

Statement of Accounts 2005/06



John Magness CPFA
Director of Finance and Community Services

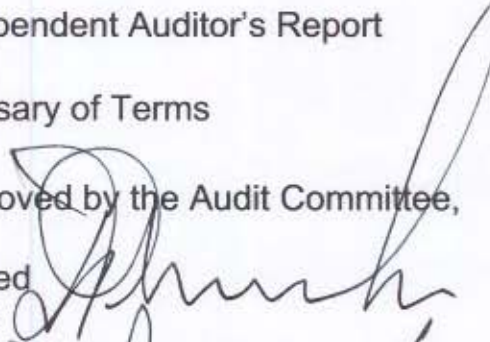
*Prepared by the Financial Services Division
of the Finance and Community Services Department*

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Approved by the Audit Committee,

Signed
Date



28/12 June 2006

Councillor J M Harrison-Hicks, Chair

The purpose of this foreword is to provide a guide to the most significant matters reported in the 2005/2006 accounts under the following headings:

Review of the Financial Year

This gives a brief summary of the Council's financial activity in 2005/2006 and includes an overview of its spending plans for 2006/2007.

Statement of Accounting Policies

This sets out the framework and treatment of figures in the accounts. Our accounts are prepared within a framework of national accounting requirements which enable comparison of local authority accounts on a like for like basis.

Consolidated Revenue Account

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

Housing Revenue Account (HRA)

This statutory 'ring-fenced' account reports for the year on the management of the Council's housing stock. It shows the major elements of housing running costs, maintenance, 'negative' housing subsidy, administration and capital financing costs, and how these are met by rents, service charges, and other income.

Collection Fund

This shows the transactions of the Council in relation to 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

The Balance Sheet shows the Council's balances, reserves, assets and liabilities at the end of the year.

Statement of Total Movement on Reserves

This statement brings together all the recognised gains and losses of the authority during the year 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.

Lewes District Council Statement of Accounts 2005/2006
Review of the Financial Year

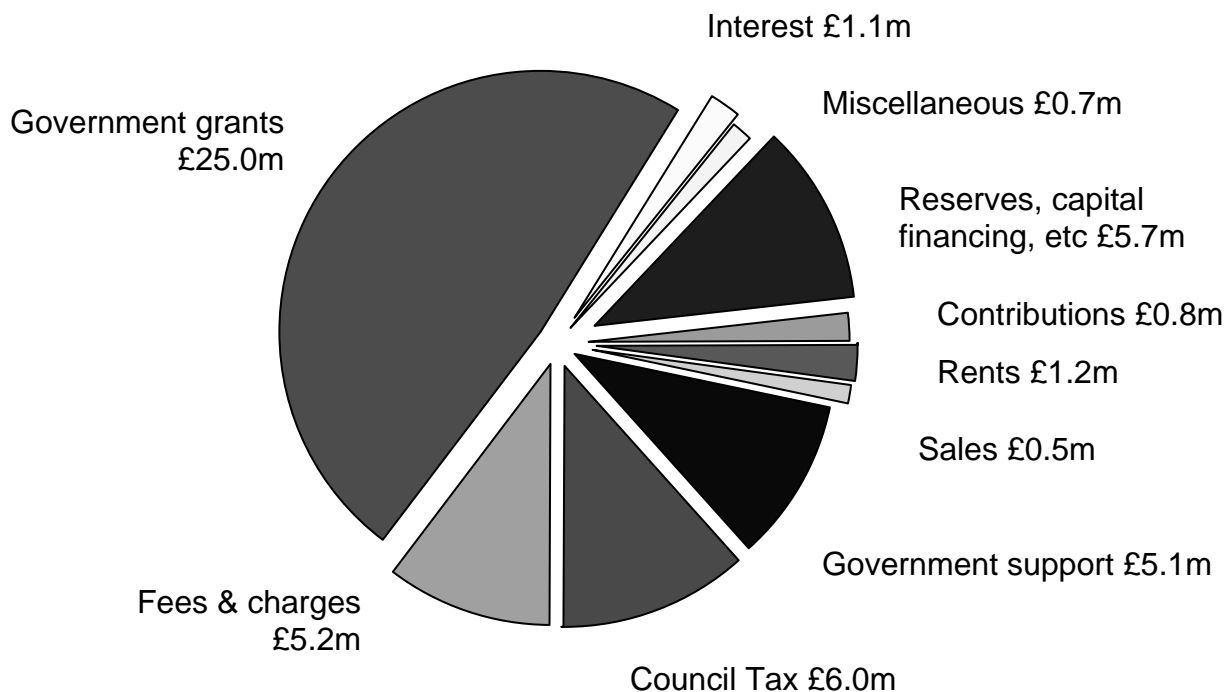
This Section of the Statement of Accounts provides a high level summary of what happened in financial terms during the year. The Council's expenditure is categorised as either revenue or capital. Revenue expenditure represents costs incurred within a year on running the organisation and is financed from the Council Tax, Government Grants and other income such as fees, charges and rents. Capital expenditure is money spent on assets that last for many years and is normally financed over a period of years in the same manner that a private individual pays for the purchase of their home.

The Council's net revenue expenditure was £9.93 million, being £0.79 million less than the level budgeted. This meant that the Council was able to increase its working balances by £1.03 million rather than the £0.24 million as budgeted. The Council's Cabinet has six 'Portfolio' Councillors who are the lead Council spokespeople for specific areas of service activity.

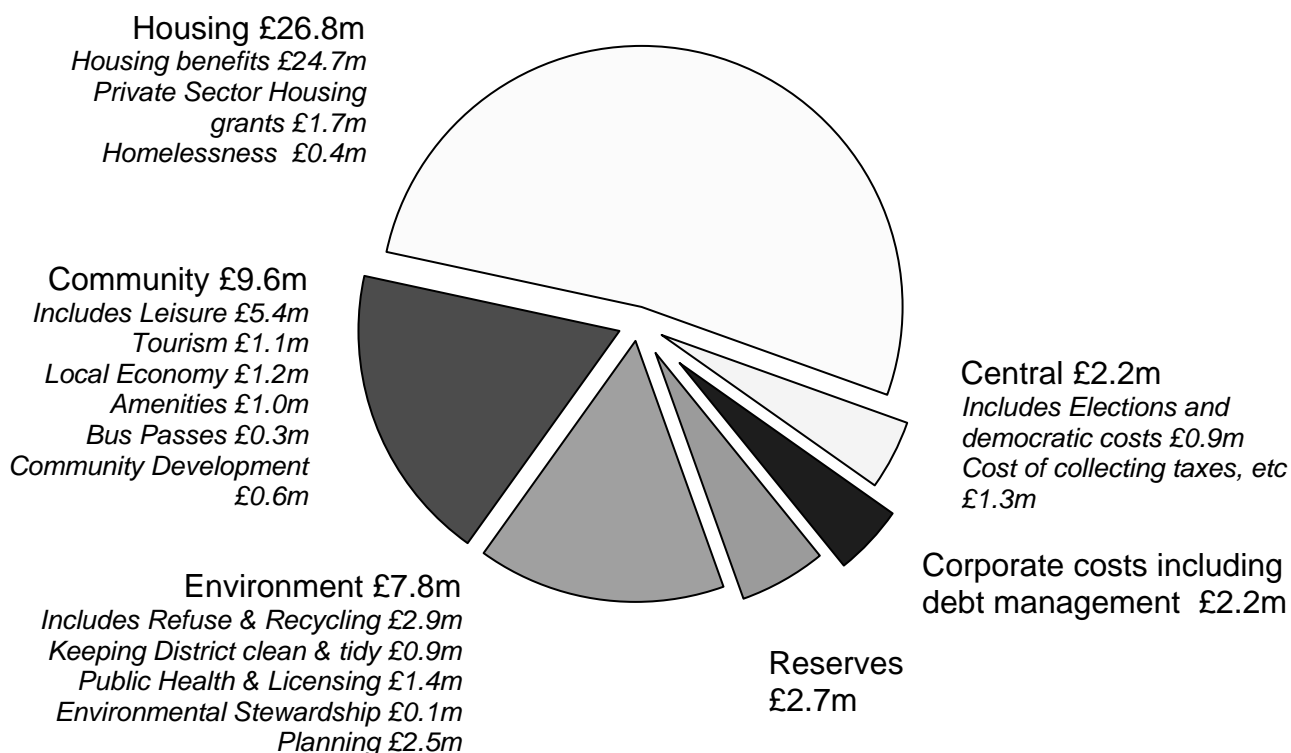
	2005/06		
	Budget £m	Actual £m	Variance £m
Services by Lead Councillor Portfolio			
Leader of the Council	0.84	0.84	0.00
Staff and Corporate Services	0.94	0.75	(0.19)
Environment	3.74	3.61	(0.13)
Planning	0.49	0.40	(0.09)
Housing (General Fund)	0.75	0.60	(0.15)
Housing Revenue Account	0.04	(0.45)	(0.49)
Community	3.70	4.00	0.30
Net Spending on Services by Portfolio	10.50	9.75	(0.75)
Local Authority Business Growth Incentive Grant	0.00	(0.13)	(0.13)
Net contribution to Reserves/Contingency	0.22	0.31	0.09
Total Net Expenditure	10.72	9.93	(0.79)
Less Funding:			
Council Tax	5.97	5.97	0.00
Revenue Support Grant	2.68	2.68	0.00
Contribution from Non-Domestic Rate Pool	2.31	2.31	0.00
Total Funding	10.96	10.96	0.00
Surplus for year	0.24	1.03	0.79
Surplus used to increase:			
HRA Working Balance	(0.04)	0.45	0.49
General Fund Working Balance	0.28	0.28	0.00
Revenue Equalisation and Asset Maintenance Reserve (REAM)	0.00	0.30	0.30
	0.24	1.03	0.79

The charts below show in broad terms where the money came from to pay for General Fund services and gives a breakdown of service spending.

