



Lewes District Council
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Lewes District Council **Statement of Accounts 2008/09**



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Director of Finance and Community Services

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

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Lewes District Council
Statement of Accounts 2008/2009

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Foreword and Review of the Financial Year

Introduction

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 (the Code of Practice) in putting together our Statement of Accounts for 2008/09. The accounts fairly reflect Lewes District Council's financial position for the financial year ended 31 March 2009. 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 2008/09 appears on page 60 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: in 2008/09 the most significant change is in the way that the Cash Flow Statement has been presented. The Statement of Accounting Policies section of this document explains in detail the rules that we have followed in preparing our accounts.

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

Income and Expenditure Account

All local authorities are required to maintain an Income and Expenditure Account. This records all of the spending and income used in the day to day provision of all services including Council housing and also includes any profit or loss from the use and disposal of assets within the period. 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

In order to reconcile the surplus or deficit for the year shown in the Income and Expenditure Account with the statutory basis on which local authorities are required to account for expenditure financed by the council tax (through the General Fund) an additional statement - the Statement of Movement on the General Fund Balance (SMGFB) - is required.

This statement removes from the Income and Expenditure Account those amounts (eg depreciation) which the law requires be excluded from the basis on which council tax is raised and then adds in those amounts (eg capital expenditure financed from revenue) which the law requires be taken into account when council tax is raised.

In effect the SMGFB provides a bridge between two different accounting basis:

- UK GAAP - the accounting basis under which the Income and Expenditure Account is prepared, and
- the Code of Practice – the statutory accounting basis and non-statutory proper practices which local authorities are required to follow when accounting for expenditure financed by council tax

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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 2009 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. In line with the Code of Practice, the presentation of the Cash Flow Statement has been simplified this year.

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 ourselves. 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 2008/09

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

Foreword and Review of the Financial Year

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 income over time, much as a private homeowner would repay a mortgage.

General Fund

Our Income and Expenditure Account is shown on page 21. It records a loss for the year of £28.839m. The Statement of Movement on the General Fund Balance is shown on page 22. It records a net additional amount to be credited to the General Fund Balance for the year of £28.999m.

The net effect of these two amounts produces an increase in the General Fund Balance for the year of £160,000 which increases the Balance at 31 March 2009 to £1,526m.

Another way of describing this movement is to say that the General Fund Revenue Account (against which council tax is raised) made a surplus of £160,000 and the Council has set this aside for use in the future if it is needed.

Comparing actual spending to budget

Before comparing actual spending to budget, a reconciliation between the formal Income and Expenditure Account and the General Fund Revenue Account, which the Council keeps for budget monitoring and reporting purposes, is required as follows:

<u>General Fund (see next page)</u>	£'000
Net revenue expenditure (line 12)	11,705
Less funding (line 16)	<u>(13,207)</u>
Total Surplus for year (line17)	(1,502)
Amount added to reserves (page 6)	<u>1,342</u>
Net surplus for year	<u>(160)</u>
Income and Expenditure Account deficit (Page 21)	28,839
Less additional amounts to be credited (page 22)	<u>(28,999)</u>
Net Surplus for year.	<u>(160)</u>

The following table compares our actual net spending for 2008/09 with our original and revised budgets for the year. The expenditure analysis by Lead Councillor Portfolio is consistent with the format used when the Council determined its budget in February 2008 as set out within the 2008/09 Budget Book (published on the Council's website www.lewes.gov.uk). The table also shows the actual spending variance when compared against the revised estimate and records how net expenditure was financed.

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Comparison of actual and budgeted General Fund net expenditure

	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Net Actual Expenditure	2008/09 Variance against Revised
	£'000	£'000	£'000	£'000
Services by Lead Councillor Portfolio				
1 Community	3,544	3,699	3,472	(227)
2 Environment	4,589	4,349	3,988	(361)
3 Housing	1,539	1,650	1,344	(306)
4 Business, Employment and Tourism	(220)	(264)	(926)	(662)
5 Planning	1,447	1,489	1,425	(64)
6 Leader of the Council	2,077	1,174	928	(246)
Environment Agency Levy	125	124	124	-
7 Contingency and Pay Award	50	27	-	(27)
8 Efficiency Savings	(229)	-	-	-
9 Net Cost of Services	12,922	12,248	10,355	(1,893)
10 Transfer to (from) Pensions Reserve	(98)	28	103	75
11 Transfer to (from) Earmarked Reserves	630	781	1,247	466
12 Net Revenue Expenditure of Lewes District Council to be met by Government Grants and Local Taxpayers	13,454	13,057	11,705	(1,352)
13 Total Demand on the Collection Fund Council Tax	(6,883)	(6,883)	(6,883)	-
14 General Government Grants	(761)	(839)	(857)	(18)
15 Non-Domestic Rates redistribution	(5,467)	(5,467)	(5,467)	-
16 Total Funding	(13,111)	(13,189)	(13,207)	
17 Deficit /(surplus) for year (12-16)	343	(132)	(1,502)	(1,370)

Foreword and Review of the Financial Year

Explaining the differences

The Council set a net expenditure budget of £13.454m in February 2008 to meet the Lewes District Council requirements for delivering services in 2008/09. This represents the net cost of providing our services after taking into account:

- £28.4m of income from specific government grants
- £5.2 m of income from fees & charges, rents & sales
- £0.7m of income from investments

The budget also assumed a net contribution of £630,000 into earmarked reserves. The Council agreed to withdraw £343,000 from its General Fund Balance in order to limit the increase in its share of the council tax to 4.7%.

The original budget was revised down to £13.057m during the course of the year to take account of a range of expenditure and income changes. The principal change was a forecast made by the consultants employed by the Sussex Countywide Concessionary Travel Scheme for a reduction of £600,000 in our share of the cost of concessionary travel (the statutory free bus pass scheme). This significant decrease enabled the Council to plan to:

- add a further £151,000 to earmarked reserves
- add £132,000 to the General Fund Balance rather than make a withdrawal.

The actual net expenditure for 2008/09 was £11.705m. After taking into account a small increase in general Government Grant received, the overall surplus for the year amounted to £1,502,000, which was £1,370,000 more than forecast in the revised budget. (See line 17 in the table above).

The major variances between the revised budgets and the actual results were as follows:

	£'000	£'000
Increases in service income:		
- backdated adjustments re VAT on income	819	
- recycling income	70	
- council tax recovery charges	<u>36</u>	
		925
Reductions in service income		
- trade waste charges	(13)	
- cemeteries and Southover Grange hall	(10)	
- environmental health fees and charges	<u>(16)</u>	
		(39)
Reductions in service expenditure		
- statutory bus pass scheme	202	
- housing benefits (net of subsidy)	83	
- waste disposal charges	31	
- staffing	29	
- corporate legal costs, Councillor allowances	<u>22</u>	
		367
Reduction in the actuarial cost of pensions		75
Net additional income from investments		22
Other net variations		9
Unspent revenue budgets carried forward to 2009/10		323
Unspent project budgets carried forward (to be funded from earmarked reserves)		<u>211</u>
Reduction in the Net Cost of Services		1,893
Net increase in transfer to pensions reserve		(75)
Net increase in transfers to earmarked reserves		(466)
Additional LABGI Grant received		<u>18</u>
Increase in General Fund Surplus for the Year		1,370

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The increase shown previously has been used to increase reserves and the General Fund Balance as follows:

	£'000	£'000
Total available for allocation		1,370
Used for additional contributions to reserves and capacity		
- Change Management Reserve	(964)	
- REAM Reserve – Asset Maintenance	(170)	
- REAM Reserve – Interest Equalisation	(22)	
- REAM Reserve – Economic Development	(18)	
- Recycling Reserve	(70)	
- Housing Benefit Service Improvement Reserve	(98)	
		(1,342)
Additional contribution to the General Fund Balance		28

The movements on the General Fund Balance are shown below.

	£'000
Balance at 1 April 2008	1,366
Planned Contribution included in revised budget	132
Additional contribution from surplus in year	28
Balance at 31 March 2009	1,526

Reserves

There were budgets for 14 specific projects funded from earmarked reserves that were not fully spent in 2008/09. The unspent amounts are carried forward into 2009/10 through the earmarked reserves balance as shown below.

