

Statement of Accounts 2002/2003



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Prepared by the Financial Services Division of the Finance and
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Approved by the Council, 24 September 2003

Signed

Councillor DJ Fitton, Chairman



The purpose of this foreword is to provide a guide to the most significant matters reported in the 2002/2003 accounts. The pages which follow comprise:

Statement of Accounting Policies

This sets out the framework and treatment of figures in the accounts.

The accounts reflect national accounting requirements. The Accounting Policies section explains this in greater detail but in essence the cost of using assets is reflected in the revenue accounts by an asset rental charge regardless of the manner in which the assets were originally financed. The balance sheet records the assets at current values.

Consolidated Revenue Account

This reports the expenditure for the year on major functions for which the Council is responsible including Housing Services and Cultural, Environmental and Planning Services and shows how they were financed.

Housing Revenue Account (HRA)

This reflects a statutory obligation to account separately for the management of the Council's housing stock. It shows the major elements of housing running costs, maintenance, administration, rent rebates and capital financing costs, and how these are met by rents, subsidy and other income.

Direct Service Organisations Revenue and Appropriation Accounts

These reflect separate trading accounts for Direct Service Organisations operations for the provision of cleansing services, building maintenance, leisure centre management and golf course maintenance. Compulsory Competitive Tendering ceased on 2 January 2000 but authorities were advised to continue with their DSO accounts. They show turnover, total expenditure and surplus for each operation where the Council's own workforce won tenders in open competition.

Collection Fund

This shows the transactions of the Council in relation to its responsibilities for the collection of non-domestic rates, council tax and residual community charge and how they were distributed to the County, Police Authority, District and Local Councils.

Consolidated Balance Sheet

As well as showing the balances and reserves at the Council's disposal a summary of long term borrowings and the day-to-day monies used to support operations is provided, together with details of assets owned by the Council and net pension liability.

Statement of Total Movement on Reserves

This statement brings together all the recognised gains and losses of the authority during the period and identifies those which have, and have not been recognised in the consolidated revenue account.

Cash Flow Statement

This statement shows the receipts and payments of cash arising from transactions during the year.

Euro

During the last financial year the Council has continued to review the impact of the Euro on its ongoing operations and financial systems. Until a decision is made as to whether the UK should adopt the Euro, any expenditure on Euro activities, which is primarily on research and strategic planning will be met from within existing budgetary provision. The replacement financial systems introduced on 1 April 2002, are fully Euro Compliant.

REVIEW OF THE 2002/2003 FINANCIAL YEAR

The Council's expenditure is categorised as either revenue or capital. Revenue expenditure relates to items which are consumed within a year on running the organisation and are financed from the Council Tax, Government Grants and other income. Capital expenditure is normally financed over a period of years in the same manner that a private individual pays for the purchase of their home.

Net Revenue Spending in 2002/2003

2001/02		2002/2003		
Actual	Services	Budget	Actual	Variance
£m		£m	£m	£m
NET SERVICE EXPENDITURE:				
7.2	Community Services	5.7	5.5	(0.2)
1.3	Environment and Public Health	1.5	1.3	(0.2)
2.0	Housing (General Fund)	3.0	2.7	(0.3)
0.2	Housing Revenue Account	(0.3)	(0.5)	(0.2)
1.5	Planning	1.8	1.6	(0.2)
(2.8)	Staff and Corporate Policies including transfer to/from Earmarked Reserves	(1.7)	(0.6)	1.1
9.4	TOTAL NET SERVICE EXPENDITURE	10.0	10.0	0.0
FUNDED BY:				
1.5	Parish Precepts	1.5	1.5	
(5.6)	Collection Fund Income	(6.3)	(6.3)	
(1.8)	Revenue Support Grant	(1.5)	(1.5)	
(3.3)	Contribution from Non-Domestic Rate Pool	(3.7)	(3.7)	
(0.1)	Collection Fund Surplus	0.0	0.0	
(9.3)	TOTAL FUNDING	(10.0)	(10.0)	
0.1	Deficit funded from working balances	0.0	0.0	

The Council's net expenditure was £10.0 million, being the same as the level budgeted. This meant that the Council's working balances remained the same at the end of the year.

The General Fund has benefited from a one off adjustment to the amount set aside to repay debt. This adjustment, backdated to 1992/1993 in accordance with accounting requirements, has meant that an additional £1.7 million has been added to reserves.

Excluding variances arising from internal asset rental transactions between services the only other major changes were an increased liability in respect of Housing Benefit payments which was offset by increased income from Recycling Sales, Planning and Car Parking fees. Part of the costs of the Local Plan Inquiry has been deferred until 2003/2004 reducing anticipated expenditure during the year and the need to draw on earmarked reserves. The Housing Revenue Account benefited from increased rent income and lower than anticipated energy costs.

REVIEW OF THE 2002/2003 FINANCIAL YEAR

The tables below show in broad terms where the Council's money came from, what it was spent on and the services provided.

WHERE THE MONEY COMES FROM

	£'000	%
Government Grants and Contributions	18,387	36.2
Rents	10,831	21.3
Local Taxpayers and share of National		
Business Rate	9,950	19.6
Use of Reserves	5,499	10.8
Charges for Goods and Services	4,317	8.5
Interest	1,789	3.6
	50,773	100.0

WHAT THE MONEY IS SPENT ON

By type of expenditure

	£'000	%
Running Costs	20,562	40.5
Housing and Council Tax Benefits	19,120	37.7
Employees	8,511	16.7
External Debt Financing	2,580	5.1
	50,773	100.0

By type of service

	£'000	%
Housing Services	26,113	51.4
Cultural Environment and Planning Services	12,085	23.8
Other Services	6,591	13.0
Central Services to the Public	5,232	10.3
Highway, Roads and Transport Services	752	1.5
	50,773	100.0

The bulk of the Council spending is on Housing and Council Tax Benefits and running costs followed by employee costs, with Housing being the largest service provided.

REVIEW OF THE 2002/2003 FINANCIAL YEAR

Housing

The Council continues to be a major provider of rented accommodation in the District. A new national rent formula was introduced by the Government in 2002/2003, to be phased in over a ten year period. Calculated in line with this formula Council tenants' rents increased in 2002/2003 by an average of 3.4% to finance movements in expenditure and income and to maintain a prudent working balance.

The Housing Revenue Account (HRA) for 2002/2003 is set out on page 15 and shows that the working balance was £0.853m at the end of the year, £0.179m more than the budgeted position.

The movement in the working balance arose principally from increased contributions towards the cost of repairs, higher rent income and a reduction in the bad debt provision.

Direct Service Organisations (DSO's)

The Council operates five DSO's and their financial performance is set out on page 19. Although there is no longer a statutory need to maintain separate trading accounts for each DSO, the Council chose to do so to enable their performance to be measured.

The performance of the DSO's during 2002/2003 was generally very successful with all the activities achieving their financial objectives.

Outlook for 2003/2004 and beyond

The Council's net General Fund Budget for 2003/2004 has been set at £10.68m, an increase of 7.7% from 2002/2003. In deciding on this total, the Council considered the competing needs to spend on local and national priorities and the resources which the Government makes available by means of grant. Councillors were also mindful that, should the Government consider the increase in either the net budget or the Council Tax to be excessive, it could impose a 'cap' on the Council's future spending plans. The Band D Tax for the Council rose by 9.25% for 2003/2004, whilst the total tax for this Council, East Sussex County Council, Sussex Police Authority and Town and Parish Councils increased by 19.3%. Our Council Tax and Business Rate collection performance remain amongst the best achieved in the country.

The Council will continue operating in an environment in which there is pressure on local government as a whole to restrain spending and improve productivity through increases in efficiency identified in 'Best Value' reviews. A system of independent inspection has been introduced under which the performance of every local authority will be assessed. The "Comprehensive Performance Assessment" for this Council will take place in November 2003. In its spending plans for the period 2003/2004 to 2005/2006, the Government has set aside an average annual increase in resources for local authorities of 7.7%. This sets the broad parameters within which future budgets will be drawn up, although past experience shows that this Council should plan to receive less than the national average.

The Government's programme of reforming local authority housing continues. The latest step is the 'rent restructuring' initiative, whereby all local authorities must calculate rent levels by means of a formula which takes into account relative earnings and property values. Under rent restructuring, by 2011/2012 local authority rents should have converged with those of housing associations. Rent restructuring has been introduced at individual property level from 1 April 2003, having been implemented following Government guidance, on an overall stock basis in 2002/2003. With the position of the Council's HRA remaining largely determined by the resources made available by the Government, the combined average rent and general service charge will be £56.06 per week in 2003/2004, representing an average increase of 2.99%.

The Annual Capital Programme continues to be drawn up with reference to the Council's Capital Strategy, Asset Management Plan and HRA Business Plan. The 2003/2004 General Fund Capital Programme totals £0.9m, including £0.2m in respect of electronic service delivery which will be funded by the Government. The HRA Housing Investment Capital Programme totals £3.0m, funded by Credit Approvals and the Major Repairs Allowance received from the Government. The £0.85m General Fund Housing Investment Programme will be largely funded from capital receipts and credit approvals.

GENERAL PRINCIPLES

The Council's accounts have been prepared in accordance with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs).

FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

The valuations were in accordance with the RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 1995 Code of Practice on Local Authority Accounting.

The General Fund fixed assets were valued on 1 April 1999 by the Valuation Agency of the Inland Revenue.

- Operational assets of a non-specialised nature were valued on the basis of Existing Use Value (EUV).
- Non-operational assets were valued on the basis of Open Market Value (OMV).
- All plant and machinery contained in the buildings is included in the valuations.
- Office fixtures and fittings were not included in the valuations, but were given a notional 10% value of the office's valuation.
- Vehicles, plant and equipment were not included in the valuation, but were valued on the basis of depreciated historic cost.

