
Lewes District Council Annual Financial Report 2012/13

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Introduction

Introduction

Welcome to Lewes District Council's Annual Financial Report 2012/13. This document provides a summary of the Council's financial performance in the year and a look forward to 2013/14. The main purpose of the document, however, is to present the Council's formal Statement of Accounts which consists of the Core Financial Statements, the Supplementary Financial Statements and the supporting Notes which accompany these.

The Key Accounting Standards and Statements

We have followed the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the UK (the 'Code') in putting together our Statement of Accounts for 2012/13. The accounts present a true and fair view of Lewes District Council's financial position for the financial year ended 31 March 2013. Our accounting policies are outlined in this document and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

The Director of Finance is the statutory officer responsible for the proper administration of the Council's financial affairs. He is required by law to confirm that the Council's system of internal control can be relied on to produce an accurate Statement of Accounts. His statement of assurance for 2012/13 appears on page 119 of this document.

The Core Financial Statements

An explanation of the purpose of each of our Core Financial Statements is given below:

Movement in Reserves Statement

This Statement shows the movement in the year in the different reserves we hold, analysed into 'usable reserves' (i.e. those that we can use to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves' (i.e. those that hold unrealised gains and losses e.g. the Revaluation Reserve or those that hold timing differences e.g. the Collection Fund Adjustment Account). The Surplus or Deficit on the Provision of Services shows the true economic cost of providing our services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the amount held on behalf of Council Tax payers, i.e. the General Fund Balance, because of the 'Adjustments between accounting basis and funding basis under regulations' detailed in Note 8 to the Financial Statements and any transfers to and from Earmarked General Fund Reserves detailed in Note 9.

Introduction

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost of providing all of our services during the year, in accordance with generally accepted accounting practices, rather than the amount to be funded from Council Tax payers. We raise taxation to cover expenditure in accordance with statutory regulations but this is different from the accounting cost because, for example, we do not have to pay for depreciation out of council tax. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This Statement shows the value, as at the Balance Sheet date, of our assets and liabilities. It sets out what we own, what we owe and what is owed to us at that particular point in time. The net assets of the Council (i.e. assets less liabilities) are matched by the reserves we hold. Reserves are divided into two categories, 'usable reserves' and 'unusable reserves' (see definitions of these under Movement in Reserves Statement above).

Cash Flow Statement

This Statement shows the movement during the year in our cash and cash equivalent balances. It shows how we generate and use cash by classifying cash flows between those for operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which our operations are funded by way of Council Tax, grant income and from fees and charges. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to supporting our service delivery in the future.

Supplementary Financial Statements

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

Housing Revenue Account (HRA) - This account shows the transactions that have arisen because we are a local housing authority. We are responsible for collecting money from tenants who rent the houses and flats that we own, and we use that money to manage, maintain and improve those homes. The transactions within this account are included within the Comprehensive Income and Expenditure Statement and HRA balances are included within the Balance Sheet.

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

Review of 2012/13 and Outlook for 2013/14

Review of 2012/13

This part of the Annual Financial Report provides a summary of what happened in financial terms during the year.

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

- Revenue expenditure and income represents the money we spend or receive on a day to day basis in delivering operational services, like refuse collection and recycling and parks and open spaces. There is a clear separation between the General Fund Revenue Account (general services for the benefit of all of our residents across the district, financed from the council tax, government grants and other income such as fees and charges) and the Housing Revenue Account (management and maintenance of the houses and flats that we own and housing services specifically for tenants, almost wholly financed by the rent and service charges that they pay).
- Capital expenditure is the money we spend on assets that last for many years, like buildings and vehicles. We finance this mainly from government and other grants, from the sale of our assets, and from our own revenue resources. Following the HRA reform at the end of 2011/12 we now also finance a significant amount by borrowing which we pay back from our income over time, much as a private homeowner would repay a mortgage.

General Fund

Our Comprehensive Income and Expenditure Statement is shown on page 15. It records a deficit for the year of £22,000 after taking into account amounts charged to the accounts in accordance with accounting regulations but which are then reversed through the Movement in Reserves Statement (shown on pages 13 and 14). Taken together, the two Statements demonstrate an overall £0.616 million increase in the General Fund Balance, which increases the amount held to a total of £2.679 million at 31 March 2013. In other words, the General Fund Revenue Account (against which council tax is raised) made a surplus of £0.616 million after reserve movements and the Council has set this aside for use in the future.

Comparing actual spending to budget - the table on the next page compares our actual net spending for 2012/13 with our original budget for the year. The expenditure analysis by Lead Councillor Portfolio is consistent with the allocation of responsibilities which the new Council agreed in May 2012. The table also shows how net expenditure was financed. Please note that the table excludes the effect of the accounting charges referred to above and which were required to comply with the Code used to prepare the Financial Statements, for example, to reflect depreciation, changes in the value of land and buildings used in the delivery of services, and pension valuations. Due to this, and because different line headings are used to prepare the budget from those required for the Financial Statements, the table cannot be directly agreed to the Comprehensive Income and Expenditure Statement. The excluded items have no net impact on the General Fund Balance.

Review of 2012/13 and Outlook for 2013/14

Services by Lead Councillor Portfolio		2012/13 Net Expenditure		
		Budget £'000	Actual £'000	Variance £'000
1	Business, Economic Development and Tourism	225	46	(179)
2	Community Engagement, Health and Environment	2,083	2,034	(49)
3	Finance and Cost Control	2,215	2,183	(32)
4	Housing	953	853	(100)
5	Leader of the Council	1,446	1,241	(205)
6	Planning	902	913	11
7	District Services	3,945	3,425	(520)
8	Interest and Capital Accounting	22	(124)	(146)
9	National Accounting Requirements	11	(15)	(26)
10	Environment Agency Levy	123	124	1
11	Target for efficiency savings	(168)	0	168
12	Net Cost of Services	11,757	10,680	(1,077)
13	New Homes Bonus Grant	(519)	(477)	42
14	Net transfer to Earmarked Reserves	885	823	(62)
15	Net Revenue Expenditure of Lewes District Council met by Government Grants and Local Taxpayers	12,123	11,026	(1,097)
16	Non-Domestic Rates redistribution	3,692	3,692	0
17	Revenue Support Grant	75	75	0
18	Council Tax Freeze Grant for 2011/12 and 2012/13	371	371	0
19	Total Demand on the Collection Fund (Council Tax Precept and Surplus)	7,504	7,504	0
20	Total Funding	11,642	11,642	0
21	Deficit/(surplus) for 2012/13 (line 15 – line 20)	481	(616)	(1,097)

Review of 2012/13 and Outlook for 2013/14

Explaining the differences - In February 2012 the Council set a net expenditure budget of £12.123 million to meet the Lewes District Council requirements for delivering services in 2012/13. This represents the net cost of providing our services after taking into account:

- £42.0 million of income from specific government grants and other third party contributions
- £4.8 million of income from fees & charges, rents and sales
- £0.1 million of income from investments

The Council decided to withdraw £0.481 million from its General Fund Balance and set a target to identify and implement in-year savings of £0.168 million. The Council agreed the budget at a level which meant that it was eligible for a Government 'council tax freeze grant' of £0.371 million from the Government, allowing it to set a council tax of £192.48 for 2012/13, unchanged for the third consecutive year.

The actual net expenditure for 2012/13 was £11.026 million (on the basis set out on page 4), £1.097 million less than forecast in the budget (line 15 in the table above). The major variances between the budget and the actual results are explained below:

	£million
1 Net Revenue Expenditure – Original Budget 2012/2013	12.123
2 Less: Exceptional income items arising during the course of the year with prudent provision	(0.281)
3 Service income received in year in excess of budget	(0.283)
4 Service expenditure in year below budget	(0.357)
5 Savings from staff posts held vacant and overheads	(0.223)
6 Add: Service income in year below budget	0.107
7 Service expenditure in year in excess of budget and one-off items	0.155
8 Increased provision for irrecoverable debts	0.151
9 Less: Recurring savings implemented in advance of 2013/14	(0.244)
10 Miscellaneous net savings	(0.060)
11 Change in net movement in Reserves	(0.062)
12 Sub-total variations	<u>(1.097)</u>
13 Net Revenue Expenditure – Actual 2012/2013	<u>11.026</u>

Review of 2012/13 and Outlook for 2013/14

The reduction in Net Revenue Expenditure had been anticipated during the course of 2012/13, with £0.799 million of the total representing managed budget changes and the remainder reflecting general variations in income and expenditure as well as a reduction in the net movement in reserves.

Reserves – at the request of Budget holders £0.084 million of the reduction in the net cost of services for 2012/13 was carried forward into the 2013/14 financial year to allow work underway to be completed. In total, the General Fund holds reserves with a total value of £10.052 million at 31 March 2013. The Council reviewed the level of each of its reserves in February, closing those which were no longer appropriate and earmarking the balances for alternative use.

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

	£'000
<u>Budget Monitoring and Reporting Summary:</u>	
(Surplus) for year after final transfer to Reserves (page 4 line 21 column 2)	(616)
<u>Statutory Reporting Summary</u>	
Deficit on the provision of all services reported in the CIES (page 15)	22
Less Deficit in respect of the Housing Revenue Account included above (page 107)	(1,392)
(Surplus) on provision of General Fund services	(1,370)
Adjustments between accounting basis and financing basis under regulations (page 14)	(17)
Net transfer to reserves (page 14)	771
Net (surplus) for year	(616)

Review of 2012/13 and Outlook for 2013/14

Housing Revenue Account (HRA)

Income exceeded expenditure by £0.729 million in 2012/13, an improvement of £0.307 million against the budgeted surplus of £0.422 million. At 31 March 2013 the HRA balance is £3.467 million.

The table below analyses the main variations between the budget and outturn.

	£million
Additional income	
- sale of minor assets	(0.060)
- PV panels Feed in Tariff	(0.020)
Reduced expenditure	
- revenue funding of Capital Programme	(0.841)
- interest and debt management costs	(0.292)
- repairs and maintenance including grounds	(0.089)
- replacement equipment	(0.025)
- uninsured losses (insurance excesses)	(0.017)
- adjustment to Housing Subsidy 2011/12	(0.016)
- management costs	(0.012)
Less increased expenditure	
- repayment of internal borrowing	0.584
- corporate recharge from General Fund (Programme Nexus, etc)	0.135
- utility costs	0.030
- external support and advice	0.011
Less reduced income	
- rents	0.293
Miscellaneous net variations	0.012
Total variation (increase in net surplus)	<u>(0.307)</u>

Review of 2012/13 and Outlook for 2013/14

Capital expenditure

Total capital expenditure managed through our 2012/13 Capital Programme was £8.331 million. The largest single item of expenditure was £1.243 million for the purchase of a part-completed block of flats (The Crest in Newhaven) and the costs of commissioning it into 12 units of accommodation.

The following table lists the major areas where capital investment was made. It also shows how this expenditure was funded.

Type of project	£million
HRA Housing Investment Programme	6.252
General Fund Housing Investment Programme	0.772
General Fund Services Capital Programme	1.307
Total Capital Expenditure	8.331
Type of funding	
Major Repairs Reserve: including residual Government funding received under the former housing finance system	3.894
Capital receipts: money from the sale of Council property	0.696
Grants and Contributions: from external partners, like the Government departments and agencies (£0.826m) and property developers and others (£0.092m)	0.918
Reserves: money set aside from General Fund revenue in previous years	0.286
Revenue Financing: contributions from the Housing Revenue Account (paid for by tenants' rent)	1.189
Borrowing: Lewes District Council supported	1.348
Total Capital Financing	8.331

A key element in financing our capital expenditure has been external sources of finance – for example, from Government and from external partners – and this reliance on financial support from outside the Council to maintain a substantial and sustainable capital programme will continue into the future. In 2012/13, the Council chose to leave two projects unfinanced (i.e. supported by borrowing). These projects were the purchase of The Crest, where borrowing costs will be covered by the rent income) and the refurbishment of the Southover House office building, where the cost is planned to be met from the receipts generated by the sale of office buildings becoming surplus to requirements as a result of the scheme.

Review of 2012/13 and Outlook for 2013/14

Reserves and Balances Summary

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

Our financial wellbeing is evidenced by combined balances totalling £6.146 million held by the General Fund and the Housing Revenue Account that will be used to support our future spending plans. A further £10.052 million held in earmarked General Fund reserves, and £0.388 million in the HRA within the Major Repairs Reserve will be used to support our specific and one-off spending priorities. £2.216 million in capital receipts is available to support our forward capital programme, along with £1.935 million of capital grants and contributions.

Treasury Management

Our external loan debt at 31 March 2013 stood at £56.7 million, all of which was long-term and is associated with our Housing stock. The amount remained unchanged during 2012/13. Our Treasury Strategy of using revenue cash balances as an alternative to 'external' borrowing means that the Council's actual long-term debt is £14.4 million less than the underlying amount which could have been borrowed over the years to fund capital investment. The total invested at the year end, including cash on deposit at the bank, was £12.7 million (excluding a deposit made with LBI hf, the Icelandic Bank, which is currently in administration – see Note 39 on page 96 for further details).

Asset Values

A desktop review of the value of the Council's property assets has taken place. The net book value of our assets at 31 March 2013 is £206.3 million, a decrease of £3 million compared with the position a year earlier. This reflects a further year's depreciation as well as the change in market value of some properties

Pensions

Accounting regulations require Councils to show any deficit or surplus on the Pension Fund within the Balance Sheet. The Lewes share of the Pension Fund administered by East Sussex County Council was assessed at 31 March 2013 by the actuary as having a deficit of £16.98 million compared with a deficit of £13.93 million at 31 March 2012. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire. The significant increase in the liability in the year reflects the fact that the financial assumptions at 31 March 2013 are less favourable than a year previously (see page 101).

Review of 2012/13 and Outlook for 2013/14

Looking ahead –outlook for 2013/14 and beyond

General Fund

We are entering the last two years of the Coalition Government's four year spending review period. Delivering a Deficit Reduction Plan remains a national priority. The savings required from local government in these last two years of the spending review period were increased in a Government announcement during October 2012 and further increased in the December 2012 National Budget Statement.

The Government has introduced two local government structural funding changes from April 2013, as follows:

- The Business Rates Retention Scheme – this will give councils a greater stake in the economic future of their local area, so supporting the Government's wider agenda to enable stronger, balanced economic growth across the country
- Localised Council Tax Reduction schemes – this will create stronger incentives for councils to get people back into work and so support the positive work incentives they design and that will be introduced through the Government's plans for Universal Credit

The two changes combined provide a significant degree of control over how the Council balances its local priorities with its financial circumstances. This is consistent with a drive for greater local financial accountability and decision-making, including Government's proposals for local referendums on Council Tax levels. The changes also transfer financial risk from the Government to local authorities – for example, councils will share either the gain from an increase in local business rate income, or the cost if that income reduces.

We have set ourselves a savings target of £1.3 million over the remaining two years of the current spending review period and identified £0.8 million of that amount. On that basis, net spending will have reduced by 22% since April 2011. We are forecasting the need to make savings of a further £1.3 million between 2015/16 and 2017/18. The Council will deliver these savings through its 'Programme Nexus' initiative which includes rationalisation of office accommodation, modernising IT systems, maximising the potential of property assets, and restructuring management arrangements to ensure both that service delivery meets the needs of our customers and that we are able to plan effectively for the future.

The Government offered every local authority a special grant equal to a 1.0% rise in council tax, if it agreed to freeze its council tax at the 2012/2013 level. A key promise of the Council is to save money and where possible put money back into our residents' pockets and so we have taken up this offer. As a result we will receive a grant of £0.075 million.

Review of 2012/13 and Outlook for 2013/14

The Council set a net General Fund budget, to be funded from Council Tax, of £6.628 million for 2013/2014, with a savings target of £0.175 million. The Council Tax for a Band D property is £192.48, which, as noted above, is unchanged from 2012/2013. £0.484 million of the General Fund working balance will be used, to leave £2.195 million at 31 March 2014. The General Fund will also hold £6.760 million in Earmarked reserves at the same date. The amount of Council Tax collected in previous years has exceeded previous forecasts, generating an estimated surplus of £0.065 million which is to be used to finance spending in 2013/2014.

Housing Revenue Account

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

For 2013/2014 the average projected rent for all Council dwellings is £83.90 per week, an increase of 4.2% when compared with 2012/2013. The average rent increase was agreed after detailed discussion with representatives of the 'Tenants of Lewes District' (TOLD) organisation. The actual average rent is £3.00 lower than the formula rent target under the Government's 'rent restructuring' system which local authorities and registered social landlords follow. As rent restructuring is phased in (the target completion date is 31 March 2016) the gap between actual average rents and the target will close. Tenants also pay a range of service charges, depending on the property in which they live. All tenants pay a Special Services Charge which will be an average of £0.25 per property per week, unchanged from 2012/13. Total income generated from rents, service charges and other contributions towards expenditure in 2013/2014 is estimated to be £16.2 million. We plan to add £2.0 million to the HRA working balance during the course of the year, and can make a £1.2 million contribution towards the cost of capital projects. Following self-financing reform, the HRA needs to service long-term borrowing of £68.0 million. Interest payments are projected to be £1.9 million.

We continue to plan for the repair and management of the housing stock over the longer term. By using up to date survey data concerning the condition of our housing stock, we can estimate how spending needs will develop over the next 30 years, as well as make projections as to the resources that will be available to fund them. Our 30 year Housing Business Plan is sustainable.

Capital Programme

Under the 'Prudential Framework' within which all local authorities are required to operate, the Council's capital expenditure plans are required to be both affordable and sustainable in the longer term. The impact of financing the capital programme on the council tax in future years is a key element in assessing affordability. Although the Council is free to borrow to fund capital projects, borrowing brings a long term cost in terms of both paying back the loan itself and the interest which is charged and is not a viable option – unless the cost of this borrowing is supported by Government grants or income which is generated from the projects when complete.

