

Lewes District Council

Statement of Accounts 2006/07

Protecting the environment



Promoting the local economy



Supporting housing, health and community needs



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

CONTENTS

Foreword and Review of the Financial Year	3
Statement of Accounting Policies	11
<i>Core Financial Statements</i>	
Income and Expenditure Account	18
Statement of Movement on the General Fund Balance	19
Statement of Total Recognised Gains and Losses	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Core Financial Statements	23
<i>Supplementary Financial Statements</i>	
Housing Revenue Account	48
Notes to the Housing Revenue Account	50
Collection Fund Income and Expenditure Account	54
Notes to the Collection Fund Income and Expenditure Account	55
Statement of Responsibilities for the Statement of Accounts	56
Statement on Internal Control	57
Independent Auditor's Report	62
Glossary of Terms	66

This is the formal Statement of Accounts for Lewes District Council for the financial year 2006/2007. Every year, the Chartered Institute of Public Finance and Accountancy (CIPFA) set out guidelines which all local authorities in England are expected to following when preparing and presenting their annual Statement of Accounts documents. This year, there are significant changes in the presentation of the Statement of Accounts, both in terms of its layout and also the contents of some statements. In accordance with CIPFA's guidelines, some previous year's figures have been amended where it is necessary to enable a fair comparison to be made.

The statements included within this document are listed below along with a very brief summary of their contents.

Statement of Accounting Policies

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

Core Financial Statements

These are produced by all local authorities in England and comprise:

Income and Expenditure Account

This reports the expenditure for the year on major services for which the Council is responsible including Housing, Cultural, Environmental and Planning Services. It summarises all of the resources that the Council has generated, consumed or set aside in providing those services during the year. As such, it is intended to show the true financial position of the authority, before allowing for the income from council taxpayers.

Statement of Movement on the General Fund Balance

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Total Recognised Gains and Losses

This brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet

This shows the Council's balances, reserves, assets and liabilities at the year end.

Cash Flow Statement

This statement shows the receipts and payments of cash arising from the Council's transactions during the year.

The Core Financial Statements are followed by a set of notes explaining the significant items contained within them.

Supplementary Financial Statements

These statements reflect activities for which this Council is also responsible.

Housing Revenue Account (HRA)

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

Collection Fund

This shows the transactions of the Council in relation to the collection of non-domestic rates and council tax and how they were distributed to East Sussex County Council, Sussex Police Authority, East Sussex Fire Authority, as well as Lewes District Council.

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Review of the 2006/2007 Financial Year and Outlook to 2007/2008

Review of 2006/2007

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

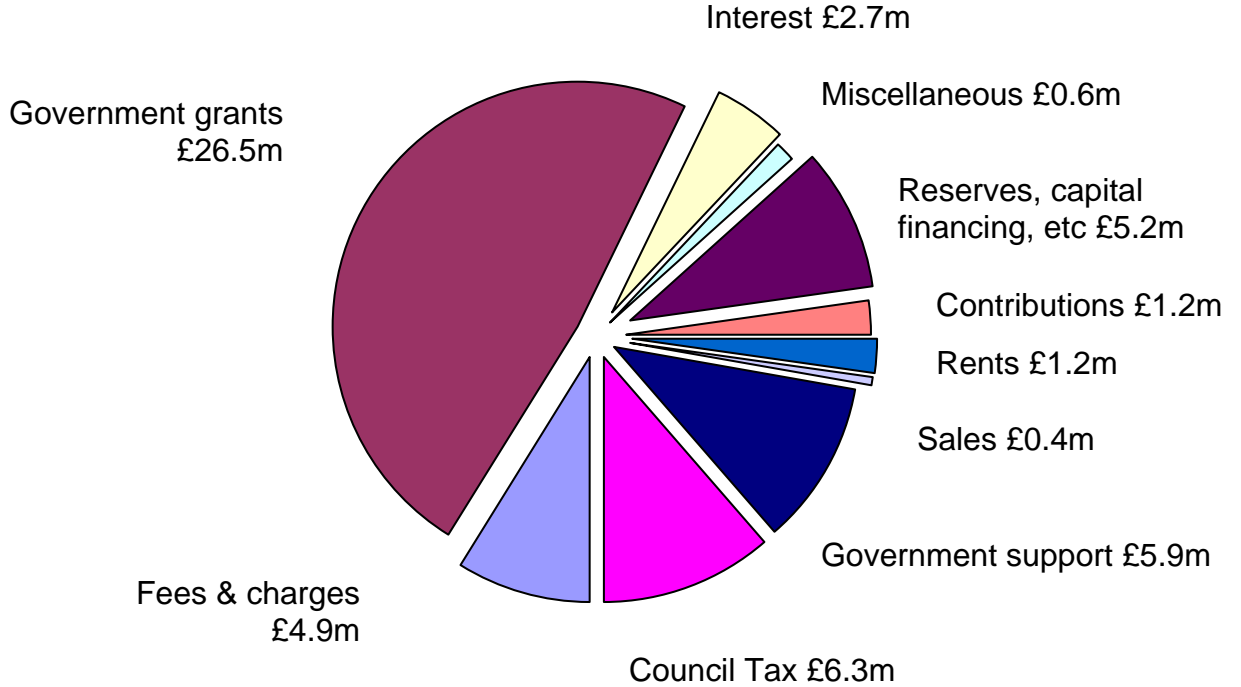
General Fund

The net revenue expenditure for the year was £11.96 million, £0.46 million less than the level budgeted. In addition, the Council received £0.10 million more than the budget for non-specific government grants. As a result, total income for the year exceeded expenditure by £0.56 million. This 'surplus' has been added to the Council's reserves at the year end. A comparison between actual and budgeted expenditure for the year is given in the table below, analysed across the service areas for which each Lead Councillor is responsible.

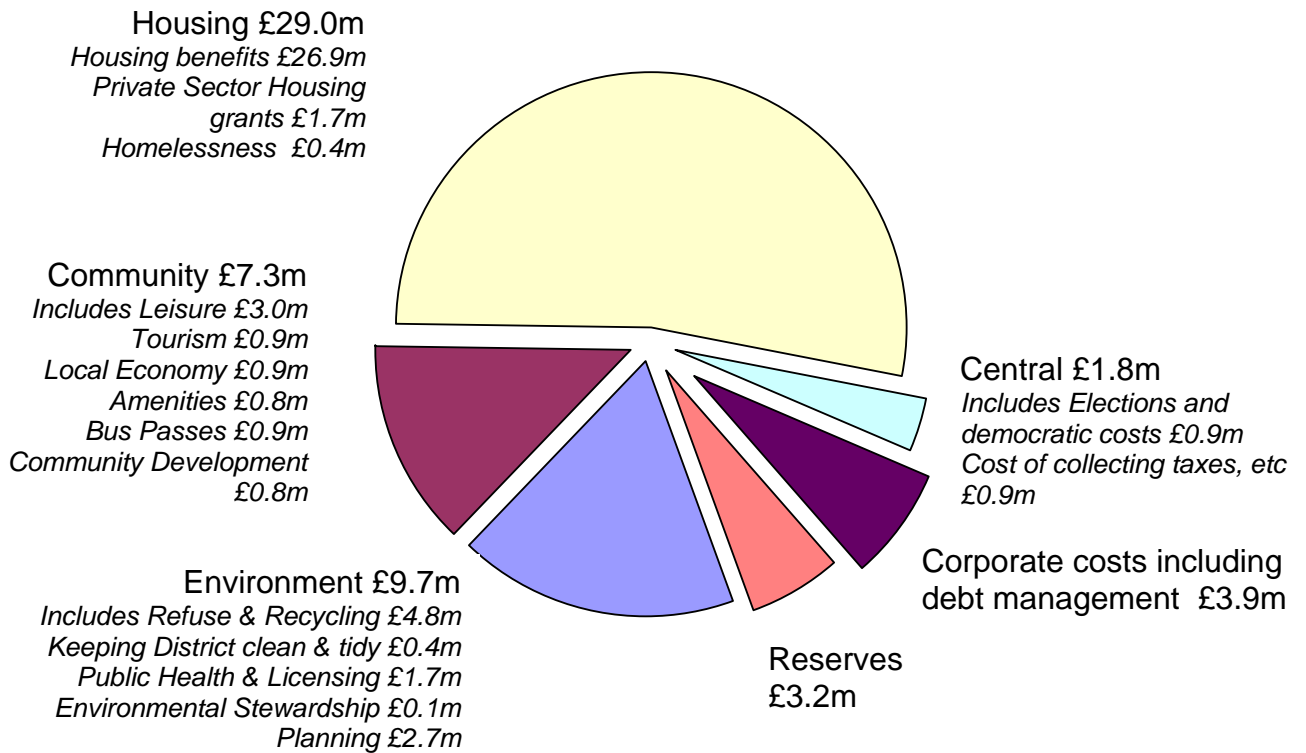
	2006/2007		
	Budget £m	Actual £m	Variance £m
Services by Lead Councillor Portfolio			
1 Leader of the Council	0.87	0.72	-0.15
2 Staff and Corporate Services	1.85	1.75	-0.10
3 Environment	4.19	4.04	-0.15
4 Planning	0.89	0.83	-0.06
5 Housing (General Fund)	1.13	0.86	-0.27
6 Community	3.60	3.48	-0.12
7 Capital accounting items not included in services above	-0.55	-0.54	0.00
8 Net Spending on Services	11.98	11.14	-0.84
9 Add budgets carried into 07/08	0.00	0.35	0.35
10 Net use of reserves/contingency	0.44	0.47	0.03
11 TOTAL Net Expenditure	12.42	11.96	-0.46
Less Funding:			
12 Non-specific Government Grants	0.00	0.10	0.10
13 Council Tax	6.25	6.25	0.00
14 Revenue Support Grant	0.94	0.94	0.00
15 Contribution from National Non-Domestic Rates Pool	4.85	4.85	0.00
16 Budgeted use of General Fund Working Balance	0.38	0.38	0.00
17 Total Funding	12.42	12.52	0.10
18 Surplus for year	-0.00	-0.56	-0.56
Surplus used to increase:			
19 Housing Benefit Standards and Improvements Reserve	0.00	0.12	0.12
20 Revenue Equalisation and Asset Maintenance Reserve	0.00	0.44	0.44
21 Total	0.00	0.56	0.56

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

WHERE THE MONEY CAME FROM



WHAT THE MONEY IS SPENT ON



Housing

The Council continues to be a major provider of rented accommodation in the District. In 2006/2007, Housing Revenue Account (HRA) income exceeded expenditure by £0.153 million, an improvement of £0.281 million against the budget for the year which had anticipated a deficit of £0.129 million. The HRA Working Balance at the year end was £2.981 million.

An analysis of the main variations against the budget is given in the table below.

