

Lewes District Council Statement of Accounts 2010/2011



**Lewes District Council
Statement of Accounts 2010/2011**

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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') in putting together our Statement of Accounts for 2010/11. The accounts fairly reflect Lewes District Council's financial position for the financial year ended 31 March 2011. 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 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 2010/11 appears on page 122 of this document.

It is a requirement of the Code of Practice that the Council prepares its Financial Statements 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: 2010/11 has seen a profound change in that, for the first time, the Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Note 1 to the Financial Statements on page 19 explains how this change has impacted on the figures that we published in our Statement of Accounts 2009/10 and Note 2 on page 28 sets out the rules that we have now followed.

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

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those the Council can apply to fund expenditure or reduce local taxation) and other reserves.

Comprehensive Income and Expenditure Statement

All local authorities are required to maintain a Comprehensive Income and Expenditure Statement. 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 gain or loss from the use and disposal of assets within the period. The Statement also shows how much is received from council taxpayers and from general government grants to help meet the cost of services.

Introduction

Balance Sheet

The Balance Sheet provides a snapshot of our financial position as at 31 March 2011 and includes the General Fund and Housing Revenue Account 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.

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 the houses and flats that we own, and we use that money to manage, maintain and improve those homes. 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement because they do not relate to the day to day operational services we deliver.

Review of 2010/11 and Outlook for 2011/12

Review of 2010/11

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

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

- Revenue expenditure and income represents the money we spend or receive on a day to day basis in delivering operational services, like refuse collection and recycling and parks and open spaces. There is a clear separation 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 services specifically for our tenants and which is financed mainly by their 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 Comprehensive Income and Expenditure Statement is shown on page 15. It records a deficit for the year of £41.213m. The Movement in Reserves Statement is shown on page 14. It records net additional amounts to be credited in accordance with accounting regulations. The net effect produces an overall increase in the General Fund Balance for the year of £0.283m, which increases the amount held to a total of £1.856m at 31 March 2011.

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 £0.283m and the Council has set this aside for use in the future if it is needed.

Comparing actual spending to budget - the table on the next page compares our actual net spending for 2010/11 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 for 2010/2011 (Portfolios were subsequently amended in May 2011). The table also shows how net expenditure was financed. The table excludes the effect of technical accounting adjustments required to comply with the Code used to prepare the Financial Statements, for example, to reflect depreciation and the reduction in value of land and buildings used in the delivery of services, as assessed in a formal valuation exercise, as well as pension valuations. Due to this, and because different line headings are used to prepare the budget from those required for the Financial Statements, the table cannot be directly agreed to the Comprehensive Income and Expenditure Statement.

Review of 2010/11 and Outlook for 2011/12

Comparison of actual and budgeted General Fund net expenditure				
	(1)	(2)	(3)	(4) = (3) – (2)
	2010/11	2010/11	2010/11	2010/11
	Original	Revised	Net	Variance
Services by Lead Councillor Portfolio	Estimate	Estimate	Actual	against
	£'000	£'000	Expenditure	Revised
	£'000	£'000	£'000	£'000
1 Business, Employment and Tourism	(256)	(280)	(285)	(5)
2 Community	3,312	3,392	3,267	(125)
3 Environment	4,417	4,361	3,896	(465)
4 Housing	1,480	1,444	1,343	(101)
5 Leader of the Council	3,359	3,527	3,468	(59)
6 Planning	1,604	1,564	1,401	(163)
7 National Accounting Requirements	(109)	31	22	(9)
8 Environment Agency Levy	128	121	121	0
9 Area Based Grant	(29)	(40)	(57)	(17)
10 Contingency	50	29	0	(29)
11 Revised Estimate Review	(100)	(100)	0	100
12 Net Cost of Services	13,856	14,049	13,176	(873)
13 Transfer to (from) Earmarked Reserves	214	(452)	(452)	0
14 Net Revenue Expenditure of Lewes District Council to be met by Government Grants and Local Taxpayers	14,070	13,597	12,724	(873)
15 Total Demand on the Collection Fund Council Tax	7,435	7,435	7,435	0
16 Revenue Support Grant	817	817	817	0
17 Non-Domestic Rates redistribution	5,628	5,628	5,628	0
18 Total Funding	13,880	13,880	13,880	0
19 Deficit /(surplus) for year (14 - 18)	190	(283)	(1,156)	(873)

Review of 2010/11 and Outlook for 2011/12

Explaining the differences - In February 2010 the Council set a net expenditure budget of £14.070m to meet the Lewes District Council requirements for delivering services in 2010/11. This represents the net cost of providing our services after taking into account:

- £36.7m of income from specific government grants
- £5.1m of income from fees & charges, rents & sales
- £0.2m of income from investments

The budget also assumed a net contribution of £0.214m into earmarked reserves. The Council agreed to withdraw £0.190m from its General Fund Balance in order to limit the increase in its Council Tax for the year to 2.5%.

The original budget was revised down to £13.597m during the course of the year to take account of a range of expenditure and income changes. The principal changes were generated through vacancy management and payroll savings (£0.320m) which, along with higher levels of receipts from recycling and trade waste in the year (£0.179m), more than offset increases in some costs and reductions in income, from, for example, lower levels of investment income. After taking into account changes in the timing of expenditure to be funded from reserves, the Council was able to plan to use the significant overall decrease in budgeted net spending by adding £0.283m to the General Fund Balance over the course of the year rather than make a withdrawal.

The actual net expenditure for 2010/11 was £12.724m (on the basis set out on page 4), £0.873m less than forecast in the revised budget. (See line 19 in the table above). The major variances between the revised budgets and the actual results were as follows:

	£'000
Increases in income:	
- Grants (PSA, Land Charges, Habitats, Homelessness, Community Safety)	133
- Waste and Recycling (Trade Waste, Recyclate sales net of recycling credits)	76
- Planning fees	35
- Newhaven Enterprise Centre net surplus	28
- Newhaven Fort and Tourist Information Centre charges and sales income	23
- South Downs National Park Authority contribution to agency set up costs	20
- Sale of minor assets	10
- Licensing Act income	9
<i>Contd.....</i>	

Review of 2010/11 and Outlook for 2011/12

Reductions in income:	
- Car Parking charges	-23
- Industrial estates rents	-16
Increases in expenditure:	
- Bad Debt provisions	-51
- Housing Benefits net of subsidy and overpayments	-33
Reductions in expenditure:	
- Net saving in employee costs and agency staff	99
- Clean and Green service operational costs	39
- Grounds maintenance	37
- Planning external advice and legal costs	35
- Provision for potential Standards Committee costs	21
- Recycling vehicle operational costs	19
- Audit fees	10
High level service changes	
- Savings and contingency use anticipated in revised budget and included above	-71
- Corporate restructuring redundancy cost provision	-118
- Miscellaneous departmental costs including utilities	75
- Net total of minor variations	43
- Unspent revenue budgets carried forward to 2011/12	317
- Allocations to project budgets c/fwd (to be funded from earmarked reserves)	156
Reduction in the Net Cost of Services	873

The reduction in the Net Cost of Services has been used to supplement reserves, with the General Fund Working Balance being topped up by £0.283m as planned in the revised budget.

Reserves - Budget holders requested that £0.317m of the reduction in the net cost of services for 2010/11 be carried forward into the 2011/12 financial year to allow work underway to be completed. Budgets for specific projects funded from earmarked reserves that were not fully spent in 2010/11 totalled £0.156m. The unspent amounts are carried forward into 2011/12.

Review of 2010/11 and Outlook for 2011/12

The reconciliation between the General Fund Revenue Account, which we keep for budget monitoring and reporting purposes, and the statutory Comprehensive Income and Expenditure Statement (CIES) is as follows:

<u>Budget Monitoring and Reporting Summary:</u>	£'000
Initial (surplus) for year before final transfer to Reserves (page 4 line 19 column 3)	(1,156)
Additional contribution to Reserves as a result of reduction in net cost of services	873
Net (surplus) for year	(283)
<u>Statutory Reporting Summary</u>	
Deficit on the provision of all services reported in the CIES (page 15)	41,213
Less Deficit in respect of the Housing Revenue Account included above (page 111)	(44,878)
(Surplus) on provision of General Fund services	(3,665)
Adjustments between accounting basis and financing basis under regulations (page 14)	3,556
Net transfer from reserves (page 14)	(174)
Net (surplus) for year	(283)

Housing Revenue Account (HRA)

Income exceeded expenditure by £0.101m in 2010/11, an improvement of £0.551m against the budgeted deficit of £0.450m. The table below analyses the main variations between the budget and outturn. At 31 March 2011 the HRA balance is £2.576m.

	£'000
Additional income	
- rent received	39
- rechargeable works	10
Reduced expenditure	
- revenue contribution to fund capital expenditure	175
- provision required for uninsured costs and claims	125
- external advice and legal costs	69
- negative housing subsidy payment due to Government	33
- interest	32
- energy costs	26
Miscellaneous net variations	42
Total variation	551

Review of 2010/11 and Outlook for 2011/12

Capital expenditure

Total capital expenditure managed through our 2010/11 Capital Programme was £5.163m. The table below lists the major areas where that investment was made. It also shows how this expenditure was funded.

Type of project	£m
HRA Housing Investment Programme	2.72
General Fund Housing Investment Programme	0.79
General Fund Services Capital Programme	1.65
Total Capital Expenditure	5.16
Type of funding	
Major Repairs Allowance: a Government grant wholly given to maintain the value of the Council's housing stock	2.23
Capital receipts: money from the sale of Council property	0.42
Grants and Contributions: from external partners, like the Government (£0.79m), East Sussex County Council (£0.09m) and property developers.	1.43
Reserves: money set aside from revenue in previous years	0.58
Revenue Financing: contributions from the Housing Revenue Account (paid for by tenants' rent)	0.21
Revenue Financing: contributions from the General Fund	0.03
Borrowing: an external loan specifically to finance improvements to our Council housing stock	0.26
Total Capital Financing	5.16

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.

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 £4.432m held by the General Fund and the Housing Revenue Account that will be used to support our future spending plans. A further £8.626m held in earmarked General Fund reserves, and £0.301m in the HRA within the Major Repairs Reserve will be used to support our specific and one-off spending priorities. £2.552m in capital receipts is available to support our forward capital programme.

Review of 2010/11 and Outlook for 2011/12

Treasury Management

Our external loan debt at 31 March 2011 stood at £5.0m, all of which was long-term. Our Treasury Strategy of using revenue cash balances as an alternative to 'real' borrowing means that the Council's actual long-term debt is £8.6m 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 £9.7m (excluding an investment of £1m made with Landsbanki hf, the Icelandic Bank, which is currently in administration – see Note 36 on page 99 for further details).

Asset Values

A formal review of the value of the Council's property assets has taken place. In some cases the value of individual assets has reduced significantly, reflecting the impact of the deep recession experienced by the UK economy. A change in the regional assumption used to calculate the value of council houses also occurred, the effect of which was a significant drop in their book value. In accordance with accounting requirements, the reduction in value of Property has been charged as a cost (total £46.6m) to the Comprehensive Income and Expenditure Statement giving rise to the overall deficit for the year shown on page 15.

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 2011 by the actuary as having a deficit of £9.60m compared with a deficit of £33.62m at 31 March 2010. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire. The significant improvement in the year reflects the fact that the financial assumptions at 31 March 2011 are more favourable than a year previously (see page 102).

Looking ahead –outlook for 2011/12 and beyond

General Fund

In October 2010, the Government published its Spending Review which fixed the budgets for all Government departments for four years through to 2014/2015. The spending review put in place a deficit reduction plan, with the Government's priority being to secure economic stability at a time of continuing uncertainty in the global economy and to put Britain's public services on a sustainable long term footing. The consequence of the Spending Review for local authorities is significant reductions in Government funding. In order to close the gap between spending need and the diminished resources available, local authorities need to re-prioritise services and make further improvements to efficiency.

Review of 2010/11 and Outlook for 2011/12

We have set ourselves a savings target of £1.7m over the next four years, with £1.3m of that to be found in 2011/2012 and 2012/2013. We have already identified potential savings of £1.1m and will aim to achieve them by working more efficiently, reducing operating costs further, looking at new ways of working, 'investing to save' and making better use of procurement and IT.

After allowing for changes in functions (responsibility for the national Bus Pass scheme locally transfers to East Sussex County Council and the new South Down National Park Authority is taking over responsibility as the Planning Authority within a large part of the District) our core grant funding from the Government for 2011/2012 is £0.9m lower than the amount that we received in the previous year on a like-for-like basis. The Government also offered every local authority a special grant equal to a 2.5% rise in council tax, if it agreed to freeze its council tax at the 2010/2011 level. In common with all local authorities, we have taken up this offer and as a result will receive a grant of £0.185m.

The Council set a net General Fund budget of £7.411m for 2011/2012, with a savings target of £0.824m. The Council Tax for a Band D property is £192.48, which, as noted above, is unchanged from 2010/2011. £0.358m of the General Fund working balance will be used, to leave £1.498m at 31 March 2012. The General Fund will also hold £6.097m in Earmarked reserves at the same date. The amount of Council Tax collected in previous years has exceeded previous forecasts, generating an estimated surplus of £0.135m which is to be used to finance spending in 2011/2012. The overall movement in the budget is summarised below:

	£'000
2010/2011 net budget	13,880
Transfer of functions (concessionary fares and National Park Planning)	(757)
Sub-total	13,123
Pay and price increases	330
Changes in service costs and income:	
- Fees for agency service provided to South Downs National Park	(404)
- Increases in costs or reductions in income	501
- Increases in income or reductions in costs	(492)
Sub-total	13,058
Changes in use of reserves, balances and one-off items	(246)
Special grant from Government to support Council Tax freeze	(185)
Savings target to be achieved in the year	(824)
Net service spending programme for 2011/2012	11,803
Less: external support from Government (Formula Grant)	(4,255)
Less: use of Collection Fund surplus	(137)
2011/12 Net General Fund Budget to be funded from Council Tax	7,411

Review of 2010/11 and Outlook for 2011/12

Housing Revenue Account

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

For 2011/2012 the average projected rent for all Council dwellings is £75.08 per week, an increase of 6.35% when compared with 2010/2011. The average rent increase, agreed after detailed discussion with representatives of the 'Tenants of Lewes District' (TOLD) organisation, enables a revenue contribution of £0.24m to finance the capital programme to be made. The actual average rent is £4.50 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 Special Services Charge which will be an average of £0.92 per property per week. Total income generated from rents, service charges and other contributions towards expenditure in 2011/2012 is estimated to be £14.340m, excluding £0.272m which will be used from the HRA working balance during the course of the year.

We continue to plan for the repair and management of the housing stock over the longer term. By using up to date survey data concerning the condition of our housing stock, we can estimate how spending needs will develop over the next 30 years, as well as make projections as to the resources that will be available to fund them. The Government has consulted local authorities on a proposal that will mean that 2011/2012 is the last year of its Housing Subsidy system which was first introduced before the Second World War. From 1 April 2012, all local housing authorities will become 'self-financing' which will mean that they will retain all income generated from their housing stock and fund all associated expenditure – no general subsidy will be received from or paid to the Government, and funding received for major repairs will also be withdrawn. Those housing authorities, such as this Council, which currently make annual payments of 'negative' housing subsidy to the Government will be required to make a one-off payment in March 2012 when the current system ends – this can be a substantial sum and in the case of this Council will be in the region of £53m. The Council will need to take out long-term borrowing to finance this payment.

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 and is not a viable option – unless the cost of this borrowing is supported by Government grants or income which is generated from the projects when complete.

Review of 2010/11 and Outlook for 2011/12

The Capital Programme represents the allocation of funding to specific projects – in some cases those projects will be completed over a number of years. The overall Capital Programme for 2011/2012 is split into 3 distinct elements.

- *General Fund Capital Programme*- £5.15m, including £0.76m for energy efficiency measures, £0.70m for coastal defence works at Peacehaven and £0.64m for a major parks development project, also in Peacehaven.
- *HRA Housing Investment Capital Programme* - £2.77m in respect of major repairs and improvements to the Council's housing stock, of which £2.51m will be funded from the Major Repairs Allowance received from the Government, and £0.26m from revenue resources.
- *General Fund Housing Investment Programme* £1.36m, consisting predominantly of Private Sector Housing grants, to be funded from capital receipts and Government grant.