The Housing Revenue Account fixed assets were valued on 1 April 2000 by King Sturge, a firm of international property consultants. The valuations were in accordance with The Guidance on Stock Valuation issued by Department of Environment, Transport and the Regions, and have been subject to annual reviews in accordance with Resource Accounting requirements.

- Council dwelling units were valued on the beacon basis using Existing Use Value for Social Housing (EUV-SH).
- Council owned garages were valued on the basis of Existing Use Value (EUV).
- Council owned shops and other sundry housing assets were valued on the basis of Open Market Value (OMV) or Existing Use Value (EUV) as appropriate.
- Housing estate roads, car parks and parking spaces that have not been adopted by the County Council are included in the valuation at historic cost.

The surpluses arising on the re-valuation of fixed assets are credited to the fixed asset restatement reserve. Further re-valuations of fixed assets are required at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period. The next valuation dates are 1 April 2004 for General Fund assets and 1 April 2005 for Housing Revenue Account assets.

Income from the disposal of fixed assets is accounted for on an accrual basis. Income that is not reserved for the repayment of external loans forms part of the reserve available for capital financing. This is described in the balance sheet as usable capital receipts.

Capital expenditure on works below a value of £10,000 is treated as minor and charged to the relevant revenue account.

STATEMENT OF ACCOUNTING POLICIES

DEPRECIATION

Depreciation is provided for on all fixed assets with a useful life (which can be determined at the time of acquisition or revaluation) according to the following policy.

- Council land holdings are not depreciated.
- Major operational buildings are depreciated over the expected remaining life of the asset.
- Depreciation of the housing stock is calculated using the methodology of the Major Repairs Allowance.
- Miscellaneous buildings of minor value are not depreciated on the grounds that the charge for depreciation would not be material.
- Newly acquired assets are generally depreciated from the date of acquisition or the mid-point of the year as appropriate. Assets in the course of construction are not depreciated until they are brought into use.

Depreciation is calculated using both the straight-line method or reducing balance method as appropriate.

An additional charge is made for impairment if there has been an unusual event, such as a fire or flood, which affects the value of an asset. An impairment charge may be reversed in a subsequent year, after the asset has been restored.

CHARGES TO REVENUE

General Fund service revenue accounts, central support services, trading accounts and DSOs pay a capital charge for all fixed assets used in the provision of services. The capital charge covers the annual provision for depreciation plus a financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

External interest payable and the provision for depreciation are charged to the asset management revenue account. This account is then credited with capital charges made to services.

Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as appropriations, on the face of the Consolidated Revenue Account, below net operating expenditure.

DEFERRED CHARGES

Deferred charges represent expenditure, such as improvement grants, which may properly be capitalised, but does not result in the creation of fixed assets for the Council. They are charged to revenue over an appropriate period. The Leisure Centres at Lewes and Peacehaven are owned by East Sussex County Council and the agreements refer to the provision, use and management of the buildings without conferring any property interest on the Council.

GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants-deferred account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

RESERVES

These include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

* **The Fixed Asset Restatement Reserve** represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. This reserve cannot be called upon to support spending.

* **The Capital Financing Reserve** represents amounts used from revenue resources or capital receipts to finance expenditure on fixed assets or amounts set aside for the repayment of external loans and certain other capital financing transactions. This reserve cannot be called upon to support spending.

The Council also has the following reserves:

* **Revenue Equalisation and Asset Maintenance Reserve/ Leisure Buildings Repairs Reserve/ Lewes Leisure Centre Buildings Plant & Equipment Reserve/ Community Leisure Buildings Plant and Equipment Reserve/ Community Grants Reserve/ Corporate Buildings Repairs Reserve/ Maintenance Reserve/ Revenues Systems Reserve/ Housing Development Reserve/Financial System Reserve/Kerbside Recycling Reserve.**

available to be used to finance future expenditure of either a capital or revenue nature.

* **DSO Reserves**

used to provide finance for the Council to fund the purchase of replacement equipment and plant.

* **Section 106 Agreements**

represents contributions made by developers for specific purposes arising from planning decisions. Each agreement is covered by a legal document regarding the way in which funds can be used.

* **Insurance Reserve**

available to be used to fund any future expenditure, such as excesses not covered by the Council's insurance policies, risk management initiatives and security against an insolvent run off from the Council's former insurer MMI.

* **Partnership Funding Reserve**

represents the amount available for the Council's contributions to various partnership schemes. These include leisure, arts and economic development projects which are being progressed over the next few years.

* **Rent Deposit Guarantee Scheme**

represents funds set aside for private sector initiatives in accordance with the Housing Act 1996.

* **West Quay Development Reserve/Newhaven Fort Refurbishment/Denton Island Reclamation**

represents funds received in anticipation of the future development and refurbishment of West Quay, Newhaven Fort and Denton Island in partnership with other bodies.

* **Building Control Charging Scheme**

available to be used to finance future expenditure on the Building Control Function.

* **Major Repairs Allowance Reserve**

This account was established by the Local Authorities (Capital Finance and Accounts Regulations 2000) in order to channel funds made available through the Major Repairs Allowance into capital expenditure on HRA property.

STATEMENT OF ACCOUNTING POLICIES

CAPITAL RECEIPTS RESERVE

Capital receipts from the disposal of assets are held in the usable capital receipts reserve until such time as they are used to finance capital expenditure or to repay debt. Each capital receipt is required to have a sum reserved as a provision for debt repayment with the balance available to finance capital expenditure. Reserved capital receipts are held in the capital financing reserve. The sum to be reserved is 75% of the receipt in respect of Council house sales. Since 1998 there has no longer been a requirement to reserve a percentage of non-HRA receipts.

Interest on all capital receipts is credited to the General Fund Revenue Account. The Housing Revenue Account gains the benefit from interest on reserved housing capital receipts by transfer between the General Fund Revenue Account and the Housing Revenue Account as required by law.

PROVISIONS

The Council sets aside provisions for specific future expenses which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

- * Compensation and Damages
- * Bad Debts Provision
- * Profit share provision in respect of DSO employee bonus commitments
- * Asset Rental Equalisation provision in respect of DSO vehicle rentals

INVESTMENTS

Investments are shown in the Consolidated Balance Sheet at the lower of cost or market valuation.

INTERNAL INTEREST

Interest is credited to the General Fund Revenue Account and Housing Revenue Account based on the level of their balances during the year.

DEBTORS AND CREDITORS

The capital and revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice on Local Authority Accounting and SSAP2. This requires sums due to or from the Council during the year to be included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of the meter reading rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

The Code of Practice on Local Authority Accounting requires that the accruals concept be applied to capital expenditure and capital receipts.

STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued in accordance with the requirements of the Code of Accounting Practice and SSAP9, which require stocks to be shown at the lower of actual cost or net realisable value. No losses or profits have been included on work in progress.

SUPPORT SERVICES

The Council identifies the cost of providing services to the public (which is in accordance with recommended practice) and part of this cost relates to overheads.

- * administrative offices of the Council are charged out to occupants on the basis of floor area
- * professionals such as property managers, accountants, lawyers and personnel are charged on the basis of time expended working for clients
- * service management represents the management cost of the service Director and administrative backup within the department concerned. The cost of this function is charged to services on the basis of time expended

CORPORATE AND DEMOCRATIC CORE

This group of nationally defined costs covering general and specific management functions arises from the need to co-ordinate an elected multi-purpose authority. These costs totalled £900,000 in 2002/2003 (2001/2002 £889,000) and in accordance with best practice are left as a direct charge on the General Fund Revenue Account and are not allocated to services.

PENSIONS

The Council provides for the pensions of its past and present employees by way of annual contributions to the East Sussex County Council Pension Scheme. The Fund's Actuary determined the contribution rate for 2002/2003 at 14.5% resulting in an increase of 11.36% in the Council's total pension contributions. Local authority accounting does not comply with the accounting requirements of SSAP24 "Accounting for Pension Costs" This is because our contributions are in line with Government regulations rather than actuarial assessments of our liabilities. However we disclose, as a note to the Consolidated Revenue Account, the contribution rate which would have applied under SSAP24. We also disclose as a note to the Balance Sheet, the Council's net liability for future pension payments taking into account its share of the assets in the Pension Fund. This disclosure is in line with the reporting requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS17). For 2002/2003, for the first time, we show comparative figures for the previous year, and an analysis of the changes between the start and end of the year.

CONSOLIDATED REVENUE ACCOUNT

2001/02 Net Expenditure £'000		2002/03 Gross Expenditure £'000	2002/03 Income £'000	2002/03 Net Expenditure £'000
	Expenditure on Services			
961	Central Services to the Public	5,232	4,130	1,102
10,310	Cultural, Env & Planning Servs - Note 1	12,097	3,023	9,074
224	Highways, Roads & Transport Services	752	573	179
2,342	Housing Services - Note 2	26,165	23,797	2,368
1,313	Corporate & Democratic Core	1,717	444	1,273
99	Unapportionable Central Overheads	103	0	103
15,249	NET COST OF SERVICES	46,066	31,967	14,099
1,463	Precepts paid to Parish Councils			1,502
(61)	(Surplus)/Deficit from Trading Operation - Note 4			(29)
(162)	Total net surplus from DSOs - Note 3			(47)
(2,256)	Transfer to/(from) Asset Management Revenue Account - Note 5			(833)
(1,522)	Interest and Investment Income			(1,911)
12,711	NET OPERATING EXPENDITURE			12,781
	APPROPRIATIONS			
(180)	Surplus/(Deficit) transferred to/(from) HRA balances			478
(13)	Transfer to/(from) insurance reserve			(21)
(812)	Transfer to/(from) earmarked reserves			1,026
162	Transfer to/(from) DSO reserves			47
287	Capital Expenditure financed from revenue			114
(3,261)	Provision for the repayment of external loans - Note 6			(3,338)
1,823	Deferred Government Grants			853
	AMOUNT TO BE MET FROM GOVERNMENT			
10,717	GRANT AND LOCAL TAXATION			11,940
	SOURCES OF FINANCE			
(1,825)	Revenue Support Grant			(1,543)
(3,276)	Contribution from Non-Domestic Rate Pool			(3,678)
(5,631)	Precept demanded from Collection Fund			(6,257)
(67)	Collection Fund surplus			0
(82)	NET GENERAL FUND (SURPLUS)/DEFICIT			462