	£m
Additional income	
- from investment interest	0.032
- from rents	0.015
- from insurance claims	0.166
Reduced expenditure	
- revenue contribution to capital expenditure	0.175
- HRA share of corporate costs	0.033
- Communal Heating system repairs and running costs	0.053
- Lift maintenance	0.027
- Depreciation of assets	0.018
- Rent Rebate Limitation scheme transfer to General Fund	0.024
Less increased expenditure	
- repairs and maintenance (including insurance funded)	(0.228)
- provision for or write-off of bad debts	(0.034)
Total	0.281

Resources

In terms of the financial balances held by the Council, the position remains sound with £6.625 million held in earmarked reserves, and a further £3.728 million in capital receipts to support the future capital programme.

The Council's external loan debt at 31 March 2007, comprising long-term and short-term borrowing, stood at £11.00m. This is a reduction of £3 million over the previous year, and was part of the Council's treasury strategy.

Pensions

Councils are required to show any deficit, or surplus, on the Pension Fund within the balance sheet. The scheme's actuary has assessed the Council's share of the Pension Fund, administered by East Sussex County Council, at 31 March 2007. This valuation highlighted a deficit on the Fund of £10.60 million compared to a deficit of £14.36 million at 31 March 2006.

Outlook for 2007/2008 and beyond

General Fund

The Council's spending plans are linked to residents' priorities and to the Government's national priorities for all local authorities. The message from residents, which was confirmed in focus group meetings held as part of the 2007/2008 budget consultation process, is that the Council should continue to focus on keeping the local area 'clean and green', tackling the nuisance of abandoned vehicles, fly-tipping, and anti social issues.

Foreword

The Council sets out its spending and Council Tax plans over a three year period. Council Tax rises are projected to remain in low single figures, below 5%. The amount of external support that is received from the Government as its funding contribution towards local services is an essential element in our budget setting process. In 2007/2008, our general grant from the Government increase by almost £309,000 (5.3%) to £6,092,000.

In contrast, pay and price increases have added £569,000 to the General Fund budget, and there is a need to spend a further £92,000 on meeting the demand for free bus passes for the over 60's– a statutory requirement over which the Council has no control.

The Government grant increase covered less than half of the spending pressures in 2007/2008 and we predict that future grants will at best remain constant in cash terms. This means we shall continue our drive to reduce overheads, be more efficient and review priorities in order to deliver low tax rises in future.

The Council has set a net General Fund budget of £6.6 million for 2007/2008. The Council tax for a Band D property is £174.09, which represents an increase of 4.3% over 2006/2007, equating to 14 pence per week for a Band D property. The overall movement in the General Fund budget is summarised below:

	Additional amount to be spent £'000
2006/2007 net budget	12,038
Pay and price increases	569
<i>Growth in demand for services & new items:</i>	
- Concessionary fares	92
- Contaminated Land management	36
- Investment in training and faster benefit processing	47
- Capital expenditure *	278
- Sub-total	453
Changes in use of reserves and balances	-377
Other changes	4
Net service spending programme for 2007/2008	12,687
Less: external support from Government	(6,092)
Net General Fund Budget to be funded from Council Tax	6,595
* this represents major maintenance works to Council property which are to be funded from income that is generated from our investments. If our investment income does not meet its target (eg because interest rates fall), the maintenance works will be deferred.	

The General Fund is expected to hold a working balance of £1.3 million at 31 March 2008, in addition to earmarked reserves with a total value of £5.0 million.

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 grant – there is no general contribution from the Council Tax.

For 2007/2008 the average projected rent for all Council dwellings is £65.57 per week. This is £3.82 lower than the formula rent target under the Government's 'rent restructuring' system which local authorities and registered social landlords are required to follow. As rent restructuring is phased in over the next five years, the gap between actual average rents and the target will decrease. Tenants also pay a range of service charges, depending on the property in which they live. All tenants pay a General Service Charge which will be an average of £2.12 per property per week in 2007/2008.

A Business Plan has been prepared outlining the approach that will be taken to the repair and management of the housing stock over the next 30 years and explaining how the associated costs will be paid for. The Government Office for the South East (GOSE) has 'signed off' this Business Plan as acceptable. We will keep the Business Plan under review, particularly in the light of an update to the stock condition survey which was completed in 2006. The results of this survey, combined with the latest budget projections, has been subject to detailed analysis (with assistance from an independent housing finance specialist) and the conclusions will be reported to tenants' representatives, the Cabinet and GOSE towards the end of 2007.

Total HRA income in 2007/2008 is estimated to be £13.1 million, generating a £75,000 surplus in the year. This will be added to the HRA working balance, which is projected to total almost £2.8 million at 31 March 2007.

Capital Programme

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

The overall Capital Programme for 2007/2008 is split into 3 distinct elements.

The total of the *General Fund Capital Programme* is £1.3 million. This includes £0.5 million to replace essential vehicles (for example refuse freighters) as they reach the end of their life, and £0.4 million for a programme of repairs and enhancements to the Council's indoor leisure centres. An independent charitable trust, Wave Leisure, has a long-term agreement to run the indoor leisure facilities on the Council's behalf and Wave Leisure will itself be making a significant financial contribution in order to maintain and build upon existing levels of income.

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

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

Value for Money, Efficiency Agenda, and Comprehensive Spending Review 2007

The Council continues to review its service provision by benchmarking against other councils and private sector providers.

Our aim is to provide high performance, low cost services.

The Audit Commission has assessed the Council as performing well and consistently above the minimum requirement in terms of the Value for Money that it achieves in the provision of services.

Service managers are encouraged to use technology to increase productivity. For example, in 2007 the Housing and Planning Departments will be 'going live' with electronic document imaging systems, which will enable staff to use, file and retrieve documents online, reducing the need to access extensive paper filing systems. 'Back-office' service managers are expected to explore opportunities for joint working with other councils to reduce transaction costs.

The Government has stated that it will be seeking 3% annual cash reduction targets equally across the public sector for the three years commencing from 2008/2009 as part of its Comprehensive Spending Review 2007 (CSR07). When the results of the CSR07 are known, and, in particular the impact on the level of grant that the Government will be providing to local authorities, the Council will need to review its priorities and resources for the medium term. The most recent budget projection is that the Council's net General Fund expenditure may need to be reduced by £172,000 during 2008/2009 given the current assumptions.

John Magness,
Director of Finance and Community Services,
June 2007.

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2006/2007 financial year and its position at the year end 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice 2006 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

PROVISIONS

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

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts 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 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 pensions, and these do not represent usable resources for the Council.

- **The Fixed Asset Restatement Account** represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. This account cannot be called upon to support spending.
- **The Capital Financing Account** represents amounts used from revenue resources or capital receipts to finance expenditure on fixed assets or amounts set aside for the repayment of external loans and certain other capital financing transactions. This account cannot be called upon to support spending.

A description of each of the Reserves is included under Note 31 page 43.

INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one financial year. These Intangible Fixed Assets are then amortised over their expected life to the relevant service revenue account 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 such lesser period as appropriate to the software licence.

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

TANGIBLE FIXED ASSETS

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

Recognition: All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accrual basis, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one financial year. Expenditure on routine repairs and maintenance of fixed assets, which does not extend the previously assessed standards of the asset, 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.
- dwelling, 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 Fixed Asset Restatement Account to recognise unrealised gains.

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 the fixed Asset Restatement Reserve.

Disposals: When an asset is disposed or decommissioned, 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)

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 under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing 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.

CHARGES TO REVENUE FOR FIXED ASSETS

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- 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 measure 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 Financing Account for the difference between the two.

DEFERRED CHARGES

Deferred charges represent expenditure, such as improvement grants and conservation grants, which may properly be capitalised, but does not result in the creation of fixed assets for the Council. They are fully written off to revenue in the year in which the expenditure is incurred. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amount charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

LOAN PREMIUMS AND DISCOUNTS

The Council's policy for treatment of loan premiums and discounts in respect of those relating to the Housing Revenue Account, is to write them off over a period of ten years or the outstanding period of the loan repaid, whichever is the shorter. Loan premiums and discounts relating to the General Fund are written off in the year in which they are incurred.

INVESTMENTS

Investments are shown in the Balance Sheet at the lower of cost or market valuation. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

INTERNAL INTEREST

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

DEBTORS AND CREDITORS

As noted above, the capital and revenue accounts of the Council are maintained on an accruals basis. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of the meter reading rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

LEASES

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

GRANTS AND CONTRIBUTIONS

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

Where the acquisition of a fixed asset with a finite useful life is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants-deferred account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

OVERHEADS AND SUPPORT SERVICES

The Council identifies the cost of providing services to the public and part of this cost relates to overheads and support services. The Council follows CIPFA's Best Value Accounting Code of Practice 2006 when charging the cost of overheads and support services to front line services. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received e.g.

- administrative offices of the Council are charged out to occupants on the basis of floor area
- professionals such as property managers, accountants, lawyers and personnel are charged on the basis of time expended working for clients
- service management represents the management cost of the service Director and administrative backup within the department concerned. The cost of this function is charged to services on the basis of time expended

CORPORATE AND DEMOCRATIC CORE

This group of nationally defined costs covering general and specific management functions arises from the need to co-ordinate an elected multi-purpose organisation. These costs are left as a direct charge on the Income and Expenditure Account as part of Net Cost of Services. A similar treatment applies to Non-Distributed costs, which are the cost of discretionary benefits awarded to employees retiring early.

PENSIONS

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.4% (based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years.

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

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

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

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

VALUE ADDED TAX (VAT)

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

PRIOR PERIOD ADJUSTMENTS

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

Lewes District Council Statement of Accounts 2006/2007
Statement of Accounting Policies

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts. For clarity, all items within the 'cost of services' section of the previous Consolidated Revenue Account are shown, even if no changes were required – otherwise only figures that have been adjusted are included in the table.