Review of 2012/13 and Outlook for 2013/14

The Capital Programme represents the allocation of funding to specific projects – in some cases those projects will be completed over a number of years. The overall Capital Programme for 2013/2014 is split into 3 distinct elements.

- *General Fund Capital Programme*- £7.80 million, including £2.6 million for our Agile Working and office rationalisation project, £0.53 million for a major parks development project in Peacehaven and £0.67 million for the replacement of vehicles.
- *HRA Housing Investment Capital Programme* - £5.26 million in respect of major repairs and improvements to the Council's housing stock, of which £3.15 million will be funded from a Major Repairs Reserve, and £2.11 million from revenue resources.
- *General Fund Housing Investment Programme* £0.98 million, consisting predominantly of Private Sector Housing grants, to be funded from capital receipts and Government grant.

Conclusion

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

John Magness, Director of Finance, September 2013

Movement in Reserves Statement

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

The 'Net increase or decrease before transfers to earmarked reserves' entry shows the net change in the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers are made to or from earmarked reserves.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
Prior year comparison	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	1,856	8,626	2,576	2,552	301	519	16,430	181,644	198,074
Movement in Reserves during 2011/12									
Surplus or (deficit) on the provision of services	1,036	0	(54,610)	0	0	0	(53,574)	0	(53,574)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	(1,633)	(1,633)
Total comprehensive income and expenditure	1,036	0	(54,610)	0	0	0	(53,574)	(1,633)	(55,207)
Adjustments between accounting basis and funding basis under regulations (p47)	(174)	0	54,772	(454)	272	64	54,480	(54,480)	0
Net increase or decrease before transfers to earmarked reserves	862	0	162	(454)	272	64	906	(56,113)	(55,207)
Transfers to or from earmarked reserves (p52)	(655)	655	0	0	0	0	0	0	0
Increase or (decrease) in 2011/12	207	655	162	(454)	272	64	906	(56,113)	(55,207)
Balance at 31 March 2012	2,063	9,281	2,738	2,098	573	583	17,336	125,531	142,867

Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Lewes District Council Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2012	2,063	9,281	2,738	2,098	573	583	17,336	125,531	142,867
Movement in Reserves during 2012/13									
Surplus or (deficit) on the provision of services	1,370	0	(1,392)	0	0	0	(22)	0	(22)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	(3,248)	(3,248)
Total comprehensive income and expenditure	1,370	0	(1,392)	0	0	0	(22)	(3,248)	(3,270)
Adjustments between accounting basis and funding basis under regulations (p44)	17	0	2,121	118	(185)	1,352	3,423	(3,423)	0
Net increase or decrease before transfers to earmarked reserves	1,387	0	729	118	(185)	1,352	3,401	(6,671)	(3,270)
Transfers to or from earmarked reserves (p52)	(771)	771	0	0	0	0	0	0	0
Increase or (decrease) in 2012/13	616	771	729	118	(185)	1,352	3,401	(6,671)	(3,270)
Balance at 31 March 2013	2,679	10,052	3,467	2,216	388	1,935	20,737	118,860	139,597

Balance Sheet

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

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

31 March 2012			31 March 2013
£000			£000
203,087	Property, Plant and Equipment	Note 13 p54	199,569
3,187	Heritage Assets	Note 14 p58	3,137
3,013	Investment Property	Note 15 p60	3,608
402	Intangible Assets	Note 16 p61	328
464	Long Term Investments	Note 17 p63	344
91	Long Term Debtors	Note 17 p63	91
210,244	Long Term Assets		207,077
4,334	Short Term Investments	Note 17 p63	7,090
130	Inventories	Note 18 p69	124
8,008	Short Term Debtors	Note 19 p69	3,280
0	Cash and Cash Equivalents	Note 20 p70	5,644
12,472	Short Term Assets		16,138
(1,262)	Cash and Cash Equivalents	Note 20 p70	0
(126)	Short Term Borrowing	Note 17 p63	(233)
(3,393)	Short Term Creditors	Note 21 p70	(5,583)
0	Provisions	Note 22 p71	(41)
(141)	Capital Grants Receipts in Advance	Note 35 p90	(125)
(4,922)	Short Term Liabilities		(5,982)
(1,416)	Long Term Creditors	Note 35 p90	(1,132)
(56,673)	Long Term Borrowing	Note 17 p63	(56,673)
(13,929)	Defined Pension Scheme Liability	Note 40 p97	(16,978)
(112)	Other Long Term Liabilities	Note 38 p94	(16)
(2,797)	Capital Grants Receipts in Advance	Note 35 p90	(2,837)
(74,927)	Long Term Liabilities		(77,636)
142,867	Net Assets		139,597

Balance Sheet

31 March 2012		31 March 2013
£000		£000
2,063	General Fund Balance	2,679
9,281	Earmarked General Fund Reserves	10,052
2,738	Housing Revenue Account Balance	3,467
2,098	Capital Receipts Reserve	2,216
573	Major Repairs Reserve	388
583	Capital Grants Unapplied	1,935
<u>17,336</u>	Usable Reserves	<u>20,737</u>
		Note 23 p72
11,172	Revaluation Reserve	10,437
128,367	Capital Adjustment Account	125,443
(43)	Financial Instruments Adjustment Account	24
(13,929)	Pension Reserve	(16,978)
0	Deferred Capital Receipts	0
81	Collection Fund Adjustment Account	95
(117)	Accumulated Absences Account	(161)
<u>125,531</u>	Unusable Reserves	<u>118,860</u>
		Note 24 p72
<u><u>142,867</u></u>	Reserves	<u><u>139,597</u></u>

Certificate of the Responsible Financial Officer

In compliance with Part 3 regulation 8(2) of The Accounts and Audit (England) Regulations 2011 I certify that the Statement of Accounts for the financial year 2012/13 presents a true and fair view of the financial position of Lewes District Council at 31 March 2013 and of its income and expenditure for that year.

Signed John Magness CPFA
 Director of Finance

Date

Cash Flow Statement

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

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

2011/12		2012/13
£000		£000
(53,574)	Net surplus or (deficit) on the provision of services	(22)
(246)	Cash flows from interest paid	(1,655)
138	Cash flows from interest received	103
(1,424)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25 p78)	17,600
(1,749)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 26 p78)	(3,152)
(56,855)	Net cash flows from operating activities	12,874
1,173	Investing activities (Note 27 p79)	(4,569)
51,548	Financing activities (Note 28 p79)	(1,399)
(4,134)	Net increase or (decrease) in cash and cash equivalents	6,906
2,872	Cash and cash equivalents at the beginning of the reporting period.	(1,262)
(1,262)	Cash and cash equivalents at the end of the reporting period (Note 20 p70)	5,644

Notes to the Financial Statements

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

For 2012/13 there have been no changes to the Council's accounting policies and no changes to prior period figures.

Note 2. ACCOUNTING POLICIES

1) General Principles

The Financial Statements summarise the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Accounts and Audit (England) Regulations 2011 require the Council to prepare annual Financial Statements in accordance with proper accounting practices.

Proper accounting practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 'Code') and the Service Reporting Code of Practice 2012/13 (SeRCOP), both of which are published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

2) Accruals of Income and Expenditure

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

In particular:

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

Notes to the Financial Statements

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on 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.

3) Cash and Cash Equivalents

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

4) Exceptional Items

Where items of income and expense are exceptional by virtue of their nature or value, they are disclosed separately on the face of the Comprehensive Income and Expenditure Statement and also in the notes to the Financial Statements (Note 6 p41).

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

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

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

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

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

Notes to the Financial Statements

6) Charges to Revenue for Non-Current Assets

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

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

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

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

7) Employee Benefits

Benefits Payable during Employment

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

Notes to the Financial Statements

Termination Benefits

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

Post-Employment Benefits

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

- The liabilities of the East Sussex County Council pension fund attributable to the Council are included on the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5%. This is consistent with accounting requirements to use a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds consistent with the currency and estimated term of the post-employment benefit obligations. Measurement of the discount rate is based on the nominal spot yields for a Government backed loan at various maturities averaged over 20 years, plus an additional yield (the credit spread) which reflects the extra risk involved in using AA corporate bond yields within the iBoxx over 15 years index.
- The assets of the East Sussex County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities – current bid value
 - unquoted securities – professional estimate
 - unitised securities – current bid value
 - property – market value

Notes to the Financial Statements

- The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost or gain - the increase or decrease in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
 - contributions paid to the East Sussex County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Notes to the Financial Statements

Discretionary Benefits

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

8) Events after the Balance Sheet date

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

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

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

9) Financial Instruments

Financial Liabilities

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

Notes to the Financial Statements

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

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

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

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

Notes to the Financial Statements

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

10) Government Grants and Other Contributions

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

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

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

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

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

Notes to the Financial Statements

11) Heritage Assets

Tangible heritage assets

The Council's heritage assets are held within three categories:

- land and buildings
- civic regalia
- works of arts and museum exhibits

Land and buildings comprises three properties: Southover Grange built in the 16th century, Market Tower built in the 18th century and Newhaven Fort built in the 19th century. These assets are recognised, measured, impaired and depreciated in accordance with the Council's accounting policies on Property, Plant and Equipment.

Civic regalia is a static collection comprising the Chairman's chain of office and several smaller badges of civic office. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Works of art and museum exhibits comprises museum exhibits and military artefacts held at Newhaven Fort and various Works of Art items held at separate locations. These items are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged. The Council's collection of works of art and exhibits is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage, and any impairment is recognised and measured in accordance with the Council's general policies on impairment.

Intangible heritage assets

The Council has no intangible heritage assets.

Notes to the Financial Statements

12) Intangible Assets

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

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

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

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

13) Inventories

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

Notes to the Financial Statements

14) Investment property

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

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

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

15) Leases

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

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

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower).

The asset recognised is matched by a liability for the obligation to pay the lessor.

Notes to the Financial Statements

Lease payments are apportioned between:

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Notes to the Financial Statements

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

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

Operating Leases

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

16) Overheads and Support Services

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

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

- Corporate and Democratic Core – e.g. costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – e.g. costs relating to discretionary benefits awarded to employees retiring early.

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

Notes to the Financial Statements

17) Property, Plant and Equipment

Definition and Categories

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

Property, Plant and Equipment consists of the following categories:

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value.

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

Impairment

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

Notes to the Financial Statements

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

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

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

Disposals

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

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

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

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

Notes to the Financial Statements

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement (MiRS).

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

Depreciation

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

Depreciation is calculated on the following bases:

- Land – not subject to depreciation
- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure - straight line allocation over 20 years
- Community assets – not subject to depreciation

Where an item of Property, Plant and Equipment has major components with a significant cost in relation to the total cost of the asset, and with different estimated useful lives, the components are depreciated separately. This is limited to assets valued at over £1 million which have individual components valued at over £250,000, except for Council Dwellings where individual components are aggregated due to the nature, scale and materiality of this class of asset.

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

Notes to the Financial Statements

18) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

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

Contingent Assets

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

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

Notes to the Financial Statements

19) Reserves

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

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

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

20) Revenue Expenditure Funded From Capital Under Statute

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

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

21) Value Added Tax (VAT)

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

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

Notes to the Financial Statements

22) Council Tax and Non-Domestic Rates

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

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

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

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

23) Group Accounts

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

Notes to the Financial Statements

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

The 2013/14 Code has adopted several significant changes in relation to IAS 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the 2013/14 financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). If this treatment had applied in 2012/13 there would have been an increase of £706,000 in the amount charged to the Comprehensive Income and Expenditure Statement (CIES). However, as this expense is notional and is reversed out through the movement in reserves statement it would have no effect on the Council's balance sheet.

The 2013/14 Code has adopted the following changes which have no material impact for the 2012/13 Financial Statements:

- amendments to IAS1 Presentation of Financial Statements (other comprehensive income)
- amendments to IFRS7 Financial Instruments: Disclosures (offsetting financial assets and liabilities)
- amendments to IAS12 Income Taxes (deferred tax: recovery of underlying assets)

Note 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- the Council has £422,000 deposited with LBI hf (formerly Landsbanki Islands hf) which is in administration. The Council is assuming that, subject to potential future exchange rate fluctuations, the administrators will be able to realise sufficient value from the Bank's assets to repay in full the Council along with all of those creditors which the Icelandic Supreme Court has determined to have priority status.
- the preparation of Group Accounts is not required to reflect the Council's relationship with Wave Leisure Trust. Although the Council reviews the Trust's business plan each year to ensure that it meets the terms of a funding agreement between the two parties, it does not control the majority of the voting rights and does not have a right or the ability to direct the financial or operating policies of the Trust.
- a grant given to the Council for a specific purpose which must be used by a given date or otherwise returned is treated as having a condition attached and is not credited to the Comprehensive Income and Expenditure Statement (CIES) until the condition is met. A grant given to the Council which does not have a specified date for use is treated as having a restriction and is credited to the CIES when received.

Notes to the Financial Statements

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

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

The items on the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

- **Pension Liability:** estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £8.1 million. The effects of other changes in individual assumptions made by the actuary are set out within the sensitivity analysis section of (Note 40 p97).
- **Allowance for Doubtful Debts:** the Council has included in its accounts an allowance for the impairment of doubtful debts of £0.8 million at 31 March 2013 (Note 19 p69) based on an assessment of future recoverability. If this allowance proves to be insufficient a further charge will be made to services within the Comprehensive Income and Expenditure Statement.
- **Property, Plant and Equipment:** the Council estimates the useful lives of Property, Plant and Equipment based on the period over which the assets are expected to be available for use. In addition, the estimation of the useful lives of Property, Plant, and Equipment is based on external technical evaluation and experience with similar assets. The estimated useful lives of Property, Plant and Equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. A reduction in the estimated useful lives of the Property, Plant and Equipment would increase the cost of depreciation charged to services within the Comprehensive Income and Expenditure Statement and decrease the Balance Sheet Value. In 2012/13, the total depreciation charge to services was £5.3 million (Note 13 p54).

Notes to the Financial Statements

Note 6. MATERIAL ITEMS OF INCOME AND EXPENSE

All items of service income and expenditure have been recorded within the appropriate Cost of Services headings within the Comprehensive Income and Expenditure Statement in 2012/13. In 2011/12 an item of expense is separately identified within the Comprehensive Income and Expenditure Statement rather than incorporated within the cost of specific services because of its exceptional nature and value:

- Local authority housing – exceptional item: payment to the Secretary of State in order to exit the HRA subsidy system. For further details of this charge to the Housing Revenue Account in 2011/12 see Note 6 to the HRA p112.

Note 7. EVENTS AFTER THE BALANCE SHEET DATE

The Financial Statements were authorised for issue by the Director of Finance on September 2013. Events taking place after this date are not reflected in the Financial Statements or notes.

Non-adjusting event

When the new arrangements for the retention of business rates come into effect on 1 April 2013 the Council will assume responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts paid over to the Government in respect of 2012/13 and earlier years. Previously such amounts would not have been recognised as income by the Council but would have been transferred to the Government.

When the Council assumes these liabilities on 1 April 2013 it will recognise a provision for its share of the liabilities at that date. As this liability does not exist at the balance sheet date of 31 March 2013 the Council has not amended the 2012/13 financial statements and therefore reports this as a non-adjusting post balance sheet event. The estimated level of the Council's share of these liabilities at 1 April 2013 is £0.4 million.

Notes to the Financial Statements

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

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

Adjustments between accounting basis and funding basis under regulations	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2012/13	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation of non-current assets	1,577					(1,577)
Charges for impairment/(reversals) of non-current assets	442	459				(901)
Movements in the fair value of Investment Properties	(591)					591
Amortisation of Intangible Assets	150					(150)
Reversal of transfer to the Major Repairs Reserve equal to the depreciation and amortisation amounts charged to HRA		3,709				(3,709)
Capital grants and contributions applied	(367)					367
Revenue expenditure funded from capital under statute	820					(820)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss to the Comprehensive Income and Expenditure Statement	145	598				(743)
Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement		3,905				(3,905)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(154)					154
Voluntary provision for the financing of capital investment		(584)				584
Capital expenditure charged against the General Fund and HRA balances	(286)	(1,189)				1,475

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2012/13	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,902)				1,902	
Application of grants to capital financing transferred to the Capital Adjustment Account					(550)	550
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(85)	(1,026)	1,111			
Use of the Capital Receipts Reserve to finance new capital expenditure			(695)			695
Contribution from the Capital Receipts Reserve to finance the administrative costs of non-current asset disposals		14	(14)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	284		(284)			
Adjustments primarily involving the Major Repairs Reserve:						
Transfer to the Major Repairs Reserve equal to the depreciation and amortisation amounts charged to HRA		(3,709)		3,709		
Use of the Major Repairs Reserve to finance new capital expenditure				(3,894)		3,894

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2012/13	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments						
Adjustment Account:						
Amortisation of premiums and discounts	1	(68)				67
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,547	350				(1,897)
Employer's pensions contributions payable in the year	(1,594)	(338)				1,932
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated in accordance with statutory requirements	(14)					14
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	44					(44)
TOTAL ADJUSTMENTS FOR 2012/13	17	2,121	118	(185)	1,352	(3,423)

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2011/12 comparative figures	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment/reversals of non-current assets	892	1,432				(2,324)
Movements in the fair value of Investment Properties	242					(242)
Amortisation of Intangible Assets	195					(195)
Capital grants and contributions applied	(1,171)					1,171
Revenue expenditure funded from capital under statute	593	56,673				(57,266)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss to the Comprehensive Income and Expenditure Statement	69	285				(354)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(154)					154
Capital expenditure charged against the General Fund and HRA balances	(842)	(251)				1,093

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2011/12 comparative figures	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(217)				217	
Application of grants to capital financing transferred to the Capital Adjustment Account					(153)	153
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(26)	(640)	666			
Use of the Capital Receipts Reserve to finance new capital expenditure			(641)			641
Contribution from the Capital Receipts Reserve to finance the administrative costs of non-current asset disposals		2	(2)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	478		(478)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			1			(1)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(2,439)		2,439		
Use of the Major Repairs Reserve to finance new capital expenditure				(2,167)		2,167

Notes to the Financial Statements

Adjustments between accounting basis and funding basis under regulations (continued)	Movement in Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
2011/12 comparative figures	£000	£000	£000	£000	£000	£000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amortisation of premiums and discounts		(213)				213
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,353	208				(1,561)
Employer's pensions contributions payable in the year	(1,670)	(285)				1,955
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	79					(79)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	5					(5)
TOTAL ADJUSTMENTS FOR 2011/12	(174)	54,772	(454)	272	64	(54,480)

Notes to the Financial Statements

Note 9. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts transferred in from the General Fund Balance to earmarked reserves to provide financing for future expenditure plans and the amounts transferred out from earmarked reserves to meet General Fund expenditure in 2012/13.

