Statement of Accounts 2010/11

SUBJECT TO AUDIT

Wealden District Council
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Wealden District Council

Our Mission:

- Working together to improve the quality of life in Wealden.

Our Corporate Objectives:

- Putting People First
- Pride of Place
- Purpose Through Partnership.

Our Values are that the Council will:

- Provide services which give value for money.
- Conduct its business in the public interest with integrity and will be even-handed, open and accountable.
- Have the highest ethical standards.
- Strive to ensure its services are accessible to all.

The area we serve

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Independent Auditor's Report to the Members of Wealden District Council

THESE ACCOUNTS ARE SUBJECT TO AUDIT

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

Foreword by the Chief Finance Officer

Accounts

Wealden District Council's accounts for the year ended 31 March 2011 are set out in the pages that follow. For the first time these are presented using International Financial Reporting Standards and include:

- The Movement in Reserves Statement which shows the movements in the year on the different reserves held by the Council, analysed into usable and non-usable reserves. The Statement also shows adjustments made in accordance with statute required to be made for Council Tax and dwelling rent setting purposes;
- The Comprehensive Income and Expenditure Account which shows the Council's financial performance for the year, measured in terms of the economic resources consumed and generated over the last twelve months;
- The Balance Sheet which sets out the financial position of the Council on 31 March 2011;
- The Cash Flow Statement which summarises the inflows and outflows of cash arising from transactions with third parties;
- The Housing Revenue Account which is a statutory ring fenced account which shows the expenditure on council housing and how these are met by rents, government grant and other income;
- The Collection Fund Income and Expenditure Account which shows income from Council Tax and National Non-Domestic Rates and their disbursement to the General Fund, East Sussex County Council, Sussex Police Authority, East Sussex Fire Authority and National Non Domestic Rates Pool;
- A Statement of Responsibilities for the Statement of Accounts, outlining the responsibilities of the District Council and the Chief Finance Officer; and
- An Annual Governance Statement which describes the key elements of the internal control environment within the Council. The statement, where appropriate, reports on weaknesses and the actions required to be undertaken to rectify these.

General Fund

The Council approved net General Fund expenditure in 2010/11 of £19.149 million at its budget meeting in February 2010 and a Council Tax for a Band D property of £174.06, an increase of 2.7%. The budget was framed in light of the Council's Transformation Programme which was designed to reduce net costs by £2.9 million over a four year planning period in anticipation of government grant being reduced by 35% over those four years.

The General Fund Balance estimated at 31 March 2011 for budget purposes was £2.549 million and financial plans between 2010/11 and 2012/13 provided for this to reduce over the period to £1.726 million.

The Movement in Reserves Statement shows a improvement in net expenditure resulting in a £511,000 addition to the working balance. The General Fund working balance thus increased to £3.677 million at 31 March 2011.

Pensions Liability

The Council's Pension Liability valued on an IAS 19 basis decreased from £48.831 million at 31 March 2010 to £16.552 million at 31 March 2011.

Capital

In 2010/11 the Council spent £5.551 million on capital projects, Housing related projects continue to be the major part of the capital programme with £0.243 million granted to Housing Associations for new

build projects within the district, £0.881 million paid in respect of renewal and disabled facilities grants to owner occupiers, and £3.330 million of expenditure related to the Council's own housing stock. A substantial proportion of the modernisation and refurbishment works to the Council's housing stock was financed by the Major Repairs Allowance, £2.324 million, of the remainder £0.631was financed by capital receipts, £1.873 million directly from revenue and £0.3 million from internal borrowing. At the year end the Council's outstanding external loan debt reduced by £1 million to £6.5 million.

[Graph]

Housing

The Council continues to be a provider of rental accommodation within the district with a stock of dwellings at the 31 March 2011 of 3015. The Council is required to maintain a separate ring fenced account to record all the financial transactions relating to these dwellings. There was a £0.765 surplus on the Housing Revenue Account in 2010/11 compared to an original budget estimated surplus of £0.111 million.

	Original Budget £'000	Actual £'000	Variance £'000
HRA Working Balance			
Opening	(1,584)	(1,842)	(258)
Surplus/(Deficit) for the year	(111)	(765)	(654)
Closing	(1,695)	(2,607)	(912)

Plans for 2011/12 onwards

The Council's Medium Term Financial Strategy 2011/12 to 2014/15 is framed by Central Government's 28% reduction in Formula Grant over the period 2011/12 - 2012/13. This presents significant challenges as the Transformation Programme was designed to reduce cost by 35% over four years. The Council will reduce its General Fund working balance over the four year period to provide a cushion whilst the Transformation Programme is implemented.

Work also began in May 2011 on the refurbishment of the Council's offices in Hailsham, to provide a new single site headquarters for the Council. This will be mainly funded through "internal borrowing" thus reducing investment balances. As well as significantly reducing the Council's fixed costs by £0. 35 million per year, the reduction in the investment balances reduces credit risk to the Council and the return represents an equivalent interest rate of 4.38%.

The Government has also announced a whole raft of new initiatives that make planning for the future challenging.

Uppermost is the abolition of the Housing Subsidy regime for the Housing Revenue Account and the introduction of self financing. This will involve the Council taking on debt of approximately £50 million in order to be free of the Subsidy system. The future of Housing Revenue Account presentation will also probably change to reflect this new regime, with the Government opting to impose borrowing caps for the first time under their reserve powers in the Local Government Act 2003 and the Prudential Code for Capital Financing in Local Authorities.

The proposed localisation of Business Rates will impact on the Council as it is likely to require top up funding from a central compensation pool so will not benefit from enhanced revenues.

The proposed localisation of Council Tax Benefit, alongside a 10% reduction in government funding, presents a significant risk, as this would be a reduction of £0.99 million on current expenditure levels.

The current proposals to reform the Local Government Pension Scheme could impact on the Council's finances and the viability of the Pension Scheme if a fine balance is not struck between reducing the cost to the tax payer and employee contributions and benefits.

The Council considers these and other risks in its Medium Term Financial Strategy and are factored into budget proposals going forward. These are challenging times for the Council, but its past planning has ensured that it is financially resilient and able to effect changes and costs reductions without impacting significantly on front line services, however, with further challenges and risks this may not be possible in the future.

Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practices and reflect the adoption of International Financial Reporting Standards for the first time. The Council's policies are explained fully in Note 1 of these accounts.

Further Information

Further information about the accounts is available from the Financial Services, PO Box 49, Hailsham, BN27 2AZ. In addition interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

Date of Authorisation of Accounts

The accounts will be authorised for issue on 27 September 2011. This will be the last date when events after the balance sheet date have been considered.

S. J. Linnett BSc (Hons) CPFA **Date: 30 June 2011**
Chief Finance Officer
Wealden District Council

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the authority'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 and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

2009-10 Comparative

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Balance at 31 March 2009	**3,058**	**6,023**	**1,695**	**4,503**	**30**	**15,308**	**185,904**	**201,213**
Surplus or (deficit) on provision of services	(3,840)	-	(20,099)	-	-	(23,939)	-	(23,939)
Other Comprehensive Expenditure and Income								
Revaluation Gains	-	-	-	-	-	-	5,383	5,283
Revaluation losses	-	-	-	-	-	-	(1,502)	(1,502)
Impairment losses	-	-	-	-	-	-	-	-
General movement in Available for Sale Financial Instruments	-	-	-	-	-	-	-	-
Movement in the pensions reserve	-	-	-	-	-	-	(26,801)	(26,801)
Total Comprehensive Expenditure and Income	**(3,840)**	**-**	**(20,099)**	**-**	**-**	**(23.939)**	**(22,920)**	**(46,859)**
Adjustments between accounting basis and funding basis under regulations	4,788	-	20,247	430	-	25,465	(24,941)	524
Net increase/decrease before Transfer to Earmarked Reserves	**948**	**-**	**148**	**430**	**-**	**1,526**	**(47,861)**	**(46,335)**
Transfers to/from earmarked reserves	(839)	839	-	-	-	-	-	-
Increase/decrease (movement) in year	**109**	**838**	**148**	**430**	**-**	**1,526**	**(47,861)**	**(46,335)**
Balance at 31 March 2010 carried forward	**3,167**	**6,862**	**1,843**	**4,933**	**30**	**16,835**	**138,043**	**154,878**

2010-11

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
Balance at 31 March 2010	**3,167**	**6,862**	**1,843**	**4,933**	**30**	**16,835**	**138,043**	**154,878**
Surplus or (deficit) on provision of services	11,303	-	(27,936)	-	-	(16,633)	-	(16,633)
Other Comprehensive Expenditure and Income	21,654	-	-	-	-	21,654	-	21,654
Total Comprehensive Expenditure and Income	**32,957**	**-**	**(27,936)**	**-**	**-**	**5,021**	**-**	**5,021**
Adjustments between accounting basis and funding basis under regulations	(32,899)	-	28,671	442	-	(3,785)	3,046	(1,406)
Net increase/decrease before Transfer to Earmarked Reserves	**58**	**-**	**735**	**442**	**-**	**1,236**	**3,046**	**3,614**
Transfers to/from earmarked reserves	453	(453)	-	-	-	-	-	-
Increase/decrease (movement) in year	**511**	**(453)**	**735**	**442**	**-**	**1,236**	**3,046**	**22,799**
Balance at 31 March 2011 carried forward	**3,677**	**6,409**	**2,578**	**5,376**	**30**	**18,071**	**141,089**	**158,492**

Comprehensive Income and Expenditure Account

for the year ended 31 March 2011

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure on accordance with regulations, this may be different from the accounting cost. The taxation position is shown in Movement in Reserves Statement.