WHERE THE MONEY CAME FROM



WHAT THE MONEY IS SPENT ON



Housing

The Council continues to be a major provider of rented accommodation in the District. The Housing Revenue Account (HRA) for 2005/2006 is set out on page 19 and shows that the working balance was £2.828m at the end of the year, £0.490m more than the budgeted position.

The increase in the working balance arose principally from increased investment interest and income from service charges as well as intended contributions to capital expenditure being deferred until 2006/2007.

Resources

In terms of the financial balances held by the Council, the position remains sound with some £5.784m held in earmarked reserves, and a further £3.589m in capital receipts to support the capital programme, plus modest future capital receipts anticipated from the sale of Council dwellings under the right to buy scheme.

The Council's external loan debt at 31 March 2006, comprising long-term and short-term borrowing and deferred liabilities stood at £14.00m. This is a reduction of £2.35m over the previous year, and was part of the Council's treasury strategy, which included the use of advanced borrowings at competitive interest rates taken up during 2004/2005.

Pensions

Councils are required to show any deficit, or surplus, on the Pension within the balance sheet. The scheme's actuary has assessed the Council's share of the Pension Fund, administered by East Sussex County Council, at 31 March 2006. This valuation highlighted a deficit on the fund of £14.36 million compared to a deficit of £14.65 million at 31 March 2005.

Outlook for 2006/2007 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 local authorities. The message from residents, which was confirmed in focus group meetings held as part of the 2006/2007 budget consultation process, is that the Council should continue to focus on keeping the local area 'clean and green', tackling the nuisance of abandoned vehicles, fly-tipping, and the like.

The Council sets out its spending plans over a three year period, and these continue to be strongly influenced by guidance from the Government that Council Tax rises should be in low single figures and should not exceed 5%. The amount of external support that is received from the Government is an essential element in our spending plans. The Government has changed its grant allocation formula for 2006/2007 and we will receive more than we had been anticipating when the 2005/2006 budget had been set. This increase arose primarily because of a new statutory duty to offer free bus travel within the District to persons over 60 and those with disabilities.

The Council has set a net General Fund budget of £6.3 million for 2006/2007. The Council tax for a Band D property is £166.84 for Lewes District Council services, which represents an increase of 4.34% over 2005/2006. The 2006/2007 budget includes additional budgets of £239,000 for initiatives to maintain a 'clean and tidy environment' and £82,000 for replacement vehicles required for the provision of services such as refuse collection. An additional £535,000 was included for the new statutory duty on concessionary bus travel.

Housing Revenue Account

In 2006/2007 the average projected rent for all Council dwellings is £62.48 per week. This is £3.22 lower 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 six years, the gap between actual average rents and the target will decrease. A range of service charges will also apply, including a General Service Charge which is paid by all tenants. In 2006/2007 this is an average of £2.34 per property per week.

A Business Plan has been prepared outlining the approach that will be taken to the repair and management of the housing stock over the next 30 years and explaining how the associated costs will be paid for. The Government Office for the South East has 'signed off' this Business Plan as acceptable, although it will be kept under review, particularly in the light of an update to the stock condition survey which will be completed in 2006/2007.

Capital Programme

As in 2005/2006, the 'Prudential Framework' which the Government introduced on 1 April 2004, continues. This means that there is no absolute limit on the amount of borrowing which the Council can incur to pay for capital expenditure (which is spending to buy, improve or carry out major repairs to assets). The key is that the capital expenditure plans are required to be both affordable and sustainable in the longer term. The impact of financing the capital programme on the council tax in future years is a key element in assessing affordability – borrowing brings a long term cost in terms of both paying back the loan itself and the interest which is charged.

The overall Capital Programme for 2006/2007 is split into 3 distinct elements.

The total of the *General Fund Capital Programme* will be £1.5m. This includes £0.5m to replace essential vehicles (for example refuse freighters) as they reach the end of their life, and £0.3m for essential repairs to a range of non-housing property assets. 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 £2.6m, of which £2.0m has been funded from the Major Repairs Allowance received from the Government.

The *General Fund Housing Investment Programme*, which consists of Private Sector Housing grants and support for Housing Associations, is funded largely from capital receipts and Government grant, and has a total value of £0.6m.

Value for Money

The Council continues to review its service provision by benchmarking against other councils and private sector providers. Service managers are encouraged to use technology to increase productivity and 'back-office' service managers are expected to explore opportunities for joint working with other councils to reduce transaction costs. Significant increases in energy costs expected from 2006/2007 will be addressed by investment in energy saving projects with a quick payback, a stronger focus on trends in energy consumption and tightened housekeeping measures.

John Magness,
Director of Finance and Community Services
June 2006

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2005/2006 financial year and its position at the year end 31 March 2006. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice 2005 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The financial information within the statements follows the accounting principles of accruals, going concern and primacy of legislative requirements. Information is included with regard to the concepts of relevance, reliability, comparability and general understanding together with a consideration of materiality.

Where it has been necessary to use estimates in order to most closely reflect the economic transactions a prudent basis has been adopted.

ACCRUALS OF INCOME AND EXPENDITURE

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption between financial years, they are carried as stocks on the balance sheet
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment
- Where income and expenditure has been recognised but cash has not been recovered or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

PROVISIONS

Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate revenue account when the Council becomes aware of the obligation. When payments are eventually made, they are charged to the provision set up in the balance sheet.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts from the Consolidated Revenue Account after the Net Operating Expenditure line. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services. The reserve is then appropriated back into the Consolidated Revenue Account so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and pensions, and these do not represent usable resources for the Council.

- **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.

A description of each of the Reserves is included under Note 18 to the Consolidated Balance Sheet.

INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. These Intangible Fixed Assets are then amortised over their expected life to the relevant service revenue account. Typically, these assets relate to computer software licences, which are amortised 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 amortised over the licence period of sixty years.

TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. All expenditure on the acquisition, creation or enhancement of tangible 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.

Assets are valued 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 District Valuer Services of the Valuation Office Agency.

- 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 2005 by District Valuer Services. 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 2010 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, except where it is part of a major scheme e.g. computer equipment.

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 FOR FIXED ASSETS

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.

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.

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 50% in 2005/2006, (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.

INVESTMENTS

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

INTERNAL INTEREST

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

DEBTORS AND CREDITORS

As noted above, the capital and revenue accounts of the Council are maintained on an accruals basis. 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.

LEASES

The Council does not have any finance leases. Operating lease rentals are charged to the relevant service revenue account on a straight-line basis over the term of the lease, which effectively means that rentals are charged when they become payable.

GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and there is reasonable assurance that the monies will be received. Revenue grants are matched in revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Consolidated Revenue Account after Net Operating Expenditure and appropriations to and from reserves.

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.

OVERHEADS AND SUPPORT SERVICES

The Council identifies the cost of providing services to the public and part of this cost relates to overheads and support services. The Council follows CIPFA's Best Value Accounting Code of Practice 2005 when charging the cost of overheads and support services to front line services eg

- 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 £1.17 million in 2005/06 (2004/05 £1.04 million) 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 2005/06 at 16.5% resulting in an increase of 1.50% 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.

VALUE ADDED TAX (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenues and Customs and VAT paid is recoverable from them.

Lewes District Council Statement of Accounts 2005/2006
Consolidated Revenue Account

2004/05 Net Expenditure £'000		2005/06 Gross Expenditure £'000	2005/06 Income £'000	2005/06 Net Expenditure £'000
	Expenditure on Services			
931	Central Services to the Public Cultural, Environmental & Planning	7,562	6,615	947
9,691	Services - Note 1	16,370	5,664	10,706
122	Highways, Roads & Transport Services	1,066	1,065	1
7,481	Housing Services - Note 2	39,041	31,964	7,077
1,036	Corporate & Democratic Core	1,774	601	1,173
19,261	NET COST OF SERVICES	65,813	45,909	19,904
1,807	Precepts paid to Parish Councils			1,989
(229)	Surplus from Trading Operation – Note 3			(233)
(10,014)	Transfer (from) Asset Management Revenue Account - Note 4			(8,739)
376	Contribution of Housing Capital Receipts to Government Pool			598
(1,120)	Interest and Investment Income			(919)
847	Loan Premiums and Discounts - Note 5			804
(261)	Pension Interest Cost & expected return on pension asset - Note 6			76
10,667	NET OPERATING EXPENDITURE APPROPRIATIONS			13,480
1,041	Surplus transferred to HRA balances			449
978	Transfer to/(from) earmarked reserves			(259)
(376)	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts			(598)
339	Capital Expenditure financed from revenue			871
(1,515)	Provision for the repayment of external loans - Note 7			(1,617)
963	Deferred Government Grants			574
225	Transfer to/(from) Pension Reserve			(95)
	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND			
12,322	LOCAL TAXATION SOURCES OF FINANCE			12,805
0	Local Authority Business Growth Incentive Scheme Grant			(128)
(2,296)	Revenue Support Grant			(2,310)
(2,537)	Contribution from Non-Domestic Rate Pool			(2,683)
(7,493)	Precept demanded from Collection Fund			(7,909)
0	Contribution from Collection Fund in respect of previous surplus			(55)
(4)	NET GENERAL FUND SURPLUS			(280)
£'000	General Fund Balance			£'000
(1,551)	Balance brought forward 1 April			(1,555)
(4)	Surplus for the year			(280)
(1,555)	Balance carried forward 31 March			(1,835)

NOTE 1. CHARITY ACCOUNTS

Included in the Council's revenue account are the grants payable to the Stanley Turner Recreation Ground Trust and Mountfield Pleasure Ground Trust. Both are charities for which the Council's members are trustees. The 2005/06 grants are shown below:-

2004/05		2005/06		
Grant		Expenditure	Income	Grant
£'000		£'000	£'000	£'000
50	Stanley Turner Recreation Ground Charity	44	2	42
37	Mountfield Pleasure Ground Trust Charity	72	27	45

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:-

2004/05		2005/06		
Net		Gross		Net
Expenditure		Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
7,264	Housing Revenue Account	17,823	11,899	5,924
1,063	General Fund Housing	21,218	20,065	1,153
<u>8,327</u>	<u>Total Housing</u>	<u>39,041</u>	<u>31,964</u>	<u>7,077</u>

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 £566,000 (2004/05 £551,000). 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 £233,000 being made in 2005/06, (2004/05 £229,000) which was credited in total to the General Fund.