Earmarked General Fund Reserve <i>(purpose of reserve)</i>	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/113 £000	Balance at 31 March 2013 £000
Budget Carry Forward <i>(Where a project or service, which was to have been funded from a revenue budget, has not been completed at the year end, the unspent budget can, if required, be carried forward to fund that project or service in the following year)</i>	317	(317)	124	124	(124)	84	84
Building Control Charging Scheme <i>(Regulations require defined elements of building control to break-even over time. A trading account is prepared to cover these items, with the annual surplus/(deficit) added to or funded from this reserve)</i>	54	0	41	95	0	5	100
Change Management and Spending Power <i>(To support the Council's flexible retirement policy and assist with the budget realignment exercise, and to support Programme Nexus)</i>	1,988	(426)	358	1,920	(668)	477	1,729
Clean and Green <i>(Balance of non-recurring funding set aside originally for clean & green initiatives)</i>	69	(36)	22	55	(29)	0	26

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/113 £000	Balance at 31 March 2013 £000
Concessionary Travel <i>(Closed in 2012/13: provided for fluctuations in the cost of the former service)</i>	55	(8)	0	47	(47)	0	0
Corporate Building Repairs <i>(To support the repairs programme for Council buildings)</i>	159	(52)	50	157	(35)	50	172
Housing Benefits Standards and Improvements <i>(To support improvements to the quality of the Benefits service)</i>	398	(45)	147	500	(12)	111	599
Housing Development <i>(Closed in 2012/13: funds held to support the costs of a housing transfer if desirable under the former housing finance system)</i>	195	0	0	195	(195)	0	0
Insurance <i>(Meets the excess element of insurance claims and earmarks resources for the settlement of any liability arising from an insolvent run-off of Municipal Mutual Insurance not covered by a Provision)</i>	131	(17)	36	150	(51)	35	134
IT Replacement Equipment <i>(To support the IT replacement programme)</i>	1	0	62	63	0	61	124

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
Leisure Buildings Repairs <i>(To support works to Council operated parks, leisure and open space facilities)</i>	117	(41)	50	126	(63)	50	113
Leisure Trust <i>(To support future legal obligations under the operational arrangement with Wave Leisure Trust)</i>	210	(53)	50	207	(48)	50	209
All Weather Pitch <i>(Supports future replacement)</i>	61	0	20	81	0	20	101
Leisure Trust Buildings Maintenance <i>(To support the Council's maintenance obligations set out in the legal agreement with Wave Leisure Trust)</i>	107	(58)	80	129	(3)	80	206
Newhaven Enterprise Centre <i>(To support the future replacement of equipment, etc)</i>	40	0	13	53	(9)	13	57
Community Safety Partnership Fund <i>(To support projects where the Council is lead partner and for working with external agencies, community organisations, etc)</i>	8	(5)	67	70	(40)	24	54
Housing and Planning Delivery Grant <i>(Balance of former Government Grant available to support specific Planning service initiatives over a number of years)</i>	104	(33)	0	71	0	0	71

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
Major Planning Applications <i>(To support the processing of major planning applications as and when they arise, or to fund the costs of appeals)</i>	56	0	0	56	0	0	56
Private Sector Leasing and Homelessness Initiatives <i>(To support repairs to properties prior to return at the end of the lease period and homelessness initiatives across the district)</i>	14	(25)	34	23	(16)	30	37
Recycling <i>(To support expansion of the recycling service and to smooth out any fluctuations in recycling income within the annual budget)</i>	427	(47)	0	380	(14)	0	366
Revenue Equalisation and Asset Maintenance <i>(To support the backlog asset maintenance needs of the Council's non- housing property as well as items of regular but not annual expenditure e.g. District elections)</i>	2,099	(651)	990	2,438	(334)	362	2,466
Southover Grange Improvements <i>(To support future improvement works)</i>	41	0	0	41	0	0	41
Vehicle Replacement <i>(To support the vehicle replacement programme)</i>	1,569	(100)	311	1,780	(50)	320	2,050

Notes to the Financial Statements

Transfers to/from earmarked reserves (continued)	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
Strategic Priority Fund <i>(Established in 2012/13 to support existing and developing projects)</i>	0	0	0	0	0	501	501
Denton Island Reclamation <i>(To support the regeneration project)</i>	74	0	1	75	0	0	75
Newhaven Fort Refurbishment <i>(To support the refurbishment programme)</i>	15	0	0	15	0	0	15
West Quay Development <i>(To support the regeneration programme)</i>	48	0	0	48	0	0	48
Specific Maintenance Funds <i>(Comprises amounts paid to the Council by third parties for specific maintenance purposes e.g. parks and open spaces)</i>	269	(15)	20	274	(15)	21	280
Revenue Grants and Contributions Unapplied <i>(Comprises amounts paid to the Council by Government departments and by third parties for specific service initiatives e.g. preventing repossessions)</i>	0	0	108	108	(181)	411	338
Total Earmarked Reserves on the Balance Sheet	8,626	(1,929)	2,584	9,281	(1,934)	2,705	10,052

Notes to the Financial Statements

	Gross Expenditure £000	Gross Income £000	2011/12 Net Expenditure £000	Gross Expenditure £000	Gross Income £000	2012/13 Net Expenditure £000
Note 10. OTHER OPERATING EXPENDITURE						
Town and Parish Council Precepts	2,765	0	2,765	2,855	0	2,855
Payments to the Government Housing Capital Receipts Pool	478	0	478	284	0	284
(Gains)/losses on the disposal of non-current assets	0	310	(310)	0	353	(353)
Loss on derecognition of components of HRA non-current assets	0	0	0	3,905	0	3,905
Total Other Operating Expenditure	3,243	310	2,933	7,044	353	6,691
Note 11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE						
Interest payable and similar charges	282	0	282	1,762	0	1,762
Impairment/(Reverse impairment) of deposit	(78)	0	(78)	9	0	9
Pensions interest cost and expected return on pensions assets	(355)	0	(355)	(39)	0	(39)
Interest receivable and similar income	0	155	(155)	0	103	(103)
Income and expenditure in relation to investment properties and changes in fair value	279	127	152	46	719	(673)
(Surplus)/deficit from Trading Operations	280	987	(707)	305	1,085	(780)
Total Financing and Investment Income and Expenditure	408	1,269	(861)	2,083	1,907	176
Note 12. TAXATION AND NON SPECIFIC GRANT INCOME						
Council Tax Income	0	10,234	(10,234)	0	10,372	(10,372)
Non Domestic Rates	0	3,250	(3,250)	0	3,692	(3,692)
Non-ringfenced Government Grants	0	1,443	(1,443)	0	924	(924)
Capital Grants and Contributions	0	949	(949)	0	2,270	(2,270)
Total Taxation and Non Specific Grant Income	0	15,876	(15,876)	0	17,258	(17,258)

Notes to the Financial Statements

Note 13. PROPERTY, PLANT AND EQUIPMENT

Movement on Balances

Movements in 2012/13

	Council Dwellings *	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
Cost or Valuation:	£000	£000	£000	£000	£000	£000
At 1 April 2012	213,400	50,561	7,491	10,824	1,538	283,814
Additions	6,051	651	489	201	25	7,417
Revaluation decreases recognised in Revaluation Reserve	0	(2,268)	0	0	0	(2,268)
Revaluation decreases recognised in Surplus/Deficit on Provision of Services	0	(490)	0	0	0	(490)
Derecognition – components written out and loss recognised in the Surplus/Deficit on Provision of Services	(3,905)	0	0	0	0	(3,905)
Derecognition - disposals	(598)	(194)	(67)	0	0	(859)
Derecognition – other	0	0	(140)	0	0	(140)
Reclassifications	0	(1,860)	1,860	(1)	1	0
At 31 March 2013	214,948	46,400	9,633	11,024	1,564	283,569
Accumulated Depreciation and Impairment:						
At 1 April 2012	57,882	9,306	4,697	8,839	3	80,727
Depreciation charge	3,249	1,090	665	227	0	5,231
Depreciation written out to Revaluation Reserve	(27)	(2,458)	0	0	0	(2,485)
Impairment losses recognised in Revaluation Reserve	308	0	0	0	0	308
Impairment losses (reversals) recognised in Surplus/Deficit on Provision of Services	0	474	2	0	0	476
Derecognition - disposals	(58)	(15)	(44)	0	0	(117)
Derecognition - other	0	0	(140)	0	0	(140)
Reclassifications	(1)	(241)	242	0	0	0
At 31 March 2013	61,353	8,156	5,422	9,066	3	84,000
Net book value on the Balance Sheet at 31 March 2013	153,595	38,244	4,211	1,958	1,561	199,569

Notes to the Financial Statements

Property, Plant and Equipment

Movement on Balances, continued

Comparative movements in 2011/12

Cost or Valuation:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Property, Plant and Equipment £000
At 1 April 2011	206,535	46,510	6,913	10,250	1,462	271,670
Additions	2,040	1,099	732	574	76	4,521
Revaluation increases recognised in Revaluation Reserve	905	2,266	0	0	0	3,171
Revaluation increases recognised in Surplus/Deficit on Provision of Services	4,455	649	0	0	0	5,104
Revaluation (decreases) recognised in Surplus/Deficit on Provision of Services	(119)	0	0	0	0	(119)
Reclassifications within Property, Plant and Equipment	(102)	102	0	0	0	0
Reclassification to Intangible Assets	0	0	(33)	0	0	(33)
Derecognition - disposals	(314)	(65)	(121)	0	0	(500)
At 31 March 2012	213,400	50,561	7,491	10,824	1,538	283,814

Accumulated Depreciation and Impairment:

At 1 April 2011	52,626	7,831	4,254	8,623	3	73,337
Depreciation charge	3,259	1,024	564	216	0	5,063
Impairment losses recognised in Revaluation Reserve	(4)	108	(2)	0	0	102
Impairment losses (reversals) recognised in Surplus/Deficit on Provision of Services	2,044	336	2	0	0	2,382
Reclassifications within Property, Plant and Equipment	(14)	14	0	0	0	0
Reclassification to Intangible Assets	0	0	(11)	0	0	(11)
Derecognition - disposals	(29)	(7)	(110)	0	0	(146)
At 31 March 2012	57,882	9,306	4,697	8,839	3	80,727

Net book value on Balance Sheet at 31 March 2012

	155,518	41,255	2,794	1,985	1,535	203,087
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Notes to the Financial Statements

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

Net book value on the Balance Sheet at 31 March 2013

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture, Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
- property, plant and equipment held by the HRA	152,930	8,094	637	871	34	162,566
- property, plant and equipment held by the General Fund	665	30,150	3,574	1,087	1,527	37,003
	153,595	38,244	4,211	1,958	1,561	199,569

Net book value on the Balance Sheet at 31 March 2012

- property, plant and equipment held by the HRA	154,846	8,921	514	974	34	165,289
- property, plant and equipment held by the General Fund	672	32,334	2,280	1,011	1,501	37,798
	155,518	41,255	2,794	1,985	1,535	203,087

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

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

Capital Commitments - at 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years budgeted to cost £2 million (commitments at 31 March 2012 were £70,000). The major commitment is £1.37 million for the refurbishment of the Southover House office building.

Effects of Changes in Estimates – at 1 April 2012 the Council changed its accounting estimates for 14 community rooms and 3 area offices situated within sheltered accommodation schemes to recognise a fair value of nil for these properties as determined by the Council's independent valuer. Prior to this the Council had included its own estimate of values for these properties based upon those held for other units within the same accommodation schemes. The financial effect of this change is set out within the table shown under Revaluations below.

Notes to the Financial Statements

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out by an independent valuer (DVS - the commercial arm of the Government's Valuation Office Agency) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council dwellings were revalued by DVS on 1 April 2010 and are subject to annual desktop revaluation reviews at 1 April each year until the next full valuation review due in 2015. Up until 31 March 2012 valuations as at the following 1 April were included in the financial statements for the year to the preceding 31 March. This practice has been discontinued now and valuations will be updated within financial statements as at each 1 April.

Other Land and Buildings were revalued by DVS on 1 April 2009 and fall due again in 2014.

The significant assumptions applied in estimating the fair values are:

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

	Council Dwellings *	Other Land and Buildings
	£000	£000
Carried at historical cost	1,810	1,154
Valued at fair value as at 1 April 2012	0	0
Valued at fair value as at 31 March 2012	151,121	15,958
Valued at fair value as at 31 March 2011	0	941
Valued at fair value as at 31 March 2010	664	20,191
Total Cost or Valuation on the Balance Sheet at 31 March 2013	<u>153,595</u>	<u>38,244</u>

* For 2012/13 Council Dwellings includes £1.243 million construction in progress in respect of The Crest, Hillcrest Road, Newhaven. Construction in progress is included at cost.

The major revaluation decrease shown within 'Movements in 2012/13' on p54 is:	£000
Community Rooms and Area Offices	(580)

Notes to the Financial Statements

Note 14. HERITAGE ASSETS

Reconciliation of carrying value of heritage assets held by the Council	Land and Buildings £000	Civic Regalia £000	Works of Art and Museum Exhibits £000	Total Assets £000
Cost or Valuation:				
At 1 April 2012	2,858	19	776	3,653
Additions	8	0	0	8
Revaluation decreases recognised in Revaluation Reserve	(363)	0	0	(363)
Revaluation decreases recognised in Surplus/Deficit on Provision of Services	(13)	0	0	(13)
At 31 March 2013	2,490	19	776	3,285
Depreciation and Impairment:				
At 1 April 2012	466	0	0	466
Depreciation charge	50	0	0	50
Depreciation written out to Revaluation Reserve	(376)	0	0	(376)
Impairment losses recognised in Surplus/Deficit on Provision of Services	8	0	0	8
At 31 March 2013	148	0	0	148
Net Book Value on the Balance Sheet at 31 March 2013	2,342	19	776	3,137
Cost or Valuation:				
At 1 April 2011	2,593	6	776	3,375
Additions	33	0	0	33
Revaluations recognised in Revaluation Reserve	7	13	0	20
Revaluation increases recognised in Surplus/Deficit on Provision of Services	225	0	0	225
At 31 March 2012	2,858	19	776	3,653
Depreciation and Impairment:				
At 1 April 2011	379	0	0	379
Depreciation charge	54	0	0	54
Impairment losses recognised in Surplus/Deficit on Provision of Services	33	0	0	33
At 31 March 2012	466	0	0	466
Net Book Value on the Balance Sheet at 31 March 2012	2,392	19	776	3,187

Notes to the Financial Statements

Land and buildings comprises three properties - Southover Grange, Market Tower and Newhaven Fort – which are included on the Balance Sheet at market value as assessed by the Council's external valuer. Depreciation is based on a straight-line allocation over the lives of the properties as estimated by the valuer, except for Market Tower which has an indeterminate life.

Civic regalia are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

Works of art and museum exhibits are carried on the Balance Sheet at insurance valuation which is reviewed annually. Since these items are deemed to have indeterminate lives no depreciation is charged.

The Council has no intangible heritage assets.

Five-year summary of transactions

During the five year period from 1 April 2008 to 31 March 2013 there were no material additions to the Council's stock of heritage assets, either through acquisition or donation, nor were there any disposals. The 2012/13 additions of £8,000 relating to capitalised maintenance has been impaired as it does not add to the carrying value of the assets at 31 March 2013. There were no other impairments of heritage assets during this period.

Further information on Works of Art and Museum Exhibits

The bulk of the Council's collection of works of art and museum exhibits is housed at Newhaven Fort. At any time, given the volume of exhibits, only 10 per cent of the collection is on display to the public but each season the display is refreshed so that each exhibit is shown at least once every ten years. The remaining pieces of the collection are held in storage but access is permitted to scholars and others for research purposes on request. An admission charge to Newhaven Fort is payable in order to view the collection.