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000		Notes	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
11,903	(10,137)	1,766	Central Services		11,876	(9,901)	1,975
21,426	(8,984)	12,442	Culture, Environmental & Planning Services		20,086	(8,323)	11,763
1,764	(407)	1,357	Highways, Roads & Transport Services		1,364	(312)	1,053
31,467	(11,707)	19,760	Local Authority Housing (HRA)		39,527	(11,768)	27,759
28,638	(26,526)	2,112	Other Housing Services		29,967	(28,152)	1,814
2,258	(1)	2,256	Corporate & Democratic Core		2,184	(403)	1,781
	(14)	(14)	Non Distributed Costs		(11,413)	(5)	(11,418)
97,455	**(57,776)**	**39,679**	**Cost of Services**	**6.**	**93,592**	**(58,865)**	**34,727**
		5,619	Other operating expenditure	9.			4,773
		2,074	Financing and Investment Income and Expenditure	10.			1,032
		(23,433)	Taxation and non-specific grant income	11.			(23,899)
		23,939	**(Surplus)/Deficit on Provision of Services**				**16,633**
		(3,755)	Surplus or deficit on revaluation of non current assets				
		-	Surplus or deficit on revaluation of available for sale financial assets				
		26,801	Actuarial gains / losses on pension assets / liabilities				(21,654)
		23,044	**Other Comprehensive Income and Expenditure**				**21,654**
		46,983	**Total Comprehensive Income and Expenditure**				**5,021**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories: firstly usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital Receipts Reserve may only be used to fund capital expenditure or repay debt); secondly unusable reserves i.e. those that cannot be used to provide services, for example those used to hold unrealised gains and losses (e.g. Revaluation Reserve) where amounts would only become available to provide services if the assets are sold, also reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
221,482	198,270	Property, Plant and Equipment	12.	172,280
1,435	1,420	Investment Property	13.	1,420
285	159	Intangible Assets	14.	357
	-	Assets Held for Sale	20.	-
439	-	Long Term Investments	15.	-
57	55	Long Term Debtors		53
223,698	**199,904**	**Long Term Assets**		**174,111**
7,847	6,742	Short Term Investment	15.	6,000
-	2,050	Assets Held for Sale	20.	750
194	110	Inventories	16.	68
5,101	8,619	Short Term Debtors	18.	6,545
1,298	1,521	Cash and Cash Equivalents	19.	4,391
14,440	**19,043**	**Current Assets**		**17,754**
		Cash and Cash Equivalents	19.	-
(1,002)	(2,003)	Short Term Borrowing	15.	(1,000)
(4,741)	(5,448)	Short Term Creditors	21.	(7,243)
		Provisions		-
		Liabilities in Disposal Groups		-
(5,743)	**(7,451)**	**Current Liabilities**		**(8,243)**
(1,553)	(1,236)	Long Term Creditors	15.	(1,999)
(61)	(16)	Provisions	22.	(376)
(7,539)	(6,536)	Long Term Borrowing	15.	(5,536)
(22,030)	(48,831)	Net Pensions Liabilities	39.	(16,552)
-	-	Donated Assets Account		-
-	-	Capital Grants Receipts in Advance		-
(31,183)	(56,618)	**Long term Liabilities**		(24,563)
201,213	**154,878**	**Net assets**		**159,159**
		Financed by:		
15,309	16,835	Usable Reserves	8.	18,070
185,904	138,043	Unusable Reserves	24.	141,089
201,213	**154,878**	**Total Reserves**		**159,159**

Cash Flow Statement

For the year ended 31 March 2011

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of the services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from Financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10 £000		Note	2010/11 £000
(23,939)	Net (surplus) or deficit on the provision of services		(16,633)
28,061	Adjustments to net surplus or deficit on the provision of services for non-cash movements		19,228
(2,112)	Movements in working capital		2,364
(426)	Adjustments for items included in the net surplus or deficit on the provision of services that are for investing and financing activities		(190)
1,584	**Net cash flows from Operating activities**		4,769
(1,627)	Investing Activities	26	(2,620)
266	Financing Activities	27	721
221	**Net increase decrease in cash and cash equivalents**		**2,870**
1,298	Cash and cash equivalents at the beginning of the reporting period		1,521
1,521	**Cash and cash equivalents at the end of the reporting period**		**4,391**

Notes to the Accounts

1. Statement of Accounting Policies

i. General Principles

The statement of accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/11 and the Best Value Accounting Code of Practice 2010/11 supported by International Financial Reporting Standards

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

ii. 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:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and its is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as 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 borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for relevant financial instrument rather than cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. 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 mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Authority's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior year adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current year and future years affected by the change and do not give rise to a prior year adjustment.

Changes in 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 Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always applied.

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

vi. 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, bonuses and non-monetary benefits (e.g. cars) for current employees and recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or 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 in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 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.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Termination Benefits

- Employees of the Authority are members of the Local Government Pensions Scheme, administered by East Sussex County Council. The Local Government Pensions Scheme is accounted for as a defined benefits scheme:
- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond (iBoxx Sterling Corporates AA Over 15 years Index).
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

  Quoted securities - current bid price;

  Unquoted securities - professional estimate;

  Unitised securities - current bid price;

  Property - market value.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on 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 - debited 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 Authority, 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 and losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on 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 - debited to the Pensions reserve;
- Contributions paid to the 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 Authority to the pensions fund or directly to pensioners in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirement. 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 Scheme. No such awards were made in 2010/11.

vii. 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 reporting period 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 adjusted to reflect events;
- 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 Statements of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of the financial instrument and are initially measured as 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 if 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 Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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 asset - asset that have quoted market prices and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of the 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 most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for sale Assets

Available for sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument and are initially measured and carried at fair value. Where the assets has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices - the market price;
- Other instruments with fixed and determinable payments - discounted cash flow analysis; or
- Equity shares with no quoted market prices - independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayments and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains and losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instruments is carried at cost (less any impairment losses).

x. Government Grants and Contributions

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

- The authority will comply with the conditions attached to the payments; and
- The grants or 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 has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) 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 Movements 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 once they have been applied to fund capital expenditure.

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver 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 stage (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote to advertise the Authority's goods and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the asset held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful economic life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is indication that the asset might have been impaired - any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal 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 Adjustments Account and (for the sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or deficit on the Provision of Services with the value of works and services received under contract during the financial year.

xiii. Investment Property

Investment properties are those 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 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 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 Adjustments Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. 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 and 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 Authority 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. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into the lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the period in which they are incurred.

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 (debited 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 economic life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority 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 benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the leases, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to lease asset is to be settled by the payments of rentals in future financial years, this 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 provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustments Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure 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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as the rental income.

xv. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply of service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice for Local Authorities (BVACOP). The total absorption costing principle is used - the full cost of overheads and support service are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation;
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xvi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or 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.

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 future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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 authority does not capitalise borrowing costs incurred whilst asset are under construction.

The costs of assets acquired other than by purchase is deemed to be it's fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and the consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure

Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustments Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction - depreciated 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 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 asset have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

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 in the CIES.

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by 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 certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight line allocation over the useful 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 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Held for Sale

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

Assets that are 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 in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off the Other Operating Expenditure in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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 Adjustments Account.

Amounts received for 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 asset, 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 be used for new capital investment (or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the MIRS.

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. form 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 authority settles the obligation.

The Council currently have the following provisions:

Planning Appeals

The authority made a provision for ongoing planning appeals in prior years.

