East Sussex County Council

Statement of Accounts

2018/19

Contents **Page**

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

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

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

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

Index of Notes to the Accounting Statements

Narrative Report

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 2018/19;
- The Statement of Responsibilities – this 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 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 2018/19. However, any significant events or developments that occur between 31 March 2019 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 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 – this note explains the basis for the recognition, measurement, and disclosure of transactions in the Accounting Statements;
- 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 has to 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 2018/19, together with assets and liabilities as at 31 March 2019; and
- A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

The Council does not produce group accounts, as there are no controlling stakeholder interests in companies or organisations that are material to the overall accounts. There are two companies in which the Council has an interest in; Sea Change Sussex and Woodland Enterprises Limited.

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 2018, and applies for accounting periods commencing on or after 1 April 2018.

The key accounting changes principally introduced by the Code in 2018/19 are:

- Additional guidance on the principles of revenue recognition and a revised section on Revenue from Contracts with Service Recipients following the adoption of IFRS 15 Revenue from Contracts with Customers;

- New disclosure requirements under IAS 7 Statement of Cash Flows for additional analysis of Cash Flows from Financing Activities;
- A change in the reporting requirements for debtors and creditors following removal of the disclosure requirements for the analysis of debtors and creditors across public sector organisations;
- Adoption of IFRS 9 Financial Instruments introduced extensive changes to the classification and measurement of financial assets along with relevant disclosure requirements as a consequence of the expected credit loss model for impairment of non-contractual debts;
- Amendment to Property, Plant And Equipment – Depreciation and Revenue Accounting; and
- Change to Accounting and Reporting by Pension Funds to reflect reduced pension fund reporting in the Statement of Accounts.

Under the Code, the Authority is required to disclose details on the impact of an accounting change required by new accounting standard that has been issued but not yet adopted by the Code. The new standards introduced by the Code that will need to be adopted by the council in 2019/20 are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments; and
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

Financial Report

The 2018/19 Approved Budget

The Council's 2018/19 net budget comprises three main elements: Council Tax, business rates and Government grant. As part of its deficit reduction plans, the Government has been reducing its grant to local government ahead of funding reform. The revenue support grant received by the Council will have reduced to £2m by 2020/21.

The Council's decisions about how to deal with the funding shortfall of £17.1m in 2018/19 need to take account of local circumstances. Some of the key factors influencing our choices are:

- The County's residents are poorer than average for England with full time earnings below the national average. This affects health and wellbeing, increases demand for services and limits the affordability of Council Tax rises;
- Poor transport infrastructure and connectivity limiting business growth. This leads to relatively poor local wages, increases unemployment and means that the gap in the Council's income cannot be recovered by funding from growth in business rate receipts; and
- The county's demography – East Sussex has the second highest proportion of older people in the country. People over the age of 85 are the most likely to need support and the number in this age group will rise by 9.5% between 2016 and 2020. Although the proportion of people who are of school age is only expected to rise marginally, the proportion with high need Special Educational Needs and Disability (SEND) is above the national average.

The Council has been able to meet the challenge of delivering savings against a background of diminishing resources by having a clear focus on our four priority outcomes, which are delivered through our services and service change programmes. Our "One Council" approach has provided a collective view about our priorities and investment choices and uses strategic commissioning disciplines to direct our activities to maximise the delivery of the agreed priority outcomes of driving economic growth, keeping vulnerable people safe, helping people help themselves, and making the best use of resources.

The Council's business planning process, known as Reconciling Policy, Performance and Resources (RPPR):

- Enables us to be business-like and test comparative returns on investment so we can be confident we are making best use of resources. It also ensure 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 facilitating 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 Council's RPPR process matches available resources with our delivery plans for our priority outcomes. It has enabled us to give relative protection to priority services. The RPPR 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. Savings of £129m have been made between 2010/11 and 2018/19, with further savings of £12.3m identified for the period 2019/20 to 2021/22, as funding continues to be constrained whilst demands for our services grows.

Narrative Report

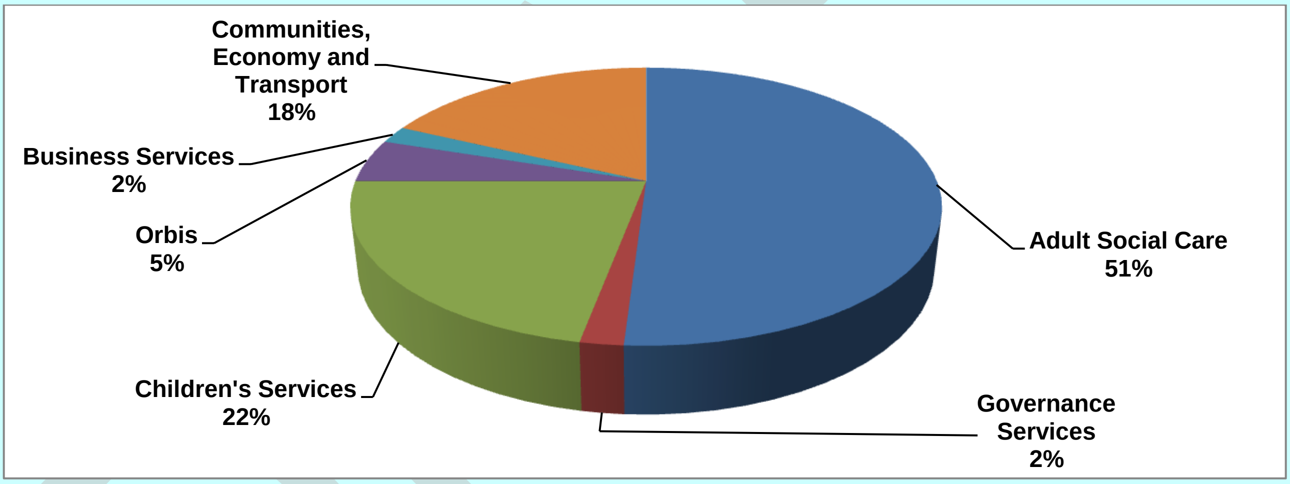
The East Sussex County Council Core Offer developed last year, builds on our priority outcomes to ensure our spending is directed towards areas of highest need. The Core Offer sets a realistic and ambitious assessment of the services East Sussex residents could reasonably expect of a competent County Council in a time of austerity. This needs to be a dynamic offer, which changes with circumstances and this report provides the opportunity for members to review the core offer, including the proposed refinement of the public health core offer, to ensure that it still best meets local circumstances, taking account of likely resources. Moving to the core offer will contribute further savings in the next two years, but these will not meet the shortfall in funding we anticipate if no additional money is available from the Government. This may mean members face some extremely challenging choices when setting the budget if the Government cannot be persuaded to continue the one-off funding we have received in recent years in the short term and does not make long term sustainable funding available to local government.

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, ICT, libraries and house adaptations. Under the Government's future plans, locally raised business rates will be an increasingly important source of income for the Council so supporting local economic growth will be important. Increasing the health and wellbeing of residents will also be improved by access to better jobs and therefore help mitigate demand for services. The inability to fund investment in economic growth will therefore have a number of negative impacts.

The revenue budget for 2018/19 was presented to Council on Tuesday, 6th February, 2018. Please see the attached link to the report on the Council's website:
[https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=150&MId=2980&Ver=4 {agenda reports pack / public reports pack / agenda item 5, section 2}](https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=150&MId=2980&Ver=4)

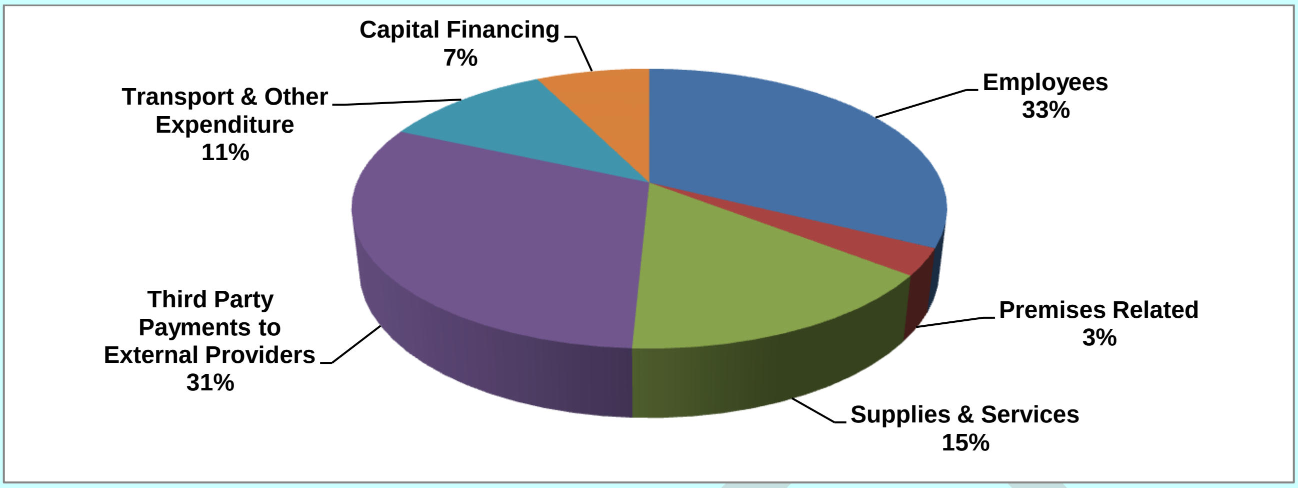
So how much was spent on the revenue account

The Expenditure and Funding Analysis (EFA) on page 44 shows how the Council money is spent and where the money comes from. The Council services expenditure is presented in the chart below.



What the money was spent on

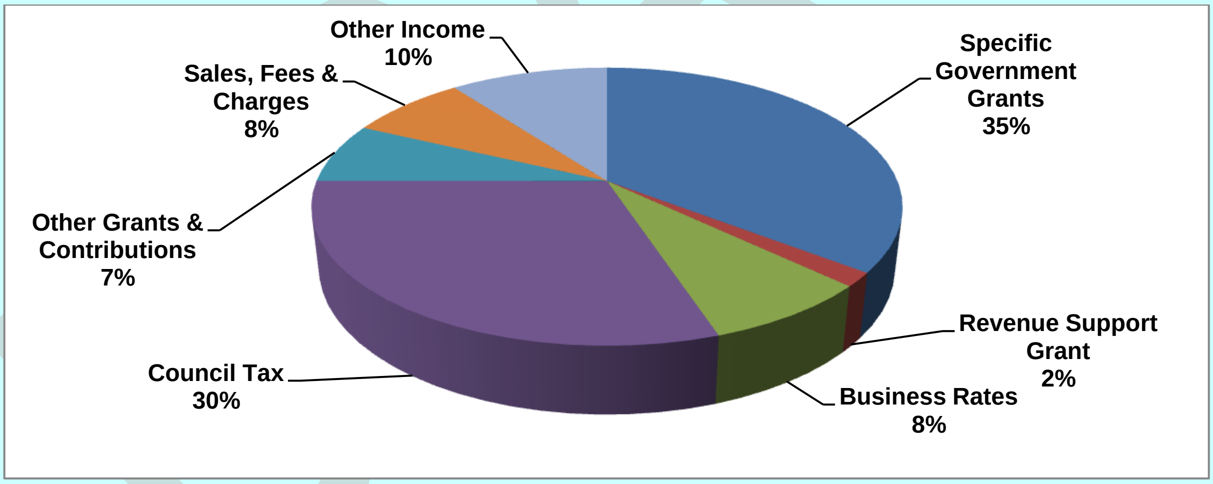
The chart below presents a full break down of how the money was spent:



County Council services are staff intensive and employee costs account for 33% of the expenditure. Non-employee expenditure includes costs of premises at 3%, supplies and services at 15% and third party payments at 31%, 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 7%.

Where the money came from

The chart shows that 35% of our income came from Specific Government grants, 30% came from residents through Council Tax, 7% from other grants & contributions, 10% from other income including use of reserves and bank interest. Business rates consisted of 8%, and 8% of our income came from users of our services, with Revenue Support Grant reducing to just 2% of the Council's Funding.



Analysis of the Revenue Budget

The Council's careful monitoring of budgets during the year has ensured that service pressure areas have been identified early and action taken by directorates to manage potential variations within their cash limited budgets. The table below shows actual net spending of £374.20m during 2018/19, based on the total cost of providing services including charges for support services, treasury management and use of assets.

Throughout 2018/19, the Council has been mindful of the need for further reductions in future years and managed the budgets accordingly. During this period of austerity, sound financial management is essential to ensure long term success and stability.

The net service budget for the year was £323.55m (including Dedicated Schools Grant (DSG), with total actual expenditure of £325.38m, i.e. services overspend of £1.83m. There are no new material variations and as previously reported (i.e. within the Council's Monitoring Q3 report) this will be managed within the unused general contingency and Treasury Management activities underspend.

Narrative Report

The Council's general fund balance of £10.0m at the year end is in line with the target minimum level of 2.5% (actual 2.68%) of the net revenue budget set by the Council.

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 44. The table below sets out the revenue budget for 2018/19 using the standard management reporting format and how these compare with outturn:

Departments	Current Estimate	Actual Outturn	Variation
	£m	£m	£m
Adult Social Care	165.38	166.55	(1.17)
Public Health	0.00	0.00	0.00
Governance Services	7.22	7.03	0.19
Children's Services	68.62	71.58	(2.96)
Orbis	14.65	14.11	0.54
Business Services	7.67	6.96	0.71
Communities, Economy and Transport	60.01	59.15	0.86
Service Spend (incl. DSG Related)	**323.55**	**325.38**	**(1.83)**
Corporate Budgets	27.79	23.97	3.82
Transfers to Reserves	0.00	8.04	(8.04)
Treasury Management	21.44	16.82	4.62
Net Expenditure	**372.78**	**374.21**	**(1.43)**

Financed from:

	£m	£m	£m
Revenue Support Grant	14.97	14.97	0.00
Business Rate Retention	11.70	11.70	0.00
Business Rate Top-up	60.38	60.38	0.00
Business Rates Compensation Grants	3.89	3.89	0.00
Business Rate Pool	0.61	0.91	0.30
Business Rates Levy Account Surplus	0.00	1.13	1.13
Business Rates adjustments for previous years	(0.35)	(0.35)	0.00
Council Tax	276.72	276.72	0.00
Council Tax adjustments for previous years	3.62	3.62	0.00
New Home Bonus Grant	1.23	1.23	0.00
	372.77	**374.20**	**1.43**

Balances:

	£m	£m
Opening	10.00	10.00
Added / (withdrawn) during the year	-	-
Closing	**10.00**	**10.00**

Earmarked Reserves

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 annually published Robustness Statement. The Council's reserves policy supports the Council's strategic agenda and corporate cross cutting priorities, and in particular:

- the challenges posed by a likely decade of austerity;
- uncertainty over the timing of changes in the level of government financial support;
- the requirement to manage significant organisational change;
- the heightened risk profile across public services delivery arrangements; and
- the emphasis planned on a unified organisation response.

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. However, in recognition of the increasingly uncertain financial position and pressures on services the Council has looked to bolster its reserves where possible and considers them sufficient and its budget robust.

Details of the Council's earmarked reserves can be found on page 50, Note 10 to the Accounting Statements. Current earmarked reserves held at 31 March 2019 totalled £102.4m. Of this £12.8m relates to reserves to meet the estimated future costs of managing the Private Finance Initiative (PFI) waste facility, £10.5m relates to future funding for the capital programme and £23.8m relates to services revenue grants and contributions set aside for future years. The remainder of the significant reserves are to help meet some of the cost of insurance liabilities to manage litigation and other corporate risks not otherwise recognised.

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 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 2018 for 2018-19 was £99.3m. This was further adjusted to reflect the variation at outturn (March 2018), re-profiling of budgets and approved variations in line with financial regulations and governance (detail of which is shown below).

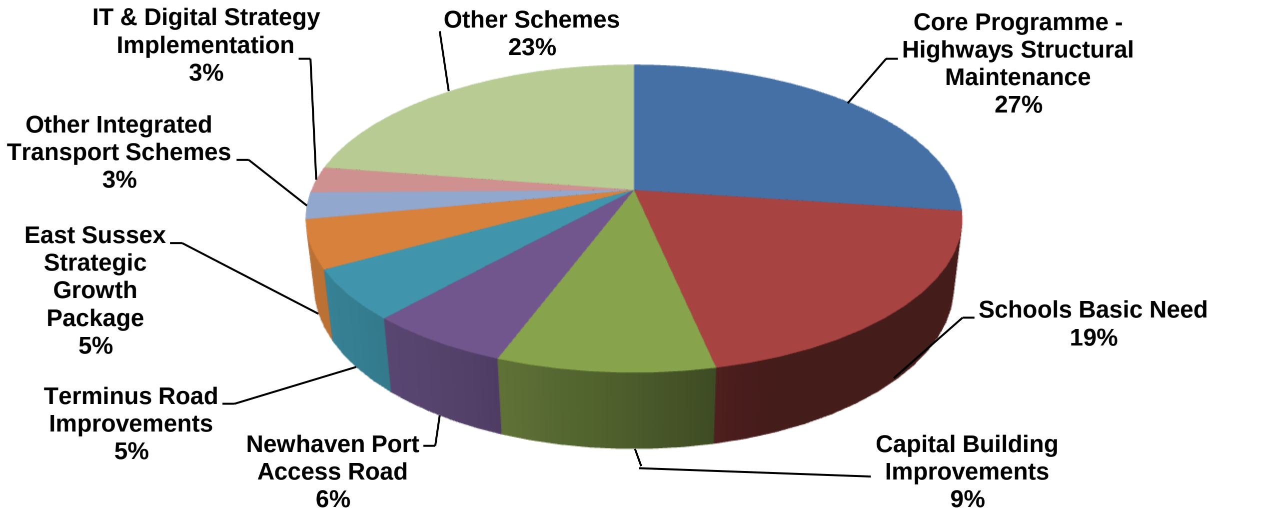
Capital Programme gross movements during 2018/19:

	£m
Budget as per February 2018	**99.3**
Project re-profiling following reviews	(14.2)
Approved Variations	6.9
Budget as per February 2019	**92.0**
Post budget approved variations	0.2
Revised Budget as per March 2019	**92.2**

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 2019 was £92.2m of which £31.9m was supported by scheme specific resources giving a net budget provision of £60.3m.

In 2018/19 the County Council spent £85.1m gross of which £28.1m was supported by scheme specific resources giving a net expenditure of £57.0m. The larger schemes that took place during the year included delivering school places, the structural maintenance of roads throughout the county, Newhaven Port Access Road, Terminus Road, East Sussex Strategic Growth Package, and many other improvements to schools, buildings and roads. Of the £7.1m variation to revised gross budget, £8.2m represents a number of scheme delays including; a delay in obtaining planning permission to move a retail outlet on Queensway Gateway Road, site access and drainage issues on Terminus Road Improvements, delays in obtaining environmental licences and Network Rail agreements on Newhaven Port Access Road, delays to site establishment activities, impacting the contracts onsite groundworks activity on Lansdowne Children's home and delays on several building improvements with in the Capital Building Improvement programme. This is offset by £1.3m spend in advance mainly on Schools Basic Need and Bexhill Hastings Link Road, and a £0.2m underspend on Parking Ticket Machine Renewal and Speed Management.

The graph below shows a high level analysis of the 2018/19 capital expenditure.



As per the approved budget at February 2019, the County Council plans to invest £103.1m in capital projects in 2019/20, funded by:

	£m
Borrowing	14.2
Scheme Specific grants and contributions	32.0
Non-specific grants	36.5
Capital reserves	11.0
Capital Receipts	6.3
Revenue contributions	1.9
Community Infrastructure Levy	1.2
Total resources	**103.1**

The Balance Sheet

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

At 31 March 2018 £m	Description	At 31 March 2019 £m
969,665	Long Term Assets (including Property, Plant & Equipment)	1,002,713
310,270	Current Assets (including debtors and short term investments)	278,979
(141,030)	Current Liabilities (including creditors and bank overdraft)	(146,125)
(771,341)	Long Term Liabilities	(808,193)
367,564	**Net Assets**	**327,374**
	Represented by:	
148,554	Usable Reserves	147,963
219,010	Unusable Reserves	179,411
367,564	**Total Reserves**	**327,374**

The main changes to the balance sheet in 2018/19 are (i) the actuarial valuation of the Council's pension scheme liabilities on the Balance Sheet (and also the unusable pension reserve), which have increased by £63m during the year. This is as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). Further details are given in Note 44 and (ii) long term borrowing has reduced by £27m due to the repayment of debt from investment balances.

Financial Challenges in 2018/19

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, please see the attached link to the report on the Council's website, which was presented to Council on Tuesday, 6th February, 2018:

https://democracy.eastsussex.gov.uk/ieListDocuments.aspx?CId=150&MId=2980&Ver=4 {agenda reports pack / public reports pack / agenda item 5, section 2}

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 the obligation at the Balance Sheet date. The level of the Council's provisions is set out in Note 25.

Academy Schools – one school is expected to convert to Academy status in 2019/20. The net book value of property, plant and equipment will be written out of the Council's balance sheet at the date of conversion. The net book value at 31 March 2019 is £17m.

Performance

The Council Plan and Priorities focus on driving sustainable economic growth, keeping vulnerable people safe, helping people help themselves and making best use of resources.

