments to Revenue Resources	**22,484**	**-**	**2,248**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,711)	5,711	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(14,033)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(19,832)	-	-
Total Adjustments between Revenue and Capital Resources	**(39,576)**	**5,711**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(817)	-
Recognition of deferred capital receipt	-	-	-
Receipt of deferred capital receipt	-	35	-
Total Adjustments to Capital Resources	**-**	**(782)**	**-**
Total Adjustments	**(17,092)**	**4,929**	**2,248**

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2022/23	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000
Adjustments 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	(2,093)	-	-
Financial Instruments transferred to the Financial Instruments Adjustment Account	(190)	-	-
Financial Instruments transferred to the Pooled Investment Funds Adjustment Account	865	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(4,605)	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,279)	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	54,425	-	(1,318)
Total Adjustments to Revenue Resources	**47,123**	**-**	**(1,318)**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,997)	1,997	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(13,366)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(21,374)	-	-
Total Adjustments between Revenue and Capital Resources	**(36,737)**	**1,997**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(9,591)	-
Recognition of deferred capital receipt	-	-	-
Receipt of deferred capital receipt	-	35	-
Total Adjustments to Capital Resources	**-**	**(9,556)**	**-**
Total Adjustments	**10,386**	**(7,559)**	**(1,318)**

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8. Material items of income and expenses

The Council has disposed of the following property, plant and equipment from its Balance Sheet as the schools obtained academy status during 2023/24. This is included within the total net losses on disposals of non-current assets of £11.8m (see Note 11). The assets were transferred for no consideration and the amount is recognised as losses on disposal.

School	Type of School	£000
Little Common Primary School	Primary	5,841
Tollgate Junior School	Primary	3,934
Ninfield Primary School*	Primary	-
Newick Primary School	Primary	2,906
Chantry Primary School	Primary	1,486
St Andrews Infant School**	Primary	9
Total		**14,176**

* School is off balance sheet due to being a Voluntary Controlled school
** Equipment value only as school is already off balance sheet due to being a Voluntary Controlled school

9. Events after the Balance Sheet date

The financial statements have not been adjusted for the following events that took place after 31 March 2024 as they provide information that is relevant to an understanding of the Council's financial position, but do not relate to existing conditions at that date.

Academy Schools

Seven schools are expected to convert to Academy status in 2024/25. The net book value (NBV) of the property, plant and equipment will be written out of the Council's balance sheet at the date of conversion. The net book values at 31 March 2024 are shown in the table below.

School	Type of School	Date of Conversion	NBV £000
Firle*	Primary	TBC	-
Laughton	Primary	TBC	1,185
Nutley*	Primary	TBC	-
East Hoathly*	Primary	TBC	-
Chiddingly	Primary	TBC	1,786
Park Mead	Primary	TBC	1,787
St Mary the Virgin Hartfield	Primary	TBC	-

* School is already off balance sheet due to being a Voluntary Controlled or Voluntary Aided school

Authorised for Issue

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31 May 2024. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provide information about conditions existing at 31 March 2024, the figures in the accounting statements have been adjusted in all material respects to reflect the impact of this information.

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10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the general fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2023/24.

	Balance at 1 April 2022	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31 March 2023	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
Strategic Reserves							
Priority Outcomes & Transformation	**17,284**	114	-	**17,398**	695	(10,779)	**7,314**
Financial Management	**47,304**	-	(5,422)	**41,882**	8,549	(14,624)	**35,807**
Service Reserves							
Capital Programme	**18,942**	-	(5,516)	**13,426**	804	(4,379)	**9,851**
Waste	**17,013**	2,870	-	**19,883**	-	(397)	**19,486**
Insurance	**7,253**	109	-	**7,362**	1,123	(1,127)	**7,358**
Social Care Reform	**-**	3,099	-	**3,099**	-	(65)	**3,034**
Other Reserves							
Public Health	**6,857**	955	-	**7,812**	-	(1,518)	**6,294**
Held on behalf of others	**6,941**	40	-	**6,981**	359	(588)	**6,752**
Total	**121,594**	**7,187**	**(10,938)**	**117,843**	**11,530**	**(33,477)**	**95,896**
Revenue Grants and Contributions Reserve							
Services	**52,467**	28,282	(14,932)	**65,817**	6,631	(43,740)	**28,708**
Dedicated Schools Grant	**14,424**	7,511	(3,352)	**18,583**	5,435	(8,203)	**15,815**
Business Rates/Council Tax	**3,873**	610	(1,116)	**3,367**	-	(3,206)	**161**
COVID-19	**14,075**	-	(4,941)	**9,134**	-	(7,376)	**1,758**
Total	**84,839**	**36,403**	**(24,341)**	**96,901**	**12,066**	**(62,525)**	**46,442**
Total	**206,433**	**43,590**	**(35,279)**	**214,744**	**23,596**	**(96,002)**	**142,338**

Types of Reserve

Priority Outcomes and Transformation	Priority outcomes and transformation reserve: to fund the specified initiatives to change, protect and improve Council services, with particular emphasis on: • Invest-to-save. • Seed funding for innovation (notably digital) and developments contributing to the County Council's priorities. • Investment in the redesign of the way services are delivered.
Financial Management	To enable the effective management of the medium-term financial strategy by managing cash flow across financial years; along with providing funding to invest to save and attract other sources of income.
Capital Programme	To provide resources which may be used for capital spending, and in recognition of the reducing forecasts of capital receipts.
Waste	To smooth the large year-on-year budget increases that will be needed to finance the Waste PFI project over the whole life of the service.
Insurance	To cater for internal insurance and risk management on Council services. Self-Insurance through this reserve is more economical than external insurance for these classes of risks.

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Social Care Reform	To provide resources that support the implementation and manage the risks of Adult Social Care Reform. Government have deferred implementation until at least 2025.
Public Health	The Public Health Reserve represents income from Government received which have no conditions attached and set aside for the health and wellbeing of the local communities under the Government's healthcare.
Held on behalf of others	Represents money that is held on behalf of others or statutorily ring-fenced.
Revenue Grants and Contributions	These are grants and contributions that have been received with no conditions attached but are yet to be applied to expenditure. The Council has earmarked these revenue grants and contributions until they are applied.

Balances held by schools under a scheme of delegation

The schools balances reserve holds the balances held by the Council's schools under a scheme of delegation. These reserves are held by each individual school and are used to provide education to the pupils of that school. They are not used for any other purpose. Additional information on Dedicated School Grants and Schools Balances are detailed within Note 36.

The following table shows the level of reserves held by the schools:

	Balance at 1 April 2022	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31 March 2023	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31 March 2024
	£000	£000	£000	£000	£000	£000	£000
Balances held by schools	**21,328**	**-**	**(1,246)**	**20,082**	**-**	(1,824)	**18,258**

11. Other Operating Expenditure

	2022/23	2023/24
	£000	£000
Levies		
▪ Sussex Inshore Fisheries & Conservation Authority	440	461
▪ Environment Agency - Flood & Coastal Erosion	167	172
Loss on the disposal of non-current assets (net of receipts)	39,289	11,800
Total	**39,896**	**12,433**

Note - The 2023/24 loss on the disposal of non-current assets figure of £11.8m (shown net of £5.7m capital receipts) includes the removal of five schools from the Balance Sheet, that have attained Academy status at a value of £14.2m (details are included in Note 8). The comparative figures for 2022/23 are a £39.9m loss (shown net of £1.2m receipts) which includes the removal of four schools from the Balance Sheet, that attained Academy status at a value of £17.2m and thirteen Voluntary Schools with a value of £22.8m.

12. Financing and Investment Income and Expenditure

	2022/23	2023/24
	£000	£000
Interest payable on debt and finance leases	15,479	15,555
Net interest on pension assets and liabilities	(10,167)	(3,512)
Impairment losses	1,005	796
Fair Value movement of Pooled Funds	864	171
Soft Loan interest	(3)	(1)
Interest receivable	(5,932)	(14,222)
Movement in fair value of Investment Properties	(1,354)	748
Net income from Investment Properties	(292)	(342)
(Surplus) / deficit on Trading Undertakings	35	(7)
Total	**(365)**	**(814)**

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13. Taxation and Non Specific Grant Income

	2022/23	2023/24
	£000	£000
Revenue Support Grant (RSG)	3,687	4,076
Social Care Grant	23,674	44,612
Business Rates	71,914	77,105
Business Rates Relief Funding	13,610	17,522
Business Rates Levy surplus	629	629
Council Tax	327,722	348,789
Council Tax – prior years surplus	3,715	7,610
Services Grant	5,175	3,036
New Home Bonus Grant	816	351
Total	**450,942**	**503,730**
Share of Collection Fund Surplus/(Deficit)	4,605	(1,748)
Capital Grants and Contributions	37,139	49,659
Donated assets*	-	727
Total	**492,686**	**552,368**

*The donated asset figure of £0.727m in 2023/24 is in respect of the ESCC apportionment of residual assets from the South East Local Enterprise Partnership (SELEP).

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Movements in 2023/24:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment*	PFI Assets Included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2023	**379,462**	**126,788**	**2,079**	**8,000**	**13,482**	**529,811**	**50,367**
Additions	8,754	4,939	-	45	564	14,302	290
Revaluation increases recognised in the Revaluation Reserve	49,846	6,835	-	2,232	-	58,913	564
Revaluation decreases recognised in the Revaluation Reserve	(31,362)	(12,358)	-	(487)	-	(44,207)	(5,385)
Revaluation increases (reversal of previous losses) recognised in the Provision of Services	5,190	197	-	-	-	5,387	-
Revaluation decreases recognised in the Provision of Services	(12,192)	(2,106)	-	(856)	-	(15,154)	(1,231)
Derecognition – disposals	-	(3,141)	-	(662)	-	(3,803)	-
Derecognition – disposals - schools	(11,397)	(4,842)	-	-	-	(16,239)	-
Assets reclassified within PPE	3,814	(4,716)	-	902	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	293	-	293	-
Assets reclassified (to)/from Investment Property	788	-	-	977	-	1,765	-
Assets reclassified to Intangibles	-	-	-	-	(9,791)	(9,791)	-
At 31 March 2024	**392,903**	**111,596**	**2,079**	**10,444**	**4,255**	**521,277**	**44,605**
Accumulated Depreciation and Impairment							
At 1 April 2023	**(2,224)**	**(19,378)**	**-**	**(4)**	**-**	**(21,606)**	**(1,439)**
Depreciation charge	(8,251)	(10,347)	-	(67)	-	(18,665)	(2,573)
Depreciation written out to the Revaluation Reserve	4,260	6,755	-	85	-	11,100	1,851
Revaluation losses recognised in the deficit on the Provision of Services	1,065	161	-	65	-	1,291	49
Reversal of previous losses	977	21	-	-	-	998	-
Derecognition – disposals	-	3,141	-	-	-	3,141	-
Derecognition – disposals – schools	251	1,457	-	-	-	1,708	-
Assets reclassified within PPE	(286)	379	-	(93)	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Assets reclassified (to)/from Investment Prop	-	-	-	-	-	-	-
At 31 March 2024	**(4,208)**	**(17,811)**	**-**	**(14)**	**-**	**(22,033)**	**(2,112)**
Net Book Value							
At 31 March 2024	**388,695**	**93,785**	**2,079**	**10,430**	**4,255**	**499,244**	**42,493**
At 31 March 2023	**377,238**	**107,410**	**2,079**	**7,996**	**13,482**	**508,205**	**48,928**

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Movements in 2022/23:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment*	PFI Assets Included in Property, Plant and Equipment*
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2022	**369,686**	**129,007**	**2,079**	**10,101**	**5,321**	**516,194**	**49,412**
Additions	7,401	4,014	-	1,012	8,335	20,762	-
Revaluation increases recognised in the Revaluation Reserve	37,831	10,097	-	761	-	48,689	257
Revaluation decreases recognised in the Revaluation Reserve	(5,962)	(597)	-	(1,362)	-	(7,921)	(1,649)
Revaluation increases (reversal of previous losses) recognised in the Provision of Services	8,809	1,111	-	-	-	9,920	2,347
Revaluation decreases recognised in the Provision of Services	(4,563)	(1,352)	-	(98)	-	(6,013)	-
Derecognition – disposals	-	(7,248)	-	-	-	(7,248)	-
Derecognition – disposals - schools	(33,728)	(8,221)	-	-	-	(41,949)	-
Assets reclassified within PPE	(216)	(23)	-	239	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	(2,431)	-	(2,431)	-
Assets reclassified (to)/from Investment Property	204	-	-	(222)	-	(18)	-
Other movements	-	-	-	-	(174)	(174)	
At 31 March 2023	**379,462**	**126,788**	**2,079**	**8,000**	**13,482**	**529,811**	**50,367**
Accumulated Depreciation and Impairment							
At 1 April 2022	**(3,424)**	**(26,397)**	**-**	**(3)**	**-**	**(29,824)**	**(977)**
Depreciation charge	(7,471)	(10,171)	-	(7)	-	(17,649)	(2,417)
Depreciation written out to the Revaluation Reserve	4,476	7,147	-	3	-	11,626	375
Revaluation losses recognised in the deficit on the Provision of Services	951	180	-	8	-	1,139	-
Reversal of previous losses	2,643	1,211	-	-	-	3,854	1,580
Derecognition – disposals	-	7,240	-	-	-	7,240	-
Derecognition – disposals - schools	598	1,410	-	-	-	2,008	-
Assets reclassified within PPE	3	2	-	(5)	-	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-
Assets reclassified (to) / from Investment Property	-	-	-	-	-	-	-
At 31 March 2023	**(2,224)**	**(19,378)**	**-**	**(4)**	**-**	**(21,606)**	**(1,439)**
Net Book Value							
At 31 March 2023	**377,238**	**107,410**	**2,079**	**7,996**	**13,482**	**508,205**	**48,928**
At 31 March 2022	**366,262**	**102,610**	**2,079**	**10,098**	**5,321**	**486,370**	**48,435**

*Total excluding Infrastructure which is shown below

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Infrastructure Assets movements in year	2022/23	2023/24
	£000	£000
Opening Net Book Value as at 1 April	448,299	459,684
Additions	40,172	45,668
Depreciation	(28,787)	(30,191)
Closing Net Book Value as at 31 March	**459,684**	**475,161**

Reconciliation of Total Plant, Property and Equipment	2022/23	2023/24
	£000	£000
Closing Net Book Value of Total Property, Plant and Equipment shown in table above	508,205	499,244
Closing Net Book Value of Infrastructure	459,684	475,161
Total Plant, Property and Equipment as shown in the Balance Sheet	**967,889**	**974,405**

Infrastructure

In accordance with the temporary relief offered by the update to the Code on infrastructure assets, the balances for gross cost and accumulated depreciation are not included in the tables above to acknowledge that, potentially, due to historical reporting practices and resultant information deficits they may not faithfully represent the asset position to the users of the financial statements.

The Authority has determined in accordance with Regulation of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil, this is because work is only usually carried out on assets that have fully depleted in value.

Please note that this is a situation faced by all Authorities across the Country as, due to the level of data that is currently held, very few Authorities can demonstrate that their depreciation and derecognition balances meet the latest interpretation of the Code and are therefore having to adopt this temporary solution until a more permanent solution can be agreed.

Depreciation

Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of Property, Plant and Equipment, with the exception of land, community assets, surplus land and assets under construction. The useful lives used in the calculation of depreciation are set out in the accounting policy xxi (Note 2).

Revaluation movements

Each year the Council revalues a proportion of its land and building assets including schools and undertakes an impairment review of the entire asset portfolio. Where land and property assets have increased in value, the revaluation gains are shown in the revaluation reserve (see Note 25) and totalled £63.6m for 2023/24 (£59.6m in 2022/23).

Where assets previously had a revaluation loss taken to the Comprehensive Income and Expenditure Statement then any subsequent increase first goes to the Comprehensive Income and Expenditure Statement to reverse that previous loss before any remining balance is taken to the revaluation reserve, the reversal of losses in 2023/24 totalled £6.4m (£13.8m 2022/23).

Some assets will also lose value on revaluation. In 2023/24, the Council has recognised revaluation losses of £51.6m (£12.0m in 2022/23). Of the £51.6m total, £13.9m (£4.9m 2022/23) has been charged to the Comprehensive Income and Expenditure Statement and £37.7m (£7.1m in 2022/23) to the Revaluation Reserve. The net charge to the Comprehensive Income and Expenditure Statement of losses less reversals was a loss of £7.5m (net gain of £8.9m 2022/23). Overall, the total valuation movements for 2023/24 was a net gain of £18.3m (net gain of £61.3m in 2022/23).

The revaluation gains and losses movements shown above differ quite significantly for 2023/24 compared to the prior year comparator figures. This movement is primarily due to a change of system used by the valuer to value to the school assets and due to the fact that indexation was applied in the prior year.

Capital Commitments

As at 31st March 2024, the Council had not entered into any material contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years that amounted to the value of £10m or more.

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Valuation of Property, Plant and Equipment (PPE)

The Council operates a policy of revaluing its Property, Plant and Equipment on a rolling three year basis, with the aim of revaluing all of its assets within this period. An index (based on assets that have been formally valued in the year) may be applied to those assets not valued in the year if the carrying value is calculated as materially different to the fair value at the Balance Sheet date. Indexation was last applied in 2022/23 to schools, children's homes and day centres as the movement was considered to be material. These assets were revalued formally in 2023/24.

Freehold and long leasehold 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 school and offices 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. The total is £22.8m as shown in the table below. The remaining balance of £88.8m within vehicles, plant, furniture and equipment is valued at fair value and comprises of components that get apportioned an element of the overall land and buildings valuation.

Infrastructure and 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 country parks, common ground, nature reserves and forested areas.

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.

The following statement shows the progress of the Council's programme for the revaluation of land, buildings and plant. The valuations are carried out by an external firm of valuers, Bruton Knowles (a national Chartered Surveying practice), on behalf of the Council. The valuation dates are at 31 March each year. In addition to the valuation certificate, the valuers provide an annual Impairment Report. Usually, the Council operates a three year rolling programme to ensure that the carrying value of assets is not materially different to their fair values at the Balance Sheet date, however as 2020/21 was the first year that the valuations had been carried out by Bruton Knowles the entire portfolio was revalued to ensure consistency in the valuations.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried as at historical cost	-	22,773	-	**22,773**
Valued at fair value in:				
31 March 2024	283,001	65,123	10,444	**358,568**
31 March 2023	61,439	14,901	-	**76,340**
31 March 2022	48,463	8,799	-	**57,262**
Gross Valuation	**392,903**	**111,596**	**10,444**	**514,943**

Fair value hierarchy

As at 31 March 2024, there are fourteen properties classed as surplus, an increase of three on the previous year. One property was reclassified out of surplus, six were added and two were sold. The fair value hierarchy of surplus assets at 31 March are as follows:

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
Surplus assets (NBV) 31 March 2024	-	799	9,631	**10,430**
Surplus assets (NBV) 31 March 2023	-	1,327	6,669	**7,996**

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The surplus assets measured at Level 3 in the fair value hierarchy where the measurement technique uses significant unobservable 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 is an alternative use 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.

15. Investment Properties

An investment property is held solely to earn rentals and/or for capital appreciation. Examples include land held for capital appreciation, land held for currently undetermined future use and a building or vacant building rented out under operating leases without service objectives. There are fourteen assets classed as investment property, a decrease of eight from the previous year.

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

	2022/23	**2023/24**
	£000	**£000**
Rental Income from Investment Property	(332)	(428)
Direct Operating Expenses arising from Investment Property	40	86
Net (gain)	**(292)**	**(342)**

The following table summarises the movement in the fair value of investment properties over the year:

	2022/23	**2023/24**
	£000	**£000**
Balance at start of the year	**10,770**	**12,105**
Additions	6	400
Net gains / (losses) from fair value adjustments	1,354	(748)
Transfers (to) Property, Plant & Equipment & Assets Held for Sale	(25)	(1,765)
Disposals	-	(51)
Balance at end of the year	**12,105**	**9,941**

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a non-financial asset, an investment property is measured at its highest and best use. Highest and best use is determined only from the perspective of market participants, even if the Council intends a different use. Restrictions on the sale or use of an asset affect its fair value only if market participants would also be impacted by those restrictions. Alternative uses of those assets are considered if there is an alternative use 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. The properties are categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to measure the fair value. The valuation techniques used are the market approach and income approach using estimated land values, sales value, rents and yield. In estimating the fair value of the investment property, the highest and best use is the current use.

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Fair value hierarchy

The fair value hierarchy at 31 March is as follows:

Recurring fair value measurements using:	31 March 2024			
	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
Offices	-	5,355	-	**5,355**
Farm Business Tenancy	-	642	-	**642**
Land	-	-	305	**305**
Residential Property	-	640	225	**865**
Other	-	371	2,403	**2,774**
Total	**-**	**7,008**	**2,933**	**9,941**

Recurring fair value measurements using:	31 March 2023			
	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
Offices	-	5,743	-	**5,743**
Farm Business Tenancy	-	255	545	**800**
Land	-	402	128	**530**
Residential Property	-	1,521	-	**1,521**
Other	-	2,345	1,166	**3,511**
Total	**-**	**10,266**	**1,839**	**12,105**

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16. 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. Intangible Assets represent purchased software licences and are valued at acquisition cost and written off over the period of the licence. The Council has no material intangible asset trademarks, artistic originals, or patents.

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 carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £1.73m charged to revenue in 2023/24 (£1.66m in 2022/23) was charged to Business Services.

The movement on Intangible asset balances during the year is as follows:

	2022/23			2023/24		
	Intangible assets	**Assets Under construction**	**Total**	**Intangible assets**	**Assets Under construction**	**Total**
Balance at start of year:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Gross carrying amounts	9,850	-	**9,850**	11,826	-	**11,826**
Accumulated amortisation	(4,359)	-	**(4,359)**	(5,387)	-	**(5,387)**
Net carrying amount at start of year	**5,491**	**-**	**5,491**	**6,439**	**-**	**6,439**
Purchases	2,608	-	**2,608**	2,953	6,912	**9,865**
Transfers from PPE	-	-	**-**	344	9,447	**9,791**
Amortisation for the period	(1,660)	-	**(1,660)**	(1,730)	-	**(1,730)**
Disposal (Gross carrying amount)	(632)	-	**(632)**	-	-	**-**
Disposal (Accumulated amortisation)	632	-	**632**	-	-	**-**
Net carrying amount at end of year	**6,439**	**-**	**6,439**	**8,006**	**16,359**	**24,365**
Comprising:						
Gross carrying amounts	11,826	-	**11,826**	15,123	16,359	**31,482**
Accumulated amortisation	(5,387)	-	**(5,387)**	(7,117)	-	**(7,117)**
Net carrying amount at end of year	**6,439**	**-**	**6,439**	**8,006**	**16,359**	**24,365**

The individual items of capitalised operational software in the Balance Sheet are:

	Carrying Amount		**Remaining Amortisation (Years)**
	31 March 2023	**31 March 2024**	
Description	**£000**	**£000**	
Link	4,055	5,271	4-12
SharePoint	94	588	5-7
DELL Boomi	-	497	14
Network Detection and Response	496	391	3
South East Grid - Schools	-	226	4
Server upgrade	-	186	5-6
PAMS	187	180	3
Citrix Upgrade	238	119	1
Virtual Infrastructure	672	33	-
Mapping Outlet	59	-	-
Other	638	515	2-7
Total	**6,439**	**8,006**	

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17. Heritage Assets

The Council has identified the following heritage assets:

- East Sussex Record Office which preserves and makes accessible records relating to the County and its people;
- A small art collection within offices at County Hall, Lewes;
- Chattels at Bentley House, Halland;
- Battle Abbey Estate Archives;
- Lewes Castle Precinct Wall; and
- Listed buildings and monuments owned by the Council or on Council land.