Developer Contributions

The authority made a provision for cost in respect of land adjoining the Maresfield By-Pass in prior years.

Crowborough Community Centre

The Council raised a new provision in 2010/11 to meet the likely costs to the Council should the project to construct the Crowborough Community Centre overrun or overspend.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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

xviii. Reserves

The authority 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 MIRS. When expenditure to be finance from a reserve is incurred, it is charge to the appropriate service in the at year to score against the Surplus or Deficit on Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MIRS so that there is no net charge against council tax for the expenditure.

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

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may not be capitalised under statutory provisions but that does result in the creation of a non-current asset has been charged to expenditure to the relevant service in the CIES in the year. Where the authority has determined to meet the cost of expenditure from existing capital resources or by borrowing, a transfer in the MIRS 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.

xx. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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2. Accounting Standards that have been issued but not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change to accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the Council in the 2011/12 financial statements.

However the Council is required to disclose the estimated effect in these (2010/11) financial statements.

Heritage assets are assets that are held by the Council principally by their contribution to knowledge or culture., the new requirements are that they should be reported as a separate class of asset and that they are valued at market value. The Council hold the following heritage assets:

- Pavilion Cinema, Hailsham
- Jack Cade Memorial
- Argos Hill Windmill

Both the Jack Cade Memorial and Argos Hill Windmill are valued at less than £10,000 and are therefore not capitalised. The Pavilion Cinema has a fair value (Market Value) of £10,000 which is currently included in Other Property, no depreciation is charged.

There would be no material effect on either the Balance Sheet or Income and Expenditure Statement if the Heritage Assets where reported under the new requirements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting polices set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision;
- Wealden District Council and Eastbourne Borough Council both hold shares in Wealden and Eastbourne Lifeline, a company limited by guarantee. It has been determined by both council's that there is no control either separately or jointly to govern the financial and operating polices of the company and therefore no Group accounts are necessary.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 result could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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. The actuaries Hymans Robertson LLP is engaged to provide the Authority with expert advice about assumptions to be applied	The effects on the net pensions liability of changes in individual assumptions can be measured. A 0.5% decrease in the real discount rate would result in a decrease in pension liability of £9.486 million. A one year increase in member life expectancy would increase the pension liability by £3.182 million. A 0.5% increase in the salary increase rate would increase the pension liability by £1.757 million. A 0.5% increase in the pension increase rate would increase the pension liability by£1.344 million.
Arrears	At 31 March 2011, the authority had a balance of sundry debts of £8.7 million A review of significant balances suggested that an impairment of doubtful debts of £2.2 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate further impairment if doubtful debts of £328,000 would be required.

5. Events After The Balance Sheet Date

The statement of Accounts was authorised for issue by the Chief Finance Officer on xx September 2011.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- The Council has two main office buildings, a decision was taken to move to a single site by way of closing the Crowborough office and refurbishing the Hailsham office. To facilitate this move staff were moved out of the Hailsham site into the Crowborough Office or temporary accommodation during May 2011. It is expected that all staff will relocate to the Hailsham site in summer 2012. The project is being funded by the liquidation of the Council's investments.

6. Analysis of Net Cost of Services

The Services contained within the Income & Expenditure Account may be further analysed over mandatory divisions of service as follows:

Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
			EXPENDITURE ON SERVICES			
			Continuing Operations			
			Central Services			
10,737	(9,723)	1,014	Local Tax Collection	10,765	(9,553)	1,212
430	(157)	273	Elections	349	(75)	274
60	0	60	Emergency Planning	64	(3)	61
323	(249)	74	Local Land Charges	258	(269)	(10)
353	(8)	345	General Grants	440	(2)	438
11,903	**(10,137)**	**1,766**		**11,876**	**(9,901)**	**1,975**
			Culture, Environmental & Planning Services			
33	0	33	Culture & Heritage	35	-	35
1,791	(276)	1,515	Recreation & Sport	1,513	(137)	1,377
123	0	123	Tourism	164	-	164
111	0	111	Cemetery, Cremation & Mortuary	51	-	51
24	0	24	Coast Protection	39	-	39
2,709	(788)	1,921	Environmental Health	2,966	(1,070)	1,896
164	(105)	59	Community Safety	151	(197)	(47)
89	0	89	Flood Defence & Land Drainage	29	-	29
880	(66)	814	Street Cleansing	1,001	(91)	911
6,892	(3,276)	3,616	Waste Collection	7,968	(4,103)	3,866
690	(637)	53	Building Control	609	(594)	15
2,705	(821)	1,884	Development Control	2,651	(1,037)	1,614
1,432	(101)	1,331	Planning Policy	677	(20)	658
375	(1)	374	Environmental Initiatives	65	-	65
214	(34)	180	Economic Development	256	(50)	206
1,074	(24)	1,050	Commercial Premises	-	-	-
2,121	(2,854)	(733)	Other Services	1910	(1,024)	886
21,427	**(8,983)**	**12,444**		**20,086**	**(8,323)**	**11,763**

			Highways, Roads & Transport Services			
950	(120)	830	Parking Services	474	(158)	316
814	(287)	527	Public Transport	891	(154)	737
1,764	**(407)**	**1,357**		**1,365**	**(312)**	**1,053**
			Local authority housing (HRA)			
31,467	**(11,707)**	**19,760**	HRA Services (Council Housing)	**39,527**	**(11,768)**	**27,759**
			Other Housing Services			
656	(2)	654	Housing Strategy	97	(23)	74
1,269	(351)	918	Housing Renewal	510	(6)	504
349	(154)	195	Homelessness	215	(186)	29
25,023	(25,145)	(122)	Housing Benefits Payments	27,360	(27,132)	228
1,342	(875)	467	Housing Benefits Administration	1,785	(806)	979
28,639	**(26,527)**	**2,112**		**29,967**	**(28,152)**	**1,814**
			Corporate & Democratic Core			
1,296	0	1,296	Democratic Representation & Management	1,138	-	1,138
962	(1)	961	Corporate Management	1,046	(403)	643
2,258	**(1)**	**2,257**		**2,184**	**(403)**	**1,781**
			Non Distributed Costs			
0	**(14)**	**(14)**	Non Distributed Costs	**(11,413)**	**(5)**	**(11,418)**
97,458	**(57,776)**	**39,682**	**NET COST OF SERVICES**	**93,592**	**(58,865)**	**34,727**

7. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the Council to meet future capital and revenue expenditure.

2010-11

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received in Advance	Capital Receipts Unapplied		Total Usable Reserves
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (Amounts included in I&E to be removed for determining movement in general fund)									
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Depreciation/amortisation (excl HRA depn)	1,619	-	-	-	-	-	-		**1,619**
HRA Depreciation/amortisation	-	-	2,324	-	-	-	-		**2,324**
The difference of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy	-	-	-	-	-	-	-		**-**
Impairment/revaluation losses (charged to I&E)	-	-	29,269	-	-	-	-		**29,269**
Capital grant and contributions applied	(350)	-	-	-	-	-	-		**(350)**
Donated assets fair value less consideration	-	-	-	-	-	-	-		**-**
Revenue Expenditure Funded from Capital under Statute (England and Wales)	1,134	-	-	-	-	-	-		**1,134**
Movement in market value of investment property	-	-	-	-	-	-	-		**-**
Movement in value of held for sale assets	-	-	-	-	-	-	-		**-**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	625	-	-	-	-		**625**
Capital grant and contributions unapplied credited to I&E	-	-	-	-	-	-	-		**-**
Use of capital grants and contributions to finance capital expenditure	-	-	-	-	-	-	-		**-**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(568)	-	(1,131)	-	1,701	-	-		**2**
Use of capital receipts reserve to finance capital expenditure	-	-	-	-	(631)	-	-		**(631)**

2010-11 contd

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received in Advance	Capital Receipts Unapplied	Total Usable Reserves
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(35,457)	-	(197)	-	-	-	-	**(35,654)**
Amounts treated as revenue expenditure in accordance with the SORP but which are treated as capital expenditure by statute	(1,873)	-	(76)	-	-	-	-	**(1,949)**
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. Soft loans	-	-	-	-	-	-	-	**-**
Gain/loss on revaluation of Available for sale Financial Instruments	-	-	-	-	-	-	-	**-**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	5	-	-	-	-	-	-	**5**
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	88	-	-	-	-	-	-	**88**