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, September 2011

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those the Council can apply to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and to the Housing Revenue Account for rent setting purposes. The Net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers are made to or from earmarked reserves.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA) (restated)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves (restated)	Unusable Reserves (restated)	Lewes District Council Total Reserves (restated)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	1,526	8,164	2,975	2,819	329	449	16,262	212,343	228,605
Movement in Reserves during 2009/10									
Surplus or (deficit) on the provision of services	(5,073)	0	11,921	0	0	0	6,848	0	6,848
Other comprehensive income and expenditure	0	0	0	0	0	0	0	(13,779)	(13,779)
Total comprehensive income and expenditure	(5,073)	0	11,921	0	0	0	6,848	(13,779)	(6,931)
Adjustments between accounting basis and funding basis under regulations (p55)	5,756	0	(12,421)	25	131	106	(6,403)	6,403	0
Net increase or decrease before transfers to earmarked reserves	683	0	(500)	25	131	106	445	(7,376)	(6,931)
Transfers to or from earmarked reserves (p60)	(636)	636	0	0	0	0	0	0	0
Increase or (decrease) in 2009/10	47	636	(500)	25	131	106	445	(7,376)	(6,931)
Balance at 31 March 2010	1,573	8,800	2,475	2,844	460	555	16,707	204,967	221,674

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	1,573	8,800	2,475	2,844	460	555	16,707	204,967	221,674
Movement in Reserves during 2010/11									
Surplus or (deficit) on the provision of services	3,665	0	(44,878)	0	0	0	(41,213)	0	(41,213)
Other comprehensive income and expenditure	0	0		0	0	0	0	17,613	17,613
Total comprehensive income and expenditure	3,665	0	(44,878)	0	0	0	(41,213)	17,613	(23,600)
		0							
Adjustments between accounting basis and funding basis under regulations (p52)	(3,556)	0	44,979	(292)	(159)	(36)	40,936	(40,936)	0
Net increase or decrease before transfers to earmarked reserves	109	0	101	(292)	(159)	(36)	(277)	(23,323)	(23,600)
Transfers to or from earmarked reserves (p60)	174	(174)	0	0	0	0	0	0	0
Increase or (decrease) in 2010/11	283	(174)	101	(292)	(159)	(36)	(277)	(23,323)	(23,600)
Balance at 31 March 2011	1,856	8,626	2,576	2,552	301	519	16,430	181,644	198,074

Balance Sheet

The Balance Sheet shows the value as at the end of the accounting period of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held which are reported in two categories:

- *usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).*
- *unusable reserves, i.e. those that the Council is not able to use to provide services. This includes reserves that hold unrealised gains and losses where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.*

	31 March 2010			31 March 2011
1 April 2009	restated			£000
£000	£000			£000
237,695	248,859	Property, Plant and Equipment	Note 13 p62	201,329
3,415	3,252	Investment Property	Note 14 p66	3,252
776	631	Intangible Assets	Note 15 p67	500
2,106	735	Long Term Investments	Note 16 p69	775
113	119	Long Term Debtors	Note 16 p69	121
244,105	253,596	Long Term Assets		205,977
4,120	5,219	Short Term Investments	Note 16 p69	7,123
93	85	Inventories	Note 17 p75	121
6,242	5,843	Short Term Debtors	Note 18 p76	3,795
1,790	3,239	Cash and Cash Equivalents	Note 19 p77	2,872
12,245	14,386	Current Assets		13,911
(109)	(109)	Short Term Borrowing	Note 16 p69	(109)
(5,430)	(5,067)	Short Term Creditors	Note 20 p77	(4,704)
(5,539)	(5,176)	Current Liabilities		(4,813)
(166)	(258)	Long Term Creditors		(421)
(5,000)	(5,000)	Long Term Borrowing	Note 16 p69	(5,000)
(15,466)	(33,615)	Defined Pension Scheme Liability	Note 38 p101	(9,601)
(209)	(302)	Other Long Term Liabilities	Note 35 p97	(286)
(1,365)	(1,957)	Capital Grants Receipts in Advance	Note 32 p93	(1,693)
(22,206)	(41,132)	Long Term Liabilities		(17,001)
	221,674	Net Assets		198,074
228,605				

Balance Sheet

1 April 2009	31 March 2010		Notes	31 March 2011
£000	restated £000			£000
1,526	1,573	General Fund Balance		1,856
8,164	8,800	Earmarked General Fund Reserves		8,626
2,975	2,475	Housing Revenue Account Balance		2,576
2,819	2,844	Capital Receipts Reserve		2,552
329	460	Major Repairs Reserve		301
449	555	Capital Grants Unapplied		519
16,262	16,707	Total Usable Reserves	Note 21 p78	16,430
4,172	7,669	Revaluation Reserve		8,411
224,534	231,617	Capital Adjustment Account		183,041
(841)	(732)	Financial Instruments Adjustment Account		(256)
(15,466)	(33,615)	Pension Reserve		(9,601)
7	4	Deferred Capital Receipts		1
56	147	Collection Fund Adjustment Account		160
(119)	(123)	Accumulated Absences Account		(112)
212,343	204,967	Total Unusable Reserves	Note 22 p78	181,644
228,605	221,674	Total Reserves		198,074

Certificate of the Responsible Financial Officer

In compliance with Part 3 regulation 8(2) of The Accounts and Audit (England) Regulations 2011 I certify that the Statement of Accounts for the financial year 2010/11 presents a true and fair view of the financial position of Lewes District Council at 31 March 2011 and of its income and expenditure for that year.

Signed *John Magness*

 Date *26 September 2011*

John Magness CPFA
 Director of Finance

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery and cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 restated £000		2010/11 £000
(6,848)	Net surplus or (deficit) on the provision of services	(41,213)
10,120	Adjustments to net surplus or deficit on the provision of services for non-cash movements	45,968
75	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	95
3,347	Net cash flows from operating activities	4,850
(955)	Investing activities (Note 24 p84)	(4,559)
(943)	Financing activities (Note 25 p84)	(658)
1,449	Net increase or (decrease) in cash and cash equivalents	(367)
1,790	Cash and cash equivalents at the beginning of the reporting period.	3,239
3,239	Cash and cash equivalents at the end of the reporting period (Note 19 p77)	2,872

Notes to the Financial Statements

Note 1. CHANGES TO ACCOUNTING POLICIES AND TO PRIOR PERIOD FIGURES

The Financial Statements for 2010/11 are the first to be prepared on an International Financial Reporting basis (IFRS). Adoption of the IFRS based Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 'Code') published by the Chartered Institute of Public Finance and Accountancy (CIPFA) has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Financial Statements are different from the equivalent figures presented in the Financial Statements for 2009/10.

In addition to the restatements introduced by the adoption of IFRS two further adjustments to prior period figures have been made to the opening and comparative balance sheets and to the comprehensive income and expenditure statement.

- the first relates to the balances held in respect of the defined pension scheme liability and the matching pension reserve and the adjustment is made to reconcile with the figures provided by the pension fund actuary. In previous years differences between cash paid by the Council into the scheme and the amounts taken into account by the actuary as amounts payable for the year on an accruals basis have led to the accumulation of small annual variations which in turn have led to the liability at 31 March 2010 being understated by £108,000. The restated balance sheets at 1 April 2009 and 31 March 2010 recognise the adjustment of these differences so that the Council's full liability at each date, as assessed by the pension fund actuary, is stated correctly. As part of this reconciliation process an adjustment of £17,000 has been made in the non-distributed costs line within the restated Comprehensive Income and Expenditure Statement for 2009/10. The effect of this prior period adjustment has no impact on council tax because statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards.
- the second brings the reported value of HRA properties at 31 March 2010 fully into line with the formal certificate provided by the Council's independent valuer and received after year end. A net increase of £7.017 million is required to effect this change which adjusts for the previous provision of depreciation and recognises an impairment for capitalised expenditure that had no impact on the carrying value of the property. The Capital Adjustment Account and the Revaluation Reserve have increased by £6.019 million and £926,000 respectively. The effect of this prior period adjustment has no impact on the HRA Balance because charges for depreciation and impairment are reversed out through the HRA Movement in Reserves Statement in accordance with statutory regulations.

Where the Financial Statements have changed as a result of the above two issues, the relevant primary statements and notes have been headed 'restated'. Other figures that have been adjusted as a result of the transition to IFRS have not been headed 'restated' as the amendments relate to a change in the financial reporting framework rather than to corrections of prior period misstatements. The following tables set out the differences between the amounts presented in the 2009/10 Financial Statements and the equivalent amounts presented in the 2010/11 Financial Statements, with an explanation for the change where the difference is material, starting with a restated opening IFRS Balance Sheet at 1 April 2009.

Notes to the Financial Statements

1.1 Extracts from the previously published Balance Sheet at 31 March 2009 (UK GAAP basis) restated under IFRS at 1 April 2009

<u>Balance Sheet item</u>	UK GAAP Balance Sheet at 31 March 2009 £000	IFRS Balance Sheet at 1 April 2009 £000	Difference £000	Explanation of changes
Property, plant and equipment				
- other land and buildings	31,809	42,002	10,193	Reclassifications of operating assets from investment properties plus associated adjustments for revaluation gains and losses
- vehicles, plant, furniture and	2,812	3,004	192	Recognition of depreciated value of finance lease assets embedded in external contracts for works and services
other property, plant & equipment equipment	192,689	192,689	0	
		<u>237,695</u>	<u>10,385</u>	
Investment properties	13,473	3,415	(10,058)	Reclassifications to property, plant & equipment because of stricter definitions
Other long-term assets	2,995	2,995	0	
Long-term assets	243,778	244,105	327	
Current assets	12,245	12,245	0	
Current liabilities				
- short-term borrowing	(109)	(109)	0	
- short-term creditors	(4,982)	(5,430)	(448)	East Sussex County Council (ESCC) share of short-term section 106 monies reclassified from developer contributions plus new requirement to accrue for the cost of untaken leave at the year end
	<u>(5,091)</u>	<u>(5,539)</u>	<u>(448)</u>	

Notes to the Financial Statements

<u>Balance Sheet item</u>	UK GAAP Balance Sheet at 31 March 2009 £000	IFRS Balance Sheet at 1 April 2009 £000	Difference £000	Explanation of changes
Long-term liabilities				
- long-term borrowing	(5,000)	(5,000)	0	
- government grants deferred	(6,484)	0	6,484	Deferral policy discontinued in favour of immediate recognition therefore write off to capital adjustment account
- development contributions	(2,345)	0	2,345	Separate recognition of capital grants without conditions and revenue contributions (transferred to usable reserves) and capital grants with conditions and capital grants held in trust for ESCC (transferred to current or long-term liabilities)
- defined pension scheme liability	(15,375)	(15,466)	(91)	Increase to recognise in full the liability assessed by the pension scheme actuary at 31 March 2009 (see matching pension reserve adjustment below)
- long-term creditors	0	(166)	(166)	ESCC share of long-term section 106 monies reclassified from developer contributions
- other long-term liabilities	0	(209)	(209)	Recognition of finance lease liabilities linked to recognition of assets in vehicles, plant, furniture and equipment
- capital grants receipts in advance	0	(1,365)	(1,365)	Grants with conditions reclassified from developer contributions
	(29,204)	(22,206)	6,998	
NET ASSETS	221,728	228,605	6,877	

Notes to the Financial Statements

<u>Balance Sheet item</u>	UK GAAP Balance Sheet at 31 March 2009 £000	IFRS Balance Sheet at 1 April 2009 £000	Difference £000	Explanation of changes
Usable reserves				
- earmarked general fund reserves	8,128	8,164	36	Revenue contributions reclassified from developer contributions
- capital grants unapplied	0	449	449	Grants without conditions reclassified from developer contributions
- other usable reserves	7,649	7,649	0	
	15,777	16,262	485	
Unusable reserves				
- revaluation reserve	3,291	4,172	881	Revaluation gains from reclassification of investment properties to Property, Plant and Equipment
- capital adjustment account	218,813	224,534	5,721	Government grants deferred written off less revaluation losses from reclassified investment properties, less net difference between finance lease assets and liabilities
- pension reserve	(15,375)	(15,466)	(91)	Matching increase with defined pension scheme liability (see above)
- accumulated absences account	0	(119)	(119)	Recognition of value of untaken leave at year end
- other unusable reserves	(778)	(778)	0	
	205,951	212,343	6,392	
TOTAL RESERVES	221,728	228,605	6,877	

Notes to the Financial Statements

1.2 Extracts from the previously published Balance Sheet at 31 March 2010 (UK GAAP basis) restated under IFRS in the 2010/11 Financial Statements

<u>Balance Sheet item</u>	UK GAAP Balance Sheet at 31 March 2010 £000	IFRS balance sheet at 31 March 2010 £000	Difference £000	Explanation of changes
Property, plant and equipment				
- vehicles, plant, furniture and	2,579	2,864	285	Recognition of depreciated value of finance lease assets embedded in external contracts for works and services
- Council dwellings and other land equipment and buildings	234,791	241,808	7,017	Reconciling adjustment to valuer's certificate (further details are on page 19)
- other property, plant & equipment	4,187	4,187	0	
		<u>248,859</u>	<u>7,302</u>	
Investment property	1,452	3,252	1,800	Reclassified from surplus assets
Surplus assets held for disposal	1,800	0	(1,800)	Reclassified to investment property
Other long-term assets	1,485	1,485	0	
Long-term assets	246,294	253,596	7,302	
Current assets	14,386	14,386	0	
Current liabilities				
- short-term borrowing	(109)	(109)	0	
- short-term creditors	(4,682)	(5,067)	(385)	ESCC share of short-term section 106 monies reclassified from developer contributions plus new requirement to accrue for the cost of untaken leave at the year end
		<u>(4,791)</u>	<u>(5,176)</u>	
	241,557		(385)	

Notes to the Financial Statements

<u>Balance Sheet item</u>	UK GAAP Balance Sheet at 31 March 2010 £000	IFRS balance sheet at 31 March 2010 £000	Difference £000	Explanation of changes
Long-term liabilities				
- long-term borrowing	(5,000)	(5,000)	0	
- government grants deferred	(5,175)	0	5,175	Deferral policy discontinued in favour of immediate recognition therefore write off to capital adjustment account
- development contributions	(3,087)	0	3,087	Separate recognition of capital grants without conditions and revenue contributions (transferred to usable reserves) from capital grants with conditions and capital grants held in trust for ESCC (transferred to current or long-term liabilities)
- defined pension scheme liability	(33,507)	(33,615)	(108)	Increase to recognise in full the liability assessed by the pension scheme actuary at 31 March 2010 (see matching pension reserve adjustment below)
- long-term creditors	0	(258)	(258)	ESCC share of long-term section 106 monies reclassified from developer contributions
- other long-term liabilities	0	(302)	(302)	Recognition of finance lease liabilities linked to recognition in vehicles, plant, furniture, equipment
- capital grants receipts in advance	0	(1,957)	(1,957)	Grants with conditions reclassified from developer contributions
	(46,769)	(41,132)	5,637	
NET ASSETS	209,120	221,674	12,554	

Notes to the Financial Statements

<u>Balance Sheet item</u>	UK GAAP Balance Sheet at 31 March 2010 £000	IFRS balance sheet at 31 March 2010 £000	Difference £000	Explanation of changes
Usable reserves				
- earmarked general fund reserves	8,745	8,800	55	Revenue contributions reclassified from developer contributions
- capital grants unapplied	0	555	555	Grants without conditions reclassified from developer contributions
- other usable reserves	7,352	7,352	0	
	16,097	16,707	610	
Unusable reserves				
- revaluation reserve	6,857	7,669	812	Reversal of revaluation gains on residual investment properties now a charge to the comprehensive income and expenditure statement. Adjustment to HRA garages valuation change
- capital adjustment account	220,254	231,617	11,363	Government grants deferred written off plus revaluation losses from reclassified investment properties, less net difference between finance lease assets and liabilities. Adjustment to Council dwelling valuation change
- pension reserve	(33,507)	(33,615)	(108)	Matching increase with defined pension scheme liability (see above)
- accumulated absences account	0	(123)	(123)	Recognition of value of untaken leave at year end
- other unusable reserves	(581)	(581)	0	
	193,023	204,967	11,944	
TOTAL RESERVES	209,120	221,674	12,554	

Notes to the Financial Statements

1.3 Extracts from the previously published Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for 2009/10 (UK GAAP basis) restated under IFRS in the 2010/11 Financial Statements as the Comprehensive Income and Expenditure Statement

	UK GAAP Financial Statements 2009/10 £000	IFRS restated CIES for 2009/10 £000	Difference £000	Explanation of changes (where material)
<u>Income and Expenditure Account</u>				
Central services to the public	938	942	4	
Cultural, environmental, regulatory and planning services	12,722	12,724	2	Reversal of deferred grants released as income following discontinued policy (1,063) less reversal of revaluation losses on assets reclassified as investment properties (1,159) plus rental income reclassified as investment properties (122)
Highways and transport services	445	443	(2)	
Local authority housing (HRA)	(6,033)	(12,529)	(6,496)	Presentational change to reclassify the HRA share of corporate and democratic core costs (440) back to that separate service line (see below) in order to show the full net cost of the corporate and democratic core. Change to council dwellings valuation (6,091).
Other housing services	1,456	1,482	26	
Corporate and democratic core	1,959	2,330	371	See local authority housing above for presentational change of 440. Unfunded pensions reclassified to non-distributed costs (97) less reversal of deferred grants released as income (41)
Non-distributed cost	0	114	114	Unfunded pensions reclassified from corporate and democratic core (97) plus pensions liability adjustment (17)
HMRC settlement of VAT claim	(68)	(68)	0	
Cost of Services	11,419	5,438	(5,981)	

Notes to the Financial Statements

	UK GAAP Financial Statements 2009/10 £000	IFRS restated CIES for 2009/10 £000	Difference £000	Explanation of changes (where material)
<u>Income and Expenditure Account</u>				
Other operating expenditure	2,441	2,900	459	Reversal of deferred grants as income
Financing and investment income and expenditure	1,307	1,373	66	Investment property revaluation gains and losses (net 164) less rental income (122)
Taxation and non-specific grant income	(16,269)	(16,559)	(290)	Capital grants and contributions received in year without conditions
(Surplus) or deficit on the provision of services	(1,102)	(6,848)	(5,746)	
<u>Statement of Total Recognised Gains and Losses</u>				
(Surplus) or deficit on the provision of services	(1,102)	(6,848)	(5,746)	
(Surplus) on revaluation of property, plant and equipment	(3,958)	(3,889)	69	Reversal of revaluation gains on residual investment properties including a credit to the financing and investment income and expenditure line above. Reversal of overstated impairment on HRA garages following valuation
Actuarial losses on pension assets and liabilities	17,716	17,716	0	
Other recognised gains and losses	(48)	(48)	0	
Total recognised (gains) and losses	12,608	6,931	(5,677)	
<u>Reconciliation</u>				
Opening Balance Sheet value at 1 April 2009	221,728	228,605	6,877	as detailed in table 1.1 above
Closing Balance Sheet value at 31 March 2010	209,120	221,674	12,554	as detailed in table 1.2 above
Decrease in Net Worth	12,608	6,931	(5,677)	

Notes to the Financial Statements

Note 2. ACCOUNTING POLICIES

1) General Principles

The Financial Statements summarise the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare annual Financial Statements by the Accounts and Audit Regulations 2011. These Regulations require the Financial Statements to be prepared in accordance with proper accounting practices.