NOTE 4. ASSET MANAGEMENT REVENUE ACCOUNT

The following statement shows the transactions on the asset management revenue account during the 2005/06 financial year.

2004/05		2005/06
£'000	INCOME	£'000
	Capital Charges	
(3,115)	General Fund	(3,284)
(10,760)	Housing Revenue Account	(10,030) (13,314)
(963)	Release of Grants and Contributions	(574)
	EXPENDITURE	
4,111	Provision for Depreciation	4,525
713	External Interest Charges	624
(10,014)		(8,739)
	Net Surplus to	
2,000	- General Fund Consolidated Revenue Account	7,059
8,014	- Housing Revenue Account	1,680
0		0

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 2005/06 over a timescale prescribed by statute.

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:

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Revenue Account

	2004/05 £'000	2005/06 £'000
Net Cost of services		
- Current service cost	(1,447)	(1,614)
- past service cost	0	0
Net operating expenditure		
- interest cost	(2,574)	(3,144)
- expected return on assets in the scheme	2,835	3,068
Amount to be met from Government Grant and Local Taxation		
- movement on pensions reserve	(225)	95
Actual amount charged against Council Tax for pensions in the year (employer's contributions payable to scheme)	<u>(1,411)</u>	<u>(1,595)</u>

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 2005/06 the rate was 16.5% compared with 15.0% in 2004/05.

NOTE 7. PROVISION FOR THE REPAYMENT OF EXTERNAL LOANS

This includes the Minimum Revenue Provision (MRP) for the repayment of debt which the Council is required to make, and which can then be supplemented by a Voluntary Revenue Provision (VRP). The method of calculating the MRP is defined by statute.

2004/05 £'000	2005/06 £'000
Statutory Minimum Housing Provision	
34 Non - Housing - 4% of Capital Financing Requirement	51
Voluntary Revenue Provision	
0 Non - Housing	108

The VRP for 2005/06 includes £31,000 in respect of unsupported borrowing utilised in 2004/05. The VRP relates to unsupported borrowing in respect of refuse freighters and other vehicles.

NOTE 8. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted 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 2005/06 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 2005/06 amounted to £108,000 (2004/05 £126,000). The majority of this expenditure relates to the Council's recruitment advertising.

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 2005/06 was £163,560 (2004/05 £237,000)

The future cash payment required under these leases are all due within the next five years.

	<u>2006/2007</u>	<u>2008/2011</u>
	£	£
Motor Cars	130,266	170,466
Commercial Vehicles	82,140	40,188
Leisure Equipment	<u>19,718</u>	<u>13,504</u>
	<u>232,124</u>	<u>224,158</u>

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 2005/06.

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Revenue Account

	Chargeable 2005/2006 £	Non- Chargeable 2005/2006 £	Total Building Control 2005/06 £
Expenditure			
Employee Expenses	131,554	78,103	209,657
Transport	12,454	1,384	13,838
Supplies and Services	44,386	17,105	61,491
Central and Support Services	60,234	23,058	83,292
TOTAL EXPENDITURE	248,628	119,650	368,278
Income			
Building Regulation Charges	274,721	0	274,721
Miscellaneous Income	0	594	594
TOTAL INCOME	274,721	594	275,315
Surplus/(Deficit) for year	26,093	(119,056)	(92,963)
Comparatives for 2004/2005			
Expenditure	306,559	46,978	353,537
Income	322,343	427	322,770
Surplus/(Deficit) for the year	15,784	(46,551)	(30,767)

For the 4 year period ending the 31 March 2006 the Building Control Charging Account achieved a surplus of £146,000.

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 £66,000 in 2005/06 (2004/05 £67,000). During the 2005/06 financial year the Council also incurred expenditure of £8,000 and £51,000 and £70,000 respectively on facilitating Town and Parish, District and Parliamentary elections, the costs of which were fully reimbursed.

NOTE 13. COUNCILLORS' ALLOWANCES

The total paid to Councillors under The Local Authorities (Members Allowances) Regulations 2003 in 2005/06 amounted to £124,387 (2004/05 £142,000).

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.

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Revenue Account

2004/05		2005/06
Number of Employees	Salary	Number of Employees
2	£50,000 - £59,999	1
2	£60,000 - £69,999	4
2	£70,000 - £79,999	1
0	£80,000 - £89,999	1
1	£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 2005/06 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 2005/06.

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 2005/06.

NOTE 16. AUDIT COSTS

In 2005/2006 the Council incurred the following fees relating to external audit and inspection.

2004/05		2005/06
£'000		£'000
75	External Audit Services carried out by the appointed auditor	79
8	Statutory Inspection under Section 10 of Local Government Act 1999	4
42	Certification of grant claims and returns	20
9	Fees payable in respect of any other services	0
134	Total audit fees	103

Lewes District Council Statement of Accounts 2005/2006
Housing Revenue Account

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

2004/05 £'000		2005/06 £'000	2005/06 £'000
	INCOME		
9,868	Dwelling rents (gross)	10,245	
325	Non-dwelling rents (gross)	340	
743	Charges for services and facilities	850	
415	Contributions towards expenditure	365	
93	Community amenities contribution	99	
11,444	TOTAL INCOME		11,899
	EXPENDITURE		
2,261	Repairs and Maintenance	2,885	
2,511	Supervision and Management	2,895	
193	Rents, Rates, Taxes and other charges	138	
1,474	Housing Revenue Account Subsidy Payable (Note 3)	1,280	
32	Increase in provision for doubtful debts	17	
8,398	Cost of capital charge (Note 8)	7,480	
	Depreciation of fixed assets (Note 6)		
2,168	- Dwellings	2,224	
194	- Non-Dwellings	327	
40	Debt Management Expenses	33	
52	Supporting People Transitional Protection	47	
	Transfers to the General Fund		
127	- Rent Rebates Transitional Protection	64	
281	- Rent Rebates Subsidy Limitation	433	
17,731	TOTAL EXPENDITURE		17,823
6,287	NET COST OF SERVICES		5,924
	Income from Asset Management		
(8,014)	- Revenue Account (Note 9)	(7,059)	
800	- Amortised Premiums & Discounts	804	
	Investment Income		
(7)	- Mortgage Interest	(4)	
3	- Interest on cash balances	(78)	(6,337)
(931)	NET OPERATING INCOME		(413)
130	Revenue Contribution to Capital Expenditure (Note 12)	307	
(46)	Pension Reserve Contributions (Note 14)	(16)	
(194)	Transfer from Major Repairs Reserve	(327)	(36)
(1,041)	DEFICIT/(SURPLUS) FOR THE YEAR		(449)
(1,338)	BALANCE AT START OF THE YEAR		(2,379)
(2,379)	BALANCE AT END OF THE YEAR		(2,828)

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 NUMBERS

31 March 2005			31 March 2006	
		<u>Houses and Bungalows</u>		
220		- one bedroom	218	
670		- two bedrooms	664	
927		- three bedrooms	919	
63		- four bedrooms	64	
4		- five bedrooms	4	
	1,884			1,869
		<u>Flats</u>		
133		- Bedsits	133	
718		- one bedroom	714	
533		- two bedrooms	530	
49		- three bedrooms	49	
4	1,437	- four bedrooms	4	1,430
	<u>3,321</u>			<u>3,299</u>

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:

2004/05		2005/06
£'000		£'000
2,168	Major Repairs Allowance	2,224
4,117	Management and Maintenance Allowance	4,399
1	Anti-Social Behaviour Allowance	0
1,458	Capital Charges Allowances	1,501
16	Admissable Allowance	11
(10)	Rent Rebate costs	0
7	Other Expenditure	0
<u>7,757</u>		<u>8,135</u>
(9,221)	Less: Assumed rent income	(9,408)
(10)	Other income	(7)
<u>(1,474)</u>	Total Subsidy Payable to Secretary of State	<u>(1,280)</u>

NOTE 4. ASSET VALUATION

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

	31 March 2005 £'000	31 March 2006 £'000
Operational assets		
- Dwellings	250,964	204,872
- Garages	1,103	3,876
- Other	974	1,130
Community assets	6	6
Infrastructure assets	1,536	1,492
Non-operational assets	1,156	1,164
Intangible assets	10	30
	<u>255,749</u>	<u>212,570</u>

The change in the valuations arose following the full five yearly valuation 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 28).

