

Lewes District Council **Statement of Accounts 2007/08**



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Director of Finance and Community Services

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

**Lewes District Council
Statement of Accounts 2007/2008**

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Explanatory Foreword

The Key Accounting Standards and Statements

We have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the UK in putting together our Statement of Accounts for 2007/08. The accounts fairly reflect Lewes' financial position for the financial year ended 31 March 2008. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Director of Finance and Community Services is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal control can be relied on to produce an accurate statement of accounts. His statement of assurance for 2007/08 appears on page 54 of this document.

It is a requirement of the Code of Practice that the Council prepares its accounts in a way which makes them easy to compare with those of other local authorities and private sector bodies. In some years, the accounting 'rules' that we must follow change, and this has been the case in 2007/08: we have needed to account differently for 'Financial Instruments' (mainly loans and investments) as well as the valuation of assets. These changes are explained in more detail in the accounting policies section of this document.

An explanation of the purpose of the Core Financial Statements follows:

Income and Expenditure Account

This account provides detailed information about total expenditure on the services that we deliver. Income for each service is matched against the expenditure to show the net cost of services. The account also shows how much is received from council taxpayers and from general government grants to help meet the cost of services.

Statement of Movement on the General Fund Balance

This statement shows how the surplus or deficit in the Income and Expenditure Account links with the net expenditure used in determining the council tax for the year. The statement is accompanied by a reconciliation statement that explains the link in more detail.

Statement of Total Recognised Gains and Losses (STRGL)

This statement demonstrates how the movement in the net worth of the Council as shown in the Balance Sheet, links to the surplus or deficit in the Income and Expenditure Account and to other gains and losses.

Balance Sheet

The Balance Sheet provides a snapshot of our financial position as at 31 March 2008 and includes the General Fund, Housing Revenue Account and Collection Fund balances. It sets out what we own, what we owe and what is owed to us at that point in time.

Cash Flow Statement

This statement summarises the total cash movements during the year for both capital and revenue purposes.

Explanatory Foreword

Supplementary Financial Statements

In addition to the Core Financial Statements we are legally obliged to maintain the following financial statements separately from our other funds and accounts.

Housing Revenue Account (HRA)

This account shows the transactions that have arisen because we are a local housing authority. We are responsible for collecting money from tenants who rent our stock of council housing, and we use that money to manage, maintain and improve our housing. We also have to pay Government a 'negative' amount of housing subsidy which means that part of our tenants' rent is paid into the national housing pot and used elsewhere in the country. The transactions within this account are included within the Income and Expenditure Account and HRA balances are included within the Balance Sheet.

Collection Fund

This account shows the transactions that have arisen because we are a billing authority. This means that we are responsible for collecting non-domestic rates which we pay over to Government. It also means that we are responsible for collecting council tax which we pay over to the precepting authorities – the police, the fire authority, the county council, and the town and parish councils – as well as to our self. The transactions within this account are not included within the Income and Expenditure Account because they do not relate to the day to day operational services we deliver. However, the Collection Fund balances are included within the Balance Sheet because they do relate to the Council's overall financial position at 31 March each year.

Review of 2007/08

This part of the Statement of Accounts provides a summary of what happened in financial terms during the year.

The Council's expenditure is categorised as either revenue or capital:

- Revenue expenditure represents the money we spend on a day to day basis in delivering operational services, like refuse collection and recycling, and parks and open spaces. Revenue expenditure is split between the General Fund (which provides general services for the benefit of all of our residents across the district and is financed from the council tax, government grants and other income such as fees and charges) and the Housing Revenue Account which provides council housing specifically for our tenants within the district and which is financed mainly by our tenants' rent.
- Capital expenditure is the money we spend on assets that last for many years, like buildings and vehicles. We finance this mainly from government and other grants, from the sale of our assets, and from our own revenue resources. We also finance a little by borrowing which we pay back from our revenue over time, much as a private homeowner would repay a mortgage.

General Fund

Our net revenue expenditure for the year was £12.45 million which was £0.66 million less than we budgeted. We have used this surplus to strengthen our reserves and balances. The table on the following page compares our actual and budgeted net revenue expenditure for 2007/08 analysed across the service areas for which each Lead Councillor is responsible.

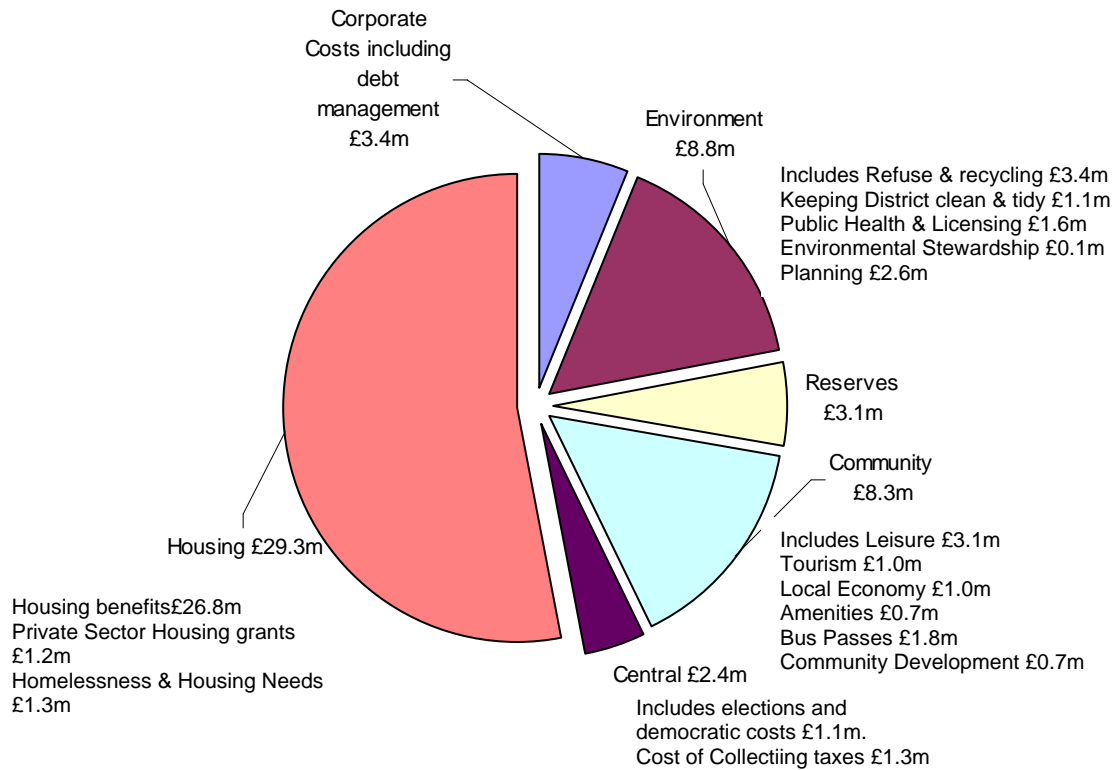
Explanatory Foreword

Comparison of actual and budgeted General Fund net expenditure		Budget	Actual	Variance
Services by Lead Councillor Portfolio		£m	£m	£m
1	Leader of the Council	0.75	0.42	(0.33)
2	Staff and Corporate Services	2.71	2.52	(0.19)
3	Environment	4.33	3.89	(0.44)
4	Planning	0.89	0.78	(0.11)
5	Housing (General Fund)	1.23	0.93	(0.30)
6	Community	3.58	3.49	(0.09)
7	Capital items added back	(0.56)	(0.40)	0.16
8	Net Spending on Services	12.93	11.63	(1.30)
9	Add budgets carried into 2008/09	0.00	0.32	0.32
10	Net use of reserves/contingency	0.18	0.50	0.32
11	TOTAL Net Expenditure	13.11	12.45	0.66
12	Less Funding: Non-specific Government Grants (LABGI)	0.01	0.01	0.00
13	Council Tax	6.60	6.60	0.00
14	Revenue Support Grant	0.87	0.87	0.00
15	Contribution from NNDR Pool	5.22	5.22	0.00
16	Budgeted use of GF Working Balance	0.41	0.41	0.00
17	Total Funding	(13.11)	(13.11)	0.00
18	Surplus for year	0.00	0.66	0.66
Surplus used to increase:				
19	Housing Benefit Standards and Improvements Reserve			0.09
20	Planning General Reserve			0.05
21	Change Management and Capacity Reserve			0.20
22	GF Working Balance			0.32
23	Total			0.66

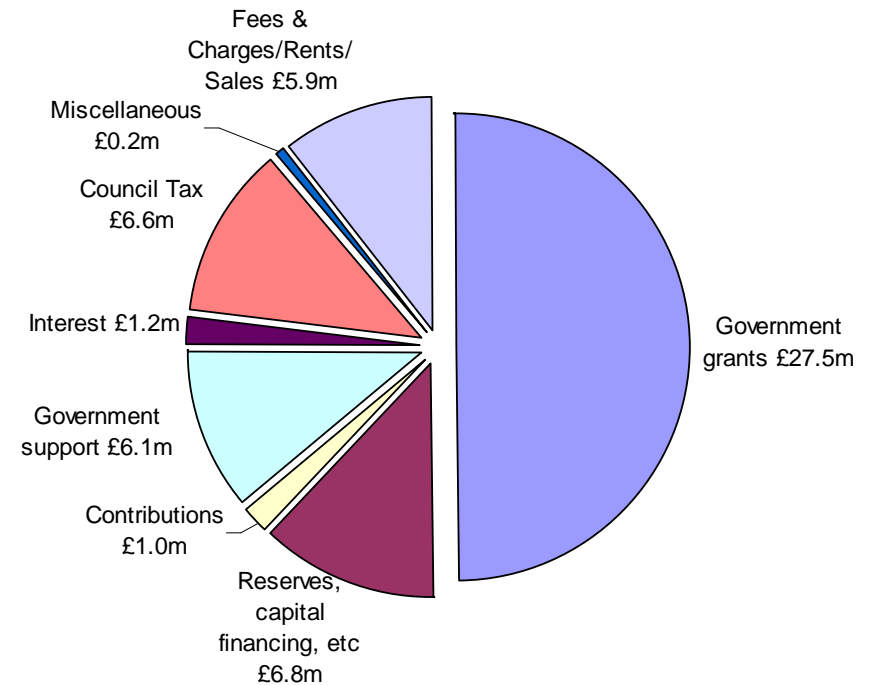
Explanatory Foreword

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

WHAT THE MONEY WAS SPENT ON



WHERE THE MONEY CAME FROM



Explanatory Foreword

Capital expenditure

The table below shows that our total capital expenditure for 2007/08 was £8.26 million and lists the major areas where that investment was made.

Type of project	2007/08 £m
Council housing: improvements, conversions and adaptations to houses, bungalows and flats	2.97
Denton Island Enterprise Gateway: construction of a business centre paid for by the South East England Development Agency	2.31
Private sector housing: grants to improve disabled facilities and energy efficiency in private homes	1.06
Computers and electronic service delivery: improving access for residents as well as the efficiency of our back office systems	0.24
Sports, leisure and cultural facilities: developing and maintaining our leisure centres, sports pitches and play areas	0.75
Vehicle and plant renewals	0.37
Corporate buildings and other buildings	0.28
Other smaller projects	0.28
Total Capital Expenditure	8.26

Capital financing

This table shows how we paid for our capital expenditure.

Type of funding	2007/08 £m
Major Repairs Allowance: a Government grant wholly given to maintain the value of the Council's housing stock	2.33
Grants and Contributions: from external partners, like SEEDA (£2.10m), the Government (£0.50m), the Football Foundation and property developers	3.27
Revenue financing: contributions from the General Fund (paid for by council tax) and from the Housing Revenue Account (paid for by tenants' rent)	0.37
Capital receipts: money from the sale of Council assets (like land and buildings)	1.17
Borrowing: an external loan specifically to finance improvements to our Council housing stock	0.28
Revenue Financing: Contributions from the Council's Reserves	0.84
Total Capital Financing	8.26

Over two thirds of our capital expenditure was financed from sources outside the Council – for example, from Government and from external partners – and this reliance on financial support from outside the Council to maintain a substantial and sustainable capital programme will continue into the future.

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Housing Revenue Account (HRA)

Our income exceeded our expenditure by £0.065 million in 2007/08, an improvement of £0.171 million against the budget for the year which had anticipated a deficit of £0.106 million.