2010-11 contd

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received in Advance	Capital Receipts Unapplied	Total Usable Reserves
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (Amounts excluded in I&E to be included for determining movement in general fund)								
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(551)	-	-	-	-	-	-	**(551)**
Statutory Repayment of Debt (Finance Lease Liabilities)	-	-	-	-	-	-	-	**-**
Statutory Repayment of Debt (PFI)	-	-	-	-	-	-	-	**-**
Statutory Charge for Lifecycle Capital (PFI)	-	-	-	-	-	-	-	**-**
Voluntary provision above MRP	-	-	-	-	-	-	-	**-**
Contribution to disposal costs of capital sales	-	-	-	-	-	-	-	**-**
HRA capital receipts to housing central pool (England and Wales)	628	-	-	-	(628)	-	-	**-**
Revenue contribution to finance capital	-	-	-	-	-	-	-	**-**
Employers contributions to pension schemes	2,428	-	181	-	-	-	-	**2,609**
Reversal of Major Repairs Allowance credited to the HRA	-	-	(2,324)	-	-	-	-	**(2,324)**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	-	-	**-**
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	-	-	-	-	-	-	-	**-**
Other adjustments include								
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	-	-	-	-	-	-	-	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(32,899)**	**-**	**28,671**	**-**	**442**	**-**	**-**	**(3,786)**

2009-10 Comparative Figures

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received in Advance	Capital Receipts Unapplied	Total Usable Reserves
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (Amounts included in I&E to be removed for determining movement in general fund)								
Depreciation/amortisation (excl HRA depn)	1,568	-	-	-	-	-	-	**1,568**
HRA Depreciation/amortisation	(11)	-	11	-	-	-	-	**-**
In England only - The difference of depreciation charged to HRA services over the Major Repairs Allowance element of housing subsidy	-	-	-	-	-	-	-	**-**
Impairment/revaluation losses (charged to I&E)	2,775	-	21,165	-	-	-	-	**23,940**
Capital grant and contributions applied	(179)	-	-	-	-	-	-	**(179)**
Donated assets fair value less consideration	-	-	-	-	-	-	-	**-**
Revenue Expenditure Funded from Capital under Statute (England and Wales)	(1,327)	-	(563)	-	-	-	-	**(1,890)**
Movement in market value of investment property	-	-	-	-	-	-	-	**-**
Movement in value of held for sale assets	-	-	-	-	-	-	-	**-**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,015	-	694	-	-	-	-	**1,709**
Capital grant and contributions unapplied credited to I&E	-	-	-	-	-	-	-	**-**
Use of capital grants and contributions to finance capital expenditure	-	-	-	-	-	-	-	**-**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(47)	-	(1,148)	-	1,301	-	-	**106**
Use of capital receipts reserve to finance capital expenditure	-	-	-	-	(464)	-	-	**(464)**
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	455	-	88	-	-	-	-	**543**
Amounts treated as revenue expenditure in accordance with the SORP but which are treated as capital expenditure by statute	741	-	-	-	-	-	-	**741**

2009-10 Contd

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received in Advance	Capital Receipts Unapplied	Total Usable Reserves
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments e.g. Soft loans	-	-	-	-	-	-	-	**-**
Gain/loss on revaluation of Available for sale Financial Instruments	-	-	-	-	-	-	-	**-**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	29	-	-	-	-	-	-	**29**
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	**-**
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	**-**

2009-10 Contd

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Received in Advance	Capital Receipts Unapplied	Total Usable Reserves
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (Amounts excluded in I&E to be included for determining movement in general fund)								
Statutory Provision for the repayment of debt - (Minimum revenue provision - Scotland Loans fund principal)	(637)	-	-	-	-	-	-	**(637)**
Statutory Repayment of Debt (Finance Lease Liabilities)	-	-	-	-	-	-	-	**-**
Statutory Repayment of Debt (PFI)	-	-	-	-	-	-	-	**-**
Statutory Charge for Lifecycle Capital (PFI)	-	-	-	-	-	-	-	**-**
Voluntary provision above MRP	-	-	-	-	-	-	-	**-**
Contribution to disposal costs of capital sales	-	-	-	-	-	-	-	**-**
HRA capital receipts to housing central pool (England and Wales)	406	-	-	-	(406)	-	-	**-**
Revenue contribution to finance capital	-	-	-	-	-	-	-	**-**
Employers contributions to pension schemes	-	-	-	-	-	-	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	6	-	-	-	**6**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(6)	-	-	-	**(6)**
Transfer of capital receipt for reclassified assets (Op to Fin Lease) for lessors under the CLG mitigation SI 454	-	-	-	-	-	-	-	**-**
Other adjustments include								
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.	-	-	-	-	-	-	-	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,788**	**-**	**20,247**	**-**	**431**	**-**	**-**	**24,466**

8. Transfers To/From Earmarked Reserves

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

	As at 31 March 2009	Transfers Out	Transfers In	As at 31 March 2010	Transfers Out	Transfers In	As at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Capital Fund	1,223	(14)	911	2,120	(182)	109	2,047
Service Programme Fund	274	(131)	214	357	(298)	345	404
Priorities and Initiatives Fund	667	(49)	-	618	-	-	618
Continuous Improvement/Workwise Fund	793	(197)	68	664	(555)	378	487
Income and Cost Risk Fund	1,074	-	-	1,074	(150)	-	924
Repairs and Maintenance Fund	499	-	-	499	(50)	-	449
Insurance Fund	60	-	-	60	(1)	-	59
Emergencies Fund	830	-	-	830	-	-	830
Election Fund	25	-	30	55	(115)	60	-
Appeals and Legal Cost Fund	53	-	-	53	(53)	34	34
Maintenance of open spaces	189	-	-	189	-	-	189
Communal Areas on Housing Estates	156	-	7	163	-	10	173
Croft Road Car Park Fund	156	-	-	156	-	15	171
Uckfield Resilience Fund	24	-	-	24	-	-	24
	6,023	**(391)**	**1,230**	**6,862**	**(1,404)**	**951**	**6,409**

Service Programme Fund - used to cover short term timing issues of expenditure between one year and the next.
*Priorities and Initiatives Fun*d - used to fund the development of medium and long term council priorities and initiatives.
Continuous Improvement Fund - used to fund the development of initiatives which provide increased efficiency.
Income & Cost Risk Fund - used to provide short term funding where income levels (charges, grant or subsidy) are below, or costs are above, expected, pending review of the service area.
Repairs & Maintenance Fund - used to cover the cost of unexpected building repairs.
Insurance Fund - used to meet uninsured losses.
Emergencies Fund - used to cover additional expenditure arising from emergencies within the District.
Election Fund - used to spread the cost of future elections over a whole term.
Appeals and Legal Cost Fund - used to cover legal costs incurred, mainly, although not exclusively, on Planning Appeals.
Maintenance of open spaces - used to cover the expense of maintaining open spaces on Housing Estates (both private and Council) using a lump sum paid by the developers when the development took place.
Communal Area on Housing Estates - used to cover the expense of maintaining communal areas on Housing Estates (both private and Council) using a lump sum paid by the developers when the development took place.

9. Other Operating Expenditure

2009/10 £000		2010/11 £000
4,646	Parish council precepts	4,750
78	Levies	69
406	Payments to the Government Housing Capital Receipts Pool	673
(363)	Gains on the disposal of non current assets	(1,101)
852	Losses on the disposal of non-current assets	382
5,619		4,773

10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
548	Interest payable on debt	479
5,740	Pensions interest costs	6,769
(4,013)	Expected return on pension assets	(5,910)
(138)	Investment Interest income	(289)
(127)	Rentals received on investment properties	(33)
64	Expenses incurred on investment properties	17
-	Changes in fair value of investment properties	-
-	Gains/loss on disposal of investment properties	-
2,074		1,032

11. Taxation and Non Specific Grant Incomes

2009/10 £000		2010/11 £000
(15,187)	Council tax	(15,640)
(6,563)	NNDR	(1,047)
(1,683)	Non-ring fenced government grants	(7,212)
-	Capital Grants and contributions	-
(23,433)		(23,899)