NOTE 5. VACANT POSSESSION VALUE OF DWELLINGS

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2005 was £455.2m as valued by District Valuer Services, compared with a value of £204.8m for its existing use as social housing. The difference of £250.4m represents the cost to the government of providing housing at less than open market rents. The reduction applied to the April 2005 Valuation to reflect use as Social Housing is 45%. The April 2000 Valuation factor was 54%.

NOTE 6. DEPRECIATION

Depreciation of the housing stock (£2,224,098) 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 (£326,741) has also been included in respect of non-dwelling assets.

NOTE 7. MAJOR REPAIRS RESERVE

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

	£'000
Balance at 1 April 2005	(715)
Depreciation	
- Housing Stock	(2,224)
- Other HRA Assets	(327)
Financing of Capital Expenditure	2,311
Transfer to HRA	327
Balance at 31 March 2006	<u>(628)</u>

NOTE 8. COST OF CAPITAL

In accordance with the principles of resource accounting, a charge representing the cost of capital tied up in housing assets is included in the HRA's Net Cost of Services. It is calculated by applying a specified notional rate of interest (3.5% Operational & Non-Operational Assets and 4.95% Infrastructure and Community Assets) to the value of the HRA assets at the beginning of the accounting period.

NOTE 9. INCOME FROM ASSET MANAGEMENT REVENUE ACCOUNT

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

NOTE 10. FUNDING OF CAPITAL EXPENDITURE

In 2005/06 capital expenditure on HRA services totalled £3.470 million funded as follows

	2004/05	2005/06
	£'000	£'000
Expenditure:		
Houses	3,152	3,178
Other Property	283	292
Capital Creditors	400	0
	<u>3,835</u>	<u>3,470</u>
Funding:		
Borrowing	764	807
Usable Capital Receipts	817	0
Revenue Contribution	130	307
Major Repairs Reserve	2,032	2,311
Leaseholder Contributions	125	7
Other Contributors	(33)	38
	<u>3,835</u>	<u>3,470</u>

NOTE 11. CAPITAL RECEIPTS

Receipts from sales of HRA assets in 2005/06 are summarised below

	2004/05	2005/06
	£'000	£'000
Sale of Housing Land	55	53
Sale of Council Houses (Right to Buy)	1,953	1,600
Repayment of HRA mortgages	27	14
Repayment of RTB discount	51	0
	<u>2,086</u>	<u>1,667</u>

NOTE 12. REVENUE CONTRIBUTION TO CAPITAL EXPENDITURE

The financial framework for the Housing Revenue Account does not impose any direct limit on the extent of direct funding of the capital programme from revenue monies. In 2005/06 Lewes augmented its capital spending by making a direct revenue contribution of £307,226.

NOTE 13. 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.

	£'000
Rent Rebates Subsidy Limitation	433
Rent Rebates Transitional Protection	64
	<u>497</u>

NOTE 14. 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.

NOTE 15. RENT ARREARS

Rent arrears at 31 March were:

	2005	2006
	£	£
Dwellings - Current Tenants	176,217	160,946
Dwellings - Former Tenants	74,115	74,429
Garages - Current Tenants	1,973	1,459
Garages - Former Tenants	2,493	2,082
	<u>254,798</u>	<u>238,916</u>

Write-offs in 2005/06 amounted to £21,440 compared to £30,273 in 2004/05.

NOTE 16. 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 reduced from £176,739 to £166,400. The balance sheet also contains a provision of £36,800 to offset other potential HRA debts.

Lewes District Council Statement of Accounts 2005/2006
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.

2004/05		2005/06	
£'000	INCOME	£'000	£'000
	Council Tax (Note 2)		
42,939	- Income from Council Tax	44,770	
5,092	- Council Tax Benefit	5,546	
48,031			50,316
15,122	Income in respect of Non-Domestic Rates (Note 1)		16,281
63,153	Total Income for the Year		66,597
	EXPENDITURE		
47,723	Precepts and Demands (Note 3)		49,972
	Non-Domestic Rates		
15,003	- Payment to National Pool	16,160	
118	- Cost of Collection Allowance	121	
15,121	Sub Total		16,281
145	Provision for uncollectible amounts		(64)
0	Contribution towards previous year's estimated surplus		350
62,989	Total Expenditure for the Year		66,539
(164)	Surplus for the Year		(58)
(462)	Balance at start of the year		(626)
(626)	Balance at end of the year		(684)

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 2006 amounted to £51.1 million and the rate in the £ applied for 2005/06 was 42.2 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	3,054	2,035
Band B Properties	7/9	4,806	3,738
Band C Properties	8/9	11,296	10,041
Band D Properties	9/9	8,248	8,248
Band E Properties	11/9	4,884	5,969
Band F Properties	13/9	2,653	3,833
Band G Properties	15/9	2,012	3,353
Band H Properties	18/9	185	370
Total		<u>37,138</u>	<u>37,587</u>

NOTE 3 – Precepts and Demands

In addition to Lewes District Council's demand of £7.909 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 £35.503 million, £4.082 million and £2.478 million respectively.

NOTE 4 – Collection Fund Balance

The balance on the Collection Fund at 31 March 2006 amounted to £0.684 million, made up wholly of surpluses relating to Council Tax. This surplus will be effectively returned to taxpayers in future years (£0.358 million already agreed for 2006/07) by reducing the council tax amounts which the precepting authorities would otherwise have demanded. In 2005/06 £0.35 million of the surplus built up in previous years was returned to taxpayers in this way.

Lewes District Council Statement of Accounts 2005/2006
Consolidated Balance Sheet

	Notes	31 Mar '05 £'000	31 Mar '06 £'000
FIXED ASSETS			
INTANGIBLE FIXED ASSETS	3	5,028	5,297
TANGIBLE FIXED ASSETS	2		
Operational Assets	1		
- Council Dwellings		253,041	217,805
- Other land and Buildings		20,393	19,454
- Vehicles Plant and Equipment		1,797	2,770
- Infrastructure		2,954	2,774
- Community Assets		1,583	1,463
Non-Operational Assets			
- Investment Properties		14,287	13,537
TOTAL TANGIBLE FIXED ASSETS		294,055	257,803
TOTAL FIXED ASSETS		299,083	263,100
Long Term Investments	5	21	21
Long Term Debtors	6	192	175
TOTAL LONG TERM ASSETS		213	196
CURRENT ASSETS			
Cash In Hand		0	263
Stocks and Work in Progress	7	61	65
Debtors	8	5,305	5,384
Investments	5	16,500	15,000
TOTAL CURRENT ASSETS		21,866	20,712
CURRENT LIABILITIES			
Short Term Loans	10	2,350	3,000
Creditors	9	5,449	6,139
Cash Overdrawn		538	0
TOTAL CURRENT LIABILITIES		8,337	9,139
NET CURRENT ASSETS		13,529	11,573
TOTAL ASSETS LESS CURRENT LIABILITIES		312,825	274,869
Less: Long Term Borrowing	10	14,000	11,000
Defined Pension Scheme Liability	13	14,647	14,361
TOTAL ASSETS LESS LIABILITIES		284,178	249,508
FINANCED BY:			
Fixed Asset Restatement Account	14	231,559	193,893
Capital Financing Account	15	49,172	49,428
Government Grants and Contributions Deferred	11	7,079	7,329
Deferred Loan Discounts	4	5	0
Deferred Loan Premiums	4	(2,938)	(2,130)
Deferred Capital Receipts	12	77	63
Usable Capital Receipts Reserve	16	2,864	3,589
Development Contributions	17	608	566
Earmarked Reserves	18	5,124	5,156
Major Repairs Reserve	18	715	628
Pension Reserve		(14,647)	(14,361)
Revenue Balances - General Fund	Page 12	1,555	1,835
- Housing Revenue	Page 19	2,379	2,828
- Collection Fund	Page 25	626	684
TOTAL NET WORTH		284,178	249,508

NOTE 1. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital Spending in 2005/2006

The Council's capital spending in the year was £6.208 million compared with a forecast of £8.528 million. Approximately 21% of the programme has been funded by borrowing, generating charges to be met from future revenue spending, 11% from the proceeds of asset sales and the remaining 68% was met from other sources, mainly capital grants and contributions, followed by revenue contributions. Details are shown in the table overleaf.

The Council is required to calculate its 'Capital Financing Requirement' (CFR) on an annual basis. The CFR represents the amount of capital expenditure that the Council has incurred to date, and which has not been paid for from revenue, reserves, capital receipts, etc ie it is the amount of capital expenditure on which loans can be considered to be outstanding. At 31 March 2005/06, the CFR is calculated as follows:

	General Fund £'000	Housing Revenue Account £'000	Total £'000
CFR at 1 April 2005	2,241	9,072	11,313
Capital Expenditure in 2005/06	2,768	3,440	6,208
Less financed by:			
- Capital receipts	(670)	0	(670)
- Capital grants	(848)	0	(848)
- Reserves	(433)	(2,311)	(2,744)
- Revenue contributions	(68)	(277)	(345)
- Contributions	(221)	(45)	(266)
In year expenditure supported by borrowing	528	807	1,335
Minimum Revenue Provision for debt repayment	(51)	0	(51)
Voluntary Revenue Provision for debt repayment	(108)	0	(108)
CFR at 31 March 2006	2,610	9,879	12,489

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Balance Sheet

Major capital assets acquired and other items of expenditure for capital purposes during 2005/06 are set out below.