An analysis of the main variations against the budget follows:

	2007/08
	£m
Additional income	
- from contributions	0.036
- from rents	0.012
- from insurance claims	0.049
Reduced expenditure	
- HRA share of corporate costs	0.065
- Communal Heating system repairs and running costs	0.068
- Lift maintenance	0.041
- General and Special Management	0.101
- Rent Rebate Limitation scheme transfer to General Fund	0.032
Less increased expenditure	
- repairs and maintenance (including insurance funded)	(0.133)
- Depreciation of assets	(0.063)
- revenue contribution to capital expenditure	(0.037)
Total	0.171

The effect of this net improvement has been to increase the HRA balance up to £3.046 million at 31 March 2008.

Reserves and Balances Summary

Sound financial management and a proven track record of striking the right balance between spending and the need to maintain a core level of resources to support the General Fund and the Housing Revenue Account means that our finances are in a healthy state.

Our financial wellbeing is evidenced by combined balances totalling £4.412 million held by the General Fund and the Housing Revenue Account that will be used to support our future spending plans. A further £6.797 million held in earmarked reserves, including the Major Repairs Reserve will be used to support our specific and one-off spending priorities. £3.105 million in capital receipts is available to support our forward capital programme.

Treasury Management

Our external loan debt at 31 March 2008, comprising long-term and short-term borrowing, stood at £8.00m. This is a reduction of £3 million over the previous year which is in line with the Council's approved treasury strategy.

Pensions

Accounting regulations require Councils to show any deficit or surplus on the Pension Fund within the balance sheet. The Lewes share of the Pension Fund administered by East Sussex County Council was assessed at 31 March 2008 by the actuary as a deficit of £6.72 million, as compared with a deficit of £10.6 million at 31 March 2007. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire.

Explanatory Foreword

Looking ahead – the outlook for 2008/09 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 has been that the recently introduced 'Clean and Green' initiative for dealing with anti-social activities such as fly tipping, graffiti and abandoned vehicles is successful and popular, and should continue as a priority.

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%. As a result, the amount of external support that is received from the Government is an essential element in our budget setting process. In 2008/2009, our general grants from the Government increase by just over £136,000 (2.2%) to £6,228,000. In contrast, pay and price increases added £411,000 to the General Fund budget, but there is another factor outside the Council's direct control which has an even more significant impact on our costs: the Statutory Scheme for free bus travel for the over 60's. The use of bus passes for free travel continued to escalate through 2007/2008 and is expected to continue in 2008/2009, particularly as the national scheme has changed to allow passes to be used for travel throughout England not just locally. The cost of the bus pass scheme has added £562,000 to our budget.

The Council's General Fund budget for 2008/2009 is £6.9 million. The Council tax for a Band D property is £182.35, which represents an increase of 4.7% over 2007/2008, equating to 16 pence per week for a Band D property. The overall movement in

the General Fund budget is summarised below. In order to reduce the total net budget requirement, the Council set a target of £229,000 to be generated as savings in the course of 2008/2009. This will be the first year in a three year cycle of making savings within the budget: targets of £200,000 and £50,000 have been put in place for 2009/2010 and 2010/2011 respectively.

The overall movement in the General Fund budget is summarised below.

	£'000
2007/2008 net budget	12,687
Pay and price increases	411
Growth in demand for services and unavoidable costs:	
_ Concessionary fares	562
_ Lower level of investment income	160
Reduction in running costs of Council buildings	(65)
Additional income generated from Planning fees	(95)
Other changes	16
Sub-total	13,676
Changes in use of reserves, balances and one-off items	(335)
Savings target to be achieved in the year	(229)
Net service spending programme for 2008/2009	13,112
Less: external support from Government	(6,228)
Net General Fund Budget to be funded from Council Tax	6,884

Explanatory Foreword

Housing Revenue Account

As noted previously, the budgets in respect of the Council's housing stock are kept separate from other services. Spending is paid for either by tenants' rents and service charges or Government grant – there is no general contribution from the Council Tax.

For 2008/2009 the average projected rent for all Council dwellings is £68.99 per week. This is £3.82 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 five years, the gap between actual average rents and the target will close. Tenants also pay a range of service charges, depending on the property in which they live. All tenants pay a General Service Charge, which will be an average of £2.13 per property per week in 2008/2009.

We continue to plan for the repair and management of the housing stock over the longer term. By using up to date survey data concerning the condition of our housing stock, we can estimate how spending needs will develop over the next 30 years, as well as make projections as to the resources that will be available to fund them. The latest results of our business planning will be published during the course of 2008.

Total HRA income in 2008/2009 is estimated to be £13.7 million, generating a £76,000 surplus in the year. This will be added to the HRA working balance, which is projected to total just over £2.95 million at 31 March 2009.

Capital Programme

Under the 'Prudential Framework' within which all local authorities are required to operate, 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 2008/2009 is split into 3 distinct elements.

The total of the *General Fund Capital Programme* is £1.3 million. This includes £0.7 million to replace essential vehicles (for example refuse freighters) as they reach the end of their life, and £0.1 million for a programme of repairs and enhancements to the Council's play facilities, which is to be funded by a grant from the Big Lottery Fund.

The total of the *HRA Housing Investment Capital Programme* in respect of major repairs and improvements to the Council's housing stock is £3.0 million. Of this, £2.3 million will be funded from the Major Repairs Allowance received from the Government, £0.4 million from revenue resources and £0.3 million from Government supported borrowing.

Explanatory Foreword

The *General Fund Housing Investment Programme* consists predominantly of Private Sector Housing grants and will be funded largely from capital receipts and Government grant. It has a total value of £0.7 million.

Value for Money and the Efficiency Agenda

The Council continues to review its service provision by benchmarking against other councils and private sector providers. Our aim is to provide high performance, low cost services.

Our external auditors have assessed the Council as performing well and consistently above the minimum requirement in terms of the Value for Money that it achieves in the provision of services.

Service managers are encouraged to use technology to increase productivity. For example, in 2008 the Housing and Planning Departments will complete the implementation of electronic document imaging systems, which will enable staff to use, file and retrieve documents online, reducing the need to access extensive paper filing systems. With less paper to be filed, we are able to make better use of our office space. This has enabled us to vacate and sell on the open market one of our buildings in Lewes, saving running costs and generating funds for major repairs to our remaining property assets.

As part of its Comprehensive Spending Review 2007, the Government has stated that it will be seeking 3% annual cash reduction targets equally across the public sector for the three years commencing from 2008/2009. We now know that the grant that we will receive will not keep pace with inflation over the

next three years and it is even more important that we work efficiently and effectively at all times and seek to make improvements on an ongoing basis.

With careful planning over recent years, we have given ourselves a sound financial base, but there are many challenges ahead. Our spending plans, levels of balances and reserves, along with our capital resources, all need to be carefully projected to make sure we have access to sufficient resources for the future.

John Magness,
Director of Finance and Community Services,
June 2008.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. The SORP is recognised by statute as representing proper accounting practices and meets the requirements of the Accounts and Audit Regulations 2003.

The accounts are also prepared on the principle of Total Cost as defined in the Best Value Accounting Code of Practice (BVACOP). Total Cost of a service includes all costs which relate to the provision of the service (either directly or bought in) including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. Net total cost is total cost less income other than specific grants.

2. Estimation Techniques

In line with Financial Reporting Standard 18 – Accounting Policies, a distinction is drawn between accounting policies and estimation techniques. Estimation techniques are the methods adopted to arrive at estimated monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Throughout this section and in the notes to the Balance Sheet, reference is made to the bases on which assets, liabilities, gains, losses and changes in reserves have been assessed. There have not been any material changes in the basis of the estimation techniques since the preparation of the last Statement of Accounts.

3. 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, they are carried as stocks on the Balance Sheet
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.

4. Intangible Fixed Assets

Under the current Statement of Recommended Practice (SORP) and Financial Reporting Standard 10 - Goodwill and Intangible Fixed Assets, expenditure on 'fixed assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal rights' is capitalised by the Council when it will bring benefits for more than one financial year. These Intangible Fixed Assets are then amortised over their expected life to the relevant service revenue account to reflect the pattern of consumption of benefits. Typically these assets relate to computer software licences which are amortised over a period of seven years, or a lesser period if more appropriate.

Statement of Accounting Policies

5. 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.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value

- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation

Statement of Accounting Policies

gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 a period of sixty years.

6. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the

Statement of Accounting Policies

service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

7. Deferred Charges

Deferred charges refer to expenditure that qualifies as capital, but does not result in the acquisition, creation or enhancement of a tangible fixed asset for the authority, e.g. improvement grants. They are fully written off to revenue in the year in which the expenditure is incurred on the basis that no long term benefit accrues to the authority from that expenditure.

Net operating expenditure on the face of the Income and Expenditure Account contains accounting entries that are not revenue based and should not have an impact on council tax. Consequently, after the disclosure of net operating expenditure, deferred charges are reversed out by an adjustment to the Capital Adjustment Account.

8. Government Grants and Other Contributions

Revenue: 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, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Capital: Grants and other contributions relating to the purchase of fixed assets are credited to the Government Grants and Contributions Deferred Account on an accruals basis and released to the service revenue account in line with depreciation.

9. Leases

Proper accounting practice requires any items acquired under a finance lease to be recorded as a fixed asset and as a form of borrowing. The Council does not have any finance leases.

In contrast, items used under an operating lease confer no rights of ownership and therefore do not give rise to borrowing. Consequently, rentals payable under operating leases 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.

10. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the

Statement of Accounting Policies

carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For one of the Council's two outstanding long term loans, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. However, the Council has also borrowed under a Lender's Option Borrower's Option loan agreement with stepped interest rates. In this case, the effective interest rate charged to the Income and Expenditure Account is based on the rates which are expected to prevail over the full term of the loan, presuming no exercise of options.

There have been no gains and losses on the repurchase or early settlement of borrowing in the year. At 31 March 2007, the Balance Sheet included as a Long Term Asset, £1.379m as a Deferred Premium on the Replacement of Debt following a debt restructuring exercise in previous years. This over-hanging premium (for which there is no identifiable replacement loan) has been derecognised from the Balance Sheet at 1 April 2007 in accordance with SORP 2007. The balance has been written off to the Income and Expenditure Account with a compensating transfer to the Financial Instruments Adjustment Account.

11. Financial Assets

There are two classes of financial assets: loans and receivables and available for sale assets, of which the Council holds only the former.

Loans and receivables

a) *Investments* are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the

carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

b) *Debtors (including mortgages)* are recognised when a contractual arrangement is entered into between the Council and a customer for the Council to provide goods and services for an agreed sum. The value of debtors in the Balance Sheet represents the current value of the outstanding debts owed to the Council at 31 March as a proxy for amortised cost.

c) *Other Loans* which have been advanced at less than the market rate (eg travel and car loans to staff) have not been treated as soft loans, in a departure from the SORP. The SORP treatment would require the difference between interest at fair value and the actual loan interest receivable to be charged to the Income and Expenditure Account (with a compensating reversal). The impact of this differing treatment is not material to the accounts.

12. Overheads and Support Services

Overheads and support services are fully allocated to revenue and capital accounts using the total absorption costing principle so that the full cost of overheads and support services are shared between users in proportion to the benefits received.

Statement of Accounting Policies

13. Provisions

Provisions are set aside for liabilities or losses which result from past events, can be readily estimated and are likely or certain to be incurred but over which there is some uncertainty as to the amounts and/or dates on which they will arise.

The provision is charged to the relevant revenue account and when the expenditure is incurred it is charged to the provision. Provisions are usually included with the accounts to which they relate.

14. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement 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 retirement benefits and that do not represent usable resources for the Council. These reserves are explained elsewhere in this statement of accounting policies.

15. Pensions

Employees of the Council are members of the Local Government Pensions Scheme, administered by East Sussex County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. It is accounted for as a defined benefits scheme:

The liabilities of the East Sussex County Council scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earning for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years).

The assets of the East Sussex County Council pension fund attributable to the Council are included in the balance sheet at their fair value:

- quoted securities – mid-market value
- unquoted securities – professional estimate
- unitised securities – average of the bid and offer rates.
- property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost:- the increase in liabilities as a result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- past service cost:- the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of

Statement of Accounting Policies

Services in the Income and Expenditure Account as part of Non Distributed Costs.