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Removal of capital financing charges £'000	Relocation of Government Grants Deferred credits £'000	Recognition of gains and losses on disposal of Fixed Assets £'000	2005/06 comparatives in Income and Expenditure Account £'000
Central Services to the Public	947	0	0	-	947
Cultural, Environmental & Planning Services	10,706	(904)	(438)	-	9,364
Highways, Roads & Transport Services	1	(95)	0	-	(94)
Housing Services	7,077	(7,480)	(35)	-	(438)
Corporate & Democratic Core	1,173	(29)	(101)	-	1,043
Impact on Net Cost of Services	19,904	(8,508)	(574)	-	10,822
Surplus from Trading Operation	(233)	(282)	0	-	(515)
Interest & Investment Income	(919)	625	0	-	(294)
Loss on the disposal of fixed assets	-	-	-	0	0
Asset Management Revenue Account (Interest payable and similar charges in 2006/07)	(8,739)	8,165	574	-	0
Impact on Net Operating Expenditure	10,013	0	0	0	10,013

Lewes District Council Statement of Accounts 2006/2007
Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2005/06 Net Expenditure £'000		2006/07 Gross Expenditure £'000	2006/07 Income £'000	2006/07 Net Expenditure £'000
	Expenditure on Services			
947	Central Services to the Public	7,841	6,902	939
	Cultural, Environmental & Planning			
9,364	Services <i>(Note 1 p23)</i>	14,506	4,729	9,777
(94)	Highways, Roads & Transport Services	1,615	1,081	534
(1,577)	Local Authority Housing <i>(Note 2 p23)</i>	11,375	12,594	(1,219)
1,139	Other Housing Services <i>(Note 2 p23)</i>	22,570	21,553	1,017
1,043	Corporate & Democratic Core	2,010	828	1,182
10,822	NET COST OF SERVICES	59,917	47,687	12,230
0	Gains on Sale of Fixed Assets			(35)
1,989	Precepts paid to Local Councils <i>(Note 3 p23)</i>			2,148
(515)	Surplus from Trading Operation <i>(Note 4 p23)</i>			(520)
670	Interest payable			571
804	Loan Premiums and Discounts <i>(Note 6 p24)</i>			750
598	Contribution of Housing Capital Receipts to Government Pool <i>(Note 7 p24)</i>			1,077
(964)	Interest and Investment Income <i>(Note 5 p24)</i>			(960)
76	Pension Interest Cost & expected return on pension asset <i>(Note 8 p25)</i>			(209)
13,480	NET OPERATING EXPENDITURE			15,052
	Less:			
(7,964)	Demand on the Collection Fund			(8,404)
(2,438)	General Government Grants <i>(Note 9 p27)</i>			(1,039)
(2,683)	Non-Domestic Rates redistribution			(4,847)
395	(SURPLUS)/DEFICIT FOR THE YEAR			762

<p>Lewes District Council Statement of Accounts 2006/2007 Statement of Movement on the General Fund Balance</p>

The Income and Expenditure Account shows the Council's actual 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, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06	2006/07
£'000	£'000
395 (Surplus)/Deficit for the year on the Income and Expenditure Account	762
(675) Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year <i>(Note 19 p31)</i>	(381)
(280) (Increase) in General Fund Balance for the year	381
(1,555) General Fund Balance brought forward	(1,835)
(1,835) General Fund Balance carried forward	(1,454)
(1,835) Amount of General Fund Balance generally available for new expenditure	(1,454)

Lewes District Council Statement of Accounts 2006/2007
Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits. The totals of each column in the table are equal to the difference in the 'Net Worth' shown on the opening and closing balance sheets ie the 'Net Worth' at 31 March 2007, £254,613,000 is £10,870,000 higher than the position at 31 March 2006, £243,743,000 (see following page).

2005/06 £'000	2006/07 £'000
(395) Surplus/(Deficit) for the year on the Income and Expenditure Account	(762)
58 Surplus/(Deficit) for the year on the Collection Fund	(70)
(35,725) Net surplus arising on revaluation and restatement of Fixed Assets	7,857
381 Actuarial gains/(losses) on pension fund assets and liabilities	3,845
<u>(35,681) Total recognised gains for the year</u>	<u>10,870</u>

Lewes District Council Statement of Accounts 2006/2007
Balance Sheet

		31 Mar '06 £'000	31 Mar '07 £'000
FIXED ASSETS	Note 20 p32		
TANGIBLE FIXED ASSETS			
Operational Assets			
- Council Dwellings		217,805	219,588
- Other land and Buildings		19,454	28,059
- Vehicles Plant and Equipment		2,770	2,799
- Infrastructure Assets		2,774	2,523
- Community Assets		1,463	1,755
Non-Operational Assets - Investment Properties		13,537	15,111
TOTAL TANGIBLE FIXED ASSETS		257,803	269,835
INTANGIBLE FIXED ASSETS		5,297	1,044
TOTAL FIXED ASSETS		263,100	270,879
Long Term Investments	Note 5 p24	21	21
Long Term Debtors	Note 21 p39	175	124
Deferred Premiums on the early repayment of debt	Note 6 p24	2,130	1,379
TOTAL LONG TERM ASSETS		2,326	1,524
CURRENT ASSETS			
Cash and bank		263	1,059
Stocks and Work in Progress	Note 22 p40	65	70
Debtors	Note 23 p40	5,384	5,162
Investments	Note 5 p24	15,000	14,600
TOTAL CURRENT ASSETS		20,712	20,891
CURRENT LIABILITIES			
Short Term Borrowing	Note 5 p24	3,000	3,000
Creditors	Note 24 p40	6,139	7,192
TOTAL CURRENT LIABILITIES		9,139	10,192
NET CURRENT ASSETS		11,573	10,699
TOTAL ASSETS LESS CURRENT LIABILITIES		276,999	283,102
LONG TERM LIABILITIES			
Long Term Borrowing	Note 5 p24	11,000	8,000
Government Grants and Contributions Deferred	Note 25 p41	7,329	8,524
Development Contributions	Note 26 p41	566	1,366
Defined Pension Scheme Liability	Note 8 p25	14,361	10,599
TOTAL LONG TERM LIABILITIES		33,256	28,489
TOTAL ASSETS LESS LIABILITIES		243,743	254,613
FINANCED BY:			
Fixed Asset Restatement Account	Note 27 p42	193,893	199,849
Capital Financing Account	Note 28 p42	49,428	49,916
Usable Capital Receipts Reserve	Note 29 p43	3,589	3,728
Deferred Capital Receipts	Note 30 p43	63	45
Pension Reserve	Note 8 p25	(14,361)	(10,599)
General Fund Balance		1,835	1,454
Housing Revenue Account Balance		2,828	2,981
Collection Fund Balance		684	614
Earmarked Reserves	Note 31p43	5,156	6,201
Major Repairs Reserve	Note 31p43	628	424
TOTAL NET WORTH		243,743	254,613

Lewes District Council Statement of Accounts 2006/2007
Cash Flow Statement

2005/06 £'000		2006/07 £'000	£'000
	REVENUE ACTIVITIES		
	Cash Outflows		
13,716	Cash paid to and on behalf of employees	12,361	
16,081	Other operating cash payments	17,543	
11,881	Housing Benefits paid out	12,830	
16,875	National non-domestic rates paid to national pool	17,145	
44,348	Precepts paid	46,360	
598	Payments to the Capital Receipts Pool	1,201	
103,499			107,440
	Cash Inflows		
(5,128)	Rents (after rebates)	(5,310)	
(44,902)	Council Tax receipts	(47,270)	
(2,683)	National non-domestic rates from national pool	(4,847)	
(18,898)	Non-domestic rate receipts	(16,767)	
(2,310)	Revenue Support Grant	(936)	
(23,397)	DWP grants for benefits	(25,410)	
(867)	Other government grants (<i>Note 34 p46</i>)	(121)	
(9,737)	Cash received for goods, services and operational activities	(9,614)	
(107,922)			(110,275)
(4,423)	Net Revenue Income (<i>Note 35 p46</i>)		(2,835)
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
669	Interest paid		568
	Cash Inflows		
(1,049)	Interest received		(985)
(380)	Net Cash (Inflow) / Outflow from revenue activities		(417)
	Capital Activities		
	Cash Outflows		
6,055	Investment in fixed assets & deferred charges		6,219
	Cash Inflows		
(1,979)	Sale of fixed assets	(1,960)	
(302)	Capital grants received	(3,022)	
(622)	Other capital cash receipts	(1,381)	
(2,903)			(6,363)
3,152			(144)
(1,651)	Net cash (inflow) / outflow before financing		(3,396)
	Management of Liquid Resources		
(1,500)	Net increase / (decrease) in short term deposits		(400)
(3,151)			(3,796)
	Financing (<i>Note 37 p47</i>)		
	Cash Outflows		
8,850	Repayment of amounts borrowed		4,000
	Cash Inflows		
0	New loans raised		0
(6,500)	New short term loans		(1,000)
(801)	Net (increase) / decrease in cash (<i>Note 36 p47</i>)		(796)

Note 1. Charity accounts

Included in the Council's revenue account are the grants payable to the Stanley Turner Recreation Ground Trust and Mountfield Pleasure Ground Trust. Both are charities for which the Council's members are trustees. The 2006/07 grants are shown below:-

2005/06		2006/07		
Grant		Expenditure	Income	Grant
£'000		£'000	£'000	£'000
42	Stanley Turner Recreation Ground Charity	48	4	44
45	Mountfield Pleasure Ground Trust Charity	76	34	42

Note 2. Housing

Housing expenditure for the Council includes the amounts which have been accounted for through both the General Fund and Housing Revenue Account. A full accounting statement for the Housing Revenue Account is provided as a supplementary statement at page 48.

2005/06		2006/07		
Net		Gross		Net
Expenditure		Expenditure	Income	Expenditure
£'000		£'000	£'000	£'000
(1,577)	Housing Revenue Account	11,375	12,594	(1,219)
1,139	General Fund Housing	22,570	21,553	1,017
<u>438</u>	<u>Total Housing</u>	<u>33,945</u>	<u>34,147</u>	<u>(202)</u>

Note 3. Precepts to local councils

Each year, the 28 Town and Parish councils in the District determine their own spending needs, to be paid for by the council taxpayers in their area. The Council pays over the amount required by each local council as a 'precept', with the total value of the precepts forming part of the Council's demand on the Collection Fund.

Note 4. Trading operation

The Council manages and maintains six Industrial Estates comprising 97 individual plots which are situated in Lewes, Newhaven and Seaford.

The turnover of these undertakings, derived mainly from rent, was £584,880 (2005/06 £566,000). The Council charges depreciation on the use of its Industrial Estates, in line with the Local Authority Accounting Code of Practice. This has resulted in a surplus of £520,440 being made in 2006/07, (2005/06 £233,000) which was credited in total to the General Fund.

Note 5. Loans and Investments

The table below analyses the Council's borrowing and investment position at the beginning and the end of the year, and indicates the average rates of interest both receivable and payable at those dates. The total interest payable by the Council during the year amounted to £485,739 (2005/06 £624,233). The average investment during the year was £19.3m (2005/06 £20.4m) with the gross rate of return being 4.86% (2005/06 4.67%).

	31 March 2006		31 March 2007	
	Principal £'000	Rate %	Principal £'000	Rate %
<i>Fixed Rate Funding</i>				
- PWLB	9,000	4.63	6,000	4.68
- Market	5,000	4.09	5,000	4.09
Total Borrowing	14,000	4.44	11,000	4.41
<i>Analysis of Loans by Maturity</i>				
Within 1 year	3,000	4.55	3,000	4.60
Within 1 to 2 years	3,000	4.60	0	0
Within 2 to 5 years	0	0	0	0
Within 5 to 10 years	5,000	4.09	5,000	4.09
Over 10 years	3,000	4.75	3,000	4.75
	14,000	4.44	11,000	4.41
<i>Investments</i>				
Short-term	15,000	4.70	14,600	5.36
Long-term: - ADC Debenture	21	0.00	21	0.00
Total Investments	15,021	4.70	14,621	5.36

Note 6. Loan premiums and discounts

Loan premiums and discounts represent the share of losses and gains on the early repayment of borrowing. These are written back to the Income and Expenditure Account in 2006/07 over a timescale prescribed by statute. The outstanding balance of premiums or discounts appears in the Balance Sheet.