£'000	General Fund Balance	£'000
(750)	Balance on General Fund brought forward 1 April	(832)
(82)	(Surplus)/Deficit for the year	462
0	Transfer from Revenue Equalisation and Asset Maintenance Reserve	(460)
(832)	Balance on General Fund carried forward 31 March	(830)

NOTE 1. CHARITY ACCOUNTS

Included in the Council's revenue account is the grant payable to the Stanley Turner Recreation Ground Charity for which the Council's members are trustees. The amount of the grant is shown below:-

2001/02		2002/03	
Grant	Expenditure	Income	Grant
£'000	£'000	£'000	£'000
45	Stanley Turner Recreation Ground Charity	42	3

NOTE 2. HOUSING

Housing expenditure for the Council includes the amounts which have been accounted for through both the General Fund and Housing Revenue Account, details of which are shown below: -

2001/02		2002/03		
Net		Gross		Net
Expenditure		Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
280	Housing Revenue Account	13,082	13,453	(371)
2,062	Housing General Fund	13,083	10,344	2,739
2,342	Total Housing	26,165	23,797	2,368

NOTE 3. DSO SURPLUSES

The Council has three Direct Service Organisations, the Contract Works Group, the Contract Works Unit and Community Leisure. The following trading results were achieved during 2002/03. (The accounts of the Direct Service Organisations are shown on page 19 of this report).

2001/02		2002/03
£'000		£'000
(18)	Contract Works Group	(18)
-	Contract Works Unit	(6)
(144)	Community Leisure	(23)
(162)	Surplus for the year	(47)

NOTE 4. TRADING OPERATION

The Council manages and maintains six Industrial Estates comprising over 100 individual plots which are situated in Lewes, Newhaven and Seaford.

The turnover of these undertakings, derived mainly from rents, was £495,000 (2001/02 £495,000). The Council charges asset rentals for the use of its Industrial Estates, in line with the 1993 Code of Practice. This has resulted in a surplus of £29,000 being made in 2002/03, (2001/02 £61,000) which was credited in total to the General Fund.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

NOTE 5. ASSET MANAGEMENT REVENUE ACCOUNT

The following statement shows the transactions on the asset management revenue account during the 2002/03 financial year.

2001/02			2002/03
£'000	INCOME	£'000	£'000
	Capital Charges		
(2,192)	General Fund	(2,209)	
(10,764)	Housing Revenue Account	(13,879)	(16,088)
(1,823)	Release of Grants and Contributions		(852)
	EXPENDITURE		
2,707	Provision for Depreciation		2,759
2,657	External Interest Charges		2,548
1	Finance Lease Interest		1
(9,414)			(11,632)
	Net Surplus to		
2,256	- General Fund Consolidated Revenue Account		833
7,158	- Housing Revenue Account		10,799
0			0

NOTE 6. MINIMUM REVENUE PROVISION (MRP)

The Council is required to make a minimum provision for the redemption of external debt. The method of calculating the MRP is set out in statutory regulations. In 2002/2003 the MRP charged to the General Fund has been reduced to account for a backdated adjustment of £1.7 million which is permissible under the regulations

2001/02			2002/03
£'000			£'000
(21)	Non-Housing - 4% of credit ceiling		(1,750)
314	Housing - 2% of credit ceiling		275
293			(1,475)
554	Amount charged as General Fund depreciation		536
3,000	Deferred charges net charge		1,327
(3,261)	Net Surplus to Consolidated Revenue Account		(3,338)
293			(1,475)

NOTE 7. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. As a consequence, the majority of the provisions of Section 137 were repealed with effect from October 2000. No expenditure was incurred by this council in 2002/2003 under the remaining provisions.

NOTE 8. PUBLICITY

Section 5 of the Local Government Act 1986 requires a Local Authority to keep a separate account of its expenditure on publicity. Expenditure on publicity in 2002/03 amounted to £109,000 (2001/02 £99,000). The majority of this expenditure relates to the Council's recruitment advertising.

NOTE 9. OPERATING LEASES

The Council uses leased cars, refuse and recycling vehicles, leisure centre fitness equipment and other items of plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2002/2003 was £243,000 (2001/2002 £221,000).

The future cash payment required under these leases are

2003/04	£208,000
2004 onwards	£430,000

NOTE 10. BUILDING CONTROL TRADING ACCOUNTS

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities for the year 2002/03.

Building Regulations			
Charging Account 2002/2003			
	Chargeable	Non	Total
	2002/03	Chargeable	Building
	£	2002/03	Control
		£	2002/03
			£
Expenditure			
Employee Expenses	138,612	20,984	159,596
Transport	12,409	1,379	13,788
Supplies and Services	42,863	8,070	50,933
Central and Support Services	52,176	9,178	61,354
TOTAL EXPENDITURE	246,060	39,611	285,671
Income			
Building Regulation Charges	313,055	0	313,055
Miscellaneous Income	124	617	741
TOTAL INCOME	313,179	617	313,796
Surplus/(Deficit) for year	67,119	(38,994)	28,125

NOTE 11. AGENCY SERVICES

The principal area of work is a programme of providing job skills training throughout all departments of the Council, in association with the Training Consortium who act as a managing agent for Sussex TEC Limited. The Council incurred expenditure of £62,000 in 2002/03 (2001/02 £68,000)

NOTE 12. PENSION COSTS

The Council provides for the pensions of its past and present employees by way of annual contributions to the East Sussex County Council Pension Scheme. The cost of these contributions are shown in the Council's accounts as follows:-

2001/02			2002/03	
£,000	% of Pensionable Pay		£'000	% of Pensionable Pay
993	13.50	Primary Contribution	1,138	14.50
		Added years and lump		
99	1.35	Sum awards	103	1.31
1,092	14.85		1,241	15.81

The contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last review being 31 March 2001. The Fund's actuary has advised that for Lewes District Council the pension cost for SSAP 24 purposes is 14.3%, which is 0.2% below the total contribution rate paid in 2002/03.

NOTE 13. MEMBERS ALLOWANCES

The total paid to members under The Local Authorities (Members Allowances) Regulations 1991 in 2002/03 amounted to £140,000 (2001/02 £131,000). A more detailed analysis of member allowances is shown on pages 48 to 50 of this report.

NOTE 14. REMUNERATION OF EMPLOYEES

The Accounts and Audit Regulations require each Council to disclose the number of employees in the period to which the accounts relate whose remuneration fell into each bracket of a scale in multiples of £10,000, starting with £40,000. The relevant details are shown below.

2001/02			2002/03
Number of Employees	Salary		Number of Employees
7	£40,000 - £49,999		7
2	£50,000 - £59,999		2
1	£60,000 - £69,999		1
1	£70,000 - £79,999		1

NOTE 15. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government has effective control 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 (e.g. housing benefits). Details of transactions with government departments are disclosed elsewhere in the 2002/2003 accounts.

Members of the Council have direct control over the Council's financial and operating policies. The Head of Democratic Services maintains a register of members' interests, and reports that there were no material transactions during 2002/2003.

Officers of the Council are also required to register any interests with the Head of Democratic Services and again he reports that there were no material transactions during 2002/2003.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and sales of Council houses and flats.

2001/02 £'000	2002/03 £'000	£'000
INCOME		
9,472 Dwelling Rents (gross)	9,705	
281 Non-dwelling rents (gross)	297	
314 Charges for services and facilities	312	
3,059 Housing Revenue Account Subsidy receivable (Note 3)	2,976	
32 Contributions towards expenditure	111	
58 Community amenities contribution	51	
13,216 TOTAL INCOME	13,452	13,452
EXPENDITURE		
2,260 Repairs and Maintenance	2,089	
2,337 Supervision and Management	2,471	
13 Rents, Rates, Taxes and other charges	143	
4,863 Rent Rebates	5,109	
41 Increase in provision for doubtful debts	13	
8,296 Cost of capital charge (Note 8)	11,656	
2,153 Depreciation of fixed assets (Note 6)	2,223	
0 Deferred Charges	19	
59 Debt Management Expenses	53	
20,022 TOTAL EXPENDITURE	23,776	23,776
6,806 NET COST OF SERVICES		10,324
Income from Asset Management		
(7,158) Revenue Account (Note 9)	(10,799)	
Investment Income		
(17) - Mortgage Interest	(14)	
(82) - Interest on cash balances (Note 15)	(93)	(10,906)
(451) NET OPERATING INCOME	(582)	(582)
469 Revenue Contribution to Capital Expenditure (Note 12)	0	
HRA Minimum Repayment		
314 Provision	275	
(152) Transfer from Major Repairs Reserve	(170)	105
180 DEFICIT/(SURPLUS) FOR THE YEAR	(477)	(477)
556 BALANCE AT START OF THE YEAR		376
376 BALANCE AT END OF THE YEAR		853

NOTES TO HOUSING REVENUE ACCOUNT

NOTE 1. NEW FINANCIAL FRAMEWORK

The Government introduced, from April 2001, a new financial framework for the Housing Revenue Account (HRA). Based on a form of resource accounting, it is intended to bring the HRA more into line with the General Fund approach to capital charges. Instead of merely showing historic debt charges, the HRA now reflects both the cost of capital employed and the cost of wear or deterioration of those assets.