	£'000
Projects to enhance the Council's benefits service	23
Planning initiatives funded from Government grant	72
Tourism and car parking studies	30
Putting in place the Local Development Framework	23
Cemetery safety improvement programme	15
Valuation of the Council's assets	15
Other projects each of less than £10,000	33
Unspent project budgets carried forward	211

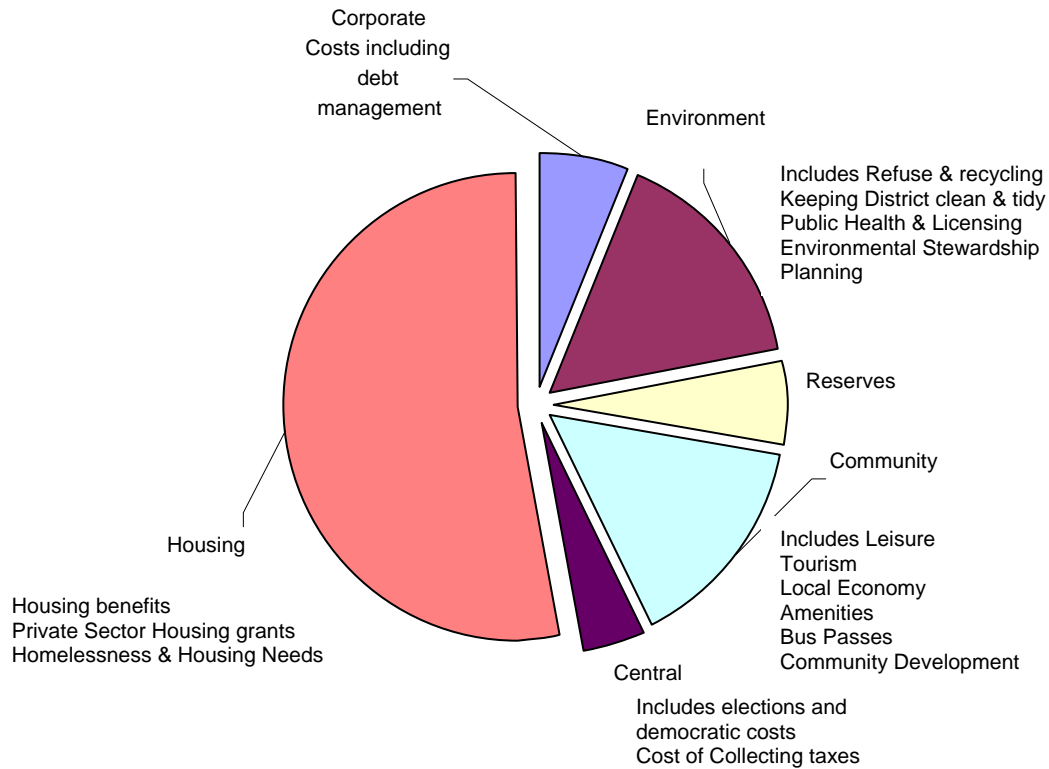
In addition Budget holders requested that £323,000 of the reduction in the net cost of services for 2008/09 be carried forward into the 2009/10 financial year to allow work underway to be completed. Examples of the major items and the reasons for carrying forward these budgets are as follows:

	£'000
Recycling – to continue the waste avoidance campaign	67
Contaminated Land – to identify at risk sites through ongoing land investigations	37
Landport Bottom Nature Reserve – to implement the site management plan	32
'Urban 25' Environmental Project – to complete this initiative	21
Homelessness – to identify and implement prevention initiatives	17
Finance – to ensure the Council's computerised financial system remains up to date	14
Other – 39 items across a variety of Council services each of less than £10,000	135
Unspent revenue budgets carried forward to 2009/10	323

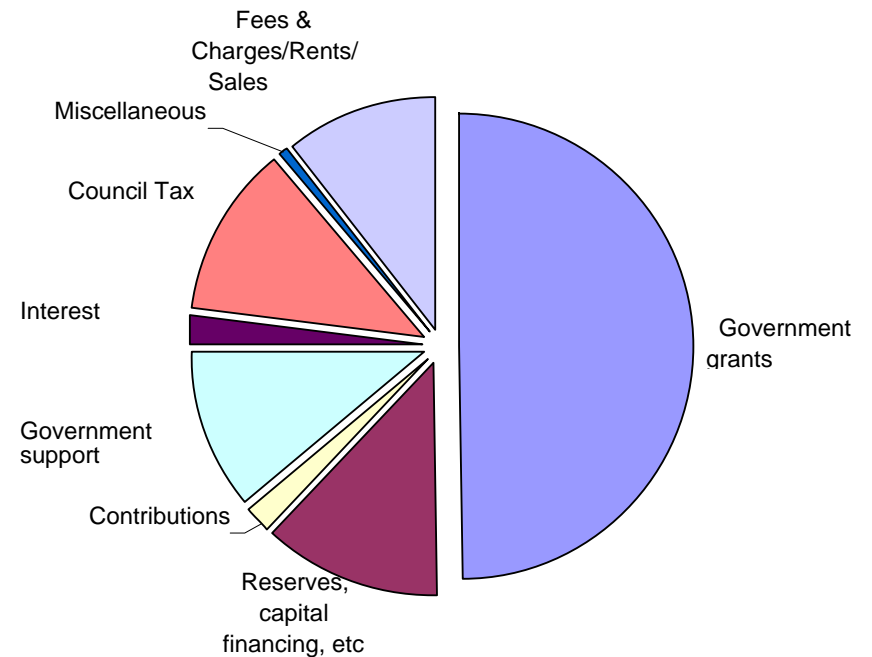
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The charts below show where the money came from to pay for General Fund services and give a breakdown of service spending.

WHAT THE MONEY WAS SPENT ON



WHERE THE MONEY CAME FROM



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Capital expenditure

The table below shows that our total capital expenditure for 2008/09 was £6.18m and lists the major areas where that investment was made.

Type of project	2008/09 £m
Council housing: improvements, conversions and adaptations to houses, bungalows and flats	2.95
Private sector housing: grants to improve disabled facilities and energy efficiency in private homes	0.96
Vehicle and plant renewals	0.68
Lewes House site redevelopment project	0.48
Sports, leisure and cultural facilities: developing and maintaining our leisure centres, sports pitches and play areas	0.43
Corporate buildings and other buildings	0.32
Computers and electronic service delivery: improving access for residents as well as the efficiency of our back office systems.	0.20
Coastal and flood defence, and contaminated land investigations	0.12
Other smaller projects	0.04
Total Capital Expenditure	6.18

Capital financing

This table shows how we paid for our capital expenditure.

Type of funding	2008/09 £m
Major Repairs Allowance: a Government grant wholly given to maintain the value of the Council's housing stock	2.29
Capital receipts: money from the sale of Council assets (like land and buildings)	1.25
Grants and Contributions: from external partners, like the Government (£0.56m), National Lottery grant schemes (£0.16m), east Sussex County Council (£0.10m) and property developers.	1.13
Revenue Financing: Contributions from the Council's Reserves	0.92
Revenue Financing: contributions from the Housing Revenue Account (paid for by tenants' rent)	0.33
Borrowing: an external loan specifically to finance improvements to our Council housing stock	0.26
Total Capital Financing	6.18

The majority 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 expenditure exceeded our income by £71,000 in 2008/09, an improvement of £125,000 against the budget for the year which had anticipated a deficit of £196,000.

An analysis of the main variations against the budget follows:

	2008/09 £'000
Additional income	
- interest earned on balances	22
Reduced expenditure	
- HRA share of corporate costs	68
- insured losses	68
- revenue contribution to capital expenditure	35
- employee related costs	31
- support service charges	28
- lifts and grounds maintenance	27
- tenants incentive scheme, home loss payments, etc	26
- sheltered schemes rent abatements and East Sussex fee	20
Less increased expenditure	
- repairs and maintenance (including insurance funded)	(181)
- negative housing subsidy payment due to Government	(34)
Miscellaneous net variations	15
Total	125

At 31 March 2009 the HRA balance stands at £2.975m

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 £4.501m held by the General Fund and the Housing Revenue Account that will be used to support our future spending plans. A further £8.128m held in earmarked General Fund reserves, and £0.329m in the HRA including the Major Repairs Reserve will be used to support our specific and one-off spending priorities. £2.819m in capital receipts is available to support our forward capital programme.

Treasury Management

Our external loan debt at 31 March 2009 stood at £5.0m, all of which was long-term. This is a reduction of £3.0m over the previous year - falling investment interest rates and increasing volatility and risk in the banking sector made it attractive to repay prematurely a long-term loan using cash which had previously been invested. The strategy of using revenue cash balances as an alternative to 'real' borrowing means that the Council's actual long-term debt is £8.2m less than the underlying amount which could have been borrowed over the years to fund capital investment. The total invested at the year end, including cash on deposit at the bank, was £6.5m (excluding an investment of £1m made with Landsbanki hf, the Icelandic Bank, which is currently in administration – see Note 4. on page 27 for further details).

Asset Values

The value of the Council's property assets reduced significantly during the year, with the UK economy experiencing a deep

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recession. Values were reduced by £43.5m, of which £30.8m was charged to the Income and Expenditure Account, giving rise to the overall reported loss for the year referred to on page 3.

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 2009 by the actuary as a deficit of £15.38 m, as compared with a deficit of £6.72m at 31 March 2008. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire. The significant deterioration in the year reflects the decrease in the value of assets held by the pension fund with share prices and property values falling during the recession.

Looking ahead –outlook for 2009/10 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 2009/10 budget has been set against an uncertain economic background. Demand for services is rising but many of our income streams (for example planning fees) are falling. Supporting people through the recession is a particular focus for the year ahead. We expect to see greater demand for housing advice services as well as an increase in the number of households applying for housing benefit. We are also doing what we can to support local businesses and have included additional funds in our Economic Development Budget. 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

grant support that the Government gives us is an essential element in our budget setting process. In 2009/10, our general grants from the Government increase by almost £100,000 (1.5%) to £6,324,000. In contrast, pay and price increases added £455,000 to the General Fund budget. On a positive note the Statutory Scheme for free bus travel for the over 60's has not proved as costly to the Council as originally projected and we have been able to reduce our budget for this popular facility by £673,000.

The Council's Net General Fund budget for 2009/10 to be funded from Council Tax is £7.1m. The Council tax for a Band D property is £187.72, which represents an increase of 2.9% over 2008/09, equating to 16 pence per week for a Band D property. In order to reduce the total net budget requirement, the Council set a target of £181,000 to be generated as savings in the course of 2009/10 to be followed by a further £125,000 in 2010/11. The overall movement in the General Fund budget is analysed below.