Note 7. Contribution of housing capital receipts to Government Pool

The Capital Finance regulations require 75% of receipts generated from the sale of council dwellings to be paid into a national Pool. However, a three year transitional arrangement applied to those authorities (including this Council) which were debt free from 31st March 2004. This has reduced the Council's payment to the Pool in 2006/2007 from £1.436m to £1.077m, increasing the balance of usable receipts by £0.359m.

Note 8. Pensions scheme

Participation in Pensions Scheme

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

Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

	2005/06 £'000	2006/07 £'000
Income and Expenditure Account		
<i>Net Cost of services</i>		
- Current service cost	(1,614)	(1,896)
- past service cost	0	0
<i>Net operating expenditure</i>		
- interest cost	(3,144)	(3,369)
- expected return on assets in the scheme	3,068	3,578
Net Charge to the Income and Expenditure Account	<u>(1,690)</u>	<u>(1,687)</u>
Statement of Movement in the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS 17	1,690	1,687
Actual amount charged against the General Fund Balance for pensions in the year (employer's contributions payable to scheme)	<u>(1,393)</u>	<u>(1,462)</u>

The employer's contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last review being 31 March 2004. In 2006/07 the rate was 18% compared with 16.5% in 2005/06.

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 2006 £'000	31 March 2007 £'000
Estimated assets in Scheme	54,310	57,772
Less:		
Present Value of Scheme Liabilities	(67,341)	(67,102)
Present Value of Unfunded Liabilities	(1,330)	(1,269)
Net Pension Asset/(Liability)	<u>(14,361)</u>	<u>(10,599)</u>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £10.6m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy - the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates etc. The liabilities have been assessed by Hymans Robinson, an independent firm of actuaries. The main assumptions used in their calculations are:

	31 March 2006 % per annum	31 March 2007 % per annum
Price increases	3.1	3.2
Salary increases (based on 1.5% real)	4.6	4.7
Pension increases	3.1	3.2
Rate for discounting scheme liabilities (based on 2.1% real)	4.9	5.4

Assets in the East Sussex County Pension Fund as a whole are valued at fair value, principally market value for investments. Assets are analysed by type below, along with the expected annual return.

Asset type (Whole Fund)	Whole Fund Value at 31 March 2006 £'000	Long Term Return % per annum	Whole Fund Value at 31 March 2007 £'000	Expected Return £'000 per annum
Equities	1,071,400	7.8	1,107,400	7.8
Bonds	182,400	4.9	217,400	4.9
Property	155,600	5.8	177,900	5.8
Cash	163,600	4.9	193,900	4.9
TOTAL	<u>1,573,000</u>	6.9	<u>1,696,600</u>	

Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07
	£'000	£'000	£'000	£'000	£'000
Difference between the Expected & Actual Return on Assets	(9,130)	4,814	1,716	7,619	27
Value of Assets	33,029	40,020	43,526	54,313	57,772
Percentage of Assets	(27.6%)	12.0%	3.9%	14.0%	0.0%
Experience gains/(losses) on liabilities	203	(124)	(668)	113	17
Total Present Value of Liabilities	43,334	46,886	58,191	68,620	68,443
Percentage of the Total Present Value of Liabilities	0.5%	(0.3%)	(1.1%)	0.2%	0.0%
Actuarial gains/(losses) on liabilities	(8,927)	4,690	(8,017)	381	3,845
Total Present Value of Liabilities	43,334	46,886	58,191	68,620	68,443
Percentage of the Total Present Value of Liabilities	(20.6%)	10.0%	(13.8%)	0.6%	5.6%

Note 9. General government grants

The Council has received the following revenue grants from the Government, which are not attributable to the performance of a specific service.

	2005/06 £'000	2006/07 £'000
Revenue Support Grant	(2,310)	(936)
Local Authority Business Growth Incentive Scheme	(128)	(43)
Public Service Agreement	0	(60)
	<u>(2,438)</u>	<u>(1,039)</u>

Note 10. Section 137 expenditure

The Local Government Act 2000 granted powers to authorities in England and Wales to promote well-being in their area. As a consequence, the majority of the provisions of Section 137 were repealed with effect from October 2000. No expenditure was incurred by this Council in 2006/07 under the remaining provisions.

Note 11. Publicity

Section 5 of the Local Government Act 1986 requires a Local Authority to keep a separate account of its expenditure on publicity. Expenditure on publicity in 2006/07 amounted to £95,000 (2005/06 £108,000). The majority of this expenditure relates to the Council's recruitment advertising.

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

Note 12. Operating leases

The Council uses leased cars, refuse and recycling vehicles, leisure centre fitness equipment and other items of plant and equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2006/07 was £503,974 (2005/06 £508,700)

The future cash payment required under these leases per annum:-

	2007/08	2008/09	2009/10	2010/11
	£	£	£	£
Cars	136,909	75,131	30,205	11,290
Commercial Vehicles	38,586	1,601	0	0
Leisure Equipment	6,752	6,752	0	0
Private Sector Leased Properties	187,530	85,000	0	0
Leased Land & Properties	39,710	40,510	40,510	40,510
	<u>409,487</u>	<u>208,994</u>	<u>70,715</u>	<u>51,800</u>

Note 13. Building control trading accounts

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities for the year 2006/07.

	Chargeable 2006/2007 £	Non- Chargeable 2006/2007 £	Total Building Control 2006/2007 £
Expenditure			
Employee Expenses	172,686	97,951	270,637
Transport	15,157	1,684	16,841
Supplies and Services	18,563	5,797	24,360
Central and Support Services	70,162	24,040	94,202
TOTAL EXPENDITURE	<u>276,568</u>	<u>129,472</u>	<u>406,040</u>
Income			
Building Regulation Charges	367,831	0	367,831
Miscellaneous Income	314	2,353	2,667
TOTAL INCOME	<u>368,145</u>	<u>2,353</u>	<u>370,498</u>
Surplus/(Deficit) for year	<u>91,577</u>	<u>(127,119)</u>	<u>(35,542)</u>
Comparatives for 2005/2006			
Expenditure	248,628	119,650	368,278
Income	274,721	594	275,315
Surplus/(Deficit) for the year	<u>26,093</u>	<u>(119,056)</u>	<u>(92,963)</u>

Note 14. Agency services

The principal area of work is a programme of providing job skills training throughout all departments of the Council, in association with the Training Consortium who act as a managing agent for Sussex TEC Limited. The Council incurred expenditure of £47,180 in 2006/07 (2005/06 £66,000). During the 2006/07 financial year the Council also incurred expenditure of £1,000 on facilitating Town and Parish elections, the costs of which were fully reimbursed.

Note 15. Councillors' allowances

The total paid to Councillors under The Local Authorities (Members Allowances) Regulations 2003 in 2006/07 amounted to £132,060 (2005/06 £124,387).

Note 16. Remuneration of employees

The Accounts and Audit Regulations require each Council to disclose the number of employees in the period to which the accounts relate whose remuneration fell into each bracket of a scale in multiples of £10,000, starting with £50,000. The relevant details are shown below.

2005/06		2006/07
Number of Employees	Salary	Number of Employees
1	£ 50,000 - £ 59,999	3
4	£ 60,000 - £ 69,999	3
1	£ 70,000 - £ 79,999	0
1	£ 80,000 - £ 89,999	2
1	£ 90,000 - £ 99,999	0
0	£100,000 - £109,999	1

Note 17. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are disclosed elsewhere in the 2006/07 accounts.

Members of the Council have direct control over the Council's financial and operating policies. The Head of Democratic Services maintains a register of members' interests, and reports that there were no material transactions during 2006/07.

The Council has paid grants or awarded discretionary rate relief to a number of organisations, for example Lewes and Seaford Citizen's Advice Bureau, in which Councillors have an interest. In such cases the financial support was made with proper consideration of declarations of interests and the relevant Councillors did not take part in any discussion or decision relating to it.

The Council has a close relationship with Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. A Funding and Management Agreement between the two organisations sets out the terms of this relationship. In 2006/2007

Lewes District Council Statement of Accounts 2006/2007
 Notes to the Core Financial Statements

the Council paid a total fee of £1.1m to Wave Leisure Ltd, including £0.1m to enable it to invest in the leisure facilities which it operates. In addition, the Council collected membership direct debits on behalf of Wave Leisure Ltd, for which it received a fee of £15,000. The total turnover of Wave Leisure Ltd in 2006/2007 was £3.5m.

Note 18. Audit costs

In 2006/2007 the Council incurred the following fees relating to external audit and inspection.

2005/06		2006/07
£'000		£'000
79	External Audit Services carried out by the appointed auditor	89
4	Statutory Inspection (s10 of Local Government Act 1999)	0
20	Certification of grant claims and returns	11
0	Fees payable in respect of any other services	3
<u>103</u>	Total audit fees	<u>103</u>

Note 19. Reconciling items for the statement of movement on the General Fund balance

The analysis below breaks down the amounts shown in this statement which are required by statute or non-statutory proper practices to be debited or credited to the General Fund for the year.

2005/06 £'000		£'000	£'000
	<i>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</i>		
(267)	Amortisation of intangible fixed assets	(267)	
(1,112)	Depreciation and impairment of fixed assets	(1,455)	
574	Government Grants Deferred amortisation	1,167	
(595)	Write downs of deferred charges to be financed from capital resources	(675)	
0	Net gain on sale of Fixed Assets	35	
(1,690)	Net charges made for retirement benefits in accordance with FRS 17	(1,687)	
(3,090)			(2,882)
	<i>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</i>		
51	Minimum revenue provision for capital financing	66	
871	Capital expenditure charged in-year to the General Fund Balance	1,006	
(598)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,077)	
1,793	Employer's contributions payable to the East Sussex Pension Fund and retirement benefits payable direct to pensioners	1,604	
2,117			1,599
	<i>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</i>		
449	Housing Revenue Account balance	153	
108	Voluntary revenue provision for capital financing	77	
(259)	Net transfer to or (from) earmarked reserves	672	
298			902
(675)	Net additional amount required to be credited to the General Fund balance for the year		(381)

Note 20. Capital Expenditure and Financing

Capital Expenditure in 2006/2007

Expenditure on the purchase of or major improvements to Fixed Assets is accounted for as 'capital expenditure'. The Council's total capital expenditure in the year was £6.822 million compared with a forecast of £11.930 million. Approximately 4% of the programme has been funded by borrowing, generating charges to be met from future revenue spending, 11% from the proceeds of asset sales and the remaining 85% was met from other sources, mainly capital grants and contributions, followed by revenue contributions. Details are shown in the table.