Proper accounting practices primarily comprise the Code and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by IFRS.

The accounting convention adopted in the Financial Statements is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2) 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:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits/service potential associated with the transaction will flow to the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential of the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where amounts are significant, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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.

Notes to the Financial Statements

3) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are short-term, highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and which form an integral part of the Council's cash management.

4) Exceptional Items

Where items of income and expense are material, their nature and amount is disclosed separately on the face of the Comprehensive Income and Expenditure Statement and also in the notes to the Financial Statements.

5) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes to accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise), by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative figures for the prior period.

Notes to the Financial Statements

6) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis in accordance with statutory guidelines, locally 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account (HRA) activity).

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance (the Minimum Revenue Provision - MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7) Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, honoraria and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable at the year-end because the difference between these and the wage and salary rates applicable in the following accounting year when the employee takes the benefit, will not be material. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Notes to the Financial Statements

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the Cost of Services section of the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by East Sussex County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pensions Scheme is accounted for as a defined benefits scheme.

- The liabilities of the East Sussex County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% which is based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years with 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

Notes to the Financial Statements

- 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 Comprehensive Income and Expenditure Account to the services for which the employees worked.
 - past service cost or gain - the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive 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 – charged to the Financing and Investment Income and Expenditure line in the Comprehensive 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account.
 - gains or 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 - charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive 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 – charged to the Pensions Reserve.
 - contributions paid to the East Sussex County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being able to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Notes to the Financial Statements

Discretionary Benefits

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.

8) Events after the Balance Sheet date

Events after the Balance Sheet Date are those events, both favourable and unfavourable, that occur between the end of the financial year and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events where they have a material effect
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. The Council's outstanding long-term loan is a Lender's Option Borrower's Option (LOBO) loan agreement with provision for stepped interest rates. In this case, this means that the amount presented on the Balance Sheet is the outstanding principal repayable (long-term borrowing) plus the accrued interest (short-term borrowing) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year based on the rates which are expected to prevail over the full term of the loan, presuming no exercise of options.

Notes to the Financial Statements

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments (NB the Council does not hold any available-for-sale assets).

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For loans that the Council has made which are repayable within the following financial year, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus the accrued interest (short-term investments), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan agreement. The position is the same for any loans made which are repayable beyond the following financial year (long-term investments), except that outstanding interest receivable within the next year is included under “short-term investments”.

Notes to the Financial Statements

The Council has made a number of loans to employees (e.g. travel season tickets, car loans) which have been advanced at less than the market interest rate. These are known as soft loans and the Code requires the difference between the market interest rate and the actual interest rate to be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement and added to the amortised cost of the loan in the Balance Sheet. However, the Council does not treat these as soft loans and therefore, in a departure from the Code, only credits the actual loan interest receivable to Financing and Investment Income and Expenditure, and makes no adjustment to the cost of the loan held on the Balance Sheet. The impact of this differing accounting treatment is not material to the Statement of Accounts.

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 relevant service (for receivables specific to that service) or to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10) Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants and contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (for non-ringfenced revenue grants and all capital grants and contributions) in the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account (CAA). Amounts in the Capital Grants Unapplied reserve are transferred to CAA once they have been applied to fund capital expenditure.

11) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets (not including websites intended to promote or advertise the Council's goods and services) are capitalised only where it is demonstrable that the project is technically feasible and is intended to be completed, with adequate resources being available, and the Council will be able to generate future economic benefits or service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset, and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

12) Inventories

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

Notes to the Financial Statements

13) Investment property

Investment properties are those properties that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) to the Capital Receipts Reserve.

14) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Notes to the Financial Statements

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also 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), matched by a lease debtor (long-term debtor) in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

Notes to the Financial Statements

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

15) Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of CIPFA's BVACOP.

The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – e.g. costs relating to the Council's status as a multi-functional, democratic organisation,
- Non Distributed Costs – e.g. costs relating to unfunded retirement benefits for past service.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Account, as part of the Cost of Services.

Notes to the Financial Statements

16) Property, Plant and Equipment

Definition and Categories

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. They exclude assets which are held purely for investment purposes (Investment properties).

Property, Plant and Equipment consists of the following categories:

- Council Dwellings - properties owned by the Council used for social housing
- Other Land and Buildings – land and properties owned by the Council used for the provision of services
- Vehicles, Plant and Equipment – individual items or groupings of items used for the provision of services and which are purchased from capital resources.
- Infrastructure Assets – e.g. coast protection works, estate roads and lay-bys
- Community Assets – assets which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold e.g. flint walls, amenity land, works of art

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the asset will flow to the Council and the cost of the asset can be measured reliably. Expenditure that secures but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £10,000 are not included on the Balance Sheet, provided that the total excluded has no material impact.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Notes to the Financial Statements

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and assets under construction – depreciated historical cost
- community assets – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless the gains arise from the reversal of a loss previously charged to a service in which case the gain will be credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

Notes to the Financial Statements

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continued use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before its reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains to fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non-Current Assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Notes to the Financial Statements

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal 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 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. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

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 General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Land – not subject to depreciation
- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant, furniture 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 20 years
- Community assets – not subject to depreciation

Where an item of Property, Plant and Equipment has major components with a significant cost in relation to the total cost of the asset, and with different estimated useful lives, the components are depreciated separately.

Notes to the Financial Statements

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.

17) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Financial Statements.

Notes to the Financial Statements

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Financial Statements where it is probable that there will be an inflow of economic benefits or service potential.

18) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

19) Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Notes to the Financial Statements

20) Value Added Tax (VAT)

The Council's income and expenditure excludes any amounts related to VAT.

VAT collected on income is payable to Her Majesty's Revenue and Customs (HMRC) and VAT paid on expenditure is recoverable from HMRC.

21) Council Tax and Non-Domestic Rates

The Council in its capacity as a billing authority for council tax acts as an agent on behalf of the major preceptors (East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority). The Council collects all of the income due from Council Tax payers, pays each major preceptor according to its own precept, and accounts for the income and expenditure in the separate statutory Collection Fund. However, within the Comprehensive Income and Expenditure Statement the Council accounts only for its own share of the council tax income due for the year. The Council's Balance Sheet records only its own share of the amounts of Council Tax debtors less the adjustments for doubtful debts as short-term debtors, its own share of income in advance as short-term creditors and its own share of any surplus or deficit on the Collection Fund as an adjustment within Unusable Reserves. The corresponding shares of debtors, creditors and Collection Fund adjustment that relate to the three major preceptor authorities are shown as a single net creditor or debtor in the Council's Balance Sheet.

Cash transactions relating to the collection of council tax and the payments over to the major preceptors are recorded in net terms as a Financing Activity within the Council's Cash Flow Statement.

Similarly, the Council collects income from payers of Non-Domestic Rates (business rates) on behalf of the Government under what is, in substance, an agency arrangement. It pays all of the income, less an allowance for the cost of collection, direct to Government. The Council accounts for all transactions within the separate statutory Collection Fund but does not account for the income or the payment over of business rates within its Comprehensive Income and Expenditure Account. The Council's Balance Sheet records a single creditor or debtor representing the net amount of Non-Domestic Rate debtors, adjustments for doubtful debts, income in advance, and other amounts due to or from the Government.

Cash transactions relating to the collection of business rates and the payments over to Government are recorded in net terms as a Financing Activity within the Council's Cash Flow Statement.

22) Group Accounts

The Council has reviewed its interests with external bodies as required by the Code and has concluded that it does not have any interests in subsidiaries, associated companies or joint ventures that would require the production of Group Accounts.

Notes to the Financial Statements

Note 3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT BEEN ADOPTED

The Code has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully in the 2011/12 Financial Statements. The Council is required to disclose information relating to the impact of the accounting change on the Financial Statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, Heritage Assets. As is set out above, full adoption of the standard will be required for the 2011/12 Financial Statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) Financial Statements. The new standard will require that a new class of asset, Heritage Assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 Financial Statements. Heritage Assets are assets that are held by the Council principally for their contribution to knowledge or culture.

The Heritage Assets held by the Council are principally the collections of assets and artefacts either exhibited or stored at Newhaven Fort. The Council holds inventory information on the heritage assets held, but no relevant information on the cost or value of the Heritage Assets. As such, these are not currently recognised in the Financial Statements of the Council. The Council does not propose to recognise these collections in future Financial Statements. It is of the view that obtaining valuations for the vast majority of these items would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's Financial Statements. This exemption is permitted by the 2011/12 Code.

In the 2010/11 Financial Statements these assets and artefacts are included as Community Assets. In 2011/12 these will be reclassified to heritage assets, the carrying amount of these assets as at 31 March 2011 is £405,000.

Note 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- the Council has £1m deposited with Landsbanki Islands hf which is in administration. A decision by the Icelandic Court that local authority deposits have priority status is the subject of appeal to the Supreme Court. If, in time, priority status is not achieved, the value of the Council's deposit will be significantly reduced.
- the preparation of Group Accounts is not required to reflect the Council's relationship with Wave Leisure Trust. Although the Council reviews the Trust's Business plan each year to ensure that it meets the terms of a funding agreement between the two parties, it does not control the majority of the voting rights and does not have a right or the ability to direct the financial or operating policies of the Trust.

Notes to the Financial Statements

- a grant given to the Council for a specific purpose which must be used by a given date or otherwise returned is treated as having a condition attached and is not credited to the CIES until the condition is met. A grant given to the Council which does not have a specified date for use is treated as having a restriction and is credited to the CIES when received.

Note 5. ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming year is as follows:

- **Pensions Liability:** estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £6.3 million. The effects of other changes in individual assumptions made by the actuary are set out within the sensitivity analysis section of Note 38.
- **Allowance for Doubtful Debts:** the Council has included in its accounts a provision for the impairment of doubtful debts of £0.8 million at 31 March 2011 (Note 18) based on an assessment of future recoverability. However, in the current economic climate this allowance may not be sufficient, in which case a further charge would be made to services within the Comprehensive Income and Expenditure Statement.
- **Property, Plant and Equipment:** the Council estimates the useful lives of Property, Plant and Equipment based on the period over which the assets are expected to be available for use. In addition, the estimation of the useful lives of Property, Plant, and Equipment is based on external technical evaluation and experience with similar assets. The estimated useful lives of Property, Plant and Equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. A reduction in the estimated useful lives of the Property, Plant and Equipment would increase the cost of depreciation charged to services within the Comprehensive Income and Expenditure Statement and decrease the Balance Sheet Value. In 2010/11, the total depreciation charge to services was £5.1 million (Note 13).

Notes to the Financial Statements

- **Long Term Investments:** the treatment of the Council's £1m deposit with the collapsed Icelandic bank Landsbanki Islands hf is explained in detail in Note 36. The recoverable amount shown in the Balance Sheet, £0.77million assumes that the deposit has priority status on the winding up of the bank, consistent with a decision made by an Icelandic court on 1st April 2011. An impairment has been recognised on the basis of a recovery of 95p in the £. However this decision is subject to appeal to the Icelandic Supreme Court, which may decide that such deposits do not have priority status. In that case the recoverable amount may only be 38p in the £ and a further impairment charge would be made as a Financing cost within the Comprehensive Income and Expenditure Statement with an equivalent transfer from Earmarked Reserves to negate any impact on the General Fund Balance.

Note 6. MATERIAL ITEMS OF INCOME AND EXPENSE

Three items of Income and Expense are separately identified within the Comprehensive Income and Expenditure Statement rather than incorporated within the cost of specific service areas. This approach has been adopted because of their exceptional nature or value. Details are:

- HMRC Settlement of VAT Claim (2009/10 only) – HMRC accepted a claim that VAT had been over-collected from the Council in previous years. The amount over-collected was reimbursed with the addition of interest.
- Impairment of housing Property assets – for details of this charge to the Housing Revenue Account see Note 4 to the HRA p115.
- Past Service Pension Gain – for details of this gain see Note 38 p101.

Note 7. EVENTS AFTER THE BALANCE SHEET DATE

The Financial Statements were authorised for issue by the Director of Finance on 26 September 2011. Events taking place after this date are not reflected in the Financial Statements or notes. The Financial Statements have not been adjusted for the following event which took place after 31 March 2011 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date.

Until 31 March 2011, the Council was statutorily responsible for operating a Concessionary Travel Scheme (free bus passes for persons either of pensionable age or with a qualifying disability). The Government supported the gross cost of the Scheme (£1.1m 2011/12) through a combination of specific grant (£0.1m) and general Formula Grant (the value of which cannot be quantified). From 1 April 2011, statutory responsibility for operating a Concessionary Scheme transfers to East Sussex County Council.