	£'000
2008/2009 net budget	13,111
Pay and price increases	455
Unavoidable changes in costs and income:	
- Concessionary fares	(673)
- Lower level of investment income	206
Housing and Council Tax benefits	181
Reduced income generated from investments	223
Other changes	15
Sub-total	13,518
Changes in use of reserves, balances and one-off items	93
Savings target to be achieved in the year	(181)
Net service spending programme for 2009/2010	13,430
Less: external support from Government	(6,324)
Net General Fund Budget to be funded from Council Tax	7,106

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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 – there is no general contribution from the Council Tax.

For 2009/10 the average projected rent for all Council dwellings is £69.83 per week an increase of 1.22%. The average rent increase was agreed after detailed discussion with representatives of the 'Tenants of Lewes District (TOLD)' organisation and also takes advantage of a Government initiative to minimise rent increases in the current economic climate. The average rent is £6.58 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 future 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 £2.38 per property per week in 2009/10.

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.

Total HRA income in 2009/10 is estimated to be £14.2m excluding £282,000 which will be withdrawn from the HRA working balance during the course of the year.

Capital Programme

Under the 'Prudential Framework' within which all local authorities are required to operate, the Council's 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. Although the Council is free to borrow to fund capital projects, borrowing brings a long term cost in terms of both paying back the loan itself and the interest which is charged. It is not a viable option unless the cost is supported by Government Grants or income which is generated from the projects when complete.

The overall Capital Programme for 2009/10 is split into 3 distinct elements.

The total of the *General Fund Capital Programme* is £1.5 m. This includes £0.4m to replace essential vehicles (for example refuse freighters) as they reach the end of their life, and £0.5m for a programme of enhancements to the Council's play facilities, which is to be funded by contributions received from developers.

The total of the *HRA Housing Investment Capital Programme* in respect of major repairs and improvements to the Council's housing stock is £2.9 m. Of this, £2.3m will be funded from the Major Repairs Allowance received from the Government, £0.3m from revenue resources and £0.3m from Government supported borrowing.

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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 £1.2 m.

Conclusion

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 2009.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008 – 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 charges for the depreciation and impairment of physical assets. Net total cost is total cost less income including 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 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 gains in the Revaluation Reserve for that asset, an amount up to

Statement of Accounting Policies

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 charged 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 service and other losses where there are no accumulated

Statement of Accounting Policies

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. Revenue Expenditure Funded from Capital Under Statute

Expenditure that qualifies as capital under statutory provisions, but does not result in the acquisition, creation or enhancement of a tangible fixed asset for the Council (e.g. improvement grants) is fully written off to revenue in the year in which it is incurred on the basis that no long term benefit accrues to the Council 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, Revenue Expenditure Funded from Capital under Statute is 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. The Council's outstanding long term loan is a Lender's Option Borrower's Option loan agreement with provision for 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchased settlement. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over a period of up to 10 years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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.

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. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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.

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.

Statement of Accounting Policies

The provision is charged to the relevant revenue account and when the expenditure is incurred it is charged to the provision in the Balance Sheet. 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 these 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 Pension 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% which is based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years with, in 2008/09, one slight amendment: the removal of recently re-rated bonds from the index. This is required because, in the current economic climate, a greater number of companies than normal are having their credit ratings downgraded.

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 – current bid value
- unquoted securities – professional estimate
- unitised securities – current bid value
- property – market value

Until 2008/09 quoted and unitised securities were valued at the 'mid-market' value. The change to 'bid value' is not considered to have a material effect and the Balance Sheet at 31 March 2008 has not been restated. Any loss due to the change is accounted for within the Assets' Actuarial Gain and Loss item in the Asset reconciliation.

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.

Statement of Accounting Policies

- 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 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 2008/2009 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.

Statement of Accounting Policies

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 2007/2008 Accounts other than those referred to above.

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

2007/08 Net Expenditure £'000	2008/09 Gross Expenditure £'000	2008/09 Gross Income £'000	2008/09 Net Expenditure £'000
Expenditure on Services			
1,075 Central Services to the Public	8,394	7,475	919
9,667 Cultural, Environmental & Planning Services	14,619	4,796	9,823
1,287 Highways, Roads & Transport Services	1,712	1,345	367
(157) Local Authority Housing	43,685	13,543	30,142
1,497 Other Housing Services	26,395	25,048	1,347
1,301 Corporate & Democratic Core	2,616	843	1,773
0 HMRC Settlement VAT Claim <i>(Note 1. p27)</i>	191	953	(762)
14,670 NET COST OF SERVICES	97,612	54,003	43,609
0 Gains on Sale of Fixed Assets			(573)
2,299 Precepts paid to Local Councils <i>(Note 2. p27)</i>			2,415
(565) Surplus from Trading Operations <i>(Note 3. p27)</i>			(561)
0 Amortisation of Grant received re Trading Operations <i>(Note 3. p27)</i>			(930)
547 Interest payable and similar charges			396
0 Impairment loss <i>(Note 4. p27)</i>			202
911 Contribution of Housing Capital Receipts to Government Pool <i>(Note 5. p29)</i>			402
(1,091) Interest and Investment Income			(967)
(281) Pension Interest Cost & expected return on pension assets <i>(Note 6. p29)</i>			469
16,490 NET OPERATING EXPENDITURE			44,462
Less:			
(8,895) Total Demand on the Collection Fund			(9,299)
(889) General Government Grants <i>(Note 7. p32)</i>			(857)
(5,216) Non-Domestic Rates redistribution			(5,467)
1,490 DEFICIT FOR THE YEAR			28,839

Statement of Movement on the General Fund Balance

2007/08 £'000		2008/09 £'000
1,490	Deficit for the year on the Income and Expenditure Account	28,839
	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year (see table to right)	(28,999)
(1,402)		(28,999)
88	Decrease/(Increase) in General Fund Balance for the year	(160)
(1,454)	General Fund Balance brought forward	(1,366)
(1,366)	General Fund Balance carried forward	(1,526)
(1,366)	Amount of General Fund Balance generally available for new expenditure	(1,526)

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.

2007/08 £'000		2008/09 £'000
	Statement of Movement on the General Fund Balance	
	Reconciling items	
(232)	Amortisation of intangible fixed assets	(698)
(4,651)	Depreciation and impairment of fixed assets	(32,705)
3,764	Amortisation of Government Grants and Contributions Deferred.	2,679
(1,146)	Write down Revenue Expenditure Funded from Capital under Statute.	(1,017)
1,379	Loan Premiums & Discounts (Note 25. p44)	(43)
53	Financial Instruments (Note 25. p44)	-
-	Net gain on sale of Fixed Assets	573
(1,072)	Amount by which finance costs calculated with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements.	157
(1,458)	Amount by which pension costs calculated in accordance with SORP are different from the contributions due under the pension scheme regulations	(2,499)
(3,363)		(33,553)
	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	
83	Minimum Revenue Provision for capital financing	77
1,211	Capital expenditure charged in-year to the General Fund Balance	1,247
(911)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(402)
1,822	Employer's contributions payable to the East Sussex Pension Fund and retirement benefits payable direct to pensioners	2,030
2,205		2,952
	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	
65	Housing Revenue Account balance	(71)
(309)	Net transfer to or (from) earmarked reserves	1,673
(244)		1,602
(1,402)	Net additional amount required to be credited to the General Fund balance for the year	(28,999)

Statement of Total Recognised Gains and Losses

2007/08		2008/09
£'000		£'000
1,490	Deficit for the year on the Income & Expenditure Account	(28,839)
(530)	Surplus/(Deficit) for the year on the Collection Fund	268
14,962	Gains/(Losses) arising on revaluation of Fixed Assets	(11,043)
3,514	Actuarial gains/(losses) on pension fund assets and liabilities	(8,217)
(1,530)	Other Recognised Gains/(Losses)	316
14,926	Total recognised gains/(losses) for the year	(47,515)

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

2008 £'000	2008 £'000		2009 £'000	2009 £'000
	848	Intangible Fixed Assets		776
		Fixed Assets - operational		
231,410		Council Dwellings	188,548	
31,098		Other Land and Buildings	31,809	
2,586		Vehicles Plant and Equipment	2,812	
2,349		Infrastructure Assets	2,140	
1,880		Community Assets	2,001	
	269,323			227,310
	13,573	Fixed Assets - non-operational: Investment Properties		13,473
	283,744	TOTAL FIXED ASSETS (Note 18. p35)		241,559
2,121		Long Term Investments (Note 22. p38)	2,106	
106		Long Term Debtors (Note 22. p38)	113	
	2,227	TOTAL LONG TERM ASSETS		2,219
		CURRENT ASSETS		
0		Cash and Bank (Note 38. p52)	1,790	
74		Stocks and Work in Progress (Note 23. p43)	93	
4,153		Debtors and Payments in Advance (Note 22. p38)	7,449	
10,320		Short Term Investments (Note 22. p38)	4,120	
	14,547	Total Current Assets		13,452
		CURRENT LIABILITIES		
67		Cash and Bank	0	
0		Short Term Borrowing (Note 22. p38)		
6,022		Creditors and Receipts in Advance (Note 22. p38)	5,893	
	6,089	Total Current Liabilities		5,893
	8,458	NET CURRENT ASSETS		7,559
	294,429	TOTAL ASSETS less CURRENT LIABILITIES		251,337
		LESS LONG TERM LIABILITIES		
8,172		Long Term Borrowing (Note 22. p38)	5,109	
8,044		Government Grants and Contributions Deferred	6,484	
1,952		Development Contributions (Note 26. p44)	2,345	
6,722		Defined Pension Scheme Liability (Note 6. p29)	15,375	
	24,890	Total Long Term Liabilities		29,313
	269,539	TOTAL ASSETS LESS LIABILITIES		222,024

Balance Sheet at 31 March

2008 £'000		2009 £'000
14,962	Revaluation Reserve (Note 27. p45)	3,291
247,955	Capital Adjustment Account (Note 27. p45)	218,813
(1,072)	Financial Instruments Adjustment Account (Note 25. p44)	(841)
3,105	Usable Capital Receipts Reserve (Note 28. p46)	2,819
17	Deferred Capital Receipts (Note 29. p46)	7
(6,722)	Pension Reserve (Note 6. p29)	(15,375)
1,366	General Fund Balance (page 22)	1,526
3,046	Housing Revenue Account Balance (page 53)	2,975
84	Collection Fund Balance (page 57)	352
6,443	Earmarked Reserves (Note 30. p47)	8,128
355	Major Repairs Reserve (Note 31. p50)	329
269,539	TOTAL NET WORTH	222,024

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 29 June 2009. The audited accounts were authorised for issue on 21 September 2009.