The Council is required to calculate its 'Capital Financing Requirement' (CFR) on an annual basis. The CFR represents the amount of capital expenditure that the Council has incurred to date, and which has not been paid for from revenue, reserves, capital receipts, etc - it is the amount of capital expenditure on which loans can be considered to be outstanding. At 31 March 2007, the CFR is calculated as follows:

	General Fund £'000	Housing Revenue Account £'000	Total £'000
CFR at 1 April 2006	2,610	9,879	12,489
Appropriations	585	(329)	256
Capital Expenditure in 2006/2007	3,621	3,201	6,822
Less Financed by:			
- Capital Receipts	(702)	(42)	(744)
- Capital Grants	(2,262)	0	(2,262)
- Reserves	(556)	(2,445)	(3,001)
- Revenue Contributions	(26)	(431)	(457)
- Contributions	(76)	(24)	(100)
In year expenditure supported by borrowing	(1)	259	258
Minimum Revenue Provision for debt repayment	(66)	0	(66)
Voluntary Revenue Provision for debt repayment	(77)	0	(77)
CFR at 31 March 2007	3,051	9,809	12,860

There is a statutory requirement for the Council to set aside a minimum amount each year in the General Fund for the repayment of debt. This is known as the Minimum Revenue Provision and its value is based on 4% of the opening CFR for the year, reduced by a specified adjustment. In addition, the Council makes a Voluntary Revenue Provision in order to set aside an amount to fund the future repayment of unsupported borrowing which has been used to fund the replacement of refuse freighters and other vehicles.

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

Major capital assets acquired and other items of expenditure for capital purposes during 2006/07 are set out below.

	£'000	£'000
Housing - Own Stock		
Modernisation, Conversion & Enhancements	2,422	
Adaptations to Provide Additional Rooms	72	
Adaptations for Disabled Tenants	520	
Environmental Improvements	70	
Play Areas and Other Works	47	
Saffron Housing Management System	69	3,200
Housing - Private Sector		
Housing Association Projects	507	
Homelessness Initiatives	84	
Renovation Grants	65	
Private Sector Energy Works	60	716
Wave Leisure Trust		
Seahaven Pool	9	
Downs Leisure Centre	121	130
Leisure and Community Services		
Drove Road Landscaping & Informal Area	2	
Malling Skateboard Park & Sports Pitch	58	
Southover Grange Maintenance	4	
Convent Field Bowling Green	2	
Seaford Martello Tower	39	
Stanley Turner Ground Improvements	13	
Cooksbridge Play Areas	9	
Lewes Play Areas	32	
Seaford Play Areas and Landscaping	6	
Peacehaven Play Areas	18	183
Crime and Disorder Reduction Partnership Project		28
Environmental Services		
Waste Performance and Efficiency	22	
Contaminated Land	3	25
Planning Services		
Denton Island, Newhaven Reclamation	1	
Denton Island, Enterprise Gateway	1,561	
Disability Discrimination Act Works	27	
Winterbourne Slip Repairs	50	
Newhaven Fort	14	1,653
Public Conveniences Refurbishment Programme		3
Corporate Services		
Computer and I.T. Replacement Programme	39	
Electronic Service Delivery	180	
Lewes House Site Redevelopment	256	
Public Offices and Other Buildings & Land	115	
Electoral Registration Software	13	603
Other Services		
Repairs to Flint Walls	18	
Vehicles	263	281
Total Services		6,822

The capital expenditure shown above has been financed as follows:

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

Financing of Capital Expenditure	Housing £'000	Non Housing £'000	Total £'000
Expenditure			
Fixed Assets	3,269	2,596	5,865
Intangible Assets	0	282	282
Deferred Charges	647	28	675
	3,916	2,906	6,822
Financed By:			
Government Supported Borrowing	259	0	259
LDC Supported Borrowing	0	0	0
Capital Receipts	269	475	744
Major Repairs Allowance	2,431	0	2,431
Revenue Financing	445	583	1,028
Capital Grants and Contributions	512	1,848	2,360
	3,916	2,906	6,822

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. The table below shows how the value of the assets, as reported in the balance sheet, has changed over the course of the year.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- Structure Assets £'000	Comm- unity Assets £'000	TOTAL £'000
GBV at 1 April 2006	220,209	34,094	4,906	10,126	1,463	270,798
Revaluation/Restatement	3,765	9,457	57	0	0	13,279
Additions	3,014	1,972	587	0	292	5,865
Disposal of Assets	(5,192)	(39)	0	0	0	(5,231)
GBV at 31 March 2007	221,796	45,484	5,550	10,126	1,755	284,711
Depreciation						
Balance at 1 April '06	2,404	1,103	2,136	7,352	0	12,995
Charge for Year	2,231	990	585	251	0	4,057
Disposals & Revaluations	(2,427)	15	30	0	0	(2,382)
Asset Restatements	0	206	0	0	0	206
Total at 31 March 2007	2,208	2,314	2,751	7,603	0	14,876
Net Book Value						
as at 31 March 2007	219,588	43,170	2,799	2,523	1,755	269,835
HRA	218,396	6,585	687	1,394	7	227,069
General Fund	1,192	36,585	2,112	1,129	1,748	42,766
GBV = Gross Book Value	219,588	43,170	2,799	2,523	1,755	269,835

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

Depreciation has been calculated on the following basis:

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

Fixed assets owned by the Council include the following:

	Number as at 31 March 2006	Number as at 31 March 2007
Council Dwellings - HRA	3,299	3,280
Council Dwellings - General Fund	5	7
Shared Ownership Dwellings	10	9
Private Sector Leasehold Dwellings	46	32
Council Garages	751	751
Civic Offices	6	6
Depots	2	2
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
Industrial Units	97	97
Vehicles		
- Owned by LDC	62	75
- Leased by LDC	12	10
Community Recycling Centre	1	1
Cars		
- Leased by LDC	49	60

Fixed asset valuation

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

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

For each operational asset, that is, those held, occupied and used by the Council in the direct delivery of services for which there is either a statutory or a discretionary responsibility, an Existing Use Value (EUV) has been provided, except in the case of operational housing stock where Existing Use Value for Social Housing is appropriate (EUV-SH). EUV normally assumes that vacant possession is provided of all parts of the property occupied by the business. EUV-SH assumes the property is let for its existing use as social housing.

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

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

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

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

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

Additional Market Value valuations for operational assets

Existing Standard

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

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

Departure

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

Reasons for Departure

The beacon approach has been adopted for the majority of the properties in the Housing Revenue Account. This valuation approach is not site specific as it applies the

beacon values to similar properties to provide a total value of the HRA operational assets. An alternative use value for these properties that form the bulk of the assets in the HRA is of little value.

Existing Use Value

Existing Standard

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

Departure

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

Reasons for Departure

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

Plant and Machinery

Plant and machinery which would normally be regarded as an integral part of the buildings on letting or sale has been included in the valuation of the buildings but all items of loose furnishings and fittings, for example desks, computers, curtains and the like, are excluded.

Infrastructure

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

Lewes and Peacehaven Leisure Centres

The Leisure Centres at Lewes and Peacehaven are owned by East Sussex County Council and they were excluded from the valuations since the agreements respectively refer to the provision, use and management of the buildings without conferring any property interest on the Council. The licences granted by the County Council are for periods of sixty years. The costs of constructing the leisure centres are depreciated over the period of the licences.

Exclusions

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

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

Service installations have not been tested.

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

No access audit has been undertaken

Assumptions

The valuations are made on the following assumptions:

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

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

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

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

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

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

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

Taxation

No allowance has been made for notional taxation.

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

Intangible Fixed Assets

Intangible Fixed Assets are fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights.

	Software Licences	Leisure Centres	Wave Leisure Trust	Sea Defences	Other Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
GBV at 1 April 2006	1,040	4,474	61	110	146	5,831
Additions	247	0	0	0	35	282
Restatements	0	(4,474)	0	0	0	(4,474)
GBV at 31 March 2007	1,287	0	61	110	181	1,639
Amortisation:						
Balance at 1 April 2006	151	206	15	16	146	534
Restatements	0	(206)	0	0	0	(206)
Charge for Year	187	0	37	8	35	267
Balance at 31 March '07	338	0	52	24	181	595
Net Book Value as at 31 March 2007	949	0	9	86	0	1,044
HRA	92	0	0	0	0	92
General Fund	857	0	9	86	0	952
	949	0	9	86	0	1,044

GBV = Gross Book Value

Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. This is shown in the table below.

	Private Sector Housing Grants	Private Sector Energy Grants	Conservation Schemes	Crime and Disorder Schemes	TOTAL £'000
	£'000	£'000	£'000	£'000	£'000
GBV at 1 April '06	839	193	34	30	1,096
Additions	592	55	0	28	675
GBV at 31 March '07	1,431	248	34	58	1,771
Amortisation:					
Balance at 1 April '06	839	193	34	30	1,096
Charge for Year	592	55	0	28	675
Balance at 31 Mar '07	1,431	248	34	58	1,771
Net Book Value					
As at 31 March 2007	0	0	0	0	0
GBV – Gross Book Value					

Capital Commitments

As at 31 March 2007, the Council was contractually committed to capital works amounting to approximately £2.861m. In addition there are a number of minor continuing projects.

Note 21. Long Term Debtors

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

	31 March	
	2006	2007
	£'000	£'000
Mortgages	102	82
Loans to Individuals	73	42
Total	175	124

Note 22. Stocks and Work in Progress

	31 March	
	2006 £'000	2007 £'000
Community Leisure - Catering Stocks	5	0
Tourist Information Centres	13	22
Newhaven Fort	8	17
Waste & Recycling Centre	39	31
Total	65	70

On 1 April 2006 the operation of the Council's indoor leisure facilities was transferred from the Council's former Community Leisure Department to an independent charitable company.

Note 23. Debtors

	31 March	
	2006 £'000	2007 £'000
Government Departments	1,535	1,358
H.M. Customs	450	461
Other Local Authorities	457	355
Council Taxpayers	1,233	1,253
Non-Domestic Ratepayers	283	333
Housing Rents	249	319
Sundry Debtors	1,952	1,912
	<u>6,159</u>	<u>5,991</u>
Less Provision for Doubtful Debts	(775)	(829)
Total	5,384	5,162

Note 24. Creditors

	31 March	
	2006 £'000	2007 £'000
Government Departments	551	1,411
HM Revenues and Customs	296	274
Other Local Authorities	388	353
Council Taxpayers	702	884
Non-Domestic Ratepayers	207	155
Housing Rents	118	124
Sundry Creditors	3,877	3,991
Total	6,139	7,192

Note 25. Government Grants and Contributions Deferred

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the Government Grants-deferred account. Amounts are released to 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.