NOTE 2. HOUSING STOCK

31 March 2002		31 March 2003	
	<u>Houses and Bungalows</u>		
220	- one bedroom	220	
704	- two bedrooms	687	
1,003	- three bedrooms	968	
63	- four bedrooms	62	
-	- five bedrooms	3	
1,990		1,940	
	<u>Flats</u>		
73	- Bedsits	133	
797	- one bedroom	730	
548	- two bedrooms	543	
50	- three bedrooms	49	
3	- four bedrooms	4	
1,471		1,459	
3,461		3,399	

In addition the Council had, at the same date, shared ownership arrangements covering 10 properties and 1 property (partly) sold under the Right to Buy.

NOTE 3. HRA SUBSIDY RECEIVABLE

The Subsidy receivable in 2002/03 is made up as follows:

31 March 2002 £'000		31 March 2003 £'000
2,001	Major Repairs Allowance	2,053
3,168	Management and Maintenance Allowance	3,297
1,646	Capital Charges Allowances	1,486
4,669	Rent Rebate costs	4,857
16	Tenant Participation Allowance	0
30	Resource Accounting Allowance	0
11	Other Expenditure	11
11,541		11,704
(8,464)	Less: Assumed rent income	(8,714)
(18)	Other income	(14)
3,059	Total	2,976

NOTE 4. CONTRIBUTION FROM GENERAL FUND

The standard rent rebate scheme has been enhanced in Lewes for war widows and war disablement pensioners. The cost of this enhancement has not been met by a contribution from the General Fund.

NOTE 5. ASSET VALUATION

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

	31 March	
	2002	2003
	£'000	£'000
Operational Assets		
- Dwellings	190,014	211,346
- Garages	1,188	1,247
- Other	312	399
Community Assets	397	486
Infrastructure	1,695	1,606
Non-operational Assets	663	743
	194,269	215,827

The increase in the value of dwellings arose following an annual appraisal by the Council's appointed surveyor. A summary of total capital expenditure on Housing Revenue Account assets is shown in Note 1 to the Consolidated Balance Sheet (Page 23).

NOTE 6. DEPRECIATION

Depreciation of the housing stock has been calculated using the methodology of the Major Repairs Allowance. It is based on the annual cost of replacing individual building components, such as windows, kitchens and heating systems, as they reach the end of their useful life. An additional depreciation sum of £170,424 is also included in respect of non-dwelling assets.

NOTE 7. MAJOR REPAIRS RESERVE

This account was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 in order to channel the funds made available through the Major Repairs Allowance (equivalent to the depreciation of the stock – see Note 6) into capital expenditure on HRA property. The movements on the account, as set out below, show that a balance has been retained for future liabilities.

	2002/03
	£'000
Balance at 1 April 2002	(489)
Depreciation	
- Housing Stock	(2,053)
- Other HRA Assets	(170)
Financing of Capital Expenditure	1,927
Transfer to HRA	170
Balance at 31 March 2003	(615)

NOTE 8. COST OF CAPITAL

In accordance with the principles of resource accounting, a charge representing the cost of capital tied up in housing assets is included in the HRA's Net Cost of Services. It is calculated by applying a notional rate of interest (6% - as specified by regulation) to the value of the HRA stock at the beginning of the accounting period.

NOTE 9. INCOME FROM ASSET MANAGEMENT REVENUE ACCOUNT

This account is used to replace the NOTIONAL cost of capital (referred to in the note above) with the HRA's proportion of the interest payable on the Council's ACTUAL borrowing. The net income shown is thus the difference between the **cost of capital** and the appropriate interest liability

NOTES TO HOUSING REVENUE ACCOUNT

NOTE 10. FUNDING OF CAPITAL EXPENDITURE

In 2002/03 capital expenditure on HRA services totalled £2.483 million funded as follows:

	31 March	31 March
	2002	2003
	£'000	£'000
Borrowing	181	492
Useable Capital Receipts	196	122
Revenue Contribution	469	0
Major Repairs Reserve	1,512	1,927
Insurance Claim Contribution	701	(88)
Leaseholders Contributions	58	30
	3,117	2,483

NOTE 11. CAPITAL RECEIPTS

Receipts from sales of HRA assets in 2002/03 are summarised below:

	31 March	31 March
	2002	2003
	£'000	£'000
Sale of Council Houses (Right to Buy)	2,440	3,771
Deferred Sales of DIYSO properties	76	0
Repayment of HRA mortgages	48	30
Repayment of RTB discount	58	38
	2,622	3,839

NOTE 12. REVENUE CONTRIBUTION TO CAPITAL EXPENDITURE

The new financial framework does not impose any direct limit on the extent of direct funding of the capital programme from revenue monies. In 2002/03 Lewes did not augment its capital spending by making a direct revenue contribution.

NOTE 13. RENT ARREARS

Rent arrears at 31 March were:

	2002	2003
	£	£
Current Tenants	158,187	119,785
Former Tenants	99,722	82,449
Garages	1,200	1,011
	259,109	203,245

Write-offs in 2002/03 amounted to £27,342 compared to £25,461 in 2001/02.

NOTE 14. PROVISION FOR BAD DEBTS

The amount to be set aside from revenue to provide for non-payment of rent is determined by reference to the level of arrears. The write-offs noted above have reduced the level of former tenants' arrears and consequently the bad debt provision has been reduced from £195,959 to £147,378. The Balance Sheet also contains a provision of £32,478 to offset other potential HRA debts.

NOTE 15. INVESTMENT INCOME - INTEREST ON CASH BALANCES

Under the provisions of the Local Government & Housing Act 1989, interest earned from the investment of capital receipts is not credited directly to the HRA. Instead, interest on the 'usable' part of capital receipts - i.e. the part available to finance new capital is credited to the General Fund and interest on the remaining 'reserved' part of capital receipts is effectively netted off the HRA capital financing costs. Consequently, the figure for investment income represents solely interest earned from investment of the HRA's revenue balance.

DIRECT SERVICE ORGANISATIONS SUMMARY REVENUE ACCOUNT

In line with the advice contained within the Best Value Accounting Code of Practice the Council has decided to keep separate accounts for its Direct Service Organisations. The following statement shows the transactions for each of the DSOs which operated during the last financial year.

2001/02			Revenue Account	2002/03		
Income	Exp'd	Surplus		Income	Exp'd	Surplus
£'000	£'000	£'000		£'000	£'000	£'000
1,235	1,232	3	Refuse Collection	1,331	1,317	14
515	506	9	Street Cleansing	528	526	2
146	146	0	Golf Course Maintenance	145	139	6
1,434	1,290	144	Community Leisure	1,598	1,575	23
443	437	6	Building Maintenance	423	421	2
3,773	3,611	162	Total DSOs	4,025	3,978	47

NOTES:

a) Operations

The Council operates five Direct Service Activities with the turnover and surplus or deficit for each DSO shown above. Compulsory Competitive Tendering was abolished on 2 January 2000 but authorities were advised to continue with their DSO accounts when the new financial and accounting arrangements came into force.

b) Appropriation Accounts / Reserves

	Balance	Surplus	Contribution	Trans to/	Balance
	B'fwd		to General	(from)	C'fwd
	£'000	£'000	Fund	Reserves	£'000
Golf Course Maintenance	0	6	0	0	6
Refuse Collection	8	14	(10)	0	12
Street Cleansing	62	2	0	0	64
Building Maintenance	7	2	0	0	9
Community Leisure	46	23	(10)	(12)	47
Comm Leis Building Repairs	105	0	0	(48)	57
Total DSOs	228	47	(20)	(60)	195

A Community Leisure Buildings, Plant and Equipment Reserve was established in 2000/2001 into which a further contribution of £12,000 was appropriated from the 2002/2003 surpluses. Both the £10,000 in respect of Refuse Collection and Community Leisure were returned to the General Fund and, not as in all other cases, used to finance capital expenditure.

Balances remain in the DSOs' Appropriation accounts to finance the future purchase of new equipment.

c) Financial Objectives

All the Council services previously subject to CCT were required to break-even after taking into account capital charges which included a capital financing charge of 6 per cent of the value of fixed assets used in the provision of the service in question.

The Council's Direct Service Organisations were all successful in achieving the required objective.

COLLECTION FUND REVENUE ACCOUNT

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

2001/02		2002/03	
£'000	INCOME	£'000	£'000
	Council Tax (Note 2)		
31,338	- Income from Council Tax	33,733	
3,002	- Council Tax Benefit	3,547	
318	- Compensation for Council Tax Benefit Limitation Subsidy	0	
34,658			37,280
15,308	Income in respect of Non-Domestic Rates (Note 1)		15,234
49,966	Total Income for the Year		52,514
	EXPENDITURE		
34,832	Precepts and Demands (Note 3)		37,023
	Non-Domestic Rates		
15,182	- Payment to National Pool	15,109	
126	- Cost of Collection Allowance	125	
15,308	Sub Total		15,234
74	Provision for uncollectable amounts		182
18	Contribution to/(from) General Fund for previous year Community Charge		(15)
48	Contribution to General Fund for previous year Council Tax		15
50,280	Total Expenditure for the Year		52,439
314	(Surplus) / Deficit for the Year		(75)

2001/02		2002/03
£'000		£'000
(245)	(Surplus)/Deficit at 1 April brought forward	69
314	(Surplus) / Deficit for the year	(75)
69	(Surplus) / Deficit at 31 March carried forward	(6)

NOTES TO THE ACCOUNTS**Note 1 – Non-Domestic Rates**

Non-Domestic Rates are organised on a national basis. The Government specifies the rate in the pound, and subject to the effects of transitional arrangements, local businesses pay rates according to the product of their rateable value, multiplied by the rate in the pound. The rateable value of their hereditaments at 31 March 2003 amounted to £37.2 million and the rate in the £ applied for 2002/03 was 43.7 pence.

