

Note:

Cabinet will consider this document at its meeting on 19 July 2005, and will be asked to recommend that the Council approves it when it meets on 21 July 2005.  
The Statement of Accounts 2004/2005 has not yet been audited.



# Statement of Accounts 2004/2005



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Prepared by the Financial Services Division  
of the Finance and Community Services Department



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Approved by the Council,

Signed

Councillor J L Carr, Chair

## **EXPLANATORY FOREWORD**

The purpose of this foreword is to provide a guide to the most significant matters reported in the 2004/2005 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 and capital financing costs, and how these are met by rents, service charges, subsidy and other income.

### **Collection Fund**

This shows the transactions of the Council in relation to its responsibilities for the collection of non-domestic rates and council tax and how they were distributed to the County Council, Police Authority, Fire 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 its 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 Council's financial systems are fully Euro Compliant.

### **Pensions**

The way in which Councils are required to account for pension costs has changed significantly with one of the major changes being that any deficit, or surplus, on the Pension Fund is required to be shown within the balance sheet. The Council's share of the Pension Fund administered by East Sussex County Council, has been assessed by the scheme's actuary at 31 March 2005. This valuation highlighted a deficit on the fund of £14.65 million compared to a deficit of £6.86 million at 31 March 2004.

## REVIEW OF THE 2004/2005 FINANCIAL YEAR

The Council's expenditure is categorised as either revenue or capital. Revenue expenditure represents costs incurred 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.

2003/04 Actual £m	Services	Budget £m	2004/05 Actual £m	Variance £m
	<b>NET SERVICE EXPENDITURE:</b>			
4.8	Community	4.6	4.6	
2.6	Environment	4.8	4.4	(0.4)
2.0	Housing (General Fund)	1.6	1.1	(0.5)
(0.5)	Housing Revenue Account	(0.3)	(1.0)	(0.7)
	Staff and Corporate Services			
0.5	including transfer to/from Earmarked Reserves	(0.5)	0.4	0.9
<b>9.4</b>	<b>TOTAL NET SERVICE EXPENDITURE</b>	<b>10.2</b>	<b>9.5</b>	<b>(0.7)</b>
	<b>FUNDED BY:</b>			
1.7	Parish Precepts	1.8	1.8	
(6.9)	Collection Fund Income	(7.5)	(7.5)	
(2.2)	Revenue Support Grant	(2.3)	(2.3)	
(3.2)	Contribution from Non-Domestic Rate Pool	(2.5)	(2.5)	
<b>(10.6)</b>	<b>TOTAL FUNDING</b>	<b>(10.5)</b>	<b>(10.5)</b>	
<b>(1.2)</b>	<b>Surplus for year</b>	<b>(0.3)</b>	<b>(1.0)</b>	

The Council's net expenditure was £9.5 million, being £0.7 million less than the level budgeted. This meant that the Council was able to increase its working balances by £1.0 million rather than the £0.3 million as budgeted.

The General Fund benefited from increased interest on investments and additional income from Planning Fees and Recycling Initiatives.

Expenditure on employees and other running costs were less than anticipated.

The Housing Revenue Account benefited from lower than expected expenditure on the repair and maintenance of dwellings owing to a significant reduction in expenditure required on void properties.

## REVIEW OF THE 2004/2005 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	25,613	42.2
Rents	11,311	18.6
Local Taxpayers and share of National Business Rate	10,030	16.5
Charges for Goods and Services	9,089	15.0
Use of Reserves	3,284	5.4
Interest	1,377	2.3
	<b>60,704</b>	<b>100.0</b>

### WHAT THE MONEY IS SPENT ON

#### By type of expenditure

	£'000	%
Running Costs	24,362	40.1
Housing and Council Tax Benefits	22,397	36.9
Employees	13,166	21.7
External Debt Financing	779	1.3
	<b>60,704</b>	<b>100.0</b>

#### By type of service

	£'000	%
Housing Services	36,707	60.5
Cultural, Environment, Planning and Other Services	16,106	26.5
Central Services to the Public	6,962	11.5
Highway, Roads and Transport Services	929	1.5
	<b>60,704</b>	<b>100.0</b>

The bulk of the Council's gross spending was on Housing and Council Tax Benefits and running costs followed by employee costs with Housing being the largest service provided.

## Housing

The Council continues to be a major provider of rented accommodation in the District. Council tenants' rents increased in 2004/2005 by an average of 6.7% to finance movements in expenditure and income and to maintain a prudent working balance.

The Housing Revenue Account (HRA) for 2004/2005 is set out on page 17 and shows that the working balance was £2.379m at the end of the year, £0.753m more than the budgeted position.

The increase in the working balance arose principally from lower than expected expenditure on the repair and maintenance of dwellings, increased rental income as a result of lower dwelling sales and additional income from contributions and fees and charges. The increased working balance also resulted in higher investment income.

## Outlook for 2005/2006 and beyond

### General Fund

The Council's spending plans continue to be linked to residents' priorities and to the Government's national priorities for all councils. The continuing message from residents is that expansion of the kerbside recycling scheme, matters of community safety and street cleaning are the services that mean a lot to them.

The next three years' spending plans have been strongly influenced by guidance from the Government that Council Tax rises should be in low single figures and should not exceed 5%. Consultation with residents and businesses also influenced the Council's spending plans for 2005/2006 with half of the replies received indicating support for a 5% tax rise and half supporting a smaller increase.

We have kept the Council Tax rise to 3.9% in 2005/2006 by using £0.289m from balances. The 2005/2006 Council Tax for a Band D property will be £159.90, 12 pence per week higher than in 2004/2005. The net General Fund Budget for 2005/2006, after deducting the external support received from the Government, is £5,919,793.

In order to keep Council Tax rises below 5% for 2006/2007 and 2007/2008, we plan to use some of our balances as well as reduce our ongoing budget by £0.3m from April 2006.

### Housing Revenue Account

The Government's programme of reforming local authority housing is continuing with the objectives of encouraging the more efficient use of housing assets and putting authorities' housing accounts on a more business-like basis, offering more direct comparison with Registered Social Landlords.

The Council pays a significant sum to the Government in the form of negative Housing Subsidy with the basis of subsidy determination having a very marked effect on the HRA. For 2005/2006 the average projected rent for all Council dwellings is £59.93 per week. This is £0.21 higher than the formula rent target under the Government's rent restructuring system which local authorities and registered social landlords are required to follow. As rent restructuring is phased in over the next seven years, the gap between actual average rents and the target will decrease.

In line with Government guidance, service charges have been further refined for 2005/2006 so that the cost of specific services is met by those tenants who benefit directly from them. The average General Service Charge for 2005/2006 is £2.13 per property per week and a number of other specific service charges can apply to specific tenancies.

Tenants have overwhelmingly indicated their support for the Council to continue to own and manage its housing stock (an alternative option being to consider transferring the stock to a housing association). With the Council remaining on track to achieve the Government's 'Decent Homes Standard', this is a viable option.

### Capital Programme

The 'Prudential Framework' for capital expenditure allows authorities freedom to borrow as long as they ensure that their plans are both affordable and sustainable in the longer term. The impact that financing the Council's capital programme has on future years' council tax amounts is a key element in assessing affordability.

The overall Capital Programme for 2005/2006 continues to be split into 3 distinct elements.

The total of *the General Fund Capital Programme* is £1.00m which includes £0.45m in order to replace essential vehicles (for example refuse freighters) as they reach the end of their life. The Council will continue to bid for external funds for specific projects and if these are successful, the programme will be updated

The total of the *HRA Housing Investment Capital Programme*, in respect of major repairs and improvements to the Council's housing stock is £3.44m, of which £2.49m is to be funded from the Major Repairs Allowance received from the Government. A contribution of £0.16m will be made from the Housing Revenue Account .

The *General Fund Housing Investment Programme*, which consists of support to Housing Associations and Private Sector Housing grants, will be largely funded from capital receipts and has a total value of £0.62m.

John Magness,  
Director of Finance and Community Services  
June 2005

**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)/(FRSs).

**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 2004 Code of Practice on Local Authority Accounting.

The General Fund fixed assets were valued on 1 April 2004 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 the 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 Account. 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 2009 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 accruals basis. Income that is not reserved for the repayment of external loans or transferred to a national "pool" in the case of housing receipts, forms part of the reserve available for capital financing. This is described in the balance sheet as usable capital receipts. Receipts with a value below £10,000 are treated as revenue income.

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 either 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 and trading accounts 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.