- interest cost:- the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- expected return on assets:- the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- gains/losses on settlements and curtailments:- the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- actuarial gains and losses:- changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- contributions paid to the East Sussex County Council pension fund:- cash paid as employer's contributions to the pension fund

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash

paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

16. Stocks

Stocks are included in the Balance Sheet at the lower of cost and net realisable value.

17. VAT

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

18. Group Accounts

The Council has reviewed its interests with external bodies in 2007/2008 as required by the SORP and has concluded that it does not have any interests in subsidiaries, associated companies or joint ventures that would require Group Accounts to be produced.

19. Prior Period Adjustments

There are no adjustments to the accounting policies adopted by the Council as a result of the SORP that require changes to the 2006/2007 Accounts other than those referred to above.

Statement of Accounting Policies

20. Other Accounting Matters

A Collection Fund is administered by the Council for Council Tax and Non-Domestic Rates.

All of our accounting records and information are retained at:

Lewes District Council
Southover House
Southover Road
Lewes
East Sussex
BN7 1AB

Income and Expenditure Account

2006/07 Net Expenditure £'000		2007/08 Gross Expenditure £'000	2007/08 Income £'000	2007/08 Net Expenditure £'000
	Expenditure on Services			
939	Central Services to the Public	8,194	7,119	1,075
9,777	Cultural, Environmental & Planning Services	14,443	4,776	9,667
534	Highways, Roads & Transport Services	2,487	1,200	1,287
(1,207)	Local Authority Housing	12,851	13,008	(157)
1,017	Other Housing Services	23,851	22,354	1,497
1,182	Corporate & Democratic Core	1,984	683	1,301
12,242	NET COST OF SERVICES	63,810	49,140	14,670
(35)	Gains on Sale of Fixed Assets			0
2,148	Precepts paid to Local Councils <i>(Note 3. p26)</i>			2,299
(520)	Surplus from Trading Operations <i>(Note 12. p28)</i>			(565)
566	Interest payable			547
750	Loan Premiums and Discounts			0
1,077	Contribution of Housing Capital Receipts to Government Pool <i>(Note 14. p28)</i>			911
(967)	Interest and Investment Income <i>(p34)</i>			(1,091)
(209)	Pension Interest Cost & expected return on pension assets <i>(Note 1. p24)</i>			(281)
15,052	NET OPERATING EXPENDITURE			16,490
	Less:			
(8,404)	Total Demand on the Collection Fund			(8,895)
(1,039)	General Government Grants <i>(Note 13. p28)</i>			(889)
(4,847)	Non-Domestic Rates redistribution			(5,216)
762	(SURPLUS)/DEFICIT FOR THE YEAR			1,490

Statement of Movement on the General Fund Balance

2006/07 £'000		2007/08 £'000	2006/07 £'000		2007/08 £'000
				Statement of Movement on the General Fund Balance	
				Reconciling items	
762	(Surplus)/Deficit for the year on the Income and Expenditure Account	1,490	(267)	Amortisation of intangible fixed assets	(232)
	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year		(1,455)	Depreciation and impairment of fixed assets	(4,651)
(381)	(see table to right)	(1,402)	1,167	Amortisation of Government Grants and Contributions Deferred.	3,764
381	Decrease in General Fund Balance for the year	88	(675)	Write down of deferred charges.	(1,146)
(1,835)	General Fund Balance brought forward	(1,454)	0	Loan Premiums & Discounts (Note 24. p38)	1,379
(1,454)	General Fund Balance carried forward	(1,366)	0	Financial Instruments (Note 24. p38)	53
			35	Net gain on sale of Fixed Assets	0
(1,454)	Amount of General Fund Balance generally available for new expenditure	(1,366)	0	Amount by which finance costs calculated with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements.	(1,072)
			(1,687)	Amount by which pension costs calculated in accordance with SORP are different from the contributions due under the pension scheme regulations	(1,458)
			(2,882)		(3,363)
				Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
			66	Minimum Revenue Provision for capital financing	83
			1,006	Capital expenditure charged in-year to the General Fund Balance	1,211
			(1,077)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(911)
			1,604	Employer's contributions payable to the East Sussex Pension Fund and retirement benefits payable direct to pensioners	1,822
			1,599		2,205
				Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
			153	Housing Revenue Account balance	65
			77	Voluntary Revenue Provision for capital financing	0
			672	Net transfer to or (from) earmarked reserves	(309)
			902		(244)
			(381)	Net additional amount required to be credited to the General Fund balance for the year	(1,402)

The Income and Expenditure Account shows financial performance for the year measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis and adjustments are made to the General Fund Balance to reflect statutory and non-statutory proper practices. These are shown in the following reconciliation statement.

Statement of Total Recognised Gains and Losses

2006/07		2007/08
£'000 (762)	Surplus/(Deficit) for the year on the Income and Expenditure Account	£'000 (1,490)
(70)	Surplus/(Deficit) for the year on the Collection Fund	(530)
8,805	Gains/(Losses) arising on revaluation of Fixed Assets	14,962
3,845	Actuarial gains on pension fund assets and liabilities	3,514
(948)	Other Recognised Gains/(Losses)	(1,530)
10,870	Total recognised gains/(losses) for the year	14,926

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. It links directly with the difference in Net Worth between the opening and closing balance sheets set out in more detail on the following page.

Balance Sheet at 31 March

2007 £'000	2007 £'000		2008 £'000	2008 £'000
	Restated			
	1,044	Intangible Fixed Assets		848
		Fixed Assets - operational		
219,588		Council Dwellings	231,410	
28,059		Other Land and Buildings	31,098	
2,799		Vehicles Plant and Equipment	2,586	
2,523		Infrastructure Assets	2,349	
1,755		Community Assets	1,880	
	254,724			269,323
	15,111	Fixed Assets - non-operational: Investment Properties		13,573
	270,879	TOTAL FIXED ASSETS (Note 16. p29)		283,744
21		Long Term Investments (Note 20. p32)	2,121	
124		Long Term Debtors (Note 20. p32)	106	
1,379		Deferred Premiums on the early repayment of debt (Note 21. p37)	0	
	1,524	TOTAL LONG TERM ASSETS		2,227
		CURRENT ASSETS		
1,059		Cash and Bank	0	
70		Stocks and Work in Progress (Note 22. p37)	74	
5,162		Debtors and Payments in Advance (Note 20. p32)	4,153	
14,600		Short Term Investments (Note 20. p32)	10,320	
	20,891	Total Current Assets		14,547
		CURRENT LIABILITIES		
		Cash and Bank	67	
3,000		Short Term Borrowing (Note 20. p32)	0	
7,192		Creditors and Receipts in Advance (Note 20. p32)	6,022	
	10,192	Total Current Liabilities		6,089
	10,699	NET CURRENT ASSETS		8,458
	283,102	TOTAL ASSETS less CURRENT LIABILITIES		294,429
		LESS LONG TERM LIABILITIES		
8,000		Long Term Borrowing (Note 20. p32)	8,172	
8,524		Government Grants and Contributions Deferred (Note 23. p37)	8,044	
1,366		Development Contributions (Note 25. p38)	1,952	
10,599		Defined Pension Scheme Liability (Note 1. p24)	6,722	
	28,489	Total Long Term Liabilities		24,890
	254,613	TOTAL ASSETS LESS LIABILITIES		269,539

Balance Sheet at 31 March

2007 £'000		2008 £'000
0	Revaluation Reserve (Note 26. p39)	14,962
249,765	Capital Adjustment Account (Note 26. p39)	247,955
0	Financial Instruments Adjustment Account (Note 24. p38)	(1,072)
3,728	Usable Capital Receipts Reserve (Note 27. p40)	3,105
45	Deferred Capital Receipts (Note 28. p40)	17
(10,599)	Pension Reserve (Note 1. p24)	(6,722)
1,454	General Fund Balance (page 19)	1,366
2,981	Housing Revenue Account Balance (page 47)	3,046
614	Collection Fund Balance (page 51)	84
6,201	Earmarked Reserves (Note 29. p41)	6,443
424	Major Repairs Reserve (Note 30. p44)	355
254,613	TOTAL NET WORTH	269,539

Cash Flow Statement

2006/07 £'000		2007/08 £'000	2007/08 £'000
	REVENUE ACTIVITIES		
12,361	Cash Outflows Cash paid to and on behalf of employees	12,979	
17,543	Other operating cash payments	18,759	
12,830	Housing Benefits paid out	13,408	
17,145	National non-domestic rates paid to national pool	17,326	
46,360	Precepts paid	49,320	
1,201	Payments to the Capital Receipts Pool	911	
107,440			112,703
(5,310)	Cash Inflows Rents (after rebates)	(5,671)	
(47,270)	Council Tax receipts	(49,466)	
(4,847)	National non-domestic rates from national pool	(5,216)	
(16,767)	Non-domestic rate receipts	(17,789)	
(936)	Revenue Support Grant	(875)	
(25,410)	DWP grants for benefits	(26,469)	
(121)	Other government grants	292	
(9,614)	Cash received for goods, services and operational activities	(7,751)	
(110,275)			(112,945)
(2,835)			(242)
	Net Revenue Cash		
	Returns on Investments and Servicing of Finance		
568	Cash Outflows Interest paid	362	
(985)	Cash Inflows Interest received	(1,005)	
(417)			(643)
(3,252)	Net Cash (Inflow) from revenue activities		(885)
	CAPITAL ACTIVITIES		
6,219	Cash Outflows Investment in fixed assets & deferred charges	7,724	
(1,960)	Cash Inflows Sale of fixed assets	(1,427)	
(3,022)	Capital grants received	(2,251)	
(1,381)	Other capital cash receipts	(583)	
(144)			3,463
(3,396)	Net cash (inflow)/outflow before financing		2,578
	Management of Liquid Resources		
(400)	Net increase / (decrease) in short term deposits		(4,280)
	Financing		
4,000	Cash Outflows Repayment of amounts borrowed	15,578	
(1,000)	Cash Inflows New short term loans	(12,750)	
3,000			
(796)	Net (increase)/decrease in cash		1,126

Notes to the core financial statements

Note 1. Pension Costs

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

We recognise 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 we are 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 in the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account during the year:

Income and Expenditure Account	2006/07 £'000	2007/08 £'000
<i>Net cost of services</i>		
- current service cost	1,896	1,739
- past service cost	0	0
<i>Net Operating Expenditure</i>		
- interest cost	3,369	3,679
- expected return on assets	(3,578)	(3,960)
Net charge	1,687	1,458

The following transactions have been made in the Statement of Movement on the General Fund Balance during the year:

Statement of Movement on the General Fund Balance	2006/07 £'000	2007/08 £'000
<i>Actual amount charged against council tax for pensions in the year:</i>		
- employer's contributions payable to scheme	1,604	1,822
- reversal of net charges for retirement benefits in accordance with FRS17	(1,687)	(1,458)

The employer's contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last review being 31 March 2007. In 2007/08 the rate was 19.5% compared with 18% in 2006/07.

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

Balance Sheet	2007 £'000	2008 £'000
Estimated assets in scheme	57,772	54,148
Present Value of Scheme Liabilities	(67,102)	(59,715)
Present Value of Unfunded Liabilities	(1,269)	(1,155)
Net Pension Asset/(Liability)	(10,599)	(6,722)

Notes to the core financial statements

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The net pension liability of £6.7m 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 because 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, salary levels, etc. The liabilities have been assessed by Hymans Robinson, an independent firm of actuaries, and estimates on the pension fund are based on the latest full valuation of the scheme at 1 April 2007. The main assumptions used in their calculations were:

	2006/07	2007/08
	%	%
Rate of inflation	3.2	3.6
Rate of increase in salaries (based on 1.5% real)	4.7	5.1
Rate of increase in pensions	3.2	3.6
Rate for discounting scheme liabilities (based on 3.2% real)	5.4	6.9

Assets in the East Sussex County Pension Fund as a whole are valued at fair value. They consist of the following categories with the expected long term return:

	Whole Fund 31 March 2007	Long Term Return % per annum	Whole Fund at 31 March 2008	Long Term Return % per annum
Asset type (Whole Fund)				
Equities	66	7.8%	65	7.7%
Bonds	13	4.9%	14	5.7%
Property	10	5.8%	10	5.7%
Cash	11	4.9%	11	4.8%
TOTAL	100		100	

The actuarial gains and losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Difference between the Expected & Actual Return on Assets	4,814	1,716	7,619	27	(6,045)
Value of Assets	40,020	43,526	54,313	57,772	54,148
Percentage of Assets	12.0%	3.9%	14.0%	0.0%	(11.2%)
Experience gains/(losses) on liabilities	(124)	(668)	113	17	(417)
Total Present Value of Liabilities	46,886	58,191	68,620	68,443	60,949
Percentage of the Total Present Value of Liabilities	(0.3%)	(1.1%)	0.2%	0.0%	(0.7%)
Actuarial gains/(losses) on liabilities	4,690	(8,017)	381	3,845	3,514
Total Present Value of Liabilities	46,886	58,191	68,620	68,443	60,949
Percentage of the Total Present Value of Liabilities	10.0%	(13.8%)	0.6%	5.6%	5.8%

Notes to the core financial statements

Note 2. Charity Accounts

The Income and Expenditure Account includes the following grants payable to two charities for which the Council's Members are trustees:

	2006/07	2007/08
	£'000	£'000
Stanley Turner Recreation Ground Charity	44	51
Mountfield Pleasure Ground Trust Charity	42	43

Note 3. Precepts paid to Local Councils

Each year the 28 Town and Parish Councils in the District set their budgets. They then issue 'precepts' to this Council, which are formal requests to set and collect council tax from the taxpayers in their area at a level which is sufficient to pay for their budgets.