12. Property, Plant and Equipment

Movements in 2010/11

	Council Dwellings	Other land & buildings	Vehicles, Plant & Equipment	TOTAL
	£000	£000	£000	£000
Cost or Valuation				
1 April 2010	**175,324**	**23,400**	**5,601**	**204,325**
Adjustments between cost/value and depreciation/impairment				
Adjusted 1 April 2010 Balance	**175,324**	**23,400**	**5,601**	**204,325**
Additions	3,314	526	2,700	6,540
Donations				
Revaluation Increases/(decreases) to Revaluation Reserve		(50)		(50)
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	(29,269)			(29,269)
Derecognition-Disposals	(625)		(379)	(1,004)
Reclassified to/from Held for Sale		1,300		1300
Other Reclassifications				
31 March 2011	**148,745**	**25,176**	**7,921**	**181,842**
Depreciation and Impairments				
1 April 2010	**2,302**	**808**	**2,946**	**6,056**
Adjustments between cost/value & depn/impairment				
Adjusted 1 April 2010 balance	**2,302**	**808**	**2,946**	**6,056**
Depreciation Charge	**2,324**	**808**	**704**	**3,835**
Depreciation written out to Revaluation Reserve				
Depreciation written out to SDPS				
Impairment losses/reversals to Revaluation Reserve				
Impairment losses/reversals to SDPS				
Derecognition-Disposals			**(329)**	**(329)**
Eliminated on reclassification to Held for Sale				
Reclassifications				
Depreciation written out to Revaluation Reserve				
Depreciation written out to SDPS				
Impairment losses/reversals to Revaluation Reserve				
At 31 March 2011	**4,625**	**1,615**	**3,322**	**9,562**
Net Book Value at 31 March 2011	**144,119**	**23,561**	**3,322**	**172,280**
Net Book Value at 31 March 2010	**173,021**	**22,593**	**2,655**	**198,269**

Comparative Movements in 2009/10

	Council Dwellings	Other land & buildings	Vehicles, Plant & Equipment	TOTAL
	£000	£000	£000	£000
Cost or Valuation				
1 April 2009	201,722	23,606	6,049	**231,377**
Adjustments between cost/value and depreciation/impairment	(4,506)	(2,677)	0	**(7,183)**
Adjusted 1 April 2009 Balance	197,216	20,929	6,049	**224,194**
Additions	3,628	0	656	**4,284**
Donations	0	0	0	**0**
Revaluation Increases/(decreases) to Revaluation Reserve	(1,502)	5,249	0	**3,747**
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	(21,164)	(2,411)	0	**(23,575)**
Derecognition-Disposals	(1,685)	0	(545)	**(2,230)**
Derecognition - Other	-	-	-	**-**
Reclassified to/from Held for Sale	(1,170)	(900)	0	**(2,070)**
Other Reclassifications	0	534	(559)	**(25)**
31 March 2010	**175,323**	**23,401**	**5,601**	**204,325**
Depreciation and Impairments				
1 April 2009	4,506	2,600	2,790	**9,896**
Adjustments between cost/value & depn/impairment	(4,506)	(2,677)	0	**(7,183)**
Adjusted 1 April 2009 balance	0	(77)	2,790	**2,713**
Depreciation Charge	2,302	808	761	**3,871**
Depreciation written out to Revaluation Reserve	0	0	0	**0**
Depreciation written out to SDPS	0	0	0	**0**
Impairment losses/reversals to Revaluation Reserve	0	0	0	**0**
Impairment losses/reversals to SDPS	0	0	0	**0**
Derecognition-Disposals	0	0	(521)	**(521)**
Derecognition - Other	-	-	-	**-**
Eliminated on reclassification to Held for Sale	0	0	0	**0**
Reclassifications	0	77	(84)	**(7)**
At 31 March 2010	**2,302**	**808**	**2,946**	**6,056**
Net Book Value at 31 March 2010	**173,021**	**22,593**	**2,655**	**198,269**
Net Book Value at 31 March 2009	**197,216**	**21,006**	**3,259**	**221,481**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of Depreciation:

Vehicles	5 years
Equipment	5 - 10 years
New Buildings	60 years
Capitalised Repairs and Refurbishment	5 – 20 years

Capital Commitments

At 31 March 2011, the authority has entered into a contract to refurbishment the Hailsham Office site, the total budgeted amount for 2011/12 and future years is £6.9million. There were no commitments at 31 March 2009.

Revaluations

The Council ahs a rolling programme to ensure that all Council Dwellings are revalued at least every five years, other property is valued every five years, whilst other plant and equipment is valued at historic cost adjusted for the condition of the asset.

	Council Dwellings	Land And Buildings	Plant, Furniture and Equipment	Total
	£000	£000	£000	£000
Carried at historical cost	202,184	22,341	5,601	230,126
Valued at Fair Vale at :				
31/03/11				
31/03/10	(22,666)	1,059		(21,607)
31/03/09	(9,173)			(9,173)
31/03/08	11,292			11,292
31/03/07	(1,932)			(1,932)
31/03/06	(4,380)			(4,380)
Total Cost or Valuation	**175,324**	**23,400**	**5,601**	**204,325**

Wealden District Council possessed the following assets as at 31 March 2011:

	Numbers as at 31 March 2011
Council Dwellings	3,015
Operational Buildings	
Administrative buildings	
Pine Grove, Crowborough & Vicarage Lane, Hailsham	2
Other Offices/Buildings	3
Car Parks	37
Leisure Centres with Swimming Pools	3
Public Conveniences	20
Tourism Information Centre	1
Community Assets	
Windmill	1
Cuckoo Trail	1
Heathfield Tunnel	1
Amenity Land	Various
Non Operational Assets	
Commercial Properties	5
Pavilion Cinema – Community Project	1
Enterprise Centre	1
Industrial Land	4
Other Land holdings	Various

13. Investment Property

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

	2010/11	2009/10
	£000	£000
Rental income from investment property	33	127
Direct operating expenses arising from investment property	(17)	(66)
Net gain/(loss)	16	63

There are no restrictions on the Authority's ability to realise the value inherent in it's investment property or in the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

Movements in 2010/11	Investment Properties	Investment Properties Under Construction	Held for Sale	TOTAL
	£000	£000	£000	£000
Cost or Valuation				
1 April 2010	**1,420**	**-**	**-**	**1,420**
Additions				
Purchases	-	-	-	-
Construction	-	-	-	-
Subsequent expenditure	-	-	-	-
Disposals	-	-	-	-
Net gain/(loss) on fair value adjustments	-	-	-	-
Transfers				
to/from Inventories	-	-	-	-
to/from Property Plant & Equipment	-	-	-	-
Other changes	-	-	-	-
31 March 2011	**1,420**	**-**	**-**	**1,420**

Comparative Movements in 2009/11	**Investment Properties**	**Investment Properties Under Construction**	**Held for Sale**	**TOTAL**
	£000	**£000**	**£000**	**£000**
Cost or Valuation				
1 April 2010	**1,434**	**-**	**-**	**1,434**
Additions				
Purchases	**-**	**-**	**-**	**-**
Construction	-	-	-	-
Subsequent expenditure	-	-	-	-
Disposals	-	-	-	-
Net gain/(loss) on fair value adjustments	(14)	-	-	(14)
Transfers				
to/from Inventories	-	-	-	-
to/from Property Plant & Equipment	-	-	-	-
Other changes	-	-	-	-
31 March 2011	**1,420**	**-**	**-**	**1,420**

14. Intangible Assets

Intangible assets are those that do not have physical substance, such as I.T. software, patents or trademarks. Those represented in the Council's Balance Sheet are in respect of software connected with the E-Government programme. They are amortised to revenue on a straight-line basis over their estimated useful life of 5 years.

Movements in 2010/11

	Software	Rights to the use of Land	Goodwill	TOTAL
	£000	£000	£000	£000
Cost or Valuation				
1 April 2010	**771**	**-**	**-**	**771**
Additions	**305**	**-**	**-**	**305**
Reclassified to/from Held for Sale	**-**	**-**	**-**	**-**
Other disposals	**-**	**-**	**-**	**-**
Revaluation increases or decreases	**-**	**-**	**-**	**-**
Impairment losses recognised in the Surplus/deficit on the Provision of Services	**-**	**-**	**-**	**-**
Revaluation Increases/(decreases) to Revaluation Reserve *	**-**	**-**	**-**	**-**
Reversal of past impairment losses written back to the Surplus/deficit on the Provision of Services	**-**	**-**	**-**	**-**
Other Changes	**-**	**-**	**-**	**-**
31 March 2011	**1,076**			**1,076**
Amortisement				
1 April 2010	**611**	**-**	**-**	**611**
Amortisation Charge	**107**	**-**	**-**	**107**
At 31 March 2011	**718**	**-**	**-**	**718**
Net Book Value at 31 March 2011	**357**			**357**
Net Book Value at 31 March 2010	**159**	**-**	**-**	**159**