	Balance at 1 April 2006 £'000	Additions £'000	Revenue Accounts £'000	Balance at 31 March 2007 £'000
Coast Protection	873	0	(104)	769
Kerbside Recycling	222	0	(93)	129
Public Sector Housing	0	489	(489)	0
Electronic Service Delivery	554	201	(106)	649
I.T. Systems Development	203	12	(33)	182
Leisure and Recreation	2,190	7	(83)	2,114
Council Dwellings	24	24	(15)	33
Derelict Land	37	0	0	37
Newhaven Town Centre	124	0	(1)	123
Newhaven Fort	1,711	14	(54)	1,671
Denton Island	1,095	1,561	0	2,656
Other Properties	296	53	(188)	161
Total	7,329	2,361	(1,166)	8,524

Note 26. Development Contributions

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

	Planning Agreements £'000	Other Contributions £'000	Total £'000
Opening Balance at 1 April 2006	513	53	566
Received 2006/07	1,283	95	1,378
Applied 2006/07	(493)	(85)	(578)
Closing Balance at 31 March 2007	1,303	63	1,366

Note 27. Fixed Asset Restatement Account

The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations. The account will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

	£'000
Opening Balance at 1 April 2006	193,893
Gain on revaluation and restatement of fixed assets	5,710
Disposal of fixed assets and depreciation on revalued assets	246
Closing Balance at 31 March 2007	<u>199,849</u>

Note 28. Capital Financing Account

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

	£'000
Opening Balance at 1 April 2006	49,428
Release of Grants and Contributions	1,167
Capital Programme Financing	
Capital Receipts	744
Revenue, General Fund	575
Revenue, Housing Revenue Account	431
Major Repairs Reserve	2,430
Less:	
Major Repairs Allowance Transfers	(2,602)
Long Term Debtors Write Down	(3)
Appropriation to Income and Expenditure Account	(2,254)
Closing Balance at 31 March 2007	<u>49,916</u>

Note 29. Usable Capital Receipts Reserve

This reserve represents the capital receipts available to finance future capital expenditure. Further details of the payment to the Government Pool are included at Note 7 on page 24.

	£'000	£'000
Opening Balance at 1 April 2006		3,589
Capital Receipts 2006/07		1,960
<i>Less</i>		
- 2006/07 capital receipts paid to Government Pool	(1,077)	
- 2006/07 capital receipts used for financing	<u>(744)</u>	(1,821)
Closing Balance at 31 March 2007		<u><u>3,728</u></u>

Note 30. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received by instalments over agreed periods of time. The account reflects mortgages on sold Council Houses, which form the main part of long term debtors.

	£'000
Opening Balance at 1 April 2006	63
Receipts Applied in Year	<u>(18)</u>
Closing Balance at 31 March 2007	<u><u>45</u></u>

Note 31. Reserves

The Council holds a number of reserves to finance future revenue or capital expenditure, as shown in the following table.

Reserve & Description	Balance 1 April 2006 £'000	<i>Add</i> Receipts In Year £'000	<i>Less</i> Payments In Year £'000	Balance 31 Mar 2007 £'000
Revenue Reserves				
Leisure Buildings Repairs <i>Funding for works to facilities, parks and open spaces managed by Community Services</i>	93	67	60	100
Private Sector Leasing Repairs <i>Funding for repairs to properties (if required) when they are returned at the end of the lease period</i>	62	32	15	79
Corporate Buildings Repairs <i>Provides source of funding for repairs to Council offices, etc</i>	135	50	38	147
Lewes L.C. Buildings Repairs <i>Provides source of funding for repairs to Lewes Leisure Centre</i>	1	0	0	1

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

Reserve & Description	Balance 1 April 2006 £'000	Add Receipts In Year £'000	Less Payments In Year £'000	Balance 31 Mar 2007 £'000
Maintenance Funds <i>Amounts paid to the Council by third parties for specific purposes e.g. future maintenance of parks and opens spaces; repairs to properties containing leasehold flats; graves maintenance.</i>	192	18	12	198
Revenue Equalisation & Asset Maintenance <i>Held for two main purposes: - to fund regular expenditure which is not made annually e.g. Local Plan enquiry and elections. - to fund backlog asset maintenance needs of non-housing property</i>	1,089	1,042	206	1,925
Indoor Leisure Building Repairs <i>Funding for repairs to facilities operated by Community Leisure</i>	81	0	0	81
Partnership Fund <i>Financial Support for revenue and capital projects where the Council is the lead partner, working with external agencies, community organisations, etc. Projects address Council service objectives.</i>	148	0	99	49
Insurance & Risk Management <i>Held for two main purposes: - to fund liability arising from insolvent run-off of Municipal Mutual Insurance - to fund 'excess' element of insurance claims</i>	226	25	21	230
Rent Deposit Guarantee Scheme <i>Provision of repayable rent deposit to selected applicants to avoid homelessness</i>	52	0	0	52
Housing Development <i>Funds to pay for the GF cost of a housing transfer if that is the tenants' future housing options appraisal choice.</i>	195	0	0	195
Financial Systems <i>Residue of earmarked funds for replacing financial systems. Balance to fund ad-hoc supplier support , etc</i>	9	0	0	9
Community Grants <i>Available to fund grants to community organisations (grants schemes no longer supported in base budget)</i>	29	0	10	19
Building Control Charging Scheme <i>Regulations require defined elements of building control function to break-even over time. Trading account prepared to cover these items, with annual surplus/deficit added to/funded from this reserve</i>	34	92	62	64
Vehicle Replacement <i>Provides funding for the vehicle replacement programme.</i>	1,553	295	262	1,586
Planning Delivery Grant <i>Balance of Government Grant for specific Planning department initiatives over a number of years</i>	486	400	445	441

Lewes District Council Statement of Accounts 2006/2007
Notes to the Core Financial Statements

Reserve & Description	Balance 1 April 2006 £'000	Add Receipts In Year £'000	Less Payments In Year £'000	Balance 31 Mar 2007 £'000
Budget Carry Forward <i>Where projects or services being funded from a revenue budget have not been completed at year end, the unspent budget can, if required, be carried forward to fund that project or service in the following year.</i>	214	349	214	349
Southover Grange Improvements <i>Provides source of funding for future work at Southover Grange, Lewes.</i>	41	0	0	41
IT Replacement Equipment <i>Provides source of funding for IT replacement programme</i>	200	0	31	169
WAVE Leisure Trust <i>Available to fund future obligations under the new arrangements.</i>	71	79	125	25
WAVE Leisure Trust Asset Maintenance <i>Available to fund maintenance obligations</i>	0	138	103	35
Housing Benefit Standards and Improvements <i>Provides resources for the Finance Dept's Benefits Service.</i>	100	178	69	209
Clean and Green <i>Provides source of funding for clean & green initiatives</i>	0	160	99	61
	5,011	2,925	1,871	6,065
Capital Reserves				
Major Repairs Allowance <i>Used by Housing Revenue Account for major repairs to housing stock. The MRA contribution is received from the DCLG annually and is calculated with reference to type and number of properties</i>	628	2,603	2,807	424
West Quay Development <i>Reserve to fund expenditure on the West Quay regeneration project</i>	42	2	0	44
Newhaven Fort Refurbishment <i>Reserve to fund expenditure on the refurbishment of Newhaven Fort</i>	33	1	14	20
Denton Island Reclamation <i>Reserve to fund expenditure on the Denton Island regeneration project</i>	70	3	1	72
	773	2,609	2,822	560
Total Reserves	5,784	5,534	4,693	6,625

Note 32. Contingent Liabilities

The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pensions agreement between the two organisations. As at 31 March 2007, the pensions liability was £306,000.

Note 33. Post Balance Sheet Events

There are no post balance sheet events to be disclosed.

Note 34. Analysis of other Government Grants

2005/06		2006/07
£'000		£'000
676	Housing Benefits Administration	654
(1,283)	Housing Subsidy (net payment to Government)	(1,645)
708	Planning Delivery	400
105	Crime and Disorder Reduction Partnership	184
240	Recycling Initiatives	39
21	MRP Transitional Protection	20
43	Homelessness Initiatives	43
31	Discretionary Housing Payments	31
198	Disabled Facility Grants	242
128	Local Authority Business Growth Initiatives	43
0	Food Standards Agency	94
0	Other Minor Grants	16
867	TOTAL	121

Note 35. Reconciliation of net cash flow

The reconciliation between the net surplus/(deficit) on the Income and Expenditure account to the revenue activities net cash flow is as follows:

2005/06		2006/07
£'000		£'000
787	Surplus/(Deficit) for the year	771
4,171	Non-Cash Transactions re Capital Financing	103
66	Less contributions to or (from) reserves	1,054
(472)	Add/(Less) provisions set aside in the year	54
(4)	Add/(Less) movement in stocks	(5)
(79)	Add/(Less) movement in debtors	222
334	Add/(Less) movement in creditors	1,053
	Other items not classified in revenue activities in the cash flow statement	
669	Interest Paid	568
(1,049)	(Less) investment income	(985)
4,423	Net cash flow from revenue activities	2,835

Note 36. Details of Movement in Liquid Resources

	Balance 1 April 2006 £'000	Balance 31 March 2007 £'000	Movement in the year £'000
Cash In Hand	263	1,059	796
			<u>796</u>

Note 37. Analysis of Movements in Financing:

£'000		£'000	Movement In the year
	Long Term Borrowing		
6,000	Public Works Loan Board	3,000	(3,000)
5,000	Private Sector Banks	5,000	0
3,000	Short Term Borrowing	3,000	0
<u>14,000</u>	TOTAL	<u>11,000</u>	<u>(3,000)</u>

Lewes District Council Statement of Accounts 2006/2007
Housing Revenue Account

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

2005/06 £'000		2006/07 £'000	2006/07 £'000
	INCOME		
10,245	Dwelling rents (gross)	10,611	
340	Non-dwelling rents (gross)	352	
850	Charges for services and facilities	937	
365	Contributions towards expenditure	548	
99	Community amenities contribution	108	
11,899	Total Income		12,556
	EXPENDITURE		
2,885	Repairs and Maintenance	3,420	
2,469	Supervision and Management	2,583	
138	Rents, Rates, Taxes and other charges	204	
1,280	Housing Revenue Account Subsidy Payable (<i>Note 3 p50</i>)	1,639	
17	Increase in provision for doubtful debts	69	
	Depreciation/impairment of fixed assets (<i>Note 6p51</i>)		
2,224	- Dwellings	2,226	
327	- Non-Dwellings	376	
33	Debt Management Expenses	46	
47	Supporting People Transitional Protection	49	
	Transfers to the General Fund		
64	- Rent Rebates Transitional Protection	0	
433	- Rent Rebates Subsidy Limitation	211	
9,917	Total Expenditure		10,823
(1,982)	Net Cost of HRA Services shown in whole Council Income and Expenditure Account		(1,733)
426	HRA services share of Corporate and Democratic Core		526
(1,556)	Net cost of HRA Services		(1,207)
0	Gain on sale of HRA fixed assets		(11)
421	Interest payable and similar charges		441
804	Amortisation of premiums and discounts		750
(82)	Interest and investment income		(136)
11	Pensions interest cost and expected return on pensions assets		(31)
(402)	(Surplus) or deficit for the year on HRA services		(194)

Lewes District Council Statement of Accounts 2006/2007
Housing Revenue Account – Statement of Movement on the HRA Balance

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

2005/06 £'000	2006/07 £'000
(402) (Surplus) or deficit for the year on the HRA Income and Expenditure Account	(194)
(47) Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	41
(449) (Increase) or decrease in the Housing Revenue Account Balance	(153)
(2,379) Housing Revenue Account surplus brought forward	(2,828)
<u>(2,828)</u> Housing Revenue Account surplus carried forward	<u>(2,981)</u>

The analysis below breaks down the amounts shown in this statement which are required by statute or non-statutory proper practices to be debited or credited to the HRA for the year.