Note 2 – Council Tax

The Council Tax Base, before adjustment for anticipated losses on collection, is detailed below:

	Ratio to Band "D"	Actual Number of Dwellings	Number of Dwellings Converted to Band "D" Equivalents
Band A Properties	6/9	2,896	1,930
Band B Properties	7/9	4,552	3,541
Band C Properties	8/9	11,246	9,997
Band D Properties	9/9	7,995	7,995
Band E Properties	11/9	4,805	5,872
Band F Properties	13/9	2,622	3,787
Band G Properties	15/9	1,961	3,268
Band H Properties	18/9	184	368
Total		36,261	36,758

Note 3 – Precepts and Demands

In addition to Lewes District Council's demand of £6.257 million, East Sussex County Council, and the Sussex Police Authority were the only other authorities to have a call on the Collection Fund, their precepts amounting to £28.231 million and £2.535 million respectively.

Note 4 – Collection Fund Balance

The surplus on the Collection Fund at 31 March 2003 amounted to £0.006 million, made up of a £0.001 million surplus in respect of Community Charge and £0.005 million surplus in respect of Council Tax.

CONSOLIDATED BALANCE SHEET

		31 March	
		2002	2003
		£'000	£'000
	Notes		
FIXED ASSETS	1 & 2		
OPERATIONAL ASSETS			
- Council Dwellings		190,014	211,346
- Other Land and Buildings		15,877	16,481
- Vehicles Plant and Equipment		430	635
- Infrastructure		3,703	3,307
- Community Assets		1,173	1,151
NON OPERATIONAL ASSETS			
- Non Operational Land and Property		11,186	11,253
TOTAL FIXED ASSETS		222,383	244,173
Deferred Charges	3	4,699	4,599
Long Term Investments	4	21	21
Long Term Debtors	5	397	303
TOTAL LONG TERM ASSETS		5,117	4,923
CURRENT ASSETS			
- Stocks and Work in Progress	6	5	4
- Debtors	7	4,315	4,228
- Investments	4	29,445	29,710
TOTAL CURRENT ASSETS		33,765	33,942
CURRENT LIABILITIES			
- Short Term Loans		2,508	5,508
- Creditors	8	5,228	5,816
- Cash Overdrawn		1,311	541
TOTAL CURRENT LIABILITIES		9,047	11,865
NET CURRENT ASSETS		24,718	22,077
TOTAL ASSETS LESS CURRENT LIABILITIES		252,218	271,173
Less: Long Term Borrowing	9	31,502	26,001
Government Grants and Contributions Deferred	10	6,355	6,704
Deferred Capital Receipts	11	194	164
Provisions	12	288	246
TOTAL ASSETS LESS LIABILITIES		213,879	238,058
REPRESENTING			
Fixed Asset Restatement Reserve	13	164,275	185,403
Capital Financing Reserve	14	42,194	43,672
Usable Capital Receipts Reserve	15	2,004	2,384
Capital Contributions Reserve	16	-	5
Earmarked Reserves	17	4,267	4,905
Revenue Balances - General Fund	Page 10	832	830
- Housing Revenue Account	Page 15	376	853
- Collection Fund	Page 20	(69)	6
TOTAL EQUITY		213,879	238,058

NOTE 1. CAPITAL EXPENDITURE AND CAPITAL FINANCING**Capital Spending in 2002/2003**

The Council's capital spending in the year was £ 4.872 million compared with a forecast of £4.887 million. Approximately 15% of the programme has been funded by borrowing, generating charges to be met from future revenue spending, 18.9% from the proceeds of asset sales and the remaining 66.1% was met from other sources, mainly capital grants and contributions, followed by revenue contributions.

Major capital assets acquired and other items of expenditure for capital purposes during 2002/03 are set out below.

	£'000	£'000
Housing - Own Stock		
New House Building	19	
Modernisation, Conversion and Enhancement	2,623	2,642
Housing - Private Sector		
Housing Association Projects	357	
Renovation Grants	715	
Private Sector Energy Works	64	1,136
Community Leisure		
Seahaven Swimming Pool	4	
Seaford Head Swimming Pool	17	
Seaford Head Golf Course	14	35
Leisure and Community Services		
Crouch Bowls Clubhouse, Seaford	13	13
Environmental Services		
Kerbside Recycling	218	218
Planning Services		
Coastal Defence Works	5	
West Quay, Newhaven Redevelopment	58	
Denton Island, Newhaven Reclamation	84	
Newhaven Fort Refurbishment	284	
Lewes Tourist Information Centre	34	
Disability Discrimination Act Work	46	
Lewes Area Conservation Partnership	58	
Heritage Economic Regeneration Scheme	120	689
Corporate Services		
Electronic Service Delivery	61	
Public Offices and Other Buildings & Land	35	96
Other Services		
Repairs to Flint Walls	35	
Vehicles	8	43
Total Services		4,872

	Financing of Capital Expenditure		Total £'000
	Housing £'000	Non Housing £'000	
Expenditure			
Fixed Assets	2,623	799	3,422
Deferred Charges	1,155	295	1,450
	3,778	1,094	4,872
Financed By:			
Credit Approvals	681	50	731
Capital Receipts	848	73	921
Major Repairs Allowance	1,927	0	1,927
Revenue Financing	0	153	153
Capital Grants and Contributions	176	1,343	1,519
Capital Creditors	146	(525)	(379)
	3,778	1,094	4,872

NOTES TO CONSOLIDATED BALANCE SHEET

NOTE 2. FIXED ASSETS

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	TOTAL £'000
Gross book value at						
1 April 2002	192,015	28,027	1,403	8,068	1,201	230,714
Revaluations	24,682	245	0	0	0	24,927
Additions	2,463	661	293	5	0	3,422
Disposals	(3,863)	(39)	0	0	(1)	(3,903)
Gross book value as at						
31 March 2003	215,297	28,894	1,696	8,073	1,200	255,160
Depreciation:						
Balance at 1 April 2002	2,001	964	973	4,365	28	8,331
Charge for Year	1,950	196	88	401	21	2,656
Balance as at						
31 March 2003	3,951	1,160	1,061	4,766	49	10,987
Net Book Value						
as at 31 March 2003	211,346	27,734	635	3,307	1,151	244,173

Information on assets held

Fixed assets owned by the Council include the following:

	Number as at 31 March 2002	Number as at 31 March 2003
Council Dwellings - HRA	3,461	3,399
Council Dwellings - General Fund	5	5
Shared Ownership Dwellings	11	11
Leasehold Dwellings	0	3
Council Garages	782	776
Civic Offices	6	6
Depots	2	2
Car Parks	38	38
Golf Course	1	1
Downs Leisure Centre & Seahaven Pool	2	2
Parks and Gardens	2	2
Recreation Grounds	18	18
Public Halls	1	1
Cemeteries	2	2
Industrial Units	107	107
Vehicles	61	62
Community Recycling Centre	1	1

FIXED ASSET VALUATION

The General Fund fixed assets were valued by the Valuation Agency of the Inland Revenue and the Housing Revenue Account fixed assets were valued by King Sturge, a firm of international property consultants. The valuations were made in accordance with the RICS Appraisal and Valuation Manual as published by the Royal Institution of Chartered Surveyors, so far as they are consistent with the stated and agreed requirements of the Council. Agreed departures from the manual are explained below.

The Housing Revenue Account Valuations were in accordance with the Guidance on Stock Valuation issued by the Department of Environment, Transport and the Regions in their publication "A New Financial Framework for Local Authority Housing".

For each operational asset, that is, those held, occupied and used by the Council in the direct delivery of services for which there is either a statutory or discretionary responsibility, Existing Use Value (EUV) has been used.

In the case of specialised properties, that is, those properties that are rarely, if ever, sold on the open market due to the specialised nature of the properties, their location or use, the valuation basis used is Depreciated Replacement Cost (DRC).

Non-operational assets, which are assets held by the Council but which are not directly occupied or used in the delivery of services, are valued at Open Market Value (OMV).

The following departures from the RICS Appraisal and Valuation Manual were agreed in respect of General Fund assets.

- Community Assets – These were not valued by the Valuation Agency and have been included at historic cost.
- Infrastructure Assets – These were not valued by the Valuation Agency and have been included at historic cost and depreciated as appropriate.
- The Leisure Centres at Lewes and Peacehaven are owned by East Sussex County Council and they were excluded from the valuations since the agreements respectively refer to the provision, use and management of the buildings without conferring any property interest on the Council. The licences granted by the County Council are for periods of sixty years. The costs of constructing the leisure centres are written off as a deferred charge over the period of the licences.

Resource Accounting requires the Housing Revenue Account housing stock to be valued on the beacon basis of Existing Use Value for Social Housing (EUV-SH). This valuation was completed in the autumn of 2000 and was reviewed as at March 2003. The updated valuation has been included in the accounts for 2002/03.

Plant and machinery, which would normally be regarded as an integral part of the buildings on letting or sale, has been included in the valuation of the buildings. Office fixtures, fittings, furniture and loose furnishings have not been included in the valuation but were given a notional 10% value of the office's valuation and are depreciated.

Vehicles, plant and equipment were not included in the valuation, but have been included on the basis of depreciated historic cost.

NOTE 3. DEFERRED CHARGES

	2001/02	2002/03
	£'000	£'000
Balance as at 1 April	4,799	4,699
Expenditure in year		
Renovation Grants	633	715
Advances to Housing Association	115	356
Private Sector Energy Works	154	64
West Quay Newhaven Redevelopment	1,996	58
Other Services	134	257
Amounts charged to Service Revenue Accounts	(3,132)	(1,550)
Balance at 31 March	4,699	4,599

NOTES TO CONSOLIDATED BALANCE SHEET**NOTE 4. INVESTMENTS**

	Long Term £'000	Short Term £'000
Cash Management Funds		
- Investec Asset Management	0	18,210
- Tradition U.K.	0	10,500
Banks	0	1,000
ADC Debenture Stock 1996/2011	21	0
Balance at 31 March 2003	21	29,710

The Investec Asset Management and Tradition UK funds are shown in the accounts at the lower of cost or market valuation. The cash management funds of £28.710 million were £42,000 lower than the cost price, reflecting market volatility at the end of the financial year.