	£'000	£'000
Housing - Own Stock		
Modernisation, Conversion & Enhancements	2,527	
Adaptations to Provide Additional Rooms	46	
Adaptations for Disabled Tenants	510	
Environmental Improvements	91	
Play Areas and Other Works	281	
Saffron Housing Management System	15	3,470
Housing - Private Sector		
Housing Association Projects	415	
Homelessness Initiatives	4	
Renovation Grants	31	
Private Sector Energy Works	102	552
Community Leisure		
Lewes Leisure Centre	27	
Seaford Head Swimming Pool	20	
Downs Leisure Centre	6	
Southover Grange Gardens Improvements	30	83
Wave Leisure Trust Computer Equipment		83
Leisure and Community Services		
Drove Road Landscaping & Informal Area	32	
Malling Skateboard Park	139	
Newhaven Football Clubhouse	44	
Convent Field Bowling Green	45	
Railway Land 'Heart of Reeds' Project	65	
Stanley Turner Ground Improvements	58	
Seaford Martello Tower	18	
Lewes Play Areas	17	
Seaford Play Areas and Landscaping	50	
Lewes Cemetery	26	494
Crime and Disorder Reduction Partnership Project		30
Environmental Services		
Waste Performance and Efficiency	16	
Contaminated Land	2	18
Planning Services		
Coastal Defence Works	9	
Denton Island, Newhaven Reclamation	6	
Disability Discrimination Act Works	38	
Heritage Economic Regeneration Scheme	17	
Newhaven Fort and Castle Hill	36	106
Public Conveniences Refurbishment Programme		43
Corporate Services		
Computer and I.T. Replacement Programme	108	
Electronic Service Delivery	384	
Lewes House Site Redevelopment	14	
Public Offices and Other Buildings & Land	173	679
Other Services		
Repairs to Flint Walls	14	
Vehicles	636	650
Total Services		6,208

Financing of Capital Expenditure			
	Housing £'000	Non Housing £'000	Total £'000
Expenditure			
Fixed Assets	3,474	1,599	5,073
Intangible Assets	0	540	540
Deferred Charges	548	47	595
	4,022	2,186	6,208
Financed By:			
Government Supported Borrowing	807	74	881
LDC Supported Borrowing	0	454	454
Capital Receipts	340	330	670
Major Repairs Allowance	2,311	0	2,311
Revenue Financing	307	563	870
Capital Grants and Contributions	257	765	1,022
	4,022	2,186	6,208

NOTE 2. TANGIBLE FIXED ASSETS

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- Structure Assets £'000	Comm- unity Assets £'000	TOTAL £'000
GBV at 1 April '05	261,173	36,020	3,644	10,059	1,583	312,479
Revaluation/Restatement	(42,375)	(309)	367	0	0	(42,317)
Additions	3,133	683	1,129	67	61	5,073
Disposal of Assets	(1,722)	(2,300)	(234)	0	(181)	(4,437)
GBV at 31 March '06	220,209	34,094	4,906	10,126	1,463	270,798
Depreciation:						
Balance at 1 April '05	8,132	1,340	1,847	7,105	0	18,424
Charge for Year	2,436	552	423	247	0	3,658
Disposals & Revaluations	(8,164)	(717)	(206)	0	0	(9,087)
Asset Restatements	0	(72)	72	0	0	0
Balance at 31 March '06	2,404	1,103	2,136	7,352	0	12,995
Net Book Value as at 31 March 2006	217,805	32,991	2,770	2,774	1,463	257,803
HRA	216,807	1,720	594	1,492	6	220,619
General Fund	998	31,271	2,176	1,282	1,457	37,184
	217,805	32,991	2,770	2,774	1,463	257,803
GBV = Gross Book Value						

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Balance Sheet

Depreciation has been calculated on the following basis:

- Land: no depreciation
- Buildings: asset lives determined as part of independent valuation exercise
- Play area equipment: 12 years' asset life
- Housing: Major Repairs Allowance used as proxy for calculated depreciation
- Coast Defences: 20 years' asset life
- Heavy vehicles eg refuse freighters: 10 years' asset life
- Other vehicles: within range of 5 to 7 years' asset life

Information on assets held

Fixed assets owned by the Council include the following:

	Number as at 31 March 2005	Number as at 31 March 2006
Council Dwellings - HRA	3,321	3,299
Council Dwellings - General Fund	5	5
Shared Ownership Dwellings	10	10
Private Sector Leasehold Dwellings	35	46
Council Garages	775	751
Civic Offices	6	6
Depots	2	2
Car Parks	39	39
Golf Course	1	0
Downs Leisure Centre & Seahaven Pool	2	2
Parks and Gardens	2	1
Recreation Grounds	18	16
Public Halls	1	1
Cemeteries	2	2
Industrial Units	97	97
Vehicles		
- Owned by LDC	59	62
- Leased by LDC	15	12
Community Recycling Centre	1	1
Cars		
- Leased by LDC	49	49

FIXED ASSET VALUATION

The General Fund and Housing Revenue Account fixed assets were valued by District Valuer services (an executive agency of the Inland Revenue). The fixed assets valuation date for the General Fund was 1 April 2004 and for the Housing Revenue Account 1 April 2005. The Housing Revenue Account fixed assets are subject to an annual desktop revaluation review at 1 April each year. The next full fixed assets valuation for the General Fund is 1 April 2009 and for the Housing Revenue Account 1 April 2010. The valuations are required for resource accounting and implementing the Government's guidance on stock valuation.

Basis of Valuation

The valuations have been made in accordance with the RICS Appraisal and Valuation Standards 5th Edition as published by the Royal Institution of Chartered Surveyors, so far as these are consistent with the agreed requirements. Agreed departures are detailed below.

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 a discretionary responsibility, an Existing Use Value (EUV) has been provided, except in the case of operational housing stock where Existing Use Value for Social Housing is appropriate (EUV-SH). EUV normally assumes that vacant possession is provided of all parts of the property occupied by the business. EUV-SH assumes the property is let for its existing use as social housing.

EUV-SH valuations are arrived at by means of a 'beacon' approach. The beacons are valuate to EUV on the additional assumptions that there is no potential residential redevelopment of the site or intensification of use. The values are then adjusted by a regional adjustment factor, in this case 45% to arrive at EUV-SH to reflect the fact that sitting tenants enjoy rents lower than open market rents and tenants' rights including Right to Buy.

In the case of operational specialised properties, that is, those properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, it's configuration, size, location or otherwise, the valuation approach used is depreciated replacement cost (DRC). The DRC approach requires an estimate of the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In accordance with Appendix 1.5 of the RICS Appraisal and Valuation Standards 5th Edition the DRC approach no longer has the status of valuation basis but is still used, when appropriate, as a method. Such valuations have been made having regard to the prospect and viability of the continuance of the occupancy and use. No properties in the Housing portfolio have been valued on this basis.

Where the DRC approach has been used, a Market Value figure, which includes potential alternative uses, has only been provided where appropriate.

Additionally, an estimate of the Remaining Life of the property has been provided for all non-housing property that is operational, unless it comprises bare land not subject to depletion.

The following are agreed departures from the RICS Appraisal and Valuation Standards 5th Edition.

Additional Market Value valuations for operational assets

Existing Standard

Whenever a valuer reports a value on a DRC approach, EUV or EUV-SH basis, in addition, wherever possible, the report must state the Market Value of the property.

FRS 15 requires where the Market Value is materially different from EUV, EUV-SH or the DRC approach, the Market Value and reasons for the difference should be disclosed.

Departure

Unless specifically required, Market Value properties affected by the above are not required.

Reasons for Departure

The beacon approach has been adopted for the majority of the properties in the Housing Revenue Account. This valuation approach is not site specific as it applies the beacon values to similar properties to provide a total value of the HRA operational

assets. An alternative use value for these properties that form the bulk of the assets in the HRA is of little value.

Existing Use Value

Existing Standard

The definition of existing use value assumes that vacant possession will be provided on completion of the sale of all those parts of the property occupied by the business.

Departure

Properties classes as operational and subject to leases have been valued subject to the terms of the lease.

Reasons for Departure

The property although leased is carrying out the function of the business. The legal obligations under the lease are recognised in the valuation.

Plant and Machinery

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 but all items of loose furnishings and fittings, for example desks, computers, curtains and the like, are excluded.

Infrastructure

The benefit of all the infrastructure assets are reflected in the valuations

Lewes and Peacehaven Leisure Centres

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.

Exclusions

Building and soil surveys have not been carried out, nor have mining subsidence reports been commissioned.

Parts of the property which are covered, unexposed or inaccessible have not been inspected.

Service installations have not been tested.

No investigation has been carried out to determine the presence of contamination, deleterious or hazardous materials at any of the properties.

No access audit has been undertaken

Assumptions

The valuations are made on the following assumptions:

That no high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated.

That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Balance Sheet

That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.

That inspection of those parts which have not been inspected would not cause me to alter my opinion of value.

That the land and properties are not contaminated, nor adversely affected by radon.

That no allowances have been made for any rights obligations or liabilities arising from the Defective Premises Act 1972.

Taxation

No allowance has been made for notional taxation.

VAT is not included in the valuations, except where the DRC approach of valuation has been used, when non-recoverable VAT, as appropriate, has been included.