Notes to the Financial Statements

Note 8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments between accounting basis and funding basis under regulations	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2010/11	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	1,999	50,338				(52,337)
Revaluation losses on Property, Plant and Equipment						(35)
Movements in the market value of Investment Properties	35					(333)
Amortisation of intangible assets	333					1,302
Capital grants and contributions applied	(1,278)	(24)				(1,012)
Revenue expenditure funded from capital under statute	1,012					(281)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss to the Comprehensive Income and Expenditure Statement	2	279				
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(166)					166
Capital expenditure charged against the General Fund and HRA balances	(609)	(206)				815

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2010/11	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(171)				171	
Application of grants to capital financing transferred to the Capital Adjustment Account					(207)	207
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11)	(733)	744			
Other cash proceeds recorded as capital receipts	(16)		16			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(495)			495
Contribution from the Capital Receipts Reserve to finance the administrative costs of non-current asset disposals		2	(2)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	558		(558)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				3		(3)
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(2,074)		2,074		
Use of the Major Repairs Reserve to finance new capital expenditure				(2,233)		2,233

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2010/11	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments						
Adjustment Account:						
Amortisation of premiums and discounts	2	(213)				211
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	(265)					265
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,244)	(2,151)				5,395
Employer's pensions contributions payable in the year	(1,713)	(239)				1,952
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated in accordance with statutory requirements	(13)					13
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(11)					11
TOTAL ADJUSTMENTS FOR 2010/11	(3,556)	44,979	(292)	(159)	(36)	(40,936)

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					Movement in Unusable Reserves (restated)
	General Fund Balance	Housing Revenue Account (HRA) (restated)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2009/10 comparative figures	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment / reversals of non-current assets	5,323	(9,046)				3,723
Movements in the market value of Investment Properties	164					(164)
Amortisation of intangible assets	313					(313)
Capital grants and contributions applied	(840)					840
Revenue expenditure funded from capital under statute	829					(829)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss to the Comprehensive Income and Expenditure Statement	404	283				(687)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(149)					149
Capital expenditure charged against the General Fund and HRA balances	(598)	(412)				1,010

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)

2009/10 comparative figures

	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA) (restated)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves (restated)
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(187)				187	
Application of grants to capital financing transferred to the Capital Adjustment Account	106				(81)	(25)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5)	(477)	482			
Other cash proceeds recorded as capital receipts	(393)		393			
Use of the Capital Receipts Reserve to finance new capital expenditure			(464)			464
Contribution from the Capital receipts Reserve to finance the administrative costs of non-current asset disposals		2	(2)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	387		(387)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				3		(3)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(2,637)		2,637		
Use of the Major Repairs Reserve to finance new capital expenditure				(2,506)		2,506

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)

2009/10 comparative figures

	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA) (restated)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves (restated)
	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amortisation of premiums and discounts		(212)				212
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	104					(104)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,103	387				(2,490)
Employer's pensions contributions payable in the year	(1,719)	(309)				2,028
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(90)					90
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	4					(4)
TOTAL ADJUSTMENTS FOR 2009/10	5,756	(12,421)	25	131	106	6,403

Notes to the Financial Statements

Note 9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

Earmarked General Fund Reserve (purpose of reserve)	Balance at 1 April £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Budget Carry Forward <i>(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)</i>	323	(323)	335	335	(335)	317	317
Building Control Charging Scheme <i>(Regulations require defined elements of building control function to break-even over time. A trading account is prepared to cover these items, with the annual surplus/(deficit) added to or funded from this reserve)</i>	55	(10)	0	45	0	9	54
Change Management and Capacity (see footnote) <i>(Supports the Council's flexible retirement policy and assists with the budget realignment exercise)</i>	1,166	(71)	808	1,903	(205)	290	1,988
Clean and Green <i>(Supports the Council's 'clean and green' initiatives)</i>	128	(50)	40	118	(49)	0	69

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2009	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Community Grants <i>(Supports grants to community organisations - NB closed in 2009/10)</i>	5	(5)	0	0	0	0	0
Concessionary Travel (see footnote) <i>(For the settlement of any claims for additional operator reimbursement as provided for in legislation)</i>	766	0	(500)	266	(291)	80	55
Corporate Building Repairs <i>(Supports the repairs programme for Council buildings)</i>	158	(49)	50	159	(50)	50	159
Financial Systems <i>(Supports the replacement or upgrade of financial systems)</i>	9	0	0	9	(9)	0	0
Housing Benefits Standards and Improvements <i>(Supports improvements to the quality of the Benefits service)</i>	411	(72)	68	407	(128)	119	398
Housing Development <i>(Supports the costs of a housing transfer if that were to be the choice of tenants' in any future housing options appraisal)</i>	195	0	0	195	0	0	195
IT Replacement Equipment <i>(Supports the IT replacement programme)</i>	12	(50)	62	24	(85)	62	1

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2009	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Insurance <i>(Meets the excess element of insurance claims and provides for the settlement of any liability arising from an insolvent run-off of Municipal Mutual Insurance)</i>	209	(95)	26	140	(37)	28	131
Leisure Buildings Repairs <i>(Supports works to Council operated parks, leisure and open space facilities)</i>	108	(62)	67	113	(63)	67	117
Leisure Trust <i>(Supports future obligations under the operational arrangement with Wave Leisure Trust)</i>	80	0	80	160	(30)	80	210
All Weather Pitch <i>(Supports future replacement)</i>	20	0	21	41	0	20	61
Leisure Trust Buildings Maintenance <i>(Supports the Council's maintenance obligations with Wave Leisure Trust)</i>	128	(224)	130	34	(47)	120	107
Newhaven Enterprise Centre <i>(Supports the future replacement of equipment)</i>	13	0	14	27	0	13	40
Partnership Fund <i>(Supports projects where the Council is lead partner and/or for working with external agencies, community organisations, etc)</i>	24	(11)	0	13	(5)	0	8

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2009	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Housing and Planning Delivery Grant <i>(Supports specific Planning service initiatives over a number of years)</i>	292	(133)	85	244	(140)	0	104
Major Planning Applications <i>(Supports the processing of any major planning applications as and when they arise)</i>	50	0	6	56	0	0	56
Private Sector Leasing <i>(Supports repairs to properties prior to return at the end of the lease period)</i>	73	(68)	3	8	(40)	46	14
Recycling <i>(Supports the expansion of the recycling service and to smooth out any fluctuations in recycling income within the annual budget)</i>	275	(4)	48	319	(18)	126	427
Rent Deposit £000 <i>(Supports homelessness prevention by providing rent deposits to selected applicants)</i>	13	(13)	0	0	0	0	0
Southover Grange Improvements <i>(Supports future improvement works)</i>	41	0	0	41	0	0	41
Vehicle Replacement <i>(Supports the vehicle replacement programme)</i>	1,059	(27)	292	1,324	(66)	311	1,569

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2009	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Revenue Equalisation and Asset Maintenance (see footnote) <i>(Supports the backlog asset maintenance needs of the Council's non-housing property as well as items of regular but not annual expenditure e.g. 4 yearly District elections)</i>	2,157	(616)	855	2,396	(787)	490	2,099
Denton Island Reclamation <i>(Supports the regeneration project)</i>	74	0	0	74	0	0	74
Newhaven Fort Refurbishment <i>(Supports the refurbishment programme)</i>	19	(4)	0	15	0	0	15
West Quay Development <i>(Supports the regeneration programme)</i>	48	0	0	48	0	0	48
Specific Maintenance Funds <i>(Comprises amounts paid to the Council by third parties for specific maintenance purposes e.g. parks and open spaces)</i>	253	(21)	54	286	(44)	27	269
Total Earmarked Reserves	8,164	(1,908)	2,544	8,800	(2,429)	2,255	8,626

Footnote: In 2009/10 £500,000 was transferred from Concessionary Travel with £200,000 going to Change Management and Capacity and £300,000 going to Revenue Equalisation and Asset Maintenance, all of which is shown within the 'Transfers In 2009/10' column.

Notes to the Financial Statements

	Gross Expenditure £000	Gross Income £000	2009/10 Net Expenditure £000	Gross Expenditure £000	Gross Income £000	2010/11 Net Expenditure £000
Note 10. OTHER OPERATING EXPENDITURE						
Town and Parish Council Precepts	2,569		2,569	2,741		2,741
Payments to the Government Housing Capital Receipts Pool	387			558		558
(Gains)/losses on the disposal of non-current assets		(180)	(180)		(461)	(461)
(Surplus)/deficit from Trading Operations	1,118	(994)	124	383	(966)	(583)
Total Other Operating Expenditure	4,074	(1,174)	2,900	3,682	(1,427)	2,255

Note 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Interest payable and similar charges	267		267	263		263
Impairment of deposit	158		158	9		9
Pensions interest cost and expected return on pensions assets	1,218			558		558
Interest receivable and similar income		(312)	(312)		(233)	(233)
Income and expenditure in relation to investment properties and changes in fair value	164	(122)	42	35	(122)	(87)
Total Financing and Investment Income and Expenditure	1,807	(434)	1,373	865	(355)	510

Note 12. TAXATION AND NON SPECIFIC GRANT INCOME

Council Tax Income		(9,766)	(9,766)		(10,189)	(10,189)
Non Domestic Rates		(5,138)	(5,138)		(5,628)	(5,628)
Non-ringfenced Government Grants		(1,365)	(1,365)		(874)	(874)
Capital Grants and Contributions			(290)		(601)	(601)
Total Taxation and Non Specific Grant Income	0	(16,559)	(16,559)	0	(17,292)	(17,292)

Notes to the Financial Statements

Note 13. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances

Movements in 2010/11

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
Cost or Valuation:						
At 1 April 2010	203,978	46,307	6,689	10,250	2,304	269,528
Additions	2,715	1,091	369	0	(35)	4,140
Donations	0	0	0	0	0	0
Revaluation increases recognised in Revaluation Reserve	571	3,180	0	0	0	3,751
Revaluation (decreases) recognised in Revaluation Reserve	0	(1,647)	0	0	0	(1,647)
Revaluation (decreases) recognised in Surplus/Deficit on Provision of Services	0	(278)	0	0	0	(278)
Derecognition - disposals	(304)	0	(113)	0	0	(417)
Derecognition - other	0	0	(32)	0	0	(32)
At 31 March 2011	206,960	48,653	6,913	10,250	2,269	275,045
Accumulated Depreciation and Impairment:						
At 1 April 2010	2,908	5,569	3,825	8,367	0	20,669
Depreciation charge	3,271	1,023	570	256	0	5,120
Impairment losses recognised in Revaluation Reserve	54	1,104	0	0	0	1,158
Impairment losses (reversals) recognised in Surplus/Deficit on Provision of Services	46,435	497	2	0	3	46,937
Derecognition - disposals	(25)	0	(111)	0	0	(136)
Derecognition - other	0	0	(32)	0	0	(32)
At 31 March 2011	52,643	8,193	4,254	8,623	3	73,716
Net book value at 31 March 2011	154,317	40,460	2,659	1,627	2,266	201,329

Notes to the Financial Statements

Property, Plant and Equipment

Movement on Balances, contd

Comparative movements in 2009/10

Opening values at 1 April 2009

Gross book value at cost or valuation

Less Accumulated Depreciation and Impairment

Net book value at 1 April 2009

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant and Equipment £000
Opening values at 1 April 2009						
Gross book value at cost or valuation	195,218	46,743	6,719	10,250	2,001	260,931
Less Accumulated Depreciation and Impairment	6,670	4,741	3,715	8,110	0	23,236
Net book value at 1 April 2009	188,548	42,002	3,004	2,140	2,001	237,695

Movements in 2009/10

Cost or Valuation:

At 1 April 2009

Additions

Revaluation increases/(decreases) recognised in the Revaluation Reserve

Revaluation increases/(decreases) recognised in the Surplus/Deficit on

the Provision of Services

Derecognition - disposals

At 31 March 2010

Accumulated Depreciation and Impairment:

At 1 April 2009

Depreciation charge

Impairment losses/(reversals) recognised in Surplus/Deficit on the

Provision of Services

Derecognition - disposals

Other movements in depreciation

At 31 March 2010

Net book value at 31 March 2010

At 1 April 2009	195,218	46,743	6,719	10,250	2,001	260,931
Additions	2,993	883	458	0	128	4,462
Revaluation increases/(decreases) recognised in the Revaluation Reserve	460	2,927	0	0	325	3,712
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	5,792	(4,176)	0	0	0	1,616
Derecognition - disposals	(485)	(70)	(488)	0	(150)	(1,193)
At 31 March 2010	203,978	46,307	6,689	10,250	2,304	269,528
At 1 April 2009	6,670	4,741	3,715	8,110	0	23,236
Depreciation charge	2,351	1,017	581	257	0	4,206
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	(6,091)	0	0	0	0	(6,091)
Derecognition - disposals	(22)	(12)	(471)	0	0	(505)
Other movements in depreciation	0	(177)	0	0	0	(177)
At 31 March 2010	2,908	5,569	3,825	8,367	0	20,669
Net book value at 31 March 2010	201,070	40,738	2,864	1,883	2,304	248,859

Notes to the Financial Statements

Net book value of Property, Plant and Equipment analysed between the Housing Revenue Account (HRA) and the General Fund

Net book value at 31 March 2011

- property, plant and equipment held by the HRA
 - property, plant and equipment held by the General Fund

	Council Dwellings £000	Buildings and Other Land £000	Vehicles, Plant, Furniture, Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant and Equipment £000
Net book value at 31 March 2011						
- property, plant and equipment held by the HRA	153,230	8,881	314	1,076	34	163,535
- property, plant and equipment held by the General Fund	1,087	31,579	2,345	551	2,232	37,794
		40,460	2,659	1,627	2,266	201,329
Net book value at 31 March 2010						
- property, plant and equipment held by the HRA	199,970	8,931	336	1,178	7	210,422
- property, plant and equipment held by the General Fund	1,100	31,807	2,528	705	2,297	38,437
		40,738	2,864	1,883	2,304	248,859

Depreciation - the following useful lives have been used in the calculation of depreciation

- Council Dwellings:
 - Land - not depreciated
 - Building main structure - 100 years
 - Building components (e.g. kitchen, bathroom, windows, roof) - 15-60 years
- Vehicles, Plant, Furniture & Equipment:
 - Small and medium vehicles - 5-7 years
 - Large and heavy vehicles - 10 years
 - General equipment - 5-15 years
 - Computer equipment - 5 years
- Other Land and Buildings:
 - Land - not depreciated
 - Buildings - individual asset lives determined as part of an independent valuation exercise
 - Fixtures and fittings - 10 years
- Infrastructure:
 - Coast defences - 20 years
 - Car parks - 20 years
 -

Capital Commitments - at 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted to cost £0.8m (commitments at 31 March 2010 were £140,000). The major commitments are: Coast Protection, Capital Maintenance – £0.7m and Walmer Road Football Pavilion - £0.1m

Notes to the Financial Statements

Effects of Changes in Estimates - in 2010/11, the Council made no material changes to its accounting estimates for Property, Plant and Equipment other than the adoption of a component basis for depreciation. For Council dwellings this means calculating depreciation based on expected useful lives of significant components rather than using the value of the Major Repairs Allowance as a proxy. The impact of this change was to increase the depreciation charge to the HRA by £0.9m.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out by an independent valuer (DVS - the commercial arm of the Government's Valuation Office Agency) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council dwellings were revalued by DVS on 1 April 2010 and are subject to annual desktop revaluation reviews as at 31 March each year until the next full valuation review due by 1 April 2015. Other Land and Buildings and Investment Properties were revalued by DVS on 1 April 2009 and fall due again by 1 April 2014. Valuations of vehicles, plant, furniture and equipment are based on using depreciated replacement cost (DRC) as an estimate of fair value.

The significant assumptions applied in estimating the fair values are:

- that the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown
- that the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal
- that the land and properties are not contaminated nor adversely affected by radon
- that inspection of those parts which have not been inspected would not cause the valuer to alter his opinion

	Council Dwellings £000	Other Land and Buildings £000	Total £000
Carried at historical cost	-	7,610	7,610
Valued at fair value as at:			
31 March 2011	153,230	9,025	162,255
31 March 2010	1,087	23,825	24,912
Total Cost or Valuation	154,317	40,460	194,777

Notes to the Financial Statements

Note 14. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/10	2010/11
	£000	£000
Rental income from investment property (see also Note 11)	122	122
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	122	122

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or carry out repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10	2010/11
	£000	£000
Balance at 1 April	3,415	3,252
Additions - capitalised refurbishment expenditure	1	35
Net gains or (losses) from fair value changes	(164)	(35)
Balance at 31 March	3,252	3,252

The fair value of investment properties held at 31 March comprises:

	2009/10	2010/11
	£000	£000
18 sites of land and buildings held to earn rental income	1,452	1,452
Land at rear of Lewes House held for capital appreciation	1,800	1,800
	3,252	3,252

The Council has reached an agreement with a developer for the sale of the land at the rear of Lewes House, dependent upon the market value of the land reaching a certain level.

Notes to the Financial Statements

Note 15. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system (when it is accounted for along with the hardware within Property, Plant and Equipment). The intangible assets include purchased software licenses and associated costs only. The Council does not include as Intangible Assets any internally generated software like web development, the costs of which are charged to the Comprehensive Income and Expenditure Statement in the year incurred.

All software is given a finite useful life, based on assessments of the period that it is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 7 years but where appropriate a lesser period is used.

The carrying amount of intangible assets is amortised on a straight-line basis.

The Council also accounts for the treatment of contaminated land as intangible assets but because no useful life is assigned the costs are amortised in full to revenue in the year that expenditure is incurred. For 2010/11 this amounted to £126,000 which was fully financed from grants awarded by the Department for Environment, Food and Rural Affairs (DEFRA).

Amortisation of £333,000 was charged to revenue in 2010/11. £144,000 was charged direct to service lines within Cost of Services in the Comprehensive Income and Expenditure Statement as set out in the table below, whereas £189,000 was charged to the Information Technology section and then absorbed as an overhead across all the service headings within Cost of Services in the Comprehensive Income and Expenditure Statement.

	£000
<u>Charged direct to services</u>	
Cultural, environmental, regulatory and planning services	138
Other housing services	3
Central services to the public	2
Local authority housing	1
	<hr/>
	144
<u>Charged indirectly to services as an overhead</u>	
Information technology	189
	<hr/>
	<hr/> 333 <hr/>

Notes to the Financial Statements

The movement on Intangible Asset balances during the year is as follows:

	Software Licences	Wave Leisure	Sea Defences	Other Assets	Total 2010/11
	£000	£000	£000	£000	£000
Gross carrying amounts at 1 April 2010	1,487	55	110	817	2,469
Additions	76	0	0	126	202
Derecognition - assets fully consumed	(151)	0	0	0	(151)
Gross carrying amounts at 31 March 2011	1,412	55	110	943	2,520
Amortisation balance at 1 April 2010	924	50	47	817	1,838
Charge for year	198	2	7	126	333
Derecognition - assets fully consumed	(151)	0	0	0	(151)
Amortisation balance at 31 March 2011	971	52	54	943	2,020
Net carrying amount at 31 March 2011	441	3	56	0	500

There are no items of capitalised software that are individually material to the Financial Statements.