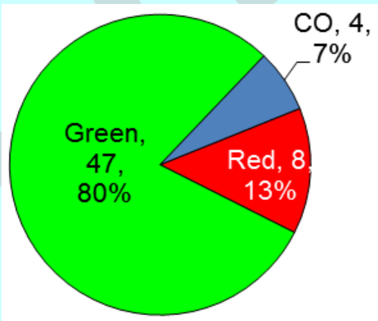
Good progress has been made on the Council Plan targets, especially given the continuing uncertainties in national policy and pressure on resources. 47 (80%) of the 59 targets were achieved and 8 (13%) were not achieved. 4 (7%) are carried over for reporting in quarter 1 of 2019/20. The carry overs are measures where action has been completed, but the year-end outturn data is not yet available to report against the target.

Council Plan performance targets

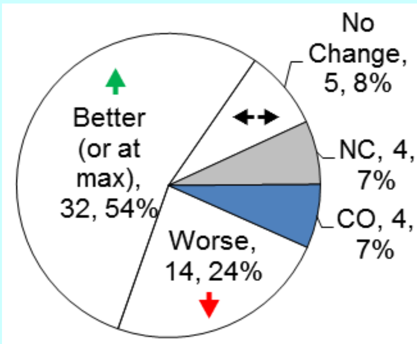
Priority	Total	Red	Green	Carry Over
Driving sustainable economic growth	26	3	23	0
Keeping vulnerable people safe	11	1	7	3
Helping people help themselves	19	4	14	1
Making best use of resources	3	0	3	0
Total	**59**	**8**	**47**	**4**

Of the 59 targets, the outturns for 4 (7%) are not comparable with the outturns from 2017/18; of the remaining 55 measures which can be compared 32 (54%) improved or were at the maximum (i.e. the most that can be achieved); 5 (8%) remained the same; 14 (24%) deteriorated; and 4 (7%) are carried over for reporting at quarter 1 2019/20. Although 14 measures are showing a lower outturn compared to 2017/18, 11 (79%) of these have met their target for 2018/19.

Q4 2018/19



Direction of travel since 2017/18



Direction of Travel key:

No Change: ↔	Not Comparable: **NC**	Carry Over: **CO**	Worse: ↓	Improved (or at maximum): ↑

East Sussex Pension Fund

During the year to 31 March 2019, the overall increase in the Fund due to positive performance in equity and other markets was estimated to be 10.6%.

In line with the accounting standard IAS19, the Council's net liability for future pension payments, as shown in the Balance Sheet, has increased from £409.8m at the start of the year to £472.6m at 31 March 2019. Note 44 to the accounting statement provides detailed information.

The explanations for this significant change are as follows:

- In assessing liabilities for retirement benefits at 31 March 2018, the actuary assumed a discount rate of 0.3% real (2.7% nominal), which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2019, the actuary has advised that a rate of negative 0.1% real (2.4% nominal) is appropriate. The change in the real discount rate over the year has resulted in an increase in the liabilities measured at today's prices of around £132.9m, included in the actuarial profit recognised for the year in the Movement in Reserves Statement (MiRS).
- Asset returns on the Fund in the year to 31 March 2019 were higher than expected for the Council. As noted above, the increase in the Fund's assets due to investment performance was estimated to be 10.6%, compared to the expected return on assets at the start of the year of 2.7%.

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 £764.7m, £398.8m and £628.4m in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2019. There is also a liability of approximately £44.8m in respect of LGPS unfunded pensions and £47.0m in respect of Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

Treasury Management Borrowing Facilities and Investments

The strategy for 2018/19, agreed in February 2018 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 global events, it is impossible in practical terms to eliminate all credit 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 regularly monitored to ensure that their financial strength and low risk has been maintained.

The average level of funds available for investment purposes during 2018/19 was £237m. 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 for the twelve months to 31 March 2019 was £2.1m at an average rate of 0.89%.

At 31 March 2019, the majority of the Council's external debt was held as long term loans (£239.2m), and no new borrowing was undertaking during 2018/19. The Council took the opportunity to repay two LOBO loans totalling £23m at favourable terms. No short term borrowing was required to fund the repayment.

Capital expenditure levels, market conditions and interest rate levels continue to be monitored during the year in order to minimise borrowing costs over the medium to longer-term and 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 Ministry of Housing, Communities and Local Government (MHCLG) 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.

In order to utilise the flexibility, a change was made to the Minimum Revenue Provision (MRP) policy during 2018/19 to reprofile the provision and allow a base budget reduction in the amount set aside for the repayment of debt. For 2018/19 the MRP provision charge to revenue was £5.9m.

The Councils LOBO Exposure

The Council has LOBO loans which were taken between 2005 and 2010 as a result of proactive approach to repayment/restructuring of PWLB matured debt and the use of LOBOs are considered as part of the borrowing strategy, i.e., a LOBO with EuroHypo was secured at 3.75% as opposed to the PWLB rate at the time of 4.50%. In addition, the loans were taken to generate short-term savings over their primary periods compared with standard short/long-term interest rates.

On 5th July 2017, the Council external auditor (KPMG) received a formal objection from an elector on the Council's 2016/17 Annual Accounts that LOBO Loan original decision is unlawful. On 1st March 2018, the auditor issued a provisional view on the objection with a letter to the objector. Based on the KPMG considerations and assessments, the auditors on the 4th February

2019 have issued their final view and are satisfied that the LOBO loans in question were entered into lawfully such that there are no related items of account contrary to law. KPMG has concluded:

- that the Council had the statutory power to borrow for the permitted purposes, these being so widely drawn that the borrowing by the Council by way of LOBO loans is likely to be lawful; and
- that the Council took into account all relevant factors including the relevant guidance set out above.

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

The Annual Governance Statement, which accompanies this Statement of Accounts, covers more than just financial matters and is set out in full on pages 15 - 16.

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

The Audit Opinion

The 2018/19 Audit Opinion and Certificate is available on pages 13 - 14.

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;
- 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 2019.

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

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

The Chief Finance Officer has also:

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

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 2019.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)
16 July 2019

Independent Auditor's report to East Sussex County Council

To follow

Annual Governance Statement for the year ended 31 March 2019

1. Scope of responsibility

East Sussex County 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 County 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. In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of the County 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, East Sussex County Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website at www.eastsussexcc.gov.uk or can be obtained from the Council's Monitoring Officer. This statement also sets out how the County 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.

2. Purpose of the governance framework

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.

The code of corporate governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally the County Council's system of internal control is designed to identify and prioritise the risks to the achievement 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.

The Local Code of Corporate Governance and the system of internal control have been in place at East Sussex County Council for the year ended 31 March 2019 and up to the date of the approval of the statement of accounts.

3. Review of effectiveness

East Sussex County 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 Operating Officer and the Chief Finance Officer;
- the work of the Monitoring Officer and the Statutory Officers' Group ;
- 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, on-going 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 Ombudsman, the Care Quality Commission and the Office for Standards in Education

4. Key elements of the governance and internal control environments

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 the Chartered Institute of Public Finance and Accountancy'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 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 whistle-blowing, 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.

5. Assurance and Significant Governance Issues

No assurance can ever be absolute; however this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the County Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

As part of our review, we have not identified any gaps in assurance over key risks or significant governance issues.

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

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively and meet changing legislative needs, 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 on the attached annex A together with the department responsible for them.

The Council Plan identifies a number of areas that have governance implications and these will be monitored through the Council Plan.

The Council has also identified a need to develop its approach to transparency and to respond to the Government's open data agenda which will be monitored and managed.

Actions plans are in place to address these issues, and their implementation will be monitored and reviewed during the year.

A report from the Committee on Standards in Public Life included the following best practice recommendation: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place. This matter is currently being considered and further detail will be included in the reports to the Audit and Governance Committees in July 2019.

Councillor Glazier, Leader

Becky Shaw, Chief Executive

16 July 2019

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.

2017/18				2018/19		
Gross Expenditure Restated	**Gross Income Restated**	**Net Expenditure Restated**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
264,163	(89,254)	174,909	Adult Social Care	268,995	(90,585)	178,410
31,517	(28,527)	2,990	Public Health	30,499	(27,676)	2,823
9,846	(1,234)	8,612	Governance Services	8,538	(1,155)	7,383
368,431	(273,062)	95,369	Children's Services	379,681	(275,965)	103,716
47,314	(17,352)	29,962	Business Services	45,445	(18,693)	26,752
126,636	(34,628)	92,008	Communities, Economy & Transport	127,874	(35,840)	92,034
5,179	(234)	4,945	Corporate Expenditure	13,571	(311)	13,260
853,086	**(444,291)**	**408,795**	**Cost of Services**	**874,603**	**(450,225)**	**424,378**
20,245	-	20,245	Other operating expenditure - Note 11	5,342	-	5,342
31,943	(2,831)	29,112	Financing and investment income and expenditure - Note 12	38,572	(5,132)	33,440
-	(420,294)	(420,294)	Taxation and non-specific grant income - Note 13	-	(432,806)	(432,806)
		37,858	**Deficit on Provision of Services**			**30,354**
		(34,395)	Surplus on revaluation of non-current assets – Note 27			(25,385)
		(34,691)	Remeasurement of the net defined pension liability – Note 44			35,221
		(69,086)	**Other Comprehensive Income and Expenditure**			**9,836**
		(31,228)	**Total Comprehensive Income and Expenditure**			**40,190**

See Note 1a for details of the restatement to the 2017/18 comparative figures.

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.

2017/18	**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 2017 - Notes 26 and 27	**9,999**	**10,456**	**111,163**	**131,618**	**50**	**14,124**	**145,792**	**190,544**	**336,336**
Movement in Reserves during 2017/18									
Total Comprehensive Income and Expenditure	**(37,858)**	**-**	**-**	**(37,858)**	**-**	**-**	**(37,858)**	**69,086**	**31,228**
Adjustments between accounting basis & funding basis under regulations - Note 9	39,158	-	-	39,158	1,183	278	40,620	(40,620)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**1,300**	**-**	**-**	**1,300**	**1,183**	**278**	**2,762**	**28,466**	**31,228**
Transfers to / (from) Earmarked Reserves - Note 10	(1,300)	278	1,023	-	-	-	-	-	-
Increase / (Decrease) in Year	**-**	**278**	**1,023**	**1,301**	**1,183**	**278**	**2,762**	**28,466**	**31,228**
Balance at 31 March 2018 - Notes 26 and 27	**9,999**	**10,734**	**112,186**	**132,919**	**1,233**	**14,402**	**148,554**	**219,010**	**367,564**

Movement in Reserves Statement

2018/19	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 2018 - Notes 26 and 27	**9,999**	**10,734**	**112,186**	**132,919**	**1,233**	**14,402**	**148,554**	**219,010**	**367,564**
IFRS 9 – Financial Instruments	184	-	-	184	-	-	**184**	(184)	**-**
Restated Balance 1 April 2018	**10,183**	**10,734**	**112,186**	**133,103**	**1,233**	**14,402**	**148,738**	**218,826**	**367,564**
Movement in Reserves during 2018/19									
Total Comprehensive Income and Expenditure	(30,354)	-	**-**	**(30,354)**	**-**	**-**	**(30,354)**	**(9,836)**	**(40,190)**
Adjustments between accounting basis & funding basis under regulations - Note 9	23,869	-	-	23,869	1,889	3,821	29,579	(29,579)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**(6,485)**	**-**	**-**	**(6,485)**	**1,889**	**3,821**	**(775)**	**(39,415)**	**(40,190)**
Transfers to / (from) Earmarked Reserves - Note 10	6,301	3,454	(9,755)	-	-	-	-	-	-
Increase / (Decrease) in Year	**(184)**	**3,454**	**(9,755)**	**(6,485)**	**1,889**	**3,821**	**(775)**	**(39,415)**	**(40,190)**
Balance at 31 March 2019 - Notes 26 and 27	**9,999**	**14,188**	**102,431**	**126,618**	**3,122**	**18,223**	**147,963**	**179,411**	**327,374**

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 2018 *Restated* **£000**		**Note**	**31 March 2019** **£000**
943,016	Property, Plant & Equipment	14	959,280
690	Heritage Assets	17	738
7,849	Investment Property	15	17,962
6,565	Intangible Assets	16	5,242
7,501	Long Term Investments	20	14,661
4,044	Long Term Debtors	22	4,830
969,665	**Long Term Assets**		**1,002,713**
214,256	Short Term Investments	20	200,016
4,009	Assets Held for Sale	21	3,445
5,511	Payments in Advance	22	4,141
25	Inventories		24
41,184	Short Term Debtors	22	47,121
45,285	Cash and Cash Equivalents	23	24,232
310,270	**Current Assets**		**278,979**
(16,032)	Income in Advance	24	(20,298)
(8,613)	Short Term Borrowing	20	(8,888)
(8,426)	Bank overdraft and Accrued balance for third parties	23	(6,823)
(2,079)	Provisions	25	(2,302)
(105,880)	Short Term Creditors	24	(107,814)
(141,030)	**Current Liabilities**		**(146,125)**
(409,788)	Liabilities related to defined benefit pension schemes	44	(472,641)
(12,452)	Provisions	25	(11,761)
(267,513)	Long Term Borrowing	20	(240,559)
(5,461)	Capital Grants & Contributions Receipts in Advance	37	(11,492)
(76,127)	Other Long Term Liabilities	42	(71,740)
(771,341)	**Long Term Liabilities**		**(808,193)**
367,564	**Net Assets**		**327,374**
148,554	Usable Reserves	26	147,963
219,010	Unusable Reserves	27	179,411
367,564	**Total Reserves**		**327,374**

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2019 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 16 July 2019

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.

2017/18 Restated £000		2018/19 £000
37,858	Net deficit on the provision of services	30,354
(131,373)	Adjustments to net deficit on the provision of services for non-cash movements	(95,090)
59,749	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities	64,604
(33,766)	Net cash inflow from Operating Activities - **Note 28**	(132)
(15,970)	Investing Activities - **Note 29**	(11,251)
8,701	Financing Activities - **Note 30**	30,833
(41,035)	**Net (increase) / decrease in net cash and cash equivalents - Note 23**	**19,450**
4,176	Net cash and cash equivalents at the beginning of the reporting period - **Note 23**	(36,859)
(36,859)	**Net cash and cash equivalents at the end of the reporting period - Note 23**	**(17,409)**

Notes to the Accounting Statements

1. Authorisation of the Statement of Accounts

Authorisation of 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 16 July 2019) is published with an audit opinion.

1a. Prior Period Adjustments

Comprehensive Income and Expenditure Statement

The 2017/18 Gross Expenditure, Gross Income and Net Expenditure totals have been restated to remove recharges and reallocations from gross income. There is no overall change to the Net Expenditure total of £408.795 million. The main area of change is within Children's Services due to reallocations of Dedicated Schools Grant.

Gross Expenditure	2017/18 Gross Expenditure £000	Restated 2017/18 Gross Expenditure £000	Change £000
Adult Social Care	265,466	264,163	(1,303)
Public Health	31,517	31,517	-
Governance Services	9,998	9,846	(152)
Children's Services	627,032	368,431	(258,601)
Business Services	63,323	47,314	(16,009)
Communities, Economy & Transport	142,734	126,636	(16,098)
Corporate Expenditure	5,179	5,179	-
Cost of Services	**1,145,249**	**853,086**	**(292,163)**

Gross Income	2017/18 Gross Income £000	Restated 2017/18 Gross Income £000	Change £000
Adult Social Care	(90,557)	(89,254)	1,303
Public Health	(28,527)	(28,527)	-
Governance Services	(1,386)	(1,234)	152
Children's Services	(531,663)	(273,062)	258,601
Business Services	(33,361)	(17,352)	16,009
Communities, Economy & Transport	(50,726)	(34,628)	16,098
Corporate Expenditure	(234)	(234)	-
Cost of Services	**(736,454)**	**(444,291)**	**292,163**

Balance Sheet

The 31 March 2018 balances for Short Term Creditors and Bank Overdraft and Accrued Balance for Third Parties within Current Liabilities have been restated due to the reclassification of the £22.795 million cash balances held on behalf of the East Sussex Fire Authority being restated to a short term creditor.

	31 March 2018 £000	1 April 2018 £000	Change £000
Short Term Creditors	(83,085)	(105,880)	(22,795)
Bank Overdraft and Accrued Balance for Third Parties	(31,221)	(8,426)	22,795
Net Change to Current Liabilities			**-**

Cash Flow Statement

The Cash Flow Statement has been restated for the reclassification of the East Sussex Fire Authority balances.

	31 March 2018 £000	1 April 2018 £000	Change £000
Net increase in net cash and cash equivalents	(18,240)	(41,035)	(22,795)
Net cash and cash equivalents at the beginning of the reporting period	4,176	4,176	-
Net cash and cash equivalents at the end of the reporting period	**(14,064)**	**(36,859)**	**(22,795)**

Notes to the Accounting Statements

2. Accounting Policies

i. General

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide legally binding guidance on Local Authority Accounting. The Statement of Accounts, which includes the accounting statements for East Sussex Pension Fund, summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted for the Council's Accounting Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. 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 Council operates.

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

ii. Accruals of Income and Expenditure

The accounts of the Council are prepared on an accruals basis. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- 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

As from January 2018, the Council accounts for revenue recognition in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Prior to this revenue was recognised under IAS 18 – Revenue. Under IFRS15, The principles of revenue recognition are determining if the transaction is an exchange or non exchange transaction. With non exchange transactions there is no or only nominal consideration in return. The obligating exent is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a dontation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged. There is a contract which creates right and obligations. Performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied. Examples include fees and charges for services, sale of goods and services provided by the authority. No adjustments have been required to revenue on transition to the new standard from 1 April 2018.

Notes to the Accounting Statements

iv. Debtors and Creditors

We 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.

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;
- 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 2019, the actuary has advised that a rate of 0.1% real (2.4% nominal) which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2018, the actuary has advised that a rate of 0.3% real (2.7% nominal) 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.
- *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 of Loss

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

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

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

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

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

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

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

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. 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 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.

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.

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. Jointly 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).

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

Support Service costs are included within 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 we charge it 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.

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 sufficiently 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;
- 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;
- 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 assets 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	Individually assessed by valuers, usually up to 60 years
Vehicles	Individually assessed on acquisition, usually up to 10 years
IT equipment	Individually assessed on acquisition, usually up to 5 years
Other plant, furniture and equipment	Individually assessed on acquisition, usually up to 20 years
Infrastructure	40 years for new roads, otherwise 20 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	Individually assessed 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.

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 one 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:

- 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 Internal Rate of Return of 9.85% for Peacehaven Schools and 5.97% for the Joint Integrated Waste Management Service PFI Contract) on the outstanding Balance Sheet liability, 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.

Landfill Allowance Schemes

Landfill allowances, whether allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination).

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

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.

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, are treated as Refcus. In addition, the Government may direct the Council to treat as capital expenditure items, which would normally count as revenue. These would not result in an asset or an increase to the value of existing assets and are therefore treated as revenue expenditure funded from capital under statute.

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. Interest Charges

We show the accrued interest associated with a loan as part of the carrying value of the loan. Loans are included on the Balance Sheet at amortised cost based on the Effective Interest Rate (EIR) method.

Where no EIR calculation has been undertaken, the accrued interest will be charged to the Income and Expenditure Accounts and added to the value of the loan. This will increase the carrying value of the loan until such time as the interest is paid.

xxviii. 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.

xxix. Pension Fund

Foreign income is translated into sterling at the exchange rate at the time of the transaction. The expenditure of the Fund includes all valid benefit claims arising during the financial year.

xxx. Carbon Reduction Commitment (CRC)

Carbon Reduction Commitment (CRC) - This is a national scheme introduced by Central Government to incentivise organisations within the public and private sectors to reduce their carbon emissions. The scheme focuses specifically on buildings and the carbon emissions attributable are based on the organisations' consumption of electricity, gas, and fuel oil.

The Carbon Reduction Commitment Energy Efficiency Scheme is in Phase 2 and the Council has fallen below the threshold requirement, i.e., non-qualification for Phase 2 of the CRC Scheme.

xxxi. 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.

xxxii. 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 us are on deposit.

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 general policies on impairments.

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

Inputs to the valuation techniques in respect of 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.

Notes to the Accounting Statements

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 2019/20 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2019. 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:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

The Code does not anticipate that the above amendments will have a material impact on the information provided in local authority financial statements i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 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:

- The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. 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 2022. As a consequence, the Council is of the view that the level of uncertainty 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.
- The Council has developed certain criteria based on IAS 16 and IAS 40 in making judgements about whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Investment property includes land held for long term capital appreciation land held for a currently undetermined future use and vacant buildings held to be leased out.
- Recognition of 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. 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 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. The Council has made a judgement that a grant or contribution will be classed as conditional if the terms include a repayment clause that require that the grant monies will be repaid if not used.
- Leases - The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- The Council in its capacity as the Pension Fund Administering Authority has in place arrangements requiring the Council to make specified payments to reimburse the Pension Fund for a loss it would incur if the 'Admission Body' fails to make payments due under the admission into Pension Fund Scheme Agreement (Financial guarantee contracts). Three Admission Bodies have agreed to deposit a sum of money (£61,000 including interest received) with the Council 'Administering Authority' in order to meet a level of risk exposure arising by virtue of any premature termination, or cessation, of the Admission Agreement which has been actuarially assessed to the satisfaction of the Council 'Administering Authority', the Scheme Employer and the Admission Body. This agreement is in place for policy reasons, and for ensuring the Council continues to provide pension fund administration.
- The Council operates partnership working arrangements with neighbouring local authorities - the Surrey County Council and Brighton and Hove City Council under the umbrella of Orbis. Orbis is a shared service partnership between Surrey, East Sussex and Brighton & Hove Councils. The services provided include Procurement, Property, Finance, Business Operations, HR & OD and IT & Digital. The partnership is not a separate legal entity and is controlled by a joint

committee of the partners and is operated under an inter-authority agreement. Each Council is represented by two members on the joint committee. A Joint Management Board provides the officer leadership for and each Council has a nominated lead officer on the board. Services are delivered from a joint operating budget. A baseline position determines the contribution ratios of the three partners. The contribution ratios are Surrey 56%, East Sussex 24% and Brighton and Hove 20%.