### **INTANGIBLE FIXED ASSETS**

Intangible Fixed Assets are capitalised on the balance sheet and depreciated over their expected life. Typically, these assets relate to computer software licences, which are depreciated over a period of seven years or such lesser period as appropriate to the software licence.

East Sussex County Council owns the leisure centres at Lewes and Peacehaven and the agreements refer to the provision, use and management of the buildings without conferring any property interest on the Council. The construction costs are depreciated over the licence period of sixty years.

### **DEFERRED CHARGES**

Deferred charges represent expenditure, such as improvement grants and conservation grants, which may properly be capitalised, but does not result in the creation of fixed assets for the Council. They are fully charged to revenue in the year in which the expenditure is incurred.

Deferred Charges are no longer shown separately on the balance sheet but must be disclosed as a memorandum item in the accounts. For reporting purposes these have been combined in to the table of Intangible Fixed Assets at Balance Sheet Note 3.

**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 Account** represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. This account cannot be called upon to support spending.
- **The Capital Financing Account** 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 account cannot be called upon to support spending.

The Council also has the following reserves which can be called upon to support spending

- **IT Replacement Equipment Reserve/ Southover Grange Improvement Reserve/ Planning Delivery Grant Reserve/ 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/ Housing Development Reserve/ Financial System Reserve/ Vehicle Replacement Reserve.**

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

- **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.
- **Budget Carry Forward Reserve**  
Represents funds committed on projects which extend over more than one financial year.
- **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/Private Sector Leasing Repairs Reserve**  
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 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**

### **LOAN PREMIUMS AND DISCOUNTS**

The Council's policy for treatment of loan premiums and discounts in respect of those relating to the Housing Revenue Account, is to write them off over a period of ten years or the outstanding period of the loan repaid, whichever is the shorter. Loan premiums and discounts relating to the General Fund are written off in the year in which they are incurred.

### **USABLE 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. 'Pooling' arrangements apply in the case of housing receipts, whereby a proportion of the receipt (for example 75% in the case of Right to Buy receipts) has to be paid over to the Government for redistribution to authorities according to spending need. In defined cases, the proportion to be pooled can be reduced. The Council was 'debt free' on 31 March 2004 and as a result is entitled to reduce the amount of Right to Buy receipts pooled by 75% in 2004/2005. Non-Housing capital receipts are excluded from the pooling scheme and are wholly available for use by the Council. Interest on all capital receipts is credited to the General Fund Revenue Account.

### **PROVISIONS**

The Council sets aside provisions for any liabilities of uncertain timing or amounts that have been incurred. These are for specific future expenses such as Bad Debts, which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

### **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 FRS18. 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.

### **LEASES**

The Council does not have any finance leases. Operating lease rentals are charged to revenue on an accruals basis

### **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

**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 £1.04 million in 2004/05 (2003/04 £1.13million) 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 Scheme's Actuary determined the contribution rate for 2004/05 at 15.0% resulting in an increase of 2.04% in the Council's total pension contributions.

Although the total cost of pensions included in overall terms in the accounts is the amount of the contribution due to the East Sussex County Council Pension Scheme, in order to comply with the Accounting Code of Practice we have, in 2004/2005, fully adopted the requirements of Financial Reporting Standard No 17 – Retirement Benefits (FRS17). FRS 17 is a complex accounting standard, but it is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Accordingly, the current service cost of pensions, rather than the determined employer's contribution rate, has been charged to services as part of the Council's net operating expenditure, and the Balance Sheet incorporates the Council's net liability for future pension payments taking into account its share of the assets in the Pension Fund.

## CONSOLIDATED REVENUE ACCOUNT

2003/04 Net Expenditure £'000		2004/05 Gross Expenditure £'000	2004/05 Income £'000	2004/05 Net Expenditure £'000
	<b>Expenditure on Services</b>			
1,068	Central Services to the Public	6,961	6,030	931
7,721	Cultural, Env & Planning Servs - Note 1	15,831	6,140	9,691
67	Highways, Roads & Transport Services	929	807	122
8,217	Housing Services - Note 2	36,984	28,767	8,217
1,130	Corporate & Democratic Core	1,622	586	1,036
<b>18,203</b>	<b>NET COST OF SERVICES</b>	<b>62,327</b>	<b>42,330</b>	<b>19,997</b>
1,657	Precepts paid to Parish Councils			1,807
(221)	Surplus from Trading Operation - Note 3			(229)
(7,916)	Transfer (from) Asset Management Revenue Account - Note 4			(10,014)
0	Contribution of Housing Capital Receipts to Government Pool			376
(1,101)	Interest and Investment Income			(1,120)
176	Loan Premiums and Discounts - Note 5			47
348	Pension Interest Cost and expected return on pension asset - Note 6			(261)
<b>11,146</b>	<b>NET OPERATING EXPENDITURE</b>			<b>10,603</b>
	<b>APPROPRIATIONS</b>			
485	Surplus transferred to HRA balances			1,041
(5)	Transfer to/(from) insurance reserve			70
171	Transfer to/(from) earmarked reserves			1,102
0	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts			(376)
167	Capital Expenditure financed from revenue			209
(1,294)	Provision for the repayment of external loans - Note 7			(1,515)
1,092	Deferred Government Grants			963
(145)	Transfer to/(from) Pension Reserve			225
	<b>AMOUNT TO BE MET FROM GOVERNMENT</b>			
<b>11,617</b>	<b>GRANT AND LOCAL TAXATION</b>			<b>12,322</b>
	<b>SOURCES OF FINANCE</b>			
(2,250)	Revenue Support Grant			(2,296)
(3,219)	Contribution from Non-Domestic Rate Pool			(2,537)
(6,869)	Precept demanded from Collection Fund			(7,493)
<b>(721)</b>	<b>NET GENERAL FUND SURPLUS</b>			<b>(4)</b>

£'000	<b>General Fund Balance</b>	£'000
(830)	Balance brought forward 1 April	(1,551)
(721)	Surplus for the year	(4)
<b>(1,551)</b>	<b>Balance carried forward 31 March</b>	<b>(1,555)</b>

**NOTE 1. CHARITY ACCOUNTS**

Included in the Council's revenue account are the grants payable to the Stanley Turner Recreation Ground and Mountfield Pleasure Ground Trust Charities for which the Council's members are trustees. The 2004/05 grants are shown below:-

2003/04		2004/05		
Grant		Expenditure	Income	Grant
£'000		£'000	£'000	£'000
65	Stanley Turner Recreation Ground Charity	53	3	50
12	Mountfield Pleasure Ground Trust Charity	70	33	37

**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:-

2003/04		2004/05		
Net		Gross		Net
Expenditure		Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
6,214	Housing Revenue Account	17,356	10,202	7,154
2,003	General Fund Housing	19,628	18,565	1,063
<b>8,217</b>	<b>Total Housing</b>	<b>36,984</b>	<b>28,767</b>	<b>8,217</b>

**NOTE 3. TRADING OPERATION**

The Council manages and maintains six Industrial Estates comprising 97 individual plots which are situated in Lewes, Newhaven and Seaford.

The turnover of these undertakings, derived mainly from rent, was £551,000 (2003/04 £518,000). The Council charges asset rentals for the use of its Industrial Estates, in line with the Local Authority Accounting Code of Practice. This has resulted in a surplus of £229,000 being made in 2004/05, (2003/04 £221,000) which was credited in total to the General Fund.

**NOTES TO CONSOLIDATED REVENUE ACCOUNT****NOTE 4. ASSET MANAGEMENT REVENUE ACCOUNT**

The following statement shows the transactions on the asset management revenue account during the 2004/05 financial year.

2003/04		2004/05
£'000	<b>INCOME</b>	£'000
	Capital Charges	
(1,570)	General Fund	(3,115)
(9,666)	Housing Revenue Account	<u>(10,760)</u>
		(13,875)
(1,092)	Release of Grants and Contributions	(963)
	<b>EXPENDITURE</b>	
2,728	Provision for Depreciation	4,111
1,664	External Interest Charges	713
1	Finance Lease Interest	0
<b>(7,935)</b>		<b>(10,014)</b>
	Net Surplus to	
1,327	- General Fund Consolidated Revenue Account	2,000
6,608	- Housing Revenue Account	8,014
<b>0</b>		<b>0</b>

**NOTE 5. LOAN PREMIUMS AND DISCOUNTS**

Loan premiums and discounts represent the share of losses and gains on the early repayment of borrowing which have been written back to the Consolidated Revenue Account in 2004/05. The transaction is detailed in Note 4 to the Consolidated Balance Sheet.