NOTE 5. LONG TERM DEBTORS

These are debtors which fall due after a period of at least one year, analysed as follows:

	31 March	
	2002 £'000	2003 £'000
Mortgages	254	221
Loans to Individuals	118	82
Lewes Town Council	25	0
Total	397	303

NOTE 6. STOCKS AND WORKS IN PROGRESS

An analysis of stocks and work in progress is shown below:

	31 March	
	2002 £'000	2003 £'000
DSO Stores (Leisure Management)	5	4
Total	5	4

NOTE 7. DEBTORS

An analysis of Debtors is shown below:

	31 March	
	2002 £'000	2003 £'000
Government Departments	910	979
H.M. Customs	236	247
Other Local Authorities	241	209
Council Taxpayers	879	849
Non-Domestic Ratepayers	241	167
Housing Rents	259	203
Sundry Debtors	2,328	2,339
	5,094	4,993
Less Provision for Doubtful Debts	(779)	(765)
Total	4,315	4,228

NOTE 8. CREDITORS

An analysis of Creditors is shown below:

	31 March	
	2002 £'000	2003 £'000
Government Departments	613	585
Inland Revenue	124	250
Other Local Authorities	209	246
Council Taxpayers	556	691
Non-Domestic Ratepayers	96	180
Housing Rents	74	108
Sundry Creditors	3,556	3,756
	5,228	5,816
Total	5,228	5,816

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTE 9. LONG TERM BORROWING

Source of Loan	31 March		Average
	2002 £'000	2003 £'000	Rate %
Public Works Loan Board	2,002	2,001	7.87
Banks	29,500	24,000	7.91
Total	31,502	26,001	7.91

Analysis of Loans by Maturity		31 March		% of	Average
		2002 £'000	2003 £'000	Total Debt	Rate %
Within	1- 2 Years	5,500	0	0.0	0.00
	2- 5 Years	3,000	17,000	65.4	7.71
	5- 10 Years	16,001	9,001	34.6	8.27
	10+ Years	7,001	0	0.0	0.00
Total	31,502	26,001	100.0	7.91	

NOTE 10. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

	Balance at 1.4.02	Additions	Revenue Accounts	Balance at 31.3.03
	£'000	£'000	£'000	£'000
Coast Protection	1,411	0	(231)	1,180
Kerbside Recycling	0	218	0	218
Electronic Service Delivery	0	61	0	61
Leisure and Recreation	1,479	22	(34)	1,467
Council Dwellings	978	(57)	0	921
Derelict Land	37	0	0	37
Newhaven Town Centre	80	0	(1)	79
Newhaven Fort	1,318	279	0	1,597
Denton Island	946	92	0	1,038
West Quay Newhaven Redevelopment	0	464	(464)	0
Other Properties	106	122	(122)	106
Total	6,355	1,201	(852)	6,704

NOTE 11. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets which will be received by instalments over agreed periods of time. The account reflects mortgages on sold Council Houses, which form the main part of long term debtors.

	£'000
Opening Balance at 1 April 2002	194
Receipts Applied in Year	(30)
Closing Balance at 31 March 2003	164

NOTE 12. PROVISIONS

These monies have been set aside to cover the following potential liabilities which are likely to be settled during 2003/2004.

	31 March	
	2002	2003
	£'000	£'000
Compensation and Damages	120	120
Asset Rental Equalisation - Contract Works Group	58	42
Profit Sharing Schemes		
- Contract Works Group	66	40
- Contract Works Unit	2	2
- Community Leisure	29	29
- Lewes Leisure Centre	13	13
Total	288	246

NOTE 13. FIXED ASSET RESTATEMENT RESERVE

	£'000
Opening Balance at 1 April 2002	164,275
Surplus on revaluation and restatement of fixed assets	24,927
Disposal of fixed assets	(3,799)
Closing Balance at 31 March 2003	185,403

The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations. The reserve will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

NOTES TO THE CONSOLIDATED BALANCE SHEET**NOTE 14. CAPITAL FINANCING RESERVE**

	2002/03
	£'000
Opening Balance at 1 April 2002	42,194
Capital Receipts set aside in year	2,834
Release of Grants and Contributions	852
Housing Association Grants	356
Capital Financing	
- Capital Receipts	921
- Revenue, General Fund	153
- Major Repairs Reserve	1,927
HRA Depreciation transfer to Major Repairs Reserve	(2,223)
Excess of depreciation and deferred charge write off over sums set aside from revenue for debt repayment	(3,338)
	43,676
Less: Advances to Housing Associations and Mortgages written down	(4)
Closing Balance at 31 March 2003	43,672

The Reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The Reserve cannot be called upon to support either capital or revenue spending.

NOTE 15. USABLE CAPITAL RECEIPTS RESERVE

	£'000	£'000
Opening Balance at 1 April 2002		2,004
Capital Receipts 2002/2003		4,135
Less: - 2002/2003 capital receipts set aside	(2,834)	
- 2002/2003 capital receipts used for financing	(921)	
		(3,755)
Closing Balance at 31 March 2003		2,384

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

NOTE 16. CAPITAL CONTRIBUTIONS RESERVE

	£'000
Opening Balance at 1 April 2002	0
Received 2002/2003	5
Closing Balance at 31 March 2003	5

The Capital Contributions Reserve represents the contributions received from private developers and individuals towards the financing of future capital projects.

NOTE 17. OTHER RESERVES

	Balance at 1 April 2002 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31 Mar 2003 £'000
Leisure Buildings Repairs	79	67	63	83
Private Sector Leasing Repairs	0	1	0	1
Corporate Buildings Repairs	98	50	52	96
Lewes Leisure Centre Buildings Repairs Maintenance	35	0	27	8
	215	13	34	194
Revenue Equalisation & Asset Maintenance	1,149	1,974	883	2,240
Contract Works Group	77	18	10	85
Contract Works Unit	0	6	0	6
Community Leisure	47	10	10	47
Community Leisure Building Repair:	105	12	60	57
Section 106 Agreements	181	67	6	242
Partnership Fund	235	0	50	185
Insurance	137	25	21	141
Rent Deposit Guarantee Scheme	52	1	1	52
Housing Development	252	0	0	252
Financial Systems	29	0	15	14
Revenue Systems	43	0	43	0
Community Grants	15	0	0	15
Building Control Charging Scheme	97	67	17	147
Kerbside Recycling	0	42	0	42
Major Repairs Allowance	489	2,223	2,097	615
Partnership Projects:				
West Quay Development	548	5	470	83
Newhaven Fort Refurbishment	153	309	278	184
Denton Island Reclamation	231	3	118	116
Total	4,267	4,893	4,255	4,905

NOTE 18. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)

	£'000
Opening Balance at 1 April 2002	37,312
Amount set aside for MRP (See page 12 - Note 6)	(1,475)
Reserved capital receipts	2,834
Housing Association Grants	356
Closing Balance at 31 March 2003	39,027

NOTE 19. CAPITAL COMMITMENTS

As at 31 March 2003, the Council was contractually committed to capital works which amounted to approximately £465,000. This included the following contracts, the balance comprising minor schemes or retentions.

	£'000
Housing Association Schemes	235
Fort Road, Newhaven Skateboard Park	82
Lewes Flood Repair Works and Improvements	43
Downs Leisure Centre, Disability Discrimination Act Work	22
Riverside Park, Newhaven	12

NOTE 20. AGGREGATE CREDIT LIMIT

At the end of 2002/03 Lewes' actual external debt was well within the aggregate credit limit defined by the regulations.

NOTE 21. CONTINGENT LIABILITIES

There were no known liabilities at 31 March 2003.

NOTE 22. NET PENSION LIABILITY

As part of the terms and conditions of employees, the Council offers retirement benefits. Although these will not actually be payable until the employees retire, the Council has a commitment to make the payments and that commitment needs to be disclosed at the time that employees earn their future entitlement. The Council participates in the East Sussex County Council Pension Fund, administered by East Sussex County Council – this is a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

In 2002/2003, pensions costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to the Fund, based on a formal actuarial valuation as at 31 March 2002. However, at 31 March 2003, the Council had the following overall assets and liabilities for pensions that have not been included in the balance sheet.

	31 March 2002	31 March 2003
	£'000	£'000
Estimated assets in Scheme	39,779	33,029
Less:		
Present Value of Scheme Liabilities	(41,422)	(43,334)
Present Value of Unfunded Liabilities	(1,240)	(1,157)
Net Pension Asset/(Liability)	(2,883)	(11,462)

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 etc. The liabilities have been assessed by Hymans Robinson, an independent firm of actuaries. The main assumptions used in their calculations are:

	31 March 2002	31 March 2003
	% per annum	% per annum
Price increases	2.8	2.5
Salary increases	4.3	4.0
Pension increases	2.8	2.5
Rate for discounting scheme liabilities	6.4	6.1

Assets in the East Sussex County Pension Fund as a whole are valued at fair value, principally market value for investments. Assets are analysed by type below, along with the expected annual return.