- **Accounting for Schools – Balance Sheet Recognition of 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.

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 6 types of schools within the County:

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

Community schools' staffs 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 staffs 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 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 split by Primary, Secondary and Special schools:

Type of School	Primary	Secondary	Special	Total
Community	47	9	-	56
Special	-	-	1	1
Voluntary Controlled	45	-	-	45
Voluntary Aided	25	-	1	26
Foundation / Trust	-	1	-	1
Academy	31	16	10	57
Total	**148**	**26**	**12**	**186**

- As at 31 March 2019, the Council accounts with three Money Market Funds plus a NatWest SIBA account which were held for cash flow requirement reasons and are included in the cash and cash equivalents. The accounts held for cash flow purposes will continue to change dependent on the relevant movement in money market conditions and the Council's Treasury Management Strategy, i.e. relative yield, security and liquidity or changes in any relevant statutory guidance or code of practice. The Council's policy on the classification of cash and cash equivalent, and investments, is set out in the accounting policy note v.

- East Sussex County Council and Brighton & Hove City Council have a joint integrated waste management services contract with Veolia. The 30 year contract ends in 2033 and is for the disposal of waste and management of recycling sites. The accounting treatment is a service concession arrangement (IPSAS 32) with ESCC as the grantor and Veolia the operator. The Council's control the service provider by the operator and control the residual interest in the assets at the end of the contract. Veolia built the service concession assets and use them to dispose of waste on behalf of ESCC. In return, payments are made to the operator by both Council's for the service and the asset in the proportion of ESCC 2/3 and BHCC 1/3 which is based on volumes of waste. The assets and liabilities have also been recognised in the respective Balance Sheets using the same split.

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 2019 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.	The total depreciation and amortisation charged in 2018/19 is £49.9m and the net book value of property, plant and equipment at 31 March 2019 is £959.3m. 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 £6.2m for every one year that useful lives had to be reduced. Indexation was applied in 2018/19 as the amount calculated was materially different to the carrying value. The net revaluation loss of the assets indexed was £3.2m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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. The level of impairment charged in 2018/19 to the Surplus on Provision of Services is £19.9m and £14.5m to the Revaluation Reserve.
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 2018/19, the Council's actuary advised that the net pension's liability has increased from £409.8m at the start of the year to £472.6m at 31 March 2019. Note 44 to the Accounting Statements provide detailed information.
Provisions and Reserves	The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. To the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made, a provision is recognised. The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. Insurance Provision & Reserve - This estimate of the potential liability is provided through an independent review undertaken according to standard actuarial techniques, (JLT Public Sector Risks) based on outstanding claims already submitted (provision) and an estimate of potential claims that have yet to be made (reserve). An increase over the forthcoming year in either the total number of claims or the estimated average settlement would each have an effect on the provision needed.	In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the Council's provisions is set out in Note 25.
Decommissioning 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 and water quality monitoring. The Council has a legal obligation to restore, monitor and maintain landfill sites.	The Code requires that the costs have to be balanced by a provision, which meets the requirements of IAS 37. The Council has a set aside £9.4m provision (see Note 25), which it believes is appropriate based on local circumstances, including risks and major environmental initiatives being undertaken.

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 (Montagu Evans) 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 and pensions 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.

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 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.

2018/19	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 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adult Social Care	166,549	6,026	172,575	5,835	178,410
Public Health	-	2,688	2,688	135	2,823
Governance Services	7,034	60	7,094	289	7,383
Children's Services	71,577	(2,693)	68,884	34,832	103,716
Business Services	21,070	(2,874)	18,196	8,556	26,752
Communities, Economy & Transport	59,154	(8,855)	50,299	41,736	92,035
Total	**325,384**	**(5,648)**	**319,736**	**91,383**	**411,119**
Corporate Expenditure	10,157	-	10,157	3,103	13,260
Net Cost of Services	**335,541**	**(5,648)**	**329,893**	**94,486**	**424,379**
Other Income and Expenditure from the Expenditure and Funding Analysis					
Other Corporate Expenditure	38,664	20,167	50,797	(12,015)	38,782
Financing	(374,205)	-	(374,205)	(58,602)	(432,807)
Total	**(335,541)**	**20,167**	**(323,408)**	**(70,617)**	**(394,025)**
Deficit for the Year	**-**	**14,519**	**6,485**	**23,869**	**30,354**

Restated General Fund Balance at 1 April 2018	**(10,183)**
Less: Deficit for the Year	6,485
Add: Transfer from Reserves	(6,301)
General Fund Balance at 31 March 2019	**(9,999)**

2017/18	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 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Adult Social Care	169,148	(2,484)	166,664	8,245	174,909
Public Health	-	2,802	2,802	188	2,990
Governance Services	7,249	850	8,099	513	8,612
Children's Services	70,135	(2,973)	67,162	28,207	95,369
Business Services	20,458	(2,099)	18,359	11,603	29,962
Communities, Economy & Transport	59,545	(7,786)	51,759	40,249	92,008
Total	**326,535**	**(11,690)**	**314,845**	**89,005**	**403,850**
Corporate Expenditure	7,240	-	7,240	(2,295)	4,945
Net Cost of Services	**333,775**	**(11,690)**	**322,085**	**86,710**	**408,795**
Other Income and Expenditure from the Expenditure and Funding Analysis					
Other Corporate Expenditure	30,726	10,390	41,116	8,375	49,491
Financing	(364,501)	-	(364,501)	(55,927)	(420,428)
Total	**(333,775)**	**10,390**	**(323,385)**	**(47,552)**	**(370,937)**
Deficit for the Year	**-**	**(1,300)**	**(1,300)**	**39,158**	**37,858**

General Fund Balance at 1 April 2017	**(9,999)**
Less: Deficit for the Year	(1,300)
Add: Transfer from Reserves	1,300
General Fund Balance at 31 March 2018	**(9,999)**

(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
2018/19	**£000**	**£000**	**£000**	**£000**
Adult Social Care	2,622	3,235	(22)	5,835
Public Health	-	135	-	135
Governance Services	-	288	1	289
Children's Services	27,714	7,296	(178)	34,832
Business Services	7,281	1,264	11	8,556
Communities, Economy & Transport	40,706	1,026	4	41,736
Total	**78,323**	**13,244**	**(184)**	**91,383**
Corporate Expenditure	-	3,103	-	3,103
Net Cost of Services	**78,323**	**16,347**	**(184)**	**94,486**
Other income and expenditure from the Expenditure and Funding Analysis	**(91,203)**	**11,285**	**9,301**	**(70,617)**
Difference between General Fund deficit and CIES deficit in provision of services	**(12,880)**	**27,632**	**9,117**	**23,869**

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2017/18	**£000**	**£000**	**£000**	**£000**
Adult Social Care	2,618	5,629	(2)	8,245
Public Health	-	188	-	188
Governance Services	-	514	(1)	513
Children's Services	18,036	10,493	(322)	28,207
Business Services	9,531	2,071	1	11,603
Communities, Economy & Transport	38,560	1,687	2	40,249
Total	**68,745**	**20,582**	**(322)**	**89,005**
Corporate Expenditure	-	(2,295)	-	(2,295)
Net Cost of Services	**68,745**	**18,287**	**(322)**	**86,710**
Other income and expenditure from the Expenditure and Funding Analysis	**(59,369)**	**11,042**	**775**	**(47,552)**
Difference between General Fund deficit and CIES deficit in provision of services	**9,376**	**29,329**	**453**	**39,158**

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.

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:

	2017/18 Restated £000	2018/19 £000
Adult Social Care	89,254	90,585
Public Health	28,527	27,676
Governance Services	1,234	1,155
Children's Services	273,062	275,965
Business Services	17,352	18,693
Communities, Economy & Transport	34,628	35,840
Corporate Expenditure	234	311
Total Income analysed on a segmental basis	**444,291**	**450,225**

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

	2017/18 Restated £000	2018/19 £000
Expenditure		
Employee benefits expenses	333,725	331,092
Other service expenses	480,567	491,229
Depreciation, amortisation, impairment	50,089	62,694
Interest payments	19,957	19,034
Premium on Loan Repayments	-	7,668
Precepts and levies	641	554
Loss on the disposal of assets	19,604	4,727
Total Expenditure	**904,583**	**916,998**
Income		
Fees, charges and other service income	(73,490)	(70,743)
Interest and investment income	(1,535)	(2,255)
Income from council tax & non domestic rates	(363,727)	(366,465)
Government grants and contributions	(427,973)	(447,181)
Total Income	**(866,725)**	**(886,644)**
Deficit on the Provision of Services	**37,858**	**30,354**

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 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.

2018/19	**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	27,632	-	-
Financial Instruments transferred to the Financial Instruments Adjustment Account	7,494	-	-
Financial Instruments transferred to the Pooled Investment Funds Adjustment Account	340	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	1,491	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(185)	-	
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):	24,912	-	3,821
Total Adjustments to Revenue Resources	**61,684**	**-**	**3,821**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,511)	4,511	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(10,112)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(23,192)	-	-
Total Adjustments between Revenue and Capital Resources	**(37,815)**	**4,511**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(2,622)	-
Total Adjustments to Capital Resources	**-**	**(2,622)**	**-**
Total Adjustments	**23,869**	**1,889**	**3,821**

2017/18	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	29,328	-	-
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	775	-	-
Holiday pay (transferred to the Accumulated Absences Reserve)	(321)	-	-
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):	34,831	-	278
Total Adjustments to Revenue Resources	**64,613**	**-**	**278**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,184)	3,184	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(11,757)	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(10,514)	-	-
Total Adjustments between Revenue and Capital Resources	**(25,455)**	**3,184**	**-**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	-	(2,000)	-
Total Adjustments to Capital Resources	**-**	**(2,000)**	**-**
Total Adjustments	**39,158**	**1,184**	**278**

8. Material items of income and expenses

The Council has disposed of the following property, plant and equipment from its Balance Sheet as three schools obtained academy status during 2018/19. This is included within losses on disposals of non-current assets of £6.49m (see Note 11). The assets were transferred for no consideration and the amounts are recognised as losses on disposal.

School	Type of School	£000
Hazel Court, Eastbourne	Special	1,956
Langney, Eastbourne	Primary	4,536
Annecy, Seaford (VA School)	Primary	-
Total		**6,492**

9. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 16 July 2019. 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 2019, the figures in the accounting statements have been adjusted in all material respects to reflect the impact of this information.

The financial statements have not been adjusted for the following events that took place after 31 March 2019 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.

One school is expected to convert to Academy status in 2019/20. The net book value of its property, plant and equipment will be written out of the Council's balance sheet at the date of conversion. The net book value at 31 March 2019 is shown in the table below.

School	Type of School	Date of Conversion	£000
Peacehaven, Peacehaven	Secondary	-	17,514

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 2018/19.

Earmarked Reserves	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Restated Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Strategic Reserves:								
Risk	**8,410**	-	-	**8,410**	**-**	-	-	**-**
Priority / Transformation	**5,159**	725	(1,510)	**4,374**	**9,757**	-	(1,543)	**8,214**
Financing	**17,820**	3,463	(5,448)	**15,835**	**25,624**	6,757	-	**32,381**
Service Reserves:								
Capital Programme	**24,857**	1,047	(1,047)	**24,857**	**19,057**	-	(8,547)	**10,510**
Corporate Waste	**12,843**	-	-	**12,843**	**12,843**	-	-	**12,843**
Insurance	**5,827**	1,396	(1,098)	**6,125**	**5,448**	-	(667)	**4,781**
Other Reserves:								
Public Health	**10,496**	1,342	(4,154)	**7,684**	**7,684**	-	(2,688)	**4,996**
Held on behalf of others	**5,749**	1,230	(454)	**6,525**	**6,240**	-	(1,288)	**4,952**
Sub-Total	**91,161**	**9,203**	**(13,711)**	**86,653**	**86,653**	**6,757**	**(14,733)**	**78,677**
Revenue Grants and Contributions	**20,002**	11,481	(5,950)	**25,533**	**25,533**	-	(1,779)	**23,754**
Total	**111,163**	**20,684**	**(19,661)**	**112,186**	**112,186**	**6,757**	**(16,512)**	**102,431**

Note – At 1 April 2018, there were reallocations between earmarked reserves to update them in line with the Council's Plan and Budget.

Types of Reserve

General Risk	To manage the potential financial consequences of risks recognised in the Council's risk management arrangements. This aims to cover risks that the Council may need to manage the potential financial consequences, some of which will be while remedial action is taken to remedy the situation e.g. short term.
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
Financing	This is 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.
Corporate 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.
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
Schools	Balances in respect of delegated school budgets, extended schools and virtual college.
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 38.

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

	Balance at 1 April 2017	Transfers In 2017/18	Transfers Out 2017/18	Balance at 31 March 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Balances held by Schools	**10,456**	**278**	**-**	**10,734**	**3,454**	**-**	**14,188**

11. Other Operating Expenditure

	2017/18 £000	2018/19 £000
Levies		
▪ Ashdown Forest Conservators	68	61
▪ Sussex Inshore Fisheries & Conservation Authority	432	406
▪ Environment Agency - Flood & Coastal Erosion	141	148
Losses on the disposal of non-current assets (net of receipts)	19,604	4,727
Total	**20,245**	**5,342**

Note - The 2018/19 losses on the disposal of non-current assets figure of £9.3m (gross of £4.5m receipts) includes the removal of two schools from the Balance Sheet, that have attained Academy status at a value of £6.5m (details are included in Note 7). The comparative figures for 2017/18 are £22.8m loss (gross of £3.2m receipts) and three schools with a value of £15.7m.

12. Financing and Investment Income and Expenditure

	2017/18 £000	2018/19 £000
Interest payable on debt and finance leases	19,813	18,810
Net interest on pension assets and liabilities	11,023	11,275
Impairment Losses	-	465
Fair Value of Pooled Funds	-	340
Premium on loan repayment	-	7,668
Soft Loan interest	-	14
Interest receivable	(1,466)	(2,320)
(Increase) / Decrease in Fair Value of Investment Properties	(135)	(2,533)
Net income from Investment Properties	(39)	(222)
Surplus on Trading Undertakings	(84)	(57)
Total	**29,112**	**33,440**

13. Taxation and Non Specific Grant Income

	2017/18 £000	2018/19 £000
Revenue Support Grant	26,727	14,966
Business Rates	71,384	76,825
Council Tax	257,381	276,721
Council Tax & Business Rates adjustment	4,068	3,622
New Home Bonus Grant	2,246	1,231
Transition Grant	2,696	-
Business Rates Levy	-	1,133
Total	**364,502**	**374,498**
Share of Collection Fund Surplus / (Deficit)	(775)	(1,785)
Capital Grants and Contributions	56,567	60,093
Total	**420,294**	**432,806**

Note - Transition Grant is being provided to authorities to ease the change from a system based on central government grant to one in which local sources determine a council's revenue.

14. Property, Plant, and Equipment

Movements in 2018/19:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	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	£000
Cost or Valuation								
At 1 April 2018	**373,692**	**171,286**	**515,341**	**1,943**	**16,585**	**25,709**	**1,104,556**	**93,138**
Additions	19,289	3,995	38,221	-	576	7,092	69,173	109
Revaluation increases recognised in the Revaluation Reserve	17,819	3,977	-	757	964	-	23,517	-
Revaluation decreases recognised in the Revaluation Reserve	(13,984)	(3,716)	-	-	(1,726)	-	(19,426)	(3,073)
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	3,779	810	-	-	744	-	5,333	-
Revaluation decreases recognised in the deficit on the Provision of Services	(18,427)	(623)	-	(179)	(625)	-	(19,854)	-
Derecognition – disposals	(39)	-	-	-	(275)	-	(314)	-
Derecognition – disposals - schools	(4,575)	(2,272)					(6,847)	-
Assets reclassified within PPE	(1,398)	(377)	16,601	-	1,776	(16,602)	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	(1,635)	-	(1,635)	-
Assets reclassified (to) / from Investment Property	(6,279)	(1,099)	-	-	(343)	-	(7,721)	-
At 31 March 2019	**369,877**	**171,981**	**570,163**	**2,521**	**16,041**	**16,199**	**1,146,782**	**90,174**
Accumulated Depreciation and Impairment								
At 1 April 2018	**(210)**	**(16,081)**	**(145,249)**	**-**	**-**	**-**	**(161,540)**	**-**
Depreciation charge	(9,716)	(15,120)	(22,634)	-	(39)	-	(47,509)	(3,583)
Depreciation written out to the Revaluation Reserve	5,910	9,509	-	-	16	-	15,435	3,583
Revaluation losses recognised in the deficit on the Provision of Services	3,401	2,063	-	-	-	-	5,464	-
Derecognition – disposals	-	-	-	-	2	-	2	-
Derecognition – disposals - schools	112	243	-	-	-	-	355	-
Assets reclassified within PPE	43	36	-	-	(79)	-	-	-
Assets reclassified (to) / from Investment Property	6	-	-	-	-	-	6	-
Other Movements	114	157	-	-	14	-	285	-
At 31 March 2019	**(340)**	**(19,193)**	**(167,883)**	**-**	**(86)**	**-**	**(187,502)**	**-**

Movements in 2018/19:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
Net Book Value								
At 31 March 2019	**369,537**	**152,788**	**402,280**	**2,521**	**15,955**	**16,199**	**959,280**	**90,174**
At 31 March 2018	**373,482**	**155,205**	**370,092**	**1,943**	**16,585**	**25,709**	**943,016**	**93,138**

Movements in 2017/18:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	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**	**£000**
Cost or Valuation								
At 1 April 2017	**368,035**	**167,859**	**482,850**	**1,943**	**24,096**	**17,904**	**1,062,687**	**85,860**
Additions	14,290	3,951	32,398	-	40	11,178	61,857	31
Revaluation increases recognised in the Revaluation Reserve	12,419	6,874	-	-	7,399	-	26,692	7,148
Revaluation decreases recognised in the Revaluation Reserve	(7,817)	(1,022)	-	-	(571)	-	(9,410)	-
Revaluation increases (reversal of previous losses) recognised in the deficit on the Provision of Services	5,798	809	-	-	76	-	6,683	1,393
Revaluation decreases recognised in the deficit on the Provision of Services	(9,757)	(1,493)	-	-	(123)	-	(11,373)	(1,294)
Derecognition – disposals	(2,612)	(824)	-	-	(3,507)	-	(6,943)	-
Derecognition – disposals - schools	(11,043)	(4,868)	-	-	-	-	(15,911)	-
Assets reclassified within PPE	4,497	-	93	-	(1,217)	(3,373)	-	-
Assets reclassified (to) / from Held for Sale	-	-	-	-	(3,287)	-	(3,287)	-
Assets reclassified (to) / from Investment Property	(118)				(6,321)		(6,439)	-
At 31 March 2017	**373,692**	**171,286**	**515,341**	**1,943**	**16,585**	**25,709**	**1,104,556**	**93,138**
Accumulated Depreciation and Impairment								
At 1 April 2017	**(15)**	**(13,393)**	**(124,582)**	**-**	**(86)**	**-**	**(138,076)**	**-**
Depreciation charge	(9,123)	(14,136)	(20,667)	-	(25)	-	(43,951)	(3,208)
Depreciation written out to the Revaluation Reserve	6,757	10,351	-	-	6	-	17,114	2,726
Revaluation losses recognised in the deficit on the Provision of Services	2,171	892	-	-	19	-	3,082	482

Movements in 2018/19:	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment*
Derecognition – disposals	-	35	-	-	86	-	121	-
Derecognition – disposals - schools	-	170	-	-	-	-	170	-
At 31 March 2018	**(210)**	**(16,081)**	**(145,249)**	**-**	**-**	**-**	**(161,540)**	**-**
Net Book Value								
At 31 March 2018	**373,482**	**155,205**	**370,092**	**1,943**	**16,585**	**25,709**	**943,016**	**93,138**
At 31 March 2017	**368,020**	**154,466**	**358,268**	**1,943**	**24,010**	**17,904**	**924,611**	**85,860**

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).

Capital Commitments

As at 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The major commitments for 2019/20 and thereafter amounting to £10m or more include:

	£000
Highways	72,291
School Places	26,039

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. The Council also reviews the asset register each year, and, if necessary adjusts the value of assets if a significant impairment has been identified.

Freehold and long leasehold buildings properties regarded by the Council as operational are valued on the basis of existing use value or where this 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 £31.14m as shown in the table below.

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 tales 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, Montagu Evans (a member of Chartered Surveyors and Town Planners), 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. The Council has a three year rolling programme to ensure that carrying value of assets is not materially different to their fair values at the Balance Sheet date. In addition, an annual indexation may be applied to the remaining portfolio (based on those assets that were valued by the valuer in the year) if the values are deemed to be materially different to their carrying value. Indexation was applied in 2018/19.