Comparative Movements in 2009/10

	Software	Rights to the use of Land	Goodwill	TOTAL
	£000	£000	£000	£000
Cost or Valuation				
1 April 2009	**771**	**-**	**-**	**771**
Additions	**-**	**-**	**-**	**-**
Reclassified to/from Held for Sale	-	-	-	-
Other disposals	-	-	-	-
Revaluation increases or decreases	-	-	-	-
Impairment losses recognised in the Surplus/deficit on the Provision of Services	-	-	-	-
Revaluation Increases/(decreases) to Revaluation Reserve *	-	-	-	-
Reversal of past impairment losses written back to the Surplus/deficit on the Provision of Services	-	-	-	-
Other Changes	-	-	-	-
31 March 2010	**771**	**-**	**-**	**771**
Amortisement				
1 April 2009	**485**	**-**	**-**	**485**
Amortisation Charge	**126**	**-**	**-**	**126**
At 31 March 2010	**611**	**-**	**-**	**611**
Net Book Value at 31 March 2010	**159**	**-**	**-**	**159**
Net Book Value at 31 March 2009	**285**	**-**	**-**	**285**

15. Financial Instruments

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

Long Term 31 March 2010 £000	Current 31 March 2010 £000		Long Term 31 March 2011 £000	Current 31 March 2011 £000
		Investments		
-	-	Loans and receivables	-	6,000
-	6,472	Available-for-sale financial assets	-	-
-	-	Unquoted equity investment at cost	-	-
-	-	Financial assets at fair value through profit and loss	-	-
-	6,472	**Total Investments**	-	6.000
		Debtors	-	
54		Loans and receivables	53	
	-	Financial assets carried at contract amounts		
54		**Total Debtors**	53	-
		Borrowings		
(6,536)	(2,003)	Financial liabilities at amortised cost	(5,533)	(1,003)
-	-	Financial liabilities at fair value through profit and loss	-	-
6,536	2,003	**Total Borrowings**	(5,533)	(1,003)
		Other Long Term Liabilities		
(1,552)		Finance lease liabilities	(1,999)	-
(1,552)		**Total Other Long Term Liabilities**	(1,999)	-
		Creditors		
-		Financial liabilities at amortised cost	-	
	-	Financial liabilities carried at contract amounts		-
-	-	**Total Creditors**	-	-

There were no reclassifications of investment during the year.

The fair value of financial assets are equal to the carrying amount as all investments are less than 6 months in duration, therefore interest rates are at current market levels.

16. Inventories

As at 31 March 2010 £000		£000	As at 31 March 2011 £000
	Work in Progress		
10	Rechargeable Works		7
	Stocks		
77	Depot Stores	43	
1	Postage	2	
7	Recycling Stocks	2	
15	Other	14	
			61
110			**68**

17. Construction Contracts

At 31 March 2011 the council had no construction contracts in progress.

18. Debtors

As at 31 March 2010 £000		Gross Debt £000	Impairment £000	As at 31 March 2011 £000
	Central Government Bodies			
3,199	Dept of Work and Pensions	997	-	997
-	Capital Receipts Pool	-	-	-
1,593	NNDR Pool	2,445	-	2,445
-	Other Government Departments	45	-	-
248	HMRC	305	-	305
	Other Local Authorities			
818	East Sussex County Council	210	-	14
504	Precepting Local Authorities	390	-	390
	Other Local Authorities	17	-	17
	Other Entities and individuals			
145	Local Taxpayers	736	(427)	309
66	Housing Tenants	250	(178)	72
90	Car Leasing Scheme	68	-	68
873	Payments in Advance	1,059	-	1,059
172	Council Tax/NNDR Costs	234	-	234
2	Housing Associations	2	-	2
631	Sundry Debtors	627	(397)	1,555
300	Leasing Companies	68	-	-
210	H.B. Overpayments	1,363	(1,196)	167
(231)	Unallocated Cash	(73)	-	(73)
8,620	**Total Debtors**	**8,744**	**(2,198)**	**6,545**

19. Cash and Cash Equivalents

As at 31 March 2010 £000		As at 31 March 2011 £000
-	Cash held by the Authority	-
40	Bank current accounts	20
1,481	Short-term deposits	4,371
1,521	**Total Debtors**	**4,391**

20. Assets Held for Sale

Non current greater than one year £000	Current Les than one year £000		Non current greater than one year £000	Current Les than one year £000
-	-	At 1 April 2010	**-**	**2,050**
	-	Assets newly classified as held for sale	**-**	**-**
-	2,070	Property, Plant and Equipment	**-**	**-**
-	-	Intangible Assets	**-**	**-**
-	-	Other assets/liabilities	**-**	**-**
-	-	Donations	**-**	**-**
--	130	Revaluation Gains	**-**	**-**
-	(150)	Revaluation Losses	**-**	**-**
-	-	Impairment Losses	**-**	**-**
		Assets declassified as held for sale	**-**	**-**
-	-	Property, Plant and Equipment	**-**	**(1,300)**
-	-	Intangible Assets	**-**	**-**
-	-	Other assets/liabilities in disposal groups	**-**	**-**
-	-	Assets Sold	**-**	**-**
-	-	Transfers from non current to current	**-**	**-**
-	**2,050**	**At 31 March 2011**	**-**	**750**

21. Creditors

As at 31 March 2009 £000		As at 31 March 2010 £000
	Central Government Bodies	
119	Government Depts - Capital Receipts Pool	747
146	Government Depts - Other	55
7	HMRC	6
	Other Local Authorities	
159	East Sussex County Council	162
-	Precepting Local Authorities	-
	Other Local Authorities	21
	Other Entities and individuals	
139	Housing Tenants	127
4,039	Sundry Creditors - Accruals	4,967
116	Income in Advance	189
152	Public Works Loan Board	-
-	Non Domestic Ratepayers	-
150	Local Tax Payers	187
-	NNDR Pool	-
55	Retentions	27
17	Southern & South East Water Services	9
631	Capital	745
5,730		**7,243**

22. Provisions

The following provisions have been made in respect of particular outstanding liabilities:

2009/10 £000		Crowborough Community Centre £000	Planning Appeals-costs awards £000	Developer Contributions £000	2010/11 £000
61	Balance at 1 April	**-**	**5**	**11**	**16**
	Provided in year	373	-	-	373
(45)	Provisions utilised in year	-	(4)	(10)	(14)
16	Balance at 31 March	**373**	**1**	**1**	**375**

Planning Appeals - costs awards

Provided for the expected cost of ongoing planning appeals.

Developer's Contributions
Provided for costs in respect of WDC land adjoining the Maresfield By-Pass.

Crowborough Community Centre

The Council has signed an Agreement to Lease and a Tripartite Agreement with Crowborough Community Association (2010) Limited and Crowborough Town Council to enable the construction of a Community Facility on Council land in Crowborough.

Crowborough Community Association (2010) Limited will construct the Crowborough Community Facility financed by a National Lottery grant of £0.5
million and a grant from Crowborough Town Council of £2.7 million.

The Council has signed a Tripartite Agreement with CCA2010 and Crowborough Town Council determining what will happen should CCA2010 be unable to complete the facility's construction within its funding envelope and is as a result placed into liquidation.

The Tripartite Agreement provides that:

- Crowborough Town Council would step in and complete the facility's construction. However, Crowborough Town Council has resolved that it will not commit further funds over and above its current £2.7 million grant and therefore would transfer responsibility under the agreement to the Council.
- CCA2010 need not accept any claim from the Council against it for any failure to complete the facility.

The Council is therefore potentially exposed to risk from claims by third parties, disruption to its own operations, and a potential need to either complete or dispose of the facility should CA2010 be liquidated. While it has a choice of whether to complete the construction, leave the building uncompleted or demolish it, the Council believes that its choices in relation to the facility are restricted to completing the construction and then ensuring that the property is made available to the Crowborough community for its use.

A provision is a liability of uncertain timing or amount. International Accounting Standard 37 (IAS37) provides that provisions should be recognised and measured from when:

- An entity has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation.

IAS 37 also requires that a provision be measured at a value that is the best estimate of the amount required to settle the obligation when it becomes due. This estimate should recognise the risks and uncertainties of any event likely to occur and to influence the amount required to settle the obligation. Finally if the obligation is expected to be recognised in the future, the amount should be discounted for the time value of money.

The Council believes a provision is required under IAS37 because:

- **Transfer of economic resources and reliable estimate**: this would be the
- Council's expected costs of its step-in under the Tripartite Agreement;
- **Past event**: this would be represented by the Council signing the Tripartite
- Agreement; and
- **Present obligation**: the Tripartite Agreement contains a potential need to step in. Whilst there is no clear obligation to complete the construction the Council believes that its choice is restricted as a result of community expectations and political decisions.

The Council has undertaken a detailed risk analysis of the Crowborough Community Facility project and construction and has determined that a provision of £373,344 should be made.