2005/06 £'000	£'000	£'000
<i>Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</i>		
0 Gain on sale of HRA fixed assets	11	
(268) Net charges made for retirement benefits in accordance with FRS 17	(266)	
<u>(268)</u>	<u> </u>	(255)
<i>Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</i>		
(327) Transfer to/(from) Major Repairs Reserve	(376)	
307 Capital expenditure charged in-year to the HRA (Note 10 p53)	431	
241 Employer's contributions payable to the East Sussex Pension Fund and retirement benefits payable direct to pensioners	241	
<u>221</u>	<u> </u>	<u>296</u>
(47) Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		<u>41</u>

Lewes District Council Statement of Accounts 2006/2007
Notes to the Housing Revenue Account

Note 1. Financial Framework

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure – maintenance, administration and capital financing costs, and how these are met by rents, subsidy and other income.

Note 2. Housing Stock Numbers

31 March 2006			31 March 2007	
		<u>Houses and Bungalows</u>		
218		- one bedroom	217	
664		- two bedrooms	662	
919		- three bedrooms	908	
64		- four bedrooms	64	
4		- five bedrooms	4	
<u>4</u>			<u>4</u>	
	1,869			1,855
		<u>Flats</u>		
133		- Bedsits	133	
714		- one bedroom	712	
530		- two bedrooms	527	
49		- three bedrooms	49	
4		- four bedrooms	4	
<u>4</u>	1,430		<u>4</u>	1,425
	<u>3,299</u>			<u>3,280</u>

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. HRA Government Subsidy

The HRA Housing Subsidy is made up as follows:

2005/06		2006/07
£'000		£'000
2,224	Major Repairs Allowance	2,226
4,399	Management and Maintenance Allowance	4,730
1,501	Capital Charges Allowances	1,510
11	Admissable Allowance	5
<u>8,135</u>		<u>8,471</u>
(9,408)	Less: Assumed rent income	(10,106)
(7)	Other income	(4)
<u>(1,280)</u>	Total Subsidy Payable to Secretary of State	<u>(1,639)</u>

Note 4. Asset Valuation

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

Lewes District Council Statement of Accounts 2006/2007
Notes to the Housing Revenue Account

	31 March 2006 £'000	31 March 2007 £'000
Operational assets		
- Dwellings	204,872	218,360
- Garages	3,876	4,782
- Other	1,130	1,351
Community assets	6	7
Infrastructure assets	1,492	1,394
Non-operational assets	1,164	1,177
Intangible assets	30	93
	<u>212,570</u>	<u>227,164</u>

The change in the valuations arose following an interim desktop valuation update by the Council's appointed valuer. A summary of total capital expenditure on Housing Revenue Account assets is shown in Note 20 to the Core Financial Statements on page 32.

Note 5. Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2006 was £487.0m as valued by District Valuer Services, compared with a value of £219.2m for its existing use as social housing. The difference of £267.8m represents the cost to the government of providing housing at less than open market rents. The reduction applied to the April 2005 Valuation to reflect use as Social Housing is 45%.

Note 6. Depreciation

Depreciation of the housing stock (£2,226,199) has been calculated using the methodology of the Major Repairs Allowance. It is based on the annual cost of replacing individual building components, such as windows, kitchens and heating systems, as they reach the end of their useful life. Additional depreciation of (£376,609) has also been included in respect of non-dwelling assets.

Note 7. Major Repairs Reserve

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

Lewes District Council Statement of Accounts 2006/2007
Notes to the Housing Revenue Account

	£'000
Balance at 1 April 2006	(628)
Depreciation	
- Housing Stock	(2,226)
- Other HRA Assets	(376)
Financing of Capital Expenditure	2,430
Transfer to HRA	376
Balance at 31 March 2007	<u>(424)</u>

Note 8. Funding of Capital Expenditure

In 2006/07 capital expenditure on HRA services totalled £3.200 million funded as follows

	2005/06	2006/07
	£'000	£'000
Expenditure:		
Houses	3,178	3,084
Other Property & Equipment	292	116
	<u>3,470</u>	<u>3,200</u>
Funding:		
Borrowing	807	259
Usable Capital Receipts	0	42
Revenue Contribution	307	431
Major Repairs Reserve	2,311	2,430
Leaseholder Contributions	7	16
Other Contributions	38	22
	<u>3,470</u>	<u>3,200</u>

Note 9. Capital Receipts

Receipts from sales of HRA assets in 2006/07 are summarised below

	2005/06	2006/07
	£'000	£'000
Sale of Housing Land	53	0
Sale of Council Houses (Right to Buy)	1,600	1,890
Repayment of HRA mortgages	14	17
Repayment of RTB discount	0	25
	<u>1,667</u>	<u>1,932</u>

Note 10. Revenue Contribution to Capital Expenditure

The financial framework for the Housing Revenue Account does not impose any direct limit on the extent of direct funding of the capital programme from revenue monies. In 2006/07 Lewes augmented its capital spending by making a direct revenue contribution of £430,765.

Note 11. Contributions to the General Fund

From 2004/05 the accounting for rent rebates was transferred from the Housing Revenue to the General Fund. In order to minimise the net financial effects on both the Housing Revenue Account and the General Fund, the following transfers to the General Fund have been made from the Housing Revenue Account. These transfers are determined by the Secretary of State.

	2005/06	2006/07
	£'000	£'000
Rent Rebates Subsidy Limitation	433	211
Rent Rebates Transitional Protection	64	0
	<u>497</u>	<u>211</u>

Note 12. Pensions Reserve Contributions

The Housing Revenue Account has been charged with an attributable share of current service costs. These costs have been reversed by an equivalent contribution from the Pensions Reserve.

Note 13. Rent Arrears

Rent arrears at 31 March were:

	2006	2007
	£	£
Dwellings - Current Tenants	160,946	218,724
Dwellings - Former Tenants	74,429	86,197
Garages - Current Tenants	1,459	2,075
Garages - Former Tenants	2,082	2,449
	<u>238,916</u>	<u>309,445</u>

Write-offs in 2006/07 amounted to £7,382 compared to £21,440 in 2005/06.

Note 14. Provisions for Bad Debts

The amount to be set aside from revenue to provide for non-payment of rent is determined by reference to the level of arrears. The bad debts provision set aside in the accounts has been increased from £166,400 to £223,226. The balance sheet also contains a provision of £27,793 to offset other potential HRA debts.

Lewes District Council Statement of Accounts 2006/2007
Collection Fund Income and Expenditure Account

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts for the billing authority.

2005/06		2006/07	
£'000	INCOME	£'000	£'000
	Council Tax <i>(Note 1 p55)</i>		
44,770	- Income from Council Tax	47,013	
5,546	- Council Tax Benefit	5,887	
50,316			52,900
16,281	Income in respect of Non-Domestic Rates <i>(Note 2 p55)</i>		17,208
66,597	Total Income for the Year		70,108
	EXPENDITURE		
49,972	Precepts and Demands <i>(Note 3 p55)</i>		52,558
	Non-Domestic Rates		
16,160	- Payment to National Pool	17,086	
121	- Cost of Collection Allowance	122	
16,281	Sub Total		17,208
(64)	Provision for uncollectable amounts		54
350	Contribution towards previous year's estimated surplus		358
66,539	Total Expenditure for the Year		70,178
(58)	(Surplus)/Deficit for the Year		70
(626)	Balance at start of the year		(684)
(684)	Balance at end of the year		(614)

Note 1. Council Tax

The Council Tax Base, before adjustment for anticipated losses on collection, is detailed below:

	Ratio to Band "D"	Actual Number of Dwellings	Number of Dwellings Converted to Band "D" Equivalents
Band A Properties	6/9	3,107	2,071
Band B Properties	7/9	4,793	3,728
Band C Properties	8/9	11,306	10,050
Band D Properties	9/9	8,259	8,259
Band E Properties	11/9	4,921	6,014
Band F Properties	13/9	2,661	3,844
Band G Properties	15/9	2,025	3,375
Band H Properties	18/9	187	375
Total		<u>37,259</u>	<u>37,716</u>

Note 2. Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specifies the rate in the pound, and subject to the effects of transitional arrangements, local businesses pay rates according to the product of their rateable value, multiplied by the rate in the pound.

The rateable value of hereditaments at 31 March 2007 amounted to £50.4 million and the rate in the £ applied for 2006/07 was 43.3 pence reduced to 42.6 pence for small businesses.

Note 3. Precepts and Demands

In addition to Lewes District Council's demand of £8.347 million, East Sussex County Council, Sussex Police Authority and East Sussex Fire Authority were the only other authorities to have a call on the Collection Fund, their precepts amounting to £37.301 million, £4.300 million and £2.610 million respectively.

Note 4. Collection Fund Balance

The balance on the Collection Fund at 31 March 2007 amounted to £0.614 million, made up wholly of surpluses relating to Council Tax. This surplus will be effectively returned to taxpayers in future years (£0.369 million already agreed for 2007/08) by reducing the council tax amounts which the precepting authorities would otherwise have demanded. In 2006/07 £0.358 million of the surplus built up in previous years was returned to taxpayers in this way.

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 COUNCILLOR PRESIDING AT THE MEETING AT WHICH THE ACCOUNTS WERE APPROVED

.....
Councillor J M Harrison-Hicks, Chair of Audit Committee

The Director of Finance and Community Services' Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently
- made judgments 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 56 presents fairly the financial position of the Council at 31 March 2007 and its income and expenditure for the year ended 31 March 2006.

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

1. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control that facilitates the effective exercise of the Council's functions and that includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31 March 2007 and up to the date of the approval of the annual report and accounts, and accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are described below.