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried as at historical cost	-	33,931	-	33,931
Valued at fair value in:				
31 March 2019	369,877	138,050	16,041	523,968
31 March 2018	-	-	-	-
31 March 2017	-	-	-	-
Gross Valuation	**369,877**	**171,981**	**16,041**	**557,899**

Fair value hierarchy

As at 31 March 2019, there are fifteen properties classed as surplus, the same number as the previous year. Four properties have been reclassified as surplus during the year. However two properties have been reclassified as held for sale, one as an investment property and one asset was sold. The fair value hierarchy of surplus assets at 31 March are as follows:

	31 March 2019			
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 (Net Book Value)	-	-	15,955	**15,955**

	31 March 2018			
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 (Net Book Value)	-	-	16,585	**16,585**

The surplus assets are measured at Level 3 in the fair value hierarchy as 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 buildings or vacant building rented out under operating leases without service objectives. There are 29 assets classed as investment property, an increase of seven from the previous year.

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

	2017/18	2018/19
	£000	£000
Rental Income from Investment Property	(153)	(265)
Direct Operating Expenses arising from Investment Property	114	44
Net (gain) / loss	**(39)**	**(221)**

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

	2017/18	2018/19
	£000	£000
Balance at start of the year	**1,159**	**7,849**
Net Gains / (Losses) from fair value adjustments	135	2,738
Transfers (to) / from Property, Plant & Equipment	6,555	7,375
Balance at end of the year	**7,849**	**17,962**

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.

Fair value hierarchy

The fair value hierarchy at 31 March are as follows:

	31 March 2019			
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
Offices	-	-	4,351	4,351
Farm Business Tenancy	-	-	1,388	1,388
Land	-	-	778	778
Residential Property	-	-	1,546	1,546
Other	-	-	9,899	9,899
Total	**-**	**-**	**17,962**	**17,962**

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
	31 March 2018			
	£000	£000	£000	£000
Offices	-	-	1,191	1,191
Farm Business Tenancy	-	-	1,827	1,827
Land	-	-	1,223	1,223
Residential Property	-	-	2,125	2,125
Other	-	-	1,483	1,483
Total	-	-	**7,849**	**7,849**

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 £2.4m charged to revenue in 2018/19 (£2.59m in 2017/18) was charged to Business Services.

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

	2017/18	2018/19
	£000	£000
Balance at start of year:		
Gross carrying amounts	12,709	13,161
Accumulated amortisation	(4,001)	(6,596)
Net carrying amount at start of year	**8,708**	**6,565**
Purchases	452	1,078
Amortisation for the period	(2,595)	(2,401)
Net carrying amount at end of year	**6,565**	**5,242**
Comprising:		
Gross carrying amounts	13,161	14,239
Accumulated amortisation	(6,596)	(8,997)
Net carrying amount at end of year	**6,565**	**5,242**

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

Description	Carrying Amount 31 March 2018 £000	Carrying Amount 31 March 2019 £000	Remaining Amortisation (Years)
LiquidLogic	2,393	1,762	3 – 5
Desktop Anywhere	648	344	2 – 3
SAP Software	521	416	4 – 5
Microsoft Enterprise Solution	510	284	-
Data Centre	436	218	4
People's Network	233	116	4 – 5
Czone Platform	200	150	3
Compliance Management	195	148	3 – 7
Security Incident Management	164	133	6 - 7
Web Content Management System	137	91	2 – 5
HRMS Financials	127	95	2
Atrium	124	101	2 – 5
Mapping Outlet	-	297	7
Citrix	-	452	7
Other	877	635	1 - 7
Total	**6,565**	**5,242**	

- LiquidLogic – Adult Social Care and Children's Services client information.
- Desktop Anywhere – Remote access servers.
- SAP Software - SAP is the electronic Enterprise Resource Planning (ERP) system used by the Council for managing financial transactions and Human Resources. This broadly covers Human Resource administration and payroll transactions; financial and management accounting; and purchasing transactions ranging from paying and raising invoices to buying goods.
- Czone – essential information for education providers.
- HRMS Financials – To improve and modernise the service delivery functions.
- Atrium – Corporate Property Asset Management system.

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;
- Schools Library and Museum Service (SLAMS) which provides library services, historical artefacts and advice for all teachers at all schools in East Sussex and Brighton;
- An art collection within offices at County Hall, Lewes;
- Chattels at Bentley House, Halland;
- Listed buildings and monuments owned by the Council or on Council land.

No individual item in the Record Office or SLAMS 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 Asset:

Heritage Assets	**Art Collection**	**Bentley House Chattels**	**The Sugar Loaf Folly**	**Battle Abbey Estate Archives**	**Castle Precincts Wall**	**Total**
Cost or valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
1 April 2011	**31**	**-**	**-**	**-**	**-**	**31**
Revaluation loss	(18)	-	-	-	-	(18)
31 March 2012	**13**	**-**	**-**	**-**	**-**	**13**
Reclassification from PPE	-	644	-	-	-	644
Revaluation loss	-	(160)	-	-	-	(160)
31 March 2013	**13**	**484**	**-**	**-**	**-**	**497**
Revaluation loss	**-**	**-**	**-**	**-**	**-**	**-**
31 March 2014	**13**	**484**	**19**	**-**	**-**	**516**
Donated Asset	**-**	**-**	-	116	**-**	**116**
Revaluation gain	**-**	**-**	13	-	**-**	**13**
31 March 2015	**13**	**484**	**32**	**116**	**-**	**645**
Revaluation Gain	**-**		**7**	**-**	**-**	**7**
31 March 2016	**13**	**484**	**39**	**116**	**-**	**652**
Additions	**-**	**-**	-	-	3	**3**
Revaluation Gain	**-**	**-**	2	-	-	**2**
31 March 2017	**13**	**484**	**41**	**116**	**3**	**657**
Additions	**-**	**-**	-	-	34	**34**
Revaluation Loss	**-**	**-**	(1)	-	-	**(1)**
31 March 2018	**13**	**484**	**40**	**116**	**37**	**690**
Additions	-	-	-	-	28	28
Revaluation Gain	-	-	20	-	-	20
31 March 2019	**13**	**484**	**60**	**116**	**65**	**738**

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.

East Sussex Schools Library and Museum Service - the Artefact loan box collection was established in 1962 and developed throughout the 1960's and 1970's. Record keeping consisted of hand written ledgers with rather sparse information about the provenance of items. Most were purchased or gifted from individuals or other museums. Many of the artefacts have been presented in wooden loan boxes which are available for schools to borrow as part of a subscription service. The loan boxes are catalogued using the same computerised management system as for book loans. There are still a large number of items owned by the service which are not included in loan boxes. The collection has a wide scope, including natural history e.g. taxidermy specimens, British wildlife, fossils and minerals, historical artefacts, both original items e.g. small mummified animals, Roman and Greek items, flints and tools, and museum standard models e.g. model of the 'Victory', replica Viking helmet, geographical and cultural items e.g. bronzes and beadwork from Africa, textiles and masks from South East Asia and Art and design e.g. samples of fabric, ceramics, large collection of posters depicting well known works of art. There are also some travelling displays which are large sets that can be constructed in schools depicting a Victorian classroom, laundry or kitchen and a World War Two living room with many original artefacts. These items have not been included in the accounts because the Council does not consider that a reliable cost or valuation information can be obtained for these items, due to the diverse nature of these items and lack of comparable market values.

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 (Gorringes 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.

18. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute represents capital expenditure on assets which are not owned by the Council (e.g. adapting the homes of people with disabilities). Revenue Expenditure Funded from Capital Under Statute is written off in the year in which the expenditure is incurred. However, the financing cost, in terms of interest and Minimum Repayment Provision, is deferred over a number of years. In 2018/19, £13.90m (£18.52m in 2017/18) of the Council's capital investment related to Revenue Expenditure Funded from Capital Under Statute (Note 40), and all was written off in the year the expenditure was incurred.

19. Revaluation and Impairment Losses

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 27) and total £40m (£44m in 2017/18). Some assets will also lose value on revaluation. In 2018/19, the Council has recognised revaluation losses of £37.8m (£17.7m in 2017/18). Of the £37.8m total, £19.9m (£8.3m 2017/18) has been charged to the Comprehensive Income and Expenditure Statement and £17.9m (£9.4m in 2017/18) to the Revaluation Reserve. The reversal of revaluation losses taken to the Comprehensive Income and Expenditure Statement in 2018/19 totalled £8.7m (£6.7m 2017/18). The net charge to the Comprehensive Income and Expenditure Statement of losses less reversals was £1.6m (£1.6m 2017/18). For any impairment losses, the recoverable amount of the assets is reduced to their value in use, which was determined by assessing how much the Council would have to pay to acquire the service potential of the assets that is actually now capable of being used.

20. Financial Instruments

(A) Categories of Financial Instruments

The Council has adopted new classifications for financial assets with effect from 1 April 2018, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK, IFRS 9 – Financial Instruments. The table below shows how the closing balances for 2017/18 translate into the new asset classifications.

Investments at a April 2018	Carrying amount b/f at 1 April 2018	New classifications at 1 April 2018		
		Amortised cost	Fair Value through Profit and Loss	Fair value through Other Comprehensive Income
	£000	£000	£000	£000
Previous classifications				
Loans and receivables	242,041	242,042	-	-
Avaialble for sale	25,000	-	25,000	-
Unquoted investment at cost	1	-		-
Fair value through profit or loss	-			-
Reclassified amount at a April 2018	**267,042**	**242,042**	**25,000**	**-**
Remeasurements at 1 April 2018		-	-	-
Remeasured carrying amounts as 1 April 2018		**242,042**	**25,000**	-

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

Financial Assets	1 April 2018	31 March 2019
	£000	£000
Fair value through profit or loss		
Long Term Investments	-	4,660
Long Term Debtors	-	-
Short Term Investments	25,000	22,100
Short Term Debtors	-	-
Total	**25,000**	**26,760**
Amortised Cost		
Long Term Investments	7,501	10,001
Long Term Debtors	4,044	4,830
Short Term Investments	234,542	202,148
Short Term Debtors	25,312	28,633
Total	**271,399**	**245,612**
Total Financial Assets	**296,399**	**272,372**
Non Financial Assets	**21,382**	**22,629**
Total	**317,781**	**295,001**

Financial Liabilities	1 April 2018	31 March 2019
	£000	£000
Fair value through profit or loss		
Long Term Borrowings	-	-
Long Term Creditors	-	-
Short Term Borrowings	-	-
Short Term Creditors	-	-
Total	**-**	**-**
Amortised Cost		
Long Term Borrowings	(267,513)	(240,559)
Long Term Creditors	(76,126)	(71,740)
Short Term Borrowings	(8,613)	(8,888)
Short Term Creditors	(100,488)	(97,901)
Total	**(452,740)**	**(419,088)**
Total Financial Liabilities	**(452,740)**	**(419,088)**
Non Financial Liabilities	**(35,312)**	**(48,527)**
Total	**(488,052)**	**(467,614)**

The balance on Soft Loans at 31 March 2019 was £0.138m (£nil at 31 March 2018).

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

The balance of financial assets at 31 March 2019 was £26.76m, an increase of £1.76m from the opening balance at 1 April 2019. Financial assets include £22.10m (carrying amount £22.10m) low volatility money market funds (LVNAV) and £4.66m property fund (carrying amount £5.00m). At 1 April there was £25.00m invested in variable money market funds (VNAV) which matured during the year. The constant net asset value (CNAV) money market funds were reclassified as LVNAV under European Money Market reform. 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.

C. Income, Expense, Gains and Losses

	2017/18		2018/19	
	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	-	-	340	-
Financial assets measured at fair value through profit or loss – dividend	-	-	(136)	-
Total net (gains) / losses	**-**	-	**204**	-
Interest revenue:				
Financial assets measured at amortised cost	(1,466)	-	(2,185)	-
Interest expense:				
Financial assets measured at amortised cost	19,813	-	18,824	-

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 31/3/18 £000	As at 31/3/19 £000
Fair Value through Profit or Loss				
Other financial instruments	Level 1	Unadjusted quoted prices in active markets for identical shares	25,000	26,760

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

The fair values calculated are as follows:

Financial Liabilities	31 March 2018		31 March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	(267,513)	(424,474)	(240,559)	(329,536)
Long Term Creditors	(99)	(99)	(82)	(82)
PFI and Finance Lease Liabilities	(76,027)	(105,467)	(71,658)	(100,865)
Total Long Term	**(343,639)**	**(530,040)**	**(312,299)**	**(430,483)**
Short Term Borrowings and Creditors	(109,101)	(109,101)	(106,789)	(106,789)
Total Long and Short Term	**(452,740)**	**(639,141)**	**(419,088)**	**(537,272)**

The fair value of borrowings is higher than the carrying amount because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss, based on economic conditions at 31 March 2019, arising from a commitment to pay interest to lenders above current market rates.

Financial Assets	31 March 2018		31 March 2019	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets held at amortised cost	7,501	7,472	10,001	10,127
Long Term Debtors	4,044	4,044	4,830	4,830
Total Long Term	**11,545**	**11,516**	**14,831**	**14,957**
Short Term Investments and Debtors	259,854	259,854	230,781	230,781
Total Long and Short Term	**271,399**	**271,370**	**245,612**	**245,638**

The fair value of the financial assets is higher than the carrying amount because the portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain, based on economic conditions at 31 March 2019, attributable to the commitment to receive interest below current market rates.

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 2019			
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				
Financial liabilities held at amortised cost	-	(329,536)	-	(329,536)
Long Term Creditors	-	(82)	-	(82)
PFI and Finance Lease Liabilities	-	-	(100,865)	(100,865)
Total	**-**	**(329,618)**	**(100,865)**	**(430,483)**
Financial assets				
Financial assets held at amortised cost	-	10,127	-	10,127
Long Term Debtors	-	4,830	-	4,830
Total	**-**	**14,957**	**-**	**14,957**

	31 March 2018			
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				
Financial liabilities held at amortised cost	-	(424,474)	-	(424,474)
Long Term Creditors	-	(99)	-	(99)
PFI and Finance Lease Liabilities	-	-	(105,467)	(105,467)

Total	**-**	**(424,573)**	**(105,467)**	**(530,040)**
Financial assets				
Financial assets held at amortised cost	-	7,472	-	7,472
Long Term Debtors	-	4,044	-	4,044
Total	**-**	**11,516**	**-**	**11,516**

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

- early repayment or impairment is recognised;
- estimated ranges of interest rates at 31 March 2019 of 0.3% to 4.1% for loans receivable, 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 2019 of 2.6% to 8.5% for loans payable based on new lending rates for equivalent

21. Assets Held for Sale

	2017/18	2018/19
	£000	£000
Balance outstanding at start of year	**3,133**	**4,009**
Assets newly classified as held for sale	3,287	1,975
Revaluations	(2,070)	(106)
Assets declassified as held for sale	(116)	-
Assets sold	(225)	(2,433)
Balance outstanding at year end	**4,009**	**3,445**

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 2019 there were nine properties that are held for sale. During the year, five properties were sold.

22. Current & Long Term Debtors and Payments in Advance

	31 March 2018	31 March 2019
	£000	£000
Current		
Debtor System Control	13,355	14,713
HMRC	3,502	4,689
Payments In Advance	5,511	4,141
Council Tax & NNDR	11,925	13,450
Other	12,402	14,269
Total	**46,695**	**51,262**
Long Term		
Higher Education Institution	946	898
South East Local Enterprise Partnership	2,100	2,100
Economic Development	875	1,759
Other Entities and Individuals	123	73
Total	**4,044**	**4,830**

Allowance for debts impairment

The Council makes allowance for impairment of debts based on an assessment of the recoverability of receivables. A decrease in the provision for bad debt adjustment of £0.020m was made in 2018/19, bringing the total allowance for impairment from £1.261m to £1.241m as at 31 March 2019. These amounts are netted off the figures shown for other entities and individuals above. 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 2019 the Council's share of these allowances amounts to £10.292m (£8.919m at 31 March 2018) out of its share of Council Tax & Business Rates debts totalling £22.506m (£19.873m at 31 March 2018).

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

	31 March 2018 £000	31 March 2019 £000	Movement £000
Cash in hand	124	122	(2)
Short-term deposits	45,161	24,110	(21,051)
Total Cash and Cash Equivalents	**45,285**	**24,232**	**(21,053)**
Imputed cash adjustment for pooled budget re the purchase of integrated community equipment	(786)	(786)	-
Bank overdraft	(7,538)	(7,263)	275
Accrued balance at bank and for third parties	(102)	1,226	1,328
Total bank overdraft and accrued balance for third parties	**(8,426)**	**(6,823)**	**1,603**
Net cash and cash equivalent balances / (overdrawn)	**36,859**	**(17,409)**	**(19,450)**

Note 32 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'.

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 Orbis 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 accrued balance for third parties shown above was made up as follows:

	31 March 2018 £000	31 March 2019 £000
Orbis	32	1,546
Trust Funds (see Note 48)	(134)	(320)
Accrued balance at bank and for third parties	**(102)**	**1,226**

The pooled bank balances at 31 March 2019 include £12.6m (£8.9m at 31 March 2018) relating to bank accounts operated by schools under local management arrangements.

24. Creditors and Income in Advance

	31 March 2018 £000	31 March 2019 £000
Creditor System Control	22,189	12,678
Income in Advance	16,032	20,298
Pension Schemes	4,404	4,437
HMRC	4,947	4,969
PFI Schemes	4,083	4,375
Council Tax & NNDR	3,569	7,056
East Sussex Fire Authority	22,795	23,648
Other	43,893	50,651
Total	**121,912**	**128,112**

25. 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 2018 £000	Additional provisions £000	Amounts used £000	31 March 2019 £000
Insurance claims	3,381	-	(563)	2,818
Closed Landfill Sites	9,071	-	(128)	8,943
Total	**12,452**	**-**	**(691)**	**11,761**

Short Term Provisions	31 March 2018 £000	Additional provisions £000	Amounts used £000	31 March 2019 £000
Municipal Mutual Insurance (MMI)	185	-	(43)	142
Highways Contract	263	-	-	263
NNDR Appeals	1,141	189	-	1,330
Adult Social Care	-	77	-	77
Closed Landfill Sites	490	-		490
Total	**2,079**	**266**	**(43)**	**2,302**
Total Provisions	**14,531**	**266**	**(734)**	**14,063**

The provision for insurance claims (Pre 1997 & Post 1997 liabilities) represents an estimate of the amounts which the Council will have to pay for claims arising before 31 March 2014, but where the exact amount and the date of payment are uncertain.

Between 1993 and 2000, the Council charged clients for the provision of services under Section 117 of the Mental Health Act 1993. It was confirmed during 2017/18 that the Legal Services had no record of any pending or potential claims being made and the current provision was released as the obligation to repay no longer exists.

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.

Services Redundancies – the provision relates to the potential costs associated with various services redundancies.

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.

Highways Contract – relates to outstanding claims from a service provider.

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 2012-13 and earlier financial years 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 2019.

26. 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 2018 £000	Restated 1 April 2018 £000	31 March 2019 £000
Usable Capital Receipts Reserve	1,233	1,233	3,122
Capital Grants & Contributions Unapplied	14,402	14,402	18,223
Earmarked Reserves	86,653	86,653	78,677
Earmarked Reserves – Revenue Grants & Contributions	25,533	25,533	23,754
General Fund Balances*	9,999	10,183	9,999
School Balances	10,734	10,734	14,188
Total Usable Reserves	**148,554**	**148,738**	**147,963**

Note – General Fund balances were restated at 1 April 2018 foir the impact of IFRS 9 - Financial Instruments.

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**50**	**1,233**
Amounts receivable during the year	3,183	4,511
Amounts applied to finance new capital investment	(2,000)	(2,622)
Net Transfer to / (from) the Capital Receipts Reserve	1,183	1,889
Balance at 31 March	**1,233**	**3,122**

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.

	2017/18	2018/19

	£000	£000
Balance at 1 April	**14,124**	**14,402**
Amounts receivable during the year	56,567	60,093
Amounts applied to finance new capital investment	(56,289)	(56,272)
Net Transfer to / (from) the Capital Unapplied Account	278	3,821
Balance at 31 March	**14,402**	**18,223**

27. Unusable Reserves

	31 March 2018	Restated 1 April 2018	31 March 2019
	£000	£000	£000
Revaluation Reserve	238,161	238,161	246,588
Capital Adjustment Account	391,697	391,512	415,663
Financial Instruments Adjustment Account	(23)	(23)	(7,517)
Pooled Investment Funds Adjustment Account	-	-	(340)
Collection Fund Adjustment Account	4,327	4,327	2,837
Accumulated Absences Account	(5,364)	(5,364)	(5,179)
Pensions Reserve	(409,788)	(409,788)	(472,641)
Total Unusable Reserves	**219,010**	**218,825**	**179,411**

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.