Comparative figures for 2009/10 are as follows:

	Software Licences	Wave Leisure	Sea Defences	Other Assets	Total 2009/10
	£000	£000	£000	£000	£000
Gross carrying amounts at 1 April 2009	1,421	54	110	716	2,301
Additions	66	1	0	101	168
Gross carrying amounts at 31 March 2010	1,487	55	110	817	2,469
Amortisation balance at 1 April 2009	722	48	39	716	1,525
Charge for year	202	2	8	101	313
Amortisation balance at 31 March 2010	924	50	47	817	1,838
Net carrying amount at 31 March 2010	563	5	63	0	631

Notes to the Financial Statements

Note 16. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term			Current		
	1 April 2009	31 March 2010 £000	31 March 2011 £000	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Investments:						
loans and receivables	2,106	735	775	4,120	5,219	7,123
Total Investments	2,106	735	775	4,120	5,219	7,123
Debtors						
loans and receivables	113	119	121	5,399	5,940	3,906
Total Debtors	113	119	121	5,399	5,940	3,906
Cash and cash equivalents	0	0	0	1,790	3,239	2,872
Total Financial Assets	2,219	854	896	11,309	14,398	13,901
Borrowing						
financial liabilities at amortised cost	5,000	5,000	5,000	109	109	109
Total Borrowing	5,000	5,000	5,000	109	109	109
Other Long Term Liabilities						
finance lease liabilities at amortised cost	209	302	286	0	0	0
Total Other Long Term Liabilities	209	302	286	0	0	0
Creditors						
financial liabilities at amortised cost	0	0	0	3,123	3,073	3,350
Total Creditors	0	0	0	3,123	3,073	3,350
Total Financial Liabilities	5,209	5,302	5,286	3,232	3,182	3,459

Notes to the Financial Statements

Items of expense, income, gains or losses

	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2009/10	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2010/11
		£000	£000	£000	£000	£000
Interest expense	267		267	263		263
Loss on derecognition						
Reductions in fair value						
Impairment losses			158		9	9
Total expense in Surplus or Deficit on the Provision of Services	267	158	425	263	9	272
	158					
Interest income		(343)	(343)		(186)	(186)
Interest income accrued on impaired financial assets			(54)		(47)	(47)
Increases in fair value						
Gains on derecognition						
Total income in Surplus or Deficit on the Provision of Services	(54)	(397)	(397)	0	(233)	(233)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors, and long-term creditors 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:

- £000
- estimated fair values have been calculated using the equivalent market interest rates at 31 March 2011
 - no early repayment or impairment is 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.

Notes to the Financial Statements

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	1 April 2009		31 March 2010		31 March 2011	
	amount	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Long-term Debtors	6,226	6,313	5,954	6,111	7,898	7,898
Cash and Cash Equivalents	113	113	119	119	121	121
Investments	1,790	1,790	3,239	3,239	2,872	2,872
Total Financial Assets	8,129	8,216	9,312	9,469	10,891	10,891

The fair value of the assets at 31 March 2010 was higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This showed a notional future gain (based on economic conditions at 31 March 2010) attributable to the commitment to receive interest above current market rates.

	1 April 2009		31 March 2010		31 March 2011	
	amount	Fair value £'000	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Other Long-term Liabilities	5,109	5,859	5,109	5,666	5,109	5,564
Carrying Borrowings	209	209	302	302	286	286
Total Financial Liabilities	5,318	6,068	5,411	5,968	5,395	5,850

The fair value of the Council's long-term borrowing is higher than the carrying amount because the interest rate payable is more than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) from a commitment to pay interest to the lender above current market rates. The fair value 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.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value and they are therefore excluded from the tables above.

Notes to the Financial Statements

NATURE AND EXTENT OF 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 February 2011) 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.

Credit Risk

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 minimum Fitch (or equivalent) credit ratings of 'A+' long term and 'F1' short term. Deposits are allowed for periods up to 3 years' duration with a £3m exposure limit per institutional group.

The following table lists outstanding fixed term deposits and investments at 31 March 2011 and indicates the credit rating of each institution at the date 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 36 p99.

Local authorities as sovereign bodies are underwritten by UK Government. Individual local authorities are not required to undergo credit rating and such ratings are not generally available.

Notes to the Financial Statements

	Basildon District Council	Thurrock Council	Conwy County Borough Council	South Lakeland District Council	Santander UK plc	Bank of Scotland	
Credit rating:							
- Country	UK	UK	UK	UK	UK	UK	
- Long-term rating	*	*	*	*	AA-	AA-	
- Short-term rating	*	*	*	*	F1+	F1+	
	Amounts Invested						Total
		£000	£000	£000	£000	£000	£000
Maturity period:							
- 0 to 3 months	1,000	1,000	1,000	1,100	1,000		5,100
- 3 to 6 months							0
- 6 to 12 months						2,000	2,000
- over 12 months							0
Total invested	1,000	1,000	1,000	1,100	1,000	2,000	7,100

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 (98.4% 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 18 shows the total value of customer debt at the year end, along with the allowance for non-collection. The aggregate of investments, mortgages, debtors and cash shown above represents the Council's maximum exposure to default.

Notes to the Financial Statements

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 Council 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:

	2010	2011	Interest rate
Less than one year	0	0	-
Between one and two years	0	0	-
Between two and five years	0	0	-
Between five and ten years	0	0	-
More than ten years	5,000	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.

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 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 Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

The Council carries out its borrowing and investment activity within parameters set out in its approved Treasury and Investment Strategies, which assess interest rate exposure to feed into the annual budget process. The Council currently assumes an interest rate of 0.5% for new 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. No new long-term borrowing is expected in 2011/12.

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 17. INVENTORIES

	Consumables		Resale		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000	£000	£000
Balance at 1 April	70	50	23	35	93	85
	240	434	118	175	358	609
Recognised as an expense in year	(260)	(410)	(106)	(163)	(366)	(573)
Balance at 31 March	50	74	35	47	85	121
Purchases						

Notes to the Financial Statements

Note 18. DEBTORS

	1 April 2009 £000	31 March 2010 £000	31 March 2011 £000
Operational Debtors:			
Central Government Bodies	1,739	2,646	560
Other Local Authorities	241	485	488
Other Entities and Individuals:			
Sundry Debtors	3,082	2,495	2,547
less allowance for non-collection	<u>(394)</u>	<u>(414)</u>	<u>(448)</u>
Sundry Debtors net of impairment			
Housing Rents	337 ^{2,688}	314 ^{2,081}	311 ^{2,099}
less allowance for non-collection	<u>(242)</u>	<u>(225)</u>	<u>(229)</u>
Housing Rents net of impairment			
Operational Debtors net of impairment	<u>95</u>	<u>89</u> ^{5,301}	<u>82</u> ^{3,229}
Non-Operational Debtors:			
Central Government Bodies - HM Revenue and Customs	1,299	358	
Council Taxpayers	255	268	276
less allowance for non-collection	<u>(75)</u>	<u>(84)</u>	<u>(80)</u>
Council Taxpayers net of impairment	180	184	170
Non-Operational Debtors net of impairment	<u>1,479</u>	<u>542</u>	<u>196</u> ⁵⁶⁶
Total Debtors net of impairment	<u>6,242</u>	<u>5,843</u>	<u>3,795</u>

Notes to the Financial Statements

Note 19. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Cash held by the Council	7	7	7
Bank current accounts	317	215	214
Short-term deposits	1,466	3,017	2,651
Total Cash and Cash Equivalents	1,790	3,239	2,872

Note 20. CREDITORS

	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Operational Creditors:			
Other Local Authorities	684	1,085	1,010
Other Entities and Individuals	2,320	1,865	2,228
Short-term Employee Benefits (value of untaken leave)	119	123	112
Operational Creditors	3,123	3,073	3,350
Receipts in Advance and Non-Operational Creditors:			
Central Government Bodies	1,692	1,450	1,079
Other Local Authorities	329	262	0
Council Taxpayers	144	146	144
Housing Rents	142	136	131
Receipts in Advance and Non-Operational Creditors	2,307	1,994	1,354
Total Creditors	5,430	5,067	4,704

Notes to the Financial Statements

Note 21. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement

Note 22. UNUSABLE RESERVES

The Council's unusable reserves consist of:

	1 April 2009	31 March 2010	31 March 2011
	£000	restated £000	£000
Revaluation Reserve	4,172	7,669	8,411
Capital Adjustment Account	224,534	231,617	183,041
Financial Instruments Adjustment Account	(841)	(732)	(256)
Pension Reserve	(15,466)	(33,615)	(9,601)
Deferred Capital Receipts	7	4	1
Collection Fund Adjustment Account	56	147	160
Accumulated Absences Account	(119)	(123)	(112)
Total Unusable Reserves	212,343	204,967	181,644

A description of the nature and purpose of each unusable reserve, the movement in the reserve during the financial year, and the balance at the year end is detailed below as follows:

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

Notes to the Financial Statements

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve	2009/10 restated £000	£000	£000
Balance at 1 April	4,172	2010/11	7,669
Upward revaluation of assets	4,664	3,751	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(952)	(2,805)	
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	<u>3,712</u>	<u> </u>	946
Difference between fair value depreciation and historical cost depreciation	(215)	(204)	
Accumulated gains on assets sold or scrapped	<u>0</u>	<u>0</u>	
Amount written off to the Capital Adjustment Account	(215)	<u> </u>	(204)
Balance at 31 March	<u>7,669</u>	<u> </u>	<u>8,411</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement only because depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Notes to the Financial Statements

Capital Adjustment Account	2009/10 restated £000	2010/11 £000
Balance at 1 April	224,534	231,617
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment/(reversals) of non-current assets	3,676	(52,337)
• Amortisation of Intangible Assets	(313)	(333)
• Revenue expenditure funded from capital under statute (REFCUS)	(829)	(1,012)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(687)	(281)
	1,847	(53,963)
Adjusting amounts written out of the Revaluation Reserve	215	204
Net written out amount of the cost of non-current assets consumed in the year	2,062	(53,759)
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	464	495
• Use of the Major Repairs Reserve to finance new capital expenditure	2,506	2,233
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	840	1,302
• Application of grants to capital financing from the Capital Grants Unapplied Account	216	207
• Statutory provision for the financing of capital investment charged against the General Fund and Housing Revenue Account balances	149	166
• Capital expenditure charged against the General Fund and Housing Revenue Account balances	1,010	815
	5,185	5,218
Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	(164)	(35)
Balance at 31 March	231,617	183,041

Notes to the Financial Statements

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans, and to manage its investment with Landsbanki Islands hf.

Premiums and discounts are taken to the Comprehensive Income and Expenditure Statement when they are incurred, but are reversed out of the General Fund Balance to this Account in the Movement in Reserves Statement. Over time, the income and/or expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden over more than one financial year. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

The impairment of the Council's investment with Landsbanki Islands hf was charged to the FIAA in accordance with regulations until 31 March 2011, at which date the balance was transferred to the General Fund.

Financial Instruments Adjustment Account	2009/10	2010/11	
	£000	£000	£000
Balance at 1 April	(841)		(732)
Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	212	211	
Impaired investment with Landsbanki Islands hf charged against the General Fund Balance in accordance with statutory requirements	<u>0</u>	<u>265</u>	
	212		476
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(103)		0
Balance at 31 March	<u>(732)</u>		<u>(256)</u>

Notes to the Financial Statements

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. More detailed pensions information is included within Note 38, post employment benefits.

	2009/10 restated £000	2010/11 £000
Balance at 1 April	(15,466)	(33,615)
Actuarial gains or (losses) on pensions assets and liabilities	(17,716)	16,667
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,363)	5,395
Employer's pension contributions payable in the year	1,930	1,952
Balance at 31 March	(33,615)	(9,601)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2009/10 £000	2010/11 £000
Balance at 1 April	7	4
Transfer to Capital Receipts Reserve upon receipt of cash	(3)	(3)
Balance at 31 March	4	1

Notes to the Financial Statements

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2009/10 £000	2010/11 £000
Balance at 1 April		147
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	91	13
Balance at 31 March	<u>147</u>	<u>160</u>

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2009/10 £000	2010/11 £000	£000
Balance at 1 April	(119)	123	(123)
Settlement or cancellation of accrual made at the end of the preceding financial year	119	123	
Amounts accrued at the end of the current financial year	<u>(123)</u>	<u>(112)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(4)		11
Balance at 31 March	<u>(123)</u>	<u>(112)</u>	

Notes to the Financial Statements

Note 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2009/10	2010/11
	£000	£000
Interest received	859	381
Interest paid	242	268

Note 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2009/10	2010/11
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(4,647)	(4,452)
Purchase of short-term and long-term investments	(143,476)	(123,625)
Proceeds from the sale of property, plant and equipment, investment property and intangible	525	759
Proceeds from short-term and long-term investments	143,475	121,525
Other receipts from investing activities	3,168	1,234
Net cash out flows from investing activities	(955)	(4,559)

Note 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2009/10	2010/11
	£000	£000
Other receipts from financing activities – increase/(decrease) in preceptors' share of council tax cash collected net of precepts and surpluses paid	615	(128)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(75)	(95)
Other payments for financing activities - increase in cash paid into the NNDR pool net of cash collected from non-domestic ratepayers	(1,483)	(435)
Net cash out flows from financing activities	(943)	(658)

Notes to the Financial Statements

Note 26. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*.

However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the Financial Statements.

In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on the employer's pensions contributions due for the year rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's six General Fund portfolios and the separate Housing Revenue Account portfolio recorded in the budget reports presented to the Council's Cabinet during 2010/11 is as follows:

Portfolio Income and Expenditure for 2010/11	Business, Employment & Tourism	Community	Environment	Housing	Leader of the Council	Planning	Housing Revenue Account	Total 2010/11
		£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,591)	(841)	(2,722)	(1,484)	(1,539)	(782)	(13,824)	(23,783)
Government grants	0	0	(158)	(30,990)	(8,608)	0	0	(39,756)
Total Income	(2,591)	(841)	(2,880)	(32,474)	(10,147)	(782)	(13,824)	(63,539)
Employee expenses	627	788	3,738	618	336	1,389	1,571	9,067
Other service expenses	1,434	3,091	2,547	32,047	10,505	338	8,588	58,550
Support service recharges	245	229	491	1,152	2,774	456	858	6,205
Total Expenditure	2,306	4,108	6,776	33,817	13,615	2,183	11,017	73,822
Net Expenditure	(285)	3,267	3,896	1,343	3,468	1,401	(2,807)	10,283

Notes to the Financial Statements

Portfolio Income and Expenditure	Business, Employment & Tourism	Community	Environment	Housing	Leader of the Council	Planning	Housing Revenue Account (HRA)	Total 2009/10
2009/10 comparative figures		£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(2,632)	(277)	(2,414)	(981)	(1,184)	(650)	(13,782)	(21,920)
Government grants	0	(38)	(2)	(28,267)	(8,073)	(85)	0	(36,465)
Total Income	(2,632)	(315)	(2,416)	(29,248)	(9,257)	(735)	(13,782)	(58,385)
Employee expenses	599	689	3,653	508	337	1,340	1,726	8,852
Other service expenses	1,455	2,726	2,607	28,937	9,203	613	8,390	53,931
Support service recharges	198	132	270	978	2,754	236	728	5,296
Total Expenditure	2,252	3,547	6,530	30,423	12,294	2,189	10,844	68,079
Net Expenditure	(380)	3,232	4,114	1,175	3,037	1,454	(2,938)	9,694

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in Cost of Services in the Comprehensive Income and Expenditure Statement

	2009/10 restated	2010/11
Net expenditure in the Portfolio analysis	£9,694	£10,283
Net expenditure of services not included in the Analysis	122	121
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	(4,168)	45,575
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(210)	(239)
Cost of Services in Comprehensive Income and Expenditure Statement	5,438	55,740

Notes to the Financial Statements

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

2010/11	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to Cabinet for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total 2010/11
		£000	£000	£000	£000	£000	£000
Fees, charges and other income		0	(4,613)	0	(28,396)	(966)	(29,362)
Interest and investment income	0	0	0	0	0	(355)	(355)
Income from Council Tax	(23,783)	0	0	0	0	(10,189)	(10,189)
Government grants and contributions	(39,756)	0	(761)	0	(40,517)	(7,103)	(47,620)
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	(461)	(461)
Total Income	(63,539)	0	(5,374)	0	(68,913)	(19,074)	(87,987)
Employee expenses	9,067	0	82	(239)	8,910	558	9,468
Other service expenses	58,550	121	0	0	58,671	397	59,068
Support Service recharges	6,205	0	0	0	6,205	0	6,205
Depreciation, amortisation and impairment	0	0	50,867	0	50,867	30	50,897
Interest payments	0	0	0	0	0	263	263
Receipts and Levies	0	0	0	0	0	2,741	2,741
Payments to Housing Capital Receipts Pool	0	0	0	0	0	558	558
Total Expenditure	73,822	121	50,949	(239)	124,653	4,547	129,200
(Surplus) or deficit on the provision of services	10,283	121	45,575	(239)	55,740	(14,527)	41,213

Notes to the Financial Statements

2009/10 comparative figures	Portfolio Analysis	Services & Support Services not in Analysis	Amounts not reported to Cabinet for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total 2009/10
		£000	£000	£000	£000	£000	£000
Fees, charges and other income	(21,920)	0	(19)	153	(21,786)	(1,116)	(22,902)
Interest and investment income	0	0	0	0	0	(312)	(312)
Income from Council Tax	0	0	0	0	0	(9,766)	(9,766)
Government grants and contributions	(36,465)	0	(737)	85	(37,117)	(6,793)	(43,910)
Gain on Disposal of Property, Plant and Equipment	0	0	0	0	0	(180)	(180)
Total Income	(58,385)	0	(756)	238	(58,903)	(18,167)	(77,070)
Employee expenses	8,852	0	(443)	(309)	8,100	1,218	9,318
Other service expenses	53,931	122	0	0	54,053	508	54,561
Support Service recharges	5,296	0	0	0	5,296	0	5,296
Depreciation, amortisation and impairment / (reversals)	0	0	(2,969)	(139)	(3,108)	932	(2,176)
Interest payments	0	0	0	0	0	267	267
Receipts and Levies	0	0	0	0	0	2,569	2,569
Payments to Housing Capital Receipts Pool	0	0	0	0	0	387	387
Total Expenditure	68,079	122	(3,412)	(448)	64,341	5,881	70,222
(Surplus) or deficit on the provision of services	9,694	122	(4,168)	(210)	5,438	(12,286)	(6,848)

Notes to the Financial Statements

Note 27. TRADING OPERATIONS

The Council operates six Industrial Estates with 97 individual plots in Lewes, Newhaven and Seaford. In addition, the Newhaven Business Centre has 46 units for start-up and small businesses.