Signed J. Magness. John Magness, CPFA
Director of Finance and Community Services

Date 21 September 2009

Cash Flow Statement

2007/08 £'000		£'000	2008/09 £'000
(242)	Net Revenue Cash		
	Returns on Investments and Servicing of Finance		
362	Cash Outflows Interest paid	386	
(1,005)	Cash Inflows Interest received	(916)	
(643)		482	(530)
(885)	Net Cash (Inflow) from revenue activities		(48)
	CAPITAL ACTIVITIES		
7,724	Cash Outflows Investment in fixed assets	5,167	
	Other Capital Cash Payments	1,017	
(1,427)	Cash Inflows Sale of fixed assets	(1,191)	
(2,251)	Capital grants received	(3,044)	
(583)	Other capital cash receipts	(758)	
3,463			1,191
2,578	Net cash outflow before financing		1,143
	Management of Liquid Resources		
(4,280)	Net (decrease) in short term deposits		(6,000)
	Financing		
15,578	Cash Outflows Repayment of amounts borrowed	36,890	
(12,750)	Cash Inflows New short term loans	(33,890)	
2,828			3,000
	2008/09		
1,126	Net (increase)/decrease in cash		(1,857)

Notes to the core financial statements

Note 1. Settlement of VAT Claim

HM Revenues and Customs accepted a claim that VAT regulations were incorrect in previous years as a result of which VAT had been over-collected from the Council. The amount over-collected is due to be reimbursed, with the addition of interest. See also Note 32. p50.

Note 2. 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 3. Trading Operations

The Council manages and maintains six Industrial Estates with 97 individual plots, situated in Lewes, Newhaven and Seaford. In addition, the Newhaven Business Centre offers 45 units to start-up and small businesses. The income generated from these undertakings, derived mainly from rents, was £849,000 (2007/08 - £738,000) with running costs of £312,000 (2007/08 - £191,000). In 2008/09 grant previously received to fund the construction of investment property was written back to revenue to ensure that the balance held within the Government Grants Deferred Account at 31 March 2009 matched the value of the asset.

Note 4. Impairment Loss

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KS&F) went into administration. The Council is one of 127 local authorities that have funds invested with one or more of these banks having made a fixed term deposit of £1m for the period 12 August 2008 to 11 August 2009 at an interest rate of 6.28%.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposit, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrator, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 20 February 2009 and can be viewed on its website at <http://www.lbi.is/>. This and other relevant information indicates that recovery of between 90-100 % could be achieved, and the Council has taken a mid point position and assumed recovery at 95% by 2012. The Council has therefore decided to recognise an impairment based on it recovering 95p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the

Notes to the core financial statements

Council's claim, which may be denominated wholly or partly in currencies other than sterling.

- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £202,000, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £162,000 has been transferred to the Financial Instruments Adjustment Account. The difference relates to the loss of interest on this deposit, the cost of which has been borne in full by the General Fund.

Discussions are ongoing with the Department for Communities and Local Government to amend Regulations to allow authorities to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account.

A summary of the treatment in these Accounts of the Council's investment with Landsbanki hf is as follows:

Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
12/08/08	11/08/09	£1,000,000	6.28%	£837,700	£202,000

The expected repayments have been estimated as follows:

31 March 2010	£243,900	31 December 2010	£243,900
31 December 2011	£243,900	31 December 2012	£233,700

Interest credited to the Income and Expenditure Account in 2008/2009 was £39,700.

Details of the transfer made under the Capital Finance Regulations are given in Note 25. p44.

Note 4a Post balance Sheet Event

In September 2009 and before this Statement of Accounts was authorised for issue, further information was received concerning the possible amount which will be repaid to the creditors of Landsbanki and the date to which interest may be claimed. Using

Notes to the core financial statements

this information, the impairment loss explained in Note 4 is now calculated to be £288,000, based on recovering 83% of the deposit. This is an additional impairment of £86,000 compared with the provision which has been made within the accounts. There is no change to the expected timing of repayments.

Note 5. 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 2008 reflects the smaller number of houses sold in the year.

Note 6. Pension Costs

Participation in pension schemes. 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 Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered by East Sussex County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Change of accounting policy. Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The move to bid value resulted in an actuarial loss in the revenue accounts.

Transactions relating to retirement benefits. 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:

	2008/09 £'000	2008/09 £'000
<i>Net cost of services</i>		
- current service cost	1,739	1,327
- past service cost	-	578
<i>Net Operating Expenditure</i>		
- interest cost	3,679	4,199
- expected return on assets	(3,960)	(3,730)
Net charge	1,458	2,374
Actual Return on Scheme Assets	(2,085)	(9,397)

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

Statement of Movement on the 2007/08 General Fund Balance	2007/08 £'000	2008/09 £'000
<i>Actual amount charged against council tax for pensions in the year:</i>		
- employer's contributions payable to scheme	1,822	1,937
- reversal of net charges for retirement benefits in accordance with FRS17	(1,458)	(2,374)

Notes to the core financial statements

In addition to the recognised gains and losses included in the Income and Expenditure Account, the following actuarial gains and losses have been included in the **Statement of Total Recognised Gains and Losses**. The cumulative amount is from the 2004/2005 accounting period onwards.

	31 Mar 2005 £'000	31 Mar 2006 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000
Actuarial Gains/(Losses)	(8,017)	381	3,845	3,514	(8,217)
Increase/(Decrease) in Irrecoverable Surplus from Membership fall and other factors	-	-	-	-	-
Actuarial Gains/(Losses) recognised in STRGL	(8,017)	381	3,845	3,514	(8,217)
Cumulative Actuarial Losses	(8,017)	(7,636)	(3,791)	(277)	(8,494)

Assets and Liabilities in relation to retirement benefits. The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	31 March 2008 £'000	31 March 2009 £'000
Fair Value of Employer Assets	54,219	44,459
Present Value of Funded Liabilities	(59,786)	(58,728)
Net (Under) funding in Funded Plans	(5,567)	(14,269)
Present Value of Unfunded Liabilities	(1,155)	(1,106)
Unrecognised Past Service cost	-	-
Net Pension Liability	(6,722)	(15,375)

The liabilities show the underlying long-term commitments that the Council has to pay retirement benefits. The net pension liability of £15.4m 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.

Employer assets are analysed into the following categories:

	31 March 2008 £'000	31 March 2009 £'000
Equities	35,588	33,728
Bonds	7,380	4,438
Property	5,197	3,550
Cash	6,054	2,743
Total	54,219	44,459

Reconciliation of defined benefit obligation.

	2008/09 £'000	2008/09 £'000
Defined Benefit Obligation at 1 April	68,443	60,941
Current Service Cost	1,739	1,327
Interest Cost	3,679	4,199
Contributions by Members	535	588
Actuarial Losses/(Gains)	(10,542)	(5,107)
Past Service Costs/(Gains)	-	578
Losses/(Gains) on Curtailments	-	-
Liabilities Extinguished on Settlements	-	-
Estimated Unfunded Benefits Paid	(94)	(93)
Estimated Benefits Paid	(2,819)	(2,599)
Defined Benefit Obligation at 31 March	60,941	59,834

2007/08

Notes to the core financial statements

Reconciliation of fair value of employer assets

	2008/09	
	£'000	£'000
Fair Value Employer Assets at 1 April	57,843	54,219
Expected Return on Assets	3,960	3,730
Contributions by Members	535	588
Contributions by the Council	1,728	1,845
Contributions in respect of Unfunded Benefits	94	93
Actuarial Gains/(Losses)	(7,028)	(13,324)
Assets Distributed on Settlements	-	-
Unfunded Benefits Paid	(94)	(93)
Benefits Paid	(2,819)	(2,599)
Fair Value Employer Assets at 31 March	54,219	44,459

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the accounting period ie as at 31 March 2008. Details of the expected returns are as follows:

Year ended 31 March:	2007/08	2008/09
	% pa	% pa
Equities	7.7	7.0
Bonds	5.7	5.4
Property	5.7	4.9
Cash	4.8	4.0

The actual return on scheme assets in 2008/09 was £9.397m (2007/08 £2.085m).