This is based on the probability of risks as at 31 March 2011. The Provision will be reviewed at 31 March 2012 when, should the project be on track, it is likely the need for the Provision will no longer be present and this amount will be amortised to the Comprehensive Statement of Income and Expenditure.

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the MIRS and Notes 23 and 24.

24. Unusable Reserves

2009/10 £000		2010/11 £000
5,182	Revaluation Reserve	4,856
129	Available for Sale Financial Instruments Reserve	-
181,429	Capital Adjustment Account	152,647
-	Financial Instruments Adjustment Account	-
1	Deferred Capital Receipts Reserve	-
(48,831)	Pension Reserve	(16,552)
55	Collection Fund Adjustment Account	50
78	Accumulated Absences Account	88
138,043	**Balance at 31 March**	**141,089**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains realised.

The Reserve contains only revaluation gains accumulated sine 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.

2009/10 £000		£000	2010/11 £000
1,502	**Balance at 1 April**		**5,183**
5,383	Revaluation gain during the year	**-**	
(1,502)	Revaluation loss netted against reserve	(50)	
	Surplus or deficit on revaluation of non-current assets posted to the surplus or deficit on the Provision of Services		(50)
(201)	Difference between fair value depreciation and historical cost depreciation	(278)	
-	Accumulated gains on assets sold or scrapped	-	
	Transferred to the Capital Adjustment Account in respect of realised element		(278)
5,183	**Balance at 31 March**		**4,856**

Available for sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains lost
- Disposed of and gains realised

2009/10 £000		£000	2010/11 £000
129	**Balance at 1 April**		**129**
-	Upward revaluation of investments		
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Service		
-	Accumulated gains on assets sold and maturing assets written out of the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(129)	
			(129)
129	**Balance at 31 March**		**-**

Capital Adjustments Account

The Capital Adjustments Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of the 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 as depreciation, impairment losses and amortisation are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with amounts set aside by the Council as finance for the costs of acquisition, construction or enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated asset that have yet to be consumed by the Council.

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.

Note 7 details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		£000	2010/11 £000
206,148	**Balance at 1 April**		**181,429**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account		
(3,996)	Charges for depreciation and impairment of non-current assets	(3,835)	
(23,846)	Revaluation losses on Property, Plant and Equipment	(29,269)	
	Amortisation of intangible assets	(107)	
(1,196)	Revenue expenditure funded from capital under statute	(1,134)	
(1,710)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(625)	
			(34,970)
201	Adjusting amounts written out of the Revaluation Reserve		276
	Net written out amount of the cost of non-current asset consumed In year		**(34,694)**
	Capital Financing applied in the year		
464	Use of Capital Receipts Reserve to finance new capital expenditure	631	
2,302	Use of Major Repairs Reserve to finance new capital expenditure	2,324	
472	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	350	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
637	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	551	
1,891	Capital expenditure charged against the General Fund and HRA balances	2,056	
			5,912
62	Movement in the market value in Investment properties debited or credited to the Comprehensive Income and Expenditure Statement		**-**
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		**-**
181,429	**Balance at 31 March**		**152,647**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions (The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the MIRS. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden of council tax. In the Council's case there are no such premiums).

2009/10 £000		£000	2010/11 £000
-	**Balance at 1 April**		**-**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	**-**	
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**-**	
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	
			-
-	**Balance at 31 March**		**-**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve hold the gains recognised on the disposal of on-current asset but for which the cash settlement has not yet taken place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £000		2010/11 £000
2	**Balance at 1 April**	**1**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**-**
(1)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(1)**
1	**Balance at 31 March**	**-**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and the funding of benefits in accordance with statutory provisions. The Council accounts fro post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet 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 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.

2009/10 £000		2010/11 £000
(22,030)	**Balance at 1 April**	**(48,831)**
(26,258)	Actuarial gains or losses on pension assets and liabilities	21,654
(3,218)	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	8,511
2,675	Employer's pensions contributions and direct payments to pensioners payable in the year	2,114
(48,831)	**Balance at 31 March**	**(16,552)**

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
84	**Balance at 1 April**	**55**
(29)	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 requirement	**(5)**
55	**Balance at 31 March**	**50**

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 the Account.

2009/10 £000		£000	2010/11 £000
70	**Balance at 1 April**		**78**
(70)	Settlement or cancellation of accrual made at the end of the preceding year	(78)	
78	Amounts accrued at the end of the current year	88	
-	Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**10**
78	**Balance at 31 March**		**88**

25. Cash Flow Statement – Operating Activities

2009/10 £000		2010/11 £000
(138)	Interest received	(269)
548	Interest paid	479
91	Finance lease interest paid	62
-	Dividends received	-
501		**252**

26. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
4,284	Purchase of property, plant and equipment, investment property and intangible assets	5,551
-	Purchase of short-term and long-term investments	6,000
-	Other payments for investing activities	-
(1,191)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,074)
(703)	Capital grants	-
(545)	Proceeds of short-term and long-term investments	(7,857)
1,846		**2,620**

27. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
(1,000)	Cash receipts of short and long-term borrowing	-
(811)	Other receipts from financing activities	(784)
483	Cash payments for the reduction of the outstanding liabilities relating to finance leases	502
1,003	Repayments of short and long-term borrowing	1,003
-	Other payments for financing activities	-
(266)		**721**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. 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 amortisation are charged to services in the CIES;
- The cost of retirement benefits is based on cash flows (payment of employer's contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

2010/11

	Community Services	Environmental Services	Corporate Services	Chief Executive	Other Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(949)	(7,187)	(1,107)	(116)	(43)	(11,915)	**(21,317)**
Government grants	(234)	(19)	(37,475)	-	-	(22)	**(37,750)**
Total Income	**(1,183)**	**(7,206)**	**(38,582)**	**(116)**	**(43)**	**(11,937)**	**(59,067)**
Employee expenses	2,590	7,764	4,786	1,353	(11,867)	1,640	**6,265**
Other operating expenses	1,908	6,439	40,605	669	408	5,890	**55,919**
Support Service Recharges						2,184	**2,184**
Total operating expenses	**4,498**	**14,203**	**45,391**	**2,022**	**(11,459)**	**9,714**	**64,368**
Net Cost of Services	**3,315**	**6,997**	**6,809**	**1,906**	**(11,502)**	**(2,223)**	**5,302**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	5,302
Add services not included in main analysis	-
Add amounts not reported in service management accounts	13,515
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	-
Net Cost of Services in Comprehensive Income and Expenditure Statement	**18,817**

Reconciliation to Subjective Analysis	Service Analysis	Services not in Analysis	Not reported in service mandatory accounts	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(23,317)	-	-	-	-	**(21,317)**	-	**(21,317)**
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	(284)	-	-	**(284)**	-	**(284)**
Income from council tax	-	-	(15,640)	-	-	**(15,640)**	-	**(15,640)**
Government grants (non-specific)	-	-	(8,474)	-	-	**(8,474)**	-	**(8,474)**
Government grants (specific)	(37,750)	-	-	-	-	**(37,750)**	-	**(37,750)**
Total Income	**(59,067)**	-	**(24,398)**	-	-	**(83,465)**	-	**(83,465)**
Employee expenses	6,265	-	-	-	-	**6,265**	-	**6,265**
Other service expenses	55,919	-	-	-	(2,184)	**53,735**	-	**53,735**
Support Service recharges	2,184	-	-	-	-	**2,184**	-	**2,184**
Depreciation, amortisation and impairment	-	-	32,661	-	-	**32,661**	-	**32,661**
Interest Payments	-	-	479	-	-	**479**	-	**479**
Precepts & Levies	-	-	4,819	-	-	**4,819**	-	**4,819**
Payments to Housing Capital Receipts Pool	-	-	673	-	-	**673**	-	**673**
Gain or Loss on Disposal of Fixed Assets	-	-	(719)	-	-	**(719)**	-	**(719)**
Total operating expenses	**64,368**	-	**37,913**	-	**(2,184)**	**100,098**	-	**100,098**
Surplus or deficit on the provision of services	**5,302**	-	**13,515**	-	**(2,184)**	**16,633**	-	**16,633**

2009/10 Comparatives

	Community Services	Environmental Services	Corporate Services	Chief Executive	Other Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(1,235)	(6,387)	(1,132)	(203)	-	(11,279)	**(20,236)**
Government grants			(35,269)			(428)	**(35,697)**
Total Income	**(1,235)**	**(6,387)**	**(36,401)**	**(203)**	**-**	**(11,707)**	**(55,933)**
Employee expenses	2,514	7,534	4,461	1,562	191	1,635	**17,897**
Other operating expenses	2,571	6,608	37,857	923	78	6,613	**54,650**
Support Service Recharges						3,312	**3,312**
Total operating expenses	**5,085**	**14,142**	**42,318**	**2,485**	**269**	**11,560**	**75,859**
Net Cost of Services	**3,850**	**7,755**	**5,917**	**2,282**	**269**	**(147)**	**19,926**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	**19,926**
Add services not included in main analysis	-
Add amounts not reported in service management accounts	7,324
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	-
Net Cost of Services in Comprehensive Income and Expenditure Statement	**27,250**