**NOTE 6. PENSION INTEREST COST AND EXPECTED RETURN ON PENSION ASSET**

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

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account during the year:

**NOTE 6. PENSION INTEREST COST AND EXPECTED RETURN ON PENSION ASSET (Cont).**

	2003/04 £'000	2004/05 £'000
Net Cost of services		
- Current service cost	(1,080)	(1,447)
- past service cost	0	0
Net operating expenditure		
- interest cost	(2,701)	(2,574)
- expected return on assets in the scheme	2,353	2,835
Amount to be met from Government Grant and Local Taxation		
- movement on pensions reserve	145	(225)
Actual amount charged against Council Tax for pensions in the year (employer's contributions payable to scheme)	<b>(1,283)</b>	<b>(1,411)</b>

Note 13 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movement in Reserves gives a further analysis of the movements on the Pensions Reserve.

The employer's contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last review being 31 March 2004. In 2004/05 the rate was 15.0% compared with 14.7% in 2003/04.

**NOTE 7. PROVISION FOR THE REPAYMENT OF EXTERNAL LOANS**

This includes the Minimum Revenue Provision (MRP) for which the Council is required by statute to make provision for the redemption of external debt. The method of calculating the MRP is defined by statute.

2003/04 £'000		2004/05 £'000
22	Non-Housing - 4% of Capital Financing Requirement	34
222	Housing - 2% of Capital Financing Requirement	0
(181)	Less Commutation Adjustment	0
<b>63</b>	<b>Minimum Revenue Provision</b>	<b>34</b>

The statutory requirement for the Housing Revenue Account to make a Minimum Revenue Provision was removed from 1 April 2004.

**NOTE 8. 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 2004/05 under the remaining provisions.

**NOTE 9. 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 2004/05 amounted to £126,000 (2003/04 £135,000). The majority of this expenditure relates to the Council's recruitment advertising.



## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### NOTE 10. 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 2004/05 was £237,000 (2003/04 £236,000)

The future cash payment required under these leases are

2005/06	£229,000
2006 Onward	£404,000

### NOTE 11. 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 2004/05.

<b>Building Regulations</b>			
<b>Charging Account 2004/05</b>			
	<b>Chargeable 2004/05 £</b>	<b>Non Chargeable 2004/05 £</b>	<b>Total Building Control 2004/05 £</b>
<b>Expenditure</b>			
Employee Expenses	173,849	24,841	198,690
Transport	10,772	1,197	11,969
Supplies and Services	66,269	9,455	75,724
Central and Support Services	55,669	11,485	67,154
<b>TOTAL EXPENDITURE</b>	<b>306,559</b>	<b>46,978</b>	<b>353,537</b>
<b>Income</b>			
Building Regulation Charges	322,343	0	322,343
Miscellaneous Income	0	427	427
<b>TOTAL INCOME</b>	<b>322,343</b>	<b>427</b>	<b>322,770</b>
Surplus/(Deficit) for year	15,784	(46,551)	(30,767)

### NOTE 12. 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 £67,000 in 2004/05 (2003/04 £48,000). During the 2004/05 financial year the Council also incurred expenditure of £7,000 and £97,000 respectively on facilitating Town and Parish and European elections, the costs of which were fully reimbursed.

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### NOTE 13. MEMBERS' ALLOWANCES

The total paid to members under The Local Authorities (Members Allowances) Regulations 2003 in 2004/05 amounted to £142,000 (2003/04 £140,000).

### 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 £50,000. The relevant details are shown below.

2003/04	Salary	2004/05
Number of Employees		Number of Employees
4	£50,000 - £59,999	2
0	£60,000 - £69,999	2
2	£70,000 - £79,999	2
1	£80,000 - £89,999	0
0	£90,000 - £99,999	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 2004/05 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 2004/05.

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 2004/05.

### NOTE 16. AUDIT COSTS

The Council appointed the Audit Commission to carry out external audit services in accordance with Section 5 of the Audit Commission Act 1998. Details of the fees payable by the Council are shown below.

2003/04		2004/05
£'000		£'000
81	External Audit Services carried out by the appointed auditor	75
16	Statutory Inspection under Section 10 of Local Government Act 1999	8
35	Certification of grant claims and returns	42
0	Fees payable in respect of any other services	9
<b>132</b>	<b>Total audit fees</b>	<b>134</b>

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account is a record of revenue expenditure and income relating to an authority's own social housing stock.

2003/04 £'000		2004/05 £'000	2004/05 £'000
	<b>INCOME</b>		
9,345	Dwelling Rents (gross)	9,868	
312	Non-dwelling rents (gross)	325	
686	Charges for services and facilities	743	
3,380	Housing Revenue Account Subsidy receivable (Note 3)	0	
606	Contributions towards expenditure	415	
68	Community amenities contribution	93	
<b>14,397</b>	<b>TOTAL INCOME</b>		<b>11,444</b>
	<b>EXPENDITURE</b>		
2,539	Repairs and Maintenance	2,261	
2,381	Supervision and Management	2,511	
170	Rents, Rates, Taxes and other charges	193	
5,264	Rent Rebates (Note 3)	0	
0	Housing Revenue Account Subsidy Payable (Note 3)	1,474	
85	Increase in provision for doubtful debts	32	
7,432	Cost of capital charge (Note 7)	8,398	
2,292	Depreciation of fixed assets (Note 5)	2,362	
71	Debt Management Expenses	40	
72	Supporting People Transitional Protection Transfers to the General Fund	52	
0	- Rent Rebates Transitional Protection	127	
0	- Rent Rebates Subsidy Limitation	281	
<b>20,306</b>	<b>TOTAL EXPENDITURE</b>		<b>17,731</b>
<b>5,909</b>	<b>NET COST OF SERVICES</b>		<b>6,287</b>
	Income from Asset Management		
(6,608)	- Revenue Account (Note 8)	(8,014)	
238	- Amortised Premiums & Discounts	800	
	Investment Income		
(10)	- Mortgage Interest	(7)	
(44)	- Interest on cash balances	3	(7,218)
<b>(515)</b>	<b>NET OPERATING INCOME</b>		<b>(931)</b>
0	Revenue Contribution to Capital Expenditure (Note 11)	130	
0	Pension Reserve Contributions (Note 13)	(46)	
222	HRA Minimum Revenue Provision	0	
(192)	Transfer from Major Repairs Reserve	(194)	(110)
<b>(485)</b>	<b>DEFICIT/(SURPLUS) FOR THE YEAR</b>		<b>(1,041)</b>
<b>(853)</b>	<b>BALANCE AT START OF THE YEAR</b>		<b>(1,338)</b>
<b>(1,338)</b>	<b>BALANCE AT END OF THE YEAR</b>		<b>(2,379)</b>

**NOTE 1. FINANCIAL FRAMEWORK**

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, administration and capital financing costs, and how these are met by rents, subsidy and other income.

**NOTE 2. HOUSING STOCK**

<b>31 March 2004</b>			<b>31 March 2005</b>	
		<u>Houses and Bungalows</u>		
220		- one bedroom	220	
674		- two bedrooms	670	
937		- three bedrooms	927	
64		- four bedrooms	63	
<u>3</u>		- five bedrooms	<u>4</u>	
	1,898			1,884
		<u>Flats</u>		
133		- Bedsits	133	
721		- one bedroom	718	
538		- two bedrooms	533	
49		- three bedrooms	49	
<u>4</u>		- four bedrooms	<u>4</u>	
	1,445			1,437
	<b>3,343</b>			<b>3,321</b>

In addition the Council had, at the same date, shared ownership arrangements covering 9 properties and 1 property (partly) sold under the Right to Buy.

**NOTE 3. HRA GOVERNMENT SUBSIDY**

The HRA Housing Subsidy is made up as follows:

<b>2003/04</b>		<b>2004/05</b>
<b>£'000</b>		<b>£'000</b>
2,099	Major Repairs Allowance	2,168
3,467	Management and Maintenance Allowance	4,117
0	Anti-Social Behaviour Allowance	1
1,562	Capital Charges Allowances	1,458
0	Admissable Allowance	16
5,214	Rent Rebate costs	(10)
<u>12</u>	Other Expenditure	<u>7</u>
12,354		7,757
(8,961)	Less: Assumed rent income	(9,221)
(13)	Other income	(10)
<b>3,380</b>	<b>Total Subsidy Receivable (Payable to Secretary of State)</b>	<b>(1,474)</b>

From April 2004 the Government transferred the accounting for rent rebates and the associated subsidy from the Housing Revenue Account to the General Fund.