Scheme history

Year ended 31 March:	2005	2006	2007	2008	2009
	£'000	£'000	£'000	£'000	£'000
Fair Value Employer Assets	43,526	54,310	57,843	54,219	44,459
Present Value of Defined Benefit Obligation	(58,191)	(68,620)	(68,443)	(60,941)	(59,834)
Surplus/(Deficit)	(14,665)	(14,310)	(10,600)	(6,722)	(15,375)
Experience gains/(losses) on assets	1,716	7,619	27	(7,028)	(13,324)
Experience gains/(losses) on liabilities	(668)	113	17	566	9

Financial assumptions

Using data provided by the pension scheme administrators and assumptions determined by the Council in conjunction with them, Hymans Robertson LLP, an independent firm of actuaries, has provided the data included within this note. The assumed rate of return on each type of asset is shown above. Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non-pensioners and 2017 for pensioners - using these assumptions, the average future life expectancies at age 65 are:

		Females
Current Pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

Other assumptions used are as follows:

Year ended 31 March:	2007/08	2008/09
	% pa	% pa
Inflation/Pension Increase Rate	3.6	3.1
Salary Increase Rate	5.1	4.6
Expected Return on Assets	6.9	6.5
Discount Rate	6.9	6.9

Notes to the core financial statements

The total contribution expected to be made to the Pension Scheme by the Council in the year to 31 March 2010 is £1.8m.

Note 7. General Government Grants

The following are not attributable to a specific service:

	2007/08	2008/09
	£'000	£'000
Revenue Support Grant	(875)	(761)
Local Authority Business Grant Incentive Scheme	(14)	(74)
Area Based Grant	-	(22)
	(889)	(857)

Note 8. Charity Accounts

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

	2008/09
	£'000
Stanley Turner Recreation Ground Charity	83
Mountfield Pleasure Ground Trust Charity	46

Note 9. 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 General Publicity each year:

Publicity Costs	2007/08	2008/09
	£'000	£'000
General Publicity	69	40
District Link	52	39
HRA – Housing Link	11	11
Total	132	90

Note 10. 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 11. 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:

	2008/09
	£'000
Operating leases	370

Notes to the core financial statements

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

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Cars	149	129	104	35	-
Private properties	30	17	17	0	-
Land & buildings	24	6	7	7	7
Total	203	152	128	42	7

From 2014/2015 onwards future payments will be £7,000 for Land and Buildings. The Council does not have any finance leases.

Note 12. Remuneration of employees

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

Remuneration band	2007/08	2008/09
£50,000 - £59,999	3	6
£60,000 - £69,999	3	3
£70,000 - £79,999	-	-
£80,000 - £89,999	2	2
£90,000 - £99,999	-	-
£100,000 - £109,999	1	1

Note 13. Councillors' allowances

The total value of allowances paid to Councillors was:

	2008/09 £'000	2008/09 £'000
Allowances – General Fund	137	148
Allowances – HRA	49	49
Total Allowances Paid	186	197

Note 14. Disclosure of Audit Costs

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

Type of fee	2007/08 £'000	2008/09 £'000
Fees payable for external audit services	94	93
Fees payable for statutory inspection	7	8
Fees payable for the certification of grant claims and returns	16	27
Fees payable for other services	8	11
Total Fees payable	125	139

Note 15. Agency Services

In 2008/09 the Council spent £4,435 (£71,208 in 2007/08) on facilitating Town and Parish elections, all of which was fully reimbursed.

Note 16. 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.

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 2008/09:

Notes to the core financial statements

	Chargeable 2008/09 £000	Non- Chargeable 2008/09 £000	Total Building Control 2008/09 £000
Expenditure			
Employee Expenses	184	89	273
Transport	19	2	21
Supplies and Services	13	2	15
Central and Support Services	86	49	135
TOTAL EXPENDITURE	302	142	444
Income			
Building Regulation Charges	331	-	331
Miscellaneous Income	-	-	-
TOTAL INCOME	331	-	331
Surplus/(Deficit) for year	29	(142)	(113)
Comparatives for 2007/2008			
Expenditure	344	104	448
Income	323	1	324
Surplus/(Deficit) for the year	(21)	(103)	(124)

Note 17. 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.

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 2008/09.

Material related party transactions for 2008/09 were as follows:

	Income £'000	Expenditure £'000
General Government grants (see Note 7. p32)	857	
Other Principal Government Grants:		
National Non Domestic Rates	5,467	
Housing Benefit Subsidies	30,114	
Housing Revenue Account Subsidy		2,996
Housing Capital Receipts	595	
Non – Housing Capital Receipts	774	
Precepts:		
East Sussex County Council		41,106
Sussex Police Authority		4,858
East Sussex Fire Authority		2,909
Town & Parish Councils		2,415
East Sussex County Council pension fund contributions		2,030
Wave Leisure Ltd		846

Notes to the core financial statements

Note 18. Movement of Fixed Assets

	Software Licences	Wave Leisure Trust	Sea Defence	Other Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000
Intangible Fixed Assets					
GBV at 1 April 2008	1,355	61	110	221	1,747
Additions	126	-	-	501	627
Disposals	(60)	(7)	-	(6)	(73)
GBV at 31 March 2009	1,421	54	110	716	2,301
Amortisation:					
Balance at 1 April 2008	594	53	31	221	899
Charge for Year	188	2	8	501	699
Disposals	(60)	(7)	-	(6)	(73)
Balance at 31 March '09	722	48	39	716	1,525
Net Book Value					
as at 31 March 2009	699	6	71	-	776
HRA	2	-	-	-	2
General Fund	697	6	71	-	774
	699	6	71	-	776
GBV = Gross Book Value					

Continued overleaf....

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 2008	235,853	34,715	5,672	10,202	1,880	288,322	13,573
Revaluations	-	1,650	-	10	-	1,660	-
Impairments	(43,147)	(225)	-	-	-	(43,372)	(100)
Additions	2,875	732	774	38	121	4,540	-
Disposals	(363)	(322)	(116)	-	-	(801)	-
GBV at 31 March 2009	195,218	36,550	6,330	10,250	2,001	250,349	13,473
Depreciation at 1 April '08	4,443	3,617	3,086	7,853	-	18,999	-
Charge for Year	2,263	1,161	516	257	-	4,197	-
Disposals	(36)	(37)	(84)	-	-	(157)	-
Total at 31 March 2009	6,670	4,741	3,518	8,110	-	23,039	-
NBV at 31 March 2009	188,548	31,809	2,812	2,140	2,001	227,310	13,473
HRA	187,560	7,994	253	1,281	7	197,095	1,177
General Fund	988	23,815	2,559	859	1,994	30,215	12,296
NBV = Net Book Value	188,548	31,809	2,812	2,140	2,001	227,310	13,473

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 19. Fixed Assets Valuation

The General Fund and HRA land and buildings fixed assets have been independently valued by DVS (the commercial arm of the Valuation Office Agency, HM Revenue & Customs), 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 20. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. Such expenditure is charged to service revenue accounts, with associated grants and funding contributions being credited as revenue income. The following items have been accounted for in this way in 2008/09:

	2007/08 £'000	2008/09 £'000
Private Sector Housing Grants	806	747
Private Sector Energy Grants	251	212
Crime and Disorder Scheme	24	33
Other Grants	65	25
Total	1,146	1,017

Notes to the core financial statements

Note 21. Information on Assets Held

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

Type of Assets	2008 no.	2009 no.
Council Dwellings - HRA	3,263	3,258
Council Dwellings - General Fund	5	5
Shared Ownership Dwellings	9	9
Private Sector Leasehold Dwellings	24	6
Council Garages	752	752
Civic Offices	6	5
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	1	1
Industrial Units	97	97
Vehicles owned	82	91
Vehicles leased	4	0
Cars leased	55	60
Leasehold Flats	242	244

Note 22. Financial Instruments

(a) Financial Liabilities held at Amortised Cost

		Short-term		
		2009 £'000	2008 £'000	2009 £'000
Borrowing	8,172	5,109	-	-
Operational creditors	-	-	4,499	4,414
Bank overdraft	-	-	67	-
Total	8,172	5,109	4,566	4,414

Accrued interest is included within the value of borrowing shown above. The outstanding principal for long term loans was £5m at 31 March 2009 (£8m at 31 March 2008).

Operational creditors are analysed as follows:

	2009 £'000	2008 £'000
Government Departments	1,188	1,410
Other Local Authorities	1,112	684
Sundry Creditors	2,199	2,320
Total	4,499	4,414

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.

	2008	2009
	£'000	£'000
Council Taxpayers	902	902
Non-Domestic Ratepayers	186	136
Housing Rents	154	142
HM Revenue & Customs	281	299
Total	1,523	1,479

(b) Loans and Receivables at Amortised Cost

	Long-term		Short-term	
	2008	2009	2008	2009
	£'000	£'000	£'000	£'000
Investments	2,121	2,106	10,320	4,120
Mortgages	53	38	-	-
Loans to individuals	53	75	-	-
Operational debtors (gross)	-	-	2,910	5,399
Cash at bank	-	-	-	1,790
Total	2,227	2,219	13,230	11,309

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:

	2008	2009
	£'000	£'000
Government Departments	229	1,739
Other Local Authorities	233	241
Housing Rents	309	337
Sundry Debtors	2,139	3,082
	2,910	5,399

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.