No individual item in the Record Office is valued at more than £20,000 which is the Council's de minimus level for capital expenditure to be recognised as an asset in the Balance Sheet. For assets where information on cost or value is not available and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the assets are not included on the Balance Sheet.

Reconciliation of the carrying value of Heritage Assets:

Heritage Assets	Art Collection	Chattels at Bentley House	The Sugar Loaf Folly	Battle Abbey Estate Archives	Castle Precincts Wall	Total
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
1 April 2022	**13**	**484**	**41**	**116**	**-**	**654**
Additions	-	-	-	-	-	**-**
Revaluation Gain	-	-	-	-	-	**-**
31 March 2023	**13**	**484**	**41**	**116**	**-**	**654**
Additions	-	-	-	-	-	**-**
Revaluation Gain	-	-	-	-	-	**-**
31 March 2024	**13**	**484**	**41**	**116**	**-**	**654**

Heritage Assets – Further Information

East Sussex Record Office, The Keep - holds the historic and administrative archives for the County of East Sussex and, under an agreement, for the City of Brighton & Hove. These comprise records dating from 1101 to the present and they are held for the express purpose of ensuring their preservation and providing public access to resources recording the county's and city's heritage. The archives, ranging from a single piece of paper to thousands of documents, include paper and parchment, books, maps, photographs and modern media, and are held by us under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase. The majority of archives held are on deposit. Obtaining a valuation of all these assets would be a lengthy, resource intensive and costly exercise, and therefore no valuation was obtained.

Art Collection - consists of four oil on canvas paintings, three dating from the 1880's and one more recent; being a portrait of Henry Thomas Pelham by Frank Holl, a portrait of John George Dodson by Frank William Warwick Topham, Lewes from Chapel Hill by Edmund Niemann and a portrait of HM Queen Elizabeth II by Amanda Bigden. The Council's external valuer for its art work (Gorringe's Auction House) has previously carried out a full valuation of the collection of paintings with the valuations based on those for insurance replacement purposes.

Chattels at Bentley House, Halland - Bentley House, Halland including the Motor Museum and Wild Fowl Reserve is owned by the Bentley Trust. However, some of the contents of the house are under the ownership of East Sussex County Council. The contents or chattels include furniture, furnishings paintings and sculptures. The last valuation was undertaken by Sotheby's who provided a saleroom estimate for each inventory item.

Listed Buildings - the Council has reviewed its listed buildings register and established that a number of the buildings are being used for the delivery of services. These buildings therefore continue to be included as operational Property, Plant and Equipment on the Council's Balance Sheet. In addition there are a number of listed buildings that are non operational assets and are not included in the Council's Balance Sheet as there is no cost or value information available and the cost of obtaining that information outweighs the benefits to the user of the Statement of Accounts. The assets are Remains of Wayside Cross, Firle and Albert Memorial Well, Frant.

Battle Abbey Estate Archives - date from 1101 to the 20th century. The earliest records relate to the period when the lands were owned by Battle Abbey before its dissolution in 1538 but the majority date from the 18th century onwards when the estates were owned by the Webster family.

Castle Precincts Wall – remains of castle wall at Lewes Castle. Works to rebuild a collapsed section of the wall were completed in July 2022 and have been approved by Heritage England following a final survey at the end of defects period.

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18. Financial Instruments

A. Categories of Financial Instruments

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

Financial Assets	31 March 2023 £000	31 March 2024 £000
Fair value through profit or loss		
Long Term Investments	4,380	4,209
Long Term Debtors	-	-
Short Term Investments & Cash Equivalents	49,700	28,300
Short Term Debtors	-	-
Total	**54,080**	**32,509**
Amortised Cost		
Long Term Investments	-	1
Long Term Debtors	4,790	7,915
Short Term Investments	219,364	187,804
Short Term Debtors	61,928	75,573
Total	**286,082**	**271,293**
Total Financial Assets	**340,162**	**303,802**
Non Financial Assets*	**39,614**	**41,162**
Total	**379,776**	**344,964**

*Balance of assets that are not classed as Financial Instruments

Financial Liabilities	31 March 2023 £000	31 March 2024 £000
Fair value through profit or loss		
Short & Long Term Borrowings and Creditors	-	-
Amortised Cost		
Long Term Borrowings	(217,824)	(212,344)
Long Term Creditors	(55,527)	(50,910)
Short Term Borrowings	(5,556)	(9,697)
Short Term Creditors	(87,055)	(119,031)
Total Financial Liabilities	**(365,962)**	**(391,982)**
Non Financial Liabilities*	**(81,112)**	**(84,406)**
Total	**(447,074)**	**(476,388)**

*Non Financial Liabilities are those which are not classed as Financial Instruments

The balance on Soft Loans at 31 March 2024 was £0.150m (£0.149m at 31 March 2023).

B. Financial Instruments Designated at Fair Value through Profit or Loss

The balance of financial assets at 31 March 2024 was £32.51m, an decrease of £21.6m from the previous year. Financial assets include £28.3m low volatility money market funds (LVNAV) and £4.21m property fund (carrying amount £5.00m). Total holdings in money market funds have decreased by £21.4m over the year. The value of the Property fund has decreased by £0.171m during the year. The Property fund valuation is based on the bid market value which is the bid price per number of units held.

There were no financial liabilities designated at fair value through profit or loss. No financial assets or liabilities were classed as fair value through other comprehensive income. No financial assets or liabilities were re-classified during the year.

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C. Income, Expense, Gains and Losses

	2022/23		2023/24	
	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss – fair value	864	-	171	-
Financial assets measured at fair value through profit or loss – dividend	(184)	-	(223)	-
Total net (gains) / losses	**680**	**-**	**(52)**	**-**
Interest revenue:				
Financial assets measured at amortised cost	(5,748)	-	(13,999)	-
Interest expense:				
Financial assets measured at amortised cost	15,476	-	15,554	-

D. 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.

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/23 £000	As at 31/3/24 £000
Fair Value through Profit or Loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	54,080	32,509

There were no transfers between levels 1 and 2 during the year. There has been no change in the valuation technique used during the year for the financial instruments.

There were no instruments, measured at fair value, that were at level 3 in the hierarchy.

E. 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;

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- 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:

Financial Liabilities	**31 March 2023**		**31 March 2024**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Borrowing held at amortised cost	(223,380)	(215,539)	(222,041)	(202,791)
Long Term Creditors	(64)	(64)	(1,488)	(1,488)
PFI and Finance Lease Liabilities	(61,096)	(66,287)	(55,464)	(58,698)
Total Long Term	**(284,540)**	**(281,890)**	**(278,993)**	**(262,977)**
Short Term Creditors	(81,422)	(81,422)	(112,989)	(112,989)
Total Long and Short Term	**(365,962)**	**(363,312)**	**(391,982)**	**(375,966)**

The fair value of borrowings is lower 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 2024, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	**31 March 2023**		**31 March 2024**	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial assets held at amortised cost	-	-	1	1
Long Term Debtors	4,790	4,790	7,915	7,915
Total Long Term	**4,790**	**4,790**	**7,916**	**7,916**
Short Term Investments and Debtors	281,292	281,292	263,377	263,377
Total Long and Short Term	**286,082**	**286,082**	**271,293**	**271,293**

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 2024			
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant unobservable inputs (Level 3) £000**	**Total £000**
Financial liabilities				
Borrowing held at amortised cost	-	(202,791)	-	(202,791)
Long Term Creditors	-	(1,488)	-	(1,488)
PFI and Finance Lease Liabilities	-	-	(58,698)	(58,698)
Total	**-**	**(204,279)**	**(58,698)**	**(262,977)**
Financial assets				
Financial assets held at amortised cost	-	1	-	1
Long Term Debtors	-	7,915	-	7,915
Total	**-**	**7,916**	**-**	**7,916**

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Recurring fair value measurements using:	31 March 2023 Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial liabilities				
Borrowing held at amortised cost	-	(215,539)	-	**(215,539)**
Long Term Creditors	-	(64)	-	**(64)**
PFI and Finance Lease Liabilities	-	-	(66,287)	**(66,287)**
Total	**-**	**(215,603)**	**(66,287)**	**(281,890)**
Financial assets				
Financial assets held at amortised cost	-	-	-	**-**
Long Term Debtors	-	4,790	-	**4,790**
Total	**-**	**4,790**	**-**	**4,790**

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 fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

Financial Assets

- no early repayment or impairment is recognised;
- estimated ranges of interest rates at 31 March 2024 for loans receivable and for property fund, are based on new lending rates for equivalent loans at that date;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Liabilities

- no early repayment is recognised;
- estimated ranges of interest rates at 31 March 2024 of 2.6% to 7.8% for loans payable based on new lending rates for equivalent.

19. Assets Held for Sale

	2022/23 £000	2023/24 £000
Balance outstanding at start of year	**4,753**	**5,793**
Assets newly classified as held for sale	2,473	715
Additions	17	-
Revaluation losses	(828)	(2)
Assets declassified as held for sale	-	(1,008)
Assets sold / disposed of	(622)	(1,942)
Balance outstanding at year end	**5,793**	**3,556**

Assets Held for Sale are valued at fair value which 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. As at 31 March 2024 there are four assets that were held for sale. During the year, two assets were transferred into held for sale, one was transferred out and six assets were sold.

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20. Current & Long Term Debtors and Payments in Advance

	31 March 2023 £000	31 March 2024 £000
Current		
Debtor System Control	37,298	44,257
HMRC	1,846	2,539
Payments In Advance	10,646	11,482
Council Tax & NNDR	27,123	27,141
Other	24,629	31,316
Total	**101,542**	**116,735**
Long Term		
South East Local Enterprise Partnership	1,483	4,971
Economic Development	1,712	1,444
Seven Sisters Country Park	758	724
Higher Education Institution	686	629
Other Entities and Individuals	151	147
Total	**4,790**	**7,915**

Allowance for expected credit losses

The Council makes allowance for impairment of debts based on an assessment of the recoverability of its receivables. An increase in the total allowance for expected credit losses of £0.809m was made in 2023/24, bringing the total allowance for impairment from £2.771m up to £3.580m as at 31 March 2024 (these amounts are already netted off the figures shown above). The reason for such a large increase in the expected credit loss adjustment is primarily due to a higher balance being held in the debtor system control account at the year end, the majority of which related to Adult Social Care debtors. Management specifically review all debts, and evaluate the adequacy of the allowance for impairment of receivables. However, most categories of the Council's debtors are not subject to substantial fluctuation and past experience is used within material limits to judge the percentages of each type of debt that will not eventually be recovered.

In addition, there are allowances for impairment in respect of Council Tax & Business Rates debtors which are assessed by the District Councils in their role as Council Tax collection authorities. At 31 March 2024 the Council's share of these allowances amounts to £20.778m (£18.756m at 31 March 2023) out of its share of Council Tax & Business Rates arrears totalling £45.7m (£41.402m at 31 March 2023).

21. Cash and Cash Equivalents, Bank overdraft and accrued balances for third parties

	31 March 2023 £000	31 March 2024 £000	Movement £000
Cash in hand	109	108	(1)
Short-term deposits	29,818	27,455	(2,363)
Total Cash and Cash Equivalents	**29,927**	**27,563**	**(2,364)**
Imputed cash adjustment for pooled budget re the purchase of integrated community equipment	(740)	(567)	173
Imputed cash adjustment for balances held on behalf of Trust Funds (see Note 46)	(306)	(310)	(4)
Bank overdraft	(3,056)	(8,697)	(5,641)
Total bank overdraft*	**(4,102)**	**(9,574)**	**(5,472)**
Net cash and cash equivalent balances/(overdrawn)	**25,825**	**17,989**	**(7,836)**

*The layout of the bank overdraft section above has been updated slightly from the one shown previously in the 2022/23 accounts, this is a presentational change and the total bank overdraft balance has not changed.

Note 30 sets out some details of the arrangements under which the Council 'hosts' the finances of pooled arrangements for Pooled Budgets (with Clinical Commissioning Boards). These arrangements relate to a number of different organisations and it is necessary to allocate their balance sheets between the different participants. The result of adjusting the balances for debtors, creditors, etc. is to create an imbalance, which represents the difference between the cash actually held by the Council and the share of the arrangements' cash, which is eventually allocable to the Council. This difference is recorded above as 'imputed cash'.

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The Council manages and invests its cash balances with the aim of achieving a balance at the bank as close as possible to zero. As it manages cash balances on behalf of its share of the Orbis partnership arrangement and some trust funds alongside its own balances, the Council allows its own balances to become overdrawn if there is cash held in its own bank accounts on behalf of the other authorities, which results in a notional overdrawn balance because cheques and BACS payments are recorded when they are drawn, rather than when they are presented at the bank.

The pooled bank balances at 31 March 2024 include £3.53m (£5.20m at 31 March 2023) relating to bank accounts operated by schools under local management arrangements.

22. Creditors and Income in Advance

	31 March 2023 £000	31 March 2024 £000
Creditor System Control	6,022	6,716
Pension Schemes	5,599	6,345
HMRC	5,957	6,452
PFI Schemes	5,633	6,041
Council Tax & NNDR	12,544	16,825
East Sussex Fire Authority	15,580	14,307
Capital	9,305	15,209
Other*	46,273	67,023
Total Creditors	**106,913**	**138,918**
Income in Advance	38,191	34,239
Total	**145,104**	**173,157**

*For 2023/24 the increase in "Other" creditors of £20.75m was primarily due to a £14.4m creditor in relation to ICB discharge funding costs.

23. Provisions

Provisions are amounts set aside in the Accounting Statements for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The provision has been established for material liabilities of uncertain timing. The following table shows the level of the Council's provisions:

Long Term Provisions	31 March 2023 £000	Additional provisions £000	Amounts used £000	31 March 2024 £000
Insurance claims	1,658	-	-	1,658
Closed Landfill Sites	8,382	-	(154)	8,228
Total Long Term	**10,040**	**-**	**(154)**	**9,886**

Short Term Provisions	31 March 2023 £000	Additional provisions £000	Amounts used £000	31 March 2024 £000
Municipal Mutual Insurance (MMI)	77	-	-	77
NNDR Appeals	1,111	90	-	1,201
Adult Social Care	2,966	-	-	2,966
Closed Landfill Sites	490	-	-	490
Total Short Term	**4,644**	**90**	**-**	**4,734**
Total Provisions	**14,684**	**90**	**(154)**	**14,620**

Insurance claims - the provision (pre 1997 & post 1997 liabilities) represents an estimate of the amounts which the Council will have to pay for claims arising before 31 March 2015, but where the exact amount and the date of payment are uncertain.

Closed Landfill Sites - The Council has 19 closed landfill sites that require restoration and aftercare. An accounting model has been developed to determine the required provision for these future costs taking into consideration the annual costs relating to leachate removal, gas monitoring and water quality monitoring. The Council has a legal obligation to restore, monitor and maintain landfill sites.

Municipal Mutual Insurance Limited (MMI) was the main Local Authority Insurer up until they entered administration in 1992. Being a mutual company, the members, including the Council, signed up to a 'Scheme of Arrangement', meaning once all claims have been discharged any outstanding assets would be distributed to the members, or conversely, the members would meet the cost of any liabilities, once all assets had been utilised.

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The NNDR appeals provision represents amounts set aside to meet potential future liabilities for Business Rates Appeals. Local Authorities are liable for successful appeals against business rates charged to businesses in their proportionate share. Therefore, a provision has been recognised as a best estimate of the amount that businesses have been overcharged up to 31 March 2024.

Adult Social Care - is an estimate of payments due to other local authorities for costs incurred for clients with care and support needs commissioned by those authorities, whose ordinary residence (as defined under the Care Act) is deemed to be in East Sussex.

24. Usable Reserves

The Council holds a number of usable reserves, being those reserves that the Council can use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

- General Fund & School Balances - The General Fund and School balances shows the resources available to meet future running costs. See Note 10 for school balances.
- Earmarked Reserves - The Council holds a number of earmarked reserves which are used to earmark resources for specific projects/purposes. See Note 10 for a breakdown of General Fund earmarked reserves.
- Capital Receipts Reserve – see note below.
- Capital Grant & Contributions Unapplied Account – see note below.

	31 March 2023	**31 March 2024**
	£000	**£000**
Usable Capital Receipts Reserve	2,372	7,301
Capital Grants & Contributions Unapplied	12,805	15,053
Earmarked Reserves	117,843	95,896
Earmarked Reserves – Revenue Grants & Contributions	96,901	46,442
General Fund Balances	9,999	9,999
School Balances	20,082	18,258
Total Usable Reserves	**260,002**	**192,949**

Capital Receipts Reserve

The capital receipts reserve holds the proceeds of non-current asset sales available to meet future capital investment. The Capital Receipts Reserve is only used to fund capital expenditure or repay debt. Capital receipts are held in this reserve until such time they are used to finance capital expenditure.

	2022/23		**2023/24**	
		£000		**£000**
Balance at 1 April		**9,931**		**2,372**
Amounts receivable during the year	2,032		5,746	
Amounts applied to finance new capital investment	(9,591)		(817)	
Net Transfer to / (from) the Capital Receipts Reserve		(7,559)		4,929
Balance at 31 March		**2,372**		**7,301**

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Capital Grants and Contributions Unapplied Account

This account holds capital grants and contributions received by the Council, with either no conditions or where conditions have been met, where expenditure is yet to be incurred. The account holds grants and contributions available to meet future capital investment. The grants and contributions are held in this reserve until such time they are used to finance capital expenditure.

	2022/23 £000		2023/24 £000	
Balance at 1 April		**14,123**		**12,805**
Amounts receivable during the year	39,667		49,659	
Amounts applied to finance new capital investment	(40,985)		(47,411)	
Net Transfer to/(from) the Capital Unapplied Account		(1,318)		2,248
Balance at 31 March		**12,805**		**15,053**

25. Unusable Reserves

	31 March 2023 £000	31 March 2024 £000
Revaluation Reserve	287,697	293,105
Capital Adjustment Account	367,872	387,473
Financial Instruments Adjustment Account	(6,756)	(6,568)
Pooled Investment Funds Adjustment Account	(621)	(792)
Collection Fund Adjustment Account	7,420	5,673
Accumulated Absences Account	(5,506)	(5,718)
Pensions Reserve	(42,852)	(40,016)
Deferred capital receipts	805	770
Total Unusable Reserves	**608,059**	**633,927**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant, and Equipment. 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.

	2022/23 £000	2023/24 £000	£000
Balance at 1 April	**264,609**		**287,697**
Upward revaluation of assets	59,556	63,569	
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(7,162)	(37,762)	
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	52,394		25,807
Difference between fair value depreciation and historical cost depreciation	(6,866)	(10,373)	
Accumulated gains on assets sold or scrapped	(22,440)	(10,026)	
Amount written off to the Capital Adjustment Account	(29,306)		(20,399)
Balance at 31 March	**287,697**		**293,105**

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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 fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance the costs of capital acquisition, construction, and enhancement. The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2022/23	2023/24	
	£000	£000	£000
Balance at 1 April	**347,342**		**367,872**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(46,436)	(48,856)	
Revaluation losses on non-current assets	(4,875)	(13,864)	
Revaluation losses on assets held for sale	(828)	(2)	
Revaluation loss reversals on non-current assets	13,775	6,386	
Revaluation loss reversals on assets held for sale	-	-	
Amortisation of intangible assets	(1,660)	(1,730)	
Financial Asset Impairment (Gains)/Losses	14	(89)	
Revenue expenditure funded from capital under statute	(11,622)	(7,203)	
Capital grants repaid in year	(2,528)	-	
Donated assets acquired in year	-	727	
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(41,286)	(17,511)	
	(95,446)		**(82,142)**
Adjusting amounts written out of the Revaluation Reserve	29,306		20,399
Net written out amount of the cost of non-current assets consumed in the year	**(66,140)**		**(61,743)**
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	9,591	817	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	40,985	47,411	
Statutory provision for the financing of capital investment charged against the General Fund balance	13,366	14,033	
Capital expenditure charged against General Fund balances	21,374	19,831	
	85,316		**82,092**
Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	1,354		(748)
Balance at 31 March	**367,872**		**387,473**

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Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2024 will be charged to the General Fund over a specific period.

	2022/23	2023/24	
	£000	£000	£000
Balance at 1 April	**(6,946)**		**(6,756)**
Premiums	187	185	
Soft Loan Interest	3	3	
Net movement in the Financial Instruments Adjustment Account	**190**		**188**
Balance at 31 March	**(6,756)**		**(6,568)**

Pooled Investment Funds Adjustment Account

The account mitigates the impact of fair value movements on pooled investment funds.

	2022/23	2023/24
	£000	£000
Balance at 1 April	**244**	**(621)**
Movement in the fair value of the Property Fund	(865)	(171)
Balance at 31 March	**(621)**	**(792)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the 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. A debit balance on the Pensions Reserve indicates a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them, however the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2022/23	2023/24
	£000	£000
Balance at 1 April	**(479,862)**	**(42,852)**
Remeasurement of the net defined liability	434,917	(9,854)
Benefits credited to the Provision of Services in the Comprehensive Income and Expenditure Statement	(37,550)	(28,750)
Employer's pension contributions charged to General Fund Balance	39,643	41,440
Balance at 31 March	**(42,852)**	**(40,016)**

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Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Council Tax and Business Rates income is collected on behalf of the Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council.

	2022/23 £000	2023/24 £000
Balance at 1 April	**2,815**	**7,420**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,270	(2,690)
Amount by which business rates income debited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	2,335	943
Net movement in the Collection Fund Adjustment Account	**4,605**	**(1,747)**
Balance at 31 March	**7,420**	**5,673**

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 Account.

	2022/23 £000	2023/24 £000
Balance at 1 April	**(6,785)**	**(5,506)**
Settlement or cancellation of accrual made at the end of the preceding year	6,785	5,506
Amounts accrued at the end of the current year	(5,506)	(5,718)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**1,279**	**(212)**
Balance at 31 March	**(5,506)**	**(5,718)**

Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority 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.

	2022/23 £000	2023/24 £000
Balance at 1 April	**840**	**805**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the capital receipts reserve upon receipt of cash	(35)	(35)
Balance at 31 March	**805**	**770**

A transfer of £0.840m deferred sale proceeds was made in 2021/22 in respect of the sale of the South Downs Country Park to the South Downs National Park Authority. The balance is due to paid to the Council over a period of 25 years.

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26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2022/23 £000	2023/24 £000
Net deficit on the provision of services	**3,321**	**57,138**

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

Depreciation	(46,436)	(48,856)
Impairment and downward valuations	8,073	(7,480)
Amortisation	(1,660)	(1,730)
(Increase) in creditors	(6,569)	(25,929)
Increase/(decrease) in debtors	42,361	16,472
Movement in pension liability	2,093	12,690
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(41,286)	(17,511)
Other non-cash items charged to the net deficit on the provision of services	988	52
Total	**(42,436)**	**(72,292)**

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

Proceeds from the sale of PPE, investment property and intangible assets	2,032	5,781
Capital grants credited to deficit on provision of services	37,138	49,659
Total	**39,170**	**55,440**
Net cash flows from operating activities	**55**	**40,286**

The cash flows for operating activities include the following items:

	2022/23 £000	2023/24 £000
Interest received	(2,387)	(12,942)
Interest paid	15,647	12,095
Dividends received	(184)	(223)

27. Cash Flow Statement – Investing Activities

	2022/23 £000	2023/24 £000
Purchase of PPE, Investment Property and Intangibles	61,904	64,331
Other payments for investing activities	220	-
Proceeds from the sale of PPE, Investment Property and Intangibles	(1,231)	(5,457)
Purchase of short and long term investments	289,350	330,500
Proceeds from short and long term investments	(320,350)	(382,350)
Other receipts from investing activities	(37,994)	(50,312)
Net cash flows from investing activities	**(8,101)**	**(43,288)**

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28. Cash Flow Statement – Financing Activities

	2022/23 £000	2023/24 £000
Cash receipts of short and long term borrowing	-	-
Cash payments for the reduction of PFI Liabilities	5,633	6,041
Repayments of short and long term borrowing	12,532	4,797
Net cash flows from financing activities	**18,165**	**10,838**

29. Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

	1 April 2023 £000	Financing Cash Flows £000	Non Cash Changes £000	31 March 2024 £000
Long Term Borrowings	**(217,824)**	-	5,480	**(212,344)**
Short Term Borrowings*	**(4,797)**	4,797	(5,480)	**(5,480)**
PFI Liabilities	**(55,463)**	6,041	-	**(49,422)**
Net cash flows from financing activities	**(278,084)**	**10,838**	**-**	**(267,246)**

	1 April 2022 £000	Financing Cash Flows £000	Non Cash Changes £000	31 March 2023 £000
Long Term Borrowings	**(229,072)**	6,451	4,797	**(217,824)**
Short Term Borrowings*	**(6,081)**	6,081	(4,797)	**(4,797)**
PFI Liabilities	**(61,096)**	5,633	-	**(55,463)**
Net cash flows from financing activities	**(296,249)**	**18,165**	**-**	**(278,084)**

*Short term borrowing excludes the year end interest accrual which is included in the balance sheet figures.

