

Lewes District Council Statement of Accounts 2009/2010



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

Lewes District Council
Statement of Accounts 2009/2010

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Foreword and Review of the Financial Year

Introduction

The Key Accounting Standards and Statements

We have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the UK (the Code of Practice) in putting together our Statement of Accounts for 2009/10. The accounts fairly reflect Lewes District Council's financial position for the financial year ended 31 March 2010. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Director of Finance and Community Services is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal control can be relied on to produce an accurate statement of accounts. His statement of assurance for 2009/10 appears on page 62 of this document.

It is a requirement of the Code of Practice that the Council prepares its accounts in a way which makes them easy to compare with those of other local authorities and private sector bodies. In some years, the accounting 'rules' that we must follow change: in 2009/10 the most significant change is in the way that Council Tax income is accounted for. The Statement of Accounting Policies section of this document sets out all the rules that we have followed in preparing our accounts and gives a detailed explanation of this change.

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

Income and Expenditure Account

All local authorities are required to maintain an Income and Expenditure Account. This records all of the spending and income used in the day to day provision of all services including Council housing and also includes any profit or loss from the use and disposal of assets within the period. The account also shows how much is received from council taxpayers and from general government grants to help meet the cost of services.

Statement of Movement on the General Fund Balance

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

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

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

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

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Statement of Total Recognised Gains and Losses (STRGL)

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

Balance Sheet

The Balance Sheet provides a snapshot of our financial position as at 31 March 2010 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 Income and Expenditure Account and HRA balances are included within the Balance Sheet.

Collection Fund

This account shows the transactions that have arisen because we are a billing authority. This means that we are responsible for collecting non-domestic rates which we pay over to Government. It also means that we are responsible for collecting council tax which we pay over to the precepting authorities – the Police, the Fire Authority, the County Council, and the Town and Parish councils – as well as to ourselves. The transactions within this account are not included within the Income and Expenditure Account because they do not relate to the day to day operational services we deliver.

Review of 2009/10

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.

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- Capital expenditure is the money we spend on assets that last for many years, like buildings and vehicles. We finance this mainly from government and other grants, from the sale of our assets, and from our own revenue resources. We also finance a little by borrowing which we pay back from our income over time, much as a private homeowner would repay a mortgage.

General Fund

Our Income and Expenditure Account is shown on page 19. It records a surplus for the year of £1.102m. The Statement of Movement on the General Fund Balance is shown on page 20. It records a net additional amount to be debited to the General Fund Balance for the year of £1.056m.

The net effect of these two amounts produces an overall increase in the General Fund Balance for the year of £0.046m, which increases the amount held to a total of £1.573m at 31 March 2010.

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 £0.046m and the Council has set this aside for use in the future if it is needed.

Comparing actual spending to budget

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

<u>General Fund (see next page)</u>	£'000
Net revenue expenditure (line 14 column 3)	12,884
Less funding (line 18 column 3)	<u>(13,430)</u>
Total Surplus for year (line 19 column 3)	(546)
Additional amount added to reserves (page 6)	<u>500</u>
Net surplus for year	<u>(46)</u>
Income and Expenditure Account surplus (page 19)	(1,102)
Add additional amounts to be debited (page 20)	<u>1,056</u>
Net Surplus for year.	<u>(46)</u>

The following table compares our actual net spending for 2009/10 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 determines its budget each year (Budget books are published on the Council's website www.lewes.gov.uk). It also shows how net expenditure was financed. The table excludes the effect of technical accounting adjustments needed to reflect the reduction in value of land and buildings used in the delivery of services, as assessed in a formal valuation exercise (see page 8 for more details).

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Comparison of actual and budgeted General Fund net expenditure

	(1)	(2)	(3)	(4) = (3) – (2)
	2009/10	2009/10	2009/10	2009/10
	Original	Revised	Net	Variance
Services by Lead Councillor Portfolio	Estimate	Estimate	Actual	against
	£'000	£'000	Expenditure	Revised
			£'000	£'000
1 Business, Employment and Tourism	(296)	(238)	(325)	(87)
2 Community	3,513	3,965	3,545	(420)
3 Environment	4,812	4,585	4,218	(367)
4 Housing	1,741	2,032	1,203	(829)
5 Leader of the Council	1,891	898	1,417	519
6 Planning	1,549	1,515	1,429	(86)
7 Environment Agency Levy	128	122	122	0
8 Area Based & LABGI Grants	(23)	(61)	(95)	(34)
9 Contingency	50	21	0	(21)
10 Revised Estimate Review	(181)	(80)	0	80
11 Net Cost of Services	13,184	12,759	11,514	(1,245)
12 Transfer to (from) Pensions Reserve	33	661	666	5
13 Transfer to (from) Earmarked Reserves	694	(35)	704	739
14 Net Revenue Expenditure of Lewes District Council to be met by Government Grants and Local Taxpayers	13,911	13,385	12,884	(501)
15 Total Demand on the Collection Fund Council Tax	(7,106)	(7,106)	(7,106)	-
16 Revenue Support Grant	(1,186)	(1,186)	(1,186)	-
17 Non-Domestic Rates redistribution	(5,138)	(5,138)	(5,138)	-
18 Total Funding	(13,430)	(13,430)	(13,430)	-
19 Deficit /(surplus) for year (14 - 18)	481	(45)	(546)	(501)

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Explaining the differences

In February 2009 the Council set a net expenditure budget of £13.911m to meet the Lewes District Council requirements for delivering services in 2009/10. This represents the net cost of providing our services after taking into account:

- £31.1m of income from specific government grants
- £4.8 m of income from fees & charges, rents & sales
- £0.4m of income from investments

The budget also assumed a net contribution of £0.694m into earmarked reserves. The Council agreed to withdraw £0.481m from its General Fund Balance in order to limit the increase in its Council Tax for the year to 2.9%.

The original budget was revised down to £13.385m during the course of the year to take account of a range of expenditure and income changes. The principal changes were in respect of higher levels of income from recycling and trade waste being experienced in the year than originally forecast, (£0.199m), a backdated VAT refund (£0.143m) and a forecast made by the consultants employed by the Sussex Countywide Concessionary Travel Scheme for a reduction of £0.122m in our share of the cost of concessionary travel (the statutory free bus pass scheme). 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 plan by adding £0.046m to the General Fund Balance over the course of the year rather than make a withdrawal.

The actual net expenditure for 2009/10 was £12.884m (on the basis set out on page 4), £0.501m 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	£'000
Increases in income:		
- LAA Performance Reward Grant	87	
- Waste and recycling income	37	
- Planning fees	25	
- Estates and Newhaven Business Centre	23	
- Cemeteries	14	186
Reductions in income – investment returns		(51)
Increased Expenditure – bad debt provision		(25)
Reductions in service expenditure		
- waste and recycling operational costs	109	
- car parking	34	
- Councillor allowances and election costs	40	
- water charges	19	202
Reduction in net cost of Housing/Council tax benefit		124
Savings anticipated in revised budget included above		(80)
Other net variations		22
Reductions in employee, office, IT and support costs charged to services		178
Unspent revenue budgets carried forward to 2010/11		335
Unspent project budgets carried forward (to be funded from earmarked reserves)		293
Reduction in the Net Cost of Services		1,184
Net increase in transfers to earmarked reserves		(738)
Contingency Fund not required		21
Additional Area Based Grant received		34
Increase in General Fund Surplus for Year		501

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

Total available for allocation	501
Used for additional contribution to Change Management and Capacity Reserve	£'000 (500)
Additional contribution to the General Fund Balance	1
Planned Contribution included in revised budget (see page 4)	45
General Fund Balance at 1 April 2009	1,526
Sub-total	1,572
Rounding adjustments within amounts shown above	1
Balance at 31 March 2010	1,573

Reserves

Budget holders requested that £0.335m of the reduction in the net cost of services for 2009/10 be carried forward into the 2010/11 financial year to allow work underway to be completed. Examples of the major items and the reasons for carrying forward these budgets are as follows:

	£'000
Recycling – to continue the waste avoidance campaign	38
Contaminated Land – to identify at risk sites through ongoing land investigations	52
Landport Bottom Nature Reserve – to implement the site management plan	27
'Urban 25' Environmental Project – to complete this initiative	17
Homelessness – to sustain several initiatives	38
Finance – to ensure the Council's computerised financial system remains up to date	14
Urban Drainage Scheme – Partnership Project	42
Other – 25 items across a variety of Council services	107
Unspent revenue budgets carried forward to 2010/2011	335

There were several budgets for specific projects funded from earmarked reserves that were not fully spent in 2009/10. The unspent amounts are carried forward into 2010/11 through the earmarked reserves balance as shown below.

	£'000
Newhaven Fort Condition Survey	40
Parking Study	4
Economic Development Initiatives	3
Leisure Centres Assets Maintenance Programme	113
Tree Maintenance	77
Cemetery Memorial Maintenance	18
Leisure Building Maintenance	5
Planning Delivery Grant funded initiatives	19
Land Charges income carried forward to reduce future fees	27
Work carried out at Markstakes Common funded from reserves	(20)
Insurance Reserve adjustment re previous HRA contributions	(68)
Minor variations	7
Unspent project budgets carried forward	225

Capital expenditure

The table overleaf shows that our total capital expenditure for 2009/10 was £5.29m and lists the major areas where that investment was made. It also shows how this expenditure was funded.

Continued.....

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Type of project	2009/10 £m
HRA Housing Investment Programme	3.20
General Fund Housing Investment Programme	0.79
General Fund Services Capital Programme	
- Community Services	0.41
- Planning, Environment, Economic Development	0.26
- Corporate Services	0.15
- Corporate Buildings and backlog repairs programme	0.45
- Vehicle replacement programme	0.03
Total Capital Expenditure	5.29
Type of funding	
Major Repairs Allowance: a Government grant wholly given to maintain the value of the Council's housing stock	2.51
Capital receipts: money from the sale of Council property	0.46
Grants and Contributions: from external partners, like the Government (£0.56m), National Lottery (£0.16m), East Sussex County Council (£0.10m) and property developers.	1.05
Reserves: money set aside from revenue in previous years	0.59
Revenue Financing: contributions from the Housing Revenue Account (paid for by tenants' rent)	0.41
Revenue Financing: contributions from the General Fund	0.01
Borrowing: an external loan specifically to finance improvements to our Council housing stock	0.26
Total Capital Financing	5.29

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.

Housing Revenue Account (HRA)

Our expenditure exceeded our income by £0.500m in 2009/10, an improvement of £0.106m against the budget for the year which had anticipated a deficit of £0.606m.

An analysis of the main variations against the budget follows:

	2009/10 £'000
Additional income	
- rent received	10
- service charges	8
- asset sales	10
Reduced expenditure	
- revenue contribution to fund capital expenditure	92
- corporate administration cost	85
- insurance excesses	30
- external advice	25
- communal lighting	24
- provision for possible bad debts	16
- grounds maintenance	12
- legal costs	10
Less increased expenditure	
- repairs and maintenance	(130)
- sheltered housing scheme costs	(55)
- negative housing subsidy payment due to Government	(40)
Miscellaneous net variations	9
Total	106

At 31 March 2010 the HRA balance is £2.475m.

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

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and the Housing Revenue Account means that our finances are in a healthy state.

Our financial wellbeing is evidenced by combined balances totalling £4.048m held by the General Fund and the Housing Revenue Account that will be used to support our future spending plans. A further £8.75m held in earmarked General Fund reserves, and £0.46m in the HRA including the Major Repairs Reserve will be used to support our specific and one-off spending priorities. £2.85m in capital receipts is available to support our forward capital programme.

Treasury Management

Our external loan debt at 31 March 2010 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 £8.4m 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 £8.0m (excluding an investment of £1m made with Landsbanki hf, the Icelandic Bank, which is currently in administration – see Note 5. on page 28 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. In accordance with accounting requirements, the reduction in value of these assets has been charged as a cost to the Income and Expenditure Account (£5.6m in total) giving rise to the overall loss for the year shown on page 19.

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 2010 by the actuary as having a deficit of £33.51m compared with a deficit of £15.38m at 31 March 2009. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire. The significant deterioration in the year reflects the facts that the financial assumptions at 31 March 2010 are less favourable than a year previously, and that mortality assumptions reflect improvements in life expectancy.