	2008	2009
	£'000	£'000
HM Revenue and Customs	522	1,299
Council Taxpayers	1,369	1,596
Non-Domestic Ratepayers	252	380
Provision for Doubtful Debts	(900)	(1,225)
	1,243	2,050

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 2008/09 are as follows:

	Financial liabilities	Financial assets	Total
	£'000	£'000	£'000
Interest cost	396	-	396
Interest payable and similar charges	396	-	396
Interest income	-	(967)	(967)
Gains/losses on derecognition	-	-	-
Interest and investment income	-	(967)	(967)
Net (gain)/loss for year	396	(967)	(571)

Comparative information for 2007/08 is as follows:

	Financial liabilities	Financial assets	Total
	£'000	£'000	£'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)

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 2009
- Early repayment or impairment is not recognised
- 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		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	12,738	12,827	9,523	10,273

The fair value of the Council's long-term borrowing has been calculated with reference to the nearest equivalent SWAP rate (source Bloomberg) based on the mid rate for 31 March – the lender was unable to provide a fair value directly. It exceeds the carrying amount because the interest payable is more than the rates available for similar loans at 31 March. This commitment to pay interest above current market rates increases the amount that the Council would

Notes to the core financial statements

have to pay if the lender requested or agreed to the early repayment of the loans.

	31 March 2008		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets	15,457	15,480	13,528	13,615

The fair value 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 Council 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 (last updated in April 2009) 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 certain criteria are met at the time that the deposit is made. Deposits in banks and building societies are currently limited to UK banks and building societies that have a minimum long term credit rating in the 'double A' category and F1+ short term rating and can avail of the UK Government's Guarantee Scheme (CGS). Deposits are allowed for periods up to 12 months duration with a £3m exposure limit per institutional group.

The following table lists outstanding fixed term deposits and investments at 31st March 2009 and indicates the credit rating of each institution at the date that this statement was prepared. The table excludes the Council's deposit with Landsbanki Islands hf, an Icelandic bank which entered administration in October 2008. For an explanation of this deposit see Note 4. p27.

	Bank of Scotland plc	Barclays Bank plc	Depfa Bank plc	
Country	UK	UK	Ireland	
CGS	yes	yes	n/a	
Long Term Rating*	AA-	AA-	A-	
Short Term Rating*	F1+	F1+	F1+	
	Amount invested £'000			Total
Maturity period				
: 0 to 3 months	1,000		1,000	2,000
: 3 to 6 months			1,000	1,000
: 6 to 12 months				0
: Over 12 months		2,000		2,000
Total invested	1,000	2,000	2,000	5,000

* credit ratings as at 16 June 2009

Notes to the core financial statements

By following the ongoing investment strategy outlined above, the maximum exposure to default in respect of bank deposits is estimated to be minimal.

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 (b) 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	2009 £'000	% rate
Maturing within 1 year	-	-	-
Maturing within 1 to 2 years	-	-	-
Maturing within 2 to 5 years	-	-	-
Maturing within 5 to 10 years	-	-	-
Maturing after 10 years	8,000	5,000	4.5

The liability which is shown as maturing after 10 years is a single loan. This is a Lenders Option Borrowers Option loan, which has a final maturity date in April 2054. The rate of this loan is currently

4.5% and the Lender has the option to review and increase the loan rate every four years from 2012. If, at a review date, the lender proposes to increase the rate, then the Council can exercise its option to repay the loan. The Council would either take a replacement loan from the PWLB or bank 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 would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains or Losses.

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 currently assumes an interest rate of 1.5% for deposits within its base budget and holds an Interest Equalisation Reserve to smooth out fluctuations in the rate achieved. 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.

Notes to the core financial statements

In 2008/2009, £3m of long-term borrowing was repaid. No new long-term borrowing is expected in 2009/10.

(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 23. Stocks and Works in Progress

	2007/08	2008/09
	£'000	£'000
Waste and Recycling Centre	35	59
Tourist Information Centres	22	16
Newhaven Fort	10	7
Miscellaneous Stocks	7	11
Total	74	93

Note 24. Government Grants and Contributions Deferred

The net decrease of £1,560,000 on this account during 2008/09 is analysed by the following movements:

	£'000	Released to I&E £'000	Released to Capital Adj A/c £'000
Coast Protection	36	(106)	-
Kerbside Recycling	15	(34)	-
Private Sector Housing	524	(524)	-
Information Technology	11	(288)	-
Leisure & Recreation	362	(372)	-
Council Housing	80	(47)	-
Newhaven Town Centre	-	(27)	-
Newhaven Fort	3	(158)	-
Additions	12	(994)	-
Denton Island	12	(994)	-
Crime & Disorder	33	(33)	-
Other Properties & Services	56	(96)	(13)
	1,132	(2,679)	(13)

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 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

Note 25. Financial Instruments Adjustment Account

	2008/09	
	£'000	£'000
Balance at 1 April	-	1,073
Premiums written out to General Fund Revenue Account	1,379	-
Loan Repayment Discounts	-	(43)
Loan Premiums Amortised	(378)	(278)
LOBO Restatement to Amortised Cost	71	(73)
Transfer of impaired investment	-	162
Balance at 31 March	1,072	841

The Financial Instruments Adjustment Account (FIAA) 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.

Regulations issued in February 2009 allow the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the FIAA, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has taken advantage of the regulations and transferred the amount shown in the table above in respect of its investment with Landsbanki Islands hf.

Under the regulations, the Council must transfer the balance on the FIAA to the General Fund no later than 31 March 2011, and must also credit the FIAA with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the FIAA:

	£'000
Balance at 31 March 2009	162
Transfers during 2009/10	(54)
Transfers during 2010/11	(108)
Balance at 31 March 2010	-

Note 26. Development Contributions

	2007/08	2008/09
	£'000	£'000
Balance at 1 April	1,366	1,952
Received in year	1,109	1,033
Applied in year	(523)	(640)
Balance at 31 March	1,952	2,345

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 27. Revaluation Reserve

	2007/08 £'000	2008/09 £'000
Balance at 1 April	-	14,962
Revaluation Gains & Adjs	14,962	1,651
Revaluation Losses	-	(43,472)
Revaluation Losses in Excess of Available Reserve	-	30,770
Disposals	-	(534)
Depreciation on Revaluation Gains	-	(86)
Balance at 31 March	14,962	3,291

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.

Capital Adjustment Account

	2008/09 £'000
Balance of Capital Financing Account	247,955
Financing of Capital Expenditure	4,787
Release of Grants and Contributions	2,693
Major Repairs Allowance transfer	(2,736)
Asset Disposals	(110)
Depreciation on Current Asset Values	86
Long Term Debtors Written Down & Other Adjs	5
Appropriation to Income & Expenditure A/C	(33,867)
Balance at 31 March	218,813

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.

Financing of capital expenditure comprises:

	£'000	2008/09 £'000
Major Repairs Reserve	2,327	2,287
Capital Receipts	1,166	1,253
Revenue – General Fund	846	916
Revenue – HRA	365	331
	4,704	4,787

Notes to the core financial statements

Note 28. Usable Capital Receipts Reserve

	£'000	2008/09 £'000
Balance at 1 April	3,728	3,105
Capital Receipts in year	1,454	1,369
Contribution to Government Pool	(911)	(402)
Used for Capital Financing	(1,166)	(1,253)
Balance at 31 March	3,105	2,819

Continued overleaf...

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 29.

Note 29. Deferred Capital Receipts

	£'000	2008/09 £'000
Balance at 1 April	45	17
Receipts applied in year	(28)	(10)
Balance at 31 March	17	7

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.

2007/08

Notes to the core financial statements

Note 30. Earmarked Reserves

Ref	Reserves	Purpose	Balance 1 April 2008 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2009 £'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.	319	323	319	323
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.		29	26	55
3	Change Management and Capacity Reserve	Supports the Council's flexible retirement policy and to assist with the budget realignment exercise.	52 200	1,014	48	1,166
4	Clean and Green Reserve	Holds balance of non-recurring funding originally set aside to fund 'clean and green' initiatives.	154	-	26	128
5	Community Grants	Available to fund grants to community organisations (grants schemes no longer supported in base budget).	20	-	15	5
6	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.	256	516	6	766
7	Corporate Building Repairs	Provides source of funding for repairs to Council offices, etc.	159	50	51	158
8	Financial Systems	Balance of amount originally earmarked to fund replacement of financial systems, now to be used to fund future development, etc.	9	-	-	9
9	Housing Benefit standards and improvements	Provides resources for the Finance Department's Benefits Service.	279	161	29	411

Notes to the core financial statements

Ref	Purpose	Balance 1 April 2008 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2009 £'000
10	Housing Development Funds to pay for the GF costs of a housing transfer if that is the tenants' future housing options appraisal choice.	195	-	-	195
11	Insurance and Risk Management Held for two main purposes: - to fund liability arising from insolvent run-off of Municipal Mutual Insurance - to fund 'excess' element of insurance claims.	248	25	64	209
12	IT Replacement Equipment Provides source of funding for IT replacement programme.	25	72	85	12
13	Leisure Buildings Repairs Funding for works to facilities, parks and open spaces managed by Community Services.	103	67	62	108
14	Wave Leisure Trust Available to fund future obligations under the operational arrangements.	-	80	-	80
15	All Weather Pitch Reserve Provides for replacement of pitch at The Downs, Seaford at the end of its useful life.	-	20	-	20
16	Leisure Trust Building Maintenance Provides source of funding for client repairs to facilities operated by Wave Leisure.	92	90	54	128
17	Newhaven Enterprise Centre Holds annual contributions for future replacement of equipment, etc as required by SEEDS (which funded the construction of the Centre)	-	13	-	13
18	Partnership Fund Provides finance to support projects where the Council is the lead partner and working with external agencies, community organisations, etc. Projects address Council service objectives and can be revenue or capital.	23	15	14	24
19	Planning Delivery Grant Balance of Grant received from Government which is available to fund specific Planning department initiatives over a number of years.	357	165	230	292
20	Major Planning Applications Reserve Established in 2007/2008 to provide additional resources required to process major planning applications when they arise.	50	-	-	50