30. Pooled Budget and Partnership Arrangements

In 2023/24 the Council participated in partnership schemes involving pooled budget arrangements under Section 75 of the National Health Service Act 2006:

- The Integrated Community Equipment Service (ICES) started in September 2004 and comprises the Council as host agency and East Sussex Clinical Commissioning Group (ES CCG).
- The Better Care Fund (BCF) started in April 2015.

BCF planning was required for the whole of East Sussex and was signed off by the Health and Wellbeing Board in October 2017. This arrangement is supported by a Section 75 pooled budget legal agreement, of which ESCC is the lead body. In practice, the substance of the Better Care Fund arrangement is not one of a pooled budget due to a local agreement for ESCC to invoice the ICB for BCF funded expenditure commissioned directly by ESCC, while the ICB retains the remainder of its contribution to the pool to fund any expenditure commissioned through the ICB. Use of funding is agreed in partnership under joint governance arrangements as set out in the Section 75 agreement. The ICBs and ESCC will continue to work towards greater integration and joint commissioning of services in future years and the accounting for the Better Care Fund will therefore be reviewed each year.

In 2023/24 Hospital Discharge Funding was added into the BCF, increasing the total value of the BCF by £6,591k and increasing ESCC's contribution by £3,053k.

The financial transactions of these schemes can be summarised as follows:

Arrangement	2022/23 Expenditure £000	2022/23 Income £000	2022/23 ESCC Contribution £000	2023/24 Expenditure £000	2023/24 Income £000	2023/24 ESCC Contribution £000
Integrated Community Equipment	5,846	(5,846)	(2,923)	5,900	(5,900)	(2,950)
Better Care Fund*	77,555	(77,555)	(30,594)	87,512	(87,512)	(34,356)

*As ICES is BCF funded, the balances for ICES will also be included within the BCF line above.

Mental Health Community Forensic scheme

The Mental Health Community Forensic scheme, which started in April 2010, comprises the Council and the Sussex Partnership NHS Foundation Trust. This operates under a section 75 agreement, but not as a pooled budget. The financial value of transactions during 2023/24 was £374,609 (£322,277 in 2022/23).

Orbis Joint Operating Budget

Orbis is a public sector partnership between East Sussex County Council, Surrey County Council, and Brighton & Hove City Council to provide 'back office' or business support services for each of the councils, and for various groups of external customers.

The expenditure and funding is detailed below:

	2022/23 £000	2023/24 £000
Funding provided to the joint budget:		
- Surrey County Council	(6,166)	(6,384)
- East Sussex County Council	(3,471)	(3,600)
- Brighton & Hove City Council	(2,732)	(2,873)
Total Funding	**(12,369)**	**(12,857)**
Expenditure met from the joint budget	12,369	12,857
Net (surplus)/deficit on the joint budget	**-**	**-**

Regional Adoption Agency (RAA) Adoption South East (ASE)

In line with the Government's requirement for all LA adoption to be carried out on a regional level, East Sussex, West Sussex, Brighton & Hove, and Surrey councils have formed the Regional Adoption Agency (RAA) Adoption South East (ASE). The RAA has been operational since April 2020 and ESCC is the host organisation. Each member Local Authority provides their contribution towards the running of ASE into a pooled budget which is held by ESCC as the lead body. The amount carried forward remains ASE's funding, held within the ESCC bank account.

	2022/23 £000	2023/24 £000
ASE Total Budget	5,818	6,175
Expenditure	5,859	5,969
Income	(6,251)	(6,175)
ASE carry forward into 2024/25	**392**	**206**

Brighton & Hove City Council Contribution (18%)	1,067	1,087
East Sussex County Council Contribution (22%)	1,211	1,385
Surrey County Council Contribution (25%)	1,469	1,533
West Sussex County Council Contribution (35%)	2,071	2,170
	5,818	**6,175**

31. Members' Allowances

The Council paid the following amounts to Members of the Council during the year.

	2022/23 £000	2023/24 £000
Salaries - basic allowances	680	726
Special responsibility allowances	231	231
Expenses	14	14
Total	**925**	**971**

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The table below shows the actual amounts paid to individual members in the 2023/24 financial year (excluding employer NI & pension contributions). The amounts to which Members are entitled, including the basic allowance for every member and expenses for special responsibilities, travel, phones etc., are published annually and form part 6 of the Constitution.

Member			Basic Allowance	Special Responsibility Allowance	Travel by Car	Fares and Subsistence
			£	£	£	£
Cllr	Samuel	Adeniji	14,715	-	-	-
Cllr	Abul	Azad	14,715	-	351	-
Cllr	Matthew	Beaver	14,715	7,510	482	-
Cllr	Colin	Belsey	14,715	7,510	504	-
Cllr	Nicholas	Bennett	14,715	21,033	1,247	42
Cllr	Robert	Bowdler	14,715	18,027	1,614	422
Cllr	Charles	Clark	14,715	-	-	-
Cllr	Christopher	Collier	14,715	5,688	-	-
Cllr	Anne	Cross*	9,581	-	-	-
Cllr	Godfrey	Daniel	14,715	-	515	-
Cllr	Johnny	Denis	14,715	3,200	-	48
Cllr	Penelope	di Cara	14,715	-	-	-
Cllr	Christopher	Dowling	14,715	-	89	-
Cllr	Claire	Dowling	14,715	18,027	435	5
Cllr	Kathryn	Field	14,715	3,901	264	22
Cllr	Gerard	Fox	14,715	7,510	-	-
Cllr	Roy	Galley	14,715	6,014	225	-
Cllr	Nuala	Geary	14,715	-	723	23
Cllr	Keith	Glazier	14,715	41,206	2,396	333
Cllr	Alan	Hay	14,715	-	-	-
Cllr	Julia	Hilton	14,715	-	-	-
Cllr	Ian	Hollidge	14,715	-	-	-
Cllr	Stephen	Holt	14,715	-	-	-
Cllr	Johanna	Howell	14,715	7,510	-	-
Cllr	Eleanor	Kirby-Green	14,715	-	442	-
Cllr	Carolyn	Lambert	14,715	-	-	-
Cllr	Thomas	Liddiard	14,715	7,510	-	-
Cllr	Philip	Lunn	14,715	-	26	28
Cllr	James	MacCleary	14,715	-	-	-
Cllr	Wendy	Maples	14,715	-	-	-
Cllr	Sorrell	Marlow-Eastwood	14,715	-	-	-
Cllr	Carl	Maynard	14,715	18,027	108	-
Cllr	Matthew	Milligan	13,149	-	-	-
Cllr	Steve	Murphy	14,715	-	-	-
Cllr	Sarah	Osborne	14,715	-	151	159
Cllr	Peter	Pragnell	14,715	15,020	369	-
Cllr	Paul	Redstone	13,149	-	1,327	80
Cllr	Christine	Robinson	14,715	-	-	-
Cllr	Patrick	Rodohan	14,715	-	-	-
Cllr	Philip	Scott	14,715	-	-	-
Cllr	Daniel	Shing	14,715	-	47	-
Cllr	Stephen	Shing	14,715	-	383	-
Cllr	Alan	Shuttleworth	14,715	-	-	-
Cllr	Rupert	Simmons	1,077	1,289	-	-
Cllr	Bob	Standley	14,715	18,027	1,040	41
Cllr	Colin	Swansborough	14,715	7,510	-	-

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Cllr	Barry	Taylor	3,184	-	-	-
Cllr	Georgia	Taylor	14,715	779	-	-
Cllr	David	Tutt	14,715	15,020	275	-
Cllr	John	Ungar	14,715	-	-	-
Cllr	Trevor	Webb	14,715	326	-	-
Cllr	Brett	Wright*	9,312	-	34	19
Total			**726,342**	**230,644**	**13,047**	**1,222**

*Elected during the 2023/24 financial year

32. Officers' Remuneration

The following table sets out information about the remuneration of those senior managers who influence the decisions of the Council as a whole. In addition, the disclosures below include all Senior Officers whose salary is more than £150,000 per year. The remuneration paid to the Council's senior employees is as follows:

Senior Employees Remuneration 2023/24

	Notes	Salary, Fees and Allowances	Additional duties and Acting up	Expenses Allowances (incl. Benefit in Kind)	Employer's Pension Contribution	**Total**
		£	£	£	£	**£**
Chief Executive - Becky Shaw	1	108,072	17,056	1,092	24,650	**150,870**
Director of Adult Social Care – Mark Stainton		161,705	-	138	31,856	**193,699**
Assistant Chief Executive – Philip Baker		161,705	-	10	31,856	**193,571**
Director of Communities, Economy & Transport – Rupert Clubb	2	158,789	-	6,340	31,856	**196,985**
Director of Children's Services - Alison Jeffery		157,641	-	-	31,055	**188,696**
Chief Operating Officer - Rosalyn Parker		153,550	-	195	30,249	**183,994**
Director of Public Health		123,265	-	1,131	24,283	**148,679**
Chief Finance Officer		116,764	-	-	23,002	**139,766**

Notes:

1. The Chief Executive is formally employed by East Sussex County Council but the post is shared with West Sussex County Council under a partnering arrangement. West Sussex County Council make a 50% contribution to the total salary and remuneration costs, the figures above reflect the costs incurred by East Sussex County Council only. The "Additional duties and Acting up" amount is in respect of payment made to reflect the requirement to work across both East and West Sussex County Councils.
2. Pension Contributions based on salary before CCV salary sacrifice (£2,916) of £161,705.

Senior Employees Remuneration 2022/23

	Notes	Salary, Fees and Allowances	Additional duties and Acting up	Expenses Allowances (incl. Benefit in Kind)	Employer's Pension Contribution	**Total**
		£	£	£	£	**£**
Chief Executive - Becky Shaw	1	105,947	16,723	211	21,590	**144,471**
Executive Director of Adult Social Care – Keith Hinkley	2	3,013	4,662	-	1,206	**8,881**
Director of Communities, Economy & Transport – Rupert Clubb	3	155,600	-	6,340	27,899	**189,839**
Director of Adult Social Care – Mark Stainton		154,439	-	138	27,181	**181,758**
Assistant Chief Executive – Philip Baker		154,475	-	10	27,188	**181,673**
Director of Children's Services		149,620	-	-	26,333	**175,953**
Chief Operating Officer	4	143,263	-	195	25,214	**168,672**
Director of Public Health		120,829	-	1,131	21,266	**143,226**
Chief Finance Officer		108,601	-	-	19,114	**127,715**

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Notes:

1. The Chief Executive is formally employed by East Sussex County Council but the post is shared with West Sussex County Council under a partnering arrangement. West Sussex County Council make a 50% contribution to the total salary and remuneration costs, the figures above reflect the costs incurred by East Sussex County Council only. The "Additional duties and Acting up" amount is in respect of payment made to reflect the requirement to work across both East and West Sussex County Councils.
2. The Executive Director of Adult Social Care is formally employed by East Sussex County Council but the post is shared with West Sussex County Council under a partnering arrangement. West Sussex County Council make an 80% contribution to the total salary and remuneration costs. The figures above reflect the costs incurred by East Sussex County Council only.
   Ceased employment on 31 May 2022.
3. Pension Contributions based on salary before CCV salary sacrifice (£2,916) of £158,516.
4. Commenced employment on 4 April 2022.
5. A backdated pay increase of 1.75% for 2021/22 was paid to all Local Management Grade posts in May 2022 and is included in the balances shown above.

The Council's employees, excluding those shown in the Senior Employees Remuneration table above, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were:

Remuneration band	**2022/23 Number of employees**			**2023/24 Number of employees**		
	Non Schools	**Schools**	**Total**	**Non Schools**	**Schools**	**Total**
£50,000 - £54,999	177	106	**283**	237	159	**396**
£55,000 - £59,999	125	49	**174**	110	66	**176**
£60,000 - £64,999	45	31	**76**	85	38	**123**
£65,000 - £69,999	23	27	**50**	38	29	**67**
£70,000 - £74,999	42	13	**55**	16	25	**41**
£75,000 - £79,999	8	9	**17**	34	11	**45**
£80,000 - £84,999	5	8	**13**	6	5	**11**
£85,000 - £89,999	3	1	**4**	4	9	**13**
£90,000 - £94,999	10	2	**12**	3	3	**6**
£95,000 - £99,999	1	1	**2**	7	1	**8**
£100,000 - £104,999	3	2	**5**	3	2	**5**
£105,000 - £109,999	1	1	**2**	1	1	**2**
£110,000 - £114,999	1	1	**2**	2	1	**3**
£115,000 - £119,999	1	1	**2**	1	1	**2**
£120,000 - £124,999	-	-	**-**	1	-	**1**

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33. Termination Benefits & Exit Packages

The Council normally offers both voluntary early retirement and voluntary redundancy as part of organisational restructures undertaken in accordance with the Managing Change Suite of Policies. In addition, there is a Voluntary Severance Scheme, which allows Council employees to apply for voluntary severance. Its purpose is to help ensure the efficient running of the Council, to help the Council reach its cost reduction targets and to minimise the need for compulsory redundancies in the future.

The Council terminated the contracts of 67 employees during 2023/24, incurring costs of £0.600m (59 terminations at a cost of £0.527m in 2022/23). An analysis of the numbers and amounts broken down by pay band and split between compulsory redundancies and other departures for both 2023/24 and 2022/23 are shown in the tables below.

Exit Packages 2023/24

Exit package cost Band	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
less than £20,000	22	174	40	261	62	435
£20,000 to £39,999	1	26	3	74	4	100
£40,000 to £59,999	-	-	-	-	-	-
£60,000 to £79,999	1	65			1	65
Total	**24**	**265**	**43**	**335**	**67**	**600**

The total cost of £0.600m in the table above is the amount that has been charged to the Comprehensive Income and Expenditure Statement in 2023/24.

Exit Packages 2022/23

Exit package cost Band	Compulsory redundancies		Other departures agreed		Total number of exit packages	
	Number of employees	£000	Number of employees	£000	Number of employees	£000
less than £20,000	17	86	36	207	53	293
£20,000 to £39,999	2	56	1	25	3	81
£40,000 to £59,999	2	98	1	55	3	153
Total	**21**	**240**	**38**	**287**	**59**	**527**

34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the accounting statements, certification of grant claims, statutory inspections and for non-audit services provided by the Council's external auditors for services rendered during the year. Grant Thornton have been the Council's external auditors since 2018/19 and all fees below relate to work carried out by them unless specified otherwise.

	2022/23 £000	2023/24 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	127	275
Additional fee relating to the previous year's audit work	-	17
Fees payable in respect of other audit services provided by external auditors*	10	10
Total External auditor remuneration	**137**	**302**
Department for Levelling Up, Housing and Communities - Redmond Review – Local Audit Fees Grant **	(33)	(33)
Total	**104**	**269**

Notes

* For 2022/23 and 2023/24 £10,000 was payable to Grant Thornton for work carried out in respect of the Teachers' Pension Scheme.

**A national grant to support affected local bodies to meet the anticipated rise in fees, driven by new requirements on auditors,

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including new burdens relating to the implementation of the Redmond Recommendations and the National Audit Office's Code of Audit Practice 2020.

35. Grant Income

The Council credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2022/23		2023/24	
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
Council Tax		333,707		353,709
Business Rates		74,249		78,047
Social Care Grant		23,674		44,612
Revenue Support Grant:		3,687		4,076
General				
New Homes Bonus	816		351	
Business Rates Relief Funding	13,610		17,522	
Business Rates Levy surplus	629		629	
Services Grant	5,175		3,036	
		20,230		21,538
Capital grants and contributions recognised		37,139		49,659
Donated assets		-		727
Total		**492,686**		**552,368**
Grants Credited to Services				
Dedicated Schools		244,475		251,769
Public Health		28,862		29,804
Better Care Fund		21,777		21,777
Pupil Premium		9,073		9,340
Bus Service Improvement Plan Grant		-		6,194
Unaccompanied Asylum Seeking Children		4,423		5,330
Mainstream School Additional Grant		-		5,193
Private Finance Initiative		4,755		4,755
Household Support Fund		7,794		7,743
Market Sustainability		-		3,932
Universal Infant Free School Meals		3,074		3,112
Covid 19 Hospital Discharges		-		3,053
16-19 Sixth Form		2,974		2,821
Homes for Ukraine		17,843		2,272
Teachers Pay		2,175		1,557
Teachers' Pension		117		109
Homes for Ukraine (provision of education and childcare for children)		2,660		7
Other Grants		25,108		26,935
Total		**375,110**		**385,703**

Notes – Details of the Dedicated Schools Grant figure are included in Note 36 below. Council Tax and Business Rates figures include share of Collection fund surplus or deficits.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them which could require them to be returned to the giver. The balances at the year end are as follows:

	31 March 2023 £000	31 March 2024 £000
Current Liabilities – Receipts in Advance		
Revenue Grants & Contributions	5,519	10,921
Capital Grants & Contributions	2,360	2,128
Long Term Liabilities – Receipts in Advance		
Capital Grants & Contributions	18,961	20,706

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36. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by a grant awarded by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). An element of the DSG is recouped by the Education and Skills Funding Agency to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2023/24 before academy and high needs recoupment			466,981
Academy and high needs figure recouped for 2023/24			(211,721)
Total DSG after academy and high needs recoupment for 2023/24			255,260
Plus: Brought forward from 2022/23			18,583
Less: Carry-forward to 2024/25 agreed in advance			(16,926)
Agreed initial budgeted distribution in 2023/24	**98,227**	**158,690**	**256,917**
In-year adjustments	285	-	285
Final budget distribution for 2023/24	**98,512**	**158,690**	**257,202**
Less: Actual central expenditure	(100,209)	-	(100,209)
Less: Actual ISB deployed to schools	-	(158,690)	(158,690)
Plus: Local authority contribution for 2023/24	585	-	585
In-year carry-forward to 2024/25	**(1,112)**	**-**	**(1,112)**
Plus: Carry-forward to 2024/25 agreed in advance			16,926
Carry-forward to 2024/25			15,814
DSG unusable reserve at the end of 2021/22			-
Addition to DSG unusable reserve at the end of 2023/24			-
Total of DSG unusable reserve at the end of 2023/24			-
Net DSG position at the end of 2023/24			**15,814**

School Reserve

The total value of the Individual Schools Budget (the budget which is delegated to schools) for 2023/24 was £158.7m. Schools carried forward (reserve) a net total of £18.3m (12.0%) at the end of the financial year 31 March 2024, which was a decrease of £1.8m compared to 31 March 2023. The table below shows the number and value of schools with surpluses and deficits.

		Primary	Secondary	Special	Total
All schools with surpluses					
Number of schools	No.	92	8	1	**101**
Total surplus	£000	11,600	6,562	174	**18,336**
All schools with deficits					
Number of schools	No.	5	-	-	**5**
Total deficit	£000	(78)	-	-	**(78)**
Carry forward	**£000**	**11,522**	**6,562**	**174**	**18,258**
Less: Capital Loan to Schools	£000	-	-	-	-
Net Carry forward	**£000**	**11,522**	**6,562**	**174**	**18,258**

This reserve represents unspent balances remaining at the year-end against school's delegated budgets. The main reasons why schools hold balances are - anticipation of future budget pressures usually arising from pupil variation, to fund specific projects such as building work and IT and to hold a contingency for reasons of prudence. These balances are committed to be spent on the education service and are not available to the Council for general use.

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37. Related Parties

The Council is obliged to disclose material transactions with related parties, a term that includes central government, the Pension Fund, some partnerships, as well as any financial relationships with Members and Chief Officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the Council might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

UK government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in Note 35 on reporting for resources allocation decisions.

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The Register of Members' Interests is held at County Hall, Lewes, and is open to public inspection. The total of members' allowances paid in 2023/24 is shown in Note 31. None of Members or Chief Officers had control or influence in any related party transactions during the year.

A survey of the related party interests of members and their immediate family members was carried out in preparing this Statement of Accounts. Interests were declared within the Register of Members' Interests by members who held positions with organisations that have transacted with the Council during the year, which include:

- Director and Member of Woodland Enterprise Centre. In 2023/24, goods and services to the value of £0.027m were commissioned from this entity.
- Chairman and Member of Ashdown Forest Trust. In 2023/24, rents of the golf course to the value of £0.070m were paid to this entity.

Entities that are controlled or significantly influenced by the Council

The Council acts as sole trustee for the Ashdown Forest Trust (see Note 46), for the balances held by the Council at 31 March 2024.

East Sussex Pension Fund

The East Sussex Pension Fund is administered by East Sussex County Council. The Treasurer of the Pension Fund and members of the County Council have no material transactions with the Pension Fund. The Council incurred costs in administering the fund and charged £2.5m to the fund in 2023/24 (£2.0m in 2022/23). The Council's contribution to the fund was £49.4m in 2023/24 (£46.6m in 2022/23).

East Sussex Fire Authority

East Sussex County Council provides financial services to the East Sussex Fire Authority. The arrangement has been in operation since 1997. The services provided include accounts payable, accounts receivable, payroll, treasury management, accountancy, VAT, IT services and internal audit. The cost of these services was £0.248m in 2023/24 (£0.221m in 2022/23)

Other Public Bodies

The Council is involved in several partnerships under Section 75 of the National Health Services Act 2006. Details of these arrangements are shown in Note 30.

Other entities in which the Council has an interest

The Council is aware that the following entities do not meet the requirements of IAS 24 Related Party Disclosures. For transparency and for members of the public to understand the relationships held, this has been disclosed.

East Sussex County Council have 19% of the voting rights for Woodland Enterprises Ltd. The High Weald Unit of the Economy, Transport and Environment Department rented part of the Woodland Enterprises Centre from Woodland Enterprises Ltd during 2023/24. There were no long term debts to the company at 31 March 2024.

Sea Change Sussex (SCS) is a company limited by guarantee and is a key delivery partner for the County Council. Hastings Borough Council, Rother District Council and the County Council together hold 19.9% of the company, University of Brighton 30.1% and local businesses the remaining 50%. The County Council has appointed the Lead Cabinet Member for Economy as a Director of the Company. SCS is a not-for-profit economic development and regeneration company, working to expand the area's economy and business community by working with the County Council and other key partners.

The High Weald AONB is managed by a Joint Advisory Committee. The committee membership includes 16 principal partners and funding members (Natural England plus 15 local authorities whose area is covered by the High Weald AONB designation) and 5 advisory partners and non-funding members co-opted from forum member organisations. East Sussex County Council is a principal partner and funding member.