Notes to the Financial Statements

Note 15. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (Note 11 p53):

	2011/12	2012/13
	£000	£000
Rental income from investment property	(127)	(128)
Direct operating expenses arising from investment property	37	46
Net (gains) or losses from fair value changes	242	(591)
Net (gain)/loss	152	(673)

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

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

Summary of the movement in the fair value of investment properties over the year:

	2011/12	2012/13
	£000	£000
Balance Sheet fair value at 1 April	3,252	3,013
Additions - capitalised refurbishment expenditure	3	4
Disposals	0	0
Net gains or (losses) from fair value changes	(242)	591
Balance Sheet fair value at 31 March	3,013	3,608

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

	2011/12	2012/13
	£000	£000
17 sites of land and buildings held to earn rental income	1,513	1,708
Land at rear of Lewes House held for capital appreciation	1,500	1,900
	3,013	3,608

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

Notes to the Financial Statements

Note 16. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system (when it is accounted for along with the hardware within Property, Plant and Equipment). The intangible assets include purchased software licenses and associated costs only. The Council does not include as Intangible Assets any internally generated software like web development, the costs of which are charged to the Comprehensive Income and Expenditure Statement in the year incurred. All software is given a finite useful life, based on assessments of the period that it is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 7 years but where appropriate a lesser period is used. The carrying amount of intangible assets is amortised on a straight-line basis.

Amortisation of £155,000 was charged to revenue in 2012/13 as set out in the table below.

£39,000 was charged direct to services within Cost of Services in the Comprehensive Income and Expenditure Statement, whereas £116,000 was charged to the Information Technology section and then absorbed as an overhead across services within the Cost of Services.

	£000
Central services to the public	2
Cultural and related services	2
Environmental and regulatory services	8
Planning services	2
Local authority housing	5
Other housing services	5
Corporate and democratic core	15
Charged direct to services	<u>39</u>
Charged indirectly to services as an Information technology overhead	<u>116</u>
	<u>155</u>

Notes to the Financial Statements

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

	Software Licences £000	Wave Leisure £000	Sea Defences £000	Other Assets £000	Total 2012/13 £000
Gross carrying amounts at 1 April 2012	1,520	55	110	0	1,685
Additions	81	0	0	0	81
Derecognition - assets fully consumed	(620)	(36)	0	0	(656)
Gross carrying amounts at 31 March 2013	981	19	110	0	1,110
Amortisation balance at 1 April 2012	1,167	54	62	0	1,283
Charge for year	146	1	8	0	155
Derecognition - assets fully consumed	(620)	(36)	0	0	(656)
Amortisation balance at 31 March 2013	693	19	70	0	782
Net carrying amount on the Balance Sheet at 31 March 2013	288	0	40	0	328

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

Comparative figures for 2011/12 are as follows:

	Software Licences £000	Wave Leisure £000	Sea Defences £000	Other Assets £000	Total 2011/12 £000
Gross carrying amounts at 1 April 2011	1,412	55	110	943	2,520
Additions	75	0	0	0	75
Reclassification from Property, Plant and Equipment	33	0	0	0	33
Derecognition - assets fully consumed	0	0	0	(943)	(943)
Gross carrying amounts at 31 March 2012	1,520	55	110	0	1,685
Amortisation balance at 1 April 2011	971	52	54	943	2,020
Charge for year	185	2	8	0	195
Reclassification from Property, Plant and Equipment	11	0	0	0	11
Derecognition - assets fully consumed	0	0	0	(943)	(943)
Amortisation balance at 31 March 2012	1,167	54	62	0	1,283
Net carrying amount on the Balance Sheet at 31 March 2012	353	1	48	0	402

Notes to the Financial Statements

Note 17. FINANCIAL INSTRUMENTS

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

	Long-term		Short-term	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£000	£000	£000	£000
Investments:				
- loans and receivables	464	344	4,334	7,090
Debtors				
- loans and receivables	91	91	0	0
- financial assets carried at contract amounts	0	0	6,686	3,269
Cash and cash equivalents	0	0	0	5,644
Total Financial Assets	555	435	11,020	16,003
Borrowings				
- financial liabilities at amortised cost	56,673	56,673	126	233
Other Long Term Liabilities				
- finance lease liabilities at amortised cost	112	16	0	0
Creditors				
- financial liabilities carried at contract amounts	0	0	2,729	4,847
Cash and cash equivalents	0	0	1,262	0
Total Financial Liabilities	56,785	56,689	4,117	5,080

The short-term debtors line on the Balance Sheet includes non-operational debtors and allowances for non-collection of operational debtors that do not meet the definition of a financial asset (see Note 19 p69)

The short-term creditors line on the Balance Sheet includes receipts in advance and non-operational creditors that do not meet the definition of a financial liability (see Note 21 p70)

The long-term creditors line on the Balance Sheet does not meet the definition of a financial liability (see Note 35 p90).

Notes to the Financial Statements

Items of expense, income, gains or losses	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2011/12	Financial liabilities measured at amortised cost	Financial assets: loans and receivables	Total 2012/13
	£000	£000	£000	£000	£000	£000
Interest expense	282	0	282	1,762	0	1,762
Impairment losses	0	(78)	(78)	0	9	9
Total expense in (Surplus) or Deficit on the Provision of Services	282	(78)	204	1,762	9	1,771
Interest income	0	(155)	(155)	0	(103)	(103)
Total income in (Surplus) or Deficit on the Provision of Services	0	(155)	(155)	0	(103)	(103)

Fair Values of Assets and Liabilities

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

- estimated fair values have been calculated using the equivalent market interest rates at 31 March 2013
- no early repayment or impairment is recognised
- fair values are based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

Notes to the Financial Statements

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Long-term Investments	464	464	344	344
Long-term Debtors	91	91	91	91
Short-term Investments	4,334	4,335	7,090	7,090
Cash and Cash Equivalents	0	0	5,644	5,644
Total Financial Assets	4,889	4,890	13,169	13,169
Borrowings – market loan	5,109	6,522	5,108	7,251
Borrowings – Public Works Loan Board	51,690	53,524	51,798	56,069
Other Long-term Liabilities – finance leases	112	112	16	16
Total Financial Liabilities	56,911	60,158	56,922	63,336

The fair value of the Council's borrowings is higher than the carrying amount because the interest rates payable are more than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2013) from a commitment to pay interest to the lender above current market rates.

The lender of the market loan was unable to provide a fair value directly so it has been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. The Lender's options have been valued according to a proprietary model, and the Council's (Borrower's option) to repay has been valued at zero on the assumption that this option would only be available when market rates are higher than the loan rate. The 2012/13 fair value of £7.251 million has been calculated after adding the value of the embedded options which were not previously estimated (the comparative figure for 2011/12 on an equivalent basis was £7.247 million).

The fair value on the PWLB loans has been provided directly by the PWLB and is based on the equivalent interest rates in place on 30 March 2013.

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

Notes to the Financial Statements

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

The Council's annual Treasury Management Strategy (last updated in February 2013) focuses on these risks and seeks to minimise potential adverse effects on the resources available to fund services. The Council provides written principles for overall risk management as well as written statements within its treasury management strategy covering interest rate risk, security of capital, and liquidity of investments.

Credit Risk

Credit Risk arises from deposits with banks and other financial institutions, as well as credit exposure to the Council's customers. Investments are not placed with credit rated banks and other financial institutions unless certain criteria are met at the time that the deposit is made. During 2012/13 deposits in banks and building societies were limited to UK banks and building societies that had minimum Fitch (or equivalent) credit ratings of 'A' long term and 'F1' short term. Deposits were allowed for periods up to 1 year with a maximum exposure limit of £3 million per institutional group.

The following table lists outstanding fixed term deposits and investments at 31 March 2013. The table excludes the Council's deposit with LBI hf, an Icelandic bank which entered administration in October 2008 (see Note 39 p96).

	Thurrock Borough Council	Plymouth City Council	Nationwide Building Society	Total
Credit rating:				
- Country	UK	UK	UK	
- Long-term rating	*	*	A+	
- Short-term rating	*	*	F1	
Maturity period:	£000	£000	£000	£000
- 0 to 3 months	2,000	2,000	3,000	7,000
- 3 to 6 months	0	0	0	0
- 6 to 12 months	0	0	0	0
Total invested	2,000	2,000	3,000	7,000

*Local authorities as sovereign bodies are underwritten by the UK Government and as such individual local authorities are not required to undergo credit rating.

Notes to the Financial Statements

By following the ongoing investment strategy outlined above, the maximum exposure to default in respect of bank deposits is estimated to be minimal. In respect of amounts receivable from our customers, the Council's collection performance is extremely high (98.5% for council tax collection, for example). Each year an assessment is made of the potential maximum level of default against the amount owed for each class of debt (e.g. council tax, rents, sundry debtors). This assessment takes account of both age and value of individual debts. Note 19 p69 shows the total value of customer debt at the year end, along with the allowance for non-collection. The aggregate of investments, mortgages, debtors and cash shown above represents the maximum exposure to default.

Liquidity Risk

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

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

	2012	2013	
	£000	£000	Interest rate range
Less than one year	0	0	-
Between one and two years	0	0	-
Between two and five years	0	0	-
Between five and ten years	5,000	5,000	variable rate loan
Between ten and fifteen years	18,000	20,000	2.63% - 3.05%
Between fifteen and twenty years	12,000	10,000	3.28% - 3.30%
Between twenty and twenty five years	10,000	10,000	3.43% - 3.44%
Between twenty five and thirty years	6,673	6,673	3.5%
More than thirty years	5,000	5,000	4.5%
	56,673	56,673	

The liabilities shown as maturing between 5 and 30 years consist of 12 separate loans totalling £51.673m taken from the PWLB on 28 March 2012, each of which has a different maturity date and carries a different interest rate.

The liability which is shown as maturing after 30 years is a single loan. This is a Lenders Option Borrowers Option loan, which has a final maturity date in April 2054. The lender has the option to review and increase the loan rate every four years but if at a review date the lender proposes to increase the rate, then the Council can exercise its option to repay the loan. If this were to be the case the Council would either take a replacement loan from the PWLB or bank or reduce the money available for investment at that time.

Notes to the Financial Statements

At the review date of 5 April 2012 the Lender did not exercise the option to vary the interest rate and the loan will continue at 4.5% until the next review date in April 2016.

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

Market Risk

Interest rate risk

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

Movements in interest rates have a complex impact on the Council. A rise in interest rates would have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses would not impact on the Comprehensive Income and Expenditure Statement.

The Council carries out its borrowing and investment activity within parameters set out in its Treasury and Investment Strategies, which assess interest rate exposure to feed into the annual budget process. The Council assumed a maximum interest rate of 0.5% for new deposits within its base budget and holds an Interest Equalisation Reserve to smooth out fluctuations in the rate achieved. In this way, the funding of core services is less exposed to interest rate risk. Interest rate and investment income forecasts are updated regularly throughout the year, allowing significant changes to be reflected in updated budget projections. Some new long-term borrowing may take place in 2013/14 to finance capital projects, although the total will be small compared with the value of loans outstanding at 31 March 2013.

Price and foreign exchange risk

The Council does not invest in equities and is not, therefore, exposed to losses arising from movements in share prices.

Other than £8,000 held in krona pending repatriation from Iceland, the Council has no financial assets or liabilities denominated in foreign currencies, and therefore has little exposure to loss arising from movements in exchange rates. Further details of the Council's deposit with the Icelandic Bank, LBI hf are at Note 39 p96.

Notes to the Financial Statements

Note 18. INVENTORIES

	Consumables		Resale		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Balance at 1 April	74	89	47	41	121	130
Purchases	427	472	186	185	613	657
Recognised as an expense in year	(412)	(474)	(192)	(189)	(604)	(663)
Inventories on the Balance Sheet at 31 March	89	87	41	37	130	124

Note 19. DEBTORS

	2011/12		2012/13	
	£000	£000	£000	£000
Operational Debtors:				
Central Government Bodies		1,545		51
Other Local Authorities		533		307
Other Entities and Individuals:				
Sundry Debtors	4,285		2,575	
less allowance for non-collection	(459)		(507)	
Sundry Debtors net of impairment		3,826		2,068
Housing Rents	323		336	
less allowance for non-collection	(234)		(243)	
Housing Rents net of impairment		89		93
Operational Debtors net of impairment		5,993		2,519
Non-Operational Debtors				
Central Government Bodies - HM Revenue and Customs		380		562
Other Entities and Individuals:				
Council Taxpayers	295		280	
less allowance for non-collection	(88)		(81)	
Council Taxpayers net of impairment		207		199
Payments in Advance to Town and Parish Councils		1,428		0
Non-Operational Debtors net of impairment		2,015		761
Debtors net of impairment on the Balance Sheet at 31 March		8,008		3,280

Notes to the Financial Statements

Note 20. CASH AND CASH EQUIVALENTS

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

	2011/12	2012/13
	£000	£000
Cash held by the Council	7	7
Bank current accounts	(1,334)	(364)
Short-term deposits	65	6,001
Cash and Cash Equivalents on the Balance Sheet at 31 March	(1,262)	5,644

Note 21. CREDITORS

	2011/12	2012/13
	£000	£000
Operational Creditors:		
Central Government Bodies	0	1,044
Other Local Authorities	466	596
Other Entities and Individuals	2,146	3,046
Short-term Employee Benefits (value of untaken leave)	117	161
Operational Creditors	2,729	4,847
Receipts in Advance and Non-Operational Creditors:		
Central Government Bodies	342	357
Other Local Authorities	51	114
Council Taxpayers	137	126
Housing Rents	134	139
Receipts in Advance and Non-Operational Creditors	664	736
Creditors on the Balance Sheet at 31 March	3,393	5,583

Notes to the Financial Statements

Note 22. PROVISIONS

	2011/12	2012/13
	£000	£000
Balance at 1 April	0	0
Provision charged to the Comprehensive Income and Expenditure Statement	0	41
Amount used	0	0
Total Provisions on the Balance Sheet at 31 March	0	41

The Council has for a number of years carried a contingent liability note in its financial statements in respect of its former insurer Municipal Mutual Insurance Limited (MMI) which ceased to provide new cover from 1994. A scheme of arrangement with its creditors was set up by MMI with the aim of funding any outstanding claims. The scheme allows for a claw back from 'scheme creditors' (including the Council) of payments already made under the scheme if the outstanding claims cannot be fully funded by the company.

On 12 November 2012 the Council was notified that the Board of Directors of MMI had decided to trigger the Scheme of Arrangement. In March 2013 the Council was further notified that the levy for clawback had been set at 15%, amounting to £40,543, however the formal levy notice requiring payment had not been issued at 31 March 2013. As a consequence the Council has made a provision for the levy because of the probability that this will be demanded within the next financial period.

The balance of the potential clawback, £229,745, remains a contingent liability (Note 41 p103) until such time as MMI issues another formal levy notice for clawback of more than 15% at which point the Council will make an additional matching provision in its financial statements.

Notes to the Financial Statements

Note 23. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 13).

Note 24. UNUSABLE RESERVES

The Council's unusable reserves consist of:

	2011/12	2012/13
	£000	£000
Revaluation Reserve	11,172	10,437
Capital Adjustment Account	128,367	125,443
Financial Instruments Adjustment Account	(43)	24
Pension Reserve	(13,929)	(16,978)
Deferred Capital Receipts	0	0
Collection Fund Adjustment Account	81	95
Accumulated Absences Account	(117)	(161)
Total Unusable Reserves on the Balance Sheet at 31 March	125,531	118,860

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

Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

Notes to the Financial Statements

Revaluation Reserve

	2011/12	2012/13	
	£000	£000	£000
Balance Sheet at 1 April	8,411		11,172
Upward revaluation of assets	3,191	0	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(102)	(3,026)	
Depreciation written out from Property, Plant and Equipment and Heritage Assets	0	2,862	
	<u>3,089</u>	<u> </u>	<u>(164)</u>
Surplus on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services			
Difference between fair value depreciation and historical cost depreciation	(200)	(556)	
Accumulated gains on assets sold or scrapped	(14)	(15)	
Accumulated gains on Investment Properties	(114)	0	
Amount written off to the Capital Adjustment Account	(328)		(571)
	<u>11,172</u>	<u> </u>	<u>10,437</u>
Balance Sheet at 31 March			

Capital Adjustment Account

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

Notes to the Financial Statements

Capital Adjustment Account	2011/12	2012/13
	£000	£000
Balance Sheet at 1 April	183,041	128,367
Reversal of items relating to capital expenditure debited or credited to Comprehensive Income & Expenditure Statement:		
• Charges for depreciation of non-current assets	(5,119)	(1,577)
• Charges for impairment/(reversals) of non-current assets	2,795	(901)
• Amortisation of Intangible Assets	(195)	(150)
• Transfer to offset Housing Revenue Account contribution to the Major Repairs Reserve	0	(3,709)
• Revenue expenditure funded from capital under statute (REFCUS)	(57,266)	(820)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(354)	(743)
• Amounts of non-current assets written off on derecognition of components to the Comprehensive Income and Expenditure Statement	0	(3,905)
	<u>(60,139)</u>	<u>(11,805)</u>
Adjusting amounts written out of the Revaluation Reserve	328	571
Net written out amount of the cost of non-current assets consumed in the year	<u>(59,811)</u>	<u>(11,234)</u>
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	641	695
• Use of the Major Repairs Reserve to finance new capital expenditure	2,167	3,894
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,171	367
• Application of grants to capital financing from the Capital Grants Unapplied Account	153	550
• Statutory provision for the financing of capital investment charged against the General Fund balance	154	154
• Voluntary provision for the financing of capital investment charged against the Housing Revenue Account (HRA) balance	0	584
• Capital expenditure charged against the General Fund and HRA balances	1,093	1,475
	<u>5,379</u>	<u>7,719</u>
Movements in the market value of Investment Properties (debited) or credited to the Comprehensive Income and Expenditure Statement	<u>(242)</u>	<u>591</u>
Balance Sheet at 31 March	<u><u>128,367</u></u>	<u><u>125,443</u></u>

Notes to the Financial Statements

Financial Instruments Adjustment Account

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

The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans.