Notes to the core financial statements

Ref	Purpose	Balance 1 April 2008 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2009 £'000
21	Private Sector Leasing Repairs	94	14	35	73
22	Recycling Reserve				
	Holds the balance of resources made available for expanding the recycling service, pending their use, and also used to smooth out fluctuations in recycling income within the base budget.	40	235	-	275
23	Rent Deposit Guarantee Scheme				
	This fund helps prevent homelessness by providing selected applicants with a rent deposit that is repayable.	52	-	39	13
24	Revenue Equalisation and Asset Maintenance				
	Held for two main purposes: - to fund items of regular expenditure which are not of an annual nature eg District elections. - to fund backlog asset maintenance needs of non-housing property.	1,864	577	284	2,157
25	Southover Grange Improvements	41	-	-	41
26	Vehicle Replacement Reserve	1,465	273	679	1,059
	<i>Partnership Projects</i>				
27	Denton Island Reclamation	71	3	-	74
28	Newhaven Fort Refurbishment	21	1	3	19
29	West Quay Development	46	2	-	48
30	<i>Maintenance Funds</i>				
	Amounts paid to Council by third parties for specific purposes eg graves maintenance.	208	16	7	217
31	Total	6,443	3,761	2,076	8,128

Notes to the core financial statements

Note 31. Major Repairs Reserve

	2007/08	2008/09
	£'000	£'000
Balance at 1 April	424	355
Received in year	2,796	2,736
Applied in year	(2,865)	(2,762)
Balance at 31 March	355	329

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 32. Contingent Liabilities and Assets

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 pension agreement between the two organisations. As at 31 March 2009 the pension liability of Wave Leisure was £309,000.

In 2008/09 the Council made three claims on HM Revenue and Customs in respect of overpaid VAT output tax in periods before November 2006. Although the Council had made payments in accordance with the VAT regulations there is now some doubt as to whether the regulations themselves were correct in law. HMRC have settled two of the claims (and the income has been accounted for in 2008/09). A decision on the remaining claim (which has a value of £44,000 plus interest) is expected in

2009/10. Further claims have been made challenging HMRC's calculation of the interest payable on the two settled claims.

Note 33. Capital expenditure

As at 31 March 2009 the Council was contractually committed to capital works amounting to approximately £0.562m. In addition there were a number of minor continuing projects.

Note 34. Reconciliation of net cash flow

	2007/08	2008/09
	£'000	£'000
(Surplus)/Deficit for year		
- General Fund	88	(160)
- Housing Revenue Account	(65)	71
- Collection Fund	530	(268)
	553	(357)
Non-Cash transactions		
- Changes in reserves	(238)	(1,659)
- Changes in provisions	(71)	(325)
- Capital financing	(1,294)	(1,324)
	(1,603)	(3,308)
Items on accruals basis		
- Changes in stocks	4	19
- Changes in debtors	(1,009)	3,406
- Changes in creditors	1,170	192
	165	3,617
Other items not classified as revenue		
- Interest paid	(362)	(386)
- Interest received	1,005	916
	643	530
Net Revenue Cash	(242)	(482)

Notes to the core financial statements

Note 35. Analysis of Government Grants

	2008/09	2007/08
	£'000	£'000
Housing Subsidy (net)	(2,250)	(3,013)
Housing Benefits Admin.	702	673
Planning Delivery	246	83
Disabled Facilities	271	340
Crime & Disorder Reduction	112	83
Food Standards Agency	54	-
Local Authority Business Growth Incentive / Area Based Grant	13	99
Homelessness	63	81
DWP Housing Benefit Subsidy	26,469	27,622
Discretionary Housing	28	36
Private Sector Housing Renewal Grant	218	184
Other Minor Grants	101	87
DEFRA Air Quality	59	41
Public Service Agreement	121	-
Concessionary Travel Grant	89	214
DWP Local Housing Allowance	99	-
DEFRA Contaminated Land Grant	15	88
	26,410	26,618

Note 36. Management of Liquid Resources (in Cash Flow Statement)

	2007/08	2008/09
	£'000	£'000
Balance at 1 April	14,600	10,320
Balance at 31 March	10,320	4,320
Movement in year	(4,280)	(6,000)

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 37. Analysis of Financing

	2007/08	2008/09
	£'000	£'000
Balance at 1 April		
- PWLB (short)	3,000	-
- PWLB (long)	3,000	3,001
- Market Loan	5,000	5,171
	11,000	8,172
Balance at 31 March		
- PWLB (short)	-	-
- PWLB (long)	3,001	-
- Market Loan	5,171	5,072
	8,172	5,072
Movement in year	2,828	3,100

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

Notes to the core financial statements

Note 38. Movement in Cash (in Cash Flow Statement)

	2007/08	2008/09
	£'000	£'000
Balance at 1 April	(1,059)	67
Balance at 31 March	67	(1,790)
Movement in year	1,126	(1,857)
Net (increase)/decrease in cash		

Continued overleaf...

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

2007/08 £'000		2008/09 £'000	2008/09 £'000
	INCOME		
11,103	Dwelling Rents (Gross)	11,620	
345	Non-Dwelling Rents (Gross)	372	
975	Charges for services and facilities	1,010	
470	Contributions towards expenditure	402	
115	Community amenities contribution	139	
13,008	Total Income		13,543
	EXPENDITURE		
3,520	Repairs and Maintenance	3,608	
2,739	Supervision and Management	2,879	
198	Rents, Rates, Taxes and other charges	210	
2,358	Housing Revenue Account Subsidy Payable	2,996	
2	Increase in provision for doubtful debts	56	
	Depreciation/impairment of fixed assets		
2,759	- Dwellings	32,705	
538	- Non-Dwellings	476	
(38)	Government Grants & Contributions Deferred	(47)	
40	Debt Management Expenses	44	
56	Supporting People Transitional Protection	45	
	Transfer to the General Fund		
149	- Rent Rebates Subsidy Limitation	-	
12,321	Total Expenditure		42,972
(687)	Net Cost of HRA Services shown in whole Council Income and Expenditure Account		29,429
530	HRA services share of Corporate and Democratic Core		713
(157)	Net cost of Housing Revenue Account Services		30,142
0	Gain on sale of HRA fixed assets	(213)	
497	Interest payable and similar charges	466	
(147)	Interest and investment income	(169)	
(42)	Pensions interest cost and expected return on pensions assets	81	
308			165
151	Deficit for the year on HRA services		30,307

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	2009
Houses & Bungalows		
-1 bedroom	213	213
-2 bedrooms	655	649
-3 bedrooms	905	907
-4 bedrooms	63	64
-5 bedrooms	3	3
-6 bedrooms	1	1
	1,840	1,837
Flats		
- bedsits	134	134
-1 bedroom	709	708
-2 bedroom	527	526
-3 bedroom	49	49
-4 bedrooms	4	4
	1,423	1,421
Total stock	3,263	3,258

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

	2007/08 £'000	2008/09 £'000
Intangible assets	44	2
Operational assets		
- dwellings	230,419	187,560
- garages	5,861	6,902
- other	1,351	1,345
Community assets	7	7
Infrastructure assets	1,375	1,281
Non-operational	1,177	1,177
	240,234	198,274

The value of HRA assets is included within the balance sheet on page 24. The change in the valuations arose following an interim desktop valuation update by the Council's appointed valuer.

The vacant possession value of dwellings within the Housing Revenue Account at 1 April 2008 was £414.7m as valued by District Valuer Services, compared with a value of £187.5m for its existing use as social housing. The difference of £227.2m 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

	2007/08	2008/09
	£'000	£'000
Balance at 1 April	(424)	(355)
Depreciation		
- housing stock	(2,258)	(2,260)
- other HRA assets	(538)	(476)
Financing of capital expenditure (dwellings)	2,327	2,286
Transfer to HRA	538	476
Balance at 31 March	(355)	(329)

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.

Note 6. Funding of Capital Expenditure

	2007/08	2008/09
	£'000	£'000
Expenditure:		
- houses	2,871	2,585
- equipment & other	96	373
	2,967	2,958
Funding:		
- repairs reserve	2,327	2,286
- revenue account	336	331
- borrowing	259	259
- capital receipts	1	5
- leaseholder funds	40	37
- grants	-	40
- other contributions	4	-
	2,967	2,958

Note 7. Capital Receipts

	2007/08	2008/09
	£'000	£'000
Sale of council houses (right to buy)	1,196	448
Sale of council houses (right to mortgage)	-	60
Sale of housing land	174	-
Housing Land Easement	-	54
Repayment of right to buy discount	13	23
Repayment of HRA mortgages	28	10
	1,411	595

Housing Revenue Account and supporting notes

Note 8. Analysis of Housing Revenue Account Subsidy Payable

	2007/08 £'000	2008/09 £'000
Major repairs allowance	2,258	2,260
Management & maintenance allowance	4,901	4,982
Capital charges allowance	1,248	1,037
Total allowances	8,407	8,279
Less: assumed rent	(10,763)	(11,273)
Less: other income	(2)	(2)
Total assumed income	(10,765)	(11,275)
Net HRA subsidy payable to Government	(2,358)	(2,996)

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 ceased in 2007/08.