Note 4. Publicity

Section 5 of the Local Government Act 1986 requires local authorities to identify the cost of publicity during the year which has been included in the Income and Expenditure Account. Publicity is defined as "any communication, in whatever form, addressed to the public at large or to a section of the public".

The figures shown below are inclusive of recruitment advertising which forms the majority of this expenditure each year:

Publicity Costs	2006/07	2007/08
	£'000	£'000
General Publicity	95	69
District Link	49	52
HRA – Housing Link	6	11
Total	150	132

Note 5. 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 result, the majority of the provisions of Section 137 were repealed with effect from October 2000. No expenditure was incurred under the remaining provisions.

Note 6. Operating leases

The Council uses cars, refuse and recycling vehicles, leisure centre fitness equipment and other items of plant and equipment financed by operating leases. The Income and Expenditure Account includes amounts payable under these arrangements as follows:

	2006/07	2007/08
	£'000	£'000
Operating leases	504	447

Notes to the core financial statements

Future payments required each year under these operating lease arrangements are as follows:

	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
Cars	123	66	50	27	0
Vehicles	2	0	0	0	0
Leisure equipment	7	0	0	0	0
Private properties	135	25	17	17	0
Land & buildings	24	6	6	7	7
Total	291	97	73	51	7

From 2013/2014 onwards future Council's payments will be £7,000 for Land and Buildings. The Council does not have any finance leases.

Note 7. Remuneration of employees

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more, in bands of £10,000, was:

	2006/07	2007/08
Remuneration band		
£50,000 - £59,999	3	3
£60,000 - £69,999	3	3
£70,000 - £79,999	0	0
£80,000 - £89,999	2	2
£90,000 - £99,999	0	0
£100,000 - £109,999	1	1

Note 8. Councillors' allowances

The total value of allowances paid to Councillors was:

	2006/07	2007/08
	£'000	£'000
Allowances – General Fund	132	137
Allowances – HRA	48	49
Total Allowances Paid	180	186

Note 9. Disclosure of Audit Costs

The Income and Expenditure Account includes the following fees relating to external audit and inspection:

	2006/07	2007/08
Type of fee	£'000	£'000
Fees payable for external audit services	89	101
Fees payable for statutory inspection	0	0
Fees payable for the certification of grant claims and returns	11	16
Fees payable for other services	3	8
Total Fees payable	103	125

Note 10. Agency Services

In 2007/2008 the Council spent £71,208 on facilitating Town and Parish elections, all of which was fully reimbursed.

Note 11. Building Regulations Charging Account

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function.

Notes to the core financial statements

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, as included in the Income and Expenditure Account, divided between the chargeable and non-chargeable activities for the year 2007/08:

	Chargeable 2007/08 £000	Non- Chargeable 2007/08 £000	Total Building Control 2007/08 £000
Expenditure			
Employee Expenses	201	67	268
Transport	19	2	21
Supplies and Services	25	5	30
Central and Support Services	99	30	129
TOTAL EXPENDITURE	344	104	448
Income			
Building Regulation Charges	323	0	323
Miscellaneous Income	0	1	1
TOTAL INCOME	323	1	324
Surplus/(Deficit) for year	(21)	(103)	(124)
Comparatives for 2006/2007			
Expenditure	277	129	406
Income	368	2	370
Surplus/(Deficit) for the year	91	(127)	(36)

Note 12. Trading Operations

The Council manages and maintains six Industrial Estates comprising 97 individual plots which are situated in Lewes, Newhaven and Seaford. In addition, in November 2007, the Newhaven Business Centre was opened offering 45 units to start-up and small businesses. The income from these undertakings, derived mainly from rents, was £738K (2006/07 - £585K) with running costs of £191K (2006/07 - £65K)

Note 13. General Government Grants

The following are not attributable to a specific service:

	2007/08 £'000
Revenue Support Grant	(936)
Local Authority Business Grant Incentive Scheme	(43)
Public Service Agreement	(60)
	(1,039)
	(875)
	(14)
	0
	(889)

Note 14. Contribution of Housing Capital Receipts to Government Pool

The Capital Finance regulations require 75% of receipts generated from the sale of council housing to be paid into a national Pool. The reduction in the contribution in 2007 reflects the smaller number of houses sold in the year.

Note 15. Related Party Transactions

It is a requirement that disclosure is made in the Statement of Accounts of any material transactions between related parties. The reason for this is to draw attention to the possibility that the reported position and results may have been affected by the existence of the related parties and by any material transactions with them.

The Council pays grants and awards discretionary rate relief to a number of organisations, like, Lewes and Seaford Citizen's Advice Bureau, in which Councillors have an interest. The relevant Councillors did not take part in any discussion or decision relating to the award of financial support which was made with proper declarations of interests.

Notes to the core financial statements

The Council has a close relationship with Wave Leisure Ltd, a charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. A Funding and Management Agreement between the two organisations sets out the terms of this relationship.

The Head of Democratic Services maintains a register of Councillors' interests, and reports that there were no material transactions during 2007/08.

Material related party transactions for 2007/08 were as follows:

	Income £'000	Expenditure £'000
<i>General Government grants (see previous note)</i>	889	
<i>Other Principal Government Grants:</i>		
National Non Domestic Rates	5,216	
Housing Benefits Subsidy	27,199	
Housing Revenue Account Subsidy		2,359
HRA Capital Receipts	1,382	
Precepts:		
East Sussex County Council		39,598
Sussex Police Authority		4,636
East Sussex Fire Authority		2,786
Town & Parish Councils		2,300
East Sussex County Council pension fund contributions		1,913
Wave Leisure Ltd		1,004

The Council is a participant in the East Sussex Local Area Agreement (LAA), along with all other District and Borough Councils, Sussex Police and East Sussex Fire Authorities, health

bodies and key voluntary organisations. The LAA is a three-year agreement between East Sussex County Council (ESCC) on behalf of service providers and central government. It runs until 31 March 2009. The LAA identifies priorities for improvement in East Sussex and how these priorities will be tackled in partnership. In 2007/2008 ESCC distributed £164,741 (2006/2007 £134,375) of Government funding to the Council under the LAA.

Note 16. Movement of Fixed Assets

	Software Licences £'000	Wave Leisure Trust £'000	Sea Defence £'000	Other Assets £'000	TOTAL £'000
Intangible Fixed Assets					
GBV at 1 April 2007	1,287	61	110	181	1,639
Additions	92	0	0	40	132
Restatements	(24)	0	0	0	(24)
GBV at 31 March 2008	1,355	61	110	221	1,747
Amortisation:					
Balance at 1 April 2007	338	52	24	181	595
Restatements	(3)	0	0	0	(3)
Charge for Year	259	1	7	40	307
Balance at 31 March '08	594	53	31	221	899
Net Book Value as at 31 March 2008	761	8	79	0	848
HRA	44	0	0	0	44
General Fund	717	8	79	0	804
	761	8	79	0	848
GBV = Gross Book Value					

Notes to the core financial statements

TANGIBLE FIXED ASSETS	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	TOTAL	Non-Operational Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
GBV at 1 April 2007	221,796	30,373	5,550	10,126	1,755	269,600	15,111
Revaluation/Restatement	13,269	4,018	(743)	(10)	14	16,548	(1,561)
Impairments	(501)	(2,637)	0	0	0	(3,138)	0
Additions	2,840	2,961	962	86	111	6,960	24
Disposal of Assets	(1,551)	(0)	(97)	0	0	(1,648)	(1)
GBV at 31 March 2008	235,853	34,715	5,672	10,202	1,880	288,322	13,573
Depreciation							
Balance at 1 April '07	2,208	2,314	2,751	7,603	0	14,876	0
Charge for Year	2,264	1,109	611	250	0	4,234	0
Disposals & Revaluations	(29)	0	(86)	0	0	(115)	0
Asset Restatements	0	194	(190)	0	0	4	0
Total at 31 March 2008	4,443	3,617	3,086	7,853	0	18,999	0
Net Book Value							
as at 31 March 2008	231,410	31,098	2,586	2,349	1,880	269,323	13,573
HRA	230,419	6,941	271	1,375	7	239,013	1,177
General Fund	991	24,157	2,315	974	1,873	30,310	12,396
NBV = Net Book Value	231,410	31,098	2,586	2,349	1,880	269,323	13,573

Intangible Fixed Assets

These are recognised under Financial Reporting Standard 10 as 'non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights'. Typically, these assets relate to computer software licences, which are depreciated to the Income and Expenditure Account over a period of seven years, or such lesser period as appropriate to the software.

Notes to the core financial statements

Estimated Depreciation Periods

Financial Reporting Standard 15 – Tangible Fixed Assets, which is applicable from 1 April 2000, requires all tangible fixed assets to be depreciated based on the remaining useful life. Assets are being depreciated on the following basis:

Council Dwellings - Major Repairs Allowance used as a proxy for calculated depreciation

Land - No depreciation

Buildings - asset lives determined as part of an independent valuation exercise

Heavy vehicles - 10 years

Other vehicles - 5-7 years

Play area equipment - 12 years

Coast Defences - 20 years

Note 17. Fixed Assets Valuation

The General Fund and Housing Revenue Account land and buildings fixed assets have been independently valued by District Valuer services, an executive agency of the Inland Revenue, 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.

Where agreed departures have been made from the RICS Appraisal and Valuation Standards 5th Edition, these have been made on a prudent and consistent basis.

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 for implementing the Government's guidance on stock valuation.

The bases of valuation of all classes of fixed assets are as set out in the Statement of Accounting Policies.

Note 18. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but which does not result in the creation of tangible assets.

The following deferred charges, incurred as capital expenditure during the year, have not been included as fixed assets but have been written off in full as expenditure to the Income and Expenditure Account:

	Private Sector Housing Grants	Private Sector Energy Grants	Cons- erva- tion Scheme s	Crime andDiso rder Scheme s	Other Grants	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
GBV at 1 April '07	1,431	248	34	58	0	1,771
Additions	848	209	0	24	65	1,146
GBV at 31 March '08	2,279	457	34	82	65	2,917
Amortisation:						
Balance at 1 April '07	1,431	248	34	58	0	1,771
Charge for Year	848	209	0	24	65	1,146
Balance at 31 Mar '08	2,279	457	34	82	65	2,917
Net Book Value As at 31 March 2008	0	0	0	0	0	0
GBV – Gross Book Value						0

Notes to the core financial statements

Note 19. Information on Assets Held

Fixed assets held by the Council include the following at 31 March:

Type of Assets	2007 no.	2008 no.
Council Dwellings - HRA	3,280	3,263
Council Dwellings - General Fund	7	5
Shared Ownership Dwellings	9	9
Private Sector Leasehold Dwellings	32	24
Council Garages	751	752
Civic Offices	6	6
Depots	2	2
Community Recycling Centre	1	1
Car Parks	39	39
Public Conveniences	16	16
Downs Leisure Centre & Seahaven Pool	2	2
Parks and Gardens	1	1
Recreation Grounds	16	16
Public Halls	1	1
Cemeteries	2	2
Newhaven Enterprise Centre	0	1
Industrial Units	97	97
Vehicles owned	75	82
Vehicles leased	10	4
Cars leased	60	55

Note 20. Financial Instruments

(a) Financial Liabilities held at Amortised Cost

	2008 £'000	Short-term	
		2007 £'000	2008 £'000
Borrowing	8,000	3,000	-
Operational creditors	-	5,755	4,499
Bank overdraft	-	-	67
Total	8,000	8,755	4,566

Accrued interest is included within the value of borrowing shown above for 2007/08 only. The principal for long-term loans standing remains unchanged at £8m.