Looking ahead –outlook for 2010/11 and beyond

General Fund

The Council's spending plans continue to be linked to residents' priorities and to the Government's national priorities for all local authorities. The 2010/11 budget has been set against an uncertain economic background. Supporting people through the national economic downturn continues to be a particular focus for the year ahead. We expect to continue to see high levels of demand for housing advice services in the coming months and the significant increase in the number of households in receipt of housing benefit is not expected to subside in the near future – the Government has given us an additional £0.08m to help manage the extra caseload. We are also doing what we can to support local businesses. Our dialogue with business will continue and one-off projects will be brought forward utilising our Economic Initiatives budget.

A key aim of the Council continues to be to protect and enhance the quality of the environment. As well as continuing to expand

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our recycling service (all properties in Lewes will have access to glass collection by December 2010), we have stated our commitment to the nationwide '10:10' carbon reduction campaign and have drawn up an action plan to achieve reductions in emissions.

The Council's Medium Term Financial Strategy sets out our spending plans over the period 2010/2011 to 2013/2014. In common with many local authorities, we are anticipating a significant reduction in the funding that we receive from the Government each year from 2011/2012. Our grant funding for 2010/2011 remains as originally announced (it increases by almost £0.121m or 1.9% to £6.445m), but the Government put increased pressure on local authorities to constrain their council tax increases to well below 3%, effectively putting a ceiling on the Council's revenue spending plans. Pay and price increases have added £0.289m to the General Fund budget, which the Council agreed to be £7.35m for 2010/2011. The Council Tax for a Band D property is £192.48, which represents an increase of 2.5% (9 pence per week for a Band D property). In order to reduce the total net budget, the Council has set a savings target of £0.19m to be achieved over the period 2010/2011 to 2011/2012, to be followed by further savings of £0.535m before the end of 2013/2014. £0.19m of the General Fund working balance will be used, with a net contribution to reserves of £0.214m. The overall movement in the General Fund budget is summarised below.

	£'000
2009/2010 net budget	13,431
Pay and price increases	289
Changes in service costs and income:	
- Increased income from fees, charges and sales	(177)
- Cost of national Bus Pass scheme	(117)
- Reduced income generated from investments	204
Other changes	8
Sub-total	13,638
Changes in use of reserves, balances and one-off items	342
Savings target to be achieved in the year	(100)
Net service spending programme for 2010/2011	13,880
Less: external support from Government	(6,445)
Less: use of Collection Fund surplus	(85)
2010/11 Net General Fund Budget to be funded from Council Tax	7,350

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 2010/2011 the average projected rent for all Council dwellings is £70.61 per week, an increase of 1.12% when compared with 2009/2010. The average rent increase was agreed after detailed discussion with representatives of the 'Tenants of Lewes District' organisation and acknowledges the need to minimise rent increases in the current economic climate. The actual average rent is £5.11 lower than the formula rent target under the Government's 'rent restructuring' system which local authorities and registered social landlords are required to

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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 £1.79 per property per week. Total income generated from rents, service charges and other contributions towards expenditure in 2010/2011 is estimated to be £13.766m, excluding £0.641m 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. We use up to date data concerning the condition of our housing stock to 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 former Government started a consultation exercise with local authorities on a proposal to make a major reform to the national housing finance system. Locally, this could result in our HRA benefitting from an extra £1m in resources each year from 2011/12. It is not yet clear if the new Government will implement this proposal or an alternative option.

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.

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 2010/2011 is split into 3 distinct elements.

- *General Fund Capital Programme* - £1.98m, including £0.39m to replace essential vehicles (for example refuse freighters) as they reach the end of their life, and £0.86m in respect of new and upgraded leisure and recreation facilities, to be funded primarily by grants and contributions received from developers.
- *HRA Housing Investment Capital Programme* - £2.75m in respect of major repairs and improvements to the Council's housing stock, of which £2.17m will be funded from the Major Repairs Allowance received from the Government, £0.32m from revenue resources and £0.26m from Government supported borrowing.
- *General Fund Housing Investment Programme* £1.1m, 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 and Community Services,
June 2010.*

Statement of Accounting Policies

1. General Principles

The Statement of Accounts ('the Accounts') summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. The SORP is recognised by statute as representing proper accounting practices and meets the requirements of the Accounts and Audit Regulations 2003. The accounts are also prepared on the principle of Total Cost as defined in the Best Value Accounting Code of Practice (BVACOP). Total Cost of a service includes all costs which relate to its provision (either directly or bought in) including expenditure relating to employees, premises and transport, supplies and services, third party payments, transfer payments, support services and charges for the depreciation and impairment of assets. Net total cost is total cost less income including specific grants.

2. Estimation Techniques

In line with Financial Reporting Standard 18 – Accounting Policies, a distinction is drawn between accounting policies and estimation techniques ie the methods adopted to arrive at estimated monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Principal areas of estimation are depreciation, bad debt provision, and the basis underlying the pensions liability. Throughout this section and in the notes to the Balance Sheet, the bases on which assets, liabilities, gains, losses and changes in reserves have been assessed. The estimation techniques have not changed since the 2008/09 Accounts were prepared.

3. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4. Intangible Fixed Assets

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

Statement of Accounting Policies

5. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

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

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

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

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost

- investment properties and surplus assets – market value

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

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

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

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

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to

Statement of Accounting Policies

the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

Depreciation is calculated on the following bases:

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

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

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

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

6. Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated

Statement of Accounting Policies

- gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

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

7. Revenue Expenditure Funded from Capital Under Statute

Expenditure that qualifies as capital under statutory provisions, but does not result in the acquisition, creation or enhancement of a tangible fixed asset for the Council (e.g. improvement grants) is fully written off to revenue in the year in which it is incurred on the basis that no long term benefit accrues to the Council from that expenditure.

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

8. Government Grants and Other Contributions

Revenue: Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

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

9. Leases

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

Items used under an operating lease confer no rights of ownership and therefore do not give rise to borrowing. Rentals payable or receivable under operating leases are charged or credited to the relevant service revenue account on a straight-line basis over the term of the lease. This in effect means that rentals are charged when they become payable or receivable.

10. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and

Statement of Accounting Policies

Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The Council's outstanding long term loan is a Lender's Option Borrower's Option loan agreement with provision for stepped interest rates. In this case, the effective interest rate charged to the Income and Expenditure Account is based on the rates which are expected to prevail over the full term of the loan, presuming no exercise of options.

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

11. Financial Assets

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

a) *Investments* are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal

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

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

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

12. Overheads and Support Services

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

13. Provisions

Provisions are set aside for liabilities or losses which result from past events, can be readily estimated and are likely or certain to

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be incurred but over which there is some uncertainty as to the amounts and/or dates on which they will arise.

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

14. Reserves

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and these do not represent usable resources for the Council. These reserves are explained elsewhere in this statement of accounting policies.

15. Pensions

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

The liabilities of the East Sussex County Council scheme attributable to the Council are included in the Balance Sheet on

an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earning for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 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

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

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

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

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

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the

Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

16. Collection Fund

(a) Council Tax Income

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NNDR). The key features relevant to accounting for council tax in the core financial statements are:

- in its capacity as a billing authority, the Council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors (East Sussex County Council, Sussex Policy Authority and East Sussex Fire Authority) and itself
- while the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out to the major preceptors. The amount credited to the General Fund under statute is an authority's precept for the year plus the authority's share of the surplus on the Collection Fund for the

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previous year or less its share of the deficit on the Collection Fund for the previous year.

Up to 2008/2009 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund. From the year commencing 1 April 2009, the Council Tax income included in the Income and Expenditure Account shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by statute to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item to the Statement of Movement on the General Fund Balance.

(b) National Non-Domestic Rates (NNDR) Income

Billing authorities collect NNDR under what is in substance an agency arrangement with the Government. The 2009 SORP has confirmed that, as a result, the NNDR taxpayers' debtor and creditor balances and bad debt provision are not Balance Sheet items of the billing authority, but that it should recognise a creditor with the Government for cash collected from NNDR taxpayers not yet paid to the Government at the Balance Sheet date or a debtor if it has 'overpaid' the Government.

(c) Restatement of 2008/2009 Accounts

As a result of the changes in accounting treatment, adjustments have been made to figures previously reported within the 2008/2009 Accounts. These are detailed in Note 1. within the Notes to the Core Financial Statements section of this Statement of Accounts.

17. Stocks

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

18. VAT

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

19. Group Accounts

The Council has reviewed its interests with external bodies in 2009/2010 as required by the SORP and has concluded that it does not have any interests in subsidiaries, associated companies or joint ventures that would require Group Accounts to be produced.

20. Prior Period Adjustments

There are no adjustments to the accounting policies adopted by the Council as a result of the SORP that require changes to the 2009/2010 Accounts other than those referred to above.

All of our accounting records and information are retained at Southover House, Southover Road, Lewes, East Sussex, BN71AB

Income and Expenditure Account

2008/09 Net Expenditure Restated £'000	2009/10 Gross Expenditure £'000	2009/10 Gross Income £'000	2009/10 Net Expenditure £'000
Expenditure on Services			
919 Central Services to the Public	9,342	8,404	938
9,906 Cultural, Environmental & Planning Services	17,546	4,824	12,722
367 Highways, Roads & Transport Services	1,757	1,312	445
30,142 Local Authority Housing	7,819	13,852	(6,033)
1,347 Other Housing Services	31,404	29,948	1,456
1,773 Corporate & Democratic Core	2,160	201	1,959
(762) HMRC Settlement VAT Claim <i>(Note 2. p27)</i>	17	85	(68)
43,692 NET COST OF SERVICES	70,045	58,626	11,419
(573) Gains on Sale of Fixed Assets			(180)
2,415 Precepts paid to Local Councils <i>(Note 3. p27)</i>			2,569
(561) Surplus from Trading Operations <i>(Note 4. p27)</i>			(335)
(930) Amortisation of Grant received re Trading Operations <i>(Note 4. p27)</i>			0
396 Interest payable and similar charges			243
202 Impairment loss <i>(Note 5. p28)</i>			158
402 Contribution of Housing Capital Receipts to Government Pool <i>(Note 6. p29)</i>			387
(967) Interest and Investment Income			(312)
469 Pension Interest Cost & expected return on pension assets <i>(Note 7. p29)</i>			1,218
44,545 NET OPERATING EXPENDITURE			15,167
Less:			
(9,342) Income from Council Tax			(9,766)
(940) General Government Grants <i>(Note 8. p32)</i>			(1,365)
(5,467) Non-Domestic Rates redistribution			(5,138)
28,796 DEFICIT/(SURPLUS) FOR THE YEAR			(1,102)

Statement of Movement on the General Fund Balance

2008/09		2009/10	2008/09		2009/10
Restated		£'000	Restated	Analysis of Net additional amount	£'000
£'000		£'000	£'000	Required to be excluded by statute when determining the Movement on the General Fund Balance for the year	£'000
28,796	Deficit/(Surplus) for the year on the Income and Expenditure Account	(1,102)	(698)	Amortisation of intangible fixed assets	(313)
	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year (see table to right)	1,056	(32,705)	Depreciation and impairment of fixed assets	(1,202)
(28,956)		(46)	2,679	Amortisation and impairment of Government Grants and Contrib's Deferred	2,365
(160)	Decrease/(Increase) in General Fund Balance for the year	(1,526)	(1,017)	Write down of REFCUS	(829)
(1,366)	General Fund Balance brought forward	(1)	(43)	Loan Premiums & Discounts (Note 25. p47)	212
	Rounding adjustment for presentation	(1,573)	(163)	Financial Instruments (Note 25. p47)	(104)
(1,526)	General Fund Balance carried forward	180	573	Net gain on sale of Fixed Assets	0
		(2,490)	320	Difference between the amount by which finance costs calculated under SORP and the amount of finance costs calculated in accordance with statutory requirements	(2,490)
(1,526)	Amount of General Fund Balance generally available for new expenditure	(1,573)	(2,499)	Net charges made for retirement benefits in accordance with FRS 17	90
			43	Difference between amount of Council Tax income/demand on the Collection Fund calculated in accordance with regulation	90
			(33,510)		(2,091)
				Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
			77	Minimum Revenue Provision for capital financing	74
			1,247	Capital expenditure charged in-year to the General Fund Balance	1,010
			(402)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(387)
			2,030	Employer's contributions payable to the East Sussex Pension Fund and retirement benefits payable direct to pensioners	2,045
			2,952		2,742
				Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
			(71)	Housing Revenue Account balance	(500)
			1,673	Net transfer to or (from) earmarked reserves	905
			1,602		405
			(28,956)	Net additional amount required to be credited/debited to the General Fund balance for the year	1,056