## NOTES TO HOUSING REVENUE ACCOUNT

### NOTE 4. ASSET VALUATION

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

	31 March	
	2004	2005
	£'000	£'000
Operational		
- Dwellings	230,572	250,964
- Garages	1,172	1,103
- Other	897	974
Community	6	6
Infrastructure	1,564	1,536
Non-operational	845	1,156
Intangible	0	10
	<b>235,056</b>	<b>255,749</b>

The increase in the valuations arose following an annual desktop review by the Council's appointed valuer. A summary of total capital expenditure on Housing Revenue Account assets is shown in Note 1 to the Consolidated Balance Sheet (Page 25).

### NOTE 5. DEPRECIATION

Depreciation of the housing stock (£2,167,984) 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. Additional depreciation of (£194,003) has also been included in respect of non-dwelling assets.

### NOTE 6. 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 5) 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.

	2004/05
	£'000
Balance at 1 April 2004	(579)
Depreciation	
- Housing Stock	(2,168)
- Other HRA Assets	(194)
Financing of Capital Expenditure	2,032
Transfer to HRA	194
Balance at 31 March 2005	<b>(715)</b>

### NOTE 7. 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 specified notional rate of interest (3.5% Operational & Non-Operational Assets and 4.80% Infrastructure and Community Assets) to the value of the HRA assets at the beginning of the accounting period.

### NOTE 8. 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.

**NOTE 9. FUNDING OF CAPITAL EXPENDITURE**

In 2004/05 capital expenditure on HRA services totalled £3.835 million funded as follows

	<b>2003/04</b>	<b>2004/05</b>
	<b>£'000</b>	<b>£'000</b>
Borrowing	741	764
Usable Capital Receipts	2	817
Revenue Contribution	0	130
Major Repairs Reserve	2,135	2,032
Leaseholder Contributions	60	125
Other Contributors	10	(33)
	<b>2,948</b>	<b>3,835</b>

**NOTE 10. CAPITAL RECEIPTS**

Receipts from sales of HRA assets in 2004/05 are summarised below:

	<b>2003/04</b>	<b>2004/05</b>
	<b>£'000</b>	<b>£'000</b>
Sale of Housing Land	38	55
Sale of Council Houses (Right to Buy)	4,256	1,953
Deferred Sales of DIYSO properties	72	0
Repayment of HRA mortgages	60	27
Repayment of RTB discount	56	51
Other Housing Capital Receipts	53	0
	<b>4,535</b>	<b>2,086</b>

**NOTE 11. 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 2004/05 Lewes augmented its capital spending by making a direct revenue contribution of £129,895.

**NOTE 12. CONTRIBUTIONS TO THE GENERAL FUND**

From 2004/05 the accounting for rent rebates was transferred from the Housing Revenue to the General Fund. In order to minimise the net financial effects on both the Housing Revenue Account and the General Fund, the following transfers to the General Fund have been made from the Housing Revenue Account. These transfers are determined by the Secretary of State.

	<b>£'000</b>
Rent Rebates Subsidy Limitation	281
Rent Rebates Transitional Protection	127
	<b>408</b>

**NOTE 13. PENSIONS RESERVE CONTRIBUTIONS**

The Housing Revenue Account has been charged with an attributable share of current service costs. These costs have been reversed by an equivalent contribution from the Pensions Reserve.

## NOTES TO HOUSING REVENUE ACCOUNT

### NOTE 14. RENT ARREARS

Rent arrears at 31 March were:

	<b>2004</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Dwellings - Current Tenants	173,215	176,217
Dwellings - Former Tenants	76,405	74,115
Garages - Current Tenants	1,819	1,973
Garages - Former Tenants	4,162	2,493
	<b>255,601</b>	<b>254,798</b>

Write-offs in 2004/05 amounted to £30,273 compared to £33,333 in 2003/04.

### NOTE 15. PROVISIONS 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 bad debts provision set aside in the accounts has been increased from £176,739 to £177,111, the balance sheet also contains a provision of £38,183 to offset other potential HRA debts.

## 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 for the billing authority.

2003/04		2004/05	
£'000	<b>INCOME</b>	£'000	£'000
	Council Tax (Note 2)		
40,289	- Income from Council Tax	42,939	
4,474	- Council Tax Benefit	<u>5,092</u>	
44,763			48,031
13,946	Income in respect of Non-Domestic Rates (Note 1)		15,122
<b>58,709</b>	<b>Total Income for the Year</b>		<b>63,153</b>
	<b>EXPENDITURE</b>		
44,212	Precepts and Demands (Note 3)		47,723
	Non-Domestic Rates		
13,826	- Payment to National Pool	15,003	
120	- Cost of Collection Allowance	<u>118</u>	
13,946	<b>Sub Total</b>		15,121
95	Provision for uncollectable amounts		145
<b>58,253</b>	<b>Total Expenditure for the Year</b>		<b>62,989</b>
<b>(456)</b>	<b>Surplus for the Year</b>		<b>(164)</b>

2003/04		2004/05
£'000		£'000
(6)	Balance at 1 April brought forward	(462)
(456)	Surplus for the year	(164)
<b>(462)</b>	<b>Balance at 31 March carried forward</b>	<b>(626)</b>



## COLLECTION FUND REVENUE ACCOUNT

### 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 hereditaments at 31 March 2005 amounted to £37.6 million and the rate in the £ applied for 2004/05 was 45.6 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	3,030	2,019
Band B Properties	7/9	4,729	3,678
Band C Properties	8/9	11,323	10,065
Band D Properties	9/9	8,178	8,178
Band E Properties	11/9	4,922	6,016
Band F Properties	13/9	2,651	3,829
Band G Properties	15/9	2,009	3,348
Band H Properties	18/9	188	377
<b>Total</b>		<b>37,030</b>	<b>37,510</b>

#### Note 3 – Precepts and Demands

In addition to Lewes District Council's demand of £7.493 million, East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority were the only other authorities to have a call on the Collection Fund, their precepts amounting to £33.989 million, £33.884 million and £2.357 million respectively.

#### Note 4 – Collection Fund Balance

The balance on the Collection Fund at 31 March 2005 amounted to £0.626 million, made up wholly of surpluses relating to Council Tax.

## CONSOLIDATED BALANCE SHEET

		31 March	
	Notes	2004 £'000	2005 £'000
<b>FIXED ASSETS</b>			
INTANGIBLE FIXED ASSETS	3	4,521	5,028
TANGIBLE FIXED ASSETS			
OPERATIONAL ASSETS	1		
- Council Dwellings		230,971	253,041
- Other Land and Buildings		17,386	20,393
- Vehicles Plant and Equipment		1,542	1,797
- Infrastructure		3,123	2,954
- Community Assets		1,340	1,583
NON OPERATIONAL ASSETS			
- Non Operational Land and Property		11,546	14,287
<b>TOTAL TANGIBLE FIXED ASSETS</b>	2	<b>265,908</b>	<b>294,055</b>
<b>TOTAL FIXED ASSETS</b>		<b>270,429</b>	<b>299,083</b>
Long Term Investments	5	21	21
Long Term Debtors	6	227	192
<b>TOTAL LONG TERM ASSETS</b>		<b>248</b>	<b>213</b>
<b>CURRENT ASSETS</b>			
- Stocks and Work in Progress	7	11	5
- Debtors	8	5,290	5,361
- Investments	5	12,750	16,500
<b>TOTAL CURRENT ASSETS</b>		<b>18,051</b>	<b>21,866</b>
<b>CURRENT LIABILITIES</b>			
- Short Term Loans	10	15,150	2,350
- Creditors	9	6,203	5,449
- Cash Overdrawn		44	538
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,397</b>	<b>8,337</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(3,346)</b>	<b>13,529</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>267,331</b>	<b>312,825</b>
Less: Long Term Borrowing	10	0	14,000
Deferred Capital Receipts	12	104	77
Liability related to defined benefit pension scheme	13	6,855	14,647
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>260,372</b>	<b>284,101</b>
<b>FINANCED BY:</b>			
Fixed Asset Restatement Account	14	204,601	231,559
Capital Financing Account	15	47,784	49,172
Government Grants and Contributions Deferred	11	7,132	7,079
Deferred Loan Discounts	4	14	5
Deferred Loan Premiums	4	(3,794)	(2,938)
Usable Capital Receipts Reserve	16	3,009	2,864
Capital Contributions Reserve	17	0	9
Earmarked Reserves	18	4,551	5,723
Major Repairs Reserve	18	579	715
Pension Reserve		(6,855)	(14,647)
Revenue Balances - General Fund	Page 11	1,551	1,555
- Housing Revenue Account	Page 17	1,338	2,379
- Collection Fund	Page 21	462	626
<b>TOTAL NET WORTH</b>		<b>260,372</b>	<b>284,101</b>

## NOTES TO CONSOLIDATED BALANCE SHEET

### NOTE 1. CAPITAL EXPENDITURE AND CAPITAL FINANCING

#### Capital Spending in 2004/2005

The Council's capital spending in the year was £5.806 million compared with a forecast of £5.824 million. Approximately 21% of the programme has been funded by borrowing, generating charges to be met from future revenue spending, 33% from the proceeds of asset sales and the remaining 46% 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 2004/05 are set out below.