Asset type (Whole Fund)	Whole Fund		Whole Fund		Expected Return £'000 per annum
	Value at 31 March 2002 £'000	Long Term Return % per annum	Value at 31 March 2003 £'000		
Equities	804,053	8.0	620,100		49,610
Bonds	152,828	4.8	104,300		5,010
Property	120,865	6.0	111,100		6,670
Cash	36,680	4.0	53,600		2,140
TOTAL	1,114,426		889,100		63,430

NOTE 22. NET PENSION LIABILITY (CONT)

The movement in the net pension liability for the year to March 2003 is as follows:-

	2002/03
	£'000
Net pensions liability at 1 April 2002	(2,883)
Movements in the year	
- current service costs	(1,012)
- employers contributions to scheme	1,247
- return on assets	113
- actuarial gains / (losses)	(8,927)
 Net pensions liability at 31 March 2003	 (11,462)

The actual gains/(losses) can be analysed into the following categories:-

	Year to
	31 March 2003
	£'000
Actual return less expected return on pension Scheme Assets	(9,131)
Experience gains and losses arising on the scheme liabilities	204
Actuarial gain/(loss) recognised in the statement of movement in net pension liability	(8,927)

NOTE 23. POST BALANCE SHEET EVENTS

At 31 March 2003 the Council had £26.0 million of outstanding long-term borrowing, and investments of £29.7 million. With the average interest payable on the loans being higher than that which could be earned on the investments (given current and anticipated interest rates), the Council carried out a debt restructuring exercise between October and November 2003 in order to reduce the net annual interest cost. As a result of this exercise, £21.4 million of cash investments were used to repay £18.0 million of outstanding long-term loans, along with £3.4 million of associated premia and interest. The projected annual saving to the General Fund is £0.6 million.

STATEMENT OF TOTAL MOVEMENT ON RESERVES

2001/02 £'000	2002/03	
	£'000	£'000
(Surplus)/Deficit for the year:		
(82) - General Fund	462	
180 - Housing Revenue Account	(477)	
add back Movements on specific revenue		
278 reserves	1,090	
376 Total (increase)/decrease in revenue resources		1,075
(13) (Increase)/decrease in useable capital receipts	(380)	
(Increase)/decrease in unapplied capital grants		
0 and contributions	0	
(13) Total (increase)/decrease in realised capital resources (Note 1)		(380)
(57,376) (Gains)/losses on revaluation of fixed assets:	(24,927)	
Impairment losses on fixed assets due to general		
0 changes in prices	0	
(57,376) Total (increase)/decrease in unrealised value of fixed assets (Note 2)		(24,927)
Value of assets sold, disposed of or		
2,342 decommissioned (Note 3)		3,799
(2,979) Capital Receipts set aside	(3,755)	
1,202 Revenue resources set aside	2,277	
(1,520) Movement on Government Grants deferred	(349)	
(955) Total (increase/decrease in amounts set aside to finance capital investment (Note 4)		(1,827)
(57,968) TOTAL RECOGNISED GAINS AND LOSSES		(22,260)

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

NOTE 1. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Usable Capital Receipts
	£'000
Amounts receivable in 2002/03	(1,301)
Amounts applied to finance new capital investment in 2002/03	921
Total (increase)/decrease in realised capital resources in 2002/03	(380)
Balance brought forward 1 April 2002	(2,004)
Balance carried forward 31 March 2003	(2,384)

USEABLE CAPITAL RECEIPTS

Represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans. (See Note 15 Consolidated Balance Sheet)

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS ON RESERVES

NOTE 2. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS

	Fixed Asset Restatement Reserve £'000
(Gains)/losses on revaluation of fixed assets in 2002/03	(24,927)
Impairment losses on fixed assets due to general changes in prices in 2002/03	0
Total (increase)/decrease in unrealised capital resources in 2002/03	(24,927)

NOTE 3. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

Amounts written off fixed asset balances for disposals in 2002/03	3,799
Total movement on reserve in 2002/03	(21,128)
Balanced brought forward 1 April 2002	(164,275)
Balance carried forward 31 March 2003	(185,403)

FIXED ASSET RESTATEMENT RESERVE

This account shows the surplus that has arisen on the valuation of assets under the new system of capital accounting and subsequent valuations.

The reserves will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future valuations. (See note 13 Consolidated Balance Sheet)

NOTES TO THE STATEMENT OF TOTAL MOVEMENT ON RESERVES

NOTE 4. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Capital Financing Reserve	Government Grants Deferred	Total
Capital receipts set aside in 2002/03			
- reserved receipts	(2,834)	0	(2,834)
- useable receipts applied	(921)	0	(921)
Total capital receipts set aside in 2002/03	(3,755)	0	(3,755)
Revenue resources set aside in 2002/03			
- capital expenditure financed from revenue	(2,079)	0	(2,079)
- reconciling amount and provisions for loan repayment	4,356	0	4,356
Total revenue resources set aside in 2002/03	2,277	0	2,277
Grants applied to capital investment in 2002/03	0	(1,201)	(1,201)
Amounts credited to the asset management revenue account in 2002/03	0	852	852
Movement on Government Grants Deferred	0	(349)	(349)
Total (increase)/decrease in amounts set aside to finance capital investment			(1,827)
Total movement on reserve in 2002/03	(1,478)	(349)	
Balance brought forward at 1 April 2002	(42,194)	(6,355)	
Balance carried forward at 31 March 2003	(43,672)	(6,704)	

CAPITAL FINANCING RESERVE

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. (See note 14 Consolidated Balance Sheet)

GOVERNMENT GRANTS DEFERRED

(See note 10 Consolidated Balance Sheet)

THE CASHFLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2001/02 £'000	REVENUE ACTIVITIES	2002/03	
		£'000	£'000
	Cash Outflows		
9,060	Cash paid to and on behalf of employees	10,745	
16,023	Other operating cash payments	17,325	
8,854	Housing Benefit paid out	10,284	
14,467	National non-domestic rate payments to pool	15,048	
30,425	Precepts paid	32,268	
<u>78,829</u>			85,670
	Cash Inflows		
5,480	Rents (after rebates)	5,569	
37,172	Council Tax Receipts	40,156	
3	Disbursements from the Collection Fund	0	
3,276	National non-domestic rate receipts from pool	3,678	
14,826	Non-Domestic Rate Receipts	15,043	
1,825	Revenue Support Grant	1,543	
13,775	DSS grants for benefits	15,095	
776	Other government grants (Note 3)	713	
4,762	Cash received for goods and services	4,827	
522	Other operating cash receipts	649	
<u>82,417</u>			87,273
(3,588)	NET REVENUE INCOME (Note 1)		(1,603)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash Outflows		
2,698	Interest paid	2,606	
	Cash Inflows		
1,612	Interest received	1,605	
<u>1,086</u>			1,001
	CAPITAL ACTIVITIES		
	Cash Outflows		
4,439	Purchase of fixed assets	3,382	
2,885	Other capital cash payments	1,892	
<u>7,324</u>			5,274
	Cash Inflows		
2,892	Sale of fixed assets	4,142	
2,394	Capital grants received	1,545	
682	Other capital cash income	450	
<u>5,968</u>			6,137
1,356			(863)
(1,146)	NET CASH INFLOW/OUTFLOW BEFORE FINANCING		(1,465)
	FINANCING		
	Cash Outflows		
3,400	Repayment of amounts borrowed		6,550
	Cash Inflows		
(2,400)	New loans raised		(4,050)
	INCREASE/DECREASE IN CASH & CASH EQUIVALENTS (Note 2)		1,035

NOTE 1.

Reconciliation between the net surplus/(deficit) on the income and expenditure account to the revenue activities net cash flow.

2001/02 £'000		2002/03 £'000
(409)	Surplus/(Deficit) for the year	106
Non-Cash Transactions		
293	Add minimum revenue provision	(1,475)
133	Add / (Less) provisions set aside in the year	(55)
(138)	Less contributions to or (from) reserves	717
3,132	Deferred Charges	1,550
(1)	Add/(Less) movement in stocks	1
(549)	Add/(Less) movement in debtors	(1,087)
41	Add/(Less) movement in creditors	845
Other items not classified in revenue activities in the cash flow statement		
2,698	Interest Paid	2,606
(1,612)	(Less) investment income	(1,605)
3,588	Net cash flow from revenue activities	1,603

NOTE 2.

Movement in cash and cash equivalents.

	Balance 1 April 2002 £'000	Balance 31 March 2003 £'000	Movement in the Year £'000
Bank Overdraft	(1,311)	(541)	770
Short Term Investments	29,445	29,710	265
Increase in cash and cash equivalents			1,035

NOTES TO CASHFLOW STATEMENT

NOTE 3.

An analysis of other Government Grants is shown below:

2001/02 £'000		2002/03 £'000
262	Housing Benefits Administration	295
39	Home Improvement Agency	39
112	Bellwin Scheme	0
19	Supporting People	0
75	Communities Against Drugs	48
26	Partnership Development Fund	23
0	Safer Communities Initiatives	12
0	Kerbside Recycling	74
0	Homelessness	23
25	Discretionary Housing Payment	4
218	Improvement Grants	195
776	Total	713

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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Community Services.
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Director of Finance and Community Services' Responsibilities

The Director of Finance and Community Services is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

In preparing this statement of accounts, the Director of Finance and Community Services has:

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

The Director of Finance and Community Services has also:

- * kept proper accounting records which were up to date;
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 5 to 39 fairly states the financial position of the Council at 31 March 2003 and its income and expenditure for the year ended 31 March 2003.



John Magness CPFA
Director of Finance & Community Services
August 2003

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the Statement of Accounts for Lewes District Council. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
 - comprehensive budgeting systems
 - regular reviews of financial reports which indicate financial performance against the forecasts.
 - setting targets to measure financial and other performance
 - the preparation of regular financial reports which indicate actual expenditure against the forecasts
 - clearly defined capital expenditure guidelines
 - project management disciplines which have been applied where appropriate. A formal corporate system of project management is currently being developed.
4. The Internal Audit Section is a fully established and independent review function within the Council. The Section has the responsibility to evaluate and report on the adequacy of the whole system of internal control as a contribution to the proper, economic, efficient and effective use of Council resources, and as an aid to the improvement of risk management and control systems. Internal Audit carries out a full programme of audits in accordance with a formally approved three year Strategic Audit Plan that is based on a comprehensive and documented assessment of the risks facing the Council.

The Chief Internal Auditor (CIA) reports operationally to the Director of Finance and Community Services (DFCS). As part of the Corporate Governance arrangements the Council has established an Audit Committee that is responsible for, amongst other things, the monitoring and review of the work of Internal Audit. Accordingly, Internal Audit reports regularly to the Committee on all aspects of its activities, plans and service standards. The purpose and responsibilities of the Internal Audit Section are defined in the Council's Charter for Internal Audit, including a Code of Ethics, that has been formally adopted by the Audit Committee.