NOTE 3. INTANGIBLE FIXED ASSETS

	Software Licences	Leisure Centres	Wave Leisure Trust	Sea Defences	Other Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
GBV at 1 April '05	639	4,426	0	110	115	5,290
Additions	401	48	61	0	31	541
GBV at 31 March '06	1,040	4,474	61	110	146	5,831
Amortisation:						
Balance at 1 April '05	47	93	0	8	115	263
Charge for Year	104	113	15	8	31	271
Balance at 31 March '06	151	206	15	16	146	534
Net Book Value as at 31 March 2006	889	4,268	46	94	0	5,297
HRA	24	0	0	0	0	24
General Fund	865	4,268	46	94	0	5,273
	889	4,268	46	94	0	5,297

GBV = Gross Book Value

NOTE 3A. DEFERRED CHARGES

	Private Sector Housing Grant	Private Sector Energy Grant	Conservation Schemes	Crime and Disorder Schemes	TOTAL £'000
	£'000	£'000	£'000	£'000	£'000
GBV at 1 April '05	393	91	17	0	501
Additions	446	102	17	30	595
GBV at 31 March '06	839	193	34	30	1,096
Amortisation:					
Balance at 1 April '05	393	91	17	0	501
Charge for Year	446	102	17	30	595
Balance at 31 March '06	839	193	34	30	1,096
Net Book Value					
As at 31 March 2006	0	0	0	0	
GBV – Gross Book Value					

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.

NOTE 5. INVESTMENTS

The investments in the accounts are at cost, being less than the market value at 31 March.

	Long Term £'000	Short Term £'000
Banks and Building Societies	0	15,000
ADC Debenture Stock 1996/2011	21	0
Balance at 31 March 2006	21	15,000

NOTE 6. LONG TERM DEBTORS

These are debtors which fall due after a period of at least one year.

	31 March	
	2005 £'000	2006 £'000
Mortgages	118	102
Loans to Individuals	74	73
Total	192	175

NOTE 7. STOCKS AND WORKS IN PROGRESS

	31 March	
	2005 £'000	2006 £'000
Community Leisure - Catering Stocks	6	5
Tourist Information Centres	16	13
Newhaven Fort	9	8
Waste & Recycling Centre	30	39
Total	61	65

NOTE 8. DEBTORS

	31 March	
	2005 £'000	2006 £'000
Government Departments	1,184	1,535
H.M. Customs	359	450
Other Local Authorities	371	457
Council Taxpayers	1,316	1,233
Non-Domestic Ratepayers	733	283
Housing Rents	259	249
Sundry Debtors	2,330	1,952
	<u>6,552</u>	<u>6,159</u>
Less Provision for Doubtful Debts	(1,247)	(775)
Total	5,305	5,384

NOTE 9 CREDITORS

	31 March	
	2005 £'000	2006 £'000
Government Departments	816	551
HM Revenues and Customs	329	296
Other Local Authorities	421	388
Council Taxpayers	693	702
Non-Domestic Ratepayers	77	207
Housing Rents	126	118
Sundry Creditors	2,987	3,877
Total	5,449	6,139

NOTE 10. SHORT TERM AND LONG TERM BORROWING

	31 March 2005 £'000	31 March 2006 £'000
Source of Loan		
Public Works Loan Board	11,000	9,000
Banks	5,350	5,000
Total	16,350	14,000
Analysis of Loans by Maturity		
	31 March 2005 £'000	31 March 2006 £'000
Within		
1 Year	2,350	3,000
1- 2 Years	3,000	3,000
2- 5 Years	3,000	0
5- 10 Years	5,000	5,000
10+ Years	3,000	3,000
Total	16,350	14,000

NOTE 11. GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

	Balance at 1 April 2005 £'000	Additions £'000	Revenue Accounts £'000	Balance at 31 March 2006 £'000
Coast Protection	977	0	(104)	873
Kerbside Recycling	403	0	(181)	222
Electronic Service Delivery	375	249	(70)	554
I.T. Systems Development	215	19	(31)	203
Leisure and Recreation	1,844	405	(59)	2,190
Council Dwellings	0	45	(21)	24
Derelict Land	37	0	0	37
Newhaven Town Centre	125	0	(1)	124
Newhaven Fort	1,729	36	(54)	1,711
Denton Island	1,089	6	0	1,095
Other Properties	285	64	(53)	296
Total	7,079	824	(574)	7,329

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 2005	77
Receipts Applied in Year	(14)
Closing Balance at 31 March 2006	<u>63</u>

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 2006 are as follows:

	31 March 2005 £'000	31 March 2006 £'000
Estimated assets in Scheme	43,526	54,310
Less:		
Present Value of Scheme Liabilities	(56,775)	(67,341)
Present Value of Unfunded Liabilities	(1,398)	(1,330)
Net Pension Asset/(Liability)	<u>(14,647)</u>	<u>(14,361)</u>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £14.36m 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 2005 % per annum	31 March 2006 % per annum
Price increases	2.9	3.1
Salary increases (based on 1.5% real)	4.4	4.6
Pension increases	2.9	3.1
Rate for discounting scheme liabilities (based on 1.7% real)	5.4	4.9

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Balance Sheet

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 2005 £'000	Long Term Return % per annum	Whole Fund Value at 31 March 2006 £'000	Expected Return £'000 per annum
Equities	924,700	7.4	1,071,400	79,280
Bonds	137,200	4.6	182,400	8,390
Property	135,900	5.5	155,600	8,560
Cash	53,600	4.6	163,600	7,530
TOTAL	<u>1,251,400</u>		<u>1,573,000</u>	<u>103,760</u>

NOTE 14. FIXED ASSET RESTATEMENT ACCOUNT

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.

	£'000
Opening Balance at 1 April 2005	231,559
Loss on revaluation and restatement of fixed assets	(42,317)
Disposal of fixed assets and depreciation on revalued assets	4,651
Closing Balance at 31 March 2006	<u>193,893</u>

NOTE 15. CAPITAL FINANCING ACCOUNT

	£'000
Opening Balance at 1 April 2005	49,172
Release of Grants and Contributions	574
Capital Programme Financing	
Capital Receipts	670
Revenue, General Fund	563
Revenue, Housing Revenue Account	307
Major Repairs Reserve	2,311
Less:	
Major Repairs Allowance Transfers	(2,551)
Long Term Debtors Write Down	(1)
Appropriation to Consolidated Revenue Account	(1,617)
Closing Balance at 31 March 2006	<u>49,428</u>

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

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

	£'000	£'000
Opening Balance at 1 April 2005		2,864
Capital Receipts 2005/06		1,993
Less		
- 2005/06 capital receipts pooled and paid to ODPM	(598)	
- 2005/06 capital receipts used for financing	(670)	
		<u>(1,268)</u>
Closing Balance at 31 March 2006		<u>3,589</u>

NOTE 17. DEVELOPMENT CONTRIBUTIONS

	Planning Agreements £'000	Other Contributions £'000	Total £'000
Opening Balance at 1 April 2005	599	9	608
Received 2005/06	178	143	321
Applied 2005/06	<u>(264)</u>	<u>(99)</u>	<u>(363)</u>
Closing Balance at 31 March 2006	<u>513</u>	<u>53</u>	<u>566</u>

These are contributions received from private developers and individuals towards the financing of future capital projects.

NOTE 18. OTHER RESERVES

Reserve & Description	Balance 1 April 2005 £'000	Add Receipts In Year £'000	Less Payments In Year £'000	Balance 31 Mar 2006 £'000
Revenue Reserves				
Leisure Buildings Repairs <i>Funding for works to facilities, parks and open spaces managed by Community Services</i>	94	67	68	93
Private Sector Leasing Repairs <i>Funding for repairs to properties (if required) when they are returned at the end of the lease period</i>	30	32	0	62
Corporate Buildings Repairs <i>Provides source of funding for repairs to Council offices, etc</i>	133	50	48	135
Lewes L.C. Buildings Repairs <i>Provides source of funding for repairs to Lewes Leisure Centre</i>	1	0	0	1
Maintenance Funds <i>Amounts paid to the Council by third parties for specific purposes e.g. future maintenance of parks and opens spaces; repairs to properties containing leasehold flats; graves maintenance.</i>	193	18	19	192
Revenue Equalisation & Asset Maintenance <i>Held for two main purposes: - to fund regular expenditure which is not made annually e.g. Local Plan enquiry and elections. - to fund backlog asset maintenance needs of non-housing property</i>	935	578	424	1,089
Community Leisure Building Repairs <i>Funding for repairs to facilities operated by Community Leisure</i>	136	0	55	81
Partnership Fund <i>Financial Support for revenue and capital projects where the Council is the lead partner, working with external agencies, community organisations, etc. Projects address Council service objectives.</i>	206	0	58	148
Insurance & Risk Management <i>Held for two main purposes: - to fund liability arising from insolvent run-off of Municipal Mutual Insurance - to fund 'excess' element of insurance claims</i>	234	3	11	226
Rent Deposit Guarantee Scheme <i>Provision of repayable rent deposit to selected applicants to avoid homelessness</i>	52	0	0	52
Housing Development <i>Funds to pay for the GF cost of a housing transfer if that is the tenants' future housing options appraisal choice.</i>	195	0	0	195
Financial Systems <i>Residue of earmarked funds for replacing financial systems. Balance to fund ad-hoc supplier support , etc</i>	9	0	0	9
Community Grants <i>Available to fund grants to community organisations (grants schemes no longer supported in base budget)</i>	29	0	0	29

Lewes District Council Statement of Accounts 2005/2006
Notes to the Consolidated Balance Sheet