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	2017/18	2018/19	
	£000	£000	£000
Balance at 1 April	**220,838**		**238,161**
Upward revaluation of assets	43,808	39,855	
Downward revaluation of assets and impairment losses not charged to the Deficit on the Provision of Services	(9,413)	(14,470)	
Surplus on revaluation of non-current assets not posted to the Deficit on the Provision of Services	34,395		25,385
Difference between fair value depreciation and historical cost depreciation	(8,317)	(10,206)	
Accumulated gains on assets sold or scrapped	(8,755)	(6,752)	
Amount written off to the Capital Adjustment Account	(17,072)		(16,958)
Balance at 31 March	**238,161**		**246,588**

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 as finance for the costs of 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 9 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £000	2018/19 £000	2018/19 £000
Balance at 1 April	**385,463**		**391,697**
IFRS 9 Finanacial Instrumenrts adjustment	-		(185)
Restated Balance at 1 April	**385,463**		**391,512**
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	(43,951)	(47,509)	
Revaluation losses on non-current assets	(8,291)	(19,885)	
Revaluation losses on assets held for sale	(2,069)	(28)	
Revaluation loss reversals on non-current assets	6,683	5,402	
Amortisation of intangible assets	(2,595)	(2,401)	
Financial Asset Impairment Losses	-	24	
Revenue expenditure funded from capital under statute	(18,522)	(13,902)	
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	(22,788)	(9,238)	
	(91,533)		**(87,537)**
Adjusting amounts written out of the Revaluation Reserve	17,072		16,957
Net written out amount of the cost of non-current assets consumed in the year	**(74,461)**		**(70,580)**
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	2,000	2,622	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	56,289	56,272	
Statutory provision for the financing of capital investment charged against the General Fund balance	11,757	10,112	
Capital expenditure charged against General Fund balances	10,514	23,192	
	80,560		**92,198**
Movements in the market value of Investment Properties credited or debited to the Comprehensive Income and Expenditure Statement	135		2,533
Balance at 31 March	**391,697**		**415,663**

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 2019 will be charged to the General Fund over a specific period.

	2017/18 £000	2018/19 £000

Balance at 1 April	**(23)**	**(23)**
Premiums	-	(7,481)
Soft Loan Interest	-	(13)
Balance at 31 March	**(23)**	**(7,517)**

Pooled Investment Funds Adjustment Account

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

	2017/18 £000	2018/19 £000
Balance at 1 April	**-**	**-**
Fair value of Property Fund	-	(340)
Balance at 31 March	**-**	**(340)**

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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2017/18 £000	2018/19 £000
Balance at 1 April	**(415,151)**	**(409,788)**
Remeasurement of the net defined liability	34,691	(35,221)
Benefits credited to the Provision of Services in the Comprehensive Income and Expenditure Statement	(63,365)	(63,452)
Employer's pension contributions charged to General Fund Balance	34,037	35,820
Balance at 31 March	**(409,788)**	**(472,641)**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**5,102**	**4,327**
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	(776)	(1,784)
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	1	294
Net movement in the Collection Fund Adjustment Account	(775)	(1,490)
Balance at 31 March	**4,327**	**2,837**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**(5,685)**	**(5,364)**
Settlement or cancellation of accrual made at the end of the preceding year	5,685	5,364
Amounts accrued at the end of the current year	(5,364)	(5,179)
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	321	185
Balance at 31 March	**(5,364)**	**(5,179)**

28. Cash Flow Statement –Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £000	2018/19 £000
Net Deficit on the Provision of Services	**37,858**	**30,354**
Adjustment for non-cash movements		
Depreciation	(43,951)	(47,509)
Impairment and downward revaluations	(10,361)	(19,913)
Reversal of previous year's revaluation losses	6,683	5,402
Amortisation of Intangible Assets	(2,595)	(2,401)
(Increase) / Decrease in Creditors	(26,942)	(1,498)
Increase / (Decrease) in Debtors	(3,004)	4,853
Increase / (Decrease) in Inventories	(24)	(1)
Movement in Pension Liability	(29,328)	(27,632)
Contributions (to) / from Provisions	809	468
Carrying amount of non-current assets sold or derecognised	(22,788)	(9,238)
Upward / (Downward) revaluation in Investment Property Values	135	2,533
Other items	(7)	(154)
Adjustment for items that are investing or financing activities		
Capital grants and contributions credited to provision of services	56,566	60,093
Proceeds from the sale of PPE, Investment Property and Intangible assets	3,183	4,511
Net Cash inflow from Operating Activities	**(33,766)**	**(132)**

Operating activities within the Cash Flow Statement include the following cash flows relating to interest

	2017/18 £000	2018/19 £000
Interest receivable	(1,466)	(2,024)
Opening debtor	(137)	(256)
Closing debtor	256	541
Cash flow interest received	**(1,347)**	**(1,739)**

	2017/18 £000	2018/19 £000
Interest payable	19,183	18,911
Opening creditor	1,274	5,148
Closing creditor	(5,148)	(4,934)
Cash flow interest paid	**15,309**	**19,125**

29. Cash Flow Statement – Investing Activities

	2017/18 £000	2018/19 £000
Additions of Property, Plant & Equipment (PPE)	61,858	69,173
Additions of Intangible Assets & Assets Held for Sale	486	1,106
Opening Capital Creditors	6,550	5,167
Closing Capital Creditors	(5,167)	(9,644)
Purchase of Long Term Investments	7,500	7,160
Proceeds from sale of Short Term Investments	(28,000)	(14,526)
Long Term loans granted	876	1,021
Proceeds from the sale of PPE	(3,183)	(4,511)
Capital Grants Received	(56,890)	(66,197)
Net cash outflow from investing activities	**(15,970)**	**(11,251)**

30. Cash Flow Statement – Financing Activities

	2017/18 £000	2018/19 £000
Repayments of short and long term borrowing	4,620	26,465
Payments for the reduction of long term PFI Liabilities	4,081	4,368
Net cash outflow from financing activities	**8,701**	**30,833**

30.(a) Cash Flow Statement – Reconciliation of Liabilities arising from Financing Activities

	1 April 2018	Financing Cash Flows	Non Cash Changes	31 March 2019
	£000	**£000**	**£000**	**£000**
Long Term Borrowings	(267,513)	26,954	-	(240,559)
Short Term Borrowings	(3,465)	(489)	-	(3,954)
PFI Liabilities	(76,027)	4,368	-	(71,659)
Net cash outflow from financing activities	**(347,005)**	**30,833**	**-**	**(316,172)**

	1 April 2017	Financing Cash Flows	Non Cash Changes	31 March 2018
	£000	**£000**	**£000**	**£000**
Long Term Borrowings	(270,808)	3,295	-	(267,513)
Short Term Borrowings	(4,790)	1,325	-	(3,465)
PFI Liabilities	(80,108)	4,081	-	(76,027)
Net cash outflow from financing activities	**(355,706)**	**8,701**	**-**	**(347,005)**

31. Trading Operations

The Council has trading units where the service manager is required to operate in a commercial environment and balance the budget by generating income from other parts of the Council or other organisations. These services include catering, transport and services under the 1970 Act (for example, School Library Service, Music Tuition, Parking, Legal, Street Lighting and some Financial Services). Trading operations are incorporated into the Comprehensive Income and Expenditure Statement under Financing and Investment Income and Expenditure (see Note 12). Some areas are an integral part of one of the Council's services to the public whilst others are support services to the Council. The scale of these operations is small in relation to the Council's total expenditure.

32. Budgets - Partnership Schemes under Section 75 of the National Health Services Act 2006

In 2018/19 the Council participated in partnership schemes involving pooled budget arrangements under Section 75 of the National Health Service Act 2006 with the following partners: Eastbourne, Hailsham & Seaford CCG; Hastings & Rother CCG; and High Weald Lewes & Havens CCG.

- The Integrated Community Equipment Service started in September 2004 comprises the Council as host agency, Eastbourne, Hailsham and Seaford CCG; Hastings and Rother CCG; and High Weald Lewes Havens CCG.
- The Better Care Fund (BCF) started in April 2015.

For 2018/19 the Council had two Section 75 agreements:

- One comprises the Council, as host agency; Eastbourne, Hailsham and Seaford CCG; and Hastings and Rother CCG.
- The other comprises the Council, as host agency; and High Weald Lewes Havens CCG.

BCF planning was required for the whole of East Sussex and was signed off by the Health and Wellbeing Board on 20th October 2017. The substance of this Better Care Fund arrangement is not one of a pooled budget. Individual members have continued to contract with individual providers without reference to other members and using their own sources of funding. In substance these are neither joint operations nor lead commissioner transactions and not a vehicle for joint commissioning. The CCGs 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.

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

	2017/18			2018/19		
	Expenditure	**Income**	**ESCC Contribution**	**Expenditure**	**Income**	**ESCC Contribution**

Arrangement	£000	£000	£000	£000	£000	£000
Integrated Community Equipment	5,354	(5,354)	(2,367)	5,636	(5,636)	(2,427)
Better Care Fund	55,983	(55,998)	(18,537)	60,656	(60,656)	(22,486)
Total	**61,337**	**(61,352)**	**(20,904)**	**66,292**	**(66,292)**	**(24,913)**

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 2018/19 was £244,768.

Orbis Joint Operating Budget

The expenditure and funding is detailed below:

	2017/18 £000	2018/19 £000
Funding provided to the pooled budget		
- Surrey County Council	(33,586)	(32,931)
- East Sussex County Council	(14,580)	(14,112)
- Brighton & Hove City Council	-	(12,776)
	(48,166)	**(59,819)**
Expenditure met from the pooled budget	48,166	59,819
Net surplus on the pooled budget	**-**	**-**

33. Members' Allowances

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

	2017/18 £000	2018/19 £000
Salaries - basic allowances	608	623
National Insurance & Pension	63	58
Special responsibility allowances	219	220
Expenses	33	33
Total	**923**	**934**

The table below shows the actual amounts paid to individual members in the 2018/19 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			Members Basic Allowance	Special Responsibility Allowance	Travel by Car	Fares and Subsistence
			£	£	£	£
Cllr.	Shuttleworth	Alan	12,546	-	158	58
Cllr.	Smith	Andy	12,546	-	-	-
Cllr.	Taylor	Barry	12,546	-	-	-
Cllr.	Standley	Bob	12,546	15,369	1,353	64
Cllr.	Swansborough	Colin	12,546	6,643	257	263
Cllr.	Grover	Darren	12,546	-	-	-
Cllr.	Elkin	David	11,303	17,578	1,963	453
Cllr.	Earl-Williams	Deidre	2,799	-	-	-
Cllr.	Fox	Gerard	12,546	-	-	-
Cllr.	Sheppard	Jim	12,546	4,507	138	23
Cllr.	Ungar	John	12,546	-	199	16
Cllr.	Loe	Laurence	12,546	-	86	-
Cllr.	Clarke	Martin	12,546	-	712	5
Cllr.	Beaver	Matthew	12,546	-	243	-
Cllr.	Ensor	Michael	12,546	2,798	-	-
Cllr.	Enever	Nigel	12,546	-	374	15
Cllr.	Daniel	Philip	12,546	-	-	-
Cllr.	Boorman	Phillip	12,546	-	-	-
Cllr.	Stogdon	Richard	12,546	6,643	1,729	352
Cllr.	Bowdler	Robert	12,546	-	856	20
Cllr.	Galley	Roy	12,546	2,038	610	155
Cllr.	O'Keeffe	Ruth	12,546	-	-	-
Cllr.	Osborne	Sarah	12,546	-	153	-
Cllr.	Elford	Simon	12,546	-	-	-
Cllr.	Wallis	Steve	12,546	-	-	-
Cllr.	Tidy	Sylvia	12,546	15,369	1,646	23
Cllr.	Charman	Tania	12,546	-	-	-
Cllr.	Liddiard	Thomas	12,546	-	275	-
Cllr.	Webb	Trevor	12,546	5,127	-	39
Cllr.	Davies	Angharad	12,546	6,643	1,774	-
Cllr.	Bentley	Bill	12,546	15,369	1,726	16
Cllr.	Maynard	Carl	12,546	15,369	1,780	2
Cllr.	Lambert	Carolyn	12,546	-	-	-
Cllr.	Clark	Charles	12,546	-	-	-
Cllr.	Dowling	Christopher	12,546	-	261	4
Cllr.	Dowling	Claire	12,546	6,643	435	42
Cllr.	Belsey	Colin	12,546	6,643	1,045	27

Member			Members Basic Allowance	Special Responsibility Allowance	Travel by Car	Fares and Subsistence
Cllr.	Shing	Daniel	12,546	-	34	-
Cllr.	Tutt	David	12,546	12,805	439	29
Cllr.	Whetstone	Francis	12,546	-	-	-
Cllr.	Daniel	Godfrey	12,546	-	975	50
Cllr.	Barnes	John	12,546	-	-	-
Cllr.	Field	Kathryn	12,546	3,327	1,102	-
Cllr.	Glazier	Keith	12,300	34,440	4,851	908
Cllr.	Bennett	Nicholas	12,546	15,369	2,255	29
Cllr.	Rodohan	Patrick	12,546	-	-	-
Cllr.	Pragnell	Peter	12,546	11,864	270	-
Cllr.	Scott	Philip	12,546	-	67	-
Cllr.	Simmons	Rupert	12,546	15,369	1,210	58
Cllr.	Shing	Stephen	12,546	-	571	-
Cllr.	Earl	Stuart	6,880	-	248	-
	Total		**622,944**	**219,913**	**29,795**	**2,651**

34. 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 2018/19

	Notes	Salary, Fees and Allowances	Additional duties and Acting up	Expenses Allowances (incl. Benefit in Kind)	Compensation for Loss of Office	Employer's Pension Contributions	Total
		£	£	£	£	£	**£**
Chief Executive - Becky Shaw		194,507	-	-	-	34,719	229,226
Chief Operating Officer		145,061	-	-	-	25,893	170,954
Director of Adult Social Care & Health	1	145,061	10,666	5,789	-	27,797	189,313
Director of Children's Services		145,061	-	459	-	25,893	171,413
Director of Communities, Economy & Transport.	2	142,145	-	5,189	-	25,893	173,227
Assistant Chief Executive	3	107,198	8,040	-	-	20,570	135,808
Chief Finance Officer		88,723	-	-	-	15,837	104,560
Director of Public Health	4	73,979	-	-	-	13,205	87,184

Notes:

1. Additional duties and Acting up column displays Honorarium payments of 7.5% for April 17 to March 18, paid in July 2018;
2. Pension Contributions based on salary before CCV salary sacrifice (£2,916) of £145,061;
3. Additional duties and Acting up column displays Honorarium payments of 7.5% for April 18 to March 19, paid in March 2019
4. In post from 16th July 2018.

Senior Employees Remuneration 2017/18

	Notes	Salary, Fees and Allowances	Additional duties and Acting up	Expenses Allowances (incl. Benefit in Kind)	Compensation for Loss of Office	Employer's Pension Contributions	Total
		£	£	£	£	£	**£**
Chief Executive - Becky Shaw		190,693	-	-	-	34,039	224,732
Chief Operating Officer		142,217	-	-	-	25,386	167,603
Director of Adult Social Care & Health		142,217	10,561	5,187	-	27,271	185,236
Director of Children's Services		142,217	7,040	351	-	26,642	176,250
Director of Communities, Economy & Transport.	1	139,301	-	4,070	-	25,386	168,757
Director of Public Health	2	106,201	5,031	-	-	15,991	127,223
Assistant Chief Executive		102,199	-	-	-	18,242	120,441
Chief Finance Officer	3	63,799	-	-	-	11,388	75,187

Notes:

1. The Director of Communities, Economy & Transport gross salary, fees and allowances figure before Childcare vouchers (CCV) for the 2017/18 was £142,217;
2. NHS Pension Scheme not LGPS;
3. The Council appointed a permanent Chief Finance Officer on 1st July 2017, i.e., he has been in post for 9 months. This role had initially been fulfilled by the Chief Operating Officer on a temporary basis between 1st April 2017 and 30th May 2017.

The Council's employees receiving more than £50,000 remuneration for the year in bands of £5,000, excluding employer's pension contributions were:

Remuneration band	**2017/18 Number of employees**			**2018/19 Number of employees**		
	Non Schools	Schools	**Total**	Non Schools	Schools	**Total**
£50,000-£54,999	80	74	154	91	65	156
£55,000-£59,999	28	39	67	32	41	73
£60,000-£64,999	15	27	42	21	29	50
£65,000-£69,999	24	16	40	27	17	44
£70,000-£74,999	11	6	17	13	7	20
£75,000-£79,999	2	7	9	3	4	7
£80,000-£84,999	5	2	7	5	1	6
£85,000-£89,999	-	3	3	2	2	4
£90,000-£94,999	1	2	3	-	4	4
£95,000-£99,999	2	1	3	2	1	3
£100,000-£104,999	2	-	2	1	1	2
£105,000-£109,999	1	-	1	-	-	-
£110,000-£114,999	3	-	3	2	-	2
£115,000-£119,999	-	-	-	1	-	1
£120,000-£124,999	-	-	-	-	-	-
£125,000-£129,999	-	-	-	-	-	-

Remuneration band	2017/18 Number of employees			2018/19 Number of employees		
	Non Schools	Schools	Total	Non Schools	Schools	Total
£130,000-£134,999	-	-	-	-	-	-
£135,000-£139,999	-	-	-	-	-	-
£140,000-£144,999	2	-	2	-	-	-
£145,000-£149,999	1	-	1	3	-	3
£150,000-£154,999	-	-	-	-	-	-
£155,000-£159,999	2	-	2	-	-	-
£160,000-£164,999	-	-	-	1	-	1
£165,000-£169,999	-	-	-	-	-	-
£170,000-£174,999	-	-	-	-	-	-
£175,000-£179,999	-	-	-	-	-	-
£180,000-£184,999	-	-	-	-	-	-
£185,000-£189,999	-	-	-	-	-	-
£190,000-£194,999	1	-	1	1	-	1

35. 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 264 employees during 2018/19, incurring costs of £3.4m (213 terminations at a cost of £2.06m in 2017/18). An analysis of the numbers and amounts broken down by pay band and split between compulsory redundancies and other departures for both 2018/19 and 2017/18 are shown in the tables below.

Exit Packages 2018/19

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	82	554	119	1,063	201	1,617
£20,000 to £39,999	18	455	38	1,043	56	1,498
£40,000 to £59,999	2	87	5	229	7	316
£60,000 to £79,999	-	-	-	-	-	-
£80,000 to £99,999	-	-	-	-	-	-
£100,000 to £149,999	-	-	-	-	-	-
£150,000 to £199,999	-	-	-	-	-	-
£200,000 to £249,999	-	-	-	-	-	-
Total	**102**	**1,096**	**162**	**2,335**	**264**	**3,431**

The total cost of £3.4m in the table above is the amount that has been charged to the Comprehensive Income and Expenditure Statement in 2018/19. There were no provision amounts for exit packages charged to the Comprehensive Income and Expenditure Statement in 2018/19.

Exit Packages 2017/18

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	83	599	102	608	185	1,207
£20,000 to £39,999	12	321	12	311	24	632
£40,000 to £59,999	2	95	1	59	3	154
£60,000 to £79,999	-	-	1	72	1	72
£80,000 to £99,999	-	-	-	-	-	-
£100,000 to £149,999	-	-	-	-	-	-
£150,000 to £199,999	-	-	-	-	-	-
£200,000 to £249,999	-	-	-	-	-	-
Total	**97**	**1,015**	**116**	**1,050**	**213**	**2,065**

36. 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. From 2018/19 the Council's external auditors are Grant Thornton and previous to this KPMG.

	2017/18 £000	2018/19 £000
Fees payable to with regard to external audit services carried out by the appointed auditor for the year	84	64
Fees payable for Tax Advisory	-	-
Fees payable to KPMG for the certification of grant claims and returns	6	4
Fees payable to KPMG for the objection to the accounts	-	10
Total External auditor remuneration	90	78
*Public Sector Audit Appointments (PSAA) - refund	(12)	-
Total	**78**	**78**

*PSAA refund as a result of national refund.

37. Grant Income

The Council credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2017/18		2018/19	
	£000	£000	£000	£000
Credited to Taxation and Non Specific Grant Income				
Council Tax		260,674		278,558
Business Rates		71,384		77,958
Revenue Support Grant:				
General	26,727		14,966	
New Homes Bonus	2,246		1,231	
Transition	2,696		-	
		31,669		16,197
Capital grants and contributions recognised		56,567		60,093
Total		**420,294**		**432,806**
Grants Credited to Services				
Dedicated Schools		226,630		226,618
Young Peoples Learning Agency & Sixth Forms		4,141		3,834
Private Finance Initiative		4,755		4,755
Pupil Premium		9,504		8,949
Public Health		27,990		27,270
Education Services		1,139		457
Universal Infant Free School Meals		4,129		3,715
Better Care Fund		11,313		15,291
Disabled Facilities		6,109		6,635
Adult Social Care Reform Grant		2,597		1,481
Opportunity Areas		-		3,400
Other Grants		13,700		18,315
Total		**312,007**		**320,720**

Notes – Details of the Dedicated Schools Grant figure are included in Note 38 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 2018	31 March 2019
	£000	£000
Current Liabilities – Receipts in Advance		
Revenue Grants & Contributions	-	-

	31 March 2018	31 March 2019
	£000	£000
Long Term Liabilities – Receipts in Advance		
Capital Grants & Contributions	5,461	11,492

38. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department 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 Finance (England) Regulations 2011. The Schools Budget includes elements for a range of education 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 2018/19 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19 before Academy recoupment	72,942	285,237	358,178
Academy figure recouped for 2018/19	-	(130,398)	(130,398)
Total DSG after Academy recoupment for 2018/19	**72,942**	**154,838**	**227,780**
Plus: Brought Forward from 2017/18	3,573	-	3,573
Less: Carry forward to 2019/20 agreed in advance	(1,787)	-	(1,787)
Agreed initial budgeted distribution in 2018/19	**74,728**	**154,838**	**229,566**
In year adjustments	-	-	-
Final budgeted distribution for 2018/19	**74,728**	**154,838**	**229,566**
Less: Actual central expenditure	(71,480)	-	(71,480)
Less: Actual ISB deployed to schools	-	(154,838)	(154,838)
Plus: Local authority contribution for 2018/19	-	-	-
Carry forward to 2019/20	**3,248**	**-**	**3,248**

School Reserve

The total value of the Individual Schools Budget (the budget which is delegated to schools) for 2018/19 was £155.9m. Schools carried forward (reserve) a net total of £14.2m (9.1%) at the end of the financial year at 31 March 2019, which was an increase of £3.5m compared to 31 March 2018. Table below shows the numbers and value of schools with surplus and deficits.