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

Statement of Total Recognised Gains and Losses

2008/09		
Restated		
£'000		
(28,796)	Surplus/(Deficit) for the year on the Income & Expenditure Account	2009/10 1,102
(11,043)	Gains/(Losses) arising on revaluation of Fixed Assets	3,958
(8,217)	Actuarial Gains/(Losses) on pension fund assets and liabilities	£'000 (17,716)
316	Other Recognised Gains/(Losses)	48
(47,740)	Total recognised gains/(losses) for the year	(12,608)

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

Balance Sheet at 31 March

2009 Restated			2010	
£'000	£'000		£'000	£'000
	776	Intangible Fixed Assets		631
		Fixed Assets - operational		
188,548		Council Dwellings	194,979	
31,809		Other Land and Buildings	39,812	
2,812		Vehicles Plant and Equipment	2,579	
2,140		Infrastructure Assets	1,883	
2,001		Community Assets	2,304	
	227,310			241,557
	13,473	Fixed Assets - non-operational:		
	0	Investment Properties		1,452
		Surplus assets held for disposal		1,800
	241,559	TOTAL FIXED ASSETS (Note 18. p38)		245,440
2,106		Long Term Investments (Note 22. p41)		
113		Long Term Debtors (Note 22. p41)		
	2,219	TOTAL LONG TERM ASSETS		854
		CURRENT ASSETS		
1,790		Cash and Bank (Note 39. p54)		
93		Stocks and Work in Progress (Note 23. p46)		
6,242		Debtors and Payments in Advance (Note 22. p41)		
4,120		Short Term Investments (Note 22. p41)		
	12,245	Total Current Assets		14,386
		CURRENT LIABILITIES		
109		Short Term Borrowing (Note 22. p41)	109	
4,982		Creditors and Receipts in Advance (Note 22. p41)		
	5,091	Total Current Liabilities		4,791
	7,154	NET CURRENT ASSETS		9,595
	250,932	TOTAL ASSETS less CURRENT LIABILITIES		255,889
		LESS LONG TERM LIABILITIES		
5,000		Long Term Borrowing (Note 22. p41)		
6,484		Government Grants and Contributions Deferred (Note 24. p46)	5,175	
2,345		Development Contributions (Note 26. p47)		
15,375		Defined Pension Scheme Liability (Note 7. p29)		
	29,204	Total Long Term Liabilities		46,769
	221,728	TOTAL ASSETS LESS LIABILITIES		209,120
			3,239	5,219
			4,682	

Balance Sheet at 31 March

2009 Restated £'000		2010 £'000
3,291	Revaluation Reserve (Note 27. p48)	6,857
218,813	Capital Adjustment Account (Note 27. p48)	220,254
(841)	Financial Instruments Adjustment Account (Note 25. p47)	(732)
2,819	Usable Capital Receipts Reserve (Note 28. p49)	2,844
7	Deferred Capital Receipts (Note 29. p49)	4
(15,375)	Pension Reserve (Note 7. p29)	(33,507)
1,526	General Fund Balance (p20)	1,573
2,975	Housing Revenue Account Balance (p56)	2,475
56	Collection Fund Adjustment Account (p61)	147
8,128	Earmarked Reserves (Note 31. p50)	8,745
329	Major Repairs Reserve (Note 32. p53)	460
221,728	TOTAL NET WORTH	209,120

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 30 June 2010. The audited accounts were authorised for issue on 27 September 2010.

Signed

J Magness

John Magness, CPFA
Director of Finance and Community Services

Date

27 September 2010

Cash Flow Statement

2008/09 Restated £'000		£'000	2009/10 £'000
1,175	Net Revenue Cash		
	Returns on Investments and Servicing of Finance		
386	Cash Outflows Interest paid	242	(3,484)
(916)	Cash Inflows Interest received	(859)	
(530)			
645	Net Cash (Inflow) from revenue activities		(4,101)
	CAPITAL ACTIVITIES		(617)
5,167	Cash Outflows Investment in fixed assets	4,647	
1,017	Other Capital Cash Payments	1,546	
(1,191)	Cash Inflows Sale of fixed assets	(525)	
(3,044)	Capital grants received	(1,261)	
(758)	Other capital cash receipts	(2,624)	
1,191			1,783
1,836	Net cash outflow before financing		(2,318)
	Management of Liquid Resources		
(6,000)	Net increase/(decrease) in short term deposits	1	
(693)	Net increase in other liquid resources	868	
(6,693)			
	Financing		
36,890	Cash Outflows Repayment of amounts borrowed	0	
(33,890)	Cash Inflows New borrowing	(0)	
3,000			
	2009/10		869
(1,857)	Net (increase)/decrease in cash		(1,449)

Notes to the core financial statements

Note 1. Prior Period Adjustments

Clarification of the accounting treatment of Council Tax and NNDR income (see Statement of Accounting Policies item 16 page 17) requires the restatement of items within the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Balance Sheet and Cash Flow Statement for 2008/2009. In addition the 2009 SORP also makes it clear that Housing and Planning Delivery Grant is to be included as a General Government grant rather than a service specific grant within the 'Cultural, Environmental and Planning' group of services. A further change has been made to the Balance Sheet to reclassify accrued interest on a long term loan as Short Term rather than Long Term Borrowing. Details of the restated items are:

Extracts from the Income and Expenditure Account

	2008/09 Pre-Restatement			Adjustment			Net Expenditure £'000
	Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
Cultural Environmental and Planning Services	14,619	4,796	9,823	-	(83)	83	
All other Services	82,993	49,207	33,786	-	-	-	
NET COST OF SERVICES	97,612	54,003	43,609	-	(83)	83	
Non-Service items			853			-	
NET OPERATING EXPENDITURE			44,462			83	
	2008/09 After Restatement						
Gross Cultural Environmental and Planning Services	14,619	4,713	6				
All other Services	82,993	49,207	33,786				
NET COST OF SERVICES	97,612	53,920	43,692				
Non-Service items			853				
NET OPERATING EXPENDITURE			44,545				

	2008/09 Net Expenditure £'000 before restatement	Adjustment £'000	2008/09 Net Expenditure £'000 after restatement
Net Operating Expenditure	44,462	83	44,545
Less:			
Total Demand on Collection Fund	(9,299)	9,299	-
Income from Council Tax	-	(9,342)	(9,342)
General Government Grants	(857)	(83)	(940)
Non-Domestic Rates Redistribution	(5,467)	-	(5,467)
Deficit for the Year	28,839	(43)	28,796

Extracts from the Statement of Movement on the General Fund Balance

	2008/09 £'000 before restatement	Adjustment £'000	2008/09 £'000 after restatement
Deficit for the Year on the Income and Expenditure Account	28,839	(43)	28,796
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year	(28,999)	43	(28,956)
(Increase) in General Fund Balance for the year	(160)	0	(160)

Notes to the core financial statements

	2008/09 £'000 before restatement	Adjustment £'000	2008/09 £'000 after restatement
Analysis of net additional amount			
Amounts included in the Income and Expenditure Account but required to be excluded by statute when determining the Movement on the General Fund Balance for the year			
Items as originally shown	(33,553)	-	(33,553)
Amount by which Council Tax income is different from the demand on the Collection Fund calculated in accordance with regulation	-	43	43
(Increase) in General Fund Balance for the year	(33,553)	43	(33,510)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year (total)	2,952	-	2,952
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year (total)	1,602	-	1,602
Net additional amount required to be credited to the General Fund balance for the year	(28,999)	43	(28,956)

Extract from the Balance Sheet

	2008/09 £'000 before restatement	Adjustment £'000	2008/09 £'000 after restatement
Total Fixed and Long Term Assets	243,778	-	243,778
Debtors and Payments in Advance			
: council taxpayers	1,596	(1,341)	255
: Non-Domestic Ratepayers	380	(380)	0
: bad debt provision re above	(589)	514	(75)
: all other debtors	6,062	-	6,062
Sub-total	7,449	(1,207)	6,242
Other Current Assets	6,003	-	6,003
Total Current Assets	13,452	(1,207)	12,245
Creditors and Receipts in Advance			
: council taxpayers	902	(758)	144
: Precepting authorities re Council Tax	0	107	107
: Non-Domestic Ratepayers	136	(136)	0
: DCLG National Pool	554	(124)	430
: all other creditors	4,301	-	4,301
Sub-total	5,893	(911)	4,982
Short Term Borrowing	0	109	109
Total Current Liabilities	5,893	(802)	5,091
NET CURRENT ASSETS	7,559	(405)	7,154
TOTAL ASSETS less CURRENT LIAB'S	251,337	(405)	250,932
Less Long Term Borrowing	5,109	(109)	5,000
Less Other Long Term Liabilities	24,204	-	24,204
TOTAL ASSETS LESS LIABILITIES	222,024	(296)	221,728
Reserves and Balances	221,672	-	221,672
Collection Fund Balance	352	(352)	0
Collection Fund Adjustment Account	0	56	56
TOTAL NET WORTH	222,024	(296)	221,728

Notes to the core financial statements

Statement of Total Recognised Gains and Losses

	2008/09 £'000 before restatement	Adjustment £'000	2008/09 £'000 after restatement
Deficit for the Year on the Income and Expenditure Account	(28,839)	43	(28,796)
Surplus for the year on the Collection Fund	268	(268)	-
(Losses) arising on revaluation of Fixed Assets	(11,043)	-	(11,043)
(Losses) on Pension Fund assets and liabilities	(8,217)	-	(8,217)
Other Recognised Gains	316	-	316
Total recognised gains/(losses) for the year	(47,515)	(225)	(47,740)
Reconciliation of Movement to Balance Sheets			
Net Worth at 31 March 2008	269,539	(71)	269,468
Net Worth at 31 March 2009	222,024	296	221,728
Reduction in Net Worth	(47,515)	225	(47,740)

Extract from the Cash Flow Statement

	2008/09 £'000 before restatement	Adjustment £'000	2008/09 £'000 after restatement
Net Revenue Cash	482	693	1,175
Returns on Investments and Servicing of Finance	(530)	-	(530)
Net cash inflow from revenue activities	(48)	693	645
Capital Activities	1,191	-	1,191
Net cash outflow before financing	1,143	693	1,836
Management of Liquid Resources			
: Net (decrease) in short term deposits	(6,000)	-	(6,000)
: Net (increase) in other liquid resources	0	(693)	(693)
Financing	3,000	-	3,000
Net (Increase)/decrease in cash	(1,857)	-	(1,857)

Note 1a. Post Balance Sheet Event

The actuarial valuation of the pension fund liability disclosed in the financial statements (see Note 7.) relies on a measure of price inflation to estimate the annual increase in pensions and has adopted the Retail Price Index (RPI). In its June 2010 budget the Government announced a move to using the Consumer Price Index (CPI). CPI is generally lower than RPI. As a result, over an extended period, recalculated pension increases will be lower than might have previously been expected. The consequence of this is that the actuarial gross liability will reduce as will the net pension deficit on the balance sheet. At this stage the financial effect cannot reasonably be estimated.

Note 2. Settlement of VAT Claim

In 2008/2009, HM Revenues and Customs accepted a claim that VAT regulations were incorrect in previous years as a result of which VAT had been over-collected from the Council. The amount over-collected was reimbursed, with the addition of interest. See also Note 33. p53.