Reserve & Description	Balance 1 April 2005 £'000	Add Receipts In Year £'000	Less Payments In Year £'000	Balance 31 Mar 2006 £'000
Revenue Reserves				
Building Control Charging Scheme <i>Regulations require defined elements of building control function to break-even over time. Trading account prepared to cover these items, with annual surplus/deficit added to/funded from this reserve</i>	70	26	62	34
Vehicle Replacement <i>Provides funding for the vehicle replacement programme.</i>	1,596	134	177	1,553
Planning Delivery Grant <i>Balance of Government Grant for specific Planning department initiatives over a number of years</i>	268	708	490	486
Budget Carry Forward <i>Where projects or services being funded from a revenue budget have not been completed at year end, the unspent budget can, if required, be carried forward to fund that project or service in the following year.</i>	320	214	320	214
Southover Grange Improvements <i>Provides source of funding for future work at Southover Grange, Lewes.</i>	43	0	2	41
IT Replacement Equipment <i>Provides source of funding for IT replacement programme</i>	200	0	0	200
WAVE Leisure Trust <i>Available to fund future obligations under the new arrangements.</i>	200	0	129	71
Housing Benefit Standards and Improvements <i>Provides resources for the Finance Dept's Benefits Service.</i>	0	100	0	100
	4,944	1,930	1,863	5,011
Capital Reserves				
Major Repairs Allowance <i>Used by Housing Revenue Account for major repairs to housing stock. The MRA contribution is received from the ODPM annually calculated by type and number of properties</i>	715	2,551	2,638	628
West Quay Development <i>Reserve to fund expenditure on the West Quay regeneration project</i>	40	2	0	42
Newhaven Fort Refurbishment <i>Reserve to fund expenditure on the refurbishment of Newhaven Fort</i>	67	2	36	33
Denton Island Reclamation <i>Reserve to fund expenditure on the Denton Island regeneration project</i>	73	3	6	70
	895	2,558	2,680	773
Total Reserves	5,839	4,488	4,543	5,784

NOTE 19. CAPITAL COMMITMENTS

As at 31 March 2006, the Council was contractually committed to capital works which amounted to approximately £357,000. This included the following contracts, the balance comprising minor schemes or retentions.

	£'000
Housing	
- Electrical Rewiring	100
- Heating Systems	40
- Kitchens and Bathrooms	13
- Roofing and Windows	9
- Structural Works	5
- Digital TV Reception	150
General Fund	
- Recycling Centre (Repairs)	17
- Recycling Centre (DDA Works)	23
	<u>357</u>

NOTE 20. CONTINGENT LIABILITIES

There were no known liabilities at 31 March 2006.

NOTE 21. POST BALANCE SHEET EVENTS

On 1 April 2006, the Council entered into a long-term contract with Wave Leisure Ltd, a charitable company, for the operation of the Council's Leisure Centres and Swimming Pool. All staff employed by the Council within the former 'Community Leisure' Department were transferred to Wave Leisure Ltd on 1 April 2006. The Council continues to own the Leisure Centres and Swimming Pool and will pay an annual fee to Wave Leisure Ltd to operate them.

Lewes District Council Statement of Accounts 2005/2006
Statement of Total Movement in Reserves

	2004/05 £'000	2005/06 £'000
(Surplus)/Deficit for the year:		
- General Fund	(4)	(280)
- Housing Revenue Account	(1,041)	(449)
- Collection Fund	(164)	(58)
Movements on specific revenue reserves	(1,172)	(32)
Appropriation from pensions reserve (Note 2)	(225)	95
Actuarial gains and losses relating to pensions (Note 1)	8,017	(381)
Total (increase)/ decrease in revenue resources	5,411	(1,105)
(Increase)/decrease in housing capital receipts pool	376	598
(Increase)/decrease in usable capital receipts	(231)	(1,323)
(Increase)/decrease in deferred capital receipts	27	14
(Increase)/decrease in unapplied capital grants (Note 2)	(9)	42
Total (increase)/decrease in realised capital resources (Note 3)	163	(669)
(Gains)/losses on revaluation of fixed assets	(28,565)	42,317
Impairment losses on fixed assets due to general price changes	0	0
Total (increase)/decrease in unrealised value of fixed assets (Note 4)	(28,565)	42,317
Value of assets sold, disposed of or decommissioned (Note 5)	1,607	4,651
Capital Receipts used for financing	(1,931)	(670)
Revenue Resources set aside	543	414
Movement on Government Grants Deferred	53	(250)
Movement on Major Repairs Reserve	(136)	87
Movement on loan premiums and discounts	(847)	(803)
Total (increase)/decrease in amounts set aside to finance capital investment (Note 6)	(2,318)	(1,222)
Total recognised (gains) and losses	(23,702)	34,670

Lewes District Council Statement of Accounts 2005/2006
Notes to Statement of Total Movement in Reserves

NOTE 1. MOVEMENTS IN REVENUE RESOURCES

	General Fund £'000	Collection Fund £'000	Housing Revenue £'000	Earmarked Reserves £'000	Pension Reserve £'000
Surplus /(Deficit) for 2005/06	280	58	449	0	0
Appropriations to/(from) revenue	0	0	0	32	(95)
Actuarial gains and losses relating to pensions	0	0	0	0	381
	280	58	449	32	286
Balance 1 April 2005	1,555	626	2,379	5,124	(14,647)
Balance 31 March 2006	1,835	684	2,828	5,156	(14,361)

NOTE 2. MOVEMENTS IN REVENUE RESOURCES

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

	2004/05 £'000	2005/06 £'000
Actual return less expected return on Pension Scheme Assets	1,716	7,619
Experience gains and losses arising on the scheme liabilities	(668)	113
Change in Financial Assumptions Underlying the Present Value of the Scheme Liabilities	(9,065)	(7,351)
Actuarial gains/(loss) recognised in the statement of movement in net pension liability	(8,017)	381

NOTE 3. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Unapplied Capital Contrib's £,000	Usable Capital Receipts £'000	Deferred Capital Receipts £'000
Amounts receivable in 2005/06	(321)	(1,993)	0
Applied to finance new capital investment	266	670	14
Applied to finance ESCC & Town Council projects	97	0	0
Available to finance new capital & investment	0	0	0
Payments to Capital Receipts Pool	0	598	0
Total (increase)/decrease in realised capital resources	42	(725)	14
Balance brought forward 1 April 2005	(608)	(2,864)	(17)
Balance carried forward 31 March 2006	(566)	(3,589)	(63)

USABLE CAPITAL RECEIPTS AND CAPITAL CONTRIBUTIONS

Represent the capital receipts and capital contributions available to finance future capital investment, after the statutory payment to the Capital Receipts Pool. (See Note 16 Consolidated Balance Sheet)

NOTE 4. MOVEMENTS IN UNREALISED VALUE OF FIXED ASSETS

	Restatement Account £'000
Gains/(losses) on revaluation of fixed assets in 2005/06	(42,317)
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Total increase/ (decrease) in unrealised capital resources	<u>(42,317)</u>

NOTE 5. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

	Restatement Account £'000
Total increase / (decrease) in unrealised capital resources	42,317
Amounts written off fixed asset balances for disposals and depreciation on revalued assets	(4,651)
Total movement on reserve in 2005/06	<u>37,666</u>
Balance brought forward 1 April 2005	(231,559)
Balance carried forward 31 March 2006	<u>(193,893)</u>

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. (Note 14 Consolidated Balance Sheet)

NOTE 6. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	Major Repairs Reserve £'000	Capital Financing Account (see note a) £'000	Government Grants Deferred (see note b) £'000	Loan Premiums £'000	Total £'000
Major Repairs Allowance	(2,224)	0	0	0	(2,224)
Capital receipts set aside in 2005/06 (2,224 usable receipts applied 4) (670))	0	(670)	0	0	(670)
Total receipts set aside in 2005/06	0	(670)	0	0	(670)
Revenue resources set aside in 2005/06					
- capital expenditure financed from revenue	0	(871)	0	0	(871)
- reconciling amount and provisions for loan repayment	0	1,285	0	803	2,088
Total revenue resources set aside in 05/06	0	414	0	803	1,217
Applied to capital investment in 2005/06	2,311	0	(824)	0	1,487
Amounts credited to the asset management revenue account in 2005/06	0	0	574	0	574
Total movement on reserve in 2005/06	87	(256)	(250)	803	384
Balance brought forward at 1 April 2005	(715)	(49,172)	(7,079)	2,933	
Balance carried forward at 31 March 2006	(628)	(49,428)	(7,329)	2,130	

Note a - 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)

Note b - GOVERNMENT GRANTS DEFERRED

(See Note 11 Consolidated Balance Sheet)

Lewes District Council Statement of Accounts 2005/2006
Cash Flow Statement

2004/05 £'000		£'000	£'000
	REVENUE ACTIVITIES		
	Cash Outflows		
12,756	Cash paid to and on behalf of employees	13,716	
16,261	Other operating cash payments	18,056	
16,609	Housing Benefits paid out	17,428	
13,956	National non-domestic rates paid to national pool	17,221	
42,037	Precepts paid	44,348	
0	Payments to the Capital Receipts Pool	598	
<u>101,619</u>			111,367
	Cash Inflows		
(5,257)	Rents (after rebates)	(5,128)	
(50,136)	Council Tax receipts	(52,770)	
(2,537)	National non-domestic rates from national pool	(2,683)	
(14,437)	Non-domestic rate receipts	(18,898)	
(2,296)	Revenue Support Grant	(2,310)	
(21,060)	DWP grants for benefits	(23,397)	
(1,831)	Other government grants (Note 3)	(867)	
(8,062)	Cash received for goods and services	(8,134)	
(921)	Other operating cash receipts	(1,603)	
<u>(106,537)</u>			(115,790)
(4,918)	Net Revenue Income (Note 1)		(4,423)
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
514	Interest paid		669
(719)	Interest received		(1,049)
<u>(205)</u>	Net Cash (Inflow) / Outflow from revenue activities		(380)
	Capital Activities		
	Cash Outflows		
6,531	Investment in fixed assets & deferred charges		6,055
	Cash Inflows		
(2,082)	Sale of fixed assets	(1,979)	
(824)	Capital grants received	(302)	
(558)	Other capital cash income	(622)	
<u>(3,464)</u>			(2,903)
3,067			3,152
(2,056)	Net cash (inflow) / outflow before financing		(1,651)
	Management of Liquid Resources		
3,750	Net increase / (decrease) in short term deposits		(1,500)
1,694			(3,151)
	Financing (Note 4)		
	Cash Outflows		
19,900	Repayment of amounts borrowed		8,850
	Cash Inflows		
(16,000)	New loans raised		0
(5,100)	New short term loans		(6,500)
494	Net (increase) / decrease in cash (Note 2)		(801)

Lewes District Council Statement of Accounts 2005/2006
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.