		Primary	Secondary	Special	Total
All schools with surpluses					
Number of schools	**No.**	**112**	**10**	**1**	**123**
Total surplus	£000	10,256	3,842	167	14,265
All schools with deficits					
Number of schools	**No.**	**3**	**1**	**-**	**4**
Total deficit	£000	(37)	(48)	-	(85)
Carry forward	**£000**	**10,219**	**3,794**	**167**	**14,180**
Less Capital Loan to Schools	£000	-	-	-	-
Net carry forward	**£000**	**10,219**	**3,794**	**167**	**14,180**

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.

39. 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

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and 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 37 on reporting for resources allocation decisions, and further details are shown in Note 37. Grant receipts in advance at 31 March 2019 are shown in Note 37.

Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. None of the Chief Officers and Members had any interests in any related party transactions during the year. The Register of Members' Interests is held at County Hall, Lewes, and is open to public inspection. The total of members' allowances paid in 2018/19 is shown in Note 33.

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 2018/19, goods and services to the value of £25,099 were commissioned from this entity.
- Chairman and Member of Ashdown Forest Trust. In 2018/19, rents of the golf course to the value of £72,500 were paid to this entity.

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 32.

Entities controlled or significantly influenced by the Council

The Council acts as sole trustee for the Ashdown Forest Trust (see Note 48), for the balances held by the Council at 31 March 2019.

Entities in which the Council has an interest

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 2018/19. There were no long term debts to the company at 31 March 2019.

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.

40. 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.

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement	**335,194**	**336,316**
Property, Plant and Equipment	61,857	69,173
Intangible assets	451	1,078
Heritage assets	35	28
Revenue Expenditure Funded from Capital under Statute	18,522	13,902
Total capital investment	**80,865**	**84,181**
Capital receipts	(2,000)	(2,622)
Government grants and contributions	(56,289)	(56,272)
Revenue financing	(10,514)	(23,192)
Total financing other than from loans	**(68,803)**	**(82,086)**
Long Term capital debtors	817	786
Net investment financed from loans		
Minimum Revenue Provision (MRP) for the repayment of loans	(11,757)	(10,112)
Closing Capital Financing Requirement	**336,316**	**329,085**
Explanation of movements in year		
Increase / (decrease) in underlying need to borrow, that is not supported by government financial assistance	1,122	(7,231)

41. Leases

Authority as Lessee

Finance Leases - As at 31 March 2019, the Council has no assets classed as finance leases.

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 future minimum lease payments payable in future years are:

	31 March 2018	31 March 2019
	£000	£000
Not later than one year	3,264	2,921
Later than one year and not later than five years	10,949	9,050
Later than five years	12,024	12,281
Total	**26,237**	**24,252**

The expenditure charged to Net Cost of Services during the year in relation to these leases was:

	2017/18	2018/19
	£000	£000
Vehicles	9	-
Schools	742	782
Land and Buildings	2,845	2,492
Total	**3,596**	**3,274**

Other payments for the renting and hiring of facilities in 2018/19 was £0.105m (£0.103m 2017/18).

Authority as Lessor

Finance Leases - As at 31 March 2019, 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 2018	31 March 2019
	£000	£000
Not later than one year	1,497	1,579
Later than one year and not later than five years	2,439	2,602
Later than five years	6,618	7,024
Total	**10,554**	**11,205**

The total income received from leasing, renting and hiring of facilities in 2018/19 was £1.920m (£1.770m 2017/18).

42. Other long term liabilities, including Private Finance Initiatives and Similar Contracts

Other Long Term Liabilities in the Balance Sheet consist of:

	31 March 2018 £000	31 March 2019 £000
Long Term PFI Liabilities	76,027	71,658
Financial Guarantees	69	61
Long Term Creditors	31	21

Total	76,127	71,740

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.

Waste PFI

In conjunction with Brighton and Hove City Council, the Council jointly entered into a 25 year agreement, on the 31st 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	Telscombe Cliffs	Meridian	Peacehaven Secondary	Peacehaven Heights	Total
	£000	£000	£000	£000	£000
1 April 2018	**7,644**	**246**	**17,780**	**4,675**	**30,345**
Additions	-	-	109	-	109
Revaluations	149	5	240	177	571
Depreciation	(264)	(9)	(615)	(247)	(1,135)
31 March 2019	**7,529**	**242**	**17,514**	**4,605**	**29,890**

Waste PFI	Hollingdean WTS & MRF	Crowborough HWRS	Maresfield WTS & HWRS	Whitesmith Composting Facility	Newhaven Energy Recovery Facility	Pebsham HWRS	Total
	£000	£000	£000	£000	£000	£000	£000
1 April 2018	**7,897**	**-**	**8,140**	**16,421**	**30,312**	**23**	**62,793**
Revaluations	(352)	-	208	(674)	755	1	(62)
Depreciation	(359)	-	(330)	(548)	(1,209)	(1)	(2,447)
31 March 2019	**7,186**	**-**	**8,018**	**15,199**	**29,858**	**23**	**60,284**

Note - Land values are excluded from the schools and waste PFI accounting models with the exception of the Whitesmith Composting Facility.

Details of payments to be made under PFI contracts

Waste PFI

Based on a projected 2.5% annual inflation rate the details of the payments due to be made are detailed below.

	Reimbursement of capital expenditure	Interest	Service Charge	Contingent Rent	Total
	£000	£000	£000	£000	£000
Within 1 year: 2019/20	3,367	3,663	17,873	3,519	28,422
Within 2 to 5 years: 2020/21 to 2023/24	11,073	13,181	79,446	14,023	117,722
Within 6 to 10 years: 2024/25 to 2028/29	25,095	11,454	113,468	30,149	180,165
Within 11 to 15 years: 2029/29 to 2032/33	26,223	3,708	103,333	131,132	264,396
Total	**65,758**	**32,005**	**314,119**	**178,823**	**590,705**

Peacehaven Schools PFI

Based on actual inflation to 31 March 2019, 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	Total
	£000	£000	£000	£000	£000
Within 1 year: 2019/20	1,008	1,010	1,694	817	4,529
Within 2 to 5 years: 2020/21 to 2023/24	5,124	2,947	7,300	3,735	19,106
Within 6 to 10 years: 2024/25 to 2026/27	4,143	731	4,855	2,649	12,378
Total	**10,275**	**4,688**	**13,849**	**7,201**	**36,013**

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 2019 is £76.0m (£65.8m for Waste PFI, and £10.2m for Peacehaven Schools PFI), and as at 31 March 2018 was £80.1m (£68.9m for Waste PFI, and £11.2m 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 2018	**68,925**	**11,186**	**80,111**	**4,084**	**76,027**
Lease principal repayment	(3,167)	(911)	(4,078)	291	(4,369)
Balance outstanding at 31 March 2019	**65,758**	**10,275**	**76,033**	**4,375**	**71,658**

43. 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 2018/19 the Council incurred a total of £12.5m payable to Teachers Pensions in respect of teacher's pension costs, which represents 16.48% 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 £2.8m. These figures compare to an amount of £12.9m payable in 2017/18 (16.48% of pensionable pay) and £2.7m for added years pensions payable to former teachers.

This is a defined benefit scheme, and although it is unfunded, Teachers Pensions 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 2019, the Council owed £1.6m to Teachers Pensions for the employer's and employee's contribution to the Teachers Pensions Scheme (£1.6m at March 2018). 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 44.

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 2018/19, the Council incurred a total of £0.117m payable to the NHS Pension Scheme in respect of former NHS staff retirement benefits, and there was £0.02m contributions remaining payable at the year end. These figures compare to an amount of £0.132m payable in 2017/18.

44. 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. 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:

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
• current service cost	51,318	51,138
• past service costs	1,024	1,039
• (gain) / loss from settlements	-	-
Financing and Investment Income and Expenditure		
Net interest expense	11,023	11,275
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	**63,365**	**63,452**
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)	1,999	(101,261)
• Actuarial gains and losses arising on changes in demographic assumptions	-	-
• Actuarial gains and losses arising on changes in financial assumptions	(29,957)	132,881
• Other (if applicable)	(6,733)	3,601
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**28,674**	**98,673**
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	5,363	(62,853)
Actual amount charged against the General Fund Balance for pensions in the year:		

Employers' contributions payable to the scheme	**34,037**	**35,820**

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:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present Value of the define benefit obligations: Local Government Pension Scheme	(1,580,330)	(1,469,360)	(1,671,821)	(1,691,088)	(1,883,688)
Fair value of plan assets in the Local Government Pension Scheme	1,039,947	1,052,410	1,256,670	1,281,300	1,411,047
Deficit in the scheme: Local Government Pension Scheme	**(540,383)**	**(416,950)**	**(415,151)**	**(409,788)**	**(472,641)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £1,883.7m (£1,691.1m in 2017/18) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £472.6m (£409.8m in 2017/18).

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over a 20 year period, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £35.8m (£34.0m in 2017/18).

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 as at 31 March 2019 is employee members £764.7m (£619.8m at 31 March 2018), deferred pensioners £398.8m (£356.4m) and pensioners £628.4m (£625.3m). There is also a liability of approximately £44.8m (£44.1m) in respect of LGPS unfunded pensions and £47.0m (£45.5m) in respect of Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2017/18 £000	2018/19 £000
Opening balance at 1 April:	**1,671,821**	**1,691,088**
Current Service Cost	51,318	51,138
Interest Cost	43,597	45,766
Contributions by scheme participants	8,661	8,841
Re-measurement (gains) and losses:		
• Actuarial gains / losses arising from changes in demographic assumptions	-	-
• Actuarial gains / losses arising from changes in financial assumptions	(29,957)	132,881
• Other	(6,733)	3,601
Past Service Cost	1,024	1,039
Losses / (gains) on curtailment	-	-
Liabilities assumed on entity combinations	-	-
Benefits paid	(43,618)	(45,427)
Unfunded Benefits paid	(5,025)	(5,239)
Closing balance at 31 March	**1,691,088**	**1,883,688**

Reconciliation of fair value of the scheme assets:

	2017/18 £000	2018/19 £000
Opening fair value of scheme asset at 1 April:	**1,256,670**	**1,281,300**
Interest Income	32,574	34,491

Re-measurement gain / (loss):		
• The return on plan assets, excluding the amount included in the net interest expense	(1,999)	101,261
• Other	5,025	-
The effect of changes in foreign exchange rates	-	-
Contributions from employer	29,012	35,820
Contributions from employees into the scheme	8,661	8,841
Benefits paid	(43,618)	(45,427)
Unfunded benefits paid	(5,025)	(5,239)
Closing fair value of scheme assets at 31 March	**1,281,300**	**1,411,047**

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.

The actual return on scheme assets in the year was £11.3m (2017/18: £11.02m).

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2017/18 £000	%	Fair value of scheme assets 2018/19 £000	%
Cash and cash equivalents	**50,308**	**4**	**43,041**	**3**
Equity instruments:				
By industry type				
• Consumer	23,874	2	42,970	3
• Manufacturing	12,633	1	18,488	1
• Energy and utilities	2,153	-	2,562	-
• Financial institutions	38,753	3	37,846	3
• Health and care	21,942	2	35,407	3
• Information technology	18,259	1	9,261	1
• Other	6,898	1	6,689	-
Sub-total equity	**124,512**	**10**	**153,223**	**11**
Bonds:				
By sector				
• Government	35,504	3	37,884	3
• Other	2,285	-	42,434	3
Sub-total bonds	**37,789**	**3**	**80,318**	**6**
Private equity:				
All	73,322	6	94,734	7
Overseas				
Sub-total private equity	**73,322**	**6**	**94,734**	**7**
Other investment funds:				
• UK Property	122,863	10	145,150	10
• Overseas Property	-	-	-	-
Sub-total other investment funds	**122,863**	**10**	**145,150**	**10**
Investment funds and unit trusts:				
• Equities	705,680	55	647,757	46
• Bonds	147,814	12	232,462	16
• Hedge Funds	1,286	-	2,788	-
• Commodities	1,897	-	2,530	-
• Infrastructure	14,163	-	8,676	1
• Other	1,396	-	386	-
Sub-total Investment funds and unit trusts	**872,236**	**67**	**894,599**	**63**
Derivatives:				
• **Foreign exchange**	**270**	**-**	**(18)**	**-**

	Fair value of scheme assets 2017/18 £000	%	Fair value of scheme assets 2018/19 £000	%
Total assets	**1,281,300**	**100**	**1,411,047**	**100**

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 Hymans Robertson LLP, an independent firm of actuaries, based on the calculations in the latest full valuation of the scheme as at 31 March 2016 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:

	2017/18	2018/19
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.1	22.1
Women	24.4	24.4
Longevity at 65 for future pensioners		
Men	23.8	23.8
Women	26.3	26.3
Rate of increase in salaries	2.8%	2.9%
Rate of inflation/increase in pensions	2.4%	2.5%
Rate for discounting scheme liabilities	2.7%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2019:	**Impact on the Defined Benefit Obligation in the Scheme**	
	Approximate increase to Employer	**Approximate monetary amount**
	%	**£000**
0.5% decrease in Real Discount Rate	10	183,819
0.5% increase in the Salary Increase Rate	1	21,056
0.5% increase in the Pension Increase Rate	8	160,107

At 31 March 2019, the Council owed £3.27m (£3.15m 31 March 2018) 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 2016, can be found on pages 96 to 126.

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 2017. 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 Fund has agreed a strategy with its Actuary to achieve a funding level of 100% over the next 21 years. The funding level for the Fund is monitored on a regular basis. The next triennial valuation is due to be completed on 31 March 2019.

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 2020 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 2016 actuarial valuation report (link below) dated March 2017.

https://www.eastsussex.gov.uk/yourcouncil/pension-fund-financial-reports-and-accounts/

The estimate of the Employer's contributions for the period to 31 March 2020 will be approximately £30.395m. The weighted average duration of the defined benefit obligation for scheme members as at the date of the 2016 valuation was 17.1 years.

45. Contingent Liabilities

When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying to a small group of members.
2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that younger members would see an enhanced benefit rather than older members losing their existing protections.

Quantifying the impact of outcome 2 is very difficult because it will depend on members' future salary increases, length of service and retirement age. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's actuary has estimated the following impact should the judgement be upheld (outcome 2):

	Central estimate	Monetary impact based on central estimate	Possible range
Past service cost	0.3% of opening obligations	5,073	0.1% - 1.0%
Current service cost	0.8% of pay	1,085	0.1% – 1.6% of pay
Change in financial assumptions	Depends on past and current service cost	468	Depends on past and current service cost impact
Closing defined benefit obligations		6,627	

These numbers are high level estimates based on fund level calculations and depend on several key assumptions. The possible range is based on different salary growth and retirement age scenarios and illustrates the level of uncertainty in the figures. The upper end of the range shown is not a definitive limit and the true impact could be higher. A full description of the data, methodology and assumptions underlying these estimates can be provided on request.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place, specifically the 'stabilisation' mechanism which slows down changes in contribution rates. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

46. Contingent Assets

Royal Mail: The council forms part of a class action against Royal Mail, relating to the charging of VAT on services for which it has not been able to recover as normal. The case has been ongoing for over 3 years and continues. The outcome and any potential financial settlement are uncertain. The council has no liability in relation to any potential costs if the claim is lost as it has entered into an insurance arrangement with a large number of other claimants.

Vehicles: 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.

47. 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/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.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 6 February 2018 and is available on the Council website.

The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £377m. This is the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £357m. 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).

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

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 2018/19 was approved by Full Council on 6 February 2018 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 £238m 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 2019 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 2018	**41**	**153**	**1,499**	**1,693**
Change in credit loss	(7)	-	40	**33**
Closing balance 31 March 2019	**34**	**153**	**1,539**	**1,726**

12 Month ECL includes some third party loans. Lifetime ECL includes some third party loans, treasury investments and non debtor system invoices. Lifetime ECL simplified includes debtor system invoices.

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

Liquidity risk

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

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

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2018	31 March 2019
	£000	£000
Less than one year	271,498	238,168
Between one and two years	11,545	19,491
Total	**283,043**	**257,659**

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 2018	31 March 2019
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	116,869	113,239
Between one and two years	0%	40%	18,890	18,833
Between two and five years	0%	60%	64,089	40,145
Between five and ten years	0%	70%	56,682	50,224
More than ten years	0%	90%	196,211	196,646
Total			**452,741**	**419,087**

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 2019, 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	241
Impact on Comprehensive Income and Expenditure	**241**

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 at 31 March 2018 were £403,393 (£8,566 net liability at 31 March 2017).

The legal liability of the County Council is limited to £4 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 their price varies. However, any movements 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. It therefore has no exposure to loss arising from movements in exchange rates.

48. 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 tuition in music;
- 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 is held for the purposes of promoting the conservation of the Ashdown Forest as an amenity and place of resort for members of the public. An independent examination of the Trust Fund accounts is provided by external auditors.

The transactions during the year of all the funds are summarised below:

	2018/19			
	Opening Balance £000	Expenditure £000	Income £000	Closing Balance £000
Sole trustee funds				
East Sussex Music Trust	7	-	(27)	34
Robertsbridge Youth Centre	105	-	(1)	106
Lewes Educational Charity	60	-	(1)	61
Heathfield Youth Centre	58	-	-	58
How Scholarship	5	-	-	5
Wright Legacy	2	-	-	2
Total sole trustee funds	**237**	**-**	**(29)**	**266**
Comforts funds	68	20	(6)	54
Total trust funds	**305**	**20**	**(35)**	**320**
Performing Arts Centre	**572**	16	-	**556**
Ashdown Forest	**1,354**	1	-	**1,353**

49. 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 2019, the liability had reduced to £9.43m (£9.56m at 31 March 2018).

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 30), 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 £1.6m at 31 March 2019 (£2.0m at 31 March 2018).

East Sussex Pension Fund Accounts

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 that came into force from 1 April 2014 and provide the statutory basis within which the Scheme can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Although a national pension scheme, mainly set up for the benefit of local government employees, the LGPS is in fact administered locally. The LGPS is open to all non teaching employees of the County Council, District and Borough Councils and Unitary Authorities in East Sussex, as well as Colleges of Further Education, 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.

A summary of the provisions of the scheme is given below.

Currently within the East Sussex Pension Fund there are 133 participating employers. A full list of participating employers is given at note 29.

Administering Authority Responsibilities

East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension 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. All of these elements put together then meet the cost of paying pensions, as well as the other benefits of the pension scheme. As part of its responsibilities as the administering authority the County Council is responsible for setting investment policy and reviewing the performance of the Fund’s external investment managers.

The County Council has entered into a partnership arrangement with Surrey County Council under the umbrella of Orbis to undertake the day to day functions of managing the governance and administration of the ESPF of the LGPS. The main services provided by Orbis include governance, investment, maintenance of scheme members’ records, calculation and payment of retirement benefits including premature retirement compensation, transfers of pension rights, calculation of annual pension increases and the provision of information to scheme members, employers and the Fund’s Actuary.

Although the day to day work associated with governance and administering the LGPS are under the Orbis umbrella, the County Council takes its statutory responsibility very seriously. The County Council ensures that all the participating employers within the ESPF are aware of their own responsibilities, as well as any changes to the provisions of the Scheme that may be introduced.

A major responsibility of the County Council as 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 Fund’s 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 as at 31 March 2016 and the 2019 triennial valuation is underway. In addition to the triennial valuation of the Pension Fund, the County Council also receives requests each year from scheme employers to obtain appraisal reports from the Fund actuary, to enable them to comply with requirements of the Financial Reporting Standards FRS102 or IAS19. The provision of these reports, however, falls outside of the functions of the County Council as an administering authority.

It is important to note that ultimate responsibility for both the administration of the Pension Fund and the investment of all monies associated with the Fund remains with East Sussex County Council, as administering authority for the East Sussex Pension Fund. The County Council has in place an established annual employers’ pension forum, to update and involve all the participating employers of the East Sussex Pension Fund, which is always well attended.