	£'000	£'000
<b>Housing - Own Stock</b>		
Modernisation, Conversion & Enhancements	2,720	
Adaptations for Disabled Tenants	465	
Environmental Improvements, Play area and other works	231	3,416
<b>Housing - Private Sector</b>		
Disabled Facilities Grants	337	
Home Repair Assistance	56	
Private Sector Energy Works	91	484
<b>Community Leisure - Leisure Centres</b>		76
<b>Community Services</b>		
'Heart of Reeds' Project	78	
Drove Road Newhaven Landscaping	72	
Car Parks Improvements Programme	55	
Other Leisure Building & Services	79	284
<b>Environmental Services</b>		
Kerbside Recycling	180	
Air Quality & Contaminated Land Investigations	45	225
<b>Planning Services</b>		
Coastal Defence Monitoring and Works	17	
Denton Island, Newhaven Reclamation	45	
Disability Discrimination Act Works	145	
Heritage Economic Regeneration Scheme	17	
Newhaven Fort and Castle Hill	61	
Newhaven West Quay Redevelopment	9	294
<b>Corporate Services</b>		
Electronic Service Delivery & Replacement Programme	475	
Lewes House Site Redevelopment	108	
Public Offices and Other Buildings & Land	136	719
<b>Other Services</b>		
Repairs to Flint Walls	21	
Vehicles	287	308
<b>Total Services</b>		<b>5,806</b>

#### Financing of Capital Expenditure

	Housing £'000	Non Housing £'000	Total £'000
<b>Expenditure</b>			
Fixed Assets	3,416	1,395	4,811
Intangible Assets	485	510	995
	<b>3,901</b>	<b>1,905</b>	<b>5,806</b>
<b>Financed By:</b>			
Government Supported Borrowing	764	139	903
LDC Supported Borrowing	0	315	315
Capital Receipts	1,274	657	1,931
Major Repairs Allowance	2,032	0	2,032
Revenue Financing	112	236	348
Capital Grants and Contributions	291	856	1,147
Capital Creditors	(572)	(298)	(870)
	<b>3,901</b>	<b>1,905</b>	<b>5,806</b>

**NOTE 2. TANGIBLE FIXED ASSETS**

As a result of the implementation of a computerised asset register and the 5 yearly revaluation of the Council's assets, certain assets have been recategorised in the values shown at 1 April 2004

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	<b>TOTAL £'000</b>
Gross book value at 1 April 2004	236,848	29,870	3,061	9,982	1,340	281,101
Revaluations	22,666	5,593	(159)	60	130	28,290
Additions	3,372	567	742	17	113	4,811
Disposal of Assets	(1,713)	(10)	0	0	0	(1,723)
Gross book value at 31 March 2005	<b>261,173</b>	<b>36,020</b>	<b>3,644</b>	<b>10,059</b>	<b>1,583</b>	<b>312,479</b>
Depreciation:						
Balance at 1 April 2004	5,877	938	1,519	6,859	0	15,193
Charge for Year	2,224	565	315	246	0	3,350
Asset Disposals	(106)	(10)	0	0	0	(116)
Asset Restatements	137	(153)	13	0	0	(3)
Balance as at 31 March 2005	<b>8,132</b>	<b>1,340</b>	<b>1,847</b>	<b>7,105</b>	<b>0</b>	<b>18,424</b>
Net Book Value as at 31 March 2005	<b>253,041</b>	<b>34,680</b>	<b>1,797</b>	<b>2,954</b>	<b>1,583</b>	<b>294,055</b>

**Information on assets held**

Fixed assets owned by the Council include the following:

	Number as at 31 March 2004	Number as at 31 March 2005
Council Dwellings - HRA	3,343	3,321
Council Dwellings - General Fund	5	5
Shared Ownership Dwellings	10	10
Private Sector Leasehold Dwellings	19	35
Council Garages	776	775
Civic Offices	6	6
Depots	2	2
Car Parks	39	39
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	98	97
Vehicles		
- Owned	48	59
- Leased	15	15
Community Recycling Centre	1	1

## NOTES TO CONSOLIDATED BALANCE SHEET

### 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 depreciated 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 2005. The provisional updated valuation has been included in the accounts for 2004/05.

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. INTANGIBLE FIXED ASSETS**

	Balance 1 April £'000	Asset Reclassification £'000	Expenditure 2004/2005 £'000	Depreciation 2004/2005 £'000	Balance 31 March £'000
Sea Defences (Former NSSDC)	109	0	0	(7)	102
Renovation Grants	0	0	393	(393)	0
Private Sector Energy Works	0	0	92	(92)	0
Software Licences	0	273	364	(44)	593
Leisure Centres					
- Lewes	2,895	0	14	(63)	2,846
- Meridian, Peaceahven	1,517	0	0	(30)	1,487
Lewes House Site Redevelopment	0	0	108	(108)	0
Conservation Schemes	0	0	17	(17)	0
Contaminated Land Investigations	0	0	7	(7)	0
	<b>4,521</b>	<b>273</b>	<b>995</b>	<b>(761)</b>	<b>5,028</b>

**NOTE 4. DEFERRED LOAN PREMIUMS AND DISCOUNTS**

Deferred loan premiums and discounts represent the share of losses and gains on the early repayment of borrowing which are written back to the Consolidated Revenue Account over a timescale prescribed by statute.

	Premiums £'000	Discounts £'000
Balance 1 April 2004	(3,794)	14
Premium & Discounts paid in year	0	0
Amounts written back to the		
- Housing Revenue Account	809	(9)
- General Fund	47	0
Balance 31 March 2005	<b>(2,938)</b>	<b>5</b>

**NOTE 5. INVESTMENTS**

The investments in the accounts are at cost	Long Term £'000	Short Term £'000
Cash Management Funds		
- Tradition U.K.	0	4,000
Banks and Building Societies	0	12,500
ADC Debenture Stock 1996/2011	21	0
Balance at 31 March 2005	<b>21</b>	<b>16,500</b>

**NOTES TO CONSOLIDATED BALANCE SHEET****NOTE 6. LONG TERM DEBTORS**

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

	31 March	
	2004 £'000	2005 £'000
Mortgages	154	118
Loans to Individuals	73	74
<b>Total</b>	<b>227</b>	<b>192</b>

**NOTE 7. STOCKS AND WORKS IN PROGRESS**

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

	31 March	
	2004 £'000	2005 £'000
Community Leisure - Catering Stocks	11	5
<b>Total</b>	<b>11</b>	<b>5</b>

**NOTE 8. DEBTORS**

An analysis of Debtors is shown below:

	31 March	
	2004 £'000	2005 £'000
Government Departments	1,798	1,184
H.M. Customs	354	359
Other Local Authorities	281	371
Council Taxpayers	1,071	1,316
Non-Domestic Ratepayers	337	733
Housing Rents	261	259
Inland Revenue	6	0
Sundry Debtors	2,095	2,386
	<b>6,203</b>	<b>6,608</b>
Less Provision for Doubtful Debts	(913)	(1,247)
<b>Total</b>	<b>5,290</b>	<b>5,361</b>

**NOTE 9 CREDITORS**

An analysis of Creditors is shown below:

	31 March	
	2004 £'000	2005 £'000
Government Departments	100	816
Inland Revenue	281	329
Other Local Authorities	325	421
Council Taxpayers	744	693
Non-Domestic Ratepayers	279	77
Housing Rents	129	126
Sundry Creditors	4,345	2,987
<b>Total</b>	<b>6,203</b>	<b>5,449</b>