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38. Capital Expenditure and Capital Financing

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

The Council accounts fully for depreciation of assets in line with accounting standards in the Comprehensive Income & Expenditure Statement, but it is legally obliged to provide for the repayment of a proportion of its Capital Financing Requirement (the Minimum Revenue Provision) in its charge to taxpayers.

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

	2022/23 £000	2023/24 £000
Opening Capital Financing Requirement	**349,583**	**341,790**
Property, Plant and Equipment	60,760	66,882
Investment Properties	6	400
Intangible assets	2,608	2,953
Assets Held for Sale	17	-
Capital Loans	220	53
Capital grants repaid	2,528	-
Revenue Expenditure Funded from Capital under Statute	11,622	7,203
Total capital investment	**77,761**	**77,491**
Capital receipts	(9,591)	(817)
Government grants and other contributions	(40,985)	(47,411)
Revenue financing	(21,374)	(19,832)
Total financing other than from loans	**(71,950)**	**(68,060)**
Long Term capital debtors movement	(238)	2,668
Minimum Revenue Provision (MRP) for the repayment of loans	(13,366)	(14,033)
Closing Capital Financing Requirement	**341,790**	**339,856**

Explanation of movements in year

Decrease in underlying need to borrow, that is not supported by government financial assistance	**(7,793)**	**(1,934)**

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39. Leases

Authority as Lessee

Finance Leases - As at 31 March 2024, the Council has no assets classed as finance leases. There are 10 properties on the Balance Sheet which are valued as long leasehold however these properties do not have a corresponding liability on the Balance Sheet.

Operating Leases - The Council leases land and buildings and vehicles, plant, furniture and equipment under operating leases. The lease period of land and buildings is typically 10 to 15 years, vehicles 5 to 7 years and equipment 3 to 5 years.

The minimum lease payments payable in future years are:

	31 March 2023	31 March 2024
	£000	£000
Not later than one year	2,572	2,863
Later than one year and not later than five years	7,087	7,289
Later than five years	5,512	6,637
Total	**15,171**	**16,789**

The expenditure charged to Net Cost of Services during the year in relation to these leases was:

	2022/23	2023/24
	£000	£000
Land and Buildings	2,560	2,395
Schools	651	571
Vehicles	299	515
Total	**3,510**	**3,481**

Other payments for the renting and hiring of facilities in 2023/24 was £0.118m (£0.123m 2022/23).

Authority as Lessor

Finance Leases - As at 31 March 2024, the Council has no assets classed as finance leases.

Operating Leases - The Council leases out property under operating leases for the following purposes:

- schools and community centres for sports and other community uses;
- depots in relation to service contracts;
- properties surplus to requirements that are awaiting disposal.

The future minimum lease payments receivable in future years are:

	31 March 2023	31 March 2024
	£000	£000
Not later than one year	2,326	2,374
Later than one year and not later than five years	4,921	5,139
Later than five years	4,706	4,219
Total	**11,953**	**11,732**

The total income received from leasing, renting and hiring of facilities in 2023/24 was £2.510m (£2.405m 2022/23).

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40. Other long term liabilities, including Private Finance Initiatives and Similar Contracts

Other Long Term Liabilities in the Balance Sheet consist of:

	31 March 2023	31 March 2024
	£000	£000
Long Term PFI Liabilities	55,463	49,422
Financial Guarantees	54	54
Long Term Creditors	10	1,434
Total	**55,527**	**50,910**

Schools PFI

The Council has a contract with Peacehaven Schools Ltd (PSL) under the Private Finance initiative to provide a new secondary school and replace or refurbish four primary schools in Peacehaven and Telscombe Cliffs. The first school became operational in January 2000. During 2021/22 two of the remaining three PFI schools transferred into academies and were removed from the balance sheet leaving one school remaining on balance sheet.

Waste PFI

In conjunction with Brighton and Hove City Council, the Council jointly entered into a 25 year agreement, on the 31 March 2003, for the provision of an integrated waste management service with South Downs Waste Services Ltd. In 2009/10 the agreement extended by a further 5 years to 31 March 2033.

Value of PFI assets at each balance sheet date and analysis of movement in those values:

Peacehaven Schools PFI	Meridian
	£000
1 April 2023	**4,665**
Additions	290
Revaluations	499
Depreciation	(144)
Disposals	-
31 March 2024	**5,310**

Waste PFI	Hollingdean WTS & MRF	Maresfield WTS & HWRS	Whitesmith Composting Facility	Newhaven Energy Recovery Facility	Pebsham HWRS	Total
	£000	£000	£000	£000	£000	£000
1 April 2023	**7,978**	**2,770**	**16,452**	**16,589**	**474**	**44,263**
Revaluations	-	-	(4,652)	-	-	(4,652)
Depreciation	(325)	(107)	(878)	(1,090)	(28)	(2,428)
31 March 2024	**7,653**	**2,663**	**10,922**	**15,499**	**446**	**37,183**

Notes:

(i) Land values are excluded from the schools and waste PFI accounting models with the exception of the Whitesmith Composting Facility;

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Details of payments to be made under PFI contracts

Waste PFI

Based on the OBR projected RPIX annual inflation rate to 2027/28 and a projected 2.5% annual inflation rate beyond, the details of the payments due to be made are detailed below:

	Reimbursement of capital expenditure	Interest	Service Charge	Contingent Rent	Lifecycle Maintenance	Total
	£000	£000	£000	£000	£000	£000
Within 1 year: 2024/25	4,430	2,801	19,902	4,478	-	31,611
Within 2 to 5 years: 2025/26 to 2028/29	20,665	8,653	91,875	24,676	-	145,869
Within 6 to 9 years: 2029/30 to 2032/33	26,224	3,708	103,845	31,019	-	164,796
Total	**51,319**	**15,162**	**215,622**	**60,173**	**-**	**342,276**

Peacehaven Schools PFI

Based on actual inflation to 31 March 2024, and assuming a 3.0% inflation rate for the remaining life of the contract, the payments to be made are set out below:

	Reimbursement of capital expenditure	Interest	Service Charge	Contingent Rent	Lifecycle Maintenance	Total
	£000	£000	£000	£000	£000	£000
Within 1 year: 2024/25	1,611	406	2,276	1,462	373	6,128
Within 2 to 3 years: 2025/26 to 2026/27	2,533	323	3,350	2,188	548	8,942
Total	**4,144**	**729**	**5,626**	**3,650**	**921**	**15,070**

Operational PFI contracts are accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual. The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The deferred liability as at 31 March 2024 is £55.4m (£51.3m for Waste PFI, and £4.1m for Peacehaven Schools PFI), and as at 31 March 2023 was £61.1m (£55.5m for Waste PFI, and £5.6m for Peacehaven Schools PFI).

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. In all cases the authority has the right to use the assets provided by the PFI contractor and is entitled to receive the services specified within each contract. Each of the PFI contracts contain a payment mechanism whereby the authority only pays for the services it receives. On expiry of the contracts, the assets created under the PFI arrangements automatically revert to the authority at nil consideration. Termination of the contracts prior to the expiry is permitted by either party but only in exceptional circumstances and only after a period of negotiation. There have been no material changes to any of the PFI contracts in the reporting period.

That part of the deferred liability due to be repaid in the next year is included under short term creditors in the Balance Sheet with the balance being shown under Other Long Term Liabilities. The breakdown between short term and long term, the total value of the liability and an analysis of movement in those values is shown below.

	Waste PFI	Schools PFI	Total	Included in Short Term Creditors	Included in Long term Liabilities
	£000	£000	£000	£000	£000
Balance outstanding at 1 April 2023	**55,484**	**5,612**	**61,096**	**5,633**	**55,463**
Lease principal repayment	(4,165)	(1,468)	(5,633)	408	(6,041)
Balance outstanding at 31 March 2024	**51,319**	**4,144**	**55,463**	**6,041**	**49,422**

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41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2023/24 the Council incurred a total of £17.88m payable to Teachers Pensions Scheme in respect of teacher's pension costs, which represents 23.68% of teacher's pensionable pay. In addition, the Council is responsible for all pension payments related to added years it has awarded, together with the related increase which amounted to £3.18m. These figures compare to an amount of £17.65m payable in 2022/23 (23.68% of pensionable pay) and £3.29m for added years pensions payable to former teachers.

This is a defined benefit scheme, and although it is unfunded, Teachers Pensions Scheme uses a notional fund as the basis for calculating the employer's contribution rate. However, it is not possible to identify the Council's share of the underlying liabilities of the scheme for its own employees. For the purposes of these accounts, it is therefore accounted for as a defined contribution scheme. The Council is responsible for the costs of the additional benefits awarded upon early retirement, and these benefits are fully accrued in the liability included in the balance sheet.

As at March 2024, the Council owed £2.07m to Teachers Pensions for the employer's and employee's contribution to the Teachers Pensions Scheme (£2.03m at March 2023). The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 42.

NHS Pension Scheme

In 2013/14, NHS staff transferred to the Council. These employees have maintained their membership of the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable pay.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the Council incurred a total of £0.23m payable to the NHS Pension Scheme in respect of former NHS staff retirement benefits, and there was £0.018m contributions remaining payable at the year end. This compares to an amount of £0.165m payable in 2022/23.

42. Defined Benefits Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The Accounting Policies note explains that the Council participates in three schemes, the Local Government Pension Scheme, the Teachers' Pension Scheme and the NHS Pension Scheme. The Teachers' Pension Scheme is administered nationally, and the Comprehensive Income and Expenditure Statement contain actual contributions made to the scheme. The Local Government Scheme is administered through the East Sussex Pension Fund, and in addition, the Council has liabilities for discretionary payments for added years, and other benefits, both for local government employees and for teachers. These are charged as an expense to the accounts of the Council, rather than those of the Pension Fund.

Transactions Relating to Post-employment Benefits - the cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the contributions made in the year, so the real cost of retirement benefits is reversed out through the General Fund via the Movement in Reserves Statement and the contributions made in the year are included.

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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:

	2022/23 £000	2023/24 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
• current service cost including admin expenses	48,305	31,996
• past service costs including curtailments	-	134
• (gain)/loss from settlements	(588)	132
Financing and Investment Income and Expenditure		
Net interest (income)/expense	(10,167)	(3,512)
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**37,550**	**28,750**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding the amount included in the net interest expense)	114,948	(44,091)
• Actuarial gains and losses arising on changes in demographic assumptions	-	(17,361)
• Actuarial gains and losses arising on changes in financial assumptions	(862,375)	(9,668)
• Other (if applicable)	178,159	4,776
• Changes in effect of asset ceiling adjustment	134,351	76,198
Total taken to Other Comprehensive Income and Expenditure	**(434,917)**	**9,854**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(397,367)**	**38,604**
Movement in Reserves Statement		
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(37,550)***	**(28,750)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to the scheme	**39,643**	**41,440**

*The balance above **for r**eversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code for 2022/23 has been restated to no longer include the reversal adjustment for employers' contributions made in year which had previously been included in the balance.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Present Value of the define benefit obligations: Local Government Pension Scheme	(1,666,341)	(2,066,436)	(2,119,869)	(1,491,954)	(1,513,032)
Fair value of plan assets in the Local Government Pension Scheme	1,249,473	1,507,054	1,640,007	1,583,453	1,690,554
Impact of Asset ceiling adjustment	-	-	-	(134,351)	(217,538)
Surplus / (Deficit) in the scheme: Local Government Pension Scheme	**(416,868)**	**(559,382)**	**(479,862)**	**(42,852)**	**(40,016)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. For both 2022/23 and 2023/24 the fair value of plan assets exceeded the obligations balance, however as the net surplus cannot be realised by the authority either through refunds or by reducing future employer contributions, the Actuary has applied an asset ceiling under IFRIC 14 to limit the value of the asset within the accounts.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is 19.6% of payroll.

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Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2022/23 £000	2023/24 £000
Opening balance at 1 April:	**2,119,869**	**1,491,954**
Current Service Cost	46,973	30,640
Interest Cost	59,669	71,424
Contributions by scheme participants	11,809	12,351
Re-measurement (gains) and losses:		
• Actuarial gains/losses arising from changes in demographic assumptions	-	(17,361)
• Actuarial gains/losses arising from changes in financial assumptions	(862,375)	(9,668)
• Other	178,159	4,776
Past Service Costs, including curtailments	134	134
Benefits paid	(53,355)	(61,461)
Liabilities assumed/(extinguished) on settlements	(5,019)	(5,586)
Unfunded Benefits paid	(3,910)	(4,171)
Closing balance at 31 March	**1,491,954**	**1,513,032**

Reconciliation of fair value of the scheme assets:

	2022/23 £000	2023/24 £000
Opening fair value of scheme asset at 1 April:	**1,640,007**	**1,583,453**
Interest Income	69,836	81,925
Re-measurement gain / (loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(114,948)	44,091
• Other	-	-
Contributions from employer	39,643	41,440
Contributions from employees into the scheme	11,809	12,351
Benefits paid	(53,355)	(61,461)
Unfunded benefits paid	(3,910)	(4,171)
Other payments	(5,629)	(7,074)
Closing fair value of scheme assets at 31 March	**1,583,453**	**1,690,554**

Other payments for scheme assets include administration expenses and settlement prices paid.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2022/23 £000	%	Fair value of scheme assets 2023/24 £000	%
Cash and cash equivalents	**15,835**	**1**	**16,906**	**1**
Government Bonds	**47,504**	**3**	**84,528**	**5**
Private equity	**126,676**	**8**	**135,244**	**8**
Property	**110,842**	**7**	**118,339**	**7**
Investment funds and unit trusts:				
• Equities	696,718	44	743,843	44
• Bonds	142,511	9	152,150	9
• Infrastructure	142,511	9	152,150	9
• Other	300,856	19	287,394	17
Sub-total Investment funds and unit trusts	**1,282,596**	**81**	**1,335,537**	**79**
Total assets	**1,583,453**	**100**	**1,690,554**	**100**

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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 about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, based on the calculations in the latest full valuation of the scheme as at 31 March 2022 rolled forward to the Balance Sheet date allowing for the different assumptions required by accounting standards.

The principal assumptions used by the actuary have been:

	2022/23	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.1	20.9
Women	24.1	23.8
Longevity at 65 for future pensioners		
Men	22.2	21.9
Women	25.6	25.4
Rate of increase in salaries	2.9%	2.95%
Rate of inflation/increase in pensions	2.9%	2.95%
Rate for discounting scheme liabilities	4.8%	4.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the 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 of the 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.

Change in assumptions at 31 March 2024:	**Impact on the Defined Benefit Obligation in the Scheme**	
	Approximate increase to Employer	**Approximate monetary amount**
	%	**£000**
0.1% decrease in Real Discount Rate	2	23,947
0.1% increase in the Salary Increase Rate	-	1,257
0.1% increase in the Pension Increase Rate	2	23,125
1 year increase to life expectancy assumptions	4	63,101

At 31 March 2024, the Council owed £4.26m (£3.96m 31 March 2023) to the Pension Fund in respect of employer's and employees' contributions.

Details of the East Sussex Pension Fund, for which a full actuarial valuation was last carried out at 31 March 2022, can be found on pages 114 to 150.

Impact on the Authority's Cash Flows

The objectives of the scheme are set out in East Sussex Pension Fund's Funding Strategy Statement (FSS), dated March 2020. In summary, these are;

- to ensure the long-term solvency of the Fund;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund;
- to reflect the different characteristics of different employers in determining contribution rates; and
- to use reasonable measures to reduce the risk from an employer defaulting on its pension obligations.

The funding level for the Fund is monitored on a regular basis. The next triennial valuation is due to be completed on 31 March 2025.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation or at any other time as instructed to do so by the Fund. The contributions payable over the period to 31 March 2024 are set out in the Rate and Adjustments certificate. For further details on the approach adopted to set contribution rates for the Employer, please refer to the 31 March 2022 actuarial valuation report (link below).

https://www.eastsussexpensionfund.org/resources/

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43. Contingent Liabilities

The Public Service and Judicial Offices Act 2022 came into effect in October 2023. This legislation sets out the basis for a remedy to the age discrimination identified within Public Service Pension Schemes, including the Local Government Pension Scheme (LGPS) since the 2015 reforms. A calculation is to be performed upon retirement so a member with qualifying service would not be worse off that they would have been prior to the reforms. As part of the remedy, some teachers' service is to be made pensionable in the LGPS. The remedy is expected to impact a very small number of members but the full financial impact cannot be assessed until all the calculations are complete, which will be over a period of many years.

44. Contingent Assets

The council is part of a class action, led by the Local Government Association, against a number of vehicle manufacturers which it is alleged have participated in price fixing across Europe. The council has bought many of its vehicles outright over many years. It is not yet possible to assess the likelihood of success or quantify any potential financial recompense. The council has no liability in relation to any potential costs if the claim is lost as it has entered into an insurance arrangement negotiated by the LGA and involving, with a large number of other claimants.

45. 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 Full Council on 7 February 2023 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £396m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £376m. 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 15% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt (see table below).

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Risk management is carried out by a central 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.

1. 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.

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 Link Asset Services. 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 2023/24 was approved by Full Council on 7 February 2023 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 £220m 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 2024 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 2023	**24**	**153**	**2,611**	**2,788**
Change in credit loss	(12)	90	719	**797**
Closing balance 31 March 2024	**12**	**243**	**3,330**	**3,585**

12 Month ECL includes some third party loan and investment balances. Lifetime ECL includes some third party loans and treasury investments. Lifetime ECL simplified includes debtor balances.

Collateral

During the reporting period the council held no collateral as security.

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2. 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, excluding sums due from customers of £44.26m at 31 March 2024 (£37.30m at 31 March 2023), is as follows:

	31 March 2023	31 March 2024
	£000	£000
Less than one year	293,692	247,420
Between one and two years	9,170	12,125
Total	**302,862**	**259,545**

3. 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 or the rescheduling of the existing debt; and
- 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 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 2023	31 March 2024
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	92,611	128,728
Between one and two years	0%	40%	11,521	12,213
Between two and five years	0%	60%	33,793	32,368
Between five and ten years	0%	70%	71,390	69,320
More than ten years	0%	90%	156,647	149,353
Total			**365,962**	**391,982**

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4. 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 2024, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	283
Impact on Comprehensive Income and Expenditure	**283**

Price risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

The Council has a 19% voting rights interest in Woodland Enterprises Ltd, a company limited by guarantee, which was set up to create prosperity in woodland and wood industries through sustainable development. The net assets of the company in the unaudited financial statements at 31 March 2023 were £232,940 (£247,600 at 31 March 2022).

The legal liability of the County Council is limited to £4m between its four guarantors. As no amount has been invested in this company, since it is limited by guarantee, and investments are carried at cost, the Council has not recognised any amount as an investment in this company.

The Council does hold £5m in a property asset fund, and its price varies. The fair value at 31 March 2024 is £4.2m. However, any movement in price will not impact on the General Fund Balance as regulations are in force to ameliorate the impact of fair value movements.

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.

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46. Trust Funds

The Council administers various funds for the benefit of individuals or groups of people. The income of such funds is not available for general use and the accounts are kept separate from those of the Council.

The term 'trust fund' includes money held on behalf of individuals, such as Social Services clients. In these cases, the holding is virtually a personal bank account and is not invested by the Council. The Council holds monies and acts as sole trustee for the following trusts:

- East Sussex Music Trust: for the provision of music education opportunities for children and young people in East Sussex;
- Robertsbridge Youth Centre: interest from money raised by the sale of land at the youth centre, applied towards youth services in Robertsbridge;
- Lewes Educational Charity: interest from money raised by the sale of former educational premises, applied towards education in Lewes and the surrounding area;
- How Scholarship: assistance to individuals in the Borough of Hastings;
- Wright Legacy: for the purchase of particular classes of books for Eastbourne Library;
- The Ashdown Forest Trust: a registered charity that was set up by a declaration of trust in 1988. The Council is trustee and agrees grants made to the Ashdown Forest conservators, from the Ashdown Forest Trust Fund. An independent examination of the Trust Fund accounts is provided by external auditors.
- Performing Arts Centre, Lewes: the centre is leased to the Council by East Sussex College as trustee of the East Sussex Music Trust.

The transactions during the year of all the funds are summarised below:

	2023/24			
	Opening Balance	**Expenditure**	**Income**	**Closing Balance**
	£000	**£000**	**£000**	**£000**
Sole trustee funds				
East Sussex Music Trust	(27)	-	(2)	(29)
Robertsbridge Youth Centre	(110)	-	(5)	(115)
Lewes Educational Charity	(63)	10	(3)	(56)
Heathfield Youth Centre	(61)	-	(3)	(64)
How Scholarship	(5)	5	-	-
Lewes Library and Museum Charitable Trust	-	22	(22)	-
Wright Legacy	(2)	-	-	(2)
Total sole trustee funds	**(268)**	**37**	**(35)**	**(266)**
Comforts funds	(38)	6	(12)	**(44)**
Total trust funds	**(306)**	**43**	**(47)**	**(310)**
Ashdown Forest Trust	(1,367)	-	(12)	(1,379)
Performing Arts Centre, Lewes	(476)	16	-	(460)

47. Closed Landfill Sites

A former or closed landfill site is an area that has previously been used to dispose of rubbish from the construction industry, commercial businesses and households. The closed site will have ceased accepting rubbish and will be under restoration. When a landfill site is originally granted planning permission, the future land use is sometimes agreed as part of the planning application. If not, the site will usually be restored so that it can be used for either recreational purposes or agriculture such as grazing.

To ensure closed landfill sites are safe, they are regularly monitored. The Council currently monitors 19 closed landfill sites of which most are over 30 years old and closed in the 1980's. The Council is responsible for aftercare costs as there is a potential risk from leachate (toxic water) and escaped gases such as methane, carbon dioxide and other gases which may be flammable. In accordance with Environment Agency legislation, the Council has made a provision for a past event of up to 60 years for future aftercare costs for each site. The provision is the best estimate of the expenditure required to settle the obligation. Over the remaining aftercare life for each site, the Council will charge aftercare costs to the provision and so reduce the liability. At 31 March 2024, the liability had reduced to £8.72m (£8.87m at 31 March 2023).

The Council own the freehold or part freehold of eight of the nineteen sites and in accordance with IAS 16 Property, Plant & Equipment and the Council's own accounting policy (see accounting policy xxi on page 60), has recognised the land value in the Balance Sheet. Four of the sites are located on land included elsewhere in the Council's Balance Sheet and the remaining four sites are valued separately as Property, Plant & Equipment at £1.4m at 31 March 2024 (£1.2m at 31 March 2023).

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Introduction

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Public Services Pensions Act 2013. The rules of the scheme are provided in the Local Government Pension Scheme Regulations and provide the statutory basis within which the Scheme can operate.

Although a national pension scheme, mainly set up for the benefit of local government employees, the LGPS is administered locally. The LGPS is open to all non-teaching employees of the County, District and Borough Councils and Unitary Authorities in East Sussex, as well as Further Education Colleges, Academies, Town and Parish Councils and a small number of charitable organisations who have applied to be treated as "admission bodies". In addition, the LGPS allows employees of private contractors to participate in the Scheme where they are providing a service or assets in connection with the functions of a scheme employer, in accordance with the specific requirements of the LGPS Regulations. The scheme is not open to teachers or fire fighters, as these groups of employees have separate pension schemes.

Currently within the East Sussex Pension Fund there are 144 participating employers. A full list of participating employers is given at note 29.

More information on the Fund can be found on its website Homepage | East Sussex Pension Fund.

Administering Authority Responsibilities

East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund (the Fund) on behalf of all the participating employers of the Fund in East Sussex, and in turn the past and present contributing members, and their dependents.

The Fund receives contributions from both employees and employers, as well as income from its investments, these elements then meet the cost of paying benefits of the pension scheme. As part of its responsibilities as the administering authority the County Council is responsible for setting the funding and investment strategies and reviewing the performance of the Fund's external investment managers and advisers. The administration and management of the Pension Fund has been delegated to the East Sussex Pension Committee supported by the East Sussex Pension Board.