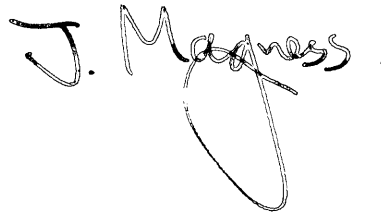
The Internal Audit Section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government (2000). The CIA is currently reviewing the changes that will be required to comply fully with the requirements of the draft Code of Practice for Internal Audit in Local Government 2003.

As part of the reporting to the Audit Committee, the CIA provides an independent opinion on the adequacy and effectiveness of the system of internal financial control. For the year ending 31 March 2003 the opinion is that in the areas reviewed by Internal Audit the overall standards of internal control have been satisfactory. Recommendations have been made to improve management controls in some areas, but there were no instances in which control problems created significant risks for Council activities or services.

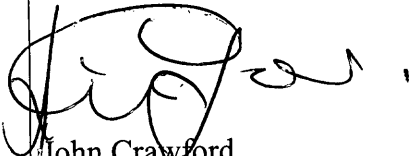
STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

5. Our review of the effectiveness of the system of internal financial control is informed by:-

- The work of managers within the Council
- The work of the internal auditors as described in paragraph 4
- The external auditors in their annual audit letter and other reports.



John Magness CPFA
Director of Finance & Community Services
August 2003



John Crawford
Chief Executive
August 2003

AUDIT REPORT TO LEWES DISTRICT COUNCIL

I have audited the financial statements on pages 5 to 40, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 5 to 9.

This report is made solely to Lewes District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Chief Officer and Auditors

As described on page 40 the Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities as independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on pages 41 and 42 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the statement of accounts presents fairly the financial position of Lewes District Council at 31 March 2003 and its income and expenditure for the year then ended.

Certificate

I have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

G Liddell

G Liddell
Audit Manager

19 December 2003

Audit Commission
Northwing
Southern House
Sparrow Grove
Otterbourne
Winchester
Hants SO21 2RU

Accruals

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

Agency Services

The provision of services by one authority on behalf of, and reimbursed by, another local authority or central Government.

Asset Management Revenue Account

An account kept separately from the main service accounts, which bears the cost of depreciation of assets and external interest payments, and receives a credit netting off the capital charges borne by service accounts.

Balances

A working balance is needed so that payments can be made before income is received, and as a cushion against unexpected expenditure during the year.

Basic Credit Approval

The limit set by the Government on borrowing to finance capital expenditure in any one year.

Budget

An expression, mainly in financial terms, of the Council's policy for a specified period.

Business Rates

A charge on non-domestic buildings fixed by the Government and collected by local authorities for the Government. The Government makes an allocation back to local authorities based upon population.

Capital Charges

Amounts charged to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of assets, or which adds to, rather than maintains, the value of existing assets.

Capital Financing Reserve

A reserve which is not available for revenue purposes: it is credited with the amounts set-aside for the repayment of external debt and with capital expenditure paid for from revenue and usable capital receipts.

Capital Receipts

Income received from sale of capital assets. Legislation requires a proportion (0%-100%) to be set-aside for debt redemption the usable balance is then available to finance new capital expenditure.

Cash Equivalent

This includes short term highly liquid investments readily convertible into known amounts of cash.

Contingency

A sum set-aside to meet future pay and price rises over and above provision made in service budgets.

GLOSSARY OF TERMS continued

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. There is therefore no logical basis for apportioning these costs to services.

Creditors

Amounts owed by the Council but not paid at the date of the balance sheet.

Debtors

Amounts owed to the Council but unpaid at the date of the balance sheet.

Deferred Charges

Expenditure which may properly be charged to revenue over a number of years, but which does not result in tangible assets.

Direct Service Organisation

An organisation within the District Council undertaking work which would otherwise have been carried out by private contractors.

Financial Reporting Standards (FRS)

These are prepared by the Accounting Standards Board set up in 1990 by the professional accountancy bodies and they set out methods of accounting for applications to company accounts. Some of the standards apply or are adapted for use in the public sector.

Fixed Asset Restatement Reserve

This account shows the surplus which has arisen on the valuation of assets following the introduction of a new system of capital accounting in 1994/95.

General Fund

The main revenue fund of the Council which is used to meet the cost of providing services paid for from Council Tax, Government grants and charges for services.

Government Grants

Assistance by central Government towards either the revenue or capital cost of local authority services.

Housing Revenue Account

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure, maintenance, administration, rent rebates and capital financing costs and how these are met by rents, subsidy and other income.

Leasing

A method of acquiring capital assets by which a rental charge is paid for a specified period.

Levy

A contribution, which the District Council is required to make, towards the costs of the Environment Agency.

Minimum Revenue Provision

An amount, prescribed by Government, to be set aside from revenue for the redemption of debt.

Precept

The income needed by one authority which is collected by another. The District Council collects on behalf of the County Council, Parish Councils and the Sussex Police Authority.

Provision for Credit Liabilities

Amounts set-aside for the redemption of debt, usually from revenue account or from capital receipts.

Provisions

Provisions are made for liabilities and losses which are likely or certain to be incurred but the amount or dates on which they will arise cannot be determined accurately.

Public Works Loan Board

A Government agency which provides a source of borrowing for local authorities.

Rateable Value

A notional annual rental value of property assessed by the District Valuer and to which the rate poundage is applied to determine the rates payable for non-domestic property.

Rate Poundage or Multiplier

The number of pence in the £ applied to rateable value to determine the rates payable.

Reserves

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

Revenue Expenditure

Recurring expenditure principally on pay, running costs of buildings, equipment and capital financing costs.

Revenue Support Grant (RSG)

A grant from the Government to contribute to the cost of providing services.

Revised Estimates

The approved estimates as amended by any budget transfers, supplementary estimates, inflation adjustments and sums brought forward from the previous year.

Standard Spending Assessment (SSA)

A Government estimate of what it thinks each local authority needs to spend to provide a typical standard of services, allowing for the particular characteristics of each area, but within the Government's overall estimate of expenditure.

Statements of Standard Accounting Practice (SSAP)

These were prepared by the Accounting Standards Committee of the professional accountancy bodies before it was replaced by a new Accountancy Standards Board in 1990. SSAPs are similar to the newer FRSs described previously and they will continue to apply unless they are replaced by FRSs or withdrawn.

GLOSSARY OF TERMS continued

Statements of Recommended Practice (SORP)

These are similar to FRSs and SSAPs described above but not of such fundamental importance or of limited application.

Supplementary Credit Approvals

Borrowing approvals which may only be used to meet capital expenditure on other specific schemes.

LEWES DISTRICT COUNCIL

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The Local Authorities (Members' Allowances) Regulations 2003

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Notice is hereby given that the total payments made by the Council during the financial year 2002/2003 to each member in respect of Basic and Special Responsibility Allowances were as shown on the following sheets:

N.B.

1. Basic Allowance recognises the time devoted by members to their work, including meetings with constituents.
2. Special Responsibility Allowance recognises the types of special responsibility (e.g. chairmanship of committees and leadership of political groups) for which an additional allowance is payable.
3. The figures relate to the financial year.

John Crawford
Chief Executive

Councillor	Basic £	Special Responsibility £	Carers Allowance etc £	Total £
Appleton	2,292.00	399.96		2,691.96
Best	2,292.00			2,292.00
Borrowski	2,292.00	2,000.04		4,292.04
Byng	2,292.00			2,292.00
Carr	2,292.00	2,000.04		4,292.04
Chartier	2,292.00	2,000.04		4,292.04
Clark	2,292.00			2,292.00
Clayton	2,292.00		150.00	2,442.00
Collict	2,292.00	2,000.04		4,292.04
Cornwell	2,292.00			2,292.00
Cowdrey	2,292.00	125.81		2,417.81
Craven	2,292.00			2,292.00
Crocker	2,292.00			2,292.00
De Vecchi	2,292.00	5,000.04		7,292.04
Farrar	2,292.00			2,292.00
Fitton	2,292.00			2,292.00
Frost	2,292.00			2,292.00
Griffiths	2,292.00			2,292.00
Harper	2,292.00			2,292.00
Hearn	2,292.00			2,292.00
Holland	2,292.00	1,283.87		3,575.87
Howard	2,292.00			2,292.00
James AJ	2,292.00			2,292.00
James SIC	2,292.00	1,200.00		3,492.00
Johnson	1,601.94			1,601.94
Lee	2,292.00	1,790.36		4,082.36
Lewry	2,292.00	937.06		3,229.06
Mayhew	2,292.00			2,292.00
Messer	2,292.00			2,292.00
Moorhouse	2,292.00	2,000.04		4,292.04
Neighbour	2,292.00	2,000.04		4,292.04
Olbrich	2,292.00	999.96		3,291.96
Ost	2,292.00	2,000.04		4,292.04
Parfect	2,292.00			2,292.00
Peterson	2,292.00			2,292.00
Rogers	2,292.00			2,292.00
Small	2,292.00	2,000.04		4,292.04
Smith BG	2,292.00	1,200.00		3,492.00
Smith MEA	2,292.00	718.71		3,010.71
Stanton L	1,755.97			1,755.97
Stanton MG	1,755.97			1,755.97
Stechler	2,292.00			2,292.00

Councillor	Basic £	Special Responsibility £	Carers Allowance £	Total £
Sugarman	2,292.00			2,292.00
Thorne	2,292.00			2,292.00
White	2,292.00	209.68	11.25	2,512.93
Whittle JL	2,292.00			2,292.00
Whittle LR	2,292.00			2,292.00
Wilson	2,292.00	2,000.04		4,292.04
Total	108,253.88	31,865.81	161.25	140,280.94