The financial performance of these two operations is as follows:

					2010/11	
		Expenditure	(Surplus)/Deficit	Turnover	Expenditure	(Surplus)/Deficit
		£000	£000	£000	£000	£000
Industrial Estates	650	415	(235)	639	96	(543)
Newhaven Business Centre	344	703	359	327	287	(40)
		<u>1,118</u>	<u>124</u>	<u>966</u>	<u>383</u>	<u>(583)</u>

Note 28. AGENCY SERVICES

The Council has a contract with The Landscape Group to provide grounds maintenance services in parks, open spaces and recreation grounds throughout the district. Included within this contract are parks, open spaces and recreation grounds belonging to a number of town and parish councils where letting and managing individual small contracts directly would not be cost effective. The Council is therefore providing an agency service to the individual town and parish councils which are recharged for the costs relating to their particular shares of the overall contract. In 2010/11 costs of £261,000 were recharged (£287,000 in 2009/10).

In 2010/11 the Council spent £143,000 on facilitating Parliamentary and Town and Parish Council elections, all of which was fully reimbursed.

In 2009/10 the Council spent £157,000 on facilitating European, County Council, and Town and Parish Council elections, all of which was fully reimbursed.

£000
Expenditure and income relating to agency services is excluded from the Comprehensive Income and Expenditure Statement.

2009/10
994

Notes to the Financial Statements

Note 29. MEMBERS' ALLOWANCES

The Council paid the following amounts to members of the Council (District Councillors) during the year, in line with the levels of allowances recommended by an Independent Remuneration Panel.

2009/10			Special	Travel and	2010/11
Total	Council Member	Basic	Responsibility	Subsistence	Total
Allowances		Allowance	Allowance	Allowance	Allowances
£		£	£	£	£
3,499	Bob Allen	2,975	497		3,472
3,087	Patricia Bennett	2,975			2,975
2,975	Chris Bishop	2,975			2,975
2,975	Chris Bowers	2,975			2,975
3,007	Susan Bratchie	2,975		87	3,062
3,263	Carla Butler	2,975	112		3,087
3,541	Michael Chartier	2,975	5,519		8,494
8,650	Edward Collict	2,975	5,519	93	8,587
2,995	Melanie Cutress	2,975			2,975
2,975	Jim Daly	2,975			2,975
3,472	Sharon Davy	2,975	497		3,472
16,970	Ann De Vecchi	2,975	13,800	25	16,800
3,472	Ian Eiloart	2,975	497		3,472
8,877	Jon Freeman	2,975	5,519	102	8,596
2,975	Paul Gander	2,975			2,975
8,991	Peter Gardiner	2,975	6,016		8,991
3,924	David Gray	2,975	117	24	3,116
3,472	Barry Groves	2,975	497		3,472
3,031	Lynda Hallett	2,975			2,975
7,115	Jacqueline Harrison-Hicks	2,975	4,140	158	7,273
4,010	Tom Hawthorne	2,975	1,035		4,010
2,975	Philip Howson	2,975			2,975
6,608	Tom Jones	2,975	3,311	162	6,448
3,165	Carolyn Lambert	2,975	918	373	4,266
8,494	James MacCleary	2,975	5,519		8,494

Notes to the Financial Statements

2009/10 Total Allowances £	Council Member	Basic Allowance £	Special Responsibility Allowance £	Travel and Subsistence Allowance £	2010/11 Total Allowances £
7,115	Rod Main	2,975	4,140		7,115
3,715	Ron Maskell	2,975	497	114	3,586
2,975	Kevin Mayers	2,975			2,975
3,873	David Mitchell	2,975	690	62	3,727
7,143	Tony Nicholson	2,975	4,140		7,115
2,975	Ruth O'Keeffe	2,975			2,975
2,975	James Page	2,975			2,975
2,975	Robbie Robertson	2,975			2,975
3,135	David Rogers OBE	2,975		187	3,162
6,286	Eileen Russell	2,975	3,311		6,286
7,739	Steve Saunders	2,975			2,975
6,118	Jim Sheppard	2,975	3,311	191	6,477
2,975	Bob Sinclair	2,975			2,975
2,975	Cyril Sugarman	2,975			2,975
3,461	Ian White	2,975	112		3,087
3,729	Robert Worthington	2,975	56	160	3,191
194,682	Total	121,975	69,770	1,738	193,483

NB The cost of employer's national insurance totalling £4,010 has been excluded from the table above (£3,999 in 2009/10).

The cost of Members' Allowances has been allocated in the Comprehensive Income and Expenditure Statement as follows:

	2009/10 £'000	2010/11 £'000
Corporate and democratic core (General Fund)	155	153
Local authority housing (Housing Revenue Account)	43	44
Total allowances including employer's national insurance	198	197

In addition to the above allowances, total payments of £440 were made to co-opted members of the Standards Committee who were not District Councillors (£2,124 in 2009/10).

Notes to the Financial Statements

Note 30. OFFICERS' REMUNERATION

The remuneration paid to the senior employees who form the Council's Corporate Management Team was as follows:

Post	Financial Year	Salary £	Bonus £	Expenses £	Benefits in kind £	Total excluding pension contribution £	Pension contribution £	Total including pension contribution £
Chief Executive								
- new from 1 September 2010	2010/11	56,728	0	294	76	57,098	11,629	68,727
- retired 4 July 2010	2010/11	29,977	0	99	1,088	31,164	5,728	36,892
		103,539	0	503	4,224	108,266	22,000	130,266
Director of Finance and Community Services								
	2010/11	85,935	1,363	2,626	0	89,924	17,896	107,820
	2009/10	85,935	3,000	2,404	0	91,339	18,232	109,571
Director of Planning and Environmental Services								
	2010/11	85,935	0	306	3,727	89,968	17,617	107,585
	2009/10	85,935	2,607	306	3,062	91,910	18,151	110,061
Head of Housing Services								
- new from 3 May 2010	2010/11	60,509	0	296	5,018	65,823	12,404	78,227
- retired 11 July 2010	2010/11	20,421	0	31	1,292	21,744	4,468	26,212
	2009/10	70,179	0	807	4,663	75,649	15,231	90,880
Head of Legal and Democratic Services								
	2010/11	68,608	0	126	3,373	72,107	13,958	86,065
	2009/10	66,981	0	179	3,260	70,420	13,731	84,151
Head of Business Services								
	2010/11	68,405	0	125	3,639	72,169	14,023	86,192
	2009/10	66,168	0	153	3,447	69,768	13,564	83,332

Notes to the Financial Statements

The number of other employees receiving more than £50,000 remuneration for the year (excluding pension contributions but including termination benefits) was:

Remuneration band	2009/10 Number of employees	2010/11 Number of employees
£50,000 - £54,999	6	4
£55,000 - £59,999	1	2
£75,000 - £79,999	0	1
£100,000 - £104,999	0	1

Note 31. EXTERNAL AUDIT COSTS

The Council incurred the following costs in relation to the audit of the Financial Statements and the certification of grant claims undertaken by the Council's external auditor, PKF (UK) LLP and statutory inspections undertaken by the Audit Commission:

	2009/10 £'000	2010/11 £'000
Fees payable to PKF with regard to external audit services carried out by the appointed auditor for the year	98	107
Fees payable to PKF for the certification of grant claims and returns for the year	31	30
Fees payable to the Audit Commission in respect of statutory inspections	9	2
	138	139

Note 32. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2009/10 £'000	2010/11 £'000
Non-ringfenced Government Grants:		
- Revenue Support Grant	1,186	817
- Housing and Planning Delivery Grant	85	0
- Area Based Grant	56	0
- Local Authority Business Growth Incentive Scheme	38	57
	1,365	874
Capital Grants and Contributions:		
- grants and contributions towards capital expenditure	290	601
Total credited to Taxation and Non-specific Grant Income	1,655	1,475

Notes to the Financial Statements

	2009/10	2010/11
	£'000	£'000
Government Grants credited to Services:		
- Housing and Council Tax Benefit subsidy	35,312	38,482
- Housing and Council Tax Benefit Administration subsidy	748	719
- Government Grants towards capital expenditure	737	896
- Concessionary Travel	219	90
- Homelessness	61	61
- Other minor grants	40	269
	37,117	40,517
Other grants and contributions credited to Services:		
- Supporting people (from East Sussex County Council)	344	242
- Recycling credits (from East Sussex County Council)	326	325
- East Sussex Air Monitoring Consortium (from other East Sussex Councils)	160	130
- Non Lewes District Council election expenses (from principal bodies)	147	147
- National Non-Domestic Rates Cost of Collection Allowance (from Government)	128	129
- Other minor grants and contributions of less than £100,000 each	194	255
	1,299	1,228
Total credited to Cost of Services	38,416	41,745

The Council has received a number of contributions under section 106 planning agreements that have yet to be recognised as income. This is because the contributions have conditions attached to them that will require the monies to be returned to the giver if the Council does not satisfy those conditions. It is the Council's intention to satisfy the conditions so that no monies are returned.

The balances held in the Capital Grants Receipts in Advance account at 31 March were as follows:

	2009	2010	2011
	£000	£000	£000
To acquire land for the provision of open/outdoor play space in Peacehaven	709	682	685
To provide a sports pitch and pavilion within open space land in Peacehaven	0	502	498
To provide or improve outdoor playing space facilities in Seaford	0	166	0
To provide outdoor sports facilities at Ringmer College	100	100	0
Other section 106 agreements where the financial contribution is less than £100,000	556	507	510
	1,365	1,957	1,693

Notes to the Financial Statements

Note 33. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 26 p85 on reporting for resources allocation decisions and in Note 32 p93 Grant Income.

Members

Members of the Council (District Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 29 p90. Councillors are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at Lewes House, 32 High Street, Lewes during office hours. There were no relationships which would have given rise to a related party transaction in 2010/11.

The Council pays grants and awards discretionary rate relief to a number of organisations, e.g. 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 interest.

Officers

Senior Officers have confirmed that, individually, they have no relationships which would have given rise to a related party transaction in 2010/11.

Wave Leisure Trust (trading as Wave Leisure Ltd)

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. In 2010/11 the Council paid Wave Leisure Ltd a service fee of £851,000 (2009/10 £749,000).

Notes to the Financial Statements

Note 34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	13,456	13,730
Capital Investment		
- property, plant and equipment	4,462	4,140
- investment properties	1	35
- intangible assets	168	202
- revenue expenditure funded from capital under statute (REFCUS)	829	1,012
Sources of Finance		
- capital receipts	(464)	(495)
- government grants and other contributions	(3,563)	(3,741)
- sums set aside from revenue	(149)	(166)
- direct revenue contributions	(1,010)	(815)
Closing Capital Financing Requirement	<u>13,730</u>	<u>13,902</u>
Increase in Capital Financing Requirement	274	172
Explanation of movements in year:		
- increase in underlying need to borrow (supported by Government financial assistance)	182	188
- decrease in finance lease liability	(76)	(95)
- assets acquired under finance leases	168	79
Increase in Capital Financing Requirement	<u>274</u>	<u>172</u>

Notes to the Financial Statements

Note 35. LEASES

Council as Lessee

Finance Leases

The Council has acquired vehicles, plant and equipment, parking meters, and printers and photocopiers under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net values:

	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
Vehicles, plant and equipment	142	112	141
Parking meters	28	14	0
Printers and photocopiers	22	159	125
Total held as Vehicles, Plant, Furniture and Equipment	192	285	266

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding.

	1 April 2009	31 March 2010	31 March 2011
	£000	£000	£000
The minimum lease payments are made up of the following amounts			
finance lease liabilities (net present value of minimum lease payments)	210	302	286
finance costs payable in future years	20	35	18
Minimum lease payments	230	337	304

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
		£000	£000	£000
Not later than one year	100	96	81	82
Later than one year and not later than five years	237	208	221	204
Later than five years	0	0	0	0
Total	337	304	302	286

Notes to the Financial Statements

Operating leases

The Council has acquired the use of contract cars, private properties and land and buildings by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010	31 March 2011
	£000	£000
Not later than one year	214	239
Later than one year and not later than five years	293	318
Later than five years	7	6
Total	514	563

Minimum lease payments recognised as an expense in 2010/11 amounted to £234,000 (£231,000 in 2009/10).

Council as Lessor

Finance Leases

The Council has not leased any items of Property, Plant and Equipment under a finance lease.

Operating leases

The Council lets under operating leases some of the land and buildings held as Property, Plant and Equipment for purposes such as economic development, housing, leisure and recreation. It also lets under operating leases some of the land and buildings held as Investment Property assets solely to earn income from rentals.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010	31 March 2011
	£000	£000
Not later than one year	856	853
Later than one year and not later than five years	2,952	2,847
Later than five years	31,696	31,000
Total	35,504	34,700

The minimum lease payments receivable do not include contingent rents. In 2010/11 the Council recognised a contingent rent of £44,000 as income in respect of its interest in Newhaven Town Centre Property Management (£61,000 in 2009/10).

Notes to the Financial Statements

Note 36. IMPAIRMENT LOSSES

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and their UK subsidiaries went into administration.

The Council is one of 127 local authorities (LAs) 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, and in the cases of Landsbanki and Glitnir banks is subject to Icelandic court action.

Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for its 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 received, it is likely that further adjustments will be made to the Financial Statements 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 and administered under Icelandic law. Old Landsbanki's latest public presentation of its affairs was made to creditors on 26 March 2010 (see <http://www.lbi.is/>.) This and other relevant information indicates that it is reasonable to assume that 94.85% of the deposit will be repaid assuming that LA deposits with the bank had priority status and would therefore be repaid ahead of any creditors that did not have priority status. Following a hearing of test cases in February 2011, on 1 April 2011 the Icelandic District Court ruled that deposits placed by UK wholesale depositors (including LAs) do have priority status. However, an appeal against that decision has been made to the Icelandic Supreme Court and it is considered unlikely that there will be a settled position on priority status before the fourth quarter of 2011. The Council has therefore decided to recognise an impairment based on it recovering 95p in the £.

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 equate to less than 40% of its liabilities. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 38p in the £.

The bank has released no details 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. In calculating the impairment, the Council has assumed annual payments running from December 2011 to December 2018.

Notes to the Financial Statements

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 22 April 2009, the date agreed by the bank's winding-up board.

Impairment losses of £202,000 and £158,000 had been recognised in the Income and Expenditure Account in 2008/09 and 2009/10 respectively, and a further loss of £9,000 has been similarly recognised in 2010/11. This has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the Council's anticipated loss of interest until monies are recovered.