**NOTE 10. SHORT TERM AND LONG TERM BORROWING**

Source of Loan		31 March 2005		There were no long-term loans outstanding at 31 March 2004. As part of the Council's debt rescheduling exercise, all remaining long-term loans were repaid in March 2004. Short term loans amounting to £15.150 million were held at 31 March 2004, as part of the same rescheduling exercise.
		£'000		
Public Works Loan Board		11,000		
Banks		5,350		
<b>Total</b>		<b>16,350</b>		
Analysis of Loans by Maturity		31 March 2005		
		£'000		
Within	1 Year	2,350		
	1- 2 Years	3,000		
	2- 5 Years	3,000		
	5- 10 Years	5,000		
	10+ Years	3,000		
<b>Total</b>		<b>16,350</b>		

**NOTE 11. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED**

	Balance at 1 April 2004	Additions	Revenue Accounts	Balance at 31 March 2005
	£'000	£'000	£'000	£'000
Coast Protection	1,079	2	(104)	977
Kerbside Recycling	404	179	(180)	403
Electronic Service Delivery	334	97	(56)	375
I.T. Systems Development	0	215	0	215
Leisure and Recreation	1,748	157	(61)	1,844
Council Dwellings	378	92	(470)	0
Derelict Land	37	0	0	37
Newhaven Town Centre	126	0	(1)	125
Newhaven Fort	1,715	66	(52)	1,729
Denton Island	1,042	47	0	1,089
West Quay Newhaven Redevelopment	0	24	(24)	0
Other Properties	269	31	(15)	285
<b>Total</b>	<b>7,132</b>	<b>910</b>	<b>(963)</b>	<b>7,079</b>



**NOTES TO CONSOLIDATED BALANCE SHEET****NOTE 12. 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 2004	104
Receipts Applied in Year	(27)
Closing Balance at 31 March 2005	<b>77</b>

**NOTE 13. LIABILITY RELATED TO DEFINED PENSION SCHEME**

Note 6 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pensions Scheme (administered by East Sussex County Council). The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2005 are as follows:

	31 March 2004 £'000	31 March 2005 £'000
Estimated assets in Scheme	40,113	43,526
Less:		
Present Value of Scheme Liabilities	(45,732)	(56,775)
Present Value of Unfunded Liabilities	(1,236)	(1,398)
Net Pension Asset/(Liability)	<b>(6,855)</b>	<b>(14,647)</b>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £14.65m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy - the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 2004 % per annum	31 March 2005 % per annum
Price increases	2.9	2.9
Salary increases	4.4	4.4
Pension increases	2.9	2.9
Rate for discounting scheme liabilities (based on 5.5% real)	6.5	5.4

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 Value at 31 March 2004 £'000	Long Term Return % per annum	Whole Fund Value at 31 March 2005 £'000	Expected Return per annum £'000
Equities	830,950	7.7	924,700	71,200
Bonds	137,100	4.8	137,180	6,580
Property	117,550	5.7	135,940	7,750
Cash	36,000	4.8	46,570	2,240
<b>TOTAL</b>	<b>1,121,600</b>		<b>1,244,390</b>	<b>87,770</b>

**NOTE 14. FIXED ASSET RESTATEMENT ACCOUNT**

	£'000
Opening Balance at 1 April 2004	204,601
Surplus on revaluation and restatement of fixed assets	28,565
Disposal of fixed assets	(1,607)
Closing Balance at 31 March 2005	<b>231,559</b>

The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations. The account 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.

**NOTE 15. CAPITAL FINANCING ACCOUNT**

	£'000
Opening Balance at 1 April 2004	47,784
Release of Grants and Contributions	963
Capital Programme Financing	
- Capital Receipts	1,931
- Revenue, General Fund	218
- Revenue, Housing Revenue Account	130
- Major Repairs Reserve	2,032
Less:	
- Major Repairs Allowance Transfers	(2,362)
- Long Term Debtors Write Down	(9)
- Appropriation to Consolidated Revenue Account	(1,515)
Closing Balance at 31 March 2005	<b>49,172</b>

The Account contains the amounts which have been 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 Account cannot be called upon to support either capital or revenue spending.

**NOTE 16. USABLE CAPITAL RECEIPTS RESERVE**

	£'000	£'000
Opening Balance at 1 April 2004		3,009
Capital Receipts 2004/05		2,162
Less:		
- 2004/05 capital receipts pooled and paid to ODPM	(376)	
- 2004/05 capital receipts used for financing	<u>(1,931)</u>	(2,307)
Closing Balance at 31 March 2005		<b>2,864</b>

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years.

## NOTES TO CONSOLIDATED BALANCE SHEET

### NOTE 17. CAPITAL CONTRIBUTIONS RESERVE

	£,000
Opening Balance at 1 April 2004	0
Received 2004/05	207
Applied 2004/05	(198)
Closing Balance at 31 March 2005	<b>9</b>

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

### NOTE 18. OTHER RESERVES

	Balance at 1 April 2004 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31 Mar 2005 £'000
<b>General Fund Earmarked Reserves</b>				
Leisure Buildings Repairs	90	67	63	94
Private Sector Leasing Repairs	9	23	2	30
Corporate Buildings Repairs	133	55	55	133
Lewes Leisure Centre Buildings Repairs	1	0	0	1
Maintenance	188	17	12	193
Revenue Equalisation & Asset Maintenance	976	196	237	935
Planning Delivery Grant	0	416	148	268
Budget Carry Forward	0	320	0	320
Southover Grange Improvements	0	43	0	43
I.T. Replacement Equipment	0	200	0	200
Leisure Trust	0	200	0	200
Community Leisure Building Repairs	97	39	0	136
Section 106 Agreements	752	156	309	599
Partnership Fund	242	0	36	206
Insurance	164	74	4	234
Rent Deposit Guarantee Scheme	52	0	0	52
Housing Development	195	0	0	195
Financial Systems	11	0	2	9
Community Grants	15	14	0	29
Building Control Charging Scheme	133	16	79	70
Vehicle Replacement	1,229	399	32	1,596
<b>Partnership Projects:</b>				
West Quay Development	52	12	24	40
Newhaven Fort Refurbishment	97	35	65	67
Denton Island Reclamation	115	5	47	73
<b>Sub-Total</b>	<b>4,551</b>	<b>2,287</b>	<b>1,115</b>	<b>5,723</b>
<b>Housing Revenue</b>				
Major Repairs	579	2,362	2,226	715
<b>Total</b>	<b>5,130</b>	<b>4,649</b>	<b>3,341</b>	<b>6,438</b>

**NOTE 19. CAPITAL COMMITMENTS**

As at 31 March 2005, the Council was contractually committed to capital works which amounted to approximately £109,000. This included the following contracts, the balance comprising minor schemes or retentions.

	£'000
Disability Discrimination Act Alterations	44
Public Convenience Refurbishments	33
Housing	
- Window and door replacement	10
- Kitchen and bathroom renewals	9
- Structural works	7

**NOTE 20. CONTINGENT LIABILITIES**

There were no known liabilities at 31 March 2005.

**NOTE 21. POST BALANCE SHEET EVENTS**

There were no known events at 31 March 2005.

## STATEMENT OF TOTAL MOVEMENT IN RESERVES

	2003/04 £'000	2004/05 £'000
(Surplus)/Deficit for the year:		
- General Fund	(721)	(4)
- Housing Revenue Account	(485)	(1,041)
add back movements on earmarked revenue reserves	(261)	(1,172)
deduct Appropriation from pensions reserve	145	(225)
Actuarial gains and losses relating to pensions	(4,697)	8,017
<b>Total (increase)/ decrease in revenue resources (Note 1)</b>	<b>(6,019)</b>	<b>5,575</b>
(Increase)/decrease in usable capital receipts	(625)	145
(Increase)/decrease in unapplied capital grants	0	0
<b>Total (increase)/decrease in realised capital resources (Note 2)</b>	<b>(625)</b>	<b>145</b>
(Gains)/losses on revaluation of fixed assets	(23,114)	(28,565)
Impairment losses on fixed assets due to general changes in prices	0	0
<b>Total (increase)/decrease in unrealised value of fixed assets (Note 3)</b>	<b>(23,114)</b>	<b>(28,565)</b>
Value of assets sold, disposed of or decommissioned (Note 4)	<b>3,916</b>	<b>1,607</b>
Capital Receipts used for financing	(4,245)	(1,931)
Revenue Resources set aside	133	543
Movement on Government Grants Deferred	(428)	53
Movement on Major Repairs Reserve	36	(136)
<b>Total (increase)/decrease in amounts set aside to finance capital investment (Note 5)</b>	<b>(4,504)</b>	<b>(1,471)</b>
<b>Total recognised gains and losses</b>	<b>(30,346)</b>	<b>(22,709)</b>