2004/05		2005/06
£'000		£'000
1,209	Surplus/(Deficit) for the year	787
1,522	Non-Cash Transactions re Capital Financing	4,171
1,409	Less contributions to or (from) reserves	66
334	Add/(Less) provisions set aside in the year	(472)
5	Add/(Less) movement in stocks	(4)
3	Add/(Less) movement in debtors	(79)
641	Add/(Less) movement in creditors	334
	Other items not classified in revenue activities in the cash flow statement	
514	Interest Paid	669
(719)	(Less) investment income	(1,049)
4,918	Net cash flow from revenue activities	4,423

NOTE 2.

Details of Movement in Liquid Resources:

	Balance 1 April 2005 £'000	Balance 31 March 2006 £'000	Movement in the year £'000
Cash In Hand	(538)	263	801
			801

Lewes District Council Statement of Accounts 2005/2006
Notes to the Cash Flow Statement

NOTE 3.

Analysis of other Government Grants:

2004/05		2005/06
£'000		£'000
622	Housing Benefits Administration	676
220	Housing Subsidy (net payment to Government)	(1,283)
416	Planning Delivery	708
163	Crime and Disorder Reduction Partnership	105
117	Recycling Initiatives	240
0	MRP Transitional Protection	21
75	Homelessness Initiatives	43
18	Discretionary Housing Payments	31
200	Disabled Facility Grants	198
0	Local Authority Business Growth Initiatives	128
<u>1,831</u>	TOTAL	<u>867</u>

NOTE 4.

Analysis of Movements in Financing:

£'000		£'000	Movement in the year
	Long Term Borrowing		
9,000	Public Works Loan Board	6,000	(3,000)
5,000	Private Sector Banks	5,000	0
2,350	Short Term Borrowing	3,000	650
<u>16,350</u>	TOTAL	<u>14,000</u>	<u>2,350</u>

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 2006.

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

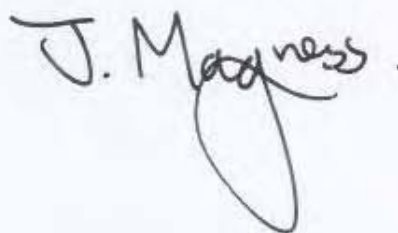
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

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 51 fairly states the financial position of the Council at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.



John Magness CPFA
Director of Finance & Community Services

28 June 2006

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 2006 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.

The Council has 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 is 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 has a published Performance Management Framework which continues to be developed and strengthened through a variety of processes.

The Council has systems in place to ensure that performance data is accurate, complete, timely and relevant, but recognises these systems can be further developed. The Cabinet receives quarterly performance indicator monitoring reports and biannual reports on the progress of its improvement plans as set out in the Council Plan. The Corporate Management Team monitors key targets within the Council Plan on a monthly basis.

As part of its 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. For 2005/06, for the first time, the Audit Committee has reviewed the Annual Statement of Accounts.

The Council has a documented assurance framework that sets out the sources of assurance within the Council's control environment. The assurance framework provides the evidence for much of the information summarised in the SIC. New elements have been added to the assurance framework in 2005/06 including the annual statement of the Section 151 and Monitoring Officers and an annual report on Health and Safety which was submitted to the Employment Committee in June 2006.

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. The risk management framework outlined in the strategy is fully established and embedded. 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.

The Council has established 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 principles of best value are now well embedded in service planning and review mechanisms helping to ensure that services are efficient, effective and economical. There is also a well established ethos of continuous improvement amongst councillors and staff.

The Council has in place a number of quality systems to ensure compliance with the governance standards set by the accrediting bodies. These include Investors in People, EMAS and Charter Mark.

The Council has established a Scrutiny Committee which oversees the independent reviews of decisions of Cabinet and other activities and functions of the Council through appointed scrutiny panels.

4. REVIEW OF EFFECTIVENESS

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. During 2005/06 the Council 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 which includes an opinion on the internal control environment. For 2005/06 the overall standards of internal control were satisfactory. Whilst recommendations have been made to improve management controls, there were no instances in which internal control problems created significant risks for the Council.

The Council's local Code of Corporate Governance is subject to annual review by the Head of Audit and Performance and in December 2005 the review concluded that the Council's arrangements were satisfactory. The Audit Committee noted the progress against the targets previously set in the local Code and approved changes to further strengthen the governance framework.

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 2005 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 has a Business Continuity Plan which was tested in February 2006, and will continue to develop its processes and safeguards in this area.

Senior officers have confirmed the proper operation of internal controls including compliance with the Constitution in those service areas for which they are responsible.

The Council is continuing to align its priorities more closely to its Medium Term Financial Strategy and wider community strategy as recognised by the Audit Commission in its annual Audit and Inspection Letter.

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 – The inspection took place in November 2003 and the Council was judge “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 the Benefit Fraud Inspection in which the Council was judged “Fair” overall. The Audit Commission has judged that these assessments remain valid until the next main inspection.
- Audit Commission Inspection of Waste, Recycling and Street Cleansing Services – In their July 2005 Inspection report the Audit Commission assessed the Council as providing a fair, one star service that has uncertain prospects for improvement. The Council has put in place a detailed improvement plan which was agreed at Cabinet in November 2005.

- Annual Audit and Inspection Letter (May 2006) - The letter summarised a series of audits carried out during 2005 across a range of Council activities. The Audit Commission concluded:
 - The Council "performs well" in the use of resources scoring with an overall 3 out of 4.
 - The Council provides good value for money for its services and has addresses the areas raised in the CPA assessment.
 - An unqualified opinion was issued on the 2004/05 accounts and for the Statement of Internal Control.
 - The Council has very robust systems of internal control.
 - The Council has sound arrangements to ensure its financial standing, including robust budget and financial management.
 - Risk management is embedded in the whole Council from new policies, to service planning and corporate risks.
 - There is a robust assurance framework under the leadership of the Audit Committee.
 - The Council has enhanced its performance management framework, strengthening existing processes, ensuring a greater understanding of performance management within the organisation and providing staff with training.
 - A strong anti fraud culture is supported by members and officers and proactive fraud work undertaken.
 - The Council Plan (BVPP) for 2005/06 complies with statutory requirements and the outturn performance indicators were accurately prepared.
 - The Internal Audit function is effective and complies with the CIPFA Code of Practise in all respects.
- Benefit Subsidy Claim Audit - The Audit Commission's review took place in late 2005 and approved the Council's claim without qualification.

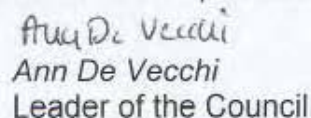
The Section 151 Officer and Monitoring Officer have completed their joint annual statement on significant internal control issues for 2005/06 and have identified one significant internal control issue. This was the Council's decision to defend planning policies in respect of the proposal to seek a planning application for a football stadium at Falmer. No action is required as the Audit Commission has concluded that the Council took this decision in full knowledge of the relevant facts. In particular the Council has the power to appeal; it believes there are valid grounds for an appeal; it has taken specialist legal advice; it has considered the financial risks and assessed the potential outcomes and chances of success. The Audit Commission will continue to monitor this issue.

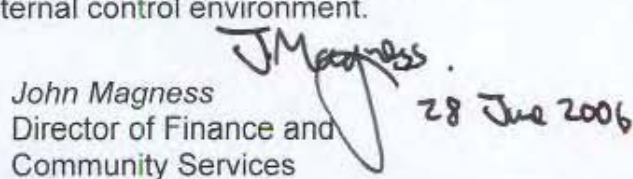
5. SIGNIFICANT INTERNAL CONTROL ISSUES

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.

With the exception of the Falmer issue which is dealt with above there are no significant internal control issues to report for the year ended 31 March 2006, 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
28 June 2006

Independent auditor's report to Lewes District Council

Opinion on the financial statements

I have audited the financial statements of Lewes District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance: The Statement of Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003. 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 are aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.



Darren Wells

Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN

28th September 2006.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Lewes District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 30 November 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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



Darren Wells

Audit Commission, 16 South Park, Sevenoaks, Kent, TN13 1AN

28th September 2006

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.

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.