The Fund has the day-to-day functions of managing the governance of the Fund and administration functions under its sovereign control. The main services provided by the Fund include governance and compliance, investment, accounting, maintenance of scheme members' records, calculation and payment of pension benefits, transfers of pension rights, calculation of annual pension increases and the provision of information and communications to scheme members, scheme employers and other stakeholders.

The Fund increased its governance arrangements following a good governance review resulting in a change to terms of reference, delegations, policies and team structure with all decision-making residing with the Pension Committee. The Fund ensures that all the participating employers within the Fund are aware of their own responsibilities through its administration strategy, as well as any changes to the provisions of the Scheme that may be introduced though an employer engagement team, communications and an annual employer forum.

A major responsibility of the administering authority is to undertake a valuation of the Pension Fund's assets and liabilities (triennial valuation). The main purpose of this exercise is to assess the size of the Fund's current and future liabilities against the size of assets, and then set the employer contribution to the Fund for each participating employer for the following three-year period. The most recent actuarial valuation of the Fund was carried out at 31 March 2022 and the next triennial valuation will be on the 31 March 2025 with new contribution rates set then.

Asset Pools

The East Sussex Pension Fund has joined with 10 other Local Government Pension Schemes (LGPS) Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The other members of the ACCESS Pool are:

1. Cambridgeshire	5. Norfolk	8. Hertfordshire
2. Kent	6. Essex	9. Suffolk
3. Hampshire	7. West Northamptonshire	10. Isle of Wight
4. West Sussex		

At the 31 March 2023 collectively, the pool has assets of £58.7 billion (of which 59% has been pooled) serving approximately 3,459 employers with over 1.2 million members including 340,000 pensioners.

The ACCESS Pool is not a legal entity in itself, but is governed by the Inter Authority Agreement signed by each Administering Authority established in 2017. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Section 151 Officers Group, Officer Working Group and the ACCESS Support Unit. More information on the ACCESS pool can be found on their website https://www.accesspool.org/.

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Pension Fund Account for the year ended 31 March 2024

2022/23 £000	2022/23 £000		Notes	2023/24 £000	2023/24 £000
		Dealings with members, employers and others directly involved in the fund			
		Contributions	7		
(108,941)		From Employers		(115,497)	
(37,980)		From Members		(39,521)	
	(146,921)				(155,018)
	(10,071)	Transfers in from other pension funds	8		(11,089)
	(156,992)				**(166,107)**
	140,411	Benefits	9		155,608
	6,283	Payments to and on account of leavers	10		13,851
	146,694				**169,459**
	(10,298)	**Net (additions)/withdrawals from dealings with members**			**3,352**
	30,756	Management expenses	11		26,278
	20,458	**Net (additions)/withdrawals including fund management expenses**			**29,630**
		Returns on investments			
	(73,668)	Investment income	12		(68,871)
	66	Taxes on income	13a		77
	162,262	Profit and losses on disposal of investments and changes in the value of investments	14a		(314,646)
	88,660	**Net return on investments**			**(383,440)**
	109,118	**Net (increase)/decrease in net assets available for benefits during the year**			**(353,810)**
	(4,687,667)	**Opening net assets of the scheme**			**(4,578,549)**
	(4,578,549)	**Closing net assets of the scheme**			**(4,932,359)**

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Net Assets Statement for the year ended 31 March 2024

31 March 2023 £000		Notes	31 March 2024 £000
4,505,386	Investment assets	14	4,846,304
1,062	Other Investment balances	21	1,333
(1,061)	Investment liabilities	22	(2,682)
54,418	Cash deposits	14	70,293
4,559,805	**Total net investments**		**4,915,248**
23,305	Current assets	21	20,194
(4,561)	Current liabilities	22	(3,083)
4,578,549	**Net assets of the fund available to fund benefits at the year end.**		**4,932,359**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

Treasurers Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2024 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

31 May 2024

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Notes to the East Sussex Pension Fund Accounts

1: Description of Fund

The East Sussex Pension Fund ("the Fund") is part of the Local Government Pension Scheme and is administered by East Sussex County Council ("the Scheme Manager"). The County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, references should be made to the East Sussex Pension Fund Annual Report 2023/24 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

a) The Local Government Pension Scheme Regulations 2013 (as amended)

b) The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

c) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by East Sussex County Council to provide pensions and other benefits for pensionable employees of East Sussex County Council, Brighton and Hove City Council, the district and borough councils in East Sussex County and a range of other scheduled and admitted bodies within the county area.

The Fund is also empowered to admit the employees of certain other bodies, town and parish councils, educational establishments, contractors providing services transferred from scheduled bodies and community interest bodies. The Fund does not provide pensions for teachers, for whom separate arrangements exist. Uniformed police and fire staff are also subject to separate pension arrangements.

The Council has delegated its pension functions to the East Sussex Pension Committee. Responsibility for the administration and financial management of the Fund has been delegated to the Chief Finance Officer along with the Head of Pensions.

The Scheme Manager is also required to establish and maintain a Pension Board, for the purposes of assisting with the administration and ongoing compliance of the Fund. The role of the Board is to assist the East Sussex Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed.

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in liquid investments such as equities and bonds as well as illiquid investments such as private equity, infrastructure, and private debt. The Committee oversees the management of these investments and the Fund and its advisers meet regularly with the investment managers to monitor their performance against agreed benchmarks. The Pension Committee take proper advice from specialist advisers when making investment decisions.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are auto enrolled into the scheme every three years and on appointment.

Organisations participating in the East Sussex Pension Fund include:

a) Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund

b) Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 144 employer organisations within East Sussex Pension Fund including the County Council itself, and 85,416 members as detailed below:

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East Sussex Pension Fund	31 March 2023	31 March 2024
Number of employers with active members	**140**	**144**
Number of employees		
County Council	8,123	8,003
Other employers	16,568	16,885
Total	**24,691**	**24,888**
Number of pensioners		
County Council	10,505	10,898
Other employers	13,619	14,390
Total	**24,124**	**25,288**
Deferred pensioners		
County Council	14,460	14,288
Other employers	20,753	20,952
Total	**35,213**	**35,240**
Total number of members in pension scheme	**84,028**	**85,416**

Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employee contributions are matched by employers' contributions, which are set, based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Currently, employer contribution rates range from 0% to 45.9% of pensionable pay.

Benefits
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme (CARE), whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the East Sussex Pension Fund Website www.eastsussexpensionfund.org

2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its position at year-end as at, 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector. The accounts have been prepared on a going concern basis. The accounts have been prepared on a going concern basis which management believes to be right as the latest valuation provided by our actuary has set the Funding level at 123% contributions rates were set for 3 years, the fund strategy statement is being followed and we are collecting contributions in line with these. We have £4.9bn in assets that are generating investment returns in line with expectations and the benefits continue to be covered from contributions and investment income.

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority

Accounting standards issued but not yet adopted - Under the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the code), the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2022 but not yet adopted by the Code.

The standards introduced by the 2024/25Code where disclosures are required in the 2023/24 financial statements are:

a) IFRS 16 *Leases* issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).

b) Classification of Liabilities as Current or Non-current (Amendments to IAS I**)** issued in January 2020. The amendments:

• specify that an entity's right to defer settlement must exist at the end of the reporting period

• clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement

• clarify how lending conditions affect classification, and

• clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

• a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and

• targeted disclosure requirements for affected entities.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

• assess how supplier finance arrangements affect an entity's liabilities and cash flows, and

• understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Note that a) will only be applicable to local authorities that have not voluntarily implemented IFRS 16 in 2023/24. It is likely that though they provide clarifications, items b), c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. There will be limited application of items e) and f).

There were no amendments for 2023/24 for the accounts of the Pension Fund.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 20.

The Pension Fund publishes a number of statutory documents, including an Investment Strategy Statement, a Funding Strategy Statement, Governance and Compliance Policy Statement and Communications Strategy Statement. Copies can be obtained by contacting the Council's Pensions team or alternatively are available from https://www.eastsussexpensionfund.org/

The Fund invest a large portion of its investment assets through the ACCESS (A Collaboration of Central, Eastern and Southern Shires) LGPS Pool. There is no specific accounting policy for the Pool. The ACCESS Pool is not a legal entity in itself, but is governed by an Inter Authority Agreement signed by each Administering Authority.

The formal decision-making body within the ACCESS Pool is the ACCESS Joint Committee, which has let the management of the asset pool to Waystone Management (UK) Ltd, appointed to provide a pooled operator service and is FCA regulated. There is no direct investment in the third party, only a contractual arrangement to provide services, so there is no investment balance to carry forward in the net asset statement.

3. Summary of significant accounting policies

Fund account – revenue recognition

1. **Contribution income**

Normal contributions are accounted for on an accruals basis as follows:
Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, which rise according to pensionable pay.
Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.
Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.
Additional employers' contributions in respect early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.
Ill-health insurance policy some employers have opted into an ill-health insurance policy administered by the Fund on their behalf. Contributions calculated by the actuary include an allowance for ill-health claims this allowance is used to pay for the policy and a reduction in contributions based on the premium and membership of the employer is made. Within the policy a profit sharing mechanism has been included which is based on the claims made an assessment will be taken if any profit share will be appropriate and an accrual made on the likely share of the profits the employers are entitled to.

2. **Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the Fund.
Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).
Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

3. **Investment income**

a) Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

b) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

c) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

d) Movement in the net market value of investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.
Fund account – expense items

4. **Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

5. **Taxation**

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

6. **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

a) Administrative expenses

All staff costs relating to the pensions administration team are charged direct to the Fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the Fund.

b) Oversight and governance costs

All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the Fund

c) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11A and grossed up to increase the change in value of investments.
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.
Where an investment manager's fee has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2023/24, £1.2m of fees is based on such estimates (2022/23: £0.7m).

Net assets statement

7. **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset.
Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.
The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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8. **Foreign currency transactions**
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

9. **Derivatives**
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.
Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in the change in market value. The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on the market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contracts were matched at the year end with an equal and opposite contract.

10. **Cash and cash equivalents**
Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

11. **Financial liabilities**
A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.
Other financial liabilities classed as amortised costs are carried at amortised cost i.e., the amount carried in the net asset statement are the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accrual's basis.

12. **Actuarial present value of promised retirement benefits**
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.
As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

13. **Additional voluntary contributions**
East Sussex Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.
AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

14. **Contingent assets and contingent liabilities**
A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.
A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.
Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The assumptions underpinning the triennial valuation are agreed locally with the actuary and are summarised in note 19. In accordance with IAS26 the Fund is also required to disclose on an annual basis the actuarial present value of promised retirement benefits in note 20. The actuarial methodology used in triennial valuations is different from that used in IAS26 calculations, therefore they will produce different liability values at a common valuation date. The liability estimates in notes 19 and 20 are subject to significant variances based on changes to the underlying assumptions and actual future experience related to the development of pension liabilities."

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5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made to take into account historical experience, current trends and other relevant factors. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. As a result of Coronavirus pandemic there is an increase in the uncertainty around the mortality provisions within the Fund, however it is too early to assess this figure at the current time so has not been included in our calculations. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	**The effects on the net pension liability of changes in individual assumptions can be measured. For instance, for the 2022 Valuation the actuary advised that:** 1. A 0.1% decrease in the discount rate assumption would result in a increase in the pension liability by approximately **£63.0m (2%).** 2. A 0.1% increase in CPI Inflation would increase the value of liabilities by approximately **£58.0 million (2%).** 3. A 0.25% Increase in mortality rates would result in an increase in the pension liability by approximately **£29.0m (1%).** 4. A 0.5% Increase in Salary Assumption would result in an increase in the pension liability by approximately **£36.0m (1%)**
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2015). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are **£371 million**. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the fund managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Infrastructure	Infrastructure investments are valued at fair value in accordance with industry guidelines, based on the Fund manager valuations as at the end of the reporting period. These investments are not publicly, listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure investments in the financial statements are **£418.7 million**. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Pooled Property	Pooled Property investments are valued at closing bid prices if both bid and offer prices are published; or if single priced, at the closing single price. Pooled property funds have derived underlying assets that have been valued by independent external valuers on a fair value basis in accordance with industry guidelines.	The total Pooled Property investments in the financial statements are £321.6 million. There is a risk that this investment may be under or overstated in the accounts depending on use of estimates applied in the valuation models by the investment managers. The sensitivity of this figure is discussed further in Note 16 and Note 18.
Climate Risk	Climate risk is the potential for adverse consequences for human or ecological systems, recognising the diversity of values and objectives associated with such systems. In the context of climate change, risks can arise from potential impacts of climate change as well as human responses to climate change. The outcomes of these risks is unknown and as such there is a degree of estimation involved in the valuation of companies.	The total net investment assets of the Fund are **£4,915.0 million.** There is a risk that the investments may be over or understated in the accounts depending on the assumptions around policy responses to climate change in the valuation of investments. The impact would be across the whole Fund but not necessary equally across asset classes. We consider that there is a price risk – sensitivity of £850M which is discussed further in Note 16 and Note 18.

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6. Events after the balance sheet date

The Fund Officers/Committee are aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case. There is a potential for the outcome of the case to have an impact on UK pension schemes. The case specifically affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.
As a result, there may be a further liability to the East Sussex Pension Fund for Local Government Pension Scheme benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). In these circumstances the S37 certificates should be held by the Government Actuary's Department (GAD) as the LGPS Scheme Actuary. HM Treasury have started reviewing the records of all public sector pension schemes and is assessing the implications of this case. It is not possible at present to estimate the potential impact, if any, on the Local Government Pension Scheme or the Fund and consequently on the defined benefit obligation in the financial statements.

7. Contributions Receivable

	2022/23 £000	2023/24 £000
By category		
Employee's contributions	37,980	39,521
Employer's contributions		
Normal contributions	96,231	114,257
Deficit recovery contributions	12,290	357
Augmentation contributions	420	883
Total	**146,921**	**155,018**
By authority		
Scheduled bodies	94,278	101,458
Admitted bodies	3,864	3,217
Administrative Authority	48,779	50,343
Total	**146,921**	**155,018**

8. Transfers in from other pension funds

	2022/23 £000	2023/24 £000
Group transfers	-	-
Individual transfers	10,071	11,089
Total	**10,071**	**11,089**

9. Benefits payable

	2022/23 £000	2023/24 £000
By category		
Pensions	118,076	131,847
Commutation and lump sum retirement benefits	19,491	20,305
Lump sum death benefits	2,844	3,456
Total	**140,411**	**155,608**
By authority		
Scheduled bodies	83,518	93,156
Admitted bodies	4,309	4,890
Administrative Authority	52,584	57,562
Total	**140,411**	**155,608**

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10. Payments to and on account of leavers

	2022/23 £000	2023/24 £000
Refunds to members leaving service	342	408
Group transfers	(1,595)	(137)
Individual transfers	7,536	13,580
Total	**6,283**	**13,851**

There was a group transfer in 2021/22 where members from East Sussex Fire Authority transferred to the Surrey Pension Fund this was recognised in the Fund's 2021/22 accounts at the estimated amount of £2.7m. The group transfer negotiations were not finalised until October 2023 so a revised estimate of £1.1m was included in the 2022/23 accounts resulting in a £1.6m reduction to the accrued amount. The finalised figure for the transfer paid in October 2023 was £1.0m this was a further reduction of £0.1m on the accrued figure for this transfer.

11. Management expenses

	2022/23 £000	2023/24 £000
Administrative costs	3,145	3,377
Investment management expenses	27,293	22,303
Oversight and governance costs	318	598
Total	**30,756**	**26,278**

11a) Investment management expenses – 2023/24

	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	**85**	85	-	-
Equities	**500**	500	-	-
Pooled investments				
Fixed Income	**1,972**	1,935	-	37
Equity	**7,110**	6,513	-	597
Diversified growth funds	**4,769**	4,465	-	304
Pooled property investments	**1,586**	1,560	-	26
Private equity / infrastructure	**6,174**	6,695	(521)	-
	22,196	**21,753**	**(521)**	**964**
Custody	**107**			
Total	**22,303**			

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

2022/23	Total £000	Management Fees £000	Performance Related Fees £000	Transaction costs* £000
Bonds	**7**	7	-	-
Equities	**350**	350	-	-
Pooled investments				
Fixed Income	**2,452**	2,424	-	28
Equity	**7,373**	6,687	-	686
Diversified growth funds	**5,903**	5,275	-	628
Pooled property investments	**1,455**	1,437	-	18
Private equity / infrastructure	**9,652**	6,383	3,269	-
	27,192	**22,563**	**3,269**	**1,360**
Custody	**101**			
Total	**27,293**			

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

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Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are grossed up.
During the year, the Pension Fund incurred management fees which were deducted at source for 2023/24 of £4.0m (£4.2m in 2022/23) on its private equity investments, fees of £1.7m (£5.5m in 2022/23) on its infrastructure investments, fees of £9.2m (£10.7m in 2022/23) on investments in the ACCESS Pool and fees of £4.2m (£3.6m in 2022/23) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12. Investment income

	2022/23 £000	2023/24 £000
Income from equities	4,994	5,561
Private equity/Infrastructure income	7,059	1,958
Pooled property investments	12,476	11,801
Pooled investments - unit trusts and other managed funds	47,352	47,288
Interest on cash deposits	1,787	2,263
Total	**73,668**	**68,871**

13. Other fund account disclosures

13a) Taxes on income

	2022/23 £000	2023/24 £000
Withholding tax – equities	(66)	(77)
Total	**(66)**	**(77)**

13b) External audit costs

	2022/23 £000	2023/24 £000
Payable in respect of external audit for 2021/22	12	-
Payable in respect of external audit for 2022/23	47	-
Payable in respect of external audit for 2023/24	-	98
Payable in respect of other services	10	-
Total	**69**	**98**
Grant	(10)	(11)
Total	**59**	**87**

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14. Investments

	2022/23 £000	2023/24 £000
Investment assets		
Bonds	93,755	234,909
Equities	235,630	395,972
Pooled Investments		
Fixed Income	459,852	496,738
Equity	1,789,063	1,790,008
Diversified growth funds	819,737	818,621
Pooled property investments	328,542	321,613
Private equity/infrastructure	778,754	788,404
Derivative contracts:		
Futures	53	39
	4,505,386	**4,846,304**
Cash deposits with Custodian	54,418	70,293
Other Investment balances (Note 21)	1,062	1,333
Total investment assets	**4,560,866**	**4,917,930**
Investment Liabilities (Note 22)	(1,061)	(2,682)
Derivative contracts:		
Futures	-	-
Total Investment Liabilities	**(1,061)**	**(2,682)**
Net investment assets	**4,559,805**	**4,915,248**

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14a) Reconciliation of movements in investments and derivatives

	Market value 1 April 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2024 £000
Bonds	**93,755**	136,000	-	5,154	**234,909**
Equities	**235,630**	128,422	(122,241)	154,161	**395,972**
Pooled investments	**3,068,652**	198,413	(317,250)	155,552	**3,105,367**
Pooled property investments	**328,542**	24,612	(21,112)	(10,429)	**321,613**
Private equity/infrastructure	**778,754**	40,004	(39,896)	9,542	**788,404**
	4,505,333	**527,451**	**(500,499)**	**313,980**	**4,846,265**
Derivative contracts					
■ Futures	**53**	812	(1,323)	497	**39**
■ Forward currency contracts	**-**	-	-	-	**-**
	4,505,386	**528,263**	**(501,822)**	**314,477**	**4,846,304**
Other investment balances:					
■ Cash deposits	**54,418**			169	**70,293**
■ Other Investment Balances	**1,062**				**1,333**
■ Investment Liabilities	**(1,061)**				**(2,682)**
Net investment assets	**4,559,805**			**314,646**	**4,915,248**

	Market value 1 April 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market value 31 March 2023 £000
Bonds	**134,975**	-	-	(41,220)	**93,755**
Equities	**237,482**	65,356	(61,086)	(6,122)	**235,630**
Pooled investments	**3,310,115**	60,289	(223,622)	(78,130)	**3,068,652**
Pooled property investments	**390,179**	16,648	(21,597)	(56,688)	**328,542**
Private equity/infrastructure	**514,383**	326,052	(77,324)	15,643	**778,754**
	4,587,134	**468,345**	**(383,629)**	**(166,517)**	**4,505,333**
Derivative contracts					
■ Futures	**8**	1,860	(1,785)	(30)	**53**
■ Forward currency contracts	**-**	-	-	-	**-**
	4,587,142	**470,205**	**(385,414)**	**(166,547)**	**4,505,386**
Other investment balances:					
■ Cash deposits	**90,216**			4,286	**54,418**
■ Other Investment Balances	**774**				**1,062**
■ Investment Liabilities	**(1,170)**				**(1,061)**
Net investment assets	**4,676,962**			**(162,262)**	**4,559,805**

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14b) Investments analysed by fund manager

	Market value 31 March 2023 £000	Market value 31 March 2023 %	Market value 31 March 2024 £000	Market value 31 March 2024 %
Investments in the ACCESS Pool				
ACCESS - Alpha Opportunities (M&G)	293,179	6.4%	330,522	6.7%
ACCESS - Absolute Return (Ruffer)	478,853	10.5%	450,410	9.2%
ACCESS - Corporate Debt (M&G)	123,637	2.7%	131,119	2.7%
ACCESS - Global Alpha (Baillie Gifford)	187,271	4.1%	217,275	4.4%
ACCESS - Global Equity (Longview)	555,749	12.2%	521,637	10.6%
ACCESS - Real Return (Newton)	340,884	7.5%	368,211	7.5%
ACCESS - IFM Global Infrastructure	-	-	246,864	5.0%
ACCESS - UBS Passive	93,752	2.1%	234,918	4.8%
ACCESS - UBS Osmosis	236,761	5.2%	397,602	8.1%
	2,310,086	**50.7%**	**2,898,558**	**59.0%**
Investments held directly by the Fund				
Adams St Partners	195,685	4.3%	189,505	3.9%
Atlas Infrastructure	100,931	2.2%	99,922	2.0%
East Sussex Pension Fund Cash	35,526	0.8%	52,172	1.1%
Harbourvest Strategies	179,466	3.9%	181,573	3.7%
M&G Real Estate Debt	43,036	0.9%	35,098	0.7%
IFM Global Infrastructure	234,104	5.1%	-	-
Pantheon	81,166	1.8%	87,045	1.8%
Prudential Infracapital	52,959	1.2%	49,369	1.0%
Schroders Property*	345,720	7.6%	336,032	6.8%
Storebrand Smart Beta & ESG	501,170	10.9%	465,360	9.5%
UBS Infrastructure Fund	36,335	0.8%	35,389	0.7%
Wellington Active Impact Equity	221,782	4.9%	247,275	5.0%
Wheb Active Impact Equity	221,839	4.9%	237,950	4.8%
	2,249,719	**49.3%**	**2,016,690**	**41.0%**
	4,559,805	**100.0%**	**4,915,248**	**100.0%**

* Schroders mandate is to oversee the East Sussex Pension Fund's investments in a range of underlying property funds this is not a single investment into a Schroders property fund.

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The following investments represent more than 5% of the investment assets of the scheme

Security	Market Value 31 March 2023 £000	% of total fund	Market value 31 March 2024 £000	% of total fund
ACCESS - Global Equity (Longview)	555,749	12.2%	521,637	10.6%
Storebrand Smart Beta & ESG Fund	501,170	11.0%	465,360	9.5%
ACCESS - Absolute Return (Ruffer)	478,853	10.5%	450,410	9.2%
ACCESS - Real Return (Newton)	340,884	7.5%	368,211	7.5%
ACCESS - Alpha Opportunities (M&G)	293,179	6.4%	330,522	6.7%
IFM Global Infrastructure	234,104	5.1%	246,864	5.0%
Wellington Active Impact Equity Fund	221,782	4.9%	247,275	5.0%

14c) Stock lending

The East Sussex Pension Fund has not operated a direct stock lending programme since 13 October 2008 but stock lending may occur in some of our pooled vehicles the fund is in invested in.