Note 3. Precepts paid to Local Councils

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

Note 4. 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 to start-up and small businesses. Total income from these undertakings, derived mainly from rents, was £0.994m (2008/09 - £0.849m), running costs £0.350m

Notes to the core financial statements

(2008/09 - £0.312m) and net Capital charges (mainly relating to a reduction in asset values) £0.309m. The Gross and Net Book Values of the assets employed were £9.575m and £9.487m at 31 March 2010. In 2008/09 grant previously received to fund the construction of the Business Centre was written back to revenue to ensure that the balance held in the Government Grants Deferred Account at 31 March 2009 matched the value of the asset.

Note 5. Impairment Loss

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 (LA's) 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 accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee 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. This view is based on legal advice obtained jointly by LA's and on announcements made by the bank. The final decisions about the priority status of LA deposits will be made by the Icelandic courts. Allowing for the court cases to be heard, and for potential appeals, it is considered unlikely that there will be a settled position on priority status before the second 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 October 2011 to October 2018.

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.

An impairment loss of £202,000 had been recognised in the Income and Expenditure Account in 2008/09 and a further loss of £158,000 has been recognised in 2009/10. This has been

Notes to the core financial statements

calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the Council's anticipated loss of interest until monies are recovered.

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

The Council has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund - a sum of £103,000 has been transferred to the Financial Instruments Adjustment Account. The difference relates to the loss of interest on this deposit, the cost of which has been borne in full by the General Fund.

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

Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
12/08/08	11/08/09	£1,000,000	6.28%	£1,094,000	£359,000

The expected repayments have been estimated as follows:

Oct' 2011	£231,400	Oct' 2012	£92,500	Oct' 2013	£92,500
Oct' 2014	£92,500	Oct' 2015	£92,500	Oct' 2016	£92,600
Oct' 2017	£92,600	Oct' 2018	£203,200		

Interest credited to the Income and Expenditure Account in 2009/2010 was £54,100.

Details of the transfer made under the Capital Finance Regulations are given in Note 25. p47.

Note 6. Contribution of Housing Capital Receipts to Government Pool

The Capital Finance regulations require 75% of receipts generated from the sale of council housing to be paid into a national Pool.

Note 7. Pension Costs

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

Transactions relating to retirement benefits. We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

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

	£'000	2009/10 £'000
<i>Net cost of services</i>		
- current service cost	1,327	1,145
- past service cost	578	-
<i>Net Operating Expenditure</i>		
- interest cost	4,199	4,095
- expected return on assets	(3,730)	(2,877)
Net charge	2,374	2,363
Actual Return on Scheme Assets	(9,397)	15,957

Notes to the core financial statements

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

Statement of Movement on the General Fund Balance	2008/09 £'000	2009/10 £'000
<i>Actual amount charged against council tax for pensions in the year:</i>		
- employer's contributions payable to scheme	1,937	1,948
- reversal of net charges for retirement benefits in accordance with FRS17	(2,374)	(2,363)

In addition to the recognised gains and losses included in the Income and Expenditure Account, the following actuarial gains and losses have been included in the **Statement of Total Recognised Gains and Losses**. The cumulative amount is from the 2005/06 accounting period onwards.

	31 Mar 2006 £'000	31 Mar 2007 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000	31 Mar 2010 £'000
Actuarial Gains/(Losses)	381	3,845	3,514	(8,217)	(17,716)
Increase/(Decrease) in Irrecoverable Surplus from Membership fall and other factors	-	-	-	-	-
Actuarial Gains/(Losses) recognised in STRGL	381	3,845	3,514	(8,217)	(17,716)
Cumulative Actuarial Losses	(7,636)	(3,791)	(277)	(8,494)	(26,210)

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

	31 March 2009 £'000	31 March 2010 £'000
Fair Value of Employer Assets	44,459	60,196
Present Value of Funded Liabilities	(58,728)	(92,380)
Net (Under) funding in Funded Plans	(14,269)	(32,184)
Present Value of Unfunded Liabilities	(1,106)	(1,323)
Unrecognised Past Service cost	-	-
Net Pension Liability	(15,375)	(33,507)

The liabilities show the underlying long-term commitments that the Council has to pay retirement benefits. The net pension liability of £33.5m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Employer assets are analysed into the following categories:

	31 March 2009 £'000	31 March 2010 £'000
Equities	33,728	44,477
Bonds	4,438	3,005
Property	3,550	4,207
Cash	2,743	8,507
Total	44,459	60,196

Notes to the core financial statements

Reconciliation of defined benefit obligation.

	2008/09	2009/10
	£'000	£'000
Defined Benefit Obligation at 1 April	60,941	59,834
Current Service Cost	1,327	1,145
Interest Cost	4,199	4,095
Contributions by Members	588	593
Actuarial Losses/(Gains)	(5,107)	30,796
Past Service Costs/(Gains)	578	-
Losses/(Gains) on Curtailments	-	-
Liabilities Extinguished on Settlements	-	-
Estimated Unfunded Benefits Paid	(93)	(97)
Estimated Benefits Paid	(2,599)	(2,664)
Defined Benefit Obligation at 31 March	59,834	93,702

Reconciliation of fair value of employer assets

	2008/09	2009/10
	£'000	£'000
Fair Value Employer Assets at 1 April	54,219	44,459
Expected Return on Assets	3,730	2,877
Contributions by Members	588	593
Contributions by the Council	1,845	1,851
Contributions in respect of Unfunded Benefits	93	97
Actuarial Gains/(Losses)	(13,324)	13,080
Assets Distributed on Settlements	-	-
Unfunded Benefits Paid	(93)	(97)
Benefits Paid	(2,599)	(2,664)
Fair Value Employer Assets at 31 March	44,459	60,196

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the accounting period ie as at 31 March 2010. Details of the expected returns are as follows:

Year ended 31 March:	2008/09	2009/10
	% pa	% pa
Equities	7.0	7.8
Bonds	5.4	5.0
Property	4.9	5.8
Cash	4.0	4.8

The actual return on scheme assets in 2009/10 was (£15.957)m (2008/09 £9.397m).

Scheme history

Year ended 31 March:	2006	2007	2008	2009	2010
	£'000	£'000	£'000	£'000	£'000
Fair Value Employer Assets	54,310	57,843	54,219	44,459	60,196
Present Value of Defined Benefit Obligation	(68,620)	(68,443)	(60,941)	(59,834)	(93,702)
Surplus/(Deficit)	(14,310)	(10,600)	(6,722)	(15,375)	*(33,507)
Experience gains/(losses) on assets	7,619	27	(7,028)	(13,324)	(13,080)
Experience gains/(losses) on assets as % of Assets at 31 March	14.0%	0.0%	-13.0%	-30.0%	21.7%
Experience gains/(losses) on liabilities	113	17	566	9	(73)
Experience gains/(losses) on assets as % of Assets at 31 March	-0.2%	0.0%	-1.0%	0.0%	0.1%

* includes rounding adjustment

Financial assumptions

Using data provided by the pension scheme administrators and assumptions determined by the Council in conjunction with them,

Notes to the core financial statements

Hymans Robertson LLP, an independent firm of actuaries, has provided the data included within this note. The assumed rate of return on each type of asset is shown above. Life expectancy is based on the PFA92/PMA92 year of birth tables, with improvements from 2007 in line with the medium cohort. Using these assumptions, average future life expectancies at age 65 are:

		Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

Other assumptions used are as follows:

Year ended 31 March:	2009 % pa	2010 % pa
Inflation/Pension Increase Rate	3.1	3.8
Salary Increase Rate	4.6	5.3
Expected Return on Assets	6.5	7.1
Discount Rate	6.9	5.5

The total contribution expected to be made to the Pension Scheme by the Council in the year to 31 March 2011 is £1.9m.

Note 8. General Government Grants

The following are not attributable to a specific service:

	2008/09 Restated £'000	2009/10 £'000
Revenue Support Grant	(761)	(1,186)
Local Authority Business Grant Incentive Scheme	(74)	(38)
Housing and Planning Delivery Grant	(83)	(85)
Area Based Grant	(22)	(56)
	(940)	(1,365)

Note 9. Charity Accounts

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

Charity	2008/09 £'000	2009/10 £'000
Stanley Turner Recreation Ground	80	61
Mountfield Pleasure Ground Trust	73	71

Note 10. Operating leases

The Council uses cars, printers, copiers, land, and buildings financed by operating leases. The Income and Expenditure Account includes amounts payable under these arrangements as follows:

	2009/10 £'000	2009/10 £'000
Operating leases	370	278

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

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Cars	161	137	72	21	-
Printers & copiers	47	47	47	47	12
Private properties	29	16	1	-	-
Land & buildings	24	13	13	13	7
Total	261	213	133	81	19

From 2015/2016 onwards future payments will be £7,000 for Land and Buildings. The Council does not have any finance leases.

Notes to the core financial statements

The income generated from Leases granted by Lewes District Council is shown below. Income is expected to remain at this level in the medium term.

	2008/09 £'000	2009/10 £'000
Industrial Estates	611	631
Town Centre	67	61
Miscellaneous Land & Buildings	160	160
Sports Pavilions and Land	31	31
HRA Shops	45	46
Community Centre	9	8
	923	937

Note 11. Remuneration of employees

The number of employees whose remuneration, excluding employer's pension contributions, was in excess of £50,000 were:

Remuneration band	2008/09	2009/10
£50,000 - £54,999	6	6
£55,000 - £59,999		1
£60,000 - £64,999	3	
£65,000 - £69,999		2
£70,000 - £74,999		1
£75,000 - £79,999		1
£80,000 - £84,999	2	
£85,000 - £89,999		
£90,000 - £94,999		1
£95,000 - £99,999		1
£100,000 - £104,999	1	
£105,000 - £109,999		
£110,000 - £115,000		1

The table above includes those staff who form the Council's Corporate Management Team. The 2009/2010 remuneration

details of these staff including pension contribution (its Senior Employees as defined in the Accounts and Audit Regulations 2009) are as follows:

Post	Salary £	Bonus £	Expenses £	Benefits in kind £	Total Remuneration excluding pension contribution £	Pension contribution £	Total Remuneration including pension contribution £
Chief Executive	103,539	-	503	4,224	108,266	22,000	130,266
Director of Finance and Community Services	85,935	3,000	2,404	-	91,339	18,232	109,571
Director of Planning and Environmental Services	85,935	2,607	306	3,062	91,910	18,151	110,061
Head of Legal and Democratic Services (see note)	66,981	-	179	3,260	70,420	13,731	84,151
Head of Business Services	66,168	-	153	3,447	69,768	13,564	83,332
Head of Housing Services	70,179	-	807	4,663	75,649	15,231	90,880
Head of Democratic Services (see note)	31,161	-	-	823	31,984	5,990	37,974

Notes to the core financial statements

Note - the Head of Democratic Services retired on 18 October 2009, and the responsibilities of the post were amalgamated with those of the District Solicitor, now designated as the Head of Legal and Democratic Services.