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

The Capital Finance Regulations enabled the Council to defer the impact of the impairment on the General Fund until 2010/11, by means of a transfer to the Financial Instruments Adjustment Account (FIAA). The balance held on the FIAA at 31 March 2010, £265,000 has now been charged to the Income and Expenditure Account.

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

<u>Date Invested</u>	<u>Maturity Date</u>	<u>Amount Invested</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	
12 August 2008	11 August 2009	£1,000,000	6.28%	£1,141,000	£367,000
					Impairment

The expected repayments have been estimated as follows:

December 2011	£231,400	December 2012	£ 92,600
December 2013	£ 92,600	December 2014	£ 92,600
December 2015	£ 92,600	December 2016	£ 92,600
December 2017	£ 92,600	December 2018	£213,100

Interest credited to the Comprehensive Income and Expenditure Account in 2010/11 was £47,000 (2009/10 £54,100).

Details of the transfer made under the Capital Finance Regulations are given in Note 22 p78 within the Financial Instruments Adjustments Account.

Note 37. TERMINATION BENEFITS

At its meeting on 9 February 2011 the Council's Cabinet agreed a revised staff structure that included the deletion of 4 permanent posts. The officers in those posts were made redundant and as a result the Council incurred liabilities totalling £118,000 which have been included in the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

Note 38. POST EMPLOYMENT BENEFITS

Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post employment 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 investments and assets.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required by statutory regulation to be made against council tax is based on the cash payable in the year, so the real cost of post employment benefits is reversed out of the Comprehensive Income and Expenditure Statement through the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement:		2009/10	2010/11
		£000	£000
Cost of Services	- current service cost	1,145	2,034
	- past service (gain) or cost	0	(7,987)
Financing and Investment Income and Expenditure	- interest cost	4,095	4,793
	- expected return on pension scheme assets	(2,877)	(4,235)
Total Post Employment Benefit charged/(credited) to the (Surplus) or deficit on the provision of services		2,363	(5,395)
Other Post Employment Benefit charged/(credited) to the Comprehensive Income and Expenditure Statement			
	- actuarial gains and losses	17,716	(16,667)
Total Post Employment Benefit charged/(credited) to the Comprehensive Income and Expenditure Statement		20,079	(22,062)

Notes to the Financial Statements

The following transactions have been made in the Movement in Reserves Statement:	2009/10	2010/11
	£000	£000
Reversal of net charges made to the (Surplus) or deficit on the provision of services for post employment benefits	(2,363)	5,395
Actual amount charged against the General Fund Balance and the Housing Revenue Account Balance for pensions in the year		
- employer's contributions payable to pension scheme	1,838	1,861
- discretionary benefits arrangements (unfunded pensions)	92	91

The cumulative amount of actuarial gains and losses since 2005/06 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £9,543,000 (loss of £26,210,000 to 31 March 2010).

Assets and Liabilities in relation to Post-employment Benefits

	2009/10 restated	2010/11
	£000	£000
Reconciliation of present value of the employer's liabilities (defined benefit obligation)		
Opening balance at 1 April	59,845	93,718
Current service cost	1,145	2,034
Interest cost	4,095	4,793
Contributions by pension scheme members	593	604
Actuarial (gains)/losses	30,796	(16,938)
Past service (gain)	0	(7,987)
Estimated benefits paid	(2,664)	(3,299)
Estimated unfunded benefits paid	(92)	(91)
Closing balance at 31 March	93,718	72,834

Notes to the Financial Statements

	2009/10 restated £000	2010/11 £000
Reconciliation of fair value of the employer's assets		
Opening balance at 1 April	44,379	60,103
Expected rate of return	2,877	4,235
Actuarial gains/(losses)	13,080	(271)
Employer contributions	1,838	1,861
Contributions in respect of unfunded benefits	92	91
Contributions by pension scheme members	593	604
Benefits paid	(2,664)	(3,299)
Unfunded benefits paid	(92)	(91)
Closing balance at 31 March	60,103	63,233
Present value of the employer's liabilities	93,718	72,834
Less - Fair value of the employer's assets	60,103	63,233
Defined Pension Scheme Liability (as shown in the Balance sheet)	33,615	9,601

In the UK budget statement on 22 June 2010 the Chancellor of the Exchequer announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the East Sussex County Council Pension Fund by £7,987,000 and has been recognised as a past service gain in accordance with guidance set down in the Urgent Issues Task Force (UITF) abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund and the Housing Revenue Account.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on pension scheme assets in 2010/11 was £4,128,000 (£15,957,000 in 2009/10).

Notes to the Financial Statements

Pension Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities					
Local government pension scheme (funded)	(67,174)	(59,794)	(58,739)	(92,395)	(71,724)
Discretionary benefits (unfunded)	(1,269)	(1,155)	(1,106)	(1,323)	(1,110)
	<u>(68,443)</u>	<u>(60,949)</u>	<u>(59,845)</u>	<u>(93,718)</u>	<u>(72,834)</u>
Fair value of assets in the local government pension scheme	57,772	54,148	44,379	60,103	63,233
(Deficit) in the pension scheme	<u>(10,671)</u>	<u>(6,801)</u>	<u>(15,466)</u>	<u>(33,615)</u>	<u>(9,601)</u>
Local government pension scheme	(9,402)	(5,646)	(14,360)	(32,292)	(8,491)
Discretionary benefits	(1,269)	(1,155)	(1,106)	(1,323)	(1,110)
	<u>(10,671)</u>	<u>(6,801)</u>	<u>(15,466)</u>	<u>(33,615)</u>	<u>(9,601)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £72,834,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £9,601,000.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because:

- the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £1,810,000. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £91,000.

Notes to the Financial Statements

Basis for Estimating Assets and Liabilities

Using data provided by the pension scheme administrators (East Sussex County Council) 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 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 i.e. as at 31 March 2010.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, with estimates for the East Sussex County Council pension fund being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	2009/10	2010/11
Long-term expected rate of return on assets in the pension scheme:		
- Equities	7.8%	7.5%
- Bonds	5.0%	4.9%
- Property	5.8%	5.5%
- Cash	4.8%	4.6%
Mortality assumptions:		
- longevity at 65 for current pensioners - men	20.8yrs	21.3yrs
- longevity at 65 for current pensioners - women	24.1yrs	23.4yrs
- longevity at 65 for future pensioners - men	22.3yrs	23.3yrs
- longevity at 65 for future pensioners - women	25.7yrs	25.7yrs
Rate of inflation	3.8%	2.8%
Rate of increase in salaries	5.3%	5.1%
Rate of increase in pensions	3.8%	2.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Rate of return on assets	7.1%	6.9%

Notes to the Financial Statements

The fair value of the employer's assets in the local government pension scheme are analysed into the following categories:

	31 March 2010 restated £000	31 March 2011 £000
Equities	44,477	49,321
Bonds	3,005	5,059
Property	4,207	5,059
Cash	8,414	3,794
	60,103	63,233

Discretionary benefits arrangements have no assets to cover its liabilities.

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumption at year ended 31 March 2011	Approximate percentage increase to Employer Obligation	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	6,294
1 year increase in member life expectancy	3%	2,185
0.5% increase in Salary Increase Rate	2%	1,171
0.5% increase in Pension Increase rate	7%	4,849

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Experience gains and (losses) on assets	0	(13)	(30)	22	0
Experience gains and (losses) on liabilities	0	1	0	0	11

Notes to the Financial Statements

Note 39. CONTINGENT LIABILITIES

At 31 March 2011 the Council had three material contingent liabilities:

- The Council's former insurer, Municipal Mutual Insurance Limited, ceased to provide new cover from 1994. A scheme of arrangement was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. However, the company's directors have stated that the strategic direction of the company is to achieve a solvent run-off of the business. The maximum claw back for the Council is set at £270,000 but no provision for this has been made in the Council's Financial Statements.
- 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 2011 the pension liability of Wave Leisure Ltd was £94,000 (£483,000 as at 31 March 2010).
- On 27 July 2010 the Ministry of Justice and the Department for Communities and Local Government informed all Councils in England responsible for the provision of Land Searches that charging a fee for a personal search of the local land charges register was incompatible with the Environmental Information Regulations 2004 and the underlying 2003 EU Directive. The Government revoked the search fee of £22 from 17 August 2010. This opened the door for individuals and property search companies potentially to seek refunds although the Government has indicated that it is acceptable for Councils to consider the cost of administering the reimbursement of fees and should avoid unjustly enriching search agents. All Local Authorities have subsequently received requests for reimbursement of fees by personal search companies. On behalf of Councils the Local Government Association (LGA) continues to be in discussion with the Information Commissioner's Office (ICO) and Communities and Local Government (CLG) about the environmental information issue. Guidance issued by the ICO suggests that a significant proportion of property search data may well be environmental information. Until this issue is settled at a national level it is not currently possible for the Council to quantify the costs, if any, which it might incur.

Notes to the Financial Statements

Note 40. CONTINGENT ASSETS

At 31 March 2011 the Council had one material contingent asset which relates to its claim against HM Revenue and Customs (HMRC) that the payment of interest on overpaid VAT be made on a compound basis. HMRC has settled three successful claims made by the Council for the repayment of overpaid VAT output tax and has paid interest on those claims without compounding the amount due. The Council has instigated legal proceedings against HMRC for the payment of interest on a compound basis.

Note 41. LOCAL COUNCILS' PRECEPTS

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.

The precepts paid to Local Councils are recorded in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. The equivalent amount of council tax collectable from taxpayers in the respective local councils' areas is recorded within the total amount of council tax income shown in the Collection Fund.

Note 42. CHARITY ACCOUNTS

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

	2009/10	2010/11
	£000	£000
Stanley Turner Recreation Ground	61	69
Mountfield Pleasure Ground Trust	71	42

Notes to the Financial Statements

Note 43. 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 Comprehensive Income and Expenditure Account, divided between the chargeable and non-chargeable activities for the year 2010/11:

	Chargeable £000	Non-chargeable £000	Total £000
Expenditure			
- employee expenses	184	99	283
- transport	18	2	20
- supplies and services	16	4	20
- central and support services	86	28	114
	304	133	437
Income			
- building regulation charges	314	0	314
- miscellaneous income	0	3	3
	314	3	317
(Surplus)/deficit for 2010/11	(10)	130	120
Comparatives for 2009/10:			
Expenditure	289	144	433
Income	(279)	(2)	(281)
Deficit for 2009/10	10	142	152

Notes to the Financial Statements

Note 44. LAND CHARGES - PROPERTY SEARCHES

The Local Authorities (England) (Charges for Property Searches) Regulations 2008 provides discretion for the Council to set its own charges to recover its costs in granting access to property records or in answering enquiries about a property. Regulation 9 (Transparency in relation to setting of charges) requires the publication of summary financial and other information relating to 2010/11.

Property searches are administered by the Land Charges unit which also administers both official searches and personal searches of the local land charges register for which separate fees were set by the Council and by the Ministry of Justice respectively under the Local Land Charges Act 1975. NB The Government revoked the search fee of £22 from 17 August 2010.

The total cost, total income and net figures for official and personal searches are published with those for regulation 9(2) and 9(3) in the table below in order to arrive at the overall Land Charges unit figures that are included within the Central Services to the Public line in the Comprehensive Income and Expenditure Account.

	Number of requests	Total cost £000	Total income £000	Net cost £000
Regulation 9(2) - granting access to property records	0	0	0	0
Regulation 9(3) - answering enquiries about a property	1,198	115	100	15
Local Land Charges register				
- official search and certificate	1,261	23	21	2
- personal search	602	27	6	21
Overall totals included in the Comprehensive Income and Expenditure Statement		165	127	38

The deficit of £15,000 published under Regulation 9(3) has been financed from the surplus of £27,000 generated in 2009/10. The balance of £12,000 is held in a specific reserve and will be used to reduce the level of fees set in future years.

Housing Revenue Account and supporting notes

The HRA Income and Expenditure Statement shows the economic cost in the year of providing a housing service set out in accordance with generally accepted accounting practices. Councils charge rents to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £000 restated	HRA INCOME AND EXPENDITURE STATEMENT	2010/11	
		£000	£000
	Income		
11,732	Dwelling rents	11,860	
383	Non-dwelling rents	397	
1,123	Charges for services and facilities	1,131	
544	Contributions towards expenditure	436	
13,782			13,824
	Expenditure		
3,915	Repairs and maintenance	3,675	
2,984	Supervision and management	2,870	
184	Rents, rates, taxes and other charges	174	
3,116	Negative HRA Subsidy payable (note 8)	3,691	
(9,045)	Depreciation and impairment/(reversals) of non-current assets (notes 3 and 4)	50,338	
48	Debt management costs	51	
18	Movement in the allowance for impairment of debtors	34	
33	Supporting people transitional protection	24	
1,253			60,857
(12,529)	Net cost or (income) of HRA Services in the Comprehensive Income and Expenditure Statement		47,033
440	HRA services share of Corporate and Democratic Core		518
(12,089)	Net cost or (income) for HRA Services		47,551
-	- Pension past service gain	(2,476)	
-	- Capital grants and contributions	(24)	
(192)	(Gain) or loss on sale of HRA non-current assets	(452)	
217	Interest payable and similar charges	237	
(41)	Interest and investment income	(23)	
184	Pensions interest cost and expected return on assets	65	(2,673)
(11,921)	(Surplus) or deficit for the year on HRA services		44,878

Housing Revenue Account and supporting notes

The Movement on the HRA Statement takes the surplus or deficit for the year on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2009/10	MOVEMENT ON THE HRA STATEMENT	2010/11	
restated		£000	£000
	(2,975) Balance on the HRA at 1 April		
(11,921)	Surplus or deficit for the year on the HRA Income and Expenditure Statement		(2,475)
	Adjustments between accounting basis and funding basis under statute:		44,878
11,873	- reversal of prior year impairment / reversals net of current year impairment / reversals	(46,633)	
(190)	- transfer (from) Major Repairs Reserve	(1,631)	
212	- amortisation of premiums and discounts	213	
192	- reversal of gain on sale of HRA non-current assets	452	
412	- capital expenditure funded by the HRA	206	
(387)	- reversal of items relating to retirement benefits charged to the HRA Income and Expenditure Statement	2,151	
-	- reversal of capital grants and contributions	24	
309	- employer's pensions contributions payable in the year	239	
12,421			(44,979)
500	Net increase or decrease in year on the HRA		(101)
(2,475)	Balance on the HRA at 31 March		(2,576)

Housing Revenue Account and supporting notes

Note 1 STOCK OF SOCIAL HOUSING

The number and types of dwellings in the Council's housing stock at 31 March is as follows:

	2009	2010	2011
Houses and Bungalows			
1 bedroom	213	213	213
2 bedroom	649	648	643
3 bedroom	907	905	904
4 bedroom	64	64	65
5 bedroom	3	3	3
6 bedroom	1	1	1
	1,837	1,834	1,829
Flats			
1 bedroom	134	134	134
2 bedroom	708	707	708
3 bedroom	526	524	525
4 bedroom	49	49	49
	4	4	4
	1,421	1,418	1,420
Total stock of social housing at 31 March	3,258	3,252	3,249

In addition the Council had at 31 March 2011 shared ownership arrangements covering 8 properties and 1 property (partly) sold under the Right to Buy scheme.

Housing Revenue Account and supporting notes

Note 2 VALUE OF HRA NON-CURRENT ASSETS

The value of HRA non-current assets shown in the table below is included within the balance sheet on page 16.

The change in the valuations of council dwellings arose following a full valuation review as at 1 April 2010 undertaken by the Council's appointed valuer, DVS, with a desktop review at 31 March 2011.

	2009 £000	2010 restated £000	2011 £000
Council Dwellings			
- houses, bungalows and flats	187,560	199,970	153,230
Other Land and Buildings			
- garages	6,902	6,902	6,392
- other land and buildings	1,092	2,029	2,489
Vehicles, Plant, Furniture and Equipment	253	336	314
Infrastructure Assets	1,281	1,178	1,076
Community Assets	7	7	34
Total Property, Plant and Equipment	197,095	210,422	163,535
Investment Property	0	0	0
Intangible Assets	0	0	0

The vacant possession value of council dwellings within the HRA at 1 April 2010 was £468.6 million as valued by DVS, compared with a value of £150.0 million for its existing use as social housing. The difference of £318.6 million represents the cost of providing housing at less than open market rents. Use as social housing is valued at 32% of open market value, which equates to a 68% reduction. In 2009/2010 use as social housing was valued at 45% of open market value.

Housing Revenue Account and supporting notes

Note 3 DEPRECIATION

Depreciation for 2009/10 was based on the Major Repairs Allowance (MRA) set by government as a reasonable proxy for the capital investment needs of maintaining the Council's stock of dwellings.