15 Analysis of derivatives

Objectives and policies for holding derivatives

Derivatives can be used to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

1. Futures

The Fund's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

Type	Expires	Economic Exposure £000	Market Value 31 March 2023 £000	Economic Exposure £000	Market Value 31 March 2024 £000
Assets					
UK Equity Futures	Less than one year	153	2	240	10
Overseas Equity Futures	Less than one year	875	51	1,239	29
Total assets			**53**		**39**
Liabilities					
Overseas Equity Futures	Less than one year	-	-	-	-
Total liabilities			**-**		**-**
Net futures			**53**		**39**

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2. Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. The Fund can participate in forward currency contracts in order to reduce the volatility associated with fluctuating currency rates.

No forward foreign currency investments were held at the 31 March 24 (Nil 31 March 23)

3. Options

The Fund wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. The Fund buys equity option contracts that protect it from falls in value in the main markets in which the scheme invests.

No options investments were held at the 31 March 24 (Nil 31 March 23)

16 Fair value – basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques, which represent the highest and best price available at the reporting date

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market-quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not Required	Not Required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not Required	Not Required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not Required	Not Required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not Required	Not Required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not Required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not Required

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Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments – Equity, Fixed Income and Diversified Growth Funds	Level 2	Values are not published on exchanges and are determined by the investment manager or responsible entity at prescribed valuation points. Closing bid price where bid and offer prices are published Closing single price where single price published	The valuation is undertaken by the investment manager or responsible entity and advised as a unit or security price. Observable inputs are used. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.	Not Required
Pooled investments – Property Funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published Investments in unlisted property funds are valued at the net asset value (NAV). The underlying real estate assets values have been derived by independent valuers on a fair value basis.	Pricing includes situations where there is little market activity, a net asset value calculations are used, a single price has been advised by the fund manager, underlying assets have been valued by independent external valuers on a fair value basis.	Valuations could be affected by the frequency of the independent valuations between the funds.
Unquoted equity – Private Equity / Infrastructure	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	Observable inputs are subject to judgment by the respective manager but are applied in accordance with the appropriate industry guidelines. Valuation techniques utilised includes management's cashflow projections, estimates of growth expectations and profitability, profit margin expectations and adjustments to current prices for similar assets Valuations are audited as at 31 December, and the valuations as at 31 March reflect cash flow transactions since 31 December.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

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Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequential potential impact on the closing value of investments held at 31 March 2024 and 31 March 2023.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	35,096	38,255	31,937
Pooled property investments (2)	13%	321,612	363,422	279,802
Private Equity/Infrastructure (3)	24%	788,408	977,626	599,190
Total		**1,145,116**	**1,379,303**	**910,929**

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Investment (1)	9%	43,035	46,908	39,162
Pooled property investments (2)	13%	328,541	371,251	285,831
Private Equity/Infrastructure (3)	24%	778,754	962,540	594,968
Total		**1,150,330**	**1,380,699**	**919,961**

1. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate debt assets, the range in the potential movement of 9% is caused by how this value is measured.
2. All movements in the assessed valuation range derive from changes in the net asset value of the underlying real estate assets, the range in the potential movement of 13% is caused by how this value is measured.
3. All movements in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 24% is caused by how this profitability is measured.

16a) Fair value hierarchy

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2024

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	397,345	3,305,176	1,145,116	**4,847,637**
Non-financial assets at fair value through profit and loss	-	-	-	**-**
Financial liabilities at fair value through profit and loss	(39)	(2,643)	-	**(2,682)**
Net investment assets	**397,306**	**3,302,533**	**1,145,116**	**4,844,955**

Values at 31 March 2023

	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With Significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	236,747	3,119,370	1,150,330	**4,506,447**
Non-financial assets at fair value through profit and loss	-	-	-	**-**
Financial liabilities at fair value through profit and loss	(53)	(1,008)	-	**(1,061)**
Net investment assets	**236,694**	**3,118,362**	**1,150,330**	**4,505,386**

16b) Transfers between levels 1 and 2

During 2023/24 the fund has transferred no financial assets between levels 1 and 2.

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16c) Reconciliation of fair value measurements within level 3

Period 2023/24 (values in £000)

	Market value 1 April 2023	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2024
Pooled investments	**43,035**	-	-	173	(10,791)	2,679	-	**35,096**
Pooled property investments	**328,541**	-	-	24,612	(21,112)	(17,109)	6,680	**321,612**
Private Equity/Infrastructure	**778,754**	-	-	40,004	(37,919)	(7,804)	15,373	**788,408**
Total	**1,150,330**	**-**	**-**	**64,789**	**(69,822)**	**(22,234)**	**22,053**	**1,145,116**

*Reconciliation to Change in market value during the year in Note 14a

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	406,039	(91,212)	314,827
3	(22,234)	22,053	(181)
Total	**383,805**	**(69,159)**	**314,646**

Period 2022/23 (values in £000)

	Market value 1 April 2022	Transfers into Level 3	Transfers out of Level 3	Purchases during the year	Sales during the year	Unrealised gains/(losses)	Realised gains/(losses)	Market value 31 March 2023
Pooled investments	**39,733**	-	-	11,899	(7,258)	(1,339)	-	**43,035**
Pooled property investments	**390,179**	-	-	16,648	(21,597)	(61,429)	4,740	**328,541**
Private Equity/Infrastructure	**514,383**	-	-	326,052	(77,325)	(18,049)	33,693	**778,754**
Total	**944,295**	**-**	**-**	**354,599**	**(106,180)**	**(80,817)**	**38,433**	**1,150,330**

*Reconciliation to Change in market value during the year in Note 14a

Level	Unrealised gains/(losses)	Realised gains/(losses)	Change in market value during the year
1 and 2	(156,344)	36,463	(119,881)
3	(80,817)	38,433	(42,384)
Total	**(237,161)**	**74,896**	**(162,265)**

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17 Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (including cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period. The Pension Fund believe that the assets and liabilities held at amortised cost have no material difference to the fair value of the assets and liabilities.

31 March 2023				31 March 2024		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
93,755	-	-	Bonds	234,909	-	-
235,630	-	-	Equities	395,972	-	-
3,068,651	-	-	Pooled investments	3,105,367	-	-
328,542	-	-	Pooled property investments	321,613	-	-
778,754	-	-	Private equity/infrastructure	788,404	-	-
53	-	-	Derivative contracts	39	-	-
-	54,418	-	Cash	-	70,293	-
-	9,332	-	Cash held by ESCC*	-	5,031	-
1,062	-	-	Other investment balances	1,333	-	-
-	13,973	-	Debtors *	-	15,163	-
4,506,447	**77,723**	-	**Total Financial Assets**	**4,847,637**	**90,487**	-
			Financial liabilities			
-	-	-	Derivative contracts	-	-	-
(1,061)	-	-	Other investment balances	(2,682)	-	-
-	-	-	Cash held by ESCC	-	-	-
-	-	(4,561)	Creditors	-	-	(3,072)
(1,061)	-	**(4,561)**	**Total Financial Liabilities**	**(2,682)**	-	**(3,072)**
4,505,386	**77,723**	**(4,561)**	**Total Financial Instruments**	**4,844,955**	**90,487**	**(3,072)**

*Reconciliation to Current Assets Note 21

	2022/23 £000	2023/24 £000
Cash held by ESCC	9,332	5,031
Debtors	13,973	15,163
Current Assets	**23,305**	**20,194**

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17a) Net gains and losses on financial instruments

	31 March 2023 £000	31 March 2024 £000
Financial assets		
Fair value through profit and loss	(166,553)	314,645
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	4,274	1
Financial liabilities		
Fair value through profit and loss	17	-
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	**(162,262)**	**314,646**

18. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the forecast cash flows. The Pension Committee also recognises climate change risk as a financial risk to the investments of the Fund. The Fund manages these investment risks as part of its overall risk management program.
Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's pensions operations. Policies are reviewed regularly to reflect changes in activity and in the market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.
The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.
In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.
The Fund manages these risks in two ways:
1. the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
2. specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.
The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses form shares sold short is unlimited.
The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the Fund's investment strategy.

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Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	11.5%
Other Bonds	6.8%
UK Equities	20.5%
Global Equities	21.0%
Absolute Return	12.5%
Pooled Property Investments	13.0%
Private Equity	26.0%
Infrastructure Funds	15.0%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

Asset Type	Values at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Index Linked	234,909	261,924	207,894
Other Bonds	496,738	530,516	462,960
UK Equities	14,789	17,821	11,757
Global Equities	2,171,190	2,627,140	1,715,240
Absolute Return	818,621	920,949	716,293
Pooled Property Investments	321,613	363,423	279,803
Private Equity	616,601	776,917	456,285
Infrastructure Funds	171,804	197,575	146,033
Net Derivative Assets*	39	(347)	425
Total assets available to pay benefits	**4,846,304**	**5,696,918**	**3,996,690**

*Movement on net derivative assets is based on the underlying economic exposure of the derivative instrument.

Asset Type	Values at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Index Linked	93,755	105,006	82,504
Other Bonds	459,852	497,071	422,633
UK Equities	9,639	11,615	7,663
Global Equities	2,015,054	2,438,215	1,591,893
Absolute Return	819,737	922,204	717,270
Pooled Property Investments	328,542	371,252	285,832
Private Equity	608,293	766,449	450,137
Infrastructure Funds	170,461	196,030	144,892
Net Derivative Assets	53	(333)	439
Total assets available to pay benefits	**4,505,386**	**5,307,509**	**3,703,263**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Fund and its investment advisors in accordance with the risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as of 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100-basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment adviser has advised that this is consistent with an annual one standard deviation move in interest rates, where interest rates are determined by the prices of fixed interest UK government bonds.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:

Asset type	Carrying amount as at 31 March 2024 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	70,293	70,293	70,293
Cash balances	5,031	5,031	5,031
Fixed interest securities	496,738	501,705	491,771
Index linked securities	234,909	234,909	234,909
Total change in assets available	**806,971**	**811,938**	**802,004**

Asset type	Carrying amount as at 31 March 2023 £000	Impact of 1% increase £000	Impact of 1% decrease £000
Cash and cash equivalents	54,418	54,418	54,418
Cash balances	9,332	9,332	9,332
Fixed interest securities	459,852	464,451	455,253
Index linked securities	93,755	93,755	93,755
Total change in assets available	**617,357**	**621,956**	**612,758**

Income Source	Interest receivable 2023/24 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	2,263	3,016	1,510
Fixed interest securities	15,705	15,705	15,705
Index linked securities	-	2,349	(2,349)
Total change in assets available	**17,968**	**21,070**	**14,866**

Income Source	Interest receivable 2022/23 £000	Value on 1% increase £000	Value on 1% decrease £000
Cash deposits/cash and cash equivalents	1,787	2,425	1,149
Fixed interest securities	16,702	16.702	16,702
Index linked securities	-	938	(938)
Total change in assets available	**18,489**	**20,065**	**16,913**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances.

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Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in pound sterling. Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Values at 31 March 2024 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	381,184	37,356	418,540	343,828
Overseas unit trusts	3,397,030	332,909	3,729,939	3,064,121
Total change in assets available	**3,778,214**	**370,265**	**4,148,479**	**3,407,949**

Currency exposure - asset type	Values at 31 March 2023 £000	Potential Market movement £000	Value on increase £000	Value on decrease £000
Overseas quoted securities	225,992	22,147	248,139	203,845
Overseas unit trusts	3,387,552	331,980	3,719,532	3,055,572
Total change in assets available	**3,613,544**	**354,127**	**3,967,671**	**3,259,417**

Climate Change risk

Current asset pricing may not take into account the emerging climate risk to the underlying holdings, markets may be over or underestimating the value of the assets and could lead to future price volatility. Climate change will affect economic growth and there is uncertainty in the economic outlook due to climate change which could lead to lower returns on equities or risk to future discounted cash flows. High carbon emitters are more exposed to risks from climate change particularly from a transition risk perspective. The Fund mitigates this climate change market risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy. In addition, the Fund is underweighted in high carbon emitting stocks such as fossil fuel companies and carries out carbon foot printing of the Fund's investments and asset managers and the Fund through its collaborative partners engage with corporate management of the underling holdings to ensure companies are responsibly managing their climate change risks. The Fund's Taskforce for Climate Related Financial Disclosure (TCFD) report is included in the Annual Report.

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high-quality counterparties, brokers and financial institutions minimise credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits in recent years.

Summary	Asset value as at 31 March 2023 £000	Asset value as at 31 March 2024 £000
Overseas Treasury bills	17,087	15,336
NT custody cash accounts	37,332	54,958
Total overseas assets	**54,419**	**70,294**

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Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.
The Fund has immediate access to its cash holdings and has access to an overdraft facility for short-term cash needs. This facility is only used to meet timing differences on pension payments. As these borrowings are of a limited short-term nature, the Fund's exposure to liquidity risk is considered negligible.
All financial liabilities at 31 March 2024 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding arrangements

Introduction

The last full triennial valuation of the Fund was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £4.69bn.
- The Fund had a funding level of 123% i.e., the value of assets for valuation purposes was 123% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £858m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these falls due.
- plus, an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.2% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.
In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.
Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

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Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.6% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	
Males	0.5% p.a.
Females	0.5% p.a.
2020/21 weighting parameter	5%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Investment returns on the Scheme's assets over the year to 31 March 2024 have been strong, estimated at 8% p.a. The Fund also has a positive cash flow, and so the market value of assets at 31 March 2024 has increased since the formal valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2024, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid and interest on the liabilities.

The 2024 pension increase order is 6.7%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

On balance, we estimate that the funding position has reduced when compared on a consistent basis to 31 March 2022.

The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Dr Barry McKay FFA
Partner, Barnett Waddingham LLP

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20. Actuarial present value of promised retirement benefits

Introduction

We have been instructed by East Sussex County Council, the administering authority to the East Sussex Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2024. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website (www.lgpsregs.org/) and the Fund's membership booklet (www.lgpsmember.org/).

This report is prepared in accordance with our understanding of IAS26. This advice complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2024.

We would be pleased to answer any questions arising from this report.

Barry McKay FFA

Partner

Data used

We have used the following items of data which we received from the administering authority:
Results of the latest funding valuation - 31 March 2022
Results of the previous IAS26 report - 31 March 2023
Fund asset statement as at - 31 March 2024
Fund income and expenditure items to- 31 March 2024
Details of any new unreduced early retirement payments out 31 March 2024

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice. Although some estimation of the data to the accounting date may be required, we do not believe that they are likely to have a material effect on the results of this report.
We are not aware of any material changes or events since we received the data.

Employer membership statistics

The table below summarises the membership data at 31 March 2022
Member data summary

	Number	Salaries/Pensions £000	Average age
Actives	24,672	500,451	47
Deferred pensioners	39,993	48,986	51
Pensioners	23,182	116,050	72

Payroll

The total pensionable payroll for the employers in the Fund is set out below and is based on information provided to us by the administering authority. Estimated payroll of the year to 31 March 2024: £580,243,000

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We have requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2024. We have been notified of 33 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £363,000.

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Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2024 is calculated to be -8.02% based on the Fund asset statements and Fund cashflows as set out in the Data section preceding this section.

The estimated asset allocation for the Fund is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2023 £000	31 Mar 2023 %	31 Mar 2024 £000	31 Mar 2024 %
Equities	3,219,201	71%	3,375,056	69%
Bonds	553,606	12%	731,646	15%
Property	733,175	16%	740,347	15%
Cash	54,520	1%	69,379	1%
Total	**4,560,502**	**100%**	**4,916,428**	**100%**

Actuarial methods and assumptions

Valuation approach

To value the Fund's liabilities at 31 March 2024, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102. This will involve an update this year to be based on the fund's 2022 funding valuation.
The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.
It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2024 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2024 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.
As required under the IAS19, we have used the projected unit credit method of valuation.

Experience items allowed for since the previous accounting date

2023 valuation update
The liability roll forward will be updated to be based on the fund's 2022 valuation. This update ensures the accounting results are based on the latest information available. The impact of this update will result in experience items on the liabilities and the assets, and could be a positive or negative effect. The experience item reflects how experience over the intervaluation period has differed from that assumed as part of the roll forward approach.

Further detail on the experience item can be provided on request and will incur additional fees.

Allowance for inflation experience
Our default approach is to allow for actual pension increases up to the accounting date as confirmed by the HM Treasury Order. In addition we allow for actual inflation experience from September 2023 to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.
For most employers, an allowance for part-year inflation experience was made when preparing their 2023 year-end accounting balance position. This would have allowed for ONS CPI (Consumer Price Index) inflation observed over the year to March 2024.

Asset ceilings
The accounting standards state that is an employer has an accounting surplus to the extent that its is able to recover the surplus either through reduced contribution in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling".
Our default approach for all employers will be to allow for an asset ceiling. For employers accounting under IAS19, the calculation will be based on our interpretation of IFRIC 14 "The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". For employers reporting under FRS102, the accounting standards are less prescriptive regarding the methodology underpinning an asset ceiling calculation, however in the absence of any other guidance we consider it reasonable to have regard to IFRIC 14 which applies under the international standard.
IFRIC 14 itself is open to multiple interpretation and, since the last accounting date, auditors' preferences have been evolving and have only recently coalesced around a generally preferred approach. Guidance was also released from CIFA dated November 23 regarding their interpretation of IFRIC 14's applicability in the LGPS. In light of these developments, we intend to adopt the below methodology as standard:
Asset ceiling methodology
Our calculations assume that:

- There is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS Fund.
- The appropriate time horizon to consider for calculating the economic benefit associated with potential reductions in future contributions will depend on the type of body and the nature of any applicable admission agreement:

- If the employer is a scheduled body, or an admission body which is open to new members with no anticipated contract end date, we will assume they will participate indefinitely. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, in 'perpetuity'.
- If the employer is an admitted body which is closed to new members, the appropriate time horizon to consider will be shorter of any anticipated contract end date and the average future working lifetime of active members. Our calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accruals, for so long as that reduction is expected to remain in force

- If the employer is currently already receiving a reduction in contributions in respect of a funding surplus, these will be deducted from the contributions that would otherwise be required to be paid towards the cost of future accrual, for so long as that reduction is expected to remain in force.
- For Employers reporting under IAS 19 only, any requirement to make contributions towards a funding deficit is considered as an additional minimum liability. The time horizon for assessment of the additional minimum liability is the deficit recovery period used to determine the level of secondary contributions certified.

McCloud/Sargeant judgments
Regulations in respect of McCloud and Sargeant judgments came into force on 1 October 2023. These may affect the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

Impact on liabilities
An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

Settlements and curtailments

Employers accounting under the IAS19 standard
When determining any past service cost or gain or loss on settlement IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.
Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Goodwin case
We do not intend to make any adjustments to accounting valuations as a result of the Goodwin case.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgment on past transfer values
The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.
It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgment.

GMP Indexation Consultation response
On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.
Our assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic assumptions

Mortality assumption
The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgment involved and we naturally have to refine our view on this over time.

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Base table mortality
The base table mortality assumptions adopted for the Funds' latest triennial funding valuations were best estimate assumptions and we will therefore be using the same assumptions as standard for accounting.
Our standard approach is to update the mortality assumption to be based on those adopted for the Fund's 2022 actuarial valuation.

Future improvements to mortality
To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.
Our standard approach is to update the improvements model to be based on that adopted for the fund's 2022 actuarial valuation.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2023	31 Mar 2024
Males – retiring today	21.1	20.9
Females – retiring today	24.1	23.8
Males – retiring in 20 years	22.2	21.9
Females – retiring in 20 years	25.6	25.4

Unless stated otherwise in the employer's accounting report, the other key demographic assumptions are:

Commutation
Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.

Normal retirement
Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.

50:50 take up
The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions
The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.
We set out our standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 March 2024.

Discount rate
Under IAS19 the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.
We use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30-year point.
The sample cashflows are prepared by Barnett Waddingham on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30-year point, resulting in 30 sets of sample cashflows. All employers in the same maturity bracket share the same set of sample cashflows which is used at each accounting date to set the relevant financial assumptions.
The new yield curve at the accounting date is used to discount the sample cashflows to calculate a single equivalent discount rate proposed for use in the employer's accounting valuation.
Inflation expectations
Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.
IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). As there is limited market information on CPI-linked assets, to derive our CPI assumption we first make an assumption on the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption
Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.
The SEIR adopted is such that the single assumed rate of inflation results in the same liability as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

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Consistent with past period, our view remains that gilt-implied inflation rates are distorted bu supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) which varies by the term of the employer's liabilities with the resulting assumption falling between 0.0% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years).
Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05%

Difference between RPI and CPI
It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.20% p.a. and 0.75% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Consumer Prices Index (CPI) assumption
Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

Salary increases
The Fund will adopt the standard approach which is in line with the latest actuarial valuation. For more information please see the latest valuation report.

Results and disclosures

We estimate that the net asset as at 31 March 2024 is assets of £763,103
The results of our calculations for the year ended 31 March 2024 are set out below. The figures presented in this report are prepared only for the purposes of FRS102. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Statement of financial position as at 31 March 2024

Net pension asset in the statement of financial position as at	31-Mar-22 £000	31-Mar-23 £000	31-Mar-24 £000
Present value of defined benefit obligation *	(5,669,531)	(4,042,513)	(4,153,325)
Fair value of Fund assets (bid value)	4,687,667	4,560,502	4,916,428
Net (Liability)/Assets in balance sheet	**(981,864)**	**517,989**	**763,103**

* The present value of the defined benefit obligation consists of £4,115,901,000 in respect of vested obligation and £37,424,000 in respect of non-vested obligation.

Asset and benefit obligation reconciliation for the year to 31 March 2024

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	31-Mar-23 £000	31-Mar-24 £000
Opening defined benefit obligation	**(5,669,531)**	**(4,042,513)**
Current service cost	(242,639)	(108,881)
Interest cost	(146,099)	(191,204)
Change in financial assumptions	2,392,022	36,157
Change in demographic assumptions	-	46,447
Experience loss/(gain) on defined benefit obligation	(477,886)	(12,789)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	137,997	158,371
Past service costs, including curtailments	(1,158)	(1,203)
Contributions by Scheme participants	(35,219)	(37,710)
Unfunded pension payments	-	-
Closing defined benefit obligation	**(4,042,513)**	**(4,153,325)**

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Reconciliation of opening & closing balances of the fair value of Fund assets	31-Mar-23 £000	31-Mar-24 £000
Opening fair value of Fund assets	**4,687,667**	**4,560,502**
Interest on assets	121,965	218,797
Return on assets less interest	(252,372)	145,535
Other actuarial gains/(losses)	-	-
Administration expenses	(3,424)	(3,906)
Contributions by employer including unfunded	109,444	116,161
Contributions by Scheme participants	35,219	37,710
Estimated benefits paid plus unfunded net of transfers in	(137,997)	(158,371)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**4,560,502**	**4,916,428**

The total return on the Fund's assets for the year to 31 March 2024 is a gain of £364,332,000 (2023 loss of £130,407,000).