For comparative purposes, the 2008/2009 remuneration details are as follows:

Post	Salary £	Bonus £	Expenses £	Benefits in kind £	Total Remuneration excluding pension contribution £	Pension contribution £	Total Remuneration including pension contribution £
Chief Executive	103,539	-	503	4,224	108,266	22,000	130,266
Director of Finance and Community Services	85,935	-	2,119	-	88,054	17,617	105,671
Director of Planning and Environmental Services	85,935	-	306	3,740	89,981	17,617	107,598
District Solicitor	66,168	-	11	849	67,028	13,564	80,592
Head of Business Services	66,168	-	291	2,962	69,421	13,564	82,985
Head of Housing Services	66,168	-	771	4,663	71,602	14,409	86,011
Head of Democratic Services	53,283	-	39	2,839	56,161	10,923	67,084

Note 12. Councillors' allowances

An Independent Remuneration Panel has recommended the levels of allowances that are paid to Councillors. Total payments have been as follows:

2008/09 Total £	Councillor	Basic Allowance £	Special Responsibility Allowance £	Carers Allowance £	Travel and Subsistence £	2009/10 Total £
3,557	Bob Allen	2,975	497		27	3,499
3,086	Patricia Bennett	2,975	112			3,087
2,963	Chris Bishop	2,975				2,975
3,934	Chris Bowers	2,975				2,975
2,989	Susan Bratchie	2,975			32	3,007
4,123	Carla Butler	2,975	288			3,263
3,133	Michael Chartier	2,975	559		7	3,541
7,713	Edward Collicot	2,975	5,519		156	8,650
3,055	Melanie Cutress	2,975			20	2,995
3,434	Jim Daly	2,975				2,975
3,458	Sharon Davy	2,975	497			3,472
16,770	Ann De Vecchi	2,975	13,800		195	16,970
3,458	Ian Eiloart	2,975	497			3,472
10,113	Jon Freeman	2,975	5,694		208	8,877
2,939	Paul Gander	2,975				2,975
9,210	Peter Gardiner	2,975	6,016			8,991
3,718	David Gray	2,975	918		31	3,924
3,524	Barry Groves	2,975	497			3,472
2,963	Lynda Hallett	2,975	56			3,031
7,087	Jacqueline Harrison-Hicks	2,975	4,140			
3,994	Tom Hawthorne	2,975	1,035			7,115
2,963	Philip Howson	2,975				2,975

Notes to the core financial statements

2008/09 Total £	Councillor	Basic Allowance £	Special Responsibility Allowance £	Carers Allowance £	Travel and Subsistence £	2009/10 Total £
6,537	Tom Jones	2,975	3,311		322	6,608
2,991	Carolyn Lambert	2,975	138		52	3,165
7,918	James MacCleary	2,975	5,519			8,494
6,590	Rod Main	2,975	4,140			7,115
3,565	Ron Maskell	2,975	497		243	3,715
3,075	Kevin Mayers	2,975				2,975
3,814	David Mitchell	2,975	690		208	3,873
7,141	Tony Nicholson	2,975	4,140		28	7,143
2,963	Ruth O'Keeffe	2,975				2,975
2,963	James Page	2,975				2,975
2,963	Robbie Robertson	2,975				2,975
3,026	David Rogers OBE	2,975			160	3,135
6,261	Eileen Russell	2,975	3,311			6,286
8,460	Steve Saunders	2,975	4,764			7,739
3,231	Jim Sheppard	2,975	2,938		205	6,118
2,963	Bob Sinclair	2,975				2,975
2,963	Cyril Sugarman	2,975				2,975
6,261	Ian White	2,975	486			3,461
3,709	Robert Worthington	2,975	497		257	3,729
195,578	Total	121,975	70,556		2,151	194,682

In addition to the above, total payments of £2,124 (£758 in 2008/09) were made to co-opted members of the Standards Committee who were not District Councillors. The cost of Employer's National Insurance totalling £3,999 has also been excluded from the above table.

The cost of Members' Allowances have been allocated as follows:

	2008/09 £'000	2009/10 £'000
Allowances – General Fund	148	155
Allowances – HRA	49	43
Total Allowances Paid	197	198

Note 13. Disclosure of Audit Costs

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

Type of fee	2008/09 £'000	2009/10 £'000
Fees payable for external audit services	93	97
Fees payable for statutory inspection	8	9
Fees payable for the certification of 2008/09 claims and returns	27	29
Fees payable for other services	11	0
Total Fees payable	139	135

Note 14. Agency Services

In 2009/10 the Council spent £156,753 (£4,435 in 2008/09) on facilitating European, County, Town and Parish elections, all of which was fully reimbursed.

Note 15. Building Regulations Charging Account

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

Notes to the core financial statements

However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit, as included in the Income and Expenditure Account, divided between the chargeable and non-chargeable activities for the year 2009/10:

	Chargeable 2009/10 £'000	Non- Chargeable 2009/10 £'000	Total Building Control 2009/10 £'000
Expenditure			
Employee Expenses	175	96	271
Transport	17	2	19
Supplies and Services	13	6	19
Central and Support Services	84	40	124
TOTAL EXPENDITURE	289	144	433
Income			
Building Regulation Charges	279	-	279
Miscellaneous Income	-	2	2
TOTAL INCOME	279	2	281
Surplus/(Deficit) for year	(10)	(142)	(152)
Comparatives for 2008/2009			
Expenditure	302	142	444
Income	331	-	331
Surplus/(Deficit) for the year	29	(142)	(113)

Note 16. 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

property searches in respect of every financial year starting with 2009/10.

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 are set by the Council and by the Ministry of Justice respectively under the Local Land Charges Act 1975.

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 the overall Land Charges unit figures that are included in the Income and Expenditure Account within the 'Central Services to the Public' block.

	Number of requests	Total cost	Total income £'000	Net £'000
Regulation 9(2) granting access to property records	0	0	0	0
Regulation 9(3) answering enquiries about a property		114	(141)	(27)
Local Land Charges register				
- official search and certificate		22	(28)	(6)
- personal search		25	(22)	3
Overall totals included in the Income and Expenditure account		161	(191)	(30)

The surplus of £27,000 published under Regulation 9(3) has been transferred to a specific reserve and will be used to reduce the level of fees set in future years.

Notes to the core financial statements

Note 17. Related Party Transactions

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

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

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

Councillors and Senior Officers have confirmed that, individually, they have no relationships which would have given rise to a related party transaction in 2009/10.

Material related party transactions for 2009/10 were as follows:

	Income £'000	Expenditure £'000
General Government grants (see Note 8. p32)	1,365	
Other Principal Government Grants:		
National Non Domestic Rates	5,138	
Housing Benefit Subsidies	36,060	
LAA Performance Reward Grant	174	
Housing Revenue Account Subsidy		3,116
Housing Capital Receipts	525	
Non – Housing Capital Receipts	351	
Precepts:		
East Sussex County Council		42,682
Sussex Police Authority		5,100
East Sussex Fire Authority		3,032
Town & Parish Councils		2,569
East Sussex County Council pension fund contributions		2,045
Wave Leisure Ltd		749

Notes to the core financial statements

Note 18. Movement of Fixed Assets

	Software Licences	Wave Leisure Trust	Sea Defence	Other Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000
Intangible Fixed Assets					
GBV at 1 April 2009	1,421	54	110	716	2,301
Additions	66	1	-	101	168
Disposals	-	-	-	-	-
GBV 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
Disposals	-	-	-	-	-
Balance at 31 March '10	924	50	47	817	1,838
Net Book Value					
as at 31 March 2010	563	5	63	0	631
HRA	1	-	-	-	1
General Fund	562	5	63	-	630
	563	5	63	0	631
GBV = Gross Book Value					

Continued overleaf....

Notes to the core financial statements

TANGIBLE FIXED ASSETS	Council Dwellings	Other Land & Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	TOTAL	Non-Operational Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
GBV at 1 April 2009	195,218	36,550	6,330	10,250	2,001	250,349	13,473
Classification Changes	-	10,058				10,058	(10,058)
Revaluations	6,252	(2,040)	-	-	325	4,537	(164)
Additions	2,993	883	290	-	128	4,294	1
Disposals	(485)	(70)	(488)	-	(150)	(1,193)	-
GBV at 31 March 2010	203,978	45,381	6,132	10,250	2,304	268,045	3,252
Depreciation at 1 April '09	6,670	4,741	3,518	8,110	-	23,039	-
Revaluation	-	(177)				(177)	
Charge for Year	2,351	1,017	506	257	-	4,131	-
Disposals	(22)	(12)	(471)	-	-	(505)	-
Total at 31 March 2010	8,999	5,569	3,553	8,367	-	26,488	-
NBV at 31 March 2010	194,979	39,812	2,579	1,883	2,304	241,557	3,252
HRA	193,879	8,005	336	1,178	7	203,405	-
General Fund	1,100	31,807	2,243	705	2,297	38,152	3,252
NBV = Net Book Value	194,979	39,812	2,579	1,883	2,304	241,557	3,252

Intangible Fixed Assets

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

Notes to the core financial statements

Estimated Depreciation Periods

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

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

Land - No depreciation

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

Heavy vehicles - 10 years

Other vehicles - 5-7 years

Play area equipment - 12 years

Coast Defences - 20 years

Note 19. Fixed Assets Valuation

The General Fund and HRA land and buildings fixed assets have been independently valued by DVS (the commercial arm of the Valuation Office Agency, HM Revenue & Customs), in accordance with the RICS Appraisal and Valuation Standards 5th Edition as published by the Royal Institution of Chartered Surveyors, so far as these are consistent with the agreed requirements.

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

The fixed assets valuation date for the General Fund was 1 April 2009 and for the Housing Revenue Account 1 April 2005. The Housing Revenue Account fixed assets are subject to an annual desktop revaluation review at 1 April each year. The next full fixed

assets valuation for the General Fund is 1 April 2014 and for the Housing Revenue Account 1 April 2010.

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

Note 20. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. Such expenditure is charged to service revenue accounts, with associated grants and funding contributions being credited as revenue income. The following items have been accounted for in this way in 2009/10:

	2008/09	2009/10
	£'000	£'000
Private Sector Housing Grants	747	594
Private Sector Energy Grants	212	177
Crime and Disorder Scheme	33	6
Other Grants	25	52
Total	1,017	829

Notes to the core financial statements

Note 21. Information on Assets Held

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

Type of Assets	2009 no.	2010 no.
Council Dwellings - HRA	3,258	3252
Council Dwellings - General Fund	5	5
Shared Ownership Dwellings	9	9
Private Sector Leasehold Dwellings	6	3
Council Garages	752	752
Civic Offices	5	5
Depots	2	2
Community Recycling Centre	1	1
Car Parks	39	39
Public Conveniences	16	16
Downs Leisure Centre & Seahaven Pool	2	2
Parks and Gardens	1	1
Recreation Grounds	16	16
Public Halls	1	1
Cemeteries	2	2
Newhaven Enterprise Centre	1	1
Industrial Units	97	97
Vehicles owned	91	75
Cars leased	60	64
Leasehold Flats	244	246

Note 22. Financial Instruments

(a) Financial Liabilities held at Amortised Cost

	2009		Short-term 2009	
	Restated £'000	2010 £'000	Restated £'000	2010 £'000
Borrowing	5,000	5,000	109	109
Operational Creditors	-	-	4,397	4,111
Bank Overdraft	-	-	-	-
Total	5,000	5,000	4,506	4,220

Long-term

~~2009~~ interest is included within the value of borrowing shown above. The outstanding principal for long term loans was £5m at both 31 March 2009 and 31 March 2010, with the accrued interest shown as short-term borrowing in accordance with the SORP.

Operational creditors are analysed as follows:

	Restated £'000	2010 £'000
Government Departments	1,393	1,161
Other Local Authorities	684	1,085
Sundry Creditors	2,320	1,865
Total	4,397	4,111

Notes to the core financial statements

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

	2009	2010
	Restated	
	£'000	£'000
Council Taxpayers	144	146
Housing Rents	142	136
HM Revenue & Customs	299	289
Total	585	571

(b) Loans and Receivables at Amortised Cost

	Long-term		Short-term	
	2009	2010	2009	2010
	£'000	£'000	Restated	2010
			£'000	£'000
Investments	2,106	735	4,120	5,219
Mortgages	38	35	-	-
Loans to Individuals	75	84	-	-
Operational Debtors (gross)	-	-	5,643	5,940
Cash at bank	-	-	1,790	3,239
Total	2,219	854	11,553	14,398

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

Operational debtors are analysed as follows:

	2009	2010
	Restated	
	£'000	£'000
Government Departments	1,983	2,646
Other Local Authorities	241	485
Housing Rents	337	314
Sundry Debtors	3,082	2,495
	5,643	5,940

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

	2009	2010
	Restated	
	£'000	£'000
HM Revenue and Customs	1,299	358
Council Taxpayers	255	268
Provision for Doubtful Debts	(830)	(723)
	724	(97)

The Council Taxpayers debtors and creditors tables show the Lewes District Council element of the Collection Fund for both years, the debtors and creditors relating to the other preceptors are reflected in the Other Local Authorities amounts in the creditors table above.

Notes to the core financial statements

c) Gains and losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account in 2009/10 are as follows:

	Financial liabilities	Financial assets	Total
	£'000	£'000	£'000
Interest cost	243	-	243
Interest payable and similar charges	243	-	243
Interest income	-	(397)	(397)
Gains/losses on derecognition	-	-	-
Interest and investment income	-	(397)	(397)
Net (gain)/loss for year	243	(397)	(154)

Comparative information for 2008/09 is as follows:

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

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

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

- Estimated fair values have been calculated using the equivalent market interest rates as at 31 March 2010
- Early repayment or impairment is not recognised
- Fair values are based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.
- The fair value of operational liabilities and receivables is taken to be the invoiced or billed amount.