### NOTE 1. MOVEMENTS IN REVENUE RESOURCES

	General Fund £'000	Housing Revenue £'000	Earmarked Reserves £'000	Pension Reserve £'000
Surplus /(Deficit) for 2004/05	4	1,041	0	0
Appropriations to/(from) revenue	0	0	1,172	225
Actuarial gains and losses relating to pensions	0	0	0	(8,017)
	4	1,041	1,172	(7,792)
Balance 1 April 2004	1,551	1,338	4,551	(6,855)
<b>Balance 31 March 2005</b>	<b>1,555</b>	<b>2,379</b>	<b>5,723</b>	<b>(14,647)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

### NOTE 1. MOVEMENTS IN REVENUE RESOURCES (Contd.)

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

	2003/04 £'000	2004/05 £'000
Actual return less expected return on Pension Scheme Assets	4,821	1,716
Experience gains and losses arising on the scheme liabilities	(124)	(668)
Change in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	0	(9,065)
Actuarial gains/(loss) recognised in the statement of movement in net pension liability	<b>4,697</b>	<b>(8,017)</b>

### NOTE 2. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Usable Capital Receipts £'000
Amounts receivable in 2004/05	(1,786)
Amounts applied to finance new capital investment in 2004/05	1,931
Total (increase)/decrease in realised capital resources 2004/05	<b>145</b>
Balance brought forward 1 April 2004	(3,009)
Balance carried forward 31 March 2005	<b>(2,864)</b>

### USABLE 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 16 Consolidated Balance Sheet)

### NOTE 3. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS

	Fixed Asset Restatement Account £'000
(Gains)/losses on revaluation of fixed assets in 2004/05	(28,565)
Impairment losses on fixed assets due to general changes in prices in 2004/05	0
Total (increase)/decrease in unrealised capital resources	<b>(28,565)</b>

### NOTE 4. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

Amounts written off fixed asset balances for disposals in 2004/05	1,607
Total movement on reserve in 2004/05	<b>(26,958)</b>
Balanced brought forward 1 April 2004	(204,601)
Balance carried forward 31 March 2005	<b>(231,559)</b>

**NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES****FIXED ASSET RESTATEMENT ACCOUNT**

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

The account 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 14 Consolidated Balance Sheet)

**NOTE 5. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT**

	Major Repairs Reserve £'000	Capital Financing Account £'000	Government Grants Deferred £'000	Total £'000
Major Repairs Allowance	(2,362)	0	0	(2,362)
Capital receipts set aside in 2004/05				
- usable receipts applied	0	(1,931)	0	(1,931)
Total capital receipts set aside in 2004/05	0	(1,931)	0	(1,931)
Revenue resources set aside in 2004/05				
- capital expenditure financed from revenue	0	(2,380)	0	(2,380)
- reconciling amount and provisions for loan repayment	0	2,923	0	2,923
Total revenue resources set aside in 2004/05	0	543	0	543
Applied to capital investment in 2004/05	2,226	0	(911)	1,315
Amounts credited to the asset management revenue account in 2004/05	0	0	964	964
Total movement on reserve in 2004/05	(136)	(1,388)	53	(1,471)
Balance brought forward at 1 April 2004	(579)	(47,784)	(7,132)	
Balance carried forward at 31 March 2005	(715)	(49,172)	(7,079)	

**CAPITAL FINANCING ACCOUNT**

The capital financing account 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 15 Consolidated Balance Sheet)

**GOVERNMENT GRANTS DEFERRED**

(See Note 11 Consolidated Balance Sheet)

**THE CASH FLOW STATEMENT**

<b>2003/04 REVENUE ACTIVITIES</b>	<b>2004/05</b>	
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash Outflows</b>		
11,851	12,756	
18,860	16,261	
14,334	16,609	
14,834	13,956	
39,000	42,037	
98,879		101,619
<b>Cash Inflows</b>		
5,026	5,257	
46,990	50,136	
3,219	2,537	
13,974	14,437	
2,250	2,296	
17,103	21,060	
1,026	1,831	
8,724	8,062	
898	921	
99,210		106,537
<b>(331)</b>		<b>(4,918)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
<b>Cash Outflows</b>		
2,292	514	
<b>Cash Inflows</b>		
882	719	
<b>1,410</b>		<b>(205)</b>
<b>CAPITAL ACTIVITIES</b>		
<b>Cash Outflows</b>		
4,883	5,302	
967	1,229	
5,850		6,531
<b>Cash Inflows</b>		
4,795	2,082	
1,117	824	
914	558	
6,826		3,464
<b>(976)</b>		<b>3,067</b>
<b>103</b>		<b>(2,056)</b>
<b>NET CASH INFLOW/OUTFLOW BEFORE FINANCING</b>		
<b>FINANCING</b>		
<b>Cash Outflows</b>		
53,848		19,900
<b>Cash Inflows</b>		
(37,488)		(21,100)
<b>INCREASE/DECREASE IN CASH &amp; CASH EQUIVALENTS (Note 2)</b>		
<b>16,463</b>		<b>(3,256)</b>



## NOTES TO THE CASH FLOW STATEMENT

### NOTE 1.

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

<b>2003/04</b>		<b>2004/05</b>
<b>£'000</b>		<b>£'000</b>
1,008	Surplus/(Deficit) for the year	1,209
(1,234)	Non-Cash Transactions re Capital Financing	1,522
(9)	Less contributions to or (from) reserves	1,409
(99)	Add/(Less) provisions set aside in the year	334
(6)	Add/(Less) movement in stocks	5
(796)	Add/(Less) movement in debtors	3
57	Add/(Less) movement in creditors	641
	Other items not classified in revenue activities in the cash flow statement	
2,292	Interest Paid	514
(882)	(Less) investment income	(719)
<b>331</b>	<b>Net cash flow from revenue activities</b>	<b>4,918</b>

### NOTE 2.

Movement in cash and cash equivalents

	<b>Balance</b>	<b>Balance</b>	<b>Movement</b>
	<b>1 April</b>	<b>31 March</b>	<b>in the</b>
	<b>2004</b>	<b>2005</b>	<b>year</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bank Overdraft	(44)	(538)	(494)
Short Term Investments	12,750	16,500	3,750
Increase in cash and cash equivalents			<b>3,256</b>

### NOTE 3.

An analysis of other Government Grants is shown below:

<b>2003/04</b>		<b>2004/05</b>
<b>£'000</b>		<b>£'000</b>
599	Housing Benefits Administration	622
0	Housing Subsidy	220
75	Planning Delivery	416
76	Crime and Disorder Reduction Partnership	163
26	Communities Against Drugs	0
0	Recycling Initiatives	117
31	Homelessness	75
38	Discretionary Housing Payment	18
181	Improvement Grants	200
<b>1,026</b>	<b>TOTAL</b>	<b>1,831</b>

## 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 2005.

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 6 to 39 fairly states the financial position of the Council at 31 March 2005 and its income and expenditure for the year ended 31 March 2005.

John Magness CPFA  
Director of Finance & Community Services

## **STATEMENT ON INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of the Council's functions and that includes arrangements for the management of risk.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31 March 2005 and up to the date of the approval of the annual report and accounts, and accords with proper practice.

### **3. THE INTERNAL CONTROL ENVIRONMENT**

The key elements of the Council's internal control environment are described below.

The Council's Constitution has established clear arrangements for decision making and the delegation of powers to Councillors and officers. The roles of the Monitoring Officer (at Lewes District Council this is the District Solicitor) and Chief Finance Officer (at Lewes District Council this is the Director of Finance and Community Services) include responsibility for ensuring that agreed procedures are followed and that all applicable statutes, regulations and relevant statements of good practice are complied with.

The Council has an established framework for financial governance based on Contract and Financial Procedure Rules, with sound budgeting systems, clear budget guidance for managers and regular reporting of financial performance to officers and Councillors.

In June 2004 the Council adopted a local Code of Corporate Governance that draws together the regulatory framework of the Council and is in accordance with the standards for Corporate Governance established by CIPFA and the Society of Local Authority Chief Executives (SOLACE). The local code was approved by the Audit Committee and is subject to annual review.

The Council's strategic objectives are stated in the Council Plan, with the supporting strategies and departmental service plans providing the detailed commitments in terms of the Council's core services and activities.