The Council's Constitution has established clear arrangements for decision making and the delegation of powers to councillors and officers. The roles of the Monitoring Officer (at Lewes District Council this is the District Solicitor) and Chief Finance Officer (at Lewes District Council this is the Director of Finance and Community Services) include responsibility for ensuring that agreed procedures are followed and that all applicable statutes, regulations and relevant statements of good practice are complied with.

The Council has an established framework for financial governance based on Contract and Financial Procedure Rules, with sound budgeting systems, clear budget guidance for managers and regular reporting of financial performance to officers and councillors. The Medium Term Finance Strategy looks ahead three years and set out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities.

The Council has a local Code of Corporate Governance that draws together the regulatory framework of the Council and is in accordance with the standards for Corporate Governance established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The local Code is approved by the Audit Committee and is subject to annual review.

The Council's strategic objectives are stated in the Council Plan, with the supporting strategies and departmental service plans providing the detailed commitments in terms of the Council's core services and activities.

The Council has a published Performance Management Framework which continues to be developed and strengthened through a variety of processes. The Council has systems in place to ensure that performance data is accurate, complete, timely and relevant, but recognises these systems can be further developed. The Cabinet receives quarterly monitoring reports on the progress of its planned improvements and performance targets as set out in the Council Plan. The Corporate Management Team monitors key targets within the Council Plan on a quarterly basis.

As part of its Corporate Governance arrangements the Council has established an Audit Committee that is responsible, amongst other things, for keeping under review the probity and effectiveness of internal controls and the effectiveness of management arrangements to ensure legal and regulatory compliance. The Audit Committee reports to the Cabinet on the effectiveness of internal controls within the Council. Since 2005/06, the Audit Committee has reviewed the Annual Statement of Accounts.

The Council has a documented assurance framework that sets out the sources of assurance within the Council's control environment. The assurance framework provides the evidence for much of the information summarised in the SIC.

The Internal Audit Section 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 now 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 adoption of the verification framework and a high profile Fraud Investigation Team. The outcome of this work informs the opinion on the internal control environment and the programme of work for Internal Audit.

The Council's Risk Management Strategy was introduced in September 2003. The risk management framework outlined in the strategy is fully established and embedded. The Council has robust systems for identifying and evaluating risk in the decision making and service planning processes. The register of operational and strategic risks is updated annually. Appropriate staff have been trained in the assessment, management and monitoring of risk and councillors have received training on their role in risk management.

The Council has a Project Management Framework that contains a common set of principles and procedures for the successful planning, control and delivery of projects. The framework is based on recognised best practice and will be applied to all Council projects and scrutiny work, where appropriate. The principles of best value are now well embedded in service planning and review mechanisms helping to ensure that services are efficient, effective and economical.

There is also a well established ethos of continuous improvement and efficiency amongst councillors and staff.

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

The Council has established a Scrutiny Committee which oversees the independent reviews of decisions of Cabinet and other activities and functions of the Council through appointed scrutiny panels. The Council also has a Standards Committee whose role includes promoting and maintaining high standards of conduct through the Members' Code of Conduct.

4. REVIEW OF EFFECTIVENESS

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. During 2006/07 the Council reviewed the effectiveness of its governance arrangements, including its systems of internal control, on an ongoing basis. The following processes have informed this review of effectiveness.

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 2006/07 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.

Internal Audit has reviewed the assurance arrangements in the significant partnerships funded by the Council and has concluded that these assurance arrangements are satisfactory.

The Council's local Code of Corporate Governance is subject to annual review by the Head of Audit and Performance and in May 2007 the review concluded that the Council's arrangements were satisfactory and the Code remained fit for purpose.

The Council's work on Risk Management includes annual reports to both the Corporate Management Team and the Cabinet on the main risks faced by the Council and the controls that are in place to mitigate those risks. The reports during 2006 noted that most risks are mitigated by the effective operation of controls or other measures. However, there are some risks that are outside the Council's control, including a major incident or disaster, a 'flu pandemic, a downturn in the national economy or a major change in government policy or legislation. The Council has a Business Continuity Plan, and will continue to develop its processes and safeguards in this area.

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. A joint annual statement by the Monitoring Officer and Chief Finance Officer (Section 151) has confirmed that there have been no significant internal control issues for the Council in 2006/07.

The Government relies on external auditors and inspectors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The Council has undergone a series of inspections and audits over recent years:

- Comprehensive Performance Assessment – The inspection took place in November 2003 and the Council was judged “Good” overall with high level results in financial management, standards of financial conduct and the systems of internal financial control. The inspection included the results of the Benefit Fraud Inspection in which the Council was judged “Fair” overall. The Audit Commission has judged that these assessments remain valid until the next main inspection.
- Annual Audit and Inspection Letter (March 2007) - The letter summarised a series of audits carried out during 2006 across a range of Council activities. The Audit Commission concluded that:
 - The Council has a positive direction of travel and continues to deliver improvements against its corporate priorities.
 - The Council achieved an overall score of 3 out of 4 in the use of resources, which equates to ‘consistently above minimum requirements: performing well.’ This includes a top score of 4 for internal control.
 - The Council’s governance arrangements are strong, as is financial management and the delivery of value for money.
 - An unqualified opinion was issued on the 2005/06 accounts including the Statement on Internal Control.
 - The Council’s internal control arrangements covering risk management, internal audit and probity have continued to meet best practice standards.
 - The Council has maintained the good arrangements it has in place for financial reporting, and the budget monitoring arrangements are well embedded and exceed the minimum requirements.
 - The Council continues to manage its spending within resources.
 - The Council’s arrangements for asset management have continued to be effective.
 - The Council Plan (BVPP) for 2006/07 complies with statutory requirements.
 - The Council continues to strengthen its performance management arrangements. Performance reports to Cabinet are clear and focussed on action, and there are effective scrutiny arrangements that have actively involved councillors in addressing performance issues.
- Benefit and Non Domestic Rates Subsidy Claims Audit - The Audit Commission’s review took place in late 2006 and approved the Council’s claims without qualification.
- Data Quality Review - The Audit Commission’s review took place in November 2006 and concluded that the Council’s management arrangements for data quality met the required standard and its data quality systems and processes are robust.
- Benefits Fraud Inspectorate (BFI) Inspection Report – The November 2006 inspection examined the Council’s performance in dealing with claims processing and noted that performance in key areas is improving.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee.

There are no significant internal control issues to report for the year ended 31 March 2007.

John Crawford
Chief Executive

Ann De Vecchi
Leader of the Council

John Magness
Director of Finance and
Community Services

Lewes District Council Statement of Accounts 2006/2007
Independent Auditor's Report to Lewes District Council

The Audit of the Accounts has not yet taken place. At the conclusion of the Audit, the Auditor's report will be included here.

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Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

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

Agency Services

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

Balances

A working balance is needed so that payments can be made before income is received, and as a cushion against unexpected expenditure during the year.

Budget

An expression, mainly in financial terms, of the Council's policy for a specified period.

Business Rates

A charge on non-domestic buildings fixed by the Government and collected by local authorities for the Government. The Government makes an allocation back to local authorities based upon population.

Capital Charges

Amounts charged to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of assets, or which adds to, rather than maintains, the value of existing assets.

Capital Financing Account

An account which is not available for revenue purposes: it is credited with the amounts set-aside for the repayment of external debt and with capital expenditure paid for from revenue and usable capital receipts.

Capital Receipts

Income received from sale of capital assets. Legislation requires a proportion of capital receipts from the sales of council houses to be paid over to a national pool.

Cash Equivalents

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

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency

A sum set-aside to meet future pay and price rises over and above provision made in service budgets.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. There is therefore no logical basis for apportioning these costs to services.

Current Service Cost (Pensions)

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

Creditors

Amounts owed by the Council but not paid at the date of the balance sheet.

Debtors

Amounts owed to the Council but unpaid at the date of the balance sheet.

Deferred Charges

Expenditure which may properly be charged to revenue over a number of years, but which does not result in tangible assets controlled by the authority.

Expected Rate of Return on Pensions Assets

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

Financial Reporting Standards (FRS)

These are prepared by the Accounting Standards Board set up in 1990 by the professional accountancy bodies and they set out methods of accounting for application to company accounts. Some of the standards apply or are adapted for use in the public sector.

Fixed Asset Restatement Account

This account shows the surplus which has arisen on the valuation of assets

Formula Spending Shares

A Government estimate of what it thinks each local authority needs to spend to provide a typical standard of services, allowing for the particular characteristics of each area, but within the Government's overall estimate of expenditure.

General Fund

The main revenue fund of the Council which is used to meet the cost of providing services paid for from Council Tax, Government grants and charges for services.

Government Grants

Assistance by central Government towards either the revenue or capital cost of local authority services.

Housing Revenue Account

The Housing Revenue Account reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure, maintenance, administration, rent rebates and capital financing costs and how these are met by rents, subsidy and other income.

Intangible Assets

Expenditure on assets such as software licences and other licence arrangements which are depreciated over their expected life but do not confer any property interest on the Council.

Interest Cost (Pensions)

For a defined benefit scheme the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Leasing

A method of acquiring capital assets by which a rental charge is paid for a specified period.

Levy

A contribution, which the District Council is required to make, towards the costs of the Environment Agency.

Loan Premiums

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

Loan Discounts

Amounts receivable and in respect of loans redeemed earlier than the originally agreed term, where the lender can now re-lend the money at a higher interest rate.

Minimum Revenue Provision

An amount, prescribed by Government, to be set aside from revenue for the redemption of debt.

Outturn

The actual expenditure or income in the financial year.

Precept

The income needed by one authority which is collected by another. The District Council collects on behalf of the County Council, Fire Authority, Parish Councils and the Sussex Police Authority.

Provisions

Provisions are made for liabilities and losses which are likely or certain to be incurred but the amount or dates on which they will arise cannot be determined accurately.

Public Works Loan Board

A Government agency which provides a source of borrowing for local authorities.

Rateable Value

A notional annual rental value of property assessed by the District Valuer and to which the rate poundage is applied to determine the rates payable for non-domestic property.

Rate Poundage or Multiplier

The number of pence in the £ applied to rateable value to determine the rates payable.

Reserves

Internal reserves set aside to finance future expenditure for purposes falling outside the definition of provisions.

Revenue Expenditure

Recurring expenditure principally on pay, running costs of buildings, equipment and capital financing costs.

Revenue Support Grant (RSG)

A grant from the Government to contribute to the cost of providing services.

Revised Estimates

The approved estimates as amended by any budget transfers, supplementary estimates, inflation adjustments and sums brought forward from the previous year.

Statements of Standard Accounting Practice (SSAP)

These were prepared by the Accounting Standards Committee of the professional accountancy bodies before it was replaced by a new Accountancy Standards Board in 1990. SSAPs are similar to the newer FRSs described previously and they will continue to apply unless they are replaced by FRSs or withdrawn.

Statements of Recommended Practice (SORP)

These are similar to FRSs and SSAPs described above but not of such fundamental importance or of limited application.

Tangible Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.