	31 March 2009		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	9,506	10,256	9,220	9,777

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

Notes to the core financial statements

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

	31 March 2009		31 March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Assets	13,772	13,615	15,253	15,409

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

e) Risks arising from Financial Instruments

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

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

The Council's annual Treasury Management Strategy (last updated in February 2010) focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written statements within its treasury management strategy covering interest rate risk, security of capital, and liquidity of investments.

(i) *Credit Risk* arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with credit rated banks and other financial institutions unless certain criteria are met at the time that the deposit is made. Deposits in banks and building societies are currently limited to UK banks and building societies that have 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 31st March 2010 and indicates the credit rating of each institution at the date that this statement was prepared. The table excludes the Council's deposit with Landsbanki Islands hf, an Icelandic bank which entered administration in October 2008. For an explanation of this deposit see Note 5. p28.

	Royal Bank of Scotland plc	Bank of Scotland plc	Barclays Bank plc	
Country	UK	UK	UK	
Long Term Rating*	AA-	AA-	AA-	
Short Term Rating*	F1+	F1+	F1+	
	Amount Invested			Total
Maturity period				
: 0 to 3 months	1,000		2,000	3,000
: 3 to 6 months		1,000		1,000
: 6 to 12 months		1,000		1,000
: Over 12 months	-	-	-	-
Total invested	1,000	2,000	2,000	5,000
* credit ratings as at 20 June 2010				

Notes to the core financial statements

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

In respect of amounts receivable from our customers, the Council's collection performance is extremely high (over 98.3% for council tax collection, for example). Each year an assessment is made of the potential maximum level of default against the amount owed for each class of debt (council tax, business rates, rents, sundry debtors). This assessment takes into account both age and value of individual debts. Note (b) shows the total value of customer debt at the year end, along with the bad debt provision that we have made. The aggregate of investments, mortgages, debtors and cash shown in (b) above represents the Council's maximum exposure to default.

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

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

	2009 £'000	2010 £'000	% rate
Maturing within 1 year	-	-	-
Maturing within 1 to 2 years	-	-	-
Maturing within 2 to 5 years	-	-	-
Maturing within 5 to 10 years	-	-	-
Maturing after 10 years	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.

(iii) *Market risk – interest rate risk*

The Council is exposed to some risk in terms of its exposure to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the Council.

For instance, a rise in interest rates would have the following effects:

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

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

The Council carries out its borrowing and investment activity within parameters set out in its approved Treasury and Investment Strategies, which assess interest rate exposure to feed into the annual budget process. The Council currently assumes an interest rate of 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 2010/11.

Notes to the core financial statements

(iv) Market risk – price and foreign exchange risk

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

Note 23. Stocks and Works in Progress

	2008/09 £'000	2009/10 £'000
Waste and Recycling Centre	59	39
Tourist Information Centres	16	29
Newhaven Fort	7	6
Miscellaneous Stocks	11	11
Total	93	85

Note 24. Government Grants and Contributions Deferred

The net decrease of £1.309m on this account during 2009/10 is analysed by the following movements:

	Additions £'000	Released to Income and Expend Account £'000
Coast Protection	-	(106)
Kerbside Recycling	-	(29)
Private Sector Housing	695	(695)
Information Technology	5	(103)
Leisure & Recreation	90	(84)
Council Housing	84	(35)
Newhaven Fort	34	(37)
Denton Island	43	(14)
Crime & Disorder	6	(6)
Other Properties & Services	99	(1,256)
	1,056	(2,365)

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is added to this account. Amounts are released to services within the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset to which it relates. A reduction in the value of an asset which had been financed by a grant or contribution triggers a corresponding amount to be released to the Capital Adjustment Account.

Notes to the core financial statements

Note 25. Financial Instruments Adjustment Account

	2009/10	
	£'000	£'000
Balance at 1 April	1,073	841
Premiums written out to General Fund Revenue Account	-	-
Loan Repayment Discounts	(43)	
Loan Premiums Amortised	(278)	(212)
LOBO Restatement to Amortised Cost	(73)	
Transfer of impaired investment	162	103
Balance at 31 March	841	732

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

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

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

	£'000
Balance at 31 March 2010	265
Transfers during 2010/11	(265)
Balance at 31 March 2011	-

Note 26. Development Contributions

	2008/09	2009/10
	£'000	£'000
Balance at 1 April	1,952	2,345
Received in year	1,033	1,775
Applied in year	(640)	(1,033)
Balance at 31 March	2,345	3,087

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

Notes to the core financial statements

Note 27. Revaluation Reserve

	2008/09 £'000	2009/10 £'000
Balance at 1 April	14,962	3,291
Revaluation Gains & Adjustments	1,651	10,889
Revaluation Losses	(43,472)	(6,517)
Revaluation Losses in Excess of Available Reserve	30,770	5,565
Reversal of Prior impairment	-	(6,156)
Disposals	(534)	-
Depreciation on Revaluation Gains	(86)	(215)
Balance at 31 March	3,291	6,857

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

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

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

Capital Adjustment Account

	2009/10 £'000
Balance of Capital Financing Account	218,813
Financing of Capital Expenditure	3,980
Release of Grants and Contributions	2,365
Major Repairs Allowance transfer	(2,828)
Asset Disposals	(687)
Depreciation on Current Asset Values	215
Revaluation Adjustment	175
Appropriation to Income & Expenditure A/C	(1,779)
Balance at 31 March	220,254

The Capital Adjustment Account contains the amounts which have been set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. This account cannot be called upon to support either capital or revenue spending.

Financing of capital expenditure comprises:

	£'000	2009/10 £'000
Major Repairs Reserve	2,287	2,506
Capital Receipts	1,253	464
Revenue – General Fund	916	598
Revenue – HRA	331	412
	4,787	3,980

Notes to the core financial statements

Note 28. Usable Capital Receipts Reserve

	2009/10	
	£'000	£'000
Balance at 1 April	3,105	2,819
Capital Receipts in year	1,369	876
Contribution to Government Pool	(402)	(387)
Used for Capital Financing	(1,253)	(464)
Balance at 31 March	2,819	2,844

The balance on this reserve represents the value of capital receipts available to finance future capital expenditure. Further details of the Contribution to the Government Pool are included at Note 14 on page 29.

Note 29. Deferred Capital Receipts

	2009/10	
	£'000	£'000
Balance at 1 April	17	7
Receipts applied in year	(10)	(3)
Balance at 31 March	7	4

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

2008/09

Note 30. Analysis of Net Assets

The table below gives a notional split of the value of Net Assets between the General Fund and Housing Revenue Account. For operational reasons the management of investment, borrowing and day to day is carried out on a pooled basis and General Fund and HRA elements are not separately identified. For this reason, the details shown below should be taken to be an approximate guide.

	31 March
	2010
	£'000
General Fund	8,131
Housing Revenue Account	200,989
Net Assets	209,120

Continued overleaf...

Notes to the core financial statements

Note 31. Earmarked Reserves

Ref		Purpose	Balance 1 April 2009 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2010 £'000
1	Budget Carry Forward	Where a project or service, which was to have been funded from a revenue budget, has not been completed at the year end, the unspent budget can, if required, be carried forward to fund that project or service in the following year.	323	335	323	335
2	Building Control Charging Scheme	Regulations require defined elements of building control function to break-even over time. Trading account prepared to cover these items, with annual surplus/deficit added to/funded from this reserve.	55		10	45
3	Change Management and Capacity Reserve	Supports the Council's flexible retirement policy and assists with the budget realignment exercise.	1,166	- (see note) 808	71	1,903
4	Clean and Green Reserve	Holds balance of non-recurring funding originally set aside to fund 'clean and green' initiatives.	128	40	50	118
5	Community Grants	Available to fund grants to community organisations (closed in year).	5		5	-
6	Concessionary Travel Reserve	Provides resources for potential fluctuations in service payments and to settle claims for additional operator reimbursement as provided for in legislation.	766	(see note) (500)	-	-
7	Corporate Building Repairs	Provides source of funding for repairs to Council offices etc.	158	50	49 266	159
8	Financial Systems	Balance of amount initially earmarked to fund replacement of financial systems, not to be used to fund future development, etc.	9		-	9
9	Housing Benefit standards and improvements	Provides resources for the Finance Department's Benefits Service	411	68	72	407
10	Housing Development	Funds to pay for the GF costs of a housing transfer if that is the tenants' fugue housing options appraisal choice.	195		-	195

Notes to the core financial statements

Ref	Purpose	Balance 1 April 2009 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2010 £'000
11	Insurance Held for two main purposes: - to fund liability arising from insolvent run-off of Municipal Mutual Insurance -to fund 'excess' element of insurance claims	209	26	95	140
12	IT Replacement Equipment Provides source of funding for IT replacement programme.	12	62	50	24
13	Leisure Buildings Repairs Funding for works to facilities, parks and open spaces managed by Community Services.	108	67	62	113
14	Leisure Trust Available to fund future obligations under the operational arrangement.	80	80	-	160
15	All Weather Pitch Reserve Provides for replacement of Pitch at the end of its useful life.	20	21	-	41
16	Leisure Trust Buildings Maintenance Available to fund client maintenance obligations	128	130	224	34
17	Newhaven Enterprise Centre Reserve Holds annual contributions for future replacement of equipment, etc as required by SEEDA (which funded the construction of the Centre)	13	14	-	27
18	Partnership Fund Provides finance to support projects where the Council is the lead partner and working with external agencies, community organisations, etc. Projects address Council service objectives and can be revenue or capital.	24	-	11	13
19	Housing and Planning Delivery Grant Balance of Grant received from Government which is available to fund specific Planning department initiatives over a number of years.	292	85	133	244
20	Major Planning Applications Reserve Provides additional resources required to process major planning applications when they arise.	50	6	-	56
21	Private Sector Leasing Funding for repairs to properties (if required) when they are returned at the end of the lease period.	73	3	68	8

Notes to the core financial statements

Ref	Purpose	Balance 1 April 2009 £'000	Add Contribution in year £'000	Less Used in year £'000	Balance 31 March 2010 £'000
22	Recycling Reserve Holds the balance of resources made available for expanding the recycling service, pending their use, and also used to smooth out fluctuations in recycling income within the base budget.	275	48	4	319
23	Rent Deposit Guarantee Scheme This fund helps prevent homelessness by providing selected applicants with a rent deposit that is repayable.	13		13	-
24	Revenue Equalisation and Asset Maintenance Held for two main purposes: - to fund items of regular expenditure which are not of an annual nature eg District Elections - to fund backlog asset maintenance needs of non-housing property.	2,157	(see note) 855	616	2,396
25	Southover Grange Improvements Provides source of funding for future works at Southover Grange, Lewes	41		-	41
26	Vehicle Replacement Reserve Provides source of funding for the approved vehicle replacement programme	1,059	292	27	1,324
27	Denton Island Reclamation Reserve to fund expenditure on the Denton Island regeneration project.	74	-	-	74
28	Newhaven Fort Refurbishment Reserve to fund expenditure on the refurbishment of Newhaven Fort.	19		4	15
29	West Quay Development Reserve to fund expenditure on the West Quay regeneration project.	48	-	-	48
30	Maintenance Funds Amounts paid to the Council by third parties for specific purposes eg future maintenance of parks and open spaces; repairs to properties containing leasehold flats; graves maintenance	217	35	21	231
31	Total Reserves	8,128	2,525	1,908	8,745

Note: £500,000 has been transferred from the Concessionary Travel Reserve into the Change Management and Capacity Reserve (£200,000 at line 3) and the REAM Reserve (£300,000 at line 24)

Notes to the core financial statements

Note 32. Major Repairs Reserve

	2008/09	2009/10
	£'000	£'000
Balance at 1 April	355	329
Received in year	2,736	2,637
Applied in year	(2,762)	(2,506)
Balance at 31 March	329	460

This reserve is used by the Housing Revenue Account (HRA) to finance repairs to the Council's housing stock. It receives the value of depreciation charged to the HRA, and applies this to finance HRA capital expenditure. This reserve is also used to adjust for the difference in the HRA between the actual depreciation charged and the actual amount of major repairs allowance received from Government as part of HRA subsidy.