Operational creditors are analysed as follows:

	2007 £'000	2008 £'000
Government Departments	1,411	1,188
Other Local Authorities	353	1,112
Sundry Creditors	3,991	2,199
Total	5,755	4,499

Notes to the core financial statements

In addition to the operational creditors shown previously, the following receipts in advance and other non contractual liabilities, which are not classed as Financial Instruments, are included within the Balance Sheet.

	£'000	2008 £'000
Council Taxpayers	884	902
Non-Domestic Ratepayers	155	186
Housing Rents	124	154
HM Revenue & Customs	274	281
Total	1,437	1,523

(b) Loans and Receivables at Amortised Cost

	Short-term			
	2007 £'000	2008 £'000	2007 £'000	2008 £'000
Investments	21	2,121	14,600	10,320
Mortgages	82	53	-	-
Loans to individuals	42	53	-	-
Operational debtors (gross)	-	-	3,944	2,910
Cash at bank	-	-	1,059	-
Total	145	2,227	19,603	13,230

Long-term
2007

Operational debtors are shown gross before bad debt provision is applied (this is classed as an impairment loss below).

Operational debtors are analysed as follows:

	2006/07 £'000	2007/08 £'000
Government Departments	1,358	229
Other Local Authorities	355	233
Housing Rents	319	309
Sundry Debtors	1,912	2,139
Total	3,944	2,910

In addition to operational debtors above, the following debtors and Provision for Doubtful Debts, which are not classified as Financial Instruments, are included within the balance sheet.

	£'000	2007/08 £'000
HM Revenue and Customs	461	522
Council Taxpayers	1,253	1,369
Non-Domestic Ratepayers	333	252
Provision for Doubtful Debts	(829)	(900)
Total	1,218	1,243

2006/07

Notes to the core financial statements

c) Gains and losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account in 2007/08 are as follows:

	Financial liabilities £'000	Financial assets £'000	Total £'000
Interest cost	547	-	547
Interest payable and similar charges	547	-	547
Interest income	-	(1,091)	(1,091)
Gains/losses on derecognition	-	-	-
Interest and investment income	-	(1,091)	(1,091)
Net gain/loss for year	547	(1,091)	(544)

Comparative information for 2006/07 is as follows:

	Financial liabilities £'000	Financial assets £'000	Total £'000
Interest cost	566	-	566
Interest payable and similar charges	566	-	566
Interest income	-	(967)	(967)
Gains/losses on derecognition	-	-	-
Interest and investment income	-	(967)	(967)
Net (gain)/loss for year	566	(967)	(401)

£'000.

d) Fair value of assets and liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated fair values have been calculated using the equivalent market interest rates as at 31 March 2008
- Early repayment or impairment is not recognised

Notes to the core financial statements

- Fair values are based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.
- The fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

	31 March 2008	Fair Value
	amount	£'000
Financial Liabilities	12,738	12,827

The fair value is more than the carrying amount because the Council's loan portfolio includes loans where the interest payable is more than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to the early repayment of the loans.

The Fair Value calculation is a new requirement for the 2007/08 carrying and no retrospective calculation for 31 March 2007 is required.

£'000	31 March 2008	Fair Value
	amount	£'000
Financial Assets	15,457	15,480

The fair value calculation is more than the carrying amount because the Council's investment portfolio includes a number of fixed rate investments where the interest receivable is more than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases

the amount that the authority would receive if it agreed to the early repayment of the investments.

e) Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its payment commitments.
- Market risk – the possibility that a financial loss might arise for the Council as a result of movements in interest rates.

The Council's annual Treasury Management Strategy focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written statements within its treasury management strategy covering interest rate risk, security of capital, and liquidity of investments.

(i) *Credit Risk* arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with credit rated banks and other financial institutions unless they have a minimum credit rating of F1 Fitch Short Term or AA- Fitch long term. The Council has a policy of not lending more than £3m of its surplus balances to any one institution with no more than 50% held as non-specified investments i.e. investments with a period to maturity of more than one year.

Notes to the core financial statements

There is no history of default in the Council's investment activity and, by following the ongoing investment strategy outlined above, the maximum exposure to default in respect of bank deposits is estimated to be nil.

In respect of amounts receivable from our customers, the Council's collection performance is extremely high (over 98.5% for council tax collection, for example). Each year an assessment is made of the potential maximum level of default against the amount owed for each class of debt (council tax, business rates, rents, sundry debtors). This assessment takes into account both age and value of individual debts. Note (c) shows the total value of customer debt at the year end, along with the bad debt provision that we have made. The bad debt provision represents the Council's maximum exposure to default.

(ii) *Liquidity Risk.* As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity analysis of financial liabilities at 31 March is as follows:

	2008		
	£'000	£'000	% rate
Maturing within 1 year	3,000	0	-
Maturing within 1 to 2 years	0	0	-
Maturing within 2 to 5 years	0	0	-
Maturing within 5 to 10 years	0	0	-
Maturing after 10 years	8,000	8,000	4.34

The liability which is shown as maturing after 10 years includes a Lenders Option Borrowers Option loan, which has a final maturity date in April 2054. The rate of this loan increases from 4.09% to 4.5% in April 2008 and the Lender has the option to review and increase the loan rate every four years from 2012. If the lender proposes to increase the rate, then the Council can exercise its option to repay the loan at these review dates but would need to take a replacement loan or reduce the money available for investment at that time.

All trade and other payables are due to be paid in less than one year.

(iii) *Market risk – interest rate risk*

The Council is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains or Losses.

Notes to the core financial statements

The Council carries out its borrowing and investment activity within parameters set out in its approved Treasury and Investment Strategies, which assess interest rate exposure to feed into the annual budget process. The Council assumes an interest rate of 4.5% for deposits within its base budget, with interest earned above that level being used for one-off purposes only, when received. In this way, the funding of core services is less exposed to interest rate risk. Interest rate and investment income forecasts are updated regularly throughout the year, allowing significant changes to be reflected in updated budget projections.

No new long-term borrowing took place in 2007/2008 and none is expected in 2008/2009.

(iv) Market risk – price and foreign exchange risk

The Council does not invest in equities and is not, therefore, exposed to losses arising from movements in share prices. Similarly the Council has no financial assets or liabilities denominated in foreign currencies, and has no exposure to loss arising from movements in exchange rates.

Note 21. Deferred Premiums

As required by the SORP, Deferred Premiums at 31 March 2007 have been derecognised from the Balance Sheet on 1 April 2008. See the Statement of Accounting Policies for more information.

Note 22. Stocks and Works in Progress

	2006/07	2007/08
	£'000	£'000
Waste and Recycling Centre	31	35
Tourist Information Centres	22	22
Newhaven Fort	17	10
Miscellaneous Stocks	0	7
Total	70	74

Note 23. Government Grants and Contributions Deferred

	2006/07	2007/08
	£'000	£'000
Coast Protection	769	665
Kerbside Recycling	129	40
Electronic Service Delivery	649	514
IT Systems Development	182	147
Leisure & Recreation	2,114	2,344
Council Housing	33	73
Derelict Land	37	37
Newhaven Town Centre	123	122
Newhaven Fort	1,671	1,617
Denton Island	2,656	2,295
Other Properties	161	147
East Sussex Local Area Agreement	0	43
	8,524	8,044

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 added to this account. Amounts are released to services within the Income and Expenditure Account (I&E) over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Notes to the core financial statements

The net decrease of £480,000 on this account during 2007/08 is analysed by the following movements:

	Additions	Released
	£'000	to I&E £'000
Coast Protection	0	104
Kerbside Recycling	5	94
Private Sector Housing	489	489
Electronic Service Delivery	0	135
IT Systems Development	0	35
Leisure & Recreation	324	94
Council Housing	77	37
Newhaven Town Centre	0	1
Newhaven Fort	0	54
Denton Island	2,312	2,673
Other Properties	4	18
East Sussex Local Area Agreement	73	30
	3,284	3,764

Note 24. Financial Instruments Adjustment Account

Balance at 1 April	0
Premiums written out to General Fund Revenue Account	1,379
Loan Premiums Amortised	(379)
LOBO Restatement	53
LOBO Effective Interest Rate Charge	19
Balance at 31 March	1,072

The Financial Instruments Account records the timing differences between the rate at which gains and losses are recognised under the SORP and the rate at which debits and credits are required to be made against council tax.

Note 25. Development Contributions

	£'000	2008 £'000
Balance at 1 April	566	1,366
Received in year	1,378	1,109
Applied in year	(578)	(523)
Balance at 31 March	1,366	1,952

Capital contributions received from private developers and individuals under planning agreements are held in this account until they are applied to finance the capital schemes to which they relate.

Notes to the core financial statements

Note 26. Revaluation Reserve

	2008
	£'000
Balance at 1 April	0
Revaluation Gains	14,962
Balance at 31 March	14,962

The Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluations increases the net worth of the authority they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (See accounting policy 5, Page 11). The Revaluation Reserve replaces the Fixed Asset

Restatement Account (FARA). The credit balance £199.849m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£49.916m credit balance) to form the new Capital Adjustment Account with a balance of £249.765m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Capital Adjustment Account

	2007/08
	£'000
Balance of Capital Financing Account	49,916
Balance of FARA	199,849
Balance at 1 April 2007	249,765
Release of Grants and Contributions	3,764
Financing of Capital Expenditure	4,704
Major Repairs Allowance transfer	(2,796)
Long term debtors written down	(2)
Asset Disposals	(2,035)
Appropriation to Income & Expenditure A/C	(5,445)
Balance at 31 March	247,955

The Capital Adjustment 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. This account cannot be called upon to support either capital or revenue spending.

Notes to the core financial statements

Financing of capital expenditure comprises:

	2006/07	2007/08
	£'000	£'000
Major Repairs Reserve	2,430	2,327
Capital Receipts	744	1,166
Revenue – General Fund	575	846
Revenue – HRA	431	365
	4,180	4,704

Deferred Capital Receipts are derived from the sale of assets which will be received by instalments over agreed periods of time. This account records the balances outstanding on mortgages granted on sold Council Houses.

Note 27. Usable Capital Receipts Reserve

	2006/07	2007/08
	£'000	£'000
Balance at 1 April	3,589	3,728
Capital Receipts in year	1,960	1,454
Contribution to Government Pool	(1,077)	(911)
Used for Capital Financing	(744)	(1,166)
Balance at 31 March	3,728	3,105

The balance on this reserve represents the value of capital receipts available to finance future capital expenditure. Further details of the Contribution to the Government Pool are included at Note 14 on page 28.