Premiums and discounts are taken to the Comprehensive Income and Expenditure Statement when they are incurred, but are reversed out of the General Fund and Housing Revenue Account Balances to this Account in the Movement in Reserves Statement. Over time, the income and/or expense is posted back to the General Fund and Housing Revenue Account Balances in accordance with statutory arrangements for spreading the burden over more than one financial year. In the General Fund's case, this period is the unexpired term that was outstanding on the loans when they were redeemed, but for the Housing Revenue Account it is a maximum of 10 years or the unexpired term if that is less than 10 years.

Financial Instruments Adjustment Account

	2011/12	2012/13
	£000	£000
Balance Sheet at 1 April	(256)	(43)
Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund and Housing Revenue Account Balances in accordance with statutory requirements	213	67
Balance Sheet at 31 March	(43)	24

Notes to the Financial Statements

Pensions Reserve

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

More detailed pension information is included within Post Employment Benefits, Note 40 p97.

	2011/12 £000	2012/13 £000
Balance Sheet at 1 April	(9,601)	(13,929)
Actuarial gains or (losses) on pensions assets and liabilities	(4,722)	(3,084)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,561)	(1,897)
Employer's pension contributions payable in the year	1,955	1,932
Balance Sheet at 31 March	(13,929)	(16,978)

Deferred Capital Receipts Reserve

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

	2011/12 £000	2012/13 £000
Balance Sheet at 1 April	1	0
Transfer to Capital Receipts Reserve upon receipt of cash	(1)	0
Balance Sheet at 31 March	0	0

Notes to the Financial Statements

Collection Fund Adjustment Account

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

	2011/12 £000	2012/13 £000
Balance Sheet at 1 April	160	81
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(79)	14
Balance Sheet at 31 March	<u>81</u>	<u>95</u>

Accumulated Absences Account

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

	2011/12 £000	2012/13 £000	£000
Balance Sheet at 1 April	(112)	117	(117)
Settlement or cancellation of accrual made at the end of the preceding financial year	112	117	
Amounts accrued at the end of the current financial year	<u>(117)</u>	<u>(161)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(5)	(44)	
Balance Sheet at 31 March	<u>(117)</u>	<u>(161)</u>	

Notes to the Financial Statements

Note 25. CASH FLOW STATEMENT – ADJUSTMENTS TO NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

	2011/12	2012/13
	£000	£000
Depreciation	5,088	5,246
Impairment and (reversal) of impairment and valuation movements	(2,723)	955
Amortisation	195	155
Increase/(decrease) in impairment for bad debts	24	50
Increase/(decrease) in Creditors	(316)	1,906
(Increase)/decrease in Debtors	(4,183)	4,729
(Increase)/decrease in Inventories	(9)	6
Movement in pension liability	(301)	47
Carrying amount of non-current assets sold or derecognised	354	4,648
Other non-cash items	447	(142)
Adjustments for non-cash movements	(1,424)	17,600

Note 26. CASH FLOW STATEMENT – ADJUSTMENTS FOR ITEMS THAT ARE INVESTING AND FINANCING ACTIVITIES

	2011/12	2012/13
	£000	£000
Proceeds from sales of property, plant & equipment, investment property and intangible assets	(658)	(1,096)
Capital grants	(1,388)	(2,212)
Reduction of outstanding liabilities relating to finance leases	85	89
Other items for which the cash effects are investing or financing cash flows	212	67
Adjustments for items that are investing and financing activities	(1,749)	(3,152)

Notes to the Financial Statements

Note 27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2011/12	2012/13
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(4,327)	(7,510)
Purchase of short-term and long-term investments	(157,400)	(155,104)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	658	1,096
Proceeds from short-term and long-term investments	160,605	152,304
Other receipts from investing activities	1,637	4,645
Net cash out flows from investing activities	1,173	(4,569)

Note 28. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2011/12	2012/13
	£000	£000
Other receipts from financing activities – increase/(decrease) in preceptors' share of council tax cash collected net of precepts and surpluses paid	136	184
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(85)	(89)
Other payments for financing activities - increase in cash paid into the NNDR pool net of cash collected from non-domestic ratepayers	(176)	(1,494)
Cash receipts of short and long-term borrowing	51,673	0
Net cash out flows from financing activities	51,548	(1,399)

Notes to the Financial Statements

Note 29. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA *Service Reporting Code of Practice*.

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

In particular:

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

The income and expenditure of the Council's seven General Fund portfolios and the separate Housing Revenue Account portfolio recorded in the budget reports presented to the Council's Cabinet during 2012/13 is analysed below. The allocation of services by portfolio differs from those reported in 2011/12 because of new reporting arrangements introduced in 2012.

Portfolio Income and Expenditure for 2012/13	Business Economic Development and Tourism £000	Community Engagement, Health and Environment £000	Finance and Cost Control £000	Housing £000	Leader of the Council £000	Planning £000	District Services £000	Housing Revenue Account £000	Total 2012/13 £000
Fees, charges and other service income	(2,590)	(313)	(1,333)	(639)	(173)	(1,188)	(2,040)	(15,329)	(23,605)
Government grants	0	(51)	(43,328)	(113)	0	0	(53)	0	(43,545)
Total Income	(2,590)	(364)	(44,661)	(752)	(173)	(1,188)	(2,093)	(15,329)	(67,150)
Employee expenses	673	1,370	1,253	596	197	1,376	2,707	1,462	9,634
Other service expenses	1,707	689	43,391	750	1,012	235	2,608	4,653	55,045
Support service recharges	256	338	2,200	259	205	490	204	1,039	4,991
Total Expenditure	2,636	2,397	46,844	1,605	1,414	2,101	5,519	7,154	69,670
Net Expenditure	46	2,033	2,183	853	1,241	913	3,426	(8,175)	2,520

Notes to the Financial Statements

Portfolio Income and Expenditure for 2011/12	Finance and Resources £000	Health and Environment £000	Housing £000	Leader of the Council £000	Planning £000	Waste and Recycling £000	Housing Revenue Account £000	Total 2011/12 £000
Fees, charges and other service income	(1,229)	(1,104)	(466)	(2,649)	(1,253)	(2,125)	(14,390)	(23,216)
Government grants	(41,179)	(30)	(114)	(28)	0	0	0	(41,351)
Total Income	(42,408)	(1,134)	(580)	(2,677)	(1,253)	(2,125)	(14,390)	(64,567)
Employee expenses	1,394	1,577	617	911	1,373	2,609	1,433	9,914
Other service expenses	41,236	2,109	707	2,772	289	1,428	9,393	57,934
Support service recharges	1,932	535	265	468	478	126	921	4,725
Total Expenditure	44,562	4,221	1,589	4,151	2,140	4,163	11,747	72,573
Net Expenditure	2,154	3,087	1,009	1,474	887	2,038	(2,643)	8,006

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

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

	2011/12 £000	2012/13 £000
Net expenditure in the Portfolio analysis	8,006	2,520
Net expenditure of services not included in the Analysis	(341)	131
Amounts in the Comprehensive Income and Expenditure Statement not reported to Cabinet in the Analysis	59,713	6,919
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	843
Cost of Services in Comprehensive Income and Expenditure Statement	67,378	10,413

Notes to the Financial Statements

Reconciliation to Subjective Analysis

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

2012/13

	Portfolio Analysis £000	Services & Support Services not in Analysis £000	Amounts not reported to Cabinet for decision making £000	Amounts not included in CIES £000	Cost of Services in CIES £000	Corporate Amounts £000	Total 2012/13 £000
Fees, charges and other income	(23,605)	0	(19)	1,874	(21,750)	(1,085)	(22,835)
Interest and investment income	0	0	0	0	0	(822)	(822)
Income from Council Tax	0	0	0	0	0	(10,372)	(10,372)
Government grants and contributions	(43,545)	0	(250)	0	(43,795)	(6,886)	(50,681)
Gain or Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	(353)	(353)
Total Income	(67,150)	0	(269)	1,874	(65,545)	(19,518)	(85,063)
Employee expenses	9,634	56	95	(342)	9,443	(13)	9,430
Other service expenses	55,045	124	(61)	(689)	54,419	344	54,763
Support Service recharges	4,991	0	0	0	4,991	0	4,991
Depreciation, amortisation and impairment/(reversals)	0	(49)	7,154	0	7,105	(10)	7,095
Derecognition of components	0	0	0	0	0	3,905	3,905
Interest payments	0	0	0	0	0	1,762	1,762
Precepts and Levies	0	0	0	0	0	2,855	2,855
Payments to Housing Capital Receipts Pool	0	0	0	0	0	284	284
Total Expenditure	69,670	131	7,188	(1,031)	75,958	9,127	85,085
(Surplus) or deficit on the provision of services	2,520	131	6,919	843	10,413	(10,391)	22

Notes to the Financial Statements

2011/12 comparative figures

	Portfolio Analysis £000	Services & Support Services not in Analysis £000	Amounts not reported to Cabinet for decision making £000	Amounts not included in CIES £000	Cost of Services in CIES £000	Corporate Amounts £000	Total 2011/12 £000
Fees, charges and other income	(23,216)	987	0	1,210	(21,019)	(987)	(22,006)
Interest and investment income	0	0	0	0	0	(282)	(282)
Income from Council Tax	0	0	0	0	0	(10,234)	(10,234)
Government grants and contributions	(41,351)	0	(439)	0	(41,790)	(5,642)	(47,432)
Gain on Disposal of Property, Plant and Equipment	0	0	0	0	0	(310)	(310)
Total Income	(64,567)	987	(439)	1,210	(62,809)	(17,455)	(80,264)
Employee expenses	9,914	59	0	0	9,973	(355)	9,618
Other service expenses	57,934	(1,387)	(72)	(1,210)	55,265	390	55,655
Support Service recharges	4,725	0	0	0	4,725	0	4,725
Depreciation, amortisation and impairment /(reversals)	0	0	3,551	0	3,551	91	3,642
Interest payments	0	0	0	0	0	282	282
Precepts and Levies	0	0	0	0	0	2,765	2,765
Housing finance reform payment	0	0	56,673	0	56,673	0	56,673
Payments to Housing Capital	0	0	0	0	0	478	478
Receipts Pool							
Total Expenditure	72,573	(1,328)	60,152	(1,210)	130,187	3,651	133,838
(Surplus) or deficit on the provision of services	8,006	(341)	59,713	0	67,378	(13,804)	53,574

Notes to the Financial Statements

Note 30. TRADING OPERATIONS

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

The financial performance of these two operations is:

	2011/12			2012/13		
	Turnover	Expenditure	(Surplus)	Turnover	Expenditure	(Surplus)
	£000	£000	£000	£000	£000	£000
Industrial Estates	639	94	(545)	740	35	(705)
Newhaven Business Centre	348	259	(89)	345	270	(75)
	987	353	(634)	1,085	305	(780)

Note 31. AGENCY SERVICES

The Council entered into an agency agreement under Section 101 of the Local Government Act 1972 on 1 April 2011 with the newly formed South Downs National Park (SDNP), to provide Development Management Services (i.e. the provision of planning services) for a period of 3 years. In 2012/13 costs of £511,000 were recharged to SDNP (£517,000 in 2011/12). In addition to the agency agreement the Council and SDNP agreed to work in partnership on planning policy in order to complete the Local Development Framework (LDF) Core Strategy for Lewes District which includes areas for which the SDNP is now the planning authority. Under this separate partnership agency arrangement, costs of £74,000 were recharged to SDNP (£83,000 in 2011/12).

The Council has a contract with The Landscape Group to provide grounds maintenance services in parks, open spaces and recreation grounds throughout the District. Included within this contract are parks, open spaces and recreation grounds belonging to a number of town and parish councils where letting and managing individual small contracts directly would not be cost effective. The Council is therefore providing an agency service to the individual town and parish councils which are recharged for the costs relating to their particular shares of the overall contract. In 2012/13 costs of £272,000 were recharged (£281,000 in 2011/12).

In 2012/13 the Council spent £126,000 on facilitating the Police and Crime Commissioner for Sussex election and £5,000 on Town and Parish Council elections, all of which was fully reimbursed.

In 2011/12 the Council spent £79,000 on facilitating the National Voting Referendum and £70,000 on Town and Parish Council elections, all of which was fully reimbursed.

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

Notes to the Financial Statements

Note 32. MEMBERS' ALLOWANCES

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

2011/12 Total Allowances £	Council Member	Basic Allowance £	Special Responsibility Allowance £	Travel and Subsistence Allowance £	2012/13 Total Allowances £
2,695	Sam Adeniji	2,975	445		3,420
3,445	Bob Allen	2,975	497		3,472
2,745	Graham Amy	2,975			2,975
4,529	Rob Blackman	2,975	5,288	149	8,412
2,975	Chris Bowers	2,975			2,975
2,975	Carla Butler	2,975	56		3,031
2,727	Julie Carr	2,975			2,975
3,494	Michael Chartier	2,975			2,975
2,975	Melanie Cutress	2,975			2,975
4,170	Sharon Davy	2,975	3,539		6,514
3,118	Amanda Dean	2,975	497		3,472
4,424	Donna Edmonds	2,975	276		3,251
6,550	Ian Eiloart	2,975	4,140		7,115
4,379	Paul Franklin	2,975	347		3,322
2,975	Paul Gander	2,975			2,975
3,964	Peter Gardiner	2,975	497		3,472
3,031	Stephen Gaunlett	2,975	46	236	3,257
2,975	David Gray	2,975			2,975
3,022	Barry Groves	2,975	127		3,102
3,493	Job Harris	2,975	497	756	4,228
4,272	Jacqueline Harrison-Hicks	2,975	698	429	4,102
6,797	Philip Howson	2,975	809	350	4,134
9,183	Tom Jones	2,975	6,016	770	9,761
3,264	Carolyn Lambert	2,975			2,975

Notes to the Financial Statements

2011/12 Total Allowances £	Council Member	Basic Allowance £	Special Responsibility Allowance £	Travel and Subsistence Allowance £	2012/13 Total Allowances £
7,022	James MacCleary	2,975	4,140		7,115
3,788	Rod Main	2,975	497		3,472
8,475	Ron Maskell	2,975	5,519	713	9,207
3,008	Elayne Merry	2,975		301	3,276
14,196	Tony Nicholson	2,975	2,231	144	5,350
2,975	Ruth O'Keeffe	2,975			2,975
5,800	Sarah Osborne	2,975	3,311	366	6,652
8,606	James Page	2,975	13,800	497	17,272
4,658	Robbie Robertson	2,975	5,288		8,263
4,755	Eileen Russell	2,975	1,035	180	4,190
2,975	Steve Saunders	2,975			2,975
8,248	Jim Sheppard	2,975	5,519	627	9,121
8,284	Andy Smith	2,975	5,519	1,147	9,641
2,695	John Stockdale	2,975			2,975
2,975	Cyril Sugarman	2,975			2,975
3,298	Benjamin Warren	2,975	52	113	3,140
2,975	Ian White	2,975			2,975
<u>Council Members retiring on 9 May 2011</u>					
280	Patricia Bennett				0
280	Chris Bishop				0
280	Susan Bratchie				0
859	Edward Collicot				0
280	Jim Daly				0
1,668	Ann De Vecchi				0
799	Jon Freeman				0
280	Lynda Hallett				0
377	Tom Hawthorne				0
280	Kevin Mayers				0

Notes to the Financial Statements

2011/12 Total Allowances £	Council Member	Basic Allowance £	Special Responsibility Allowance £	Travel and Subsistence Allowance £	2012/13 Total Allowances £
350	David Mitchell				0
312	David Rogers OBE				0
280	Bob Sinclair				0
280	Robert Worthington				0
195,515	Total	121,975	70,686	6,778	199,439

During 2012/13 the following District Council Member's listed in the table above also served as elected members of East Sussex County Council: Phillip Howson, Carolyn Lambert, Ruth O'Keeffe

The cost of employer's national insurance totalling £2,277 in 2012/13 has been excluded from the table above (£2,468 in 2011/12).

The cost of Members' Allowances including employer's national insurance has been allocated as follows:

	2011/12 £000	2012/13 £000
Allowances - General Fund	154	153
Allowances - Housing Revenue Account	44	49
Total allowances including employer's national insurance	198	202

In addition to the above, total payments of £524 were made to co-opted members of the Standards Committee who were not District Councillors (£964 in 2011/12).

The total cost of all allowances, including employer's national insurance and co-opted members of the Standards Committee, is recorded within the Comprehensive Income and Expenditure Statement in the Corporate and Democratic Core service line.