Sensitivity Analysis

	31 March 2024 £000	
Present value of total obligation	4,153,325	
Sensitivity to	+0.1%	-0.1%
Discount rate	4,086,944	4,221,444
Long term salary increase	4,157,208	4,149,468
Pension increases and deferred revaluation	4,218,800	4,089,496
Sensitivity to	+1 Year	- 1 Year
Life expectancy assumptions	4,316,658	3,996,939

The information in the above note is all from the Fund Actuary - **Barnett Waddingham.**

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21. Current Assets

	31 March 2023 £000	31 March 2024 £000
Other Investment Balances		
Sales inc Currency	-	-
Investment Income Due	674	826
Recoverable Taxes	388	507
Total	**1,062**	**1,333**

	31 March 2023 £000	31 March 2024 £000
Current Assets		
Contributions receivable from employers and employees	11,796	13,068
Sundry Debtors	2,177	2,095
Cash	9,332	5,031
Total	**23,305**	**20,194**

22. Current liabilities

	31 March 2023 £000	31 March 2024 £000
Investment Liabilities		
Purchases including currency	(309)	(1460)
Derivative Contracts Futures	-	-
Variation Margin	(53)	(39)
Managers Fees	(699)	(1,183)
Total	**(1,061)**	**(2,682)**

	31 March 2023 £000	31 March 2024 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(221)	(549)
Cash	-	-
Professional Fees	(2,237)	(15)
Administration Recharge	(72)	(328)
Sundry Creditors	(2,031)	(2,191)
Total	**(4,561)**	**(3,083)**

23. Additional voluntary contributions

	Market value 31 March 2023 £000	Market value 31 March 2024 £000
Prudential	17,232	19,229

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. Some members of the pension scheme paid voluntary contributions and transfers in of £2.854m (£2.504m 2022/23) to Prudential to buy extra pension benefits when they retire. £2.050m was disinvested from the AVC provider in 2023/24 (£3.187m 2022/23). Contributions and benefits to scheme members are made directly between the scheme member and the AVC provider. The AVC funds are not, therefore, included in the Pension Fund Accounts.

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24. Agency Services

The East Sussex Pension Fund pays discretionary awards to former employees on behalf of some employers in the Fund. The amounts paid are provided as a service and are fully reclaimed from the employer bodies. The sums are disclosed below.

	2022/23 £000	2023/24 £000
East Sussex County Council	4,618	4,891
Brighton & Hove City Council	2,056	2,127
Eastbourne Borough Council	281	286
Magistrates	199	208
Wealden District Council	168	180
Hastings Borough Council	165	172
Rother District Council	99	106
Lewes District Council	66	64
University of Brighton	24	26
South-East Water	22	21
Westminster (used to be LPFA)	20	21
Mid-Sussex District Council	19	18
East Sussex Fire Authority	14	12
London Borough of Camden	8	8
London Borough of Southwark	7	7
The Eastbourne Academy	6	7
West Midlands Pension Fund	5	5
West Sussex County Council	4	5
Torfaen Borough Council	4	4
Sussex University	3	4
Varndean College	2	2
London Borough of Ealing	2	2
East Sussex College Group	1	1
Plumpton College	1	1
Optivo	1	1
Total	**7,795**	**8,179**

25. Related party transactions

East Sussex County Council

The East Sussex Pension Fund is administered by East Sussex County Council. Consequently, there is a strong relationship between the Council and the Pension Fund.
Each member of the Pension Committee is required to declare their interests at each meeting. The Treasurer of the Pension Fund, and Members of the County Council and the Pension Committee have no material transactions with the Pension Fund. The Council incurred costs in administering the Fund and charged £2.5m to the Fund in 2023/24 (£2.0m in 2022/23). The Council's contribution to the Fund was £49.4m in 2023/24 (£46.6 in 2022/23). All amounts due to the Fund were paid in the year. At 31 March 2024 the Pension Fund bank account held £6.9m in cash (£9.8m at 31 March 2023). The average throughout the year was £9.6m (£8.2m in 2022/23).

Key management personnel

The Pension Committee and Chief Finance Officer of East Sussex County Council hold the key positions in the financial management of the East Sussex Pension Fund. Their remuneration is set out below:

	31 March 2023 £000	31 March 2024 £000
Short-term benefits	35	37
Post-employment benefits	5	6
Total	**40**	**43**

The amount disclosed represents an assumed 22% of the Chief Finance Officer's remuneration devoted to the Fund

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26. Contingent liabilities and contractual commitments

1. Outstanding capital commitments (investments) at 31 March 2024 totalled £202.6m (31 March 2023: £236.8m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing, typically over a period of between four and six years from the date of each original commitment.
At, 31 March 2024, the unfunded commitment was £131.6m for private equity, £39.6m for infrastructure and £31.4m for private debt. The commitments are paid over the investment timeframe of the underlying partnerships. As these partnerships mature, they are due to distribute capital back to investors. Commitments are made in US Dollars or Euros and the figures presented here are based on relevant Sterling exchange rates as at 31 March 2024.

2. Exit Payments
There were 8 scheme employers which ceased by the end of 31 March 2024 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then obtain final cessation reports from the Fund Actuary to ascertain if an exit payment or credit is due relating to these employers. The Fund has obtained 3 of these cessation reports and one indictive report, estimating the maximum potential exit credit based on the indicative cessation date. The Pension Committee will be required to make any decision as to the payment of any exit credit in line with the Fund's exit credit policy, taking into account representations from the relevant employers and associated risk sharing arrangements. The total potential exit credit that could be paid out by the Fund is expected to range from £0-£2.4m.

3. GMP Reconciliation Project
The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has completed the discovery and GMP reconciliation phases, which reviewed data inconsistencies, raised issues with HMRC and agreed outcomes.
GMP elements of LGPS pension where State Pension Age is prior to 6 April 2016 has not increased in respect of the period 6 April 1978 to 5 April 1988. While the Post 1988 GMP element in respect of the period 6 April 1988 to 5 April 1997 might be increased up to a maximum of 3% p.a. The Government increase the State Pension for the member fully on the Pre 1988 GMP element and for Post 1988 GMP element has only increased if CPI is above 3% p.a.
The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension might be increased incorrectly. This can result in underpayments and overpayments, at a member specific level. For pensioners below GMP age and non-pensioners the impact is more of record keeping and a matter of changing their Altair records to show the correct split of benefit between GMP and non-GMP without changing the actual overall benefit accrued to date.
The correction of any discrepancies found in the rectification is known as GMP rectification and these changes began to be implemented in March 2024. There were circa 2k pensioners in scope for rectification but less than 300 impacted by over and underpayments (with a few exceptions held back for further investigation) were written to on 27 March 2024. It was agreed that underpayments would be settled immediately (38 cases) whereas overpayments to date were written-off. In addition, for the overpayment cases (246) they were given three months' notice of the reduction in pension so these will be effective from their June 2024 payments.
There remains some ongoing GMP reconciliation and rectification queries and questions with the third-party specialist (Mercer {Aptia}) to resolve which will likely lead to further cases have their records changed and possibly a few pensioners with over or underpayments being implemented later. The vast majority of changes in liabilities were small and will be implemented by 30 June 2024.

27. Contingent assets

1. Employer bonds/guarantees
There are 7 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of them being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.
In addition to these bonds, pension's obligations in respect of 15 other admitted bodies are covered by:
2 guarantees by Academies participating in the Fund.
9 guarantees by local authorities participating in the Fund.
1 guarantee by Parent company sub-contracting to one part of the company, hence being guarantor for itself.
1 Parent company guarantee.
1 deposit held by East Sussex County Council.
1 Subsumption Agreement

28. Impairment losses

During 2023/24, the fund has not recognised any impairment losses.

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29. East Sussex Pension Fund – Active Participating Employers

	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount£000	24/25 Payroll %	24/25 Amount£000
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	19.8	-	19.8	-	19.8	-
East Sussex County Council	17.6	4,966	19.7	-	19.7	-
East Sussex Fire and Rescue Service	17.9	109	18.7	-	18.7	-
Eastbourne Borough Council	18.9	-	17.9	-	17.9	-
Hastings Borough Council	17.6	476	22.1	-	22.1	-
Lewes District Council	23.1	-	22.1	-	22.1	-
Rother District Council	25.1	-	24.1	-	24.1	-
University of Brighton	17.2	-	17.2	-	17.2	-
Wealden District Council	17.6	499	21.0	-	21.0	-
Other Scheduled Bodies						
Battle Town Council	21.1	-	20.1	-	20.1	-
Berwick Parish Council	21.1	-	20.1	-	20.1	-
Bexhill on Sea Town Council	18.2	-	20.1	-	20.1	-
Buxted Parish Council	21.1	-	20.1	-	20.1	-
Camber Parish council	21.1	-	20.1	-	20.1	-
Chailey Parish Council	21.1	-	20.1	-	20.1	-
Chiddingly Parish Council	21.1	-	20.1	-	20.1	-
Conservators of Ashdown Forest	21.1	-	20.1	-	20.1	-
Crowborough Town Council	21.1	-	20.1	-	20.1	-
Danehill Parish Council	21.1	-	20.1	-	20.1	-
Ditchling Parish Council	21.1	-	20.1	-	20.1	-
East Dean & Friston Parish Council	18.2	-	20.1	-	20.1	-
Ewhurst Parish Council	-	-	20.1	-	20.1	-
Fletching Parish Council	21.1	-	20.1	-	20.1	-
Firle Parish Council	18.2	-	20.1	-	20.1	-
Forest Row Parish Council	21.1	-	20.1	-	20.1	-
Frant Parish Council	21.1	-	20.1	-	20.1	-
Hadlow Down Parish Council	21.1	-	20.1	-	20.1	-
Hailsham Town Council	21.1	-	20.1	-	20.1	-
Hartfield Parish Council	21.1	-	20.1	-	20.1	-
Heathfield & Waldron Parish Council	21.1	-	20.1	-	20.1	-
Herstmonceux Parish Council	21.1	-	20.1	-	20.1	-
Hurst Green Parish Council	21.1	-	20.1	-	20.1	-
Icklesham Parish Council	21.1	-	20.1	-	20.1	-
Isfield Parish Council	21.1	-	20.1	-	20.1	-
Kingston Parish Council	18.2	-	20.1	-	20.1	-
Lewes Town Council	21.1	-	20.1	-	20.1	-
Maresfield Parish Council	21.1	-	20.1	-	20.1	-
Newhaven Town Council	21.1	-	20.1	-	20.1	-
Newick Parish Council	21.1	-	20.1	-	20.1	-
Peacehaven Town Council	21.1	-	20.1	-	20.1	-
Pett Parish Council	21.1	-	20.1	-	20.1	-
Plumpton Parish Council	21.1	-	20.1	-	20.1	-
Rye Town Council	21.1	-	20.1	-	20.1	-
Salehurst & Robertsbridge Parish Council	21.1	-	20.1	-	20.1	-
Seaford Town Council	21.1	-	20.1	-	20.1	-
Telscombe Town Council	21.1	-	20.1	-	20.1	-
Uckfield Town Council	21.1	-	20.1	-	20.1	-
Wartling Parish Council	21.1	-	20.1	-	20.1	-
Willingdon and Jevington Parish Council	21.1	-	20.1	-	20.1	-

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	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount£000	24/25 Payroll %	24/25 Amount£000
Wivelsfield Parish Council	21.1	-	20.1	-	20.1	-
Academy Schools						
Annecy Catholic Primary Academy	14.5	-	13.4	-	14.4	-
Aquinas Trust	20.0	-	19.0	-	18.9	-
ARK Schools Hastings	19.6	-	18.9	-	18.9	-
Aurora Academies Trust	19.4	-	18.9	-	18.9	-
Beacon Academy	22.0	-	21.0	-	20.0	-
Beckmead Ropemakers Academy	16.3	-	17.3	-	18.3	-
Bexhill Academy	21.9	-	20.9	-	19.9	-
Bilingual Primary School	14.6	-	15.6	-	16.6	-
Breakwater Academy	16.0	-	19.8	-	19.8	-
Burfield Academy (Hailsham Primary)	19.0	-	19.8	-	19.8	-
Cavendish Academy	19.5	-	18.9	-	18.9	-
Chantry Community Primary	-	-	18.9	-	18.9	-
Chyngton School	21.0	-	20.4		19.0	-
Diocese of Chichester Academy Trust	23.4	-	22.4	-	21.4	-
Ditchling CE Primary	21.0	-	20.4	-	19.4	-
Eastbourne Academy	20.2	-	19.2	-	18.9	-
Falmer (Brighton Aldridge Community Academy)	19.0	-	18.9	-	18.9	-
Flagship School	22.3	-	21.3	-	20.3	-
Gildredge House Free School	18.6	-	18.9	-	18.9	-
Glyne Gap Academy	20.4	-	19.4	-	18.9	-
Hailsham Academy	19.0	-	18.9	-	18.9	-
Hawkes Farm Academy	15.4	-	19.8	-	19.8	-
High Cliff Academy	19.0	-	19.8	-	19.8	-
Hollington Primary	-	-	18.9	-	18.9	-
Jarvis Brook Academy	13.5	-	14.5	-	15.5	-
King's Church of England Free School	15.2	-	16.2	-	17.2	-
Langney Primary Academy	12.4	-	13.4	-	14.4	-
Little Common School	-	-	18.9	-	18.9	-
Ore Village Academy	17.5	-	18.5	-	18.9	-
Mouslecoombe Primary School	27.2	-	26.2	-	25.2	-
Newick CE School	-	-	18.9	-	18.9	-
Ninfield CE Primary School	-	-	18.9	-	18.9	-
Parkland Infant Academy	13.8	-	14.8	-	15.8	-
Parkland Junior Academy	13.4	-	14.4	-	15.4	-
Peacehaven Academy	12.0	-	13.5	-	14.5	-
Peacehaven Heights	25.7	-	19.8	-	19.8	-
Pebsham Academy	18.5	-	18.9	-	18.9	-
Phoenix Academy	19.4	-	19.8	-	19.8	-
Portslade Aldridge Community Academy	18.9	-	19.9	-	18.9	-
King's Academy Ringmer	19.8	-	18.9	-	18.9	-
Roseland Infants	24.9	-	23.9	-	22.9	-
SABDEN Multi Academy Trust	22.6	-	19.6	-	18.9	-
Saxon Shore Academy	22.7	-	21.7	-	20.7	-
Seaford Academy	20.1	-	19.1	-	18.9	-
Seahaven Academy	20.5	-	19.5	-	18.9	-
Shinewater Primary Academy	13.5	-	14.5	-	15.5	-
Sir Henry Fermor Academy	13.8	-	14.8	-	15.8	-
Stafford Junior	25.7	-	24.7	-	23.7	-
St Andrew's School	-	-	18.9	-	18.9	-
The Haven School	-	-	18.9	-	18.9	-

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	22/23 Payroll %	22/23 Amount £000	23/24 Payroll %	23/24 Amount£000	24/25 Payroll %	24/25 Amount£000
The South Downs Learning Trust	11.2	-	12.2	-	13.2	-
The Southfield Trust	13.4	-	14.4	-	15.4	-
Telscombe Cliffs	23.8	-	19.8	-	19.8	-
Tollgate School	-	-	18.9	-	18.9	-
Torfield & Saxon Mount Academy Trust	21.6	-	20.6	-	19.6	-
University of Brighton Academies Trust	19.0	-	18.9	-	18.9	-
Uplands Community College	-	-	20.4	-	19.4	-
West Blatchington Primary	-	-	18.9	-	18.9	-
White House Academy	16.5	-	19.8	-	19.8	-
Colleges						
Bexhill College	21.2	-	21.2	-	21.2	-
Brighton, Hove & Sussex Sixth Form College	19.8	-	19.8	-	19.8	-
East Sussex College Group	20.7	-	20.7	-	20.7	-
Plumpton College	18.9	-	18.9	-	18.9	-
Varndean Sixth Form College	19.8	-	19.8	-	19.8	-
Admission Bodies						
Balfour Beatty	-	-	28.5	-	28.5	-
BHCC - Wealden Leisure Ltd	33.0	-	27.7	-	27.7	-
Biffa Muncipal Ltd	28.8	-	27.8	-	26.8	-
Brighton and Hove CAB	-	-	-	-	-	-
Brighton and Hove Housing Trust	31.4	-	31.4		31.4	
Brighton Dome & Festival Limited (Music & Arts Service)	-	-	4.3	-	4.3	-
Care Outlook Ltd	-	-	-	-	-	-
Care Quality Commission	49.2	92	44.8	-	44.8	-
Churchill Contract Services	-	-	30.4	-	30.4	-
Compass (The Causeway)	34.0	-	32.0	-	31.0	-
Cucina Restaurants Ltd	-	-	24.3	-	24.3	-
De La Warr Pavilion Charitable Trust	4.8	-	2.9	-	2.9	-
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	29.2	13	28.2	-	28.2	-
EBC – Towner	31.0	7	22.1	-	22.1	-
ESCC - NSL Ltd	3.6	-	-	-	-	-
Glendale Grounds Management Ltd	29.4	-	28.4	-	28.4	-
Grace Eyre	-	-	-	-	-	-
Idverde	-	-	33.1	-	33.5	-
Just Ask Estates Ltd	32.6	-	-	-	-	-
Lodestar Cleaning Contracts Ltd	-	-	25.1	-	25.1	-
Southern Housing	45.8	920	45.9	111	45.9	111
Royal Pavilion & Museums Trust	17.8	-	17.8	-	17.8	-
Sussex County Sports Partnership	17.2	-	17.2	-	17.2	-
Sussex Housing & Care	-	-	-	-	-	-
Sussex IFCA Insure Fisheries and Conversation Authority	18.2	-	20.1	-	20.1	-
Telent Technology Services Ltd	20.8	-	20.8	-	20.8	-
Wave Leisure Trust Ltd	-	-	7.1	-	7.1	-
Wave Leisure Trust Ltd - EBC	22.4	-	7.1	-	7.1	-
WDC - Wealden Leisure Ltd	33.0	-	26.1	-	26.1	-
Wealden Leisure Ltd - Portslade Sports Centre	-	-	-	-	-	-

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30. Investment Performance -only been given preliminary information may change

The Fund uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC), which measures the performance of the Fund compared with 47 other local authority pension funds. Pension Fund investment is long-term, so as well as showing the annual performance of the Fund, comparison to peers over longer periods is also detailed below.

Performance relative to the Fund's strategic benchmark

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	7.9	5.2	6.3	7.7
Benchmark	12.3	7.0	6.8	7.3
Relative*	(4.4)	(1.8)	(0.5)	0.4

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	7.9	5.2	6.3	7.7
Local Authority Average	9.2	5.3	6.5	7.6
Relative*	(1.2)	(0.1)	(0.2)	0.1

The Fund underperformed the (weighted) average local authority Fund over the year by 1.2% (1.0% outperformance 2022/23), ranking the East Sussex Fund in the 72nd percentiles (39th 2022/23) in the local authority universe. Over the three years the Fund underperformed by 0.1 % (0.0% outperformance 2022/23) and was placed in the 44th percentile (43rd percentile in 2022/23). Over five years the Fund underperformed by 0.2% (0.2% outperformance in 2022/23) and was placed in the 61st percentile (27th percentile 2022/23). Over ten years the fund years, the fund outperformed by 0.1% (0.2% outperformance 2022/23) and was placed in the 36th percentiles (21st percentile 2022/23).
*Relative performance is calculated on a geometric basis as follows:
((1 + Fund Performance) / (1 + Benchmark Performance)) - 1

As opposed to the simpler arithmetic method, the geometric method makes it possible to directly compare long-term relative performance with shorter-term relative performance.

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Glossary

Academy Schools

Academies are independently-managed, all-ability schools which operate outside the control of the local authority.

Accounting Standards

A set of rules about how accounts are to be kept. By law, local authorities must follow "proper accounting practices" which are set out both in acts of parliament and in professional codes and statements of recommended practice.

Accruals

Provision made at the year-end to bring into account outstanding debtors, creditors, etc., in order to show income and expenditure as it is earned or incurred.

Actuarial Gains and Losses

The change in pension liabilities since the previous year, caused either by events differing from the previous forecast, or a change in actuarial assumptions.

Actuarial Valuation

A review of the Pension Fund normally carried out at 3-year intervals, which assesses the contributions required from employing bodies in order to maintain the Fund's ability to pay benefits in future years to pensioners, contributors and their dependants.

Admitted Bodies

Bodies whose staff can become members of the Pension Fund by virtue of an admission agreement made between the Pension Fund and the relevant body (contrasting with Scheduled Bodies – see below).

Amortisation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of intangible assets are consumed during the year, calculated from the estimated life expectancy and any residual value.

Bad Debt Provision (Impairment)

Amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

Balances

A working balance maintained as a cushion against unexpected expenditure during the year. It is the amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

Business Rates Retention

Under the Business Rates Retention scheme, Councils will retain a 50% share of all and any additional business rates they get above a determined baseline. This potentially provides a direct local incentive to encourage growth within local boundaries.

Capital / Capital Expenditure / Capital Receipts

Capital expenditure pays for the acquisition of assets or the enhancement (rather than maintenance) of existing assets. It is financed mainly from borrowing, and charged to revenue over a number of years. We plan for capital expenditure over several years in the published capital programme. The term 'capital receipts' covers income from the sale of assets, together with grants and contributions received specifically for financing the capital programme. Capital receipts can only be used for capital purposes, and not to support the revenue budget.

Cash Equivalents

These are investments, which amount to short term deposits.

Community Assets

These are assets, which the County Council intends to hold in perpetuity and have no determinable finite useful life.

Community Schools

In a community school, the local education authority owns the land and buildings, but the governing body is responsible for running the school. The local education authority funds the school, employs the staff, provides support services and determines and administers the admissions policy. The pupils have to follow the national curriculum.

Contingent Assets and Liabilities

A statement of a possible gain or loss to the Council, which is contingent upon the outcome of an event, which is not known for certain when the accounts are drawn up.

Corporate and Democratic Core (CDC)

Corporate and Democratic Core is defined as the two divisions of Democratic Representation and Management and Corporate Management.

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Corporate Management

Corporate management concerns those activities and costs that provide the infrastructure that allows services to be provided, whether by the Council or not, and the information that is required for public accountability. Activities that relate to the provision of services, even indirectly, are overheads on those services. There are no subdivisions recommended for corporate management.

General Fund

The main revenue fund of the County Council into which is paid income from the council tax precept, grants and charges for services and from which is met the cost of providing services.

Creditors

Amounts owed by the County Council but not paid at the date of the Balance Sheet.

Currencies

Japanese Yen (JPY), British Pound (GBP), Canadian Dollar (CAD), Swiss Franc (CHF), European Euro (EUR), Swedish Kroner (SEK) and United States Dollar (USD).

Curtailments

This heading covers the additional cost arising from the early payment of pension benefits when an employee is made redundant. The full estimated discounted cost is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this is offset by a transfer from the Pensions Reserve.

Debtors

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

Defined Benefit and Contribution Pension Schemes

Pension schemes generally fall into one of these two categories. Defined Benefit schemes are those such as the Local Government Pension Scheme, where the benefits to employees are based on their final salaries, and where employers' contributions have to be adjusted to match estimates of future liabilities. Defined Contribution schemes are those where the employer's liability is restricted to the amount that they contribute. As the Teachers' Pension Scheme is administered nationally, it is treated in local authority accounts as a Defined Contribution scheme, but is actually a defined benefits scheme.

Democratic Representation and Management

This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests. To give authorities maximum flexibility in reflecting their own constitutional arrangements, there are no recommended subdivisions of service.

Depreciation

A charge to services in the Comprehensive Income & Expenditure Account, assessed as the amounts by which the value of property, plant and equipment are consumed during the year, calculated from the estimated life expectancy and any residual value.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources. The auditor Grant Thornton was appointed by the Public Sector Audit Appointments Ltd to carry out an audit of the Council's accounts.

Equities

Ordinary shares issued by companies.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. The concept of fair value is used in many accounting standards including the IFRS covering acquisition, valuation of assets, and financial instruments, but it is not limited to these.

Foundation Schools

In foundation schools, the land and buildings are owned by a governing body, who are also responsible for running the school. The local education authority funds the school. The governing body employs the staff and buys in and administers most of the support services. The pupils have to follow the national curriculum. The admissions policy is determined and administered by the governing body, in consultation with the local education authority.

Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the local authority museum.

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Impairment

Impairment to assets may be physical in nature, such as damage by fire, or caused by a general or specific reduction in prices during the financial year.

Infrastructure

This term covers capital investment on assets such as carriageways, footways, structures and street lighting.

Intangible Assets

This term includes such items as development expenditure or goodwill, but for local authorities it usually only covers licences for the use of computer software.

IFRS

International Financial Reporting Standards.

Leasing

A method of obtaining the use of assets: a rental charge is paid for a specified period, but under operating lease conditions the asset remains the property of the lessor and the County Council has no rights to purchase. Finance leases transfer substantially all the risks and rewards of ownership.

Levies

A contribution which the County Council is required to make towards the costs of the Environment Agency (for flood defence), Ashdown Forest Conservators and the Sussex Inshore Fisheries & Conservation Authority.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Local Council Tax Support (LCTS)

As part of the major changes to the Welfare Benefits system, from 1 April 2013, Council Tax Benefit ended and was replaced by a new scheme called Localised Support for Council Tax or Council Tax Support. Both systems are means tested which means that they compare your income and capital against an assessment of your needs.

Minimum Revenue Provision

An amount set aside from revenue for the redemption of debt.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet. The NBV is the historical cost or current value less any accumulated depreciation.

Net Worth

The total of all assets less the total of all liabilities. It helps to determine the value of an entity and is also known as Total Net Assets or Total Equity.

Non-Distributed Costs

These are costs which the County Council has to bear, but which do not support any statutory services. This includes three elements of the pension cost (Past Service Cost, Settlements, and Curtailments) which are defined elsewhere, and the costs of properties, which have been declared surplus and are awaiting disposal.

Non-Domestic Rates

A charge on commercial and industrial buildings fixed by the Government and reallocated to local authorities.

Post Balance Sheet Events

A statement of the financial implications of an event taking place after the Balance Sheet date, which has a material effect on the County Council's financial position at the balance sheet date.

Prior Period Adjustments

Material adjustments that is applicable to prior years and which arise from changes in accounting policy or the correction of material errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Equity

Investments into new and developing companies and enterprises, which are not publicly traded on a recognised stock exchange.

Private Finance Initiative (PFI)

A long-term contractual public-private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

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Property, Plant and Equipment (PPE)

Property, plant and equipment covers all assets with physical substance (tangible assets) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. PPE is a summation of all the Council's purchases of property, plant, and pieces of equipment to that point in time, less any depreciation.

Provisions

Provisions are made for liabilities and losses which have already been incurred at the date of the balance sheet, and for which the amount or dates on which they will arise can be reliably measured.

Public Works Loan Board (PWLB)

A Government agency, which provides the main source of borrowing for local authorities.

Related Parties

This term covers individuals or bodies with which the County Council has a close economic relationship. It includes Members and Chief Officers, Government departments that provide funding, and other bodies that are involved in partnerships with the County Council.

Reserves

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

Revenue

Recurring expenditure principally on pay, running costs of buildings, equipment, and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (Refcus)

Expenditure which may properly be charged to capital but does not result in a tangible asset.

Scheduled Bodies

Local authorities and other similar bodies whose staff automatically qualify to become members of the Pension Fund.

Service Reporting Code of Practice for Local Authorities (SeRCOP)

The code gives a mandatory definition of total cost and the divisions of service at which total cost must be aggregated when presenting cost based information and performance indicators in a published format. SeRCOP provides guidance to support the objective to establish the widest range of financial reporting requirements, in order that data consistency and comparability are achieved. SeRCOP particularly aims to meet the demands of both the Best Value and the Transparency initiatives and its various stakeholders. (Following the changes introduced by the 2016/17 Code to reflect the Telling the Story Review of the Presentation of Local Authority Financial Statements, the Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates).

Settlements

These are adjustments to the County Council's pension liability arising from bulk transfers of employees. The full estimated discounted cost or gain is charged immediately to the Comprehensive Income and Expenditure Statement, under the heading of 'non-distributed costs', but this amount is offset by a transfer from the Pensions Reserve.

Unusable Reserves

This include unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (e.g. the Revaluation Reserve) adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (e.g. the Capital Adjustment Account and the Pensions Reserve).

Usable Reserves

This includes the revenue and capital resources available to meet future expenditure (e.g. General Balances, Earmarked Reserves, and the Capital Receipts Reserve).

Voluntary Schools

These schools are also called religious or faith schools and there are two types: voluntary controlled and voluntary aided. In a voluntary controlled school, the land and buildings are owned by a charity often a religious organisation such as a church. The charity appoints some of the members of the governing body, but the local education authority is responsible for running the school. The school is funded by the local education authority who also employs the staff and provides support services and determine the admissions policy. The pupils have to follow the national curriculum. With a voluntary aided school, the governing body is responsible for running the school, the school is funded partly by the local education authority, partly by the governing body and partly by the charity. The governing body employs the staff and the pupils have to follow the national curriculum. The admissions policy is determined and administered by the governors in consultation with the local education authority.

DRAFT

Report to:	**Audit Committee**
Date:	**22 November 2024**
By:	**Chief Financial Officer**
Title of report:	**Independent Auditor's Report to those charged with governance and Annual Report 2023/24**
Purpose of report:	**To present the Independent Auditor's report on the 2023/24 East Sussex Pension Fund Accounts**

RECOMMENDATION

The Audit Committee is recommended to note the draft Independent Auditor's (Grant Thornton - GT) report to those charged with governance of the East Sussex Pension Fund Accounts 2023/24.

1. Background

1.1 This report summarises the draft key findings arising from GT's audit work in relation to the East Sussex Pension Fund (ESPF), in compliance with the requirement for administering authorities to deliver an audit of the pension fund separate from the Council's accounts. The audit of the Fund is substantially complete with no outstanding matters for modification of the audit opinion at the time of writing this report.

1.2 The accounts for the Pension Fund are incorporated within the East Sussex County Council's Statement of Accounts, included elsewhere on the agenda.

2. Supporting Information

2.1 Accounting Requirements - The Pension Fund financial statements should be prepared in accordance with proper accounting practices set out in the CIPFA Code of Practice on Local Authority Accounting in the UK (the Code). The Code requires authorities to account for pension funds in accordance with IAS26 Retirement Benefit plans. IAS26 provides guidance on the form and content of the financial statements to be prepared by pension funds. It complements IAS19 Employee Benefits, which deals with the determination of the costs of retirement benefits in the financial statement of employers.

2.2 Under its terms of reference, it is the role of Audit Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.3 It is the role of the Pension Committee to approve the Pension Fund annual accounts and report having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit. The Pension Committee are receiving the accounts and annual report at its meeting on 21 November 2024.

2.4 The GT report to those charged with governance is attached at Appendix 1. There are no specific management actions identified within this report and it is anticipated that an unqualified audit opinion will be issued.

2.5 Appendix 2 provides the Financial Statements: Information Technology report, as part of the overall audit. This has identified an issue with SAP, the main accounting system for ESPF, relating to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the Team structure. This issue was identified and reported in the 2022/23 financial year audit and has been revisited as part of the 2023/24 IT Audit Review. There is a SAP IT General Controls report that is in draft, which will be concluded once management responses have been received.

2.6 The 2023/24 Final Fee for the audit is £97,867, this will be reviewed and confirmed by the Public Sector Audit Appointments Ltd.

3. Conclusion and reasons for recommendation

3.1 The Audit Committee is recommended to note the 2023/24 Audit Findings Report for the East Sussex Pension Fund.

IAN GUTSELL
Chief Finance Officer

Contact Officer: Ian Gutsell: Chief Finance Officer

Email: Ian.gutsell@eastsussex.gov.uk

Grant Thornton

The Audit Findings (ISA260) Report for East Sussex Pension Fund

Appendix 1

Year ended 31 March 2024

22 November 2024

Grant Thornton

Private and Confidential

Grant Thornton UK LLP
30 Finsbury Square, London EC2A 1AG
www.grantthornton.co.uk

East Sussex Pension Fund
County Hall, St Anne's Crescent , Lewes, East Sussex, BN7 1UE

September 2024

Dear Members of the Audit Committee,

Audit Findings for East Sussex Pension Fund for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Parris Williams

Director
For Grant Thornton UK LLP

Chartered Accountants
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Contents

Your key Grant Thornton team members are:

Parris Williams
Key Audit Partner
T 02077282542
E parris.williams@uk.gt.com

Jack Coe
Assistant Manager
T 02077282929
E jack.coe@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings Report (AFR) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Audit Committee on 22 November 2024.

Parris Williams

Parris Williams
For Grant Thornton UK LLP
Date: 22 November 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of East Sussex Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work has been largely completed remotely during July-October. Our findings are summarised on pages 5 to 19. We acknowledge that the accounts were provided timely for our review and would like to extend our gratitude to the management for their efforts and cooperation during the audit.

Summary of findings

Our work has not identified any misstatements which have resulted in adjustment to the Fund Account or Net Assets Statement. We have however identified two non-material misstatements which management have not adjusted in relation to the valuation of your level 3 investments. Both misstatements arise because of a timing difference between custodian valuations and valuations from your investment managers. Misstatements of this nature are typical for pension funds and are not indicative of an underlying weakness in control arrangements. The aggregate size of both of these misstatements is £13,253k which is well below our materiality threshold. Details on these unadjusted misstatements are set out in Appendix B.

Our work has also identified a small number of disclosure misstatements. These are also set out in Appendix B where they are deemed to be non-trivial.

Audit opinions

Our work is now substantively complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements. This is subject to the completion of procedures set out on page 6 which must happen after final approval of your accounts. For clarity, our anticipated opinion on the financial statements will be unmodified. Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the East Sussex County Council is complete.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organization and the financial statements we have audited. We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report along with the audit opinion on the financial statements.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For East Sussex Pension Fund, the Audit Committee fulfil the role of those charged with governance. We note that there is a separate Pension Committee which considers the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantively completed our audit of your financial statements and subject to the completion of closing procedures, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 22 November 2024 and finalization of the administering authority audit.

Closing procedures are set out on the page overleaf.

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2. Financial Statements – closing audit procedures

Our work is substantively complete and there are no matters of which we are aware that would require modification of our audit opinion. See below for details of closing audit procedures.

Audit procedures which necessarily take place within the concluding stages of the audit:

- completion of procedures regarding subsequent events
- consistency procedures of the annual report to the financial statements
- senior engagement team quality review
- receipt of management representation letter; and
- review of the final set of financial statements

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the performance materiality at year end based on the updated Gross Investment Figures as at 31 March 2024.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (final)	Pension Fund Amount (Planning as communicated in the Audit Plan)	Qualitative factors considered
Materiality for the financial statements	£59,000,000	£54,700,000	This benchmark is determined as a percentage of the Gross investment assets which has been set at approximately 1.2%.
Performance materiality	£44,250,000	£41,025,000	Performance Materiality is based on a percentage (75%) of the overall materiality.
Trivial matters	£2,950,000	£2,735,900	Triviality is based on a percentage (5%) of the overall materiality.
Specific materiality for fund account	£19,580,000	£17,750,000	This benchmark is determined as a percentage of the fund expenditure which has been determined as 10%
Specific performance materiality for fund account	£14,685,000	£13,312,000	Performance Materiality is based on a percentage (75%) of the overall materiality of the fund account.

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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
ISA240 fraudulent revenue recognition - Rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.	**Risk of fraud within revenue:** This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: ▪ there is little incentive to manipulate revenue recognition; ▪ opportunities to manipulate revenue recognition are very limited; ▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable. **Practice Note 10 – fraud within expenditure:** We have also assessed the risk as per Practice Note 10 around the risk of material misstatement due to fraud related to expenditure. In our Audit Plan we communicated to you that based on our risk assessment, we did not consider there to be a significant fraud risk within expenditure. We have continued to keep this judgement under review and based on the work we have performed around expenditure, we have not identified any concerns that would mean that we would need to revise this judgement. We therefore confirm to you that we have not considered fraud within expenditure to be a significant risk.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	In response to this risk, we have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals ; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not identified changes to the accounting policies or the estimation process for 23/24 **Conclusion:** There are no matters to bring to your attention in relation to this risk

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature level 3 investment valuation lack observable inputs. These valuation therefore represents a significant estimates by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimates to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024 .	In response to this risk, we have: • obtained an understanding of the management processes for valuing Level 3 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year-end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian for all investments held; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period; • where available reviewed the investment manager service auditor report on the design and operating effectiveness of internal controls; • evaluated the competence, capabilities, and objectivity of the valuation expert; • reviewed investment manager service auditor report on the design and operating effectiveness of internal controls; and • where appropriate, written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. **Findings:** We have however identified two non-material misstatements which management have not adjusted in relation to the valuation of your level 3 investments. Both misstatements arise because of a timing difference between custodian valuations and valuations from your investment managers. Misstatements of this nature are typical for pension funds and are not indicative of an underlying weakness in control arrangements. The aggregate size of both of these misstatements is £13,253k which is well below our materiality threshold. Details on these unadjusted misstatements are set out in Appendix B. **Conclusion:** Aside from the findings set out above, there are no other matters to bring to your attention in relation to this risk.

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2. Financial Statements: Other risks

Risks identified	Commentary
Valuation of Level 2 investments While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.	In response to this risk, we have: • gained an understanding of the Fund's process for valuing Level 2 investments; • reviewed the nature and basis of estimated values and considered the assurance management has over the year-end valuations provided for these types of investments; • independently requested year-end confirmations from investment managers and custodian; • reviewed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records. No variances noted; • tested a sample of the underlying investments to quoted prices. For Samples where we were not able to obtain the quoted price, we have used the Level 3 testing approach to review the valuation figures as at 31 March 2024 ; and • reviewed the investment manager service auditor report on the design effectiveness of internal controls. **Conclusion:** There are no matters to bring to your attention in relation to this risk
Contributions Contributions from employers and employees represents a significant percentage of the Fund's revenue. We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	In response to this risk, we have: • evaluated the Fund's accounting policy for recognition of contributions for appropriateness; • gained an understanding of the Fund's system for accounting for contribution income; • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence and • tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. **Conclusion:** There are no matters to bring to your attention in relation to this risk

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2. Financial Statements: Other risks

Risks identified	Commentary
Benefits Payable Pension benefits payable represents a significant percentage of the Fund's expenditure. We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	In response to this risk, we have: • evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gained an understanding of the Fund's system for accounting for pension benefits expenditure; • tested a sample of lump sums and associated individual pensions in payment by reference to member files; and • tested relevant member data to gain assurance over management information to support our predictive analytical review. Including reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. **Conclusion:** There are no matters to bring to your attention in relation to this risk
Actuarial Present Value of Promised Retirement Benefits The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£3,974m) and the sensitivity of the estimate to changes in key assumptions. We therefore identified the valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.	In response to this risk, we have: • documented our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • tested the consistency of disclosures with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. **Conclusion:** There are no matters to bring to your attention in relation to this risk

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,145m	• The Pension Fund has investments in the following: • Private Equity/Infrastructure funds that in total are valued on the balance sheet as at 31 March 2024 at £788m; • Pooled property investments that in total are valued on the balance sheet as at 31 March 2024 at £321m; • Pooled Investments in total are valued on the balance sheet as at 31 March 2024 at £35m The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation provided by the Fund Manager, which is usually based on an audited value of the fund as at 31 December 2023, with the valuation rolled forward to 31 March 2024.	The valuation of the Level 3 Investments is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of these accounting estimates. Note, we did identify two unadjusted misstatements in relation to the valuation of level 3 investments. The aggregate misstatement is £13,253k. This is set out in Appendix B. These misstatements arise because of a timing difference between the Custodian valuation and the Investment Manager valuation. They are not considered to be indicative of an underlying weakness in processes and controls.	Green
Level 2 Investments £3,302m *While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.*	The Pension Fund has investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2024. Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments are based on the value of these underlying investments at 31 March 2024, or the closest trade date to year-end.	The valuation of the Level 2 Investments is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate.	Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This page has been redacted – please see separate agenda item (part B).

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is appended within this document. This will be signed alongside the final draft of the financial statements in advance of the conclusion of the audit.
Audit evidence and explanations	All information and explanations requested from management was provided.

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2. Financial Statements: other communication requirements

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send (a) confirmation request(s) to your custodian, fund managers, and banks. This permission was granted, and the requests were sent. We have received positive confirmations from all third parties.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates, and financial statement disclosures. A handful of minor/typo inconsistencies were identified but these have been adequately reflected by management. We plan to issue an unmodified opinion in this respect.

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2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by East Sussex (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines, the Pension Fund Annual Report is not required to be published until 01 12 2024 and therefore this report has not yet been produced. We plan to complete our consistency check as part of our concluding procedures and expect to be able to issue our consistency opinion alongside the financial statements opinion. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.

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3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, we confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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Appendices

A. Communication of audit matters to those charged with governance

B. Audit Adjustments

C. Fees and non-audit services

D. National context

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any adjusted misstatement for the year ending 31 March 2024.

Unadjusted misstatements

The table below provides details of misstatements identified during the audit which management have not adjusted for

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Level 3 misstatement – Key value items As part of our testing of Level 3 investments, we selected for testing all investments which exceeded our performance materiality level. The aggregate value of these key value items was £731,825k. As part of our testing of these key value items, we identified variations between the amount recorded in the draft financial statements and the amount confirmed by investment managers. The reason for the difference was one of timing. The net difference across all key value items was £7,648k. The difference means that the value of investments in the financial statements is **understated.** The difference is not material but because it exceeds our threshold for reporting, we are communicating this difference to you.	Gains/Losses on valuation of investments (7,649)	Level 3 investments 7,649	7,649	The financial statements have not been adjusted because the misstatement is not material

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B. Audit Adjustments – unadjusted misstatements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Level 3 misstatement – Extrapolation As part of our testing of Level 3 investments, we disaggregated the balance into two sub-populations. The first population were all those investments where the individual value exceeded our performance materiality. This population is defined as **key value** items. The second population is therefore the totality of all other investments. This population is referred to as the **residual** population. The value of our residual population was £413,288k. From the residual population, we selected at random a sample of items for testing. As part of our testing of these items, we identified variations between the amount recorded in the draft financial statements and the amount confirmed by investment managers. The reason for the difference was one of timing. The net difference identified in the sample was £3,313k. In line with our audit approach, we are required to project this misstatement across the entire residual population. Our extrapolated misstatement on the residual population is £5,604k. The projected difference is an indication of the total **understatement** in the value of your level 3 investments. The difference is not material but because it exceeds our threshold for reporting, we are communicating this difference to you.	Gains/Losses on valuation of investments (5,604)	Level 3 investments 5,604	5,604	The financial statements have not been adjusted because the misstatement is not material and is an extrapolation
Overall impact	(13,253)	13,253	13,253	

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B. Audit Adjustments – impact of prior year unadjusted misstatements

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Finding from the prior year: During our audit of 2022/23, we identified a difference amounting to £18,000k during the triangulation of fund manager, custodian and client valuation of L3 Investments. The valuation of your investments as at 31 March 2023 are understated by this amount. Management did not adjust the accounts in the prior year because the amount was not material. **Impact on the 2023/24 financial statements:** The unadjusted misstatement in the prior year has two impacts on your 2023/24 financial statements. 1. Your opening balances for Investments is understated by £18m. As this misstatement is not material, it has no impact on our audit report but we are required to report it to you as it exceeds our triviality threshold. 2. Gains/Losses on valuation of investments in your fund account is overstated by £18m. It is important to recognise that this misstatement has no net impact on your net asset statement as at 31 March 2024.	Gains/Losses on valuation of investments 18,000	Net assets statement as at 31 March 2023 18,000	Nil impact on net assets statement as at 31 March 2024	Not material
Overall impact of unadjusted misstatements identified in the 2022/23 audit and the 2023/24 audit **Note, when assessing materiality for gains/losses on valuation of investment, net asset statement materiality is used instead of fund account materiality.*	Gains/Losses on valuation of investments 4,747	Net assets statement as at 31 March 2023 18,000 Net assets statement as at 31 March 2024 13,253	Net assets statement as at 31 March 2023 18,000 Net assets statement as at 31 March 2024 13,253	Not material – no single line in your financial statements is materially misstated when unadjusted misstatements in the prior year are considered against unadjusted misstatements in the current year

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B. Audit Adjustments – disclosure misstatements

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Additional voluntary contributions – Note 23 The amount disclosed for disinvested from the AVC provider in 2023/24 was £2,050 instead of £2.050m.	**Management response** This was a typo error, Agreed to be amended	Yes, this has been adjusted.
Related party transactions- Note 25 Auditor conducted a completeness check and detected a senior officer who should have been include in the note and was omitted. Management confirmed that the Council has started to provide the Chair of the pension committee with a special allowance which is recharged to the Pension Fund, when this started the fund did not review the makeup of this note and now considers that this should be included.	**Management response** Agreed to be amended	Yes, this has been adjusted.
Actuarial present value of promised retirement benefits- Note 20 Net (Liability)/Assets totals (Page 45) in the statement of financial position – A typo error was noted for the 31 March 22 amount for "Fair value of Fund Assets (bid value), This should be £4,687,667k however this was showing as (£4,678,667k) (i.e. the 7 and 8 need to be switched). Management confirmed this was a mistyping and has agreed to update this.	**Management response** Agreed to be amended	Yes, this has been adjusted.
Note 6. Events after the balance sheet date In light of the recent Virgin Media case, management should, with their advisors, be able to determine whether there is an impact, whether there isn't an impact or whether there is a potential impact on their pension scheme. As there is a potential for the outcome of the case to have an impact on UK pension schemes such as East Sussex Pension Fund, an appropriate disclosure should be made. Management have agreed to include this within Note 6. We have reviewed the updated disclosure and we are satisfied that is reasonable.	**Management response** Agreed to be amended	Yes, this has been adjusted.

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C. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

	Proposed fee 2023/24	Final Fees 2023/204
East Sussex Pension Fund Audit	£90,337	£90,337
IAS 19 letters*	£0	£0
ISA 315**	£7,530	£7,530
Total audit fees (excluding VAT)	**£97,867**	**£97,867**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

**IAS 315 is not included within the published 2023/24 PSAA scale fees. The £7,530 is therefore a fee variation subject to PSAA approval.

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D. National context

National context – audit backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:
Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- Consultations on measures to address local audit delays (frc.org.uk)
- Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- Code of Audit Practice Consultation - National Audit Office (NAO)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024.

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham LLP, and showed that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019).The results of the latest triennial valuation are reflected in note 17 to the financial statements. These valuations also provide updated information for the calculation of the net pension liability on employer balance sheets.

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Altair	[Detailed ITGC assessment (design effectiveness only)]	●	●	●	●	All significant and other risks utilise the software within their process	N/A. No significant deficiencies were identified.
SAP	Detailed ITGC assessment (design effectiveness only)	●	●	●	●	Contributions and benefits payable utilise the Altair software within their process	Review of PY Deficiency for this system was completed in year. See Conclusion below

SAP findings

The significant deficiencies identified in the Technology acquisition, development, and maintenance control area related to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the team structure. These deficiencies were first identified and reported to the council in our 2022/23 financial year audit. We have revisited the conclusion of that IT audit review for the 2023/24 audit and our report is currently in draft for response with management-however in our draft report the overall ITGC rating and control area ratings remain at the same level, and we have concluded that the significant deficiency first identified in the 2022/23 review remains in place and has not been remediated. We continue to view this as a significant deficiency.

We do not regard this as representing a significant risk/deficiency directly for the accounts production/financial accounting control environment, as the officers do not manage accounting/finance data or the accounts production process. This is a significant deficiency however in overall IT governance. The final SAP IT General Controls report is currently in draft and will be discussed with your team responsible for the management of SAP.

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

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