Pension Fund Account for the year ended 31 March 2019

2017/18 £000	2017/18 £000		Notes	2018/19 £000	2018/19 £000
		Dealings with members, employers and others directly involved in the fund			
		Contributions	7		
(95,189)		From Employers		(101,093)	
(28,902)		From Members		(29,613)	
	(124,091)				(130,706)
	(7,325)	Transfers in from other pension funds	8		(6,113)
	(131,416)				(136,819)
	123,905	Benefits	9		130,541
	39,592	Payments to and on account of leavers	10		3,409
	163,497				133,950
	32,081	**Net (additions)/withdrawals from dealings with members**			**(2,869)**
	13,330	Management expenses	11		14,038
	45,411	**Net (additions)/withdrawals including fund management expenses**			**11,169**
		Returns on investments			
	(38,198)	Investment income	12		(26,191)
	399	Taxes on income	13a		272
	(48,549)	Profit and losses on disposal of investments and changes in the value of investments	14a		(234,733)
	(86,348)	**Net return on investments**			**(260,652)**
	(40,937)	**Net (increase)/decrease in net assets available for benefits during the year**			**(249,483)**
	(3,342,443)	Opening net assets of the scheme			(3,383,380)
	(3,383,380)	**Closing net assets of the scheme**			**(3,632,863)**

Net Assets Statement for the year ended 31 March 2019

31 March 2018 £000		Notes	31 March 2019 £000
3,242,925	Investment assets	14	3,478,924
2,256	Other Investment balances	21	5,362
(3,198)	Investment liabilities	22	(10,232)
133,789	Cash deposits	14	149,156
3,375,772	**Total net investments**		**3,623,210**
10,704	Current assets	21	12,153
(3,096)	Current liabilities	22	(2,500)
3,383,380	**Net assets of the fund available to fund benefits at the year end.**		**3,632,863**

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 2019 and of the movements for the year then ended.

Ian Gutsell

Chief Finance Officer (Section 151 Officer)

Business Services Department

31 May 2019.

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 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 2018/19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It 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, the district councils in East Sussex County and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and Fire fighters are not included as they come within other national pension schemes.

It 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 and Pension Board. Responsibility for the administration and financial management of the Fund has been delegated to the Chief Finance Officer along with the Head of Pensions.

Independent investment managers have been appointed to manage the investments of the Fund. The Fund also invests in illiquid investments such as private equity, infrastructure and private debt. The Committee oversees the management of these investments and meets regularly with the investment managers to monitor their performance against agreed benchmarks.

b) 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.

Organisations participating in the East Sussex Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund
- 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 133 employer organisations within East Sussex Pension Fund including the County Council itself, as detailed below:

East Sussex Pension Fund	31 March 2018	31 March 2019
Number of employers with active members	132	133
Number of employees		
County Council	8,157	7,978
Other employees	16,413	15,668
Total	**24,570**	**23,646**
Number of pensioners		
County Council	8,708	9,318
Other employers	10,889	11,085
Total	**19,597**	**20,403**
Deferred pensioners		
County Council	13,558	14,008
Other employers	15,695	16,908
Total	**29,253**	**30,916**

c) 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 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 6.7% to 44.5% of pensionable pay.

d) 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, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated 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.

2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which is based upon International Financial Reporting Standards (IFRS) as amended for UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20

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 he 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 disclosed this information in Note 19.

The Accounts have been prepared on a going concern basis.

The Pension Fund publishes a number of statutory documents, including an Investment Strategy Statement, a Funding Strategy Statement, Governance Policy Statement, Communications Policy Statement, Employers Contributions, and Statements of Compliance. Copies can be obtained by contacting the Council's Pensions team or alternatively are available from - http://www.eastsussex.gov.uk

3: Summary of significant accounting policies

Fund account – revenue recognition

a) 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 of ill-health and 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.

b) 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.

c) Investment income

i. 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.

ii. 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.

iii. 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.

iv. 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

d) 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.

e) 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.

f) 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:

i) **Administrative expenses**

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

ii) **Oversight and governance costs**

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

iii) **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 2016/17, £1.6m of fees is based on such estimates (2015/16: £1.0m).

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement 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 contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of 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).

h) 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.

i) 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.

j) 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.

k) 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 cost are carried at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis.

l) 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).

m) 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).

n) 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

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using International Private Equity and Venture Capital Valuation Guidelines 2012. The value of unquoted private equities at 31 March 2019 was £206.75 million (£182.8 million at 31 March 2018).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

Use of Financial Instruments

The Fund uses financial instruments to manage its exposure to specific risks arising from its investments. In applying the accounting policies set out within the notes that accompany the financial statements the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are based around determining a fair value for the alternative investments shown in the Net Asset Statement. It is important to recognise valuations for these types of investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements that involve many factors.

Notes to the East Sussex Pension Fund Accounts

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 amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net assets statement at 31 March 2019 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
Actuarial present value of promised retirement benefits	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. 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 2016 Valuation the actuary advised that: • A 0.2% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £101 million (3%). • A 0.2% increase in benefit increases and CARE revaluation would increase the value of liabilities by approximately £91 million (3%). • A change in methodology from peaked to non-peaked longevity would increase the liability by approximately £94 million (3%).
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). 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 £206.8 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.

6: Events after the balance sheet date

There have been no events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7: Contributions Receivable

	2017/18 £000	2018/19 £000
By category		
Employee's contributions	28,902	29,613
Employer's contributions		
Normal contributions	81,427	83,635
Deficit recovery contributions	13,083	16,437
Augmentation contributions	679	1,021
Total	**124,091**	**130,706**
By authority		
Scheduled bodies	77,156	81,178
Admitted bodies	3,572	3,582
Administrative Authority	43,363	45,946
Total	**124,091**	**130,706**

8: Transfers in from other pension funds

	2017/18 £000	2018/19 £000
Group transfers	-	-
Individual transfers	7,325	6,113
Total	**7,325**	**6,113**

9: Benefits payable

	2017/18 £000	2018/19 £000
By category		
Pensions	102,800	107,805
Commutation and lump sum retirement benefits	17,780	19,732
Lump sum death benefits	3,325	3,004
Total	**123,905**	**130,541**
By authority		
Scheduled bodies	70,040	72,886
Admitted bodies	3,997	3,808
Administrative Authority	49,868	53,847
Total	**123,905**	**130,541**

10: Payments to and on account of leavers

	2017/18 £000	2018/19 £000
Refunds to members leaving service	387	412
Group transfers	28,467*	-
Individual transfers	10,738	2,997
Total	**39,592**	**3,409**

* Brighton and Hove City College transferred to West Sussex County Council on the 1 April 2017 with assets of £28.467m

11: Management expenses

	2017/18 £000	2018/19 £000
Administrative costs	1,005	916
Investment management expenses	11,652	12,382
Oversight and governance costs	673	740
Total	**13,330**	**14,038**

11a: Investment management expenses

	2017/18 £000	2018/19 £000
Management fees	11,354	11,750
Custody fees	83	124
Transaction costs*	215	508
Total	**11,652**	**12,382**

*In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

During the year, the Pension Fund incurred management fees which were deducted at source for 2018/19 of £2.3m (£2.4m in 2017/18) on its private equity investments, fees of £1.3m (£0.3m in 2017/18) on its infrastructure investments and fees of £2.7m (£1.4m in 2017/18) on other mandates. These fees are deducted at the individual portfolio level rather than being paid directly by the Pension Fund.

12: Investment income

	2017/18 £000	2018/19 £000
Income from bonds	1,949	1,055
Income from equities	6,864	8,526
Private equity income	49	1,547
Pooled property investments	10,750	11,921
Pooled investments - unit trusts and other managed funds	18,133	2,266
Interest on cash deposits	393	856
Class Actions	60	20
Total	**38,198**	**26,191**

13: Other fund account disclosures

13a: Taxes on income

	2017/18 £000	2018/19 £000
Withholding tax – equities	(203)	(177)
Withholding tax – pooled	(196)	(95)
Total	**(399)**	**(272)**

13b: External audit costs

	2017/18 £000	2018/19 £000
Payable in respect of external audit	27	20
Payable in respect of other services	-	-
Total	**27**	**20**

14: Investments

	2017/18 £000	2018/19 £000
Investment assets		
Bonds	497,920	499,750
Equities	363,116	153,695
Pooled Investments	1,828,109	2,232,435
Pooled property investments	344,411	339,442
Private equity/infrastructure	200,960	245,135
Commodities	4,487	6,125
Multi Asset	3,921	2,342
Derivative contracts:		
Forward Currency Contracts	480	425
	3,243,404	**3,479,349**
Cash deposits with Custodian	133,789	149,156
Other Investment balances (Note 21)	1,777	4,937
Total investment assets	**3,378,970**	**3,633,442**
Investment Liabilities (Note 22)	(3,198)	(9,392)
Derivative contracts:		
Forward Currency Contracts	-	(840)
Total Investment Liabilities	**(3,198)**	**(10,232)**
Net investment assets	**3,375,772**	**3,623,210**

14a: Reconciliation of movements in investments and derivatives

	Market value 1 April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2019
	£000	£000	£000	£000	£000
Bonds	**497,920**	226,590	(173,971)	(50,789)	**499,750**
Equities	**363,116**	132,273	(370,742)	29,048	**153,695**
Pooled investments	**1,828,109**	1,456,879	(1,262,282)	209,729	**2,232,435**
Pooled property investments	**344,411**	21,721	(33,705)	7,015	**339,442**
Private equity/infrastructure	**200,960**	43,126	(44,550)	45,599	**245,135**
Commodities	**4,487**	10,836	(9,211)	13	**6,125**
Multi Asset	**3,921**	7,763	-	(9,342)	**2,342**
	3,242,924	**1,899,188**	**(1,894,461)**	**231,273**	**3,478,924**
Derivative contracts					
■ Forward currency contracts	**480**	6,452	(8,160)	813	**(415)**
	3,243,404	**1,905,640**	**(1,902,621)**	**232,086**	**3,478,509**
Other investment balances:					
■ Cash deposits	**133,789**			2,647	**149,156**
■ Other Investment Balances	**1,777**				**4,937**
■ Investment Liabilities	**(3,198)**				**(9,392)**
Net investment assets	**3,375,772**			**234,733**	**3,623,210**

	Market value 1 April 2016	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2017
	£000	£000	£000	£000	£000
Bonds	**478,518**	281,469	(267,961)	5,894	**497,920**
Equities	**341,077**	118,567	(96,740)	212	**363,116**
Pooled investments	**1,820,986**	1,925,067	(1,943,746)	25,802	**1,828,109**
Pooled property investments	**321,767**	27,060	(29,319)	24,903	**344,411**
Private equity/infrastructure	**227,497**	23,073	(45,079)	(4,531)	**200,960**
Commodities	**4,930**	4,895	(5,071)	(267)	**4,487**
Multi Asset	**3,344**	5,359	-	(4,782)	**3,921**
	3,198,119	**2,385,490**	**(2,387,916)**	**47,231**	**3,242,924**
Derivative contracts					
■ Forward currency contracts	**701**	5,485	(8,713)	3,007	**480**
	3,198,820	**2,390,975**	**(2,396,629)**	**50,238**	**3,243,404**
Other investment balances:					
■ Cash deposits	**134,212**			(1,689)	**133,789**
■ Other Investment Balances	**3,449**				**1,777**
■ Investment Liabilities	**(1,669)**				**(3,198)**
Net investment assets	**3,334,812**			**48,549**	**3,375,772**

14b: Analysis of investments

	2017/18 £000	2018/19 £000
Bonds		
UK		
Corporate quoted	132,119	137,675
Public sector quoted	339,720	295,107
Overseas		
Public sector quoted	26,081	66,968
	497,920	**499,750**
Equities		
UK		
Quoted	59,570	23,830
Unquoted	958	-
Overseas		
Quoted	302,588	129,865
	363,116	**153,695**
Pooled funds - additional analysis		
UK		
Unit trusts	641,509	288,663
Overseas		
Unit trusts	1,186,600	1,943,772
	1,828,109	**2,232,435**
Pooled property investments	344,411	339,442
Private equity/infrastructure	200,960	245,135
Commodities	4,487	6,125
Multi Asset	3,921	2,342
Derivatives	480	425
	554,259	**593,469**
Cash deposits	133,789	149,156
Other investment balances (Note 21)	1,777	4,937
	135,566	**154,093**
Total investment assets	**3,378,970**	**3,633,442**
Investment Liabilities (Note 22)	(3,198)	(9,392)
Derivatives	-	(840)
Total Investment Liabilities	**(3,198)**	**(10,232)**
Net investment assets	**3,375,772**	**3,623,210**

14c: Investments analysed by fund manager

	Market value 31 March 2018		Market value 31 March 2019	
	£000	%	£000	%
Investments in the ACCESS Pool				
ACCESS - Global Equity (Longview)	-	-	274,988	7.6%
	-	-	**274,988**	**7.6%**
Investments held directly by the Fund				
Prudential M&G	132,124	3.9%	137,680	3.8%
East Sussex Pension Fund Cash	65,515	1.9%	73,289	2.0%
UBS Infrastructure Fund	19,027	0.6%	19,522	0.5%
Prudential Infracapital	-	0.0%	1,969	0.1%
Pantheon	-	0.0%	14,770	0.4%
M&G UK Financing Fund	958	0.0%	738	0.0%
Schroders Property	353,310	10.5%	360,424	9.9%
Harbourvest Strategies	86,705	2.6%	98,066	2.7%
Adams St Partners	96,129	2.8%	115,216	3.2%
M&G Absolute Return Bonds	75,014	2.2%	251,283	6.9%
Ruffer LLP	316,959	9.4%	402,202	11.1%
Newton Investment Management	308,431	9.1%	422,002	11.7%
Longview Partners	236,143	7.0%	349	0.0%
UBS Passive Funds	1,685,457	50.0%	1,450,712	40.1%
	3,375,772		**3,623,210**	

The following investments represent more than 5% of the investment assets of the scheme -

Security	Market Value 31 March 2018	% of total fund	Market value 31 March 2019	% of total fund
	£000		£000	
UBS Fundamental Index	611,429	18.1%	429,415	11.9%
Newton Real Return (Pooled Fund)	308,431	9.1%	422,001	11.6%
ACCESS - Global Equity (Longview)	-	-	274,988	7.6%
UBS UK Equity Index	325,708	9.6%	271,296	7.5%
M&G Absolute Return Bonds	75,014	2.2%	251,283	6.9%
UBS Over 5 year Index Gilt Linked	180,995	5.4%	207,494	5.7%
UBS World Equity Index	508,242	15.1%	-	-

14d: Stock lending

The East Sussex Pension Fund has not operated a stock lending programme since 13th October 2008.

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.

a) Futures

The scheme'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.

b) 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.

c) 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.

Open forward currency contracts

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
Less than 1 month	GBP	2,879	USD	(3,763)	-	(9)
Less than 1 month	USD	10,494	GBP	(8,034)	19	-
One to six months	GBP	134,763	USD	(177,028)	1	(603)
One to six months	GBP	29,058	JPY	(4,215,214)	-	(227)
One to six months	USD	48,398	GBP	(36,602)	405	-
					425	(840)
Net forward currency contracts at 31 March 2019						**(415)**
Prior year comparative						
Open forward currency contracts at 31 March 2018					480	-
Net forward currency contracts at 31 March 2018						**480**

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
Pooled investments	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not Required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	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
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	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

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 consequent potential impact on the closing value of investments held at 31 March 2019.

Asset Type	Assessed valuation range (+/-)	Values at 31 March 2018	Value on increase	Value on decrease
		£000	£000	£000
Equities	17%	33,670	39,394	27,946
Pooled property investments	14%	339,442	386,964	291,920
Private Equity/Infrastructure	27%	245,135	311,321	178,949
Total		**618,247**	**737,679**	**498,815**

16a: Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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.

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
Values at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss	554,112	2,311,926	618,247	3,484,285
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	(10,232)	-	(10,232)
Net investment assets	**554,112**	**2,301,694**	**618,247**	**3,474,053**

	Quoted market price	Using observable inputs	With Significant unobservable inputs	
Values at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss	809,092	1,869,959	566,130	3,245,181
Non-financial assets at fair value through profit and loss	-	-	-	-
Financial liabilities at fair value through profit and loss	-	(3,198)	-	(3,198)
Net investment assets	**809,092**	**1,866,761**	**566,130**	**3,241,983**

16b: Transfers between levels 1 and 2

During 2018/19 the fund has not transferred any financial assets between levels 1 and 2.

16c: Reconciliation of fair value measurements within level 3

	Market value 1 April 2018	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 2019**
Period 2018/19	**£000**	£000	£000	£000	£000	£000	£000	**£000**
Equities	**19,801**	-	-	20,073	-	(6,204)	-	**33,670**
Pooled property investments	**344,411**	-	-	8,621	(20,605)	(904)	7,919	**339,442**
Private Equity/Infrastructure	**201,918**	-	-	43,126	(40,978)	17,473	23,596	**245,135**
Total	**566,130**	**-**	**-**	**71,820**	**(61,583)**	**10,365**	**31,515**	**618,247**

Period 2017/18	Market value 1 April 2017	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 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Equities	19,352	-	-	7,901	(4,348)	(4,157)	2,010	20,758
Pooled property investments	321,767	-	-	27,060	(29,319)	13,891	11,013	344,412
Private Equity/Infrastructure	227,497	-	-	23,073	(42,386)	(33,676)	26,452	200,960
Total	**568,616**	**-**	**-**	**58,034**	**(76,053)**	**(23,942)**	**39,475**	**566,130**

17: Financial instruments

17a: 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.

31 March 2018				31 March 2019		
Market value Designated as fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Market value Designated as fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
497,920	-	-	Bonds	499,750	-	-
363,116	-	-	Equities	153,695	-	-
1,828,109	-	-	Pooled investments	2,232,435	-	-
344,411	-	-	Pooled property investments	339,442	-	-
200,960	-	-	Private equity/infrastructure	245,135	-	-
4,487	-	-	Commodities	6,125	-	-
3,921	-	-	Multi Asset	2,342	-	-
480	-	-	Derivative contracts	425	-	-
-	133,789	-	Cash	-	149,156	-
-	-	-	Cash held by ESCC	-	499	-
1,777	-	-	Other investment balances	4,937	-	-
-	10,704	-	Debtors	-	11,654	-
3,245,181	**144,493**	**-**	**Total Financial Assets**	**3,484,286**	**161,309**	**-**
			Financial liabilities			
-	-	-	Derivative contracts	(840)	-	-
(3,198)	-	-	Other investment balances	(9,392)	-	-
-	-	(3)	Cash held by ESCC	-	-	-
-	-	(3,093)	Creditors	-	-	(2,500)
(3,198)	**-**	**(3,096)**	**Total Financial Liabilities**	**(10,232)**	**-**	**(2,500)**
3,241,983	**144,493**	**(3,096)**	**Total Financial Instruments**	**3,474,054**	**161,309**	**(2,500)**

17b: Net gains and losses on financial instruments

	31 March 2018	31 March 2019
	£000	£000
Financial assets		
Fair value through profit and loss	51,065	225,623
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	(2,510)	2,995
Financial liabilities		
Fair value through profit and loss	(6)	6,115
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	-	-
Total	**48,549**	**234,733**

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 fund 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 fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund 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.

a) 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:

- the exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- 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 investment strategy.

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 2018/19 reporting period:

Asset Type	Potential Market Movements (+/-)
Index Linked	9%
Other Bonds	6%
UK equities	17%
Global equities	17%
Absolute Return	13%
Pooled property investments	14%
Private Equity	28%
Infrastructure funds	20%

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 2019 £000	Value on increase £000	Value on decrease £000
Index Linked	207,489	226,163	188,815
Other Bonds	388,958	412,279	365,637
UK equities	272,028	318,273	225,783
Global equities	1,247,034	1,459,030	1,035,038
Absolute Return	779,575	880,920	678,230
Pooled property investments	339,442	386,964	291,920
Private Equity	211,928	271,268	152,588
Infrastructure funds	32,469	38,963	25,975
Net derivative assets	(414)	(414)	(414)
Total assets available to pay benefits	**3,478,509**	**3,993,446**	**2,963,572**

Asset Type	Values at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Index Linked	180,995	197,285	164,705
Other Bonds	207,133	223,075	191,191
UK equities	326,665	382,198	271,132
Global equities	1,411,750	1,665,865	1,157,635
Pooled property investments	571,010	645,241	496,779
Private Equity	344,411	392,629	296,193
Infrastructure funds	181,933	232,874	130,992
Absolute Return	19,027	22,832	15,222
Net derivative assets	480	480	480
Total assets available to pay benefits	**3,243,404**	**3,762,479**	**2,724,329**

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 fund's 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 at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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 2019	Impact of 1% increase	Impact of 1% decrease
	£000	£000	£000
Cash and cash equivalents	149,156	149,156	149,156
Cash balances	499	499	499
Fixed interest securities	404,890	408,939	400,841
Index linked securities	346,143	346,143	346,143
Total change in assets available	**900,688**	**904,737**	**896,639**

Asset type	Carrying amount as at 31 March 2018	Impact of 1% increase	Impact of 1% decrease
	£000	£000	£000
Cash and cash equivalents	133,789	133,789	133,789
Cash balances	(3)	(3)	(3)
Fixed interest securities	227,951	230,231	225,671
Index linked securities	269,969	269,969	269,969
Total change in assets available	**631,706**	**633,986**	**629,426**

Income Source	Interest receivable 2018/19	Value on 1% increase	Value on 1% decrease
	£000	£000	£000
Cash deposits/cash and cash equivalents	856	2,353	(641)
Fixed interest securities	2,605	2,605	2,605
Index linked securities	700	4,161	(2,761)
Total change in assets available	**4,161**	**9,119**	**(797)**

Income Source	Interest receivable 2017/18	Value on 1% increase	Value on 1% decrease
	£000	£000	£000
Cash deposits/cash and cash equivalents	393	1,731	(945)
Fixed interest securities	1,334	1,334	1,334
Index linked securities	558	3,258	(2,142)
Total change in assets available	**2,285**	**6,323**	**(1,753)**

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.