Notes to the Financial Statements

Note 33. OFFICERS' REMUNERATION

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

Post	Financial Year	Salary	Mileage allowance and other expenses	Benefits in kind	Compensation for Loss of Office	Total excluding pension contribution	Pension contribution	Total including pension contribution
		£	£	£	£	£	£	£
Chief Executive	2012/13	105,359	547	3,818	0	109,724	21,950	131,674
	2011/12	100,395	547	3,110	0	104,052	20,882	124,934
Director of Planning & Environmental Services	2012/13	85,935	280	3,760	0	89,975	18,218	108,193
	2011/12	85,935	285	3,923	0	90,143	17,875	108,018
Director of Finance	2012/13	85,935	2,500	0	0	88,435	18,218	106,653
	2011/12	85,935	2,784	0	0	88,719	17,875	106,594
Corporate Head – Legal & Democratic Services	2012/13	73,045	84	3,748	0	76,877	15,485	92,362
	2011/12	70,829	74	3,569	0	74,472	14,732	89,204
Corporate Head - Housing	2012/13	70,829	312	3,532	0	74,673	15,016	89,689
	2011/12	68,608	302	4,245	0	73,155	14,270	87,425
Corporate Head - Communities & Enterprise new post 1 August 2011	2012/13	61,872	127	2,717	0	64,716	13,117	77,833
	2011/12	39,996	118	1,127	0	41,241	8,319	49,560
Corporate Head - Internal Services retired 6 April 2012	2012/13	0	0	0	0	0	0	0
	2011/12	70,829	130	3,840	57,000	131,799	93,499	225,298

Notes to the Financial Statements

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

Remuneration band	2011/12	2012/13
	Number of employees	Number of employees
£50,000 - £54,999	3	4
£55,000 - £59,999	2	1
£60,000 - £64,999	0	1

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	no.	no.	no.	no.	no.	no.	£	£
£ 0 - £ 20,000	0	0	0	5	0	5	0	28,053
£ 20,001 - £ 40,000	0	1	0	0	0	1	0	32,997
£ 40,001 - £ 60,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	1	0	1	0	135,767	0
Total	0	1	1	5	1	6	135,767	61,050

Note 34. EXTERNAL AUDIT COSTS

The Council incurred the following costs in relation to the audit of the Financial Statements and the certification of grant claims undertaken by the Council's external auditor, BDO:

	2011/12	2012/13
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	106	64
Fees payable for the certification of grant claims and returns for the year	32	28
	138	92

Notes to the Financial Statements

Note 35. GRANT INCOME

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

	2011/12	2012/13
Non-ringfenced Government Grants:	£000	£000
- Revenue Support Grant	1,005	75
- Council Tax Freeze Grant	185	371
- New Homes Bonus Grant	253	478
- Non Domestic Rates	3,250	3,692
	<u>4,693</u>	<u>4,616</u>
Capital Grants and Contributions:		
- grants and contributions towards capital expenditure	949	2,270
Total credited to Taxation and Non-specific Grant Income	<u>5,642</u>	<u>6,886</u>
Government Grants credited to Services:		
- Housing and Council Tax Benefit subsidy	40,479	42,409
- Housing and Council Tax Benefit Administration subsidy	674	630
- Government Grants towards capital expenditure (2012/13 included in Capital Grants section above)	439	0
- Food Waste Collection	0	131
- Local Services Support Grant	113	113
- Housing Benefit Fraud grant	0	111
- Discretionary Housing Payment subsidy	33	106
- Other minor grants of less than £100,000 each	52	295
Total credited to Cost of Services	<u>41,790</u>	<u>43,795</u>
Total credited to the Comprehensive Income and Expenditure Statement	<u>47,432</u>	<u>50,681</u>

Notes to the Financial Statements

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

The balances held as Capital Grants Receipts in Advance at 31 March were as follows:	2012 £000	2013 £000
Held as Short Term Liabilities		
8 Section 106 agreements where each financial contribution is less than £100,000	141	125
Held as Long Term Liabilities		
Section 106 agreement - to provide sports and recreation facilities in Peacehaven	836	843
Section 106 agreement - to acquire land for the provision of open/outdoor play space in Peacehaven	618	524
Section 106 agreement - to provide a sports pitch and pavilion within open space land in Peacehaven	500	503
Section 106 agreement - to provide or improve outdoor playing space facilities in the area of Wivelsfield	0	290
15 other Section 106 agreements where each financial contribution is less than £100,000	310	304
Government grant (DEFRA) - contaminated land	205	164
Government grant (DEFRA) - air quality	185	205
Government grant (DEFRA) - coast protection	143	4
	<hr/>	<hr/>
	2,797	2,837
	<hr/>	<hr/>
Total value of balances held as Capital Grants Receipts in Advance at 31 March	2,938	2,962

Long Term Creditors

Section 106 agreements between developers and the Council which include amounts given for education, highways and other services for which East Sussex County Council (ESCC) is the responsible local authority, are held by the Council until ESCC has developed plans that will satisfy the conditions set out in the agreement. At that point ESCC will request release of the funds from the Council.

Until that occurs the Council holds the monies as long term creditors because it cannot determine when ESCC will develop its plans and request the release of funds. The amount held at 31 March 2013 is £1.132 million (£1.416 million at 31 March 2012).

Other than Section 106 agreement monies held on behalf of ESCC the Council has no other long term creditors.

Notes to the Financial Statements

Note 36. RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 p80 on reporting for resources allocation decisions and in Note 35 p90 Grant Income.

Members

Members of the Council (District Councillors) have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 32 p85. Councillors are obliged by the Council's Constitution to record in a Register of Interests of Members any personal interest, financial and/or otherwise, in any business of the Council. The Register of Interests of Members, which is maintained by the Monitoring Officer, is open to public inspection at Lewes House, 32 High Street, Lewes during office hours. Councillors have confirmed that neither they, nor any close members of their family, have any relationships which would have given rise to a related party transaction in 2012/13.

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

Officers

Senior Officers have confirmed that, individually, neither they nor any close members of their family have any relationships which would have given rise to a related party transaction in 2012/13.

Wave Leisure Trust (trading as Wave Leisure Ltd)

The Council has a close relationship with Wave Leisure Ltd, a charitable company established originally 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 2012/13 the Council paid Wave Leisure Ltd a service fee of £681,000 (2011/12 £780,000).

Notes to the Financial Statements

Note 37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2012/13 £000
Opening Capital Financing Requirement	13,902	70,421
Capital Investment		
- property, plant and equipment	4,521	7,417
- heritage assets	33	8
- investment properties	3	4
- intangible assets	75	81
- revenue expenditure funded from capital under statute (REFCUS)	57,266	820
Sources of Finance		
- capital receipts	(641)	(695)
- government grants and other contributions	(3,491)	(4,811)
- sums set aside from revenue	(154)	(738)
- direct revenue contributions	(1,093)	(1,475)
Closing Capital Financing Requirement	<u>70,421</u>	<u>71,032</u>
Increase in Capital Financing Requirement	56,519	611
Explanation of movements in year:		
- increase in underlying need to borrow	56,604	700
- decrease in finance lease liability	(85)	(89)
Increase in Capital Financing Requirement	<u>56,519</u>	<u>611</u>

Notes to the Financial Statements

Note 38. LEASES

Council as Lessee

Finance Leases

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

	31 March 2012	31 March 2013
	£000	£000
Vehicles, plant and equipment	99	57
Parking ticket machines (fully depreciated but still operational)	0	0
Printers and photocopiers	87	48
Total held as Vehicles, Plant, Furniture and Equipment	186	105

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

	31 March 2012	31 March 2013
	£000	£000
The minimum lease payments are made up of the following amounts		
- finance lease liabilities (net present value of minimum lease payments)	201	112
- finance costs payable in future years	8	1
Minimum lease payments	209	113

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2012	31 March 2013	31 March 2012	31 March 2013
	£000	£000	£000	£000
Not later than one year	96	97	89	96
Later than one year and not later than five years	113	16	112	16
Total	209	113	201	112

Notes to the Financial Statements

Operating leases

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

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

	31 March 2012	31 March 2013
	£000	£000
Not later than one year	299	337
Later than one year and not later than five years	449	350
Later than five years	62	33
Total	810	720

Minimum lease payments recognised as an expense in 2012/13 amounted to £317,000 (£259,000 in 2011/12).

Council as Lessor

Finance Leases

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

Operating leases

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

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

	31 March 2012	31 March 2013
	£000	£000
Not later than one year	864	863
Later than one year and not later than five years	3,007	3,155
Later than five years	30,210	33,161
Total	34,081	37,179

The minimum lease payments receivable do not include contingent rents. In 2012/13 the Council recognised a contingent rent of £38,000 as income in respect of its interest in Newhaven Town Centre Property Management (£44,000 in 2011/12).

Notes to the Financial Statements

Note 39. IMPAIRMENT LOSSES

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and their UK subsidiaries entered administration. The Council is one of 127 local authorities (LAs) that have funds deposited with one or more of these banks having made a fixed term deposit of £1 million for the period 12 August 2008 to 11 August 2009 at an interest rate of 6.28%.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers. In the case of Landsbanki, the Icelandic Supreme Court has determined that all UK local authority deposits have priority status.

LBI hf (formerly Landsbanki Islands hf) is an Icelandic entity. The LBI Winding Up Board has published details of LBI's financial position as at 31 December 2012. This shows that LBI's assets, including partial payments already made in respect of priority claims were greater than the sum of the priority claims. It is therefore still considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

There is an on-going dispute over whether the total claims should be valued at specified exchange rates (as at 22 April 2009) or at spot rates. This is being trialled in the Icelandic Courts shortly and is likely to be the subject of appeal to the Icelandic Supreme Court whatever the verdict. The Council has assumed the use of the 22 April 2009 exchange rates as this is more prudent.

Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for its deposit, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be received, it is likely that further adjustments will be made to the Financial Statements in future years.

The bank has made three payments to depositors in December 2011, May 2012 and October 2012. No announcements have been made as to the timing of future payments but settlement in a further single sum is unlikely. In calculating the impairment, the Council has assumed annual payments running from December 2013 to December 2019.

Recoveries are expressed as a percentage of the Council's claim in the administration and include interest accrued up to 22 April 2009, the date agreed by the bank's winding-up board.

Impairment losses of £202,000, £158,000 and £9,000 had been recognised in the Comprehensive Income and Expenditure Statements in 2008/09, 2009/10 and 2010/11 respectively, with a credit of £78,000 recognised in 2011/12 following an increase in the anticipated recovery rate to 100%. Fluctuations in exchange rates required an impairment loss of £9,000 to be recognised in

Notes to the Financial Statements

2012/13. This has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the Council's anticipated loss of interest until monies are recovered.

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

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

<u>Date Invested</u>	<u>Maturity Date</u>	<u>Amount Invested</u>	<u>Interest Rate</u>	<u>Carrying Amount</u>	<u>Impairment</u>
12 August 2008	11 August 2009	£1,000,000	6.28%	£720,000	£298,000

The expected repayments have been estimated as follows:

December 2013	£78,300	December 2014	£78,300
December 2015	£78,300	December 2016	£78,300
December 2017	£78,300	December 2018	£78,300
December 2019	£55,800		

Interest credited to the Comprehensive Income and Expenditure Account in 2012/13 was £29,000 (2011/12 £50,000).

Note 40. POST EMPLOYMENT BENEFITS

Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by East Sussex County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments and assets.

Transactions Relating to Post-employment Benefits

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

Notes to the Financial Statements

The following transactions have been made in the Comprehensive Income and Expenditure Statement:		2011/12	2012/13
		£000	£000
Cost of Services	- current service cost	1,772	1,754
	- past service (gain)/loss	0	0
	- curtailment losses	144	182
Financing and Investment Income and Expenditure	- interest cost	3,982	3,745
	- expected return on pension scheme assets	(4,337)	(3,784)
Total Post Employment Benefit charged/(credited) to the (Surplus) or deficit on the provision of services		1,561	1,897
Other Post Employment Benefit charged/(credited) to the Comprehensive Income and Expenditure Statement - actuarial (gains) and losses		4,722	3,084
Total Post Employment Benefit charged/(credited) to the Comprehensive Income and Expenditure Statement		6,283	4,981

The following transactions have been made in the Movement in Reserves Statement:		2011/12	2012/13
		£000	£000
Reversal of net charges made to the (Surplus) or deficit on the provision of services for post employment benefits		(1,561)	(1,897)
Actual amount charged against the General Fund Balance and the Housing Revenue Account Balance for pensions in the year			
	- employer's contributions payable to pension scheme	1,862	1,850
	- discretionary benefits arrangements (unfunded pensions)	93	82

The cumulative amount of actuarial gains and losses since 2005/06 recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £17.346 million (loss of £14.262 million to 31 March 2012).

Notes to the Financial Statements

Assets and Liabilities in relation to Post-employment Benefits

	2011/12 £000	2012/13 £000
Reconciliation of fair value of the employer's assets		
Opening balance at 1 April	63,233	64,489
Expected rate of return	4,337	3,784
Actuarial gains/(losses)	(2,327)	5,606
Employer contributions	1,862	1,850
Contributions in respect of unfunded benefits	93	82
Contributions by pension scheme members	590	566
Benefits paid	(3,206)	(3,128)
Unfunded benefits paid	(93)	(82)
Closing balance at 31 March	64,489	73,167
Reconciliation of present value of the employer's liabilities (defined benefit obligation)		
Opening balance at 1 April	72,834	78,418
Current service cost	1,772	1,754
Interest cost	3,982	3,745
Contributions by pension scheme members	590	566
Actuarial (gains)/losses	2,395	8,690
Past service (gain)/loss	0	0
Losses on curtailments	144	182
Estimated benefits paid	(3,206)	(3,128)
Estimated unfunded benefits paid	(93)	(82)
Closing balance at 31 March	78,418	90,145
Present value of the employer's liabilities	78,418	90,145
Less - Fair value of the employer's assets	64,489	73,167
Defined Pension Scheme Liability (as shown on the Balance sheet)	13,929	16,978

Notes to the Financial Statements

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

The actual return on pension scheme assets in 2012/13 was £9.402 million (£2.021 million in 2011/12).

Pension Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities					
- Local government pension scheme (funded)	(58,739)	(92,395)	(71,724)	(77,278)	(89,067)
- Discretionary benefits (unfunded)	(1,106)	(1,323)	(1,110)	(1,140)	(1,078)
	<u>(59,845)</u>	<u>(93,718)</u>	<u>(72,834)</u>	<u>(78,418)</u>	<u>(90,145)</u>
Fair value of assets in the local government pension scheme	44,379	60,103	63,233	64,489	73,167
(Deficit) in the pension scheme	<u>(15,466)</u>	<u>(33,615)</u>	<u>(9,601)</u>	<u>(13,929)</u>	<u>(16,978)</u>
Local government pension scheme	(14,360)	(32,292)	(8,491)	(12,789)	(15,900)
Discretionary benefits	(1,106)	(1,323)	(1,110)	(1,140)	(1,078)
	<u>(15,466)</u>	<u>(33,615)</u>	<u>(9,601)</u>	<u>(13,929)</u>	<u>(16,978)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits.

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

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council as employer in the year to 31 March 2014 is £1.801 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £86,000.

Notes to the Financial Statements

Basis for Estimating Assets and Liabilities

Using data provided by the pension scheme administrators (East Sussex County Council) and assumptions determined by the Council in conjunction with them, Hymans Robertson LLP, an independent firm of actuaries, has provided the data included within this note.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the accounting period i.e. as at 1 April 2012.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, with estimates for the East Sussex County Council pension fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	2011/12	2012/13
Long-term expected rate of return on assets in the pension scheme:		
- Equities	6.3%	4.5%
- Bonds	4.4%	4.5%
- Property	4.4%	4.5%
- Cash	3.5%	4.5%
Mortality assumptions:		
- longevity at 65 for current pensioners - men	21.3yrs	21.3yrs
- longevity at 65 for current pensioners - women	23.4yrs	23.4yrs
- longevity at 65 for future pensioners - men	23.3yrs	23.3yrs
- longevity at 65 for future pensioners - women	25.7yrs	25.7yrs
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%
Rate of return on assets	5.9%	4.5%

Notes to the Financial Statements

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

	31 March 2012	31 March 2013
	£000	£000
Equities	51,591	58,534
Bonds	5,804	6,585
Property	5,804	5,853
Cash	1,290	2,195
	64,489	73,167

Discretionary benefits arrangements have no assets to cover liabilities.

Sensitivity Analysis

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

Change in assumption at year ended 31 March 2013	Approximate percentage increase to Employer Obligation	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	8,141
1 year increase in member life expectancy	3%	2,704
0.5% increase in Salary Increase Rate	2%	1,947
0.5% increase in Pension Increase rate	7%	6,113

History of Experience Gains and Losses

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

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Experience gains and (losses) on assets	(30)	22	0	(4)	8
Experience gains and (losses) on liabilities	0	0	11	(1)	0

Notes to the Financial Statements

Note 41. CONTINGENT LIABILITIES

At 31 March 2013 the Council had four material contingent liabilities:

- The Council's former insurer, Municipal Mutual Insurance Limited, ceased to provide new cover from 1994. A scheme of arrangement with its creditors was set up with the aim of funding any outstanding claims. The scheme allows for a claw back from 'scheme creditors' (including the Council) of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum claw back for the Council is set at £270,288. As a result of a judgement reached by the Supreme Court on 28 March 2012 which found against the company, the Council was notified in November 2012 that the Board of Directors of MMI had decided to trigger the Scheme of Arrangement. In March 2013 the Council was further notified that the levy for clawback had been set at 15%, amounting to £40,543, however the formal levy notice requiring payment had not been issued at 31 March 2013. As a consequence the Council has made a provision for the levy (Note 22 p71) because of the probability that this will be demanded within the next financial period. The balance of the maximum potential clawback amounting to £229,745 remains a contingent liability until such time as MMI issues another formal levy notice for clawback of more than 15% at which point the Council will make an additional matching provision in its financial statements.
- The Council has given a legal undertaking guaranteeing that it will make good any deficit owing to the East Sussex Pension Scheme by Wave Leisure Ltd, the charitable company established to operate the Council's indoor leisure facilities from 1 April 2006. The terms of this undertaking are set out in the pension agreement between the two organisations. As at 31 March 2013 the pension liability of Wave Leisure Ltd was £569,000 (£236,000 as at 31 March 2012).
- The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £35,000 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £90,000 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Notes to the Financial Statements

- On 1 October 2012 the Council's Cabinet agreed a Voluntary Severance and Early Retirement Scheme as part of its comprehensive change programme and to assist with the need to make recurring budget savings. The scheme is employee led, subject to the agreement of the Council, and allows for payments to be made to enable a mutually agreed exit on the grounds of efficiency. Five exits were mutually agreed before 31 March 2013 and the associated costs of those exits have been included in the Comprehensive Income and Expenditure Statement (see Note 33 p88). Since 1 April 2013 the Council has agreed 7 additional exits at an estimated cost of £91,000 and expects further exits to be mutually agreed in the future but cannot be certain about the number, cost and timing of each future exit. As and when each future liability from mutually agreed exits matures the costs will be accounted for within the Comprehensive Income and Expenditure Statement in the appropriate accounting period.