Note 33. Contingent Liabilities and Assets

The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. As at 31 March 2010 the pension liability of Wave Leisure was £483,000.

The Council has made three successful claims on HM Revenue and Customs (HMRC) in respect of overpaid VAT output tax in periods before November 2006. In settling these claims, HMRC has paid interest amounting to £548,000 without compounding the amount due. The Council has instigated proceedings against HMRC for the payment of interest on a compound basis.

In July 2010 the Government revoked the statutory fee for a personal search of the Local Land Charges Register. It opened the

door for individuals and property search companies potentially to seek refunds from local authorities for past fees on the basis that such charges were not compatible with the Environmental Information Regulations introduced in 2005. The Local Government Association is seeking a commitment from Government to compensate local authorities for the financial impact of this change and as a result it is not currently possible for the Council to quantify the costs, if any, which it might incur.

Note 34. Capital expenditure

As at 31 March 2010 the Council was contractually committed to capital works amounting to approximately £0.140m. In addition there were a number of minor continuing projects.

Note 35. Reconciliation of net cash flow

	2008/09	2009/10
	£'000	£'000
(Surplus)/Deficit for year		
- General Fund	(160)	(46)
- Housing Revenue Account	71	500
	(89)	454
Non-Cash transactions		
- Changes in reserves	(1,659)	(1,720)
- Capital financing	(1,324)	(3,420)
	(2,983)	(5,140)
Items on accruals basis		
- Changes in stocks	19	8
- Changes in net revenue debtors/creditors	3,698	577
	3,717	585
Other items not classified as Revenue Cash		
- Interest paid	(386)	(242)
- Interest received	916	859
	530	617
Net Revenue Cash	1,175	(3,484)

Notes to the core financial statements

Note 36. Analysis of Government Grants

	2009/10
	£'000
Housing Subsidy (net)	(3,013)
Housing Benefits Admin.	673
Planning Delivery	83
Disabled Facilities	340
Crime & Disorder Reduction	83
Local Authority Business Growth	99
Incentive / Area Based Grant	
Homelessness	81
DWP Housing Benefit Subsidy	27,622
Discretionary Housing	36
Private Sector Housing Renewal Grant	184
Other Minor Grants	87
DEFRA Air Quality	41
Concessionary Travel Grant	214
DEFRA Contaminated Land Grant	88
2008/09	26,618
	34,502

Note 37. Management of Liquid Resources (in Cash Flow Statement)

	2008/09	2009/10
	£'000	£'000
Balance at 1 April	10,320	3,627
Balance at 31 March	3,627	4,695
Movement in year	(6,693)	1,068

Liquid resources included in the table above comprise Short Term Investments, money due from Government for NNDR overpaid to the Pool (within Debtors) and money due to major precepting authorities for council tax surplus (within Creditors).

Note 38. Analysis of Financing

	2008/09	2009/10
	£'000	£'000
Balance at 1 April		
- PWLB (short)	-	-
- PWLB (long)	3,001	-
- Market Loan	5,171	5,109
	8,172	5,109
Balance at 31 March		
- PWLB (short)	-	-
- PWLB (long)	-	-
- Market Loan	5,109	5,109
	5,109	5,109
Movement in year	3,063	0

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

Note 39. Movement in Cash (in Cash Flow Statement)

	2008/09	2009/10
	£'000	£'000
Balance at 1 April	67	(1,790)
Balance at 31 March	(1,790)	(3,239)
Movement in year	(1,857)	(1,449)
Net (increase)/decrease in cash		

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

Housing Revenue Account and supporting notes

2008/09 £'000		2009/10 £'000	2009/10 £'000
	INCOME		
11,620	Dwelling Rents (Gross)	11,732	
372	Non-Dwelling Rents (Gross)	383	
1,010	Charges for services and facilities	1,123	
402	Contributions towards expenditure	404	
139	Community amenities contribution	140	
13,543	Total Income		13,782
	EXPENDITURE		
3,608	Repairs and Maintenance	3,915	
2,879	Supervision and Management	2,984	
210	Rents, Rates, Taxes and other charges	184	
2,996	Housing Revenue Account Subsidy Payable	3,116	
56	Increase in provision for doubtful debts	18	
	Depreciation/impairment of fixed assets		
32,705	- Dwellings	(3,444)	
476	- Non-Dwellings	490	
(47)	Government Grants & Contributions Deferred	(35)	
44	Debt Management Expenses	48	
45	Supporting People Transitional Protection	33	
	Transfer to the General Fund		
-	- Rent Rebates Subsidy Limitation	-	
42,972	Total Expenditure		
29,429	Net Cost of HRA Services shown in whole Council Income and Expenditure Account		(6,473)
713	HRA services share of Corporate and Democratic Core		440
30,142	Net cost of Housing Revenue Account Services		(6,033)
		7,309	
(213)	Gain on sale of HRA fixed assets	(192)	
466	Interest payable and similar charges	217	
(169)	Interest and investment income	(41)	
81	Pensions interest cost and expected return on pensions assets	184	
165			168
30,307	Deficit/(surplus) for the year on HRA services		(5,865)

Housing Revenue Account and supporting notes

Note 1. Financial Framework

A Housing Revenue Account is maintained in accordance with the statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. This account records the major elements of housing revenue expenditure, e.g. maintenance, administration and capital financing costs, and how these are met by rents, subsidy and other income.

Note 2. Stock of Social Housing at 31 March

	2009	2010
Houses & Bungalows		
-1 bedroom	213	213
-2 bedrooms	649	648
-3 bedrooms	907	905
-4 bedrooms	64	64
-5 bedrooms	3	3
-6 bedrooms	1	1
	1,837	1,834
Flats		
- bedsits	134	134
-1 bedroom	708	707
-2 bedrooms	526	524
-3 bedrooms	49	49
-4 bedrooms	4	4
	1,421	1,418
Total stock	3,258	3,252

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

Note 3. Value of HRA Assets

	2008/09 £'000	2009/10 £'000
Intangible assets	2	0
Operational assets		
- dwellings	187,560	193,879
- garages	6,902	5,976
- other	1,345	2,365
Community assets	7	7
Infrastructure assets	1,281	1,178
Non-operational	1,177	0
	198,274	203,405

The value of HRA assets is included within the balance sheet on page 22. The change in the valuations arose following an interim desktop valuation update by the Council's appointed valuer.

The vacant possession value of dwellings within the Housing Revenue Account at 1 April 2009 was £414.8m as valued by District Valuer Services, compared with a value of £187.6m for its existing use as social housing. The difference of £227.2m represents the cost to the government of providing housing at less than open market rents. The reduction applied to the April 2005 Valuation to reflect use as Social Housing was 45%.

Housing Revenue Account and supporting notes

Note 4. Depreciation

Depreciation of the housing stock has been calculated using the methodology of the Major Repairs Allowance. This is based on the annual cost of replacing individual building components, such as windows, kitchens and heating systems, as they reach the end of their useful life.

Additional depreciation has also been included in respect of non-dwelling assets.

Note 5. Major Repairs Reserve

	2008/09 £'000	2009/10 £'000
Balance at 1 April	(355)	(329)
Depreciation		
- housing stock	(2,260)	(2,338)
- other HRA assets	(476)	(490)
Financing of capital expenditure (dwellings)	2,286	2,506
Transfer to HRA	476	490
Balance at 31 March	(329)	(161)

This account was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 in order to channel the funds made available through the Major Repairs Allowance (equivalent to the depreciation of the stock – see Note 4 above) into capital expenditure on HRA property. The movements on the account show that a balance has been retained to finance future capital expenditure.

Note 6. Funding of Capital Expenditure

	2008/09 £'000	2009/10 £'000
Expenditure:		
- houses	2,585	2,795
- equipment & other	373	410
	2,958	3,205
Funding:		
- repairs reserve	2,286	2,506
- revenue account	331	412
- borrowing	259	259
- capital receipts	5	2
- leaseholder funds	37	18
- grants	40	-
- other contributions	-	8
	2,958	3,205

Note 7. Capital Receipts

	2008/09 £'000	2009/10 £'000
Sale of council houses (right to buy)	448	475
Sale of council houses (right to mortgage)	60	-
Housing Land Easement	54	-
Repayment of right to buy discount	23	47
Repayment of HRA mortgages	10	3
	595	525

Housing Revenue Account and supporting notes

Note 8. Analysis of Housing Revenue Account Subsidy Payable

	2008/09 £'000	2009/10 £'000
Major repairs allowance	2,260	2,638
Management & maintenance allowance	4,982	5,098
Capital charges allowance	1,037	584
Total allowances	8,279	8,320
Less: assumed rent	(11,273)	(11,435)
Less: other income	(2)	(1)
Total assumed income	(11,275)	(11,436)
Net HRA subsidy payable to Government	(2,996)	(3,116)

Each year Government determines the value of allowances it will pay to each housing authority and the value of income it assumes each housing authority will raise from its own resources. The difference between the two is either the value of subsidy receivable or the value of the subsidy payable by the housing authority.

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

Note 9. Rent Arrears

	2009 £'000	2010 £'000
Current tenants:		
- dwellings	217	201
- garages	1	1
	218	202
Former tenants:		
- dwellings	108	105
- garages	2	1
	110	106
Total arrears at 31 March	328	308
Provision for bad debts	234	225
Value of write offs in year	22	34

Collection Fund Income and Expenditure Account and supporting notes

2008/09 £'000		2009/10 £'000
	INCOME	
52,012	Council Tax (Note 1. p60)	53,758
6,564	Council Tax Benefits	7,485
58,576		61,243
19,710	Business Rates (Note 2. p61)	19,828
78,286		81,071
	EXPENDITURE	
58,172	Precepts (Note 3. p61)	60,490
19,584	Contributions to NNDR Pool	19,700
126	NNDR Cost of Collection Allowance	128
136	Provision for uncollectable amounts	190
-	Contribution towards previous year's estimated surplus	-
78,018		80,508
(268)	(Surplus)/Deficit for the year	(563)
(84)	Balance at start of year	(352)
(352)	Balance at end of year (Note 4. p61)	(915)

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

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

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

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

Note 1. Council Tax

The average Band D Council Tax for 2009/10 was £1,597.89 as follows

	£
Lewes District Council	187.72
Town/Parish Councils (average)	67.87
East Sussex County Council	1,127.49
East Sussex Fire Authority	80.08
Sussex Police Authority	134.73
	1,597.89

The estimated tax base for the year, which is the number of chargeable dwellings in each Council Tax valuation band adjusted for applicable discounts and possible losses on collection, expressed as Band D equivalent numbers was 37,856 (37,747 2008/09) as shown in the following table.

Collection Fund Income and Expenditure Account and supporting notes

	Estimated Number	Band D Ratio	Equivalent Number
Band A	3,133	6/9	2,089
Band B	4,796	7/9	3,730
Band C	11,260	8/9	10,009
Band D	8,312	1	8,312
Band E	5,000	11/9	6,111
Band F	2,645	13/9	3,820
Band G	2,044	15/9	3,407
Band H	189	18/9	378
Total	37,379		37,856

The actual council tax income receivable in the year, £61.2m was in line with the estimate.

Note 2. Non Domestic Rates

Non Domestic Rates are organised on a national basis with the Council's role being to collect the rates due and pass them over to the Government's National Pool. The rate in the pound applied for 2009/2010 was 48.5p reduced to 48.1p for small businesses. The total rateable value of all businesses in the District was £49.4m at 31 March 2010 (£49.6m at 31 March 2009). The amount of Mandatory Rate Relief granted in 2009/10 was £1.4m (£1.34m 2008/09), with Small Business Rate Relief being £0.68m (£0.59m 2008/09). The amount of Partial and Empty Property relief was £0.96m for 2009/10 (£0.36m 2008/09).