Note 28. Deferred Capital Receipts

	2006/07	2007/08
	£'000	£'000
Balance at 1 April	63	45
Receipts applied in year	(18)	(28)
Balance at 31 March	45	17

Notes to the core financial statements

Note 29. Earmarked Reserves

Ref	Reserves	Purpose	Balance 1 April 2007 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2008 £'000
	General Fund					
1	Budget Carry Forward	Where a project or service which was to have been funded from a revenue budget has not been completed at the year end, the unspent budget can, if required, be carried forward to fund that project or service in the following year.	349	319	349	319
2	Building Control Charging Scheme	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.	64	22		
3	Change Management and Capacity Reserve (NEW)	Supports the Council's flexible retirement policy and to assist with the budget realignment exercise.		200	34	52
4	Clean and Green Reserve	Holds balance of non-recurring funding originally set aside to fund 'clean and green' initiatives.	61	107	14	154
5	Community Grants	Available to fund grants to community organisations (grants schemes no longer supported in base budget).	-	19		19
6	Indoor Leisure Building Repairs	Provides source of funding for client repairs to facilities operated by Wave Leisure.	81	20	-	39
7	Concessionary Travel Reserve (NEW)	Established in 2008/2009 to provide resources for potential fluctuations in service payments and to settle claims for additional operator reimbursement as provided for in legislation.		-	81	-
8	Corporate Building Repairs	Provides source of funding for repairs to Council offices, etc.	-		-	256
9	Financial Systems	Balance of amount originally earmarked to fund replacement of financial systems, now to be used to fund future development, etc.	147	50	38	159
			9 256	-	-	9

Notes to the core financial statements

Ref	Purpose	Balance 1 April 2007 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2008 £'000
10	Housing Benefit standards and improvements	209	87	17	279
11	Housing Development	195	-	-	195
12	Insurance and Risk Management	230	25	7	248
13	IT Replacement Equipment	169	62	206	25
14	Leisure Buildings Repairs	100	67	64	103
15	Wave Leisure Trust	25	58	83	-
16	Wave Leisure Trust Asset Maintenance	35	112	55	92
17	Lewes Leisure Centre Buildings Repairs	1	-	1	-
18	Partnership Fund	49	25	51	23
19	Planning Delivery Grant	441	246	330	357
20	Major Planning Applications Reserve (NEW)	-	50	-	50

Notes to the core financial statements

Ref	Purpose	Balance 1 April 2007 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2008 £'000
21	Private Sector Leasing Repairs	79	23	8	94
22	Recycling Reserve (NEW)	-	40	-	40
23	Rent Deposit Guarantee Scheme	52	-	-	52
24	Revenue Equalisation and Asset Maintenance	1,925	217	297	1,845
25	Southover Grange Improvements	41	-	-	41
26	Vehicle Replacement Reserve	1,586	216	337	1,465
<i>Partnership Projects</i>					
27	Denton Island Reclamation	72	4	5	71
28	Newhaven Fort Refurbishment	20	1	-	21
29	West Quay Development	44	2	-	46
30	<i>Maintenance Funds</i>	198	22	12	208
31	Total	6,201	2,231	1,989	6,443

Notes to the core financial statements

Note 30. Major Repairs Reserve

	2006/07	2007/08
	£'000	£'000
Balance at 1 April	(628)	(424)
Received in year	(2,603)	(2,796)
Applied in year	2,807	2,865
Balance at 31 March	(424)	(355)

This reserve is used by the Housing Revenue Account (HRA) to finance repairs to the Council's housing stock. It receives the value of depreciation charged to the HRA, and applies this to finance HRA capital expenditure.

This reserve is also used to adjust for the difference in the HRA between the actual depreciation charged and the actual amount of major repairs allowance received from Government as part of HRA subsidy.

Note 31. Contingent Liabilities

Financial Reporting Standard 12 – Provisions, Contingent Liabilities and Contingent Assets, requires disclosures to be made of a significant nature.

The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006.

The terms of this undertaking are set out in the pensions agreement between the two organisations. As at 31 March 2008 there was no pension liability.

Note 32. Capital expenditure

As at 31 March 2008 the Council was contractually committed to capital works amounting to approximately £0.325m. In addition there were a number of minor continuing projects.

Note 33. Reconciliation of net cash flow

	2006/07	2007/08
	£'000	£'000
(Surplus)/Deficit for year		
- General Fund	381	88
- Housing Revenue Account	(153)	(65)
- Collection Fund	70	530
	298	553
Non-Cash transactions		
- Changes in reserves	(1,054)	(238)
- Changes in provisions	(54)	(71)
- Capital financing	(1,172)	(1,294)
	(2,280)	(1,603)
Items on accruals basis		
- Changes in stocks	5	4
- Changes in debtors	(222)	(1,009)
- Changes in creditors	(1,053)	1,170
	(1,270)	165
Other items not classified as revenue		
- Interest paid	(568)	(362)
- Interest received	985	1,005
	417	643
Net Revenue Cash	(2,835)	(242)

This is the reconciliation between the net surplus/(deficit) on the three revenue accounts to the revenue activities net cash flow.

Notes to the core financial statements

Note 34. Analysis of Other Government Grants (in Cash Flow Statement)

	2006/07	2007/08
	£'000	£'000
Housing Subsidy (net)	(1,645)	(2,250)
Housing Benefits Admin.	654	702
Planning Delivery	400	246
Disabled Facilities	242	271
Crime & Disorder Reduction	184	112
Food Standards Agency	94	54
Local Authority Business Growth Incentive	43	13
Homelessness	43	63
Recycling	39	0
Discretionary Housing	31	28
MRP Transitional Protection	20	0
Other Minor Grants	16	101
DEFRA Air Quality	0	59
Public Service Agreement	0	121
Concessionary Travel Grant	0	89
DWP Local Housing Allowance	0	99
	121	(292)

Note 35. Management of Liquid Resources (in Cash Flow Statement)

	2007/08
	£'000
Balance at 1 April	15,000
Balance at 31 March	14,600
Movement in year	(400)
	(4,280)

The principal liquid resources of the Council are Short Term Investments. The opening and closing balance sheet values and the movement in the year are shown above.

Note 36. Analysis of Financing (in Cash Flow Statement)

	2006/07	2007/08
	£'000	£'000
Balance at 1 April		
- PWLB (short)	3,000	3,000
- PWLB (long)	6,000	3,000
- Market Loan	5,000	5,000
	14,000	11,000
Balance at 31 March		
- PWLB (short)	3,000	0
-PWLB (long)	3,000	3,001
-Market Loan	5,000	5,171
	11,000	8,172
Movement in year	3,000	2,828

The Council's financing is analysed as Short Term Borrowing and Long Term Borrowing in the balance sheet. The opening and 2006/07 values and the movement in the year are shown above.

Note 37. Movement in Cash (in Cash Flow Statement)

	2006/07	2007/08
	£'000	£'000
Balance at 1 April	(263)	(1,059)
Balance at 31 March	(1,059)	67
Movement in year	(796)	1,126
Net (increase)/decrease in cash		

The Council's cash is recorded in the balance sheet as either Cash In Hand or Cash Overdrawn. The opening and closing values and the movement in the year are shown above.

Housing Revenue Account and supporting notes

Housing Revenue Account

2006/07 £'000		2007/08 £'000	2007/08 £'000
	INCOME		
10,611	Dwelling Rents (Gross)	11,103	
352	Non-Dwelling Rents (Gross)	345	
937	Charges for services and facilities	975	
548	Contributions towards expenditure	470	
108	Community amenities contribution	115	
12,566	Total Income		13,008
	EXPENDITURE		
3,420	Repairs and Maintenance	3,520	
2,583	Supervision and Management	2,739	
204	Rents, Rates, Taxes and other charges	198	
1,639	Housing Revenue Account Subsidy Payable	2,358	
69	Increase in provision for doubtful debts	2	
	Depreciation/impairment of fixed assets		
2,226	- Dwellings	2,759	
376	- Non-Dwellings	538	
0	Government Grants & Contributions Deferred	(38)	
46	Debt Management Expenses	40	
49	Supporting People Transitional Protection	56	
	Transfers to the General Fund		
0	- Rent Rebates Transitional Protection	0	
211	- Rent Rebates Subsidy Limitation	149	
10,823	Total Expenditure		12,321
(1,733)	Net Cost of HRA Services shown in whole Council Income and Expenditure Account		(687)
526	HRA services share of Corporate and Democratic Core		530
(1,207)	Net cost of Housing Revenue Account Services		(157)
(11)	Gain on sale of HRA fixed assets	0	
441	Interest payable and similar charges	497	
750	Amortisation of premiums and discounts	379	
(136)	Interest and investment income	(147)	
(31)	Pensions interest cost and expected return on pensions assets	(42)	
			687
(194)	(Surplus) or deficit for the year on HRA services		530

Housing Revenue Account and supporting notes

2006/07 £'000		2007/08 £'000
(194)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	530
41	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (see table to right)	(595)
(153)	(Increase) in HRA Balance for the year	(65)
(2,828)	Housing Revenue Account Balance brought forward	(2,981)
(2,981)	Housing Revenue Account Balance carried forward	(3,046)

2006/07 £'000		2007/08 £'000
	Statement of Movement on the Housing Revenue Account Balance Reconciling items	
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the Housing Revenue Account Balance for the year	
0	Impairment of Fixed Assets	(501)
0	Amortisation of Government Grants and contributions deferred.	38
11	Gain on Sale of HRA fixed assets	0
(266)	Amount by which pension costs calculated in accordance with SORP are different from the contributions due under the pension scheme regulations.	(246)
(255)		(709)
	Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year Housing Revenue Account Balance for the year	
(376)	Transfer (from) Major Repairs Reserve	(538)
431	Capital expenditure charged in-year to the HRA Balance	365
241	Employer's contributions payable to the East Sussex Pension Fund and retirement benefits payable direct to pensioners	287
296		114
41	Net additional amount required to be credited to the General Fund balance for the year	(595)

Housing Revenue Account and supporting notes

Note 1. Financial Framework

A Housing Revenue Account is maintained in accordance with the 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. This account records the major elements of housing revenue expenditure, e.g. maintenance, administration and capital financing costs, and how these are met by rents, subsidy and other income.

Note 2. Stock of Social Housing at 31 March

	2008	
Houses & Bungalows		
-1 bedroom	217	213
-2 bedrooms	662	655
-3 bedrooms	908	905
-4 bedrooms	64	63
-5 bedrooms	4	3
-6 bedrooms	0	1
	1,855	1,840
Flats		
- bedsits	133	134
-1 bedroom	712	709
-2 bedroom	527	527
-3 bedroom	49	49
-4 bedrooms	4	4
2007	1,425	1,423
Total stock	3,280	3,263

In addition the Council had, at the same date, shared ownership arrangements covering 8 properties and 1 property (partly) sold under the Right to Buy.

Note 3. Value of HRA Assets

	£'000	2008 £'000
Intangible assets	93	44
Operational assets		
- dwellings	218,360	230,419
- garages	4,782	5,861
- other	1,351	1,351
Community assets	7	7
Infrastructure assets	1,394	1,375
Non-operational	1,177	1,177
	227,164	240,234

The value of HRA assets is included within the balance sheet on page 19. The change in the valuations arose following an interim desktop valuation update by the Council's appointed valuer.

2007
The vacant possession value of dwellings within the Housing Revenue Account at 1 April 2007 was £487.0m as valued by District Valuer Services, compared with a value of £219.2m for its existing use as social housing. The difference of £267.8m 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 was 45%.

Housing Revenue Account and supporting notes

Note 4. Depreciation

Depreciation of the housing stock has been calculated using the methodology of the Major Repairs Allowance. This 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 has also been included in respect of non-dwelling assets.

Note 5. Major Repairs Reserve

	£'000	2008 £'000
Balance at 1 April	(628)	(424)
Depreciation		
- housing stock	(2,226)	(2,258)
- other HRA assets	(376)	(538)
Financing of capital expenditure	2,430	2,327
Transfer to HRA	376	538
Balance at 31 March	(424)	(355)

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 4 above) into capital expenditure on HRA property. The movements on the account show that a balance has been retained to finance future capital expenditure.

2007

Note 6. Funding of Capital Expenditure

	£'000	2007/08 £'000
Expenditure:		
- houses	3,084	2,871
- equipment & other	116	96
	3,200	2,967
Funding:		
- repairs reserve	2,430	2,327
- revenue account	431	336
- borrowing	259	259
- capital receipts	42	1
- leaseholder funds	16	40
- other contributions	22	4
	3,200	2,967

2006/07

Note 7. Capital Receipts

	£'000	2007/08 £'000
Sale of council houses (right to buy)	1,890	1,196
Sale of housing land	0	174
Repayment of right to buy discount	25	13
Repayment of HRA mortgages	17	28
	1,932	1,411

Housing Revenue Account and supporting notes

Note 8. Analysis of Housing Revenue Account Subsidy Payable

	£'000	2007/08 £'000
Major repairs allowance	2,226	2,258
Management & maintenance allowance	4,730	4,901
Capital charges allowance	1,510	1,248
Admissible allowance	5	0
Total allowances	8,471	8,407
Less: assumed rent	(10,106)	(10,763)
Less: other income	(4)	(2)
Total assumed income	(10,110)	(10,765)
Net HRA subsidy payable to Government	(1,639)	(2,358)

Each year Government determines the value of allowances it will pay to each housing authority and the value of income it assumes each housing authority will raise from its own resources.

The difference between the two is either the value of subsidy receivable or the value of the subsidy payable by the housing authority.

As the table shows, Lewes District Council is a net contributor to the national housing pot held and distributed by Government.

Note 9. Transfers to the General Fund

With effect from 1 April 2004 the accounting for rent rebates was transferred from the Housing Revenue Account to the General Fund.