Note 42. CONTINGENT ASSETS

At 31 March 2013 the Council had two material contingent assets:

- The Council has made a claim against HM Revenue and Customs (HMRC) that the payment of interest on overpaid VAT regarding charges for car parking is made on a compound basis. HMRC has settled three successful claims made by the Council for the repayment of overpaid VAT output tax and has paid interest on those claims without compounding the amount due. The Council has instigated legal proceedings against HMRC for the payment of interest on a compound basis.
- The Council has made a claim against HMRC for the repayment of VAT output tax regarding charges for the collection of trade waste. HMRC announced that with effect from 9 February 2011 local authorities trade waste services are now VAT exempt where previously they were charged at the standard rate. The Council's claim is for the repayment, with interest, of VAT paid to HMRC over the four years prior to 9 February 2011. HMRC is considering the Council's claim.

Note 43. LOCAL COUNCILS' PRECEPTS

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

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

Notes to the Financial Statements

Note 44. CHARITY ACCOUNTS

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

	2011/12 £000	2012/13 £000
Stanley Turner Recreation Ground	88	63
Mountfield Pleasure Ground Trust	34	27

Note 45. BUILDING REGULATIONS CHARGING ACCOUNT

The Local Authority Building Control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The total cost of operating the Building Control Unit, as included within the 'Planning services' line in the Comprehensive Income and Expenditure Statement, divided between the chargeable and non-chargeable activities for the year 2012/13 is:

	Chargeable £000	Non-chargeable £000	Total £000
Expenditure			
- employee expenses	190	96	286
- transport	22	3	25
- supplies and services	12	2	14
- central and support services	74	34	108
	<hr/>	<hr/>	<hr/>
	298	135	433
Income			
- building regulation charges	303	0	303
- miscellaneous income	0	6	6
	<hr/>	<hr/>	<hr/>
	303	6	309
	<hr/>	<hr/>	<hr/>
(Surplus)/deficit for 2012/13	(5)	129	124
	<hr/>	<hr/>	<hr/>
(Surplus)/deficit for 2011/12	(41)	169	128

Notes to the Financial Statements

Note 46. LAND CHARGES - PROPERTY SEARCHES

The Local Authorities (England) (Charges for Property Searches) Regulations 2008 provides discretion for the Council to set its own charges to recover its costs in granting access to property records or in answering enquiries about a property. Regulation 9 (Transparency in relation to setting of charges) requires the publication of summary financial and other information relating to 2012/13. All property searches are administered by the Council's Land Charges unit which also administers the local land charges register. Official searches of the register are chargeable with fees set by the Council whereas personal searches are not chargeable.

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

	Number of requests	Total cost £000	Total income £000	Net cost £000
Regulation 9(2) - granting access to property records	0	0	0	0
Regulation 9(3) - answering enquiries about a property	1,266	117	96	21
Local Land Charges register				
- official search and certificate	1,293	22	21	1
- personal search	856	26	0	26
Overall totals included in the Comprehensive Income and Expenditure Statement		165	117	48

The deficit of £21,000 published under Regulation 9(3) has been financed from the General Fund Balance which is repayable from any future surpluses.

Housing Revenue Account and supporting notes

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

2011/12 £000	HRA INCOME AND EXPENDITURE STATEMENT	2012/13 £000	£000
	Income		
12,592	Dwelling rents	13,484	
417	Non-dwelling rents	449	
921	Charges for services and facilities	1,054	
460	Contributions towards expenditure	342	
14,390			15,329
	Expenditure		
3,785	Repairs and maintenance	3,418	
2,698	Supervision and management (including special services)	2,740	
214	Rents, rates, taxes and other charges	207	
3,715	Negative HRA Subsidy payable (Note 9 p114)	0	
1,432	Depreciation and impairment/(reversals) of non-current assets (Note 3 and Note 4 p111)	4,168	
63	Debt management costs	34	
32	Movement in the allowance for impairment of debtors	57	
56,673	Payment to the Secretary of State (Note 6 p112)	0	
68,612			10,624
54,222	Net expenditure or (income) of HRA Services in the Comprehensive Income & Expenditure Statement		(4,705)
530	HRA share of Corporate and Democratic Core		698
25	HRA share of Pension Curtailments		65
54,777	Net expenditure or (income) of HRA Services		(3,942)
	HRA share of operating income & expenditure in the Comprehensive Income & Expenditure Statement		
(353)	(Gain) or loss on sale of HRA non-current assets	(414)	
0	Loss on derecognition of components of HRA non-current assets	3,905	
264	Interest payable and similar charges	1,880	
(18)	Interest and investment income	(31)	
(60)	Pensions interest cost and expected return on pensions assets	(6)	5,334
54,610	(Surplus) or deficit for the year on HRA services		1,392

Housing Revenue Account and supporting notes

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

2011/12 £000	MOVEMENT ON THE HRA STATEMENT	2012/13	
		£000	£000
(2,576)	Balance on the HRA at 1 April		(2,738)
54,610	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		1,392
	Adjustments between accounting basis and funding basis under statute:		
0	- transfer to the Major Repairs Reserve (MRR) equal to the depreciation amount charged to HRA	3,709	
0	- transfer (from) the Capital Adjustment Account to offset the above transfer to the MRR	(3,709)	
2,277	- reversal of impairment losses and impairment reversals charged/(credited) to the HRA	(459)	
0	- reversal of loss on derecognition of components of HRA non-current assets	(3,905)	
2,439	- transfer to the Major Repairs Reserve equal to the Major Repairs Allowance	0	
(3,709)	- transfer (from) the Capital Adjustment Account to reverse depreciation charged to the HRA	0	
(56,673)	- reversal of payment to the Secretary of State that is not revenue expenditure in accordance with the Code (Note 6 p112)	0	
353	- reversal of gain on sale of HRA non-current assets	414	
213	- amortisation of premiums and discounts	68	
(208)	- reversal of items relating to retirement benefits charged to the HRA Income and Expenditure Statement	(350)	
285	- employer's pensions contributions payable in the year	338	
251	- capital expenditure funded by the HRA	1,189	
0	- voluntary provision for the financing of capital investment	584	
(54,772)			(2,121)
(162)	Net (increase) or decrease in year on the HRA		(729)
(2,738)	Balance on the HRA at 31 March		(3,467)

Housing Revenue Account and supporting notes

Note 1. STOCK OF SOCIAL HOUSING

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

	2012	2013
Houses and Bungalows		
1 bedroom	212	212
2 bedroom	643	641
3 bedroom	901	899
4 bedroom	65	64
5 bedroom	3	3
6 bedroom	1	1
	<u>1,825</u>	<u>1,820</u>
Flats		
bedsits	134	132
1 bedroom	707	705
2 bedroom	524	535
3 bedroom	47	47
4 bedroom	4	4
	<u>1,416</u>	<u>1,423</u>
Total stock of social housing at 31 March	<u>3,241</u>	<u>3,243</u>

In addition the Council had at 31 March 2013 shared ownership arrangements covering 8 properties and 1 property (partly) sold under the Right to Buy scheme.

Housing Revenue Account and supporting notes

Note 2. VALUE OF HRA NON-CURRENT ASSETS

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

The change in the valuations of council dwellings arose following a desktop review for impairment undertaken by the Council's appointed valuer, DVS, at 31 March 2013, and the application of appropriate depreciation charges in the year.

	2012 £000	2013 £000
Council Dwellings		
- houses, bungalows and flats	154,846	152,930
Other Land and Buildings		
- garages	6,392	6,200
- other land and buildings	2,529	1,894
Vehicles, Plant, Furniture and Equipment	514	637
Infrastructure Assets	974	871
Community Assets	34	34
Total Property, Plant and Equipment	165,289	162,566
Heritage Assets	0	0
Investment Property	0	0
Intangible Assets	0	19

The vacant possession value of council dwellings within the HRA at 1 April 2012 was £473.4 million as valued by DVS, compared with a value of £151.5 million for its existing use as social housing. The difference of £321.9 million represents the economic cost of providing housing at less than open market rents. Use as social housing is valued at 32% of open market value as at 1 April 2010, the date of the last full valuation, which equates to a 68% reduction.

Housing Revenue Account and supporting notes

Note 3. DEPRECIATION

Depreciation on council dwellings is based on the building value of an average dwelling as assessed by the Council's external valuer (DVS), which is then analysed into its significant components by council officers in line with the Council's housing investment strategy. The useful lives and replacement costs of each significant component within the average building value - e.g. roof, windows, bathroom, kitchen, walls and structure, etc - is calculated by officers to arrive at an annual sum which is multiplied by the number of dwellings to arrive at the depreciation charge.

The amounts of depreciation charged to the HRA Income and Expenditure Statement are as follows:	2011/12	2012/13
	£000	£000
Depreciation on council dwellings	3,252	3,241
Depreciation on other land and buildings	322	313
Depreciation on vehicles, plant, furniture and equipment	33	48
Depreciation on infrastructure assets	102	102
Amortisation of intangible assets	0	5
Total Depreciation charged to the HRA	3,709	3,709

Note 4. IMPAIRMENT

Impairment charges made to the HRA Income and Expenditure Statement are as follows:	2011/12	2012/13
	£000	£000
Impairment resulting from revaluation losses in excess of balances held in the Revaluation Reserve	2,230	541
Reversal of prior year impairment against revaluation gains recognised in the year	(4,507)	(82)
Total Impairment/(reversals) charged/(credited) to the HRA	(2,277)	459

Impairment charges have been recognised along with depreciation charges in the HRA Income and Expenditure Statement as follows:	2011/12	2012/13
	£000	£000
Total Impairment/(reversals) charged/(credited) to the HRA	(2,277)	459
Total Depreciation charged to the HRA (Note 3)	3,709	3,709
Depreciation and impairment/(reversals) of non-current assets	1,432	4,168

Housing Revenue Account and supporting notes

Note 5. FUNDING OF CAPITAL EXPENDITURE

The totals of HRA capital expenditure and capital funding during the year is summarised as follows:	2012 £000	2013 £000
Capital expenditure		
- on council dwellings	2,040	5,934
- on other land and buildings	154	170
- on vehicles, plant, furniture and equipment	233	198
- on intangible assets (computer software)	12	24
- on revenue expenditure financed from capital under statute (REFCUS)	56,673	0
	59,112	6,326
Sources of capital funding		
- from external borrowing (new loans from the Public Works Loan Board)	51,673	0
- from internal borrowing (using existing Lewes District Council cash resources)	5,000	957
- from the major repairs reserve	2,167	3,894
- from HRA revenue contributions	251	1,189
- from the capital receipts reserve	3	286
- from leaseholders contributions	18	0
	59,112	6,326

Note 6. PAYMENT TO THE SECRETARY OF STATE IN 2011/12

The Settlement Payments Determination 2012 made by the Secretary of State for the Department for Communities and Local Government under sections 168 to 170 and 173 of the Localism Act 2011 set out the payment of £56.673 million required to be made by the Council to the Secretary of State on 28 March 2012 in order to exit the HRA subsidy system after 31 March 2012 and to implement self-financing of council housing with effect from 1 April 2012.

Section 170(6) of the Localism Act 2011 set out that this payment of £56.673 million was deemed to be capital expenditure. Therefore, in accordance with the Code, this payment was recorded as revenue expenditure financed from capital under statute (REFCUS), as shown in Note 5 above, but because it did not result in the creation of a non-current asset it was charged as expenditure to the HRA Income and Expenditure Statement. Because the Council determined to meet the cost of this expenditure from new borrowing and existing capital resources a transfer was made from the Movement on the HRA Statement to the Capital Adjustment Account that reversed out the amounts charged so that there was no net impact on the level of the HRA balance.

Housing Revenue Account and supporting notes

Note 7. MAJOR REPAIRS RESERVE

The major repairs reserve was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 in order to channel the funds made available through the major repairs allowance from Government (which ended in 2011/12) into capital expenditure on HRA property. It is now used to hold the transfer from the HRA equal to the amount of depreciation charged which is then used to finance HRA capital expenditure.

The movements on the reserve show that a balance has been retained to finance future capital expenditure.

	2012	2013
	£000	£000
Balance at 1 April	(301)	(573)
Amounts transferred from the HRA		
- equal to the depreciation amount charged to the HRA Income and Expenditure Statement	0	(3,709)
- depreciation on council dwellings	(3,252)	0
- depreciation on other HRA non-current assets	(457)	0
Amounts transferred to the HRA		
- adjustment for the difference between depreciation charged and major repairs allowance receivable	1,270	0
Amounts used to finance HRA capital expenditure	2,167	3,894
Balance at 31 March	<u>(573)</u>	<u>(388)</u>

Note 8. CAPITAL RECEIPTS

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

	2012	2013
	£000	£000
Sale of Council dwellings (under the right to buy)	638	1,012

Housing Revenue Account and supporting notes

Note 9. ANALYSIS OF HRA SUBSIDY PAYABLE IN 2011/12

Under schedule 15 of section 167 of the Localism Act 2011 the Government abolished Housing Revenue Account subsidy in England with effect from 1 April 2012. By way of replacement, and effective from the same date, the Government implemented self-financing of council housing. As a consequence the Council no longer has to make a net payment of HRA subsidy to Government.

The following table shows the calculation which applied in 2011/12, the final year of HRA subsidy.

	2011/12
	£000
Major repairs allowance	2,439
Management and maintenance allowance	5,316
Capital charges allowance	646
Total allowances	<u>8,401</u>
Assumed rent income	12,116
Other income	0
Total assumed income	<u>12,116</u>
Net HRA subsidy payable to Government	<u><u>3,715</u></u>

Housing Revenue Account and supporting notes

Note 10. PENSIONS RESERVE

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

Note 11. RENT ARREARS

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

	2012 £000	2013 £000
Current tenants		
- dwellings	201	232
- garages	2	1
	<hr/>	<hr/>
	203	233
Former tenants		
- dwellings	117	100
- garages	3	3
	<hr/>	<hr/>
	120	103
	<hr/>	<hr/>
Total rent arrears at 31 March	323	336
	<hr/>	<hr/>
Allowance for impairment of debts	234	243
	<hr/>	<hr/>
Value of write offs during the year	22	48

Collection Fund Statement and supporting notes

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

2011/12		2012/13	
£000		£000	£000
	Income		
55,697	Council tax	56,008	
8,014	Council tax benefits transferred from the General Fund	8,093	
<u>63,711</u>			<u>64,101</u>
21,015	Non-domestic rates (Business rates)		23,056
<u>84,726</u>			<u>87,157</u>
	Expenditure		
	Precepts		
44,599	- East Sussex County Council	44,793	
3,152	- East Sussex Fire Authority	3,166	
10,176	- Lewes District Council	10,298	
5,330	- Sussex Police Authority	5,353	
<u>63,257</u>			<u>63,610</u>
20,889	Contributions to national non-domestic rates pool		22,930
126	Non-domestic rates cost of collection allowance		126
101	Provision for uncollectable amounts		32
	Contribution towards previous year's estimated surplus		
599	- East Sussex County Council	264	
42	- East Sussex Fire Authority	19	
137	- Lewes District Council	60	
72	- Sussex Police Authority	32	
<u>850</u>			<u>375</u>
<u>85,223</u>			<u>87,073</u>
497	(Surplus)/Deficit for the year		(84)
(996)	Balance at 1 April		(499)
<u>(499)</u>	Balance at 31 March		<u>(583)</u>

Collection Fund Statement and supporting notes

Note 1. COUNCIL TAX

The average Band D council tax for the year was:

	2011/12	2012/13
	£	£
East Sussex County Council	1,158.30	1,158.30
East Sussex Fire Authority	81.86	81.86
Lewes District Council	192.48	192.48
Lewes District Town and Parish Councils	71.78	73.82
Sussex Police Authority	138.42	138.42
	<u>1,642.84</u>	<u>1,644.88</u>

The estimated tax base for the year expressed as Band D equivalent numbers was 38,671 (38,504 in 2011/12).

This is calculated based on the estimated number of chargeable dwellings in each council tax valuation band adjusted for applicable discounts, which is converted to an equivalent number of total Band D dwellings and then multiplied by the collection rate to allow for possible losses on collection. The calculation for 2012/13 is as follows:

	Estimated number of chargeable dwellings	Band D ratio	Band D equivalent dwellings
Band A	3,302	6/9	2,200
Band B	4,986	7/9	3,878
Band C	11,631	8/9	10,339
Band D	8,683	9/9	8,683
Band E	5,179	11/9	6,330
Band F	2,716	13/9	3,923
Band G	2,110	15/9	3,516
Band H	195	18/9	391
	<u>38,802</u>		<u>39,260</u>
	Collection rate for 2012/13		<u>98.5%</u>
	Tax Base for 2012/13		<u>38,671</u>

Actual council tax income receivable in the year of £64.1 million was 0.8% above the estimate prepared in January 2012.

Collection Fund Statement and supporting notes

Note 2. NON-DOMESTIC RATES

Non-domestic rates (known as business rates) are organised on a national basis with the Council's role being to collect the rates due and pass them over to the Government's national pool.

The rate in the pound applied for 2012/13 was 45.8p, reduced to 45.0p for small businesses.

The total rateable value of all businesses in the District was £62.5 million at 31 March 2013 (£61.1 million at 31 March 2012).