Note 3. Precepts

	2008/09 £'000	2009/10 £'000
Lewes District Council	9,299	9,675
East Sussex County Council	41,106	42,683
Sussex Police Authority	4,858	5,100
East Sussex Fire Authority	2,909	3,032
	58,172	60,490

Note 4. Collection Fund Balance

This will be returned to taxpayers in future years by reducing the council tax amounts that the precepting authorities would otherwise have demanded. The distribution is as follows:

	2008/09 £'000	2009/10 £'000
Lewes District Council	56	147
East Sussex County Council	248	645
Sussex Police Authority	18	46
East Sussex Fire Authority	30	77
	352	915

Statement of Responsibilities for the Statement of Accounts

Authorisation of Statement of Accounts

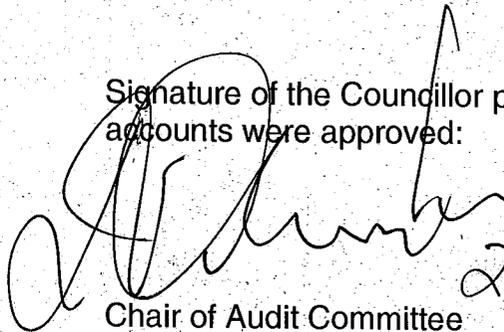
The Director of Finance and Community Services released this Statement of Accounts to the Audit Committee for approval on 27 September 2010. Events between the balance sheet date and 27 September were considered before this Statement of Accounts was approved.

The Authority's Responsibilities

The Authority is required to :

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Community Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

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


Chair of Audit Committee

27th September 2010

The Director of Finance and Community Services' Responsibilities

The Director of Finance and Community Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

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

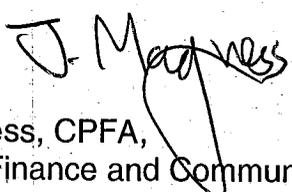
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Director of Finance and Community Services has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CHIEF FINANCIAL OFFICER'S CERTIFICATE

I certify that the accounts set out on pages 11 to 61 provides a true and fair view of the financial position of the Council at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.


John Magness, CPFA,
Director of Finance and Community Services

27 September 2010

Annual Governance Statement

Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

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

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and 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 2010 and up to the date of approval of the Annual Report and Statement of Accounts.

Annual Governance Statement

The governance framework

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

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

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

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

The Council's Constitution establishes clear arrangements for decision making and the delegation of powers to Councillors and Officers. It defines and documents the roles and responsibilities of the Council, Cabinet and Committees (including the Audit, Scrutiny and Standards Committees) as well as the roles and responsibilities of Councillors and Senior Officers. Communication between Councillors and Officers is governed by the Protocol 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. The Standards Committee role includes promoting and maintaining high standards of conduct of Councillors. In April 2008 the Committee approved procedures for the local assessment and determination of complaints against Councillors, to put in place the provisions for Standards Committees set out in Local Government and Public Health Act 2007.

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

Annual Governance Statement

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

The Council's risk management framework is outlined in the risk management strategy, and it is fully established and embedded within the Council. There are robust systems for identifying and evaluating risk in the decision making and service planning processes. The register of operational and strategic risks is updated annually. Key staff have been trained in the assessment, management and monitoring of risk and Councillors have received training on their role in risk management.

As part of its Corporate Governance arrangements the Council has established an Audit Committee that is responsible, amongst other things, for keeping under review the probity and effectiveness of internal controls and the effectiveness of management arrangements to ensure legal and regulatory compliance. The Committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities", and reports to the Cabinet on the effectiveness of internal controls within the Council.

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

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

The Council has a strong anti-fraud culture that is supported by Councillors and Officers. Proactive anti-fraud work is undertaken, particularly in the area of Benefit Fraud through the work of a high profile Fraud Investigation Team. The outcome of this work informs the opinion on the internal control environment. The Council 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 Head of Legal and Democratic Services) and Chief Finance Officer (at Lewes District Council this is the Director of Finance and Community Services) and these include responsibility for ensuring that agreed procedures are followed and that applicable statutes, regulations and relevant statements of good practice are complied with.

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

Annual Governance Statement

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

The Council has a variety of communication channels open to local residents and other stakeholders. In addition the Council actively engages with different sections of the community through focus groups, user groups, partnership meetings and networks. Community consultation and communication takes place through the partners on the Local Strategic Partnership (LSP), LSP thematic groups and the five Area Partnerships. Governance of the LSP has been enhanced by the introduction of an LSP Steering Group. 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. A register of partnerships is held and updated by the Head of Audit and Performance with key issues reported to the Corporate Management Team. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

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

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

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

Review of effectiveness

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

Annual Governance Statement

The Head of Audit and Performance reports regularly to the Audit Committee on all aspects of Internal Audit plans, activities and effectiveness, and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2009/10 the overall standards of internal control were satisfactory. Whilst recommendations have been made to improve management controls, there were no instances in which internal control problems created significant risks for the Council.

In March 2008 the Audit Committee approved the new 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 2009/10 has concluded that the Council continues to have satisfactory arrangements in place for corporate governance as reported at the June 2010 meeting of the Audit Committee.

The Council's work on risk management includes annual reports to both the Corporate Management Team and Cabinet on the main risks faced by the Council and the controls that are in place to mitigate those risks. The Audit Committee also receives an update on risk management at every meeting. The reports during 2009/10 noted that most risks are mitigated by the effective operation of controls or other measures. However, there are some risks that are outside the Council's control, including a major incident or disaster, a flu pandemic, a downturn in the national economy or a major change in government policy or legislation. Data quality risks in respect of performance data are reported quarterly and in the annual performance report.

The Council's Business Continuity Plan was revised and reissued in March 2010. An exercise for service managers on business continuity during the swine flu pandemic took place in July 2009 and guidance for the Council was issued in November 2009.

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 2009/10. There have been no cases of fraud or corruption during the year other than those benefit cases investigated by the Fraud Investigation Team. The Council's Whistleblowing Policy and Anti Fraud and Corruption were both updated at the February 2010 Employment Committee and reported to the March 2010 meeting of the Audit Committee. Councillors and officers were also reminded of these documents through Lewes District News and a Briefing Note in March 2010.

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

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 2010 meeting of the Audit Committee.

Corporate monitoring of complaints includes a quarterly report to the Corporate Management Team and the annual report to Cabinet at its June meeting.

The Government relies on external auditors and inspectors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The Council is subject to a rolling programme of external inspections and audits and the results are shown below:

- Comprehensive Area Assessment (CAA) – This inspection regime came into effect from April 2009 to replace the Comprehensive Performance Assessment (CPA) framework. The CAA incorporated an Organisational Assessment, comprising a 'harder test' Use of Resources assessment and a Managing Performance assessment both of which are scored out of 4. In the most recent Organisational Assessment (November 2009) the Council was commended for its overall score of 3 out of 4.
- Annual Audit Letter (November 2009) - The letter summarised audit work carried out by PKF during 2008/09 across a range of Council activities. PKF concluded that:
 - The Council performs well in managing its finances and governing the business, and there are adequate arrangements in place for managing resources.
 - The Council has adequate arrangements in place to secure value for money.
 - The Council has sound processes for in year monitoring of the financial position, producing fit for purpose financial reports and preparing the financial statements. An unqualified opinion was issued on the Council's financial statements for 2008/09.
 - The Council performs well in its use of resources, achieving a score of 3 out of 4.
 - The Council has a well established governance framework, which also covers partnership working and there are processes to ensure that a strong ethical culture is maintained.
 - Effective risk management in the Council is well embedded, and there are sound systems of internal control.
 - The Council's annual budget is comprehensive and underpins achievement corporate priorities and the medium term financial strategy.
 - The Council's arrangements for preparing grant claims and other returns to the Government remain effective.
 - The Council's treasury management arrangements are satisfactory.
 - The Council has adequate arrangements for managing its workforce.
 - The Council uses data effectively to manage performance and there are robust processes for ensuring good data quality. The Council has increased data security arrangements and signed up to Government Connect.

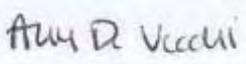
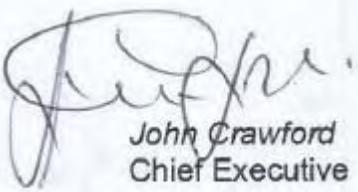
Annual Governance Statement

- Data Quality (DQ) Review – PKF reviewed data quality in the summer of 2009, examining two national performance indicators (NIs) relating to affordable homes delivered and residual household waste, and the benefits grant claim testing. The work did not identify any significant or systematic data quality issues.
- Grant Claim Certification for the year ended 31 March 2009 (February 2010) - PKF reviewed the Council's grant claims procedures in the period July to December 2009, and have concluded that the arrangements for preparing grant claims and other returns to Government departments are operating effectively.
- Ombudsman Report – In April 2010 the Ombudsman reported an investigation into a complaint against Lewes District Council. A Mrs Martin (not her real name) complained that Council delayed in its dealing with her application for a disabled facilities grant for adaptations to her home required for her daughter who has physical disabilities. The Ombudsman found that the Council as lead body was responsible for avoidable delay in the grant process. In particular it failed to take an effective lead at the start and failed to provide clear information to Mrs Martin and partner organisations. As reported to the June 2010 meeting of the Scrutiny Committee the Council is implementing improvements to prevent a recurrence of the circumstances leading to the findings of the Ombudsman.

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 2010.

	
<i>Ann De Vecchi</i> Ann De Vecchi Leader of the Council	<i>John Crawford</i> John Crawford Chief Executive

Independent Auditors' Report

Independent auditors' report to the Members of Lewes District Council

Opinion on the accounting statements

We have audited the accounting statements of Lewes District Council ("the Council") for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Lewes District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and Community Services and auditor

The Director of Finance and Community Services' responsibilities for preparing the Statement of Accounts and the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council and its income and expenditure for the year.

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

Independent Auditors' Report

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

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the Council's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

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

Council's Responsibilities

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

Independent Auditors' Report

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, Lewes District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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



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

30 September 2010

Glossary of Terms

Accounting Code of Practice

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

Accounting period

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

Accrual

This is one of the main accounting concepts and ensures that income and expenditure are recognised in the accounting period as they are earned or incurred, not as money is received or paid.

Actuarial gains and losses

For the pension scheme, changes in pension liabilities since the previous year that have arisen because:

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

Agency services

The provision of services by one local authority on behalf of, and reimbursed by, another authority, or central Government.

Annual Governance Statement

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

Asset

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

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

Audit of accounts

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

Balance sheet

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

Balances

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

Budget

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

Capital expenditure

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

Glossary of Terms

Capital financing

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

Capital programme

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

Capital receipts

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

Cash equivalents

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

CIPFA

Abbreviation for the Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Community assets

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

Consistency

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

Corporate and Democratic Core

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

Creditors

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

Current service cost (pensions)

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

Debtors

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

Defined Benefit Pension Scheme

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

Glossary of Terms

Depreciation

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

Expected rate of return on pensions assets

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

Financial reporting standards (FRS)

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

Financial Instrument

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

General Fund

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

Government grants

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

Housing benefits

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

Housing Revenue Account (HRA)

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

Impairment

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

Income

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

Infrastructure

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

Glossary of Terms

Income and expenditure account

This account is the Council's main revenue account. It brings together the income and expenditure of General Fund services provided across the whole district, like refuse collection, benefits and the collection of council tax, with the income and expenditure of Housing Revenue Account services provided specifically for local authority housing. It does not include the Collection Fund.

Liability

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

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

Loan premiums and discounts

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

Materiality

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

Minimum revenue provision

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

National non-domestic rates

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

Net Book Value (NBV)

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

Non-operational assets

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

Operational assets

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

Outturn

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

Glossary of Terms

Operating lease

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

Precept

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

Provision

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

Prudence

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

Public Works Loan Board (PWLB)

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

Rateable value

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

Rate poundage (or multiplier)

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

Related parties

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

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

the Council's related parties include:

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

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

- members of close family or household

Glossary of Terms

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

Related party transactions

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

Examples of related parties include:

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

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

Reserves

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

Residual value

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

Revenue Expenditure Funded from Capital Under Statute (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.

Statement of Recommended Practice (SORP)

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

Stocks

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

How to contact us

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

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

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

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

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