The Council is developing an effective performance management framework. The Cabinet has regular performance monitoring that incorporates quarterly monitoring of performance indicators and biannual reports on the Council's improvement plans that arose from the CPA process. The Corporate Management Team monitors key targets within the Council Plan on a monthly basis.

**3. THE INTERNAL CONTROL ENVIRONMENT Contd.**

As part of the Corporate Governance arrangements the Council has established an Audit Committee that is responsible, amongst other things, for keeping under review the probity and effectiveness of internal controls and the effectiveness of management arrangements to ensure legal and regulatory compliance. The Audit Committee reports to the Cabinet on the effectiveness of internal controls within the Council.

The Internal Audit Section is a fully established and independent review function that reports on the adequacy of the whole system of internal control as a contribution towards the proper, economic, efficient and effective use of Council resources. The section operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the UK and complies with the Council's Charter for Internal Audit, including a Code of Ethics, which has been formally adopted by the Audit Committee.

The Council's Risk Management Strategy was introduced in September 2003, and the risk management framework outlined in the strategy is fully in place. The Council has robust systems for identifying and evaluating risk in the decision making and service planning processes. The register of operational and strategic risks is updated annually and appropriate staff have been trained in the assessment, management and monitoring of risk.

During 2004 the Council developed a Project Management Framework that contains a common set of principles and procedures for the successful planning, control and delivery of projects. The framework is based on recognised best practice and will be applied to all Council projects and scrutiny work, where appropriate.

The Council applies the principles of best value to ensure that its services are efficient, effective and economical, and that they are managed to achieve continuous improvement. Each year the Council conducts a number of policy and performance reviews, and from May 2005 the Scrutiny Committee is overseeing the review process to ensure that reviews are effective and carried out in accordance with a standard methodology. Each best value review produces a Service Improvement Plan that is approved by Cabinet.

**4. REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. During 2004/05 the Council has reviewed the effectiveness of its governance arrangements, including its systems of internal control, on an ongoing basis. The following processes have informed this review of effectiveness.

Internal Audit reports regularly to the Audit Committee on all aspects of its plans and activities, and the Head of Audit and Performance provides an annual report on the systems of internal control that includes an opinion on the internal control environment. For 2004/05 the overall standards of internal control are satisfactory. Whilst recommendations were made to improve management controls, there were no instances in which internal control problems created significant risks for the Council.

The introduction of the local Code of Corporate Governance in June 2004 was preceded by a comparison of the Council's regulatory structure with the CIPFA/SOLACE standards. The Head of Audit and Performance concluded that the Council's arrangements were satisfactory and sufficient to form the basis for the new local code.

## STATEMENT ON INTERNAL CONTROL

### 4. REVIEW OF EFFECTIVENESS Contd.

The Council's work on Risk Management includes annual reports to both the Corporate Management Team and the Cabinet on the main risks faced by the Council and the controls that are in place to mitigate those risks. The reports during 2004 noted that most risks are mitigated by the effective operation of controls or other measures. However, there are some risks that are outside the Council's control, including a major incident or disaster, a downturn in the national economy or a major change in government policy or legislation. The Council is putting in place measures to address key risks in the areas of business continuity and emergency planning.

The Council has introduced a system of management assurance in which senior officers have confirmed the proper operation of internal controls including compliance with the Constitution in those services for which they are responsible in 2004/05. These arrangements will be further developed during 2005/06.

The Council is developing a more systematic approach to setting priorities and linking them to the Council's Medium Term Financial Strategy. During 2004/05 it undertook a comprehensive review of services and functions, with consultancy support from the Improvement and Development Agency. Work to strengthen the Council's performance management framework has progressed, aided by the Council's involvement in the national PMMI project.

The Government relies on external auditors and inspectors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The Council has undergone a series of inspections and audits over the last year:

- Comprehensive Performance Assessment (CPA) - The inspection took place in November 2003 and the Council was judged as 'Good' overall, with high level results in financial management, standards of financial conduct and the systems of internal financial control. The inspection included the results of Benefit Fraud Inspection in which the Council was judged 'Fair' overall. The Audit Commission has advised that these assessments remain valid until the next main inspection (2007) unless there is contrary evidence from their interim assessments.
- Review of risk management - The Audit Commission 'health check' in June 2004 noted that the Council had established an integrated approach to risk management with a sound framework that provided a good base for future development. The 'health check' resulted in a schedule of agreed further developments, all of which have been actioned by the due dates
- Benefit Subsidy Claim audit – The Audit Commission's review took place in late 2004. The Council's claim was qualified on the grounds of a technical matter that has since been resolved. The financial implications of the qualification have yet to be confirmed.
- Audit Commission review of the Council's Statement on Internal Control (SIC) – The Audit Commission gave a satisfactory and unqualified opinion on the Council's SIC in June 2004.
- Audit Commission Annual Management Letter - The audit took place over the summer of 2004 and looked at a range of financial and performance information. The letter reported that the Council has appropriate arrangements to maintain its financial standing, and that there are no significant weaknesses in the arrangements for internal financial control, preventing and detecting fraud and ensuring the legality of significant financial transactions.

**4. REVIEW OF EFFECTIVENESS Contd.**

- Audit Commission review of the financial and legal aspects of corporate governance and the Council's core accounting processes – The review took place in March 2005. The Audit Commission concluded that there are arrangements in place to ensure good financial control, the measures to ensure compliance with standards of financial conduct are good, and the Code of Corporate Governance is in line with best practice. There were no adverse issues to report on risk and treasury management or the monitoring of key financial systems. The Internal Audit function is effective and complies with the CIPFA Code of Practice in all respects.

**5. SIGNIFICANT INTERNAL CONTROL ISSUES**

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee.

There are no significant internal control issues to report for the year ended 31 March 2005, but the Council is putting in place measures to further improve the internal control environment.

*John Crawford*  
Chief Executive

*Ann De Vecchi*  
Leader of the Council

*John Magness*  
Director of Finance and  
Community Services

### INDEPENDENT AUDITOR'S REPORT TO LEWES DISTRICT COUNCIL

I have audited the statement of accounts on pages 1 and 6 to 40 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 6 to 10. 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 the Director of Finance and Community Services and Auditor**

As described on page 40 the Director of Finance and Community Services is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as independent auditor, are established by statute, the code of Audit Practice issued by the Audit Commission and my profession's ethical guide.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year. I review whether the statement on internal control on pages 41 to 44 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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, nor have I considered, whether the statement of assurance covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. 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 considered the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

#### **Basis of audit 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 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 statement of accounts 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 the information in the financial statements.

#### **Opinion**

In my opinion the statement of accounts presents fairly the financial position of Lewes District Council as at 31 March 2005 and its income and expenditure for the year then ended.

**INDEPENDENT AUDITOR'S REPORT TO LEWES DISTRICT COUNCIL (Contd)**

**Certificate**

I certify that I have completed 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.

Signature..... Date.....

Darren Wells  
District Auditor and Relationship Manager  
Audit Commission  
16 Southpark  
Sevenoaks  
Kent  
TN13 1AN



## **GLOSSARY OF TERMS**

### **Accruals**

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

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation or
- b) the actuarial assumptions have changed.

### **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.

### **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 Account**

An account 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 of capital receipts from the sales of council houses to be paid over to a national pool.

### **Cash Equivalents**

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

**Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Contingency**

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

**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.

**Current Service Cost (Pensions)**

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

**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 controlled by the authority.

**Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**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 application to company accounts. Some of the standards apply or are adapted for use in the public sector.

**Fixed Asset Restatement Account**

This account shows the surplus which has arisen on the valuation of assets

**Formula Spending Shares**

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.

**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.

## **GLOSSARY OF TERMS**

### **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.

### **Intangible Assets**

Expenditure on assets such as software licences and other licence arrangements which are depreciated over their expected life but do not confer any property interest on the Council.

### **Interest Cost (Pensions)**

For a defined benefit scheme the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **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.

### **Loan Premiums**

Amounts payable where loans are repaid earlier than the originally agreed term. This permits the lender to receive compensation for forgone interest receipts which they would have received on the loan or loans

### **Loan Discounts**

Amounts receivable and in respect of loans redeemed earlier than the originally agreed term, where the lender can now re-lend the money at a higher interest rate.

### **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, Fire Authority, Parish Councils and the Sussex Police Authority.

### **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.

**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.

**Statements of Recommended Practice (SORP)**

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

**Tangible Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.