The amount of reliefs granted in the year was:

	2011/12 £million	2012/13 £million
Mandatory rate relief	1.6	1.9
Small business rate relief	1.6	1.9
Partial and empty property relief	0.9	0.8

Note 3. COLLECTION FUND BALANCE

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

	2011/12 £000	2012/13 £000
East Sussex County Council	351	411
East Sussex Fire Authority	25	29
Lewes District Council	81	94
Sussex Police Authority	42	49
Collection Fund Balance at 31 March	499	583

Statement of Responsibilities

Authorisation of the Statement of Accounts

The Director of Finance released this Statement of Accounts on 23 September 2013. Events between the balance sheet date and 23 September 2013 were considered before this Statement of Accounts was approved.

The Authority's Responsibilities - the Authority is required to:

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

**Signature of the Councillor presiding at the meeting
at which the Statement of Accounts was approved**

Chair of Audit and Standards Committee
September 2013

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

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

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

The Director of Finance has also:

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

CHIEF FINANCIAL OFFICER'S CERTIFICATE - I certify that the Statement of Accounts set out in pages 13 to 118 provides a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

.....
John Magness, CPFA, Director of Finance, September 2013

Independent Auditor's Report

Opinion on the Council's financial statements

We have audited the financial statements of Lewes District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Director of Finance and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Lewes District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

contd...

Independent Auditor's Report

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of audit practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the annual governance statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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

Respective responsibilities of the Council and auditors

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

contd..

Independent Auditor's Report

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Lewes District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Richard Bint
For and on behalf of BDO LLP, Appointed Auditor
London UK

September 2013

Annual Governance Statement

Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework, Delivering Good Governance in Local Government. A copy of the Code is on our website at <http://www.lewes.gov.uk/council/3748.asp> or can be obtained from the Head of Audit and Performance, Lewes House, 32 High Street, Lewes, East Sussex BN7 2LX. This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

The purpose of the Governance Framework

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

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

The Governance Framework has been in place at the Council for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

Annual Governance Statement

The Governance Framework

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

The Council sets out its vision, priorities, projects and planned performance in the Council Plan. Underpinning this are a number of key strategies, programmes, service delivery and project plans which provide detailed commitments in terms of the Council's services and activities. The Medium Term Finance Strategy looks ahead three years and sets out how the Council aims to balance its resources to meet statutory responsibilities and national and local priorities.

The Council Plan is approved annually by Full Council at its annual meeting. The Council's Governance Framework is drawn together in the local Code of Corporate Governance which meets national standards.

The Council has a well-established Performance Management Framework which is supported by its project management and collaboration software system - "pam" (platform for achieving more). The Council has a Data Quality Policy and Strategy, with systems in place to ensure that performance information and other data is valid, accurate, complete, timely and relevant. Performance information on progress on key Council Plan targets is reported to Cabinet each quarter. Progress on projects in the Nexus Programme is closely monitored by the Nexus Board. The Corporate Management Team oversees the progress of other projects and performance targets in the Council Plan on a quarterly basis. The quality of services is reviewed through regular consultation with, and feedback from, service users in the form of survey research, comments and complaints.

The Council's Constitution establishes clear arrangements for decision making and the delegation of powers to councillors and officers. It defines and documents the roles and responsibilities of the Council, Cabinet and Committees (including the Audit and Standards Committee and the Scrutiny Committee) as well as the roles and responsibilities of councillors and senior officers. The Council has adopted the Leader and Cabinet Model in accordance with the Local Government and Public Involvement in Health Act 2007.

Communication between councillors and officers is governed by the Protocol on Member/Officer Relations. There is also a Councillor Protocol for Procurement.

The Council's Scrutiny Committee oversees the independent review of decisions of Cabinet and other activities and functions of the Council through appointed Scrutiny Panels and the Call In procedure. The Audit and Standards Committee role includes promoting and maintaining high standards of conduct of Councillors. In June 2012 the Council adopted the procedures for dealing with complaints about conduct of councillors as required by the Localism Act 2011.

Annual Governance Statement

Standards of behaviour and conduct of councillors and officers are governed by Member and Officer Codes of Conduct, the Anti Fraud and Corruption Strategy, Whistle Blowing Policy, Anti Bribery Policy, Disciplinary and Grievance procedures and the Dignity at Work Policy. A Core Values and Behaviours Statement was agreed in April 2013, following extensive consultation with staff. These guidance documents and procedures are the subject of training/awareness raising for staff and councillors and are made available via the Council's intranet.

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

The Council's risk management framework is outlined in its Risk Management Strategy, and it is fully established and embedded within the Council. There are robust systems for identifying and evaluating risk in the decision making and service planning processes. Strategic risks are updated and reported to Cabinet annually and operational risks are reviewed as part of service planning. Key staff are trained in the assessment, management and monitoring of risk. Risk assessment and management within projects has been enhanced through the use of the risk management tool in pam.

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

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

The Council has an Internal Audit Section which is an independent assurance function that reports on the adequacy of the whole system of internal control as a contribution towards the proper economic, efficient and effective use of Council resources. The Section operates in accordance with the auditing guidelines published as a Code of Practice for Internal Audit by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA has, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a revised common set of Public Sector Internal Audit Standards (PSIAS) that have applied from 1 April 2013. The application of new standards was approved at the March 2013 meeting of the Audit and Standards Committee. The standards are now in force and will govern the operation of Internal Audit for 2013/14 and thereafter. The work of Internal Audit in 2012/13 was under the auspices of the previous CIPFA Code of Practice.

Annual Governance Statement

The Council has a strong anti fraud culture that is supported by councillors and officers. Proactive anti-fraud work is undertaken, particularly in the area of Benefit Fraud through the work of the Fraud Investigation Team. The outcome of this work informs the opinion on the internal control environment. The Council also has an Anti Money Laundering Policy.

The Council's Constitution sets out the roles of the Monitoring Officer and Chief Finance Officer (Section 151) - at Lewes District Council these roles are fulfilled by the Corporate Head - Legal and Democratic Services and the Director of Finance respectively. These roles include responsibility for ensuring that agreed procedures are followed and that applicable statutes, regulations and relevant statements of good practice are complied with.

The Council has a corporate complaints procedure with supporting systems to record, monitor, investigate and report complaints. There is an annual report to Cabinet on complaints which includes recommendations for improvements to complaints handling.

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

The Council has a variety of communication channels open to local residents and other stakeholders. In addition the Council actively engages with different sections of the community through focus groups, user groups, partnership meetings and networks. The Council's Consultation and Communication strategies set out the approach and specific consultations are planned and agreed in an annual programme. The Council has a Community Engagement Group which is led by the Director of Planning and Environmental Services. Its focus is on delivering a programme of work to promote "democratic conversations" on issues of concern to local communities, using all the available communications channels.

The Council has put in place detailed best practice guidance for partnership working and has identified a small number of strategic partnerships which require comprehensive governance arrangements, including an annual review by lead officers. Good governance in partnerships is also reflected in the Council's Local Code of Corporate Governance.

The Council has a Project Management Framework that contains a set of principles and procedures for the planning, control and delivery of projects. During 2012/13 this Framework was reviewed, updated and re-issued to take account of new ways of working and the requirements of the Nexus Programme Board. The Council has developed a set of clear and consistent project documents and associated tools which have been the subject of consultation and training amongst senior officers.

Annual Governance Statement

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 Lexcel.

The Council has a Business Continuity Plan (BCP), and will continue to develop its processes and safeguards in this area by having at least one test exercise per year and to update our procedures where appropriate. The move to agile working, in a centralised modern office environment with new working methods, will require a comprehensive review of our current BCP arrangements.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Council who have responsibility for the governance environment, the annual report of the Head of Audit and Performance, and also the work of external auditors and other review agencies and inspectorates as outlined below.

The Head of Audit and Performance reports regularly to the Audit and Standards Committee on the work of Internal Audit and provides an annual report on the systems of internal control which includes an opinion on the internal control environment. For 2012/13, 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 issues created significant risks for the Council.

In March 2008 the Audit Committee approved the local Code of Corporate Governance. The local Code is reviewed annually by the Head of Audit and Performance and senior officers taking into account the requirements of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. The review for 2012/13 concluded that the Council continues to have satisfactory arrangements in place for corporate governance as reported at the June 2013 meeting of the Audit and Standards Committee.

The Annual Performance Report for 2012/13, presented to Cabinet at its September 2013 meeting, provided a high level summary report on the Council's performance and achievements for that year. The Council Plan setting out the Council's priorities for the medium term and a forward plan of activity for 2013/14 and beyond was approved by Full Council in May 2013, subject to final sign-off by the Chief Executive and Leader of the Council.

The Council is actively using its project management and collaboration software (pam). A feature of this system is the ability to create and manage a range of projects and, following the implementation of pam all of the Council's strategic and corporate

Annual Governance Statement

projects are now recorded and managed on the system. The Council's Project Management Framework was reviewed in light of the Council's move towards wider use of project management principles and the introduction of pam.

Cabinet received the Annual Report on Risk Management at its July 2013 meeting. The Audit and Standards Committee also received updates on risk management at every meeting. The reports during 2012/13 noted that most risks are mitigated by the effective operation of controls or other measures. Whilst there are some risks that are outside the Council's control, such as a major incident, flu pandemic, a downturn in the national economy or a major change in government policy or legislation, the Council has sound planning and response measures to mitigate the impact of such events and continues to monitor risks and the effectiveness of controls.

The Council's Business Continuity Plan (BCP) was updated and reissued in October 2012. A review by Internal Audit noted that there is a risk that a loss of IT services would mean that the priorities for the restoration of services that are set out in the BCP may not be achieved in all circumstances. This risk is partially mitigated through preventative measures and more effective mitigation is being put in place with the significant updating of the Council's IT Infrastructure in 2013.

The Council, through the work of the Community Engagement Group, is developing a 'Democratic Conversation with Lewes District' to improve the interaction between the Council and its citizens. In May 2012 Cabinet approved an action plan to take forward this dialogue with the local community and to engender mutual trust and shared responsibility.

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. In addition they have confirmed that there are no cases reported under the Council's Whistleblowing Policy. A joint annual statement by the Monitoring Officer and Chief Finance Officer (Section 151) has confirmed that there were no significant governance issues for the Council in 2012/13.

Under the Code of Practice for Local Authority Accounting 2012/13 the Council is required to confirm that its financial management arrangements conform with governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer (2010). The Council's arrangements conform with the requirements of the Statement and this has been confirmed by the Director of Finance (Section 151).

There have been no cases of fraud or corruption during the year other than those benefit cases investigated by the Fraud Investigation Team. This was confirmed in the Annual Report on the Council's work to combat Fraud and Corruption for 2012/13 presented to the Audit and Standards Committee in September 2013.

Annual Governance Statement

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

An annual review of the Council's strategic partnerships has been undertaken by lead officers as required by the Council's Guidance for Partnership Working. The results of this work were reported to the Audit Committee in June 2013.

Corporate monitoring of complaints includes a quarterly report to the Corporate Management Team. The annual report for 2012/13 will be presented to Cabinet at its September 2013 meeting. Minor changes to the Complaints Procedure were approved in July 2012 to bring it in line with the Council's commitment to customers and equality issues. The Scrutiny Committee also received reports on complaints at its June and September 2012 meetings.

The Government relies on external auditors and inspectors to periodically review the work of the Council to make sure it is meeting its statutory obligations for its services. The results for 2012/13 are shown below:

Annual Audit Letter for 2011/12 (October 2012) – This report outlined the key findings from PKF's audit of 2011/12. PKF concluded that:

- The financial statements give a true and fair view of the Council's financial affairs, and income and expenditure for the year were properly accounted for in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12.
- Internal controls remain adequate, although there was one area where the control environment could be strengthened. Action has been taken to ensure the authorisation of purchase orders remains within officers' formal limits and orders are only placed by officers who are on the authorised list.
- The AGS was not inconsistent or misleading with other information they are aware of from the audit of the financial statements.
- An unqualified opinion was appropriate for the Whole of Government Accounts assurance statement.
- In all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and issued an unqualified value for money conclusion.
- The Council has continued to exhibit clear financial leadership from the top of the organisation, with member and officer involvement in reviewing financial matters ensuring the financial position is documented and impacts on developed financial plans.
- The Council continues to recognise that the short term will be extremely challenging and, through its annual budget preparation and medium term financial planning processes, is confident that the current level of available reserves provides it with sufficient funding to support core services and key priorities over the period.

Annual Governance Statement

Annual Governance Report for 2011/12 (September 2012) – The key findings and conclusions from this report were summarised in the Annual Audit Letter (see above). In addition, PKF concluded that:

- Internal Audit has satisfactorily carried out a programme of work and we were able to place reliance on their work for the testing of the effectiveness of specific controls.

Planning Letter 2012/13 (November 2012) – The letter setting out the proposed fees and programme of work for the review of the financial year 2012/13 was presented to the January 2013 meeting of the Audit and Standards Committee. The detailed plan of audit work, including the risk assessment on which the plan is based, was published in February 2013 and presented to the March 2013 meeting of the Committee.

Grant Claim Certification for 2011/12 (December 2012) was presented to the January 2013 meeting of the Committee. The key points were:

- PKF were satisfied with the accuracy of the preparation of grant claims and returns and were able to certify all but one without qualification.
- Issues noted in the testing of the Housing benefit subsidy claim resulted in both the amendment of the claim and the issue of a qualification letter to the Department of Work and Pensions (DWP).
- All testing in respect of the Housing and Council Tax benefit subsidy was completed by Internal Audit staff, and PKF re-performance of that work agreed with their conclusions.

Significant governance issues

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

There are no significant governance issues to report for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

Councillor James Page,
Leader of the Council.
September 2013

Jenny Rowlands,
Chief Executive.
September 2013

Glossary of Terms

Accounting code of practice

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

Accounting period

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

Accrual

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

Actuarial gains and losses

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

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

Actuary

An expert who puts a value to pension scheme assets and liabilities

Agency services

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

Asset

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

A current asset is one that will be used or cease to have material value by the end of the next financial year (e.g. debtors)

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

Audit of accounts

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

Balance sheet

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

Glossary of Terms

Balances

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

Budget

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

Capital charges

This is a charge made to the Council's comprehensive income and expenditure statement to reflect the cost of utilising non-current assets in the provision of services.

Capital expenditure

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

Also included in this definition is expenditure that does not add value to a council asset but which is permitted by Government regulation to be capitalised and is treated as revenue expenditure funded from capital under statute – see further definition below.

Capital financing

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

Capital programme

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

Capital receipts

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

Cash equivalents

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

Glossary of Terms

CIPFA

Abbreviation for the Chartered Institute of Public Finance and Accountancy – the accounting body that issues the Accounting Code of Practice.

Collection fund

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

Community assets

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

Comprehensive income and expenditure statement

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

Consistency

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

Corporate and democratic core

This consists of two elements: the costs associated with Councillors, including support costs, and the costs of corporate management including the cost of the Chief Executive and a proportion of other chief officers as well as the costs of producing corporate information such as the statement of accounts.

Creditors

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

Current service cost (pensions)

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

Glossary of Terms

Debtors

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

Defined benefit pension scheme

In this type of pension scheme benefits to employees in their retirement are based on their final salaries and the Council's contribution has to be adjusted to match estimates of future liabilities.

Depreciation

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

Expected rate of return on pensions assets

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

Financial instrument

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

General fund

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

Government grants

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

Heritage assets

This is the assets that the Council holds principally for their contribution to knowledge and culture and which the Council intends to own forever. Examples include Newhaven Fort and works of art and museum exhibits.

Housing benefits

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

Glossary of Terms

Housing revenue account (HRA)

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

Impairment

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

Income

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

Infrastructure

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

Inventories

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

Investment properties

These are the assets owned by the Council that it does not directly occupy or use in the provision of services. The main purpose of owning these assets is to earn rental income or to increase the capital value.

Liability

The Council must include a liability in its financial statements when it owes money to others.

There are several types of liability which are classified in the balance sheet as either:

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

Loan premiums and discounts

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

Glossary of Terms

Materiality

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

Minimum revenue provision

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

Movement in reserves statement

This statement analyses the movements in the Council's usable and unusable reserves during the accounting period, including a reconciliation of the accounting surplus or deficit on the comprehensive income and expenditure statement with the statutory funding basis required by Government.

National non-domestic rates

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

Net Book Value (NBV)

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

Outturn

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

Operating lease

This is a lease where the ownership of the non-current asset remains with the lessor and not with the user of the asset (the lessee). The user pays a rental over a specified period for the use of the asset. The Council uses some vehicles and properties that are held under operating leases.

Precept

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

Glossary of Terms

Property, plant and equipment

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

Provision

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

Prudence

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

Public Works Loan Board (PWLB)

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

Rateable value

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

Rate poundage (or multiplier)

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

Related parties

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

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

Glossary of Terms

The Council's related parties include:

- central government
- the local authorities, police and crime commissioner and other bodies that precept or levy demands on the council tax
- its elected members
- its chief officers

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

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

Related party transactions

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

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

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

Reserves

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

Residual value

This is the net realisable value of a non-current asset at the end of its useful life.

Revenue expenditure funded from capital under statute (REFCUS)

An example is a capital grant made to another organisation or person, like an improvement grant. This counts as capital expenditure but it doesn't create an asset that belongs to the Council. The expenditure is written off in full to the comprehensive income and expenditure statement (the revenue account) in the year in which it is incurred.

Glossary of Terms

Revenue expenditure

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

Revenue support grant (RSG)

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

Unusable reserves

Reserves that cannot be used by the Council to fund expenditure or reduce council tax.

Usable reserves

Reserves that can be used by the Council to fund expenditure or reduce council tax.

Valuer

An expert who puts a value to the Council's land and buildings held as non-current assets.

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Contact details

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

The information can be made available in large print, on audio tape or disk, or in another language upon request.

Contact us on 01273 484141 or email lewesdc@lewes.gov.uk

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

For more information about the Annual Financial report, or about any of our other financial information, or if there are any comments you would like to make, please contact:

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