Note 10. Rent Arrears

	2008 £'000	2009 £'000
Current tenants:		
- dwellings	188	217
- garages	1	1
	189	218
Former tenants:		
- dwellings	103	108
- garages	3	2
	106	110
Total arrears at 31 March	295	328
Provision for bad debts	224	234
Value of write offs in year	31	22

Collection Fund Income and Expenditure Account and supporting notes

2007/08 £'000		2008/09 £'000
INCOME		
49,425	Council Tax (Note 1. p58)	52,012
6,065	Council Tax Benefits	6,564
55,490		58,576
18,076	Business Rates (Note 2. p59)	19,710
73,566		78,286
EXPENDITURE		
55,546	Precepts (Note 3. p59)	58,172
17,953	Contributions to NNDR Pool	19,584
123	NNDR Cost of Collection Allowance	126
105	Provision for uncollectible amounts	136
369	Contribution towards previous year's estimated surplus	-
74,096		78,018
530	(Surplus)/Deficit for the year	(268)
(614)	Balance at start of year	(84)
(84)	Balance at end of year (Note 4. p59)	(352)

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 2008/09 was £1,541.10 as follows

	£
Lewes District Council	182.35
Town/Parish Councils (average)	63.99
East Sussex County Council	1,089.00
East Sussex Fire Authority	77.06
Sussex Police Authority	128.70
	1,541.10

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 37,747 (37,546 2007/08) as shown in the following table.

Collection Fund Income and Expenditure Account and supporting notes

	Estimated Number	Band D Ratio	Equivalent Number
Band A	3,112	6/9	2,074
Band B	4,780	7/9	3,718
Band C	11,193	8/9	9,949
Band D	8,401	1	8,401
Band E	4,949	11/9	6,049
Band F	2,634	13/9	3,805
Band G	2,025	15/9	3,375
Band H	188	18/9	376
Total	37,282		37,747

The actual council tax income receivable in the year, £58.6m 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 2008/2009 was 46.2p reduced to 45.8p for small businesses. The total rateable value of all businesses in the District was £49.6m. at 31 March 2009 (£50.1m at 31 March 2008). The amount of Mandatory Rate Relief granted in 2008/09 was £1.34m (£1.96m 2007/08), with Small Business Rate Relief being £0.59m (£0.49m 2007/08). The amount of Partial and Empty Property relief was £0.36m for 2008/09 (£1.43m 2007/08).

Note 3. Precepts

	2007/08	2008/09
	£'000	£'000
Lewes District Council	8,837	9,299
East Sussex County Council	39,336	41,106
Sussex Police Authority	4,606	4,858
East Sussex Fire Authority	2,767	2,909
	55,546	58,172

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 this Statement of Accounts to the Audit Committee for approval on 21 September 2009. Events between the balance sheet date and 21 September 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:


Chair of Audit Committee
21st Sept. 2009.

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:

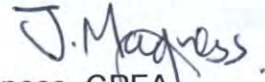
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

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 13 to 58 present fairly the financial position of the Council at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.


John Magness, CPFA,
Director of Finance and Community Services

21 September 2009.

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 2009 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 Policy and 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 and data quality issues the Cabinet receives a quarterly report on the progress of Council Plan milestones that support the achievement of its priorities and desired outcomes. 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 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

Annual Governance Statement

documents and procedures are the subject of training/awareness raising for staff and Councillors. They are made available to staff and Councillors via the Council's intranet and are published on the website.

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 Councillors and Officers.

The Council's risk management framework is outlined in the risk management strategy, and 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.

Annual Governance Statement

The Council has a Corporate Complaints procedure with supporting systems to record, monitor investigate and report complaints.

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

Annual Governance Statement

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.

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 2008/09 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 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 and its recent updating has been reported to the June 2009 meeting of the Audit Committee.

The Council's work on risk management includes annual reports to both the Corporate Management Team and an annual report to 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 2008/09 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. Data quality risks in respect of performance data are reported quarterly and in the annual performance report.

The Council's Business Continuity Plan is regularly tested. In 2008/09 a lost premises exercise and a live field testing of communications equipment, were conducted.

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 2008/09. There have been no cases of fraud or corruption during the year other than those benefit cases investigated by the Fraud Investigation Team. Under the National Performance Standard Self Assessment, the Council's Housing Benefit administration function and Fraud Investigation Team have been scored as excellent for the number of prosecutions and other sanctions applied to claimants who had fraudulently made claims for Housing and Council Tax Benefit.

Annual Governance Statement

There have been no cases where a District Councillor has been reported too or investigated by the Standards Committee.

During 2008/09 all the Council's key partnerships have been subject to review by their lead officers as required by the Council's Guidance for Partnership Working.

Improved corporate monitoring of complaints by has been introduced which provides assurance that departmental recording and reporting systems are working effectively. This includes quarterly reporting to the Corporate Management Team and an annual report to be presented to Cabinet for the first time in July 2009.

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 2009) - The letter summarised a series of audits carried out during 2008 across a range of Council activities. The Audit Commission concluded that:
 - The Council has effective governance arrangements in place.
 - The Council continues to achieve value for money.
 - The Council continues to have effective arrangements in place to produce its annual accounts in accordance with professional standards and government guidance, and an unqualified opinion was issued on the 2007/08 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.’
 - The Council has effective systems of internal control.
 - The approach to managing risk is comprehensive and is embedded throughout the business and financial planning processes.
 - The Council has a comprehensive assurance framework for producing the annual governance statement, which is approved by the Audit Committee.
 - The Council has robust budget monitoring procedures in place.

Annual Governance Statement

- The Council has made significant progress in developing a suite of performance indicators for non housing assets and a database of relevant information on each asset.
 - The Council manages its spending within its available resources.
 - The Council's management arrangements for securing data quality are effective, and the Council was judged to be performing well and above the minimum standards specified by the Audit Commission. Two best value performance indicators (BVPIs) were reviewed relating to speed and accuracy of benefits processing. It was concluded that both of these indicators were fairly stated.
-
- Benefit and Non Domestic Rates Subsidy Claims Audit – PKF reviews took place in late 2008. The NDR claim was signed off without qualification. The Benefits subsidy claim was qualified because of misclassification of benefits expenditure, but this had no impact on the amount of subsidy claimed by the Council.
 - Best Value Performance Plan (BVPP) – PKF reviewed the Council's BVPP in late 2008 and concluded that it was compliant with the requirements of the legislation and statutory guidance in all significant respects.
 - Regulation of Investigatory Powers Act (RIPA) – The Office of the Surveillance Commissioner conducted an inspection of the Council's RIPA arrangements in February 2009. The Inspector's report concluded that Lewes District Council has made consistent use of RIPA powers and the policy and procedures are clear and work well. Four recommendations were made to improve administrative arrangements.

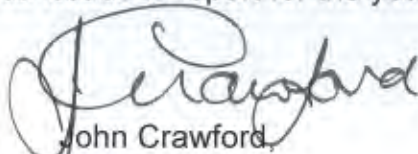
Significant governance issues

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 2009.

Amy De Vecchi

Ann De Vecchi,
Leader of the Council.



John Crawford,
Chief Executive.

Independent Auditors' Report

Independent auditors' report to the Members of Lewes District Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Lewes District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of 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 49 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 auditors

The Director of Finance and Community Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 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 accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority 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 Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, 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

Independent Auditors' Report

we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

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 Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Signature:  Date: 21 September 2009

Name: Richard Bint
Partner on behalf of PKF (UK) LLP
London, UK

Independent Auditors' 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.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires 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 May 2008 and updated in February 2009, and the supporting guidance, 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 2009.

Certificate

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

Signature: 

Date: 21 September 2009

Name: Richard Bint
Partner on behalf of PKF (UK) LLP
London, UK

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 the pension scheme, changes in pension liabilities since the previous year that have arisen 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.

Annual Governance Statement

The statement sets out the Council's arrangements for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used in a way that promotes value for money. The statement confirms that these arrangements have operated effectively in the year.

Asset

This is something that the Council 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 the Council 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 the Council's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Balance sheet

This is a financial statement summarising the Council's 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 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.

Glossary of Terms

Capital financing

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

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 the Council intends to own forever. They generally have no determinable useful life and there are often restrictions regarding their disposal. Examples 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.

Corporate and Democratic Core

This consists of two elements: the costs associated with Councillors including support costs and corporate management which covers a core of central costs, including the cost of the Chief Executive, and of producing corporate information such as the Statement of Accounts.

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 the Council for goods and services they have received but have not paid for by the end of the accounting period.

Defined Benefit Pension Scheme

In this type of Pension Scheme, Benefits to employees in their retirement are based on their final salaries, and the Council's contributions have to be adjusted to match estimates of future liabilities.

Glossary of Terms

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.

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.

General Fund

The main revenue fund of the Council into which is paid income from the Council Tax, grants and charges for services and from which the cost of providing services is met. It excludes items relating to the Council's housing stock.

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. The Council administers the system locally, 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

Impairment

An asset is impaired when its value is reduced. Impairment may be physical in nature, such as damage by fire, or by a general or specific reduction in prices during the financial year. A financial asset is impaired if the debtor is unlikely to be able to make payment.

Income

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

Infrastructure

This term covers capital investment on assets such as coast protection works.

Glossary of Terms

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 and discounts

Amounts payable or receivable 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.

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.

Net Book Value (NBV)

The amount of which fixed assets are included in the Balance Sheet. The NBV is the historical cost or current value less any accumulated depreciation.

Non-operational assets

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

Outturn

The actual level of income and expenditure in a financial year.

Glossary of Terms

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 the Council 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

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

the Council's 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

Glossary of Terms

- 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 the Council 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. The Council 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

Revenue Expenditure Funded from Capital Under Statute

An example 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 the Council. The expenditure is written off in full to the revenue account in the year in which it is incurred.

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 the Council 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:

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