In order to minimise the net financial effects on both the Housing Revenue Account and the General Fund, the Secretary of State determined that time limited transfers to the General Fund would be allowed from the Housing Revenue Account. This is known as transitional protection.

For the Rent Rebates Transitional Protection scheme transfers were made in the financial years 2004/05 and 2005/06, but ceased in 2006/07. For the Rent Rebates Subsidy Limitation scheme transfers were made in the financial years 2004/05, 2005/06 and 2006/07, and will continue in 2007/08 but will cease in 2008/09.

Note 10. Rent Arrears

	£'000	2007/08 £'000
Current tenants:		
- dwellings	219	188
- garages	2	1
	221	189
Former tenants:		
- dwellings	86	103
- garages	2	3
	88	106
Total arrears at 31 March	309	295
Provision for bad debts	223	224
Value of write offs in year	7	31

2006/07

Collection Fund and supporting notes

2006/07 £'000		2007/08 £'000
	INCOME	
47,013	Council Tax (Note 1. p51)	49,425
5,887	Council Tax Benefits	6,065
52,900		55,490
17,208	Business Rates (Note 2. p52)	18,076
70,108		73,566
	EXPENDITURE	
52,558	Precepts (Note 3. p52)	55,546
17,086	Contributions to NNDR Pool	17,953
122	NNDR Cost of Collection Allowance	123
54	Provision for uncollectible amounts	105
358	Contribution towards previous year's estimated surplus	369
70,178		74,096
70	(Surplus)/Deficit for the year	530
(684)	Balance at start of year	(614)
(614)	Balance at end of year (Note 4. p52)	(84)

The Collection Fund is managed and administered by Lewes District Council as the Billing Authority on behalf of the council taxpayers and business ratepayers within its area.

All sums raised from council tax and business rates are paid into the Fund.

Payments out of the Fund include contributions to the National Non Domestic (NNDR) Pool and precept payments to East Sussex County Council, Sussex Police Authority, East Sussex Fire

Authority, Lewes District Council and the Town and Parish Councils to fund their respective net service requirements.

Note 1. Council Tax

The average Band D Council Tax for 2007/08 was £1,479.41 as follows

	£
Lewes District Council	174.09
Town/Parish Councils (average)	61.26
East Sussex County Council	1,047.69
East Sussex Fire Authority	73.70
Sussex Police Authority	122.67
	<hr/>
	<hr/>

The estimated tax base for the year, which is the number of chargeable dwellings in each Council Tax valuation band adjusted for applicable discounts and possible losses on collection, expressed as Band D equivalent numbers was 37,546 (37,142 2006/07) as shown in the following table.

Collection Fund and supporting notes

	Estimated Number	Band D Ratio	Equivalent Number
Band A	3,122	6/9	2,081
Band B	4,769	7/9	3,710
Band C	11,119	8/9	9,883
Band D	8,358	1	8,358
Band E	4,889	11/9	5,974
Band F	2,630	13/9	3,799
Band G	2,021	15/9	3,369
Band H	186	18/9	372
Total	37,094		37,546

The actual council tax income receivable in the year, £55.5m was in line with the estimate.

Note 2. Non Domestic Rates

Non Domestic Rates are organised on a national basis with the Council's role being to collect the rates due and pass them over to the Government's National Pool. The rate in the pound applied for 2007/2008 was 44.4p reduced to 44.1p for small businesses. The total rateable value of all businesses in the District was £50.1m. at 31 March 2008 (£50.4m at 31 March 2007). The amount of Mandatory Rate Relief granted in 2007/08 was £1.96m (£1.78m 2006/07), with Small Business Rate Relief being £490k (£400k 2006/07). The amount of Partial and Empty Property relief was £1.94m for 2007/08 (£1.7m 2006/07)

Note 3. Precepts

	2006/07 £'000	2007/08 £'000
Lewes District Council	8,347	8,837
East Sussex County Council	37,301	39,336
Sussex Police Authority	4,300	4,606
East Sussex Fire Authority	2,610	2,767
	52,558	55,546

Note 4. Collection Fund Balance

This will be returned to taxpayers in future years by reducing the council tax amounts that the precepting authorities would otherwise have demanded.

Statement of Responsibilities for the Statement of Accounts

Authorisation of Statement of Accounts

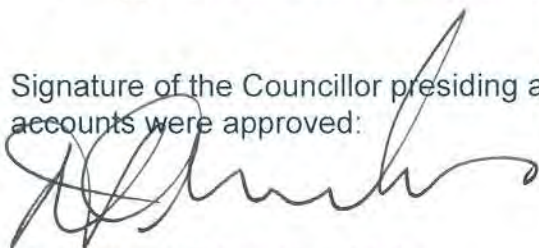
The Director of Finance and Community Services released a draft Statement of Accounts (pre-audit) to the Audit Committee for approval on 25 June 2008. On completion of the majority of the external audit work, this amended Statement of Accounts was presented to the Audit Committee for approval on 8 September 2008. Events between the balance sheet date and 8 September 2008 were considered before this Statement of Accounts was approved.

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.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

Signature of the Councillor presiding at the meeting at which the accounts were approved:



Councillor J M Harrison-Hicks
Chair of Audit Committee

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 in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance and Community Services has:

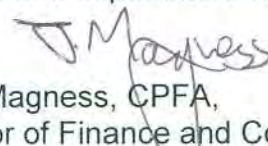
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

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 10 to 53 present fairly the financial position of the Council at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.


John Magness, CPFA,
Director of Finance and Community Services

8 September 2008

Annual Governance Statement

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 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at <http://www.lewes.gov.uk/council/3748.asp> or can be obtained from the Head of Audit and Performance, Lewes House, 32 High Street, Lewes, East Sussex BN7 2LX. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed 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 governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Statement of Accounts.

Annual Governance Statement

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are described below.

The Council has set out its ambitions, aims, objectives and outcomes for its citizens and service users in the Council Plan. These are linked to the Lewes District Sustainable Community Strategy and are supported by key strategies and departmental service plans which provide detailed commitments in terms of the Council's core services and activities. The Medium Term Finance Strategy looks ahead three years and sets out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities.

The Council's vision is reviewed annually by the Cabinet in its approval of the Council Plan. The Council's governance framework is drawn together in the local Code of Corporate Governance which meets national standards.

The Council has published a Performance Management Framework which is supported through a variety of processes. The Council has a Data Quality Strategy, with systems in place to ensure that performance information and other data is valid, accurate, complete, timely and relevant. In addition to quarterly reports of performance against targets the Cabinet receives a quarterly report on the progress of Council Plan milestones that support the achievement of its priorities. The Corporate Management Team monitors milestones within the Council Plan on a quarterly basis. The quality of services is reviewed through regular consultation with and feedback from service users in the form of survey research, comments and suggestions and complaints.

The Council's Constitution establishes clear arrangements for decision making and the delegation of powers to Councillors and Officers. It defines and documents the roles and responsibilities of the Council, Cabinet and Committees (including the Audit, Scrutiny and Standards Committees) as well as the roles and responsibilities of Councillors and Senior Officers. Communication between Councillors and Officers is governed by the Member's Code of Conduct and Protocol for Member/Officer Relations. There is also a Councillor Protocol for Procurement.

The Council's Scrutiny Committee oversees the independent review of decisions of Cabinet and other activities and functions of the Council through appointed Scrutiny Panels. The Standards Committee role includes promoting and maintaining high standards of conduct of Councillors. In April 2008 the Committee approved procedures for the local assessment and determination of complaints against Councillors, to put in place the provisions for Standards Committees set out in Local Government and Public Health Act 2007.

Standards of behaviour and conduct of Councillors and staff are governed by Member and Officer Codes of Conduct, the Anti Fraud and Corruption Strategy, Whistle Blowing Policy, Disciplinary and Grievance procedures and the Dignity at Work Policy. These guidance documents and procedures are the subject of training for staff and Councillors. They are made available to staff and Councillors via the Council's intranet and are publicised on the website.

Annual Governance Statement

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's risk management framework is outlined in the risk management strategy. It is fully established and embedded within the Council. There are 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. Key staff have been trained in the assessment, management and monitoring of risk and Councillors have received training on their role in risk management.

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 Committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities", and reports to the Cabinet on the effectiveness of internal controls within the Council.

The Council has a documented Assurance Framework that sets out the sources of assurance within the Council's governance environment and provides the evidence to support the Annual Governance Statement.

The Council has an Internal Audit Section which is a fully established and independent assurance 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 scope of Internal Audit work extends to services provided by partnerships in accordance with the CIPFA Code.

The Council has a strong anti-fraud culture that is supported by Councillors and officers. Proactive anti-fraud work is undertaken, particularly in the area of Benefit Fraud through the work of a high profile Fraud Investigation Team. The outcome of this work informs the opinion on the internal control environment.

The Council's Constitution sets out 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) and these include responsibility for ensuring that agreed procedures are followed and that applicable statutes, regulations and relevant statements of good practice are complied with.

The Council has a Whistleblowing Policy in place which can be used by staff, Councillors, agency staff and contractors' employees. The Council also has a Corporate Complaints procedure with supporting systems to record, monitor and investigate complaints.

Annual Governance Statement

A Councillors' induction programme takes place every four years after a District Council Election. Individual Councillor training needs are reviewed annually, and specialist training on specific areas of activity are organised by officers as required e.g. IT, planning and scrutiny matters. Each year all Council Committees are invited to identify training needs/issues arising from their work programme. Training needs for each member of staff are assessed as part of the annual appraisal/training needs analysis process.

The Council has a variety of communication channels open to local residents and other stakeholders. In addition the Council actively engages with different sections of the community through focus groups, user groups, partnership meetings and networks. Community consultation and communication takes place through the community and its partners through the Local Strategic Partnership (LSP), LSP thematic groups and the five Area Partnerships. The Council's Consultation and Communication strategies set out the approach and specific consultations are planned and agreed in an annual programme.

The Council has put in place detailed best practice guidance for partnership working and has identified a small number of key partnerships which require comprehensive governance arrangements. Key partnerships are subject to annual review by lead officers. A register of partnerships is held and updated by the Head of Audit and Performance with key issues reported to the Corporate Management Team. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

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

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 a Business Continuity Plan, and will continue to develop its processes and safeguards in this area.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Performance's annual report, and also by comments made by external auditors and other review agencies and inspectorates. The following processes have informed the review of effectiveness.

Annual Governance Statement

The Head of Audit and Performance reports regularly to the Audit Committee on all aspects of Internal Audit plans, activities and effectiveness, and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2007/08 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 was reviewed by the Head of Audit and Performance and senior officers taking into account the requirements of the new CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. The review concluded that the Council's arrangements were satisfactory and the Code was fit for purpose. In March 2008 the Audit Committee approved the new local Code of Corporate Governance.

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 Audit Committee also receives an update on risk management at every meeting. The reports during 2007/08 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 flu pandemic, a downturn in the national economy or a major change in government policy or legislation.

The Council's Business Continuity Plan is regularly tested, most recently by the Corporate Management Team in January 2008.

As part of the Council's internal assurance framework senior officers have confirmed the proper operation of internal controls including compliance with the Constitution in those service areas for which they are responsible for. In addition they have confirmed that there are no cases reported under the Council's Whistleblowing Policy. A joint annual statement by the Monitoring Officer and Chief Finance Officer (Section 151) has confirmed that there have been no significant governance issues for the Council in 2007/08.

Internal Audit has reviewed the assurance arrangements in two of the key partnerships of the Council, as part of a rolling programme and has concluded that these arrangements are satisfactory.

Under the National Performance Standard Self Assessment the Council's Housing Benefit administration function and Fraud Investigation team have been scored as excellent.

Improved corporate monitoring of complaints by Corporate Management Team has been introduced which provides assurance that departmental recording and reporting systems are working effectively.