With the introduction of component accounting from 1 April 2010 by the CIPFA Code of Practice on Local Authority Accounting depreciation has been recalculated. For 2010/11 it is based on the building value of an average dwelling as assessed by the Council's external valuer (DVS) within the 5 yearly valuation carried out at 1 April 2010, which is analysed into its significant components by Council officers in line with the housing investment capital strategy. The useful lives and replacement costs of each significant component within the average building value - e.g. roof, windows, bathroom, kitchen, walls and structure, etc - is calculated by officers to arrive at an annual sum which is multiplied by the number of dwellings to arrive at the depreciation charge. Depreciation has also been calculated in respect of non-dwelling assets on a consistent year on year basis.

The amounts of depreciation charged to the HRA Income and Expenditure Statement are as follows:	2009/10	2010/11
	£000	£000
Depreciation on council dwellings	2,337	3,258
Depreciation on other HRA non-current assets	490	447
Total Depreciation charged to the HRA	2,827	3,705

Note 4 IMPAIRMENT

Impairment charges made to the HRA Income and Expenditure Statement are as follows:

	2009/10	2010/11
	restated	
	£000	£000
Impairment resulting from a change in the percentage used to calculate Social Housing valuations	-	60,867
Impairment resulting from revaluation losses in excess of balances held in the Revaluation Reserve	375	(14,234)
Reversal of prior year impairment against revaluation gains recognised in the year	(12,247)	0
Total Impairment/(reversals) charged/(credited) to the HRA	(11,872)	46,633

Impairment charges have been recognised along with depreciation charges in the HRA Income and Expenditure Statement as follows:

	2009/10	2010/11
	£000	£000
Total Impairment/(reversals) charged/(credited) to the HRA	(11,872)	46,633
Total Depreciation charged to the HRA (note 3)	2,827	3,705
Depreciation and impairment/(reversals) of non-current assets	(9,045)	50,338

Housing Revenue Account and supporting notes

Note 5 FUNDING OF CAPITAL EXPENDITURE

The totals of HRA capital expenditure and capital funding during the year is summarised as follows:

	2010 £000	2011 £000
Capital expenditure		
- on council dwellings	2,795	2,518
- on other HRA non-current assets	410	204
	3,205	2,722
Sources of capital funding		
- from the major repairs reserve	2,506	2,233
- from HRA revenue contributions	412	206
- from borrowing (supported by government)	259	259
- from the capital receipts reserve	2	0
- from leaseholders contributions	18	24
- from other contributions	8	0
	3,205	2,722

Note 6 MAJOR REPAIRS RESERVE

The major repairs reserve 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 into capital expenditure on HRA property. The movements on the reserve show that a balance has been retained to finance future capital expenditure.

	2010 £000	2011 £000
Balance at 1 April	(329)	(460)
Amounts transferred from the HRA		
- depreciation on council dwellings	(2,337)	(3,258)
- depreciation on other HRA non-current assets	(490)	(447)
Amounts transferred to the HRA		
- adjustment for the difference between depreciation charged and major repairs allowance receivable	190	1,631
Amounts used to finance HRA capital expenditure	2,506	2,233
Balance at 31 March	(460)	(301)

Housing Revenue Account and supporting notes

Note 7 CAPITAL RECEIPTS

The total of capital receipts generated from disposals of HRA land, houses, flats and other property during the year is summarised as follows:

	2010 £000	2011 £000
Sale of council dwellings (under the right to buy)	475	731
Repayment of right to buy discount	47	13
Repayment of HRA mortgages	3	15
	<u>525</u>	<u>759</u>

Note 8 ANALYSIS OF HRA SUBSIDY PAYABLE

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 from government or the value of subsidy payable to government by each housing authority.

The following table shows the calculation which determines that Lewes District Council is a net contributor to the national housing pot held and distributed by government.

	2009/10 £000	2010/11 £000
Major repairs allowance	2,638	2,074
Management and maintenance allowance	5,098	5,267
Capital charges allowance	584	651
Total allowances	<u>8,320</u>	<u>7,992</u>
Assumed rent income	11,435	11,682
Other income	1	1
Total assumed income	<u>11,436</u>	<u>11,683</u>
Net HRA subsidy payable to Government	<u>3,116</u>	<u>3,691</u>

Housing Revenue Account and supporting notes

Note 9 PENSIONS RESERVE

In accordance with International Accounting Standard 19 and the requirements of the Code the cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make to the Housing Revenue Account is based upon the cash payable into the pension fund for the year in accordance with the statutory requirements governing the Local Government Pension Scheme. The Movement on the Housing Revenue Account Balance reconciles these two different amounts under the heading of adjustments between accounting basis and funding basis under statute.

Note 10 RENT ARREARS

The following table provides information and an analysis on the values of rent arrears at 31 March, the provision made in respect of uncollectable debts at the same date, and the value of arrears written off during the year.

	2009 £000	2010 £000	2011 £000
Current tenants			
- dwellings	217	201	202
- garages	1	1	1
	<hr/>	<hr/>	<hr/>
	218	202	203
Former tenants			
- dwellings	108	105	106
- garages	2	1	2
	<hr/>	<hr/>	<hr/>
	110	106	108
	<hr/>	<hr/>	<hr/>
Total rent arrears at 31 March	328	308	311
Allowance for impairment of debts	234	225	229
Value of write offs during the year	22	34	19

Collection Fund Statement and supporting notes

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority (Lewes District Council) in relation to the collection from taxpayers and distribution to local authorities and Government of council tax and non-domestic rates.

2009/10	2010/11	
£000	£000	£000
Income		
53,758	55,413	
7,485	7,985	
<u>61,243</u>		<u>63,398</u>
19,828		19,719
<u>81,071</u>		<u>83,117</u>
Expenditure		
42,683	44,230	
3,032	3,126	
9,675	10,091	
5,100	5,286	
<u>60,490</u>		<u>62,733</u>
19,700		19,590
128		129
190		54
Contribution towards previous year's estimated surplus		
0	374	
0	26	
0	85	
0	45	
<u>0</u>		<u>530</u>
<u>80,508</u>		<u>83,036</u>
(563)		(81)
<u>(352)</u>		<u>(915)</u>
<u>(915)</u>		<u>(996)</u>

Collection Fund Statement and supporting notes

Note 1 COUNCIL TAX

The average Band D council tax for the year was:

	2009/10	2010/11
	£	£
East Sussex County Council	1,127.49	1,158.30
East Sussex Fire Authority	80.08	81.86
Lewes District Council	187.72	192.48
Lewes District Town and Parish Councils	67.87	71.78
Sussex Police Authority	134.73	138.42
	<u>1,597.89</u>	<u>1,642.84</u>

The estimated tax base for the year expressed as Band D equivalent numbers was 38,185 (37,856 in 2009/10).

This is calculated based on the estimated number of chargeable dwellings in each council tax valuation band adjusted for applicable discounts, which is converted to an equivalent number of total Band D dwellings and then multiplied by the collection rate to allow for possible losses on collection. The calculation for 2010/11 was as follows:

	Estimated number of chargeable dwellings	Band D ratio	Band D equivalent dwellings
Band A	3,221	6/9	2,147
Band B	4,908	7/9	3,817
Band C	11,510	8/9	10,231
Band D	8,519	9/9	8,519
Band E	5,140	11/9	6,282
Band F	2,699	13/9	3,899
Band G	2,089	15/9	3,482
Band H	195	18/9	390
	<u>38,281</u>		<u>38,767</u>
	Collection rate for 2010/11		<u>98.5%</u>
	Tax Base for 2010/11		<u>38,185</u>

Actual council tax income receivable in the year of £63.4 million was in line with the estimate for 2010/11 prepared in January 2010.

Collection Fund Statement and supporting notes

Note 2 NON-DOMESTIC RATES

Non-domestic rates (known as business 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 2010/11 was 41.4p, reduced to 40.7p for small businesses.

The total rateable value of all businesses in the District was £61.2 million at 31 March 2011 (£49.4 million at 31 March 2010).

The amount of reliefs granted in the year was:

	2009/10 £million	2010/11 £million
Mandatory rate relief	1.4	1.4
Small business rate relief	0.68	1.0
Partial and empty property relief	0.96	1.1

Note 3 COLLECTION FUND BALANCE

The Balance on the collection fund will be returned to taxpayers in future years by reducing the council tax amounts that each of the four precepting authorities would otherwise have demanded. The distribution of the balance will be as follows:

	2009/10 £000	2010/11 £000
East Sussex County Council	645	702
East Sussex Fire Authority	46	50
Lewes District Council	147	160
Sussex Police Authority	77	84
Collection Fund Balance at 31 March	915	996

Statement of Responsibilities

Authorisation of the Statement of Accounts

The Director of Finance released this Statement of Accounts to the Audit Committee for approval on 26 September 2011. Events between the balance sheet date and 26 September 2011 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.
- 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 Statement of Accounts was approved

Ian Eiloart

Chair of Audit Committee
26 September 2011

The Director of Finance's Responsibilities - the Director of Finance 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).

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

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

The Director of Finance 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 Statement of Accounts provides a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

John Magness

John Magness, CPFA, Director of Finance, 26 September 2011

Independent Auditor's Report

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

Opinion on the Council's accounting statements

We have audited the financial statements of Lewes District Council ('the Council') for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the notes to the financial statements, the Housing Revenue Account and supporting notes, and the Collection Fund Statement and supporting notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

This report is made solely to the members of the Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the Council's Statement of Accounts, that includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Review of 2010/11 and Outlook for 2011/12 and the Statement of Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Lewes District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

Independent Auditor's Report

- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on other matter

In our opinion, the information given in the Review of 2010/11 and Outlook for 2011/12 by the Director of Finance and the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

Respective responsibilities of the Council and auditor

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 to review regularly the adequacy and effectiveness of these arrangements.

Our responsibility requires us to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. It therefore excludes arrangements relating specifically to the delivery of front-line services, unless we have identified a significant risk with implications for corporate arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and

Independent Auditor's Report

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Lewes District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Signature:

R Bint

.....
Richard Bint
for and on behalf of PKF (UK) LLP
London, UK
30 September 2011

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 Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

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 the 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 2011 and up to the date of approval of the 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 sets out its vision, priorities and planned actions for its citizens in the Council Plan. Underpinning this are a number of key strategies and departmental service plans which provide detailed commitments in terms of the Council's 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 Plan is reviewed annually by the Cabinet and Full Council. 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 by its business planning, performance management and risk system called, "Covalent". 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. Performance information on progress on key Council Plan targets is reported to Cabinet each quarter. The Corporate Management Team monitors milestones in 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 complaints. There is an annual report to Cabinet on 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 on 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 and the Call In procedure. 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 as set out in Local Government and Public Health Act 2007.

Standards of behaviour and conduct of councillors and officers 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.

Annual Governance Statement

These guidance 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.

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 its 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 are trained in the assessment, management and monitoring of risk and councillors receive 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 an 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 the Fraud Investigation Team. The outcome of this work informs the opinion on the internal control environment. The Council also has an Anti Money Laundering Policy.

The Council's Constitution sets out the roles of the Monitoring Officer (at Lewes District Council this is the Corporate Head - Legal and Democratic Services) and Chief Finance Officer (at Lewes District Council this is the Director of Finance) 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 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. 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 strategic partnerships which require comprehensive governance arrangements. Strategic partnerships are subject to annual review by lead officers. 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 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 and Charter Mark (now Customer Excellence).

The Council has a Business Continuity Plan, and will continue to develop its processes and safeguards in this area by having at least one test exercise per year to update our procedures where appropriate.

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 officers within the Council who have responsibility for the governance environment, the annual report of the Head of Audit and Performance, and also the work of external auditors and other review agencies and inspectorates as outlined below.

The Head of Audit and Performance reports regularly to the Audit Committee on the work of Internal Audit and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2010/11 the overall

Annual Governance Statement

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.

In March 2008 the Audit Committee approved the local Code of Corporate Governance. The local Code is reviewed annually 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 for 2010/11 concluded that the Council continues to have satisfactory arrangements in place for corporate governance as reported at the June 2011 meeting of the Audit Committee.

The Council Plan (Part 1) which looked back at performance in 2010/11 was approved by Council in May 2011. The Council Plan (Part 2) setting out the priorities and planned actions of the new administration for 2011/12 was considered by Cabinet on 7 September 2011 and will be reported to Council in September 2011.

The Council's work on risk management includes an annual report presented to Corporate Management Team and then reported to Cabinet on the main risks faced by the Council and the controls that are in place to mitigate those risks. Cabinet received the Annual Report on Risk Management at its July 2011 meeting. The Audit Committee also receives an update on risk management at every meeting. The reports during 2010/11 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, 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 to Cabinet and in the Annual Performance Report to Cabinet.

Managers participated in an exercise in June 2010 to test business continuity in the event of major fire in a Council building. The Council's Business Continuity Plan was updated and reissued in March 2011 taking account of the findings from the June 2010 exercise. The Council's next planned exercise is in November 2011.

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 2010/11. There have been no cases of fraud or corruption during the year other than those benefit cases investigated by the Fraud Investigation Team.

There have been no cases where the Standard's Committee has found a District Councillor to be in breach of the Council's Code of Conduct.

Annual Governance Statement

An annual review of the Council's strategic partnerships has been undertaken by lead officers as required by the Council's Guidance for Partnership Working. The results of this work have been reported to the June 2011 meeting of the Audit Committee.

The Council's Investors in People accreditation was reviewed by an independent assessor in October 2010 who recommended that the accreditation was retained.

Corporate monitoring of complaints includes a quarterly report to the Corporate Management Team and the annual report for 2010/11 is to be presented to the November 2011 meeting of Cabinet.

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 for its services. The results for 2010/11 are shown below:

Annual Audit Letter (December 2010) - The letter summarised the key issues arising from the Council's external auditor's (PKF) work at the Council over the previous twelve months. The main points were:

- PKF issued an unqualified opinion on the Council's financial statements, and the opinion confirmed that the statements gave a true and fair view of the Council's financial affairs as at 31 March 2010.
- PKF's audit planning for 2009/10 did not identify any specific risks based work required in relation to value for money. Adequate arrangements are in place to secure value for money, and PKF provided an unqualified conclusion for the year ended 31 March 2010.
- The Council has continued to maintain effective arrangements for managing its finances with clear integration of financial and corporate planning processes.
- PKF were satisfied that the Annual Governance Statement was not inconsistent or misleading with other information that they were aware of from the audit of the financial statements.
- The Council has robust and effective performance management arrangements in place and the indicators tested were found to be fairly stated.
- PKF are satisfied that the Council is taking appropriate steps to implement IFRS.

The PKF report on Grant Claim Certification for the year ended 31 March 2010 was presented to the January 2011 meeting of the Audit Committee. The main points were:

Annual Governance Statement

- The Council's arrangements for preparing grant claims and other returns are operating effectively.

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 2011 and up to the date of approval of the Statement of Accounts.

I A Nicholson 26 September 2011

Councillor Tony Nicholson,
Leader of the Council.

J Rowlands 26 September 2011

Jenny Rowlands,
Chief Executive.

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 by central Government.

Asset

This is something that the Council owns that has a monetary value. Assets are either 'current' or 'non-current'.

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. debtors)

A non-current asset provides the Council with benefits for a period of more than one year (e.g. Property, Plant and Equipment)

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 accounting codes of practice have been followed.

Balance sheet

This is a financial statement summarising the Council's assets, liabilities and reserves 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.

Glossary of Terms

Budget

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

Capital expenditure

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

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, capital receipts, direct revenue financing, capital grants and contributions, and earmarked reserves.

Capital programme

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

Capital receipts

This is the income received from the sale of non-current 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 parks and open spaces.

Glossary of Terms

Comprehensive income and Expenditure Statement

This 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.

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 the Council 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.

Depreciation

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

Glossary of Terms

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 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 the Council receives or expects to receive from any source including fees, charges, sales, grants and interest.

Glossary of Terms

Infrastructure

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

International Financial Reporting Standards (IFRS)

These advise the accounting treatment and disclosure requirements of transactions so that a local authority's accounts 'present fairly' its financial position. IFRS apply fully with effect from the 2010/2011 Statement of Accounts.

Inventories

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

Liability

The Council must include a liability 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, like the Council, act as agents by collecting the money and paying it over to Government. The Government redistributes this money back to local authorities based on population.

Glossary of Terms

Net Book Value (NBV)

The amount at which non-current 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 non-current assets owned by the Council that it does not directly occupy or use in the delivery of services, for example investment properties.

Operational assets

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

Outturn

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

Operating lease

This is a lease where the ownership of the non-current 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. The Council uses some vehicles and properties 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.

Glossary of Terms

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 elected members
- its chief officers

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

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

Glossary of Terms

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 party transactions 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 the Council 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 a non-current asset at the end of its useful life.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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.

Contact details

This document has been prepared by the Financial Services Division of the Finance Department of Lewes District Council.

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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