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 UK 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 13%. A 13% 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 2019	Potential Market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas index linked	51,036	6,635	57,671	44,401
Overseas fixed interest	15,932	2,071	18,003	13,861
Overseas quoted securities	129,865	16,882	146,747	112,983
Overseas unit trusts	1,675,160	217,771	1,892,931	1,457,389
Total change in assets available	**1,871,993**	**243,359**	**2,115,352**	**1,628,634**

Currency exposure - asset type	Values at 31 March 2018	Potential Market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas index linked	5,263	526	5,789	4,737
Overseas fixed interest	20,818	2,082	22,900	18,736
Overseas quoted securities	302,588	30,259	332,847	272,329
Overseas unit trusts	1,186,600	118,660	1,305,260	1,067,940
Total change in assets available	**1,515,269**	**151,527**	**1,666,796**	**1,363,742**

b) 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 2018	Asset value as at 31 March 2019
	£000	£000
UK Treasury bills	36,097	86
Bank current accounts		
NT custody cash accounts	97,692	149,070
Total overseas assets	**133,789**	**149,156**

c) 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 the pension fund has 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 pension fund cash holdings and the fund also 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 2019 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

The latest actuarial valuation of the fund was carried out as at 31 March 2016. The purpose of the triennial valuation is to calculate the contribution rates required to be made by each employer participating in the fund which together with investment growth will be sufficient to meet the fund's future liabilities. The 2016 valuation shows the fund has a past service deficit, being 92% funded in respect of past liabilities. This compares with 81% funded at the 2013 valuation.

East Sussex Pension Fund ("the Fund")

Actuarial Statement for 2016/17

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated February 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- 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 by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £2,771 million, were sufficient to meet 92% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £240 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.8 years	26.3 years

*Figures assume members aged 45 as at the 2016 valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from East Sussex County Council, the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

20: Actuarial present value of promised retirement benefits

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the East Sussex Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of Promised Retirement Benefits

Year ended	31 March 2018	31 March 2019
Active members (£m)	1,867	2,277
Deferred pensions (£m)	925	1,039
Pensioners (£m)	1,548	1,552
Total	**4,340**	**4,868**

The promised retirement benefits at 31 March 2019 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2019 and 31 March 2018. I estimate that the impact of the change in financial assumptions to 31 March 2019 is to increase the actuarial present value by £363m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended	31 Mar 2018 % p.a.	31 Mar 2019 % p.a.
Pension Increase Rate	2.4%	2.5%
Salary Increase rate	2.8%	2.9%
Discount Rate	2.7%	2.4%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	23.8 years	26.3 years

*Future pensioners are assumed to be aged 45 at the latest formal valuation as at 31 March 2016.

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2019	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% increase in pensions increase rate	8%	404
0.5% increase in salary increase rate	1%	66
0.5% decrease in discount rate	10%	500

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

21: Current assets

	31 March 2018 £000	31 March 2019 £000
Other Investment Balances		
Sales inc Currency	480	3,313
Investment Income Due	1,371	1,704
Recoverable Taxes	405	345
Total	**2,256**	**5,362**

	31 March 2018 £000	31 March 2019 £000
Current Assets		
Contributions receivable from employers and employees	9,254	10,167
Sundry Debtors	1,450	1,487
Cash	-	499
Total	**10,704**	**12,153**

22: Current liabilities

	31 March 2018 £000	31 March 2019 £000
Investment Liabilities		
Purchases including currency	(1,846)	(8,893)
Managers Fees	(1,352)	(1,339)
Total	**(3,198)**	**(10,232)**

	31 March 2018 £000	31 March 2019 £000
Current Liabilities		
Pension Payments (inc Lump Sums)	(439)	(574)
Cash	(3)	-
Professional Fees	(84)	(55)
Administration Recharge	(1,300)	(1,046)
Sundry Creditors	(1,270)	(825)
Total	**(3,096)**	**(2,500)**

23: Additional voluntary contributions

	Market value 31 March 2018 £000	Market value 31 March 2019 £000
Prudential	15,923	16,821

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. In 2018/19 some members of the pension scheme paid voluntary contributions and transfers in of £2.580m (£2.618m 2017/18) to Prudential to buy extra pension benefits when they retire. £2.303m was disinvested from the AVC provider in 2018/19 (£3.434m 2017/18). 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.

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.

	2017/18 £000	2018/19 £000
East Sussex County Council	4,891	4905
Brighton & Hove City Council	2,330	2349
West Sussex County Council*	985	1060
Eastbourne Borough Council	331	345
Wealden District Council	183	212
Magistrates	240	179
Hastings Borough Council	171	168
Rother District Council	117	104
Lewes District Council	76	78
South East Water	54	61
Brighton University	26	28
Westminster (used to be LPFA)	17	17
East Sussex Fire Authority	16	16
Capita Hartshead	16	16
London Borough of Camden	7	7
London Borough of Southwark	6	6
The Eastbourne Academy	56	5
West Midlands Pension Fund	5	5
Torfaen Borough Council	4	4
Sussex University	3	3
Eastbourne Homes	3	3
Varndean College	2	2
London Borough of Ealing	2	2
Newhaven TC	1	1
East Sussex College Group**	1	1
Mid-Sussex District Council	87	-
Total	**9,630**	**9,577**

***** Brighton and Hove City College transferred to West Sussex County Council on the 1 April 2017 East Sussex are still administering the Brighton and Hove City College members at the request of West Sussex until the records are transferred to their administrators.

** Formerly Sussex Downs & Sussex Coast

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 £1.0m to the fund in 2018/19 (£1.3m in 2017/18). The Council`s contribution to the fund was £45.9m in 2018/19 (£43.4m in 2017/18). All amounts due to the fund were paid in the year. At 31 March 2019 the Pension Fund bank account was in debit by £0.5m. The average throughout the year was £4.3m (£3.5 in 2017/18).

25a: Key management personnel

The Chief Finance Officer of East Sussex County Council holds the key position in the financial management of the East Sussex Pension Fund.

	31 March 2018	31 March 2019
	£000	£000
Short-term benefits	17	17
Post-employment benefits	3	3
Total	**20**	**20**

26: Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March 2019 totalled £200.7m (31 March 2018: £133.1m).

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 2019 the unfunded commitment was £159.8m for private equity, and £40.9m for infrastructure. 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 2019.

Exit Payments

There were 6 employers whose contracts were due to end at the 31 March 2019 where an exit credit may need to be paid out. The Fund needs to obtain final information from the employers and then will need to commission the final cessation report from the actuaries to ascertain if an exit payment is due for these employers.

GMP Reconciliation Project

The Guaranteed Minimum Pension (GMP) Reconciliation project was split into number stages for Local Government Pension Schemes (LGPS). The Fund has nearly completed Stage 2, which reviews data inconsistencies, raised issues with HMRC and agrees outcomes, with more than 90% of the work completed.

GMP elements of LGPS pension where State Pension Age is prior to 06/04/2016 has not increased in respect of the period 06/04/1978 to 05/04/1988. While the Post 1988 GMP element in respect of the period 06/04/1988 to 05/04/1997 might be increased up to a maximum of 3%. 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%.

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. Stage 3 of the GMP Reconciliation Project, i.e., Rectification will amend LGPS pensions in line with the reconciled Stage 2 GMP information. This stage will also involve a significant member communication exercise to explain the changes taking place.

Due to the extended delays in the response times to query logs raised with HMRC, we are not in a position to be able to finalise the GMP reconciliation at this point. HMRC have also advised that we will not receive the final Scheme Reconciliation Service data cut from them, showing the final position of membership and liabilities held on their records currently until the end of July / early August. As such, we are unable to quantify the under/overpayment liability values as at 31/03/2019.

McCloud Judgement Update

Notes to the East Sussex Pension Fund Accounts

When the LGPS was reformed in 2014, transitional protections were applied to certain older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government has requested leave to appeal to the Supreme Court and is expected to hear later in 2019 if this will be granted. The impact is therefore still highly uncertain, as two opposing outcomes are possible:

1. The Supreme Court overturns the previous ruling and benefits remain as they are, with the underpin only applying to a small group of members.
2. The Government's request for appeal is rejected, or the Supreme Court upholds the existing judgement, and benefits accrued from 2014 may need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that younger members would see an enhanced benefit rather than older members losing their existing protections.

Quantifying the impact of outcome 2 is very difficult because it will depend on members' future salary increases, length of service and retirement age. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's actuary has estimated the following impact should the judgement be upheld (outcome 2):

	Estimated increase from McCloud judgement (£000)
Present value of promised retirement benefits at 31 March 2019	19,000

This number is a high level estimate based on fund level calculations and depends on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place, specifically the 'stabilisation' mechanism which slows down changes in contribution rates. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

27: Contingent assets

There are 17 admitted body employers in the Fund that hold insurance bonds to guard against the possibility of their 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 14 other admitted bodies are covered by:

- 9 guarantees by local authorities participating in the Fund;
- 3 Parent company guarantee;
- 1 deposits held by East Sussex County Council

At 31 March 2019 the Fund has invested £320.3 million in private equity funds managed by Adams Street and HarbourVest. The Fund has also invested £14.4 million in the M&G UK Companies Financing fund and £27.9 million in the infrastructure funds managed by UBS, Pantheon and Infracapital.

Following Rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund is pursuing the recovery of tax paid on certain dividends. If successful this may be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

28: Impairment losses

During 2018/19 the fund has not recognised any impairment losses.

29: East Sussex Pension Fund – Active Participating Employers

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Scheduled Bodies - Major Authorities						
Brighton and Hove City Council	17.1	3,860	17.1	4,635	17.1	5,448
East Sussex County Council	17.1	5,523	17.1	6,369	17.1	7,254
East Sussex Fire and Rescue Service	17.0	181	17.0	213	17.0	247
Eastbourne Borough Council	16.9	547	16.9	599	16.9	654

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Hastings Borough Council	17.3	489	17.3	540	17.3	594
Lewes District Council	18.0	442	18.0	495	18.0	551
Rother District Council	17.3	506	17.3	550	17.3	596
University of Brighton	16.75	704	16.75	722	16.75	741
Wealden District Council	17.2	536	17.2	594	17.2	655
Other Scheduled Bodies						
Arlington Parish Council	21.6	-	22.1	-	22.6	-
Battle Town Council	17.4	4	17.4	5	17.4	6
Berwick Parish Council	21.6	-	22.1	-	22.6	-
Buxted Parish Council	21.6	-	22.1	-	22.6	-
Camber Parish council	21.6	-	22.1	-	22.6	-
Chailey Parish Council	21.6	-	22.1	-	22.6	-
Chalvington with Ripe Parish Council	21.6	-	22.1	-	22.6	-
Chiddingly Parish Council	21.6	-	22.1	-	22.6	-
Conservators of Ashdown Forest	17.4	13	17.4	15	17.4	17
Crowborough Town Council	17.4	11	17.4	12	17.4	14
Danehill Parish Council	21.6	-	22.1	-	22.6	-
Ditchling Parish Council	21.6	-	22.1	-	22.6	-
Ewhurst Parish Council	21.6	-	22.1	-	22.6	-
Fletching Parish Council	21.6	-	22.1	-	22.6	-
Forest Row Parish Council	17.4	3	17.4	3	17.4	4
Frant Parish Council	21.6	-	22.1	-	22.6	-
Hadlow Down Parish Council	21.6	-	22.1	-	22.6	-
Hailsham Town Council	17.4	13	17.4	15	17.4	17
Hartfield Parish Council	21.6	-	22.1	-	22.6	-
Heathfield & Waldron Parish Council	17.4	4	17.4	5	17.4	5
Herstmonceux Parish Council	21.6	-	22.1	-	22.6	-
Hurst Green Parish Council	21.6	-	22.1	-	22.6	-
Icklesham Parish Council	21.6	-	22.1	-	22.6	-
Isfield Parish Council	21.6	-	22.1	-	22.6	-
Lewes Town Council	17.4	14	17.4	16	17.4	19
Maresfield Parish Council	17.4	1	17.4	1	17.4	1
Newhaven Town Council	17.4	5	17.4	6	17.4	6
Newick Parish Council	21.6	-	22.1	-	22.6	-
Peacehaven Town Council	17.4	8	17.4	9	17.4	10
Pett Parish Council	21.6	-	22.1	-	22.6	-
Plumpton Parish Council	21.6	-	22.1	-	22.6	-
Polegate Town Council	21.6	-	22.1	-	22.6	-
Ringmer Parish Council	21.6	-	22.1	-	22.6	-
Rye Town Council	17.4	2	17.4	2	17.4	2
Salehurst & Robertsbridge Parish Council	21.6	-	22.1	-	22.6	-
Seaford Town Council	17.4	6	17.4	7	17.4	8
Sussex Inshore Fisheries & Conservation Authority	21.6	-	22.1	-	22.6	-
Telscombe Town Council	17.4	4	17.4	4	17.4	5
Uckfield Town Council	17.4	13	17.4	15	17.4	17
Wartling Parish Council	21.6	-	22.1	-	22.6	-
Westham Parish Council	17.4	1	17.4	2	17.4	2
Willingdon and Jevington Parish Council	17.4	2	17.4	2	17.4	2
Wivelsfield Parish Council	17.4	1	17.4	1	17.4	2
Academy Schools						

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
Annecy Catholic Primary Academy	-	-	15.3	-	15.3	-
Aquinas Trust	22.5	-	22.0	-	21.5	-
ARK Schools Hastings	20.1	-	20.6	-	21.1	-
Aurora Academies Trust	20.9	-	20.9	-	20.9	-
Beacon Academy	22.5	-	23.0	-	23.5	-
Bexhill Academy	23.4	-	23.4	-	23.4	-
Bilingual Primary School	15.1	-	15.6	-	16.1	-
Breakwater Academy	17.5	-	17.5	-	17.5	-
Burfield Academy (Hailsham Primary)	21.5	-	21.0	-	20.5	-
Cavendish Academy	21.0	-	21.0	-	21.0	-
City Academy Whitehawk	20.9	-	20.9	-	20.9	-
Diocese of Chichester Academy Trust	25.9	-	25.4	-	24.9	-
Eastbourne Academy	20.9	-	21.4	-	21.7	-
Falmer (Brighton Aldridge Community Academy)	19.5	-	20.0	-	20.5	-
Gildredge House Free School	20.1	-	20.1	-	20.1	-
Glyne Gap Academy	22.9	-	22.4	-	21.9	-
Hailsham Academy	19.7	-	20.2	-	20.5	-
Hawkes Farm Academy	16.9	-	16.9	-	16.9	-
High Cliff Academy	21.5	-	21.0	-	20.5	-
Jarvis Brook Academy	15.0	-	15.0	-	15.0	-
King's Church of England Free School	15.7	-	16.2	-	16.7	-
Langley Primary Academy	-	-	14.7	-	14.7	-
Ore Village Academy	18.7	-	19.0	-	19.0	-
Parkland Infant Academy	15.9	-	15.9	-	15.9	-
Parkland Junior Academy	15.2	-	15.2	-	15.2	-
Pebsham Academy	19.0	-	19.5	-	20.0	-
Phoenix Academy	20.6	-	20.9	-	20.9	-
Portslade Aldridge Community Academy	20.4	-	20.4	-	20.4	-
King's Academy Ringmer	20.3	-	20.8	-	21.3	-
SABDEN Multi Academy Trust	25.1	-	24.6	-	24.1	-
Seaford Academy	21.9	-	21.6	-	21.6	-
Seahaven Academy	21.0	-	21.5	-	22.0	-
Shinewater Primary Academy	15.3	-	15.3	-	15.3	-
Sir Henry Fermor Academy	15.3	-	15.3	-	15.3	-
The South Downs Learning Trust	12.7	-	12.7	-	12.7	-
The Southfield Trust	14.9	-	14.9	-	14.9	-
Torfield & Saxon Mount Academy Trust	22.1	-	22.6	-	23.1	-
University of Brighton Academies Trust	20.1	-	20.5	-	20.5	-
UTC@Harbourside	21.5	-	21.0	-	20.5	-
White House Academy	17.0	-	17.5	-	18.0	-
William Parker Academy	20.1	-	20.6	-	21.1	-
Colleges						
Bexhill College	16.6	23	16.6	30	16.6	38
Brighton, Hove & Sussex Sixth Form College	17.2	21	17.2	29	17.2	38
East Sussex College Group	17.2	63	17.2	117	17.2	171
Plumpton College	16.7	44	16.7	58	16.7	73
Sussex Downs College	17.4	3	-	-	-	-
Varndean Sixth Form College	17.5	12	17.5	19	17.5	25
Admission Bodies						
Accent Catering Services Ltd	-	-	-	-	-	-
Amey	-	-	-	-	-	-

Employer Name	2017/18		2018/19		2019/20	
	Payroll %	Amount £(000)	Payroll %	Amount £(000)	Payroll %	Amount £(000)
BHCC - Wealden Leisure Ltd	21.2	-	21.2	-	21.2	-
Brighton and Hove CAB	28.7	-	28.7	-	28.7	-
Brighton Dome & Festival Limited	44.5	16	44.5	36	44.5	57
Brighton Dome & Festival Limited (Music & Arts Service)	20.7	-	20.7	-	20.7	-
Care Outlook Ltd	35.0	-	35.0	-	35.0	-
Care Quality Commission	41.6	59	41.6	143	41.6	231
Churchill Contract Services (UoBAT)	34.4	-	34.4	-	34.4	-
Churchill Services	18.0	-	18.0	-	18.0	-
Churchill Services (Seahaven Academy)	30.6	-	30.6	-	30.6	-
Civica ICT – William Parker	14.3	-	-	-	-	-
Compass Contract Services (The Causeway)	33.0	-	33.0	-	33.0	-
De La Warr Pavilion Charitable Trust	43.7	61	43.7	132	43.7	207
Eastbourne Homes Ltd	20.2	-	-	-	-	-
Eastbourne Homes - SEILL	21.9	-	21.9	-	21.9	-
Eastbourne Leisure Trust	25.8	17	25.8	18	25.8	18
East Sussex Energy, Infrastructure & Development Ltd (ESEIDL)	21.9	-	23.4	-	24.5	2
EBC - Towner	11.5	-	11.5	-	11.5	-
ESCC - Care at Home Services	-	-	-	-	-	-
ESCC - John O'Connor	-	-	-	-	-	-
ESCC - NSL Ltd	-	-	-	-	-	-
Grace Eyre	27.5	-	27.5	-	27.5	-
Halcrow Group Ltd	23.6	-	23.6	-	23.6	-
Hardings Catering Ltd	-	-	-	-	-	-
Hastings Business Operations Limited (HBOL)	23.6	-	27.1	-	-	-
Interserve Catering Services Ltd	-	-	-	-	-	-
Just Ask Estates Ltd	-	-	31.4	-	31.4	-
Mears Ltd	26.3	14	26.3	14	-	-
Mears Ltd (LDC)	33.9	-	33.9	-	33.9	-
MyTime	13.8	-	13.8	-	13.8	-
Optivo	39.2	554	39.2	879	39.2	1,221
Sopra Steria	31.9	-	31.9	-	31.9	-
Sussex Archaeological Society	38.6	57	38.6	82	38.6	108
Sussex Community Development Association Ltd (SCDA)	26.4	-	26.4	-	26.4	-
Sussex County Sports Partnership	21.0	-	21.0	-	21.0	-
Sussex Housing & Care	35.9	133	35.9	101	35.9	67
Telent Technology Services Ltd	24.9	-	24.9	-	24.9	-
Wave Leisure - Newhaven Fort	18.0	-	18.0	-	18.0	-
Wave Leisure Trust Ltd	9.0	-	9.0	-	9.0	-
WDC - ISS Limited	-	-	-	-	-	-
WDC – Kier	-	-	-	-	-	-
WDC - Wealden Leisure Ltd	27.1	86	27.1	89	27.1	91
Wealden Leisure Ltd - Portslade Sports Centre	12.3	-	12.3	-	12.3	-
White Rock Theatres Hastings Ltd	6.7	-	6.7	-	6.7	-

30: Investment Performance

The County Council uses an independent Investment performance measurement service, provided by Pensions & Investment Research Consultants Ltd (PIRC) which measures the performance of the Fund compared with 58 other local authority pension funds. Pension Fund investment is a long term business 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	**7.3**	**9.7**	**9.1**	**10.5**
Benchmark	**6.4**	**9.1**	**7.8**	**9.9**
Relative	**0.9**	**0.6**	**1.2**	**0.6**

Investment performance relative to peer group

	1 year (%)	3 years (%p.a.)	5 years (%p.a.)	10 years (%p.a.)
Fund	**7.3**	**9.7**	**9.1**	**10.5**
Local Authority Average	**6.6**	**10.5**	**8.9**	**10.7**
Relative	**0.7**	**(0.7)**	**0.2**	**(0.3)**

The Fund outperformed the (weighted) average local authority fund over the year by 0.7% (2.0% underperformance 2017/18), ranking the East Sussex Fund in the 23rd percentile (86th 2017/18) in the local authority universe. Over three years the fund underperformed by 0.7% (0.6% underperformance 2017/18) and was placed in the 65th percentile (47th 2017/18). Over five years the fund outperformed by 0.2% (in line in 2017/18) and was placed in the 32nd percentile (40th 2017/18). Over ten years the fund years the fund underperformed by 0.3% (0.2% underperformance 2017/18) and was placed in the 60th percentile (51st 2016/17).

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.

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

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 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.

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.

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 roads and rights of way.

Intangible Assets

This term includes such items as development expenditure or goodwill, but for local authorities it actually 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 1st 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, prescribed by Government, to be 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.

Property, Plant and Equipment (PP&E)

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. PP&E 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

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. the County 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.