Annual Governance Statement

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 recent years:

- Comprehensive Performance Assessment – The inspection took place in November 2003 and the Council was judged “Good” overall with high level results in financial management, standards of financial conduct and the systems of internal financial control. The Audit Commission has judged that these assessments remain valid until the next main inspection.
- Annual Audit and Inspection Letter (March 2008) - The letter summarised a series of audits carried out during 2007 across a range of Council activities. The Audit Commission concluded that:
 - Continued progress was made by the Council during 2006/07 against its plans. Compared with other councils as measured by national performance indicators, its rate of improvement and its relative performance was above average.
 - Arrangements to ensure good governance and a high level of external accountability are generally well developed, embedded in business practices and operating effectively.
 - The Council achieved good value for money and service improvement.
 - An unqualified opinion was issued on the 2006/07 accounts.
 - The Council achieved an overall score of 3 out of 4 in the Use of Resources assessment, i.e. it was ‘consistently above minimum requirements: performing well.’ This included a top score of 4 for internal control.
 - Arrangements for promoting internal control were strong, with notable practice in some areas.
 - The Council continued to embed its arrangements for risk management by providing training within the Council.
 - An assurance framework has been established including quarterly monitoring by the Audit Committee which has contributed to the Statement of Internal Control (now Annual Governance Statement) at the end of the year.
 - The Council continues to maintain high standards in its account preparation processes. Good arrangements are in place to promote external accountability in financial reporting.
 - The Council’s budget monitoring and reporting processes are good, with officers aware of good practice requirements and adopting them in practice where they believe them to be appropriate for the Council.
 - The Council has good arrangements in place for managing capital assets: it has a Corporate Property Group, responsible, in conjunction with Heads of Service for the preparation of the annual report considering and categorising the existing and future use of property assets.
 - The Council has maintained good arrangements to secure its financial standing.
 - The Council has well developed arrangements to promote and ensure probity in the conduct of its business.

Annual Governance Statement

- Benefit and Non Domestic Rates Subsidy Claims Audit – The Audit Commission's review took place in November 2007 and approved the Council's claims without qualification.
- Data Quality Review – PKF the Council's new external auditors reviewed data quality in October 2007 and concluded that the Council's management arrangements for data quality met the required standard and its data quality arrangements were robust.
- Best Value Performance Plan (BVPP) – PKF reviewed the Council's BVPP in late 2007 and concluded that it was compliant with the requirements of the legislation and statutory guidance in all significant respects.

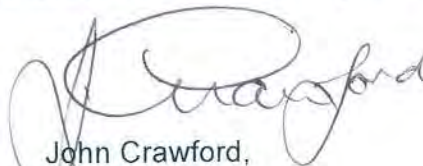
Significant governance issues

We have been advised by the Audit Committee on the implications of the result of the review of the effectiveness of the Governance Framework.

There are no significant Governance issues to report for the year ended 31 March 2008.



Ann De Vecchi,
Leader of the Council.


John Crawford,
Chief Executive.

Independent Auditor's Report

Independent auditor's report to the Members of Lewes District Council

Opinion on the financial statements

We have audited the Statement of Accounts and related notes of Lewes District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Statement of Accounts comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 Director of Finance and Community Services and auditor

The Director of Finance and Community Services' responsibilities for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the Statement of Accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council and its income and expenditure for the year

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

We read other information published with the Statement of Accounts, and consider whether it is consistent with the audited accounting statements. This other information comprises the Foreword and Review of the Financial Year. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

Independent Auditor's Report

Basis of audit opinion

We conducted our 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 accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the Statement of Accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council as at 31 March 2008 and its income and expenditure for the year then ended.

Signature: PKF(UK) LLP Date: 29 September 2008

Name: PKF (UK) LLP
Farringdon Place, 20 Farringdon Road, London, EC1M 3AP

Independent Auditor's Report

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

Council's Responsibilities

The Council 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, 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 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's 2007 best value performance plan on 19 December 2007. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

The audit cannot be formerly concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by a local authority elector. We are satisfied that these matters do not have a material effect on the Statement of Accounts.

Signature: PKF (UK) LLP Date: 29 September 2008

Name: PKF (UK) LLP
Farringdon Place, 20 Farringdon Road, London, EC1M 3AP

Glossary of Terms

Accounting Code of Practice

Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, the accounting bodies have agreed a code of practice.

Accounting period

This is the length of time covered by the accounts. It is normally a period of twelve months commencing 1 April. The end of the accounting period is the balance sheet date.

Accrual

This is one of the main accounting concepts and ensures that income and expenditure are recognised in the accounting period 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 local authority on behalf of, and reimbursed by, another authority, or central Government.

Asset

This is something that Lewes owns that has a monetary value. Assets are either 'current' or 'fixed'.

- a current asset is one that will be used or cease to have material value by the end of the next financial year (e.g. stock, debtors)
- a fixed asset provides Lewes with benefits for a period of more than one year (e.g. land and property)

Audit of accounts

This is the examination by an independent expert of Lewes' financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Balance sheet

This is a financial statement summarising Lewes' assets, liabilities and other balances at the end of each accounting period.

Balances

Working balances are needed so that payments can be made before income is received, and to act as a cushion against unexpected expenditure during the year.

Budget

This is a financial statement that expresses Lewes' service delivery plans and capital programmes in monetary terms.

Capital charges

This is a charge made to Lewes' revenue accounts to reflect the cost of utilising fixed assets in the provision of services.

Capital expenditure

This is expenditure on the acquisition of a fixed asset that will be used to provide services beyond the current accounting period, or expenditure that adds value to an existing fixed asset.

Capital financing

This term describes the various sources of money used to pay for capital expenditure. There are various options available, of which Lewes uses borrowing, usable capital receipts, direct revenue financing, capital grants and contributions, and revenue and earmarked reserves.

Glossary of Terms

Capital programme

This is a financial summary of the capital projects that Lewes intends to carry out over a specified time period.

Capital receipts

This is the income received from the sale of capital assets, like land or property. The Government decides the proportion of each capital receipt that can be used to finance new capital expenditure. Capital receipts cannot be used to finance revenue services.

Cash equivalents

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

CIPFA

Abbreviation for the Chartered Institute of Public Finance and Accountancy.

Collection fund

A separate fund recording the expenditure and income relating to council tax and non-domestic rates.

Community assets

This is the land and property that Lewes intends to own forever. They generally have no determinable useful life and there are often restrictions regarding their disposal. Lewes' community assets include its parks and open spaces.

Consistency

This is one of the fundamental accounting concepts. It requires accountants to treat similar items of income and expenditure the same way, both within an accounting period and from one accounting period to the next.

Creditors

This is the amount of money Lewes owes to others for goods and services supplied in the accounting period but not paid for.

Current service cost (pensions)

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

Debtors

This is the amount of money others owe to Lewes for goods and services they have received but have not paid for by the end of the accounting period.

Deferred charges

An example of a deferred charge is a capital grant made to another organisation or person, like a conservation or improvement grant. This counts as capital expenditure but it doesn't create an asset that belongs to Lewes. The expenditure is written off in full to the revenue account in the year in which it is incurred.

Depreciation

This is a charge made to the revenue account each year that reflects the reduction in the value of land, property, vehicles and plant, ICT equipment and other machinery used to deliver services.

Expected rate of return on pensions assets

For the 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.

Glossary of Terms

Financial reporting standards (FRS)

These are prepared by the Accounting Standards Board set up in 1990 by the professional accountancy bodies. They advise the accounting treatment and disclosure requirements of transactions so that a local authority's accounts 'present fairly' its financial position.

Financial Instrument

A contract between two parties which gives rise to a financial asset for one and a financial liability for the other.

Government grants

These are grants given by Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some grants have restrictions on how they may be used whilst others are general purpose.

Housing benefits

This is the national system for giving financial assistance to individuals towards certain housing costs. Lewes administers the system for Lewes residents, the cost of which is subsidised by Government.

Housing revenue account (HRA)

The HRA is used to account separately for local authority housing provision, as required by Government regulation. It records the day to day costs of providing council housing, like repairs and maintenance, and the income from rents and other income that meets those costs

Income

This is the money that Lewes receives or expects to receive from any source including fees, charges, sales, grants and interest.

Income and expenditure account

This account is the Council's main revenue account. It brings together the income and expenditure of General Fund services provided across the whole district, like refuse collection, benefits and the collection of council tax, with the income and expenditure of Housing Revenue Account services provided specifically for local authority housing.

It does not include the Collection Fund.

Liability

Lewes has a liability that must be included in its financial statements when it owes money to others. There are several types of liability which are classified in the balance sheet as either:

- a current liability, where a sum of money will become payable during the next accounting period. Examples include short term borrowing and creditors
- a long term liability where a sum of money will become payable at some point after the next accounting period. Examples include long term borrowing and the defined pension scheme.

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 otherwise have received had the loan run to maturity.

Glossary of Terms

Materiality

This is one of the main accounting concepts. It ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

Minimum revenue provision

An amount, in accordance with a formula prescribed by Government, to be set aside from revenue for the redemption of debt.

National non-domestic rates

This is a national scheme for collecting contributions from businesses towards the costs of local government services. Each business property is given a rateable value by the Valuation Office Agency. Each year Government determines a rate for how much a business has to pay based on per £ of rateable value. Billing authorities collect the money and pay it over to Government. The Government redistributes this money back to local authorities based on population.

Non-operational assets

These are fixed assets owned by Lewes that it does not directly occupy or use in the delivery of services. Examples are investment properties and assets that are surplus to requirement.

Operational assets

These are the fixed assets owned by Lewes that it occupies and uses to deliver services. Examples are offices, car parks and refuse vehicles.

Operating lease

This is a lease where the ownership of the fixed asset remains with the lessor and not with the user of the asset (the lessee). The user pays a rental over a specified period for the use of the asset. Lewes uses a range of vehicles and equipment that are held under operating leases.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf. Lewes District Council is the billing authority for the Lewes district and collects on behalf of East Sussex County Council, East Sussex Fire Authority, Sussex Police Authority and the Town and Parish Councils.

Provision

This is a sum of money that has been put aside in the accounts for liabilities or losses that are likely or certain to be incurred, but where the amount due or the timing of the payment is not known with any certainty.

Prudence

This is one of the main accounting concepts. It ensures, among other things, that Lewes only includes income in its accounts if it is sure it will receive the money.

Public Works Loan Board (PWLB)

A Government agency which provides the main source of borrowing for local authorities

Glossary of Terms

Rateable value

A notional annual rental value of a property, as assessed by the Valuation Office Agency, and to which the rate poundage is applied to determine the rates payable for non-domestic property.

Rate poundage (or multiplier)

The amount of pence in the £ set nationally by Government which is applied to rateable value to determine the rates payable.

Related parties

Two or more parties are related when at any time during the financial period:

- one party has direct or indirect control of the other party
- the parties are subject to common control from the same source
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interests
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interests

Lewes' related parties include:

- central government
- the local authorities, police authority and other bodies that precept or levy demands on the council tax
- its associated companies
- its joint ventures and joint venture partners
- its elected members
- its chief officers

For individuals identified as related parties the following are also presumed to be related parties:

- members of close family or household

partnerships, companies, trusts or other entities in which the individual or a member of close family or household has a controlling interest

Related party transactions

A related party transaction is the transfer of assets, liabilities or services between Lewes and its related party irrespective of whether a charge is made.

Examples of related parties include:

- the purchase, sale, lease, rental or hire of assets between related parties
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party
- the provision of services to a related party
- the transactions with individuals who are related parties of an authority, except those that are also made to other members of the community such as council tax, rents and payments of benefits

The materiality of related party transactions is judged both in terms of their significance to Lewes and to its related parties.

Reserves

A reserve results from the accumulation of surpluses, deficits and appropriations over past years. Lewes has set aside reserves to finance future expenditure for purposes falling outside the definition of provisions.

Residual value

This is the net realisable value of an asset at the end of its useful life

Glossary of Terms

Revenue expenditure

The day to day expenses associated with the provision of services. This will include pay, running costs of buildings, equipment and capital financing costs.

Revenue support grant (RSG)

A general grant paid by Government to local authorities as a contribution to the cost of providing services.

Statement of recommended practice (SORP)

The SORP is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. It states which accounts should be published as part of the Statement of Accounts and the information to be included in each account.

Stocks

These are items of materials and stores that Lewes has bought to use on a continuing basis but has not yet used.

How to contact us

This document has been prepared by the Financial Services Division of the Finance and Community Services Department.

The information can be made available in large print, on audio tape or disk, or in another language upon request. Contact us on 01273 484141 or email lewesdc@lewes.gov.uk

We are always looking to improve the way we present our financial information because we think it's important that residents understand the Council's finances. If there is anything you would like to tell us so that we can improve things for the future, then please do not hesitate to get in touch with us.

For more information about the Statement of Accounts, or about any of our other financial information, or if there are any comments you would like to make, please contact us at:

Financial Services
Southover House, Southover Road, Lewes BN7 9EZ
Telephone: 01273 484043