2009/10 Comparatives

Reconciliation to Subjective Analysis	Service Analysis	Services not in Analysis	Not reported in service mandatory accounts	Not included in I & E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(20,236)	-	-	-	-	**(20,236)**	-	**(20,236)**
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	**-**
Interest and investment income	-	-	(138)	-	-	**(138)**	-	**(138)**
Income from council tax	-	-	(15,187)	-	-	**(15,187)**	-	**(15,187)**
Government grants (non-specific)	-	-	(8,246)	-	-	**(8,246)**	-	**(8,246)**
Government grants (specific)	(35,697)	-	-	-	-	**(35,697)**	-	**(35,697)**
Total Income	**(55,933)**	-	**(23,571)**	-	-	**(79,504)**	-	**(79,504)**
							-	
Employee expenses	17,897	-	-	-	-	**17,897**	-	**17,897**
Other service expenses	54,650	-	-	-	(3,312)	**51,338**	-	**51,338**
Support Service recharges	3,312	-	-	-	-	**3,312**	-	**3,312**
Depreciation, amortisation and impairment	0	-	24,807	-	-	**24,807**	-	**24,807**
Interest Payments	0	-	548	-	-	**548**	-	**548**
Precepts & Levies	0	-	4,646	-	-	**4,646**	-	**4,646**
Payments to Housing Capital Receipts Pool	0	-	406	-	-	**406**	-	**406**
Gain or Loss on Disposal of Fixed Assets	0	-	488	-	-	**488**	-	**488**
Total operating expenses	**75,859**	-	**30,895**	-	**(3,312)**	**103,442**	-	**103,442**
							-	
Surplus or deficit on the provision of services	**19,926**	-	**7,324**	-	**(3,312)**	**23,938**	-	**23,938**

29. Agency Services

2009/10 £000		2010/11 £000
260	Expenditure incurred	**211**
(245)	Management Fee	(225)
15	(Surplus)/Deficit arising on the agency arrangement	**(14)**

30. Members Allowances

2009/10 £000		2010/11 £000
322	Allowances	284
20	Expenses	16
342	Total	**301**

31. Officers Remuneration

The following table shows the 2010/11 remuneration of those post holders who have the power to direct or control the major activities of the council, comparative figures 2009/10 are shown in italics.

Post Holder		Salary (Including fees and allowances) £	Expense £	Benefits in Kind £	Compensation for Loss of Office £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Chief Executive	2010/11	119,179	-	8,881	-	128,060	25,613	*154,386*
	2009/10	*118,585*	-	*8,721*	-	*127,306*	*27,080*	*154,386*
Director of Environmental Services*	2010/11							
	2009/10	*98,270*	*352*	*171*	-	*98,793*	*19,763*	*118,556*
Director of Development Services*	2010/11	*43,867*	*363*	-	-	*44,230*	*8,960*	*53,190*
	2009/10							
Director of Corporate Services	2010/11	96,011	-	-	-	96,011	19,597	115,608
	2009/10	*96,182*	-	*171*	-	*96,353*	*19,323*	*115,676*
Director of Community & Environmental Services*	2010/11	91,576	-	5,126	-	96,702	19,597	116,299
	2009/10	*89,036*	-	*5,072*	-	*94,108*	*19,322*	*113,430*
Chief Finance Officer (S151 Officer)	2010/11	79,924	-	-	-	79,924	16,341	96,265
	2009/10	*74,461*	-	*171*	-	*74,632*	*14,923*	*89,555*
Head of Legal and Democratic Services (Monitoring Officer)	2010/11	74,323	-	-	-	74,323	15,766	90,089
	2009/10	*74,250*	-	*171*	-	*74,421*	*14,902*	*89,323*
Head of Waste and Commercial Services	2010/11	70,960	75	-	-	71,035	14,017	85,052
	2009/10	*70,720*	*74*	*171*	-	*70,965*	*12,461*	*83,426*
Head of Human Resources	2010/11	68,194	63	-	-	68,257	13,831	82,087
	2009/10	*68,365*	*60*	*1,293*	-	*69,718*	*13,637*	*83,355*
Head of Housing	2010/11	65,046	138	-	-	65,184	13,157	78,341
	2009/10	*68,702*	-	*171*	-	*68,873*	*12,811*	*81,684*

Post Holder		Salary (Including fees and allowances) £	Expenses £	Benefits in Kind £	Compensation for Loss of Office £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Head of Corporate Assets	2010/11	58,623	369	2,920	-	61,912	12,242	74,154
	2009/10	*57,376*	*503*	*4,911*	*-*	*62,790*	*12,070*	*74,860*
Head of Planning and Building Control	2010/11	59,737	337	-	-	60,074	12,954	73,028
	2009/10	*62,793*	*326*	*171*	*-*	*63,290*	*12,461*	*75,751*
Head of Environmental Protection #	2010/11	12,926	-	860	56,892	70,678	2,807	73,485
	2009/10	*57,298*	*75*	*4,066*	*-*	*61,439*	*12,054*	*73,493*
Head of Public Health and Community Services#	2010/11	69,064	76	-	-	69,140	13,720	82,859
	2009/10	*60,904*	*75*	*171*	*-*	*61,150*	*12,063*	*73,213*
Head of Customer Services and Systems	2010/11	59,863	-	-	-	59,863	12,048	71,911
	2009/10	*60,034*	*-*	*171*	*-*	*60,205*	*11,879*	*72,084*
Head of Planning and Environmental Policy	2010/11	57,169	153	3,150	-	60,472	12,234	72,706
	2009/10	*57,340*	*153*	*2,626*	*-*	*60,119*	*12,063*	*72,182*
Head of Policy and Review	2010/11	56,299	143	3,385	-	59,827	12,048	71,875
	2009/10	*56,470*	*140*	*3,350*	*-*	*59,960*	*11,879*	*71,839*
Chief Accountant (Deputy S151 Officer)	2010/11	59,833	97	-	-	59,930	11,721	71,650
	2009/10	*58,504*	*94*	*171*	*-*	*58,769*	*11,556*	*70,325*

* Following a review of management at Director level, the role of Director of Environmental Services has been removed with effect from 01/06/2010, the responsibilities being amalgamated with that of the Director of Community Services (renamed Director of Community and Environmental Services). A temporary part time role of Director of Development Services has been created to oversee the single site project.

The role of Head of Environmental Protection has been removed with effect from 23/06/2010, the responsibilities being amalgamated with that of the Head of Public Health and Community Services. The 2010/11 figures for Head of Environmental Protection includes a one off lump sum paid on termination of the contract.

The council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2010/11 Number of Employees	2009/10 Number of Employees
£50,000 - £54,999	10	9
£55,000 - £59,999	1	-

32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors

2009/10 £000		2010/11 £000
122	Fees payable to the appointed auditor with regard to external audit services carried out	100
10	Fees payable to the Audit Commission in respect of statutory inspection	12
45	Fees payable to the appointed auditor for the certification of grant claims	35
-	Fees payable in respect of other services provided by the appointed auditor	
177		**146**

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

2009/10 £000		2010/11 £000
	Credited to Taxation and Non-Specific Grant Income	
1,534	Revenue Support Grant	1,047
4	Area Based Grant	38
87	Performance Reward Grant	177
58	Local Authority Business Incentive Scheme	-
1,683		1,262
	Credited to Services	
	Supporting People Grant	180
	Safer Stronger Communities	70
	Homelessness Grant	76
	Concessionary Fares Grant	151
	Habitats Grant	17
	Big Lottery Fund - Play Project	33
		527
	Capital Grants Receipts in Advance	
		-
		-

34. 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 has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides a substantial proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (eg housing benefits).

Members of the council have direct control over the council's financial and operating policies. Cabinet approved Community grants totalling £212,500 to organisations in which non-Cabinet members are Trustees, board members or otherwise involved. The relevant members were not involved in any discussion or decision relating to the award of the grants.

Officers – during 10/11 no payments were made to organisations where Officers of the Council has the potential to control or influence.

Assisted organisations – the council provided material financial assistance to the following organisation (not shown elsewhere in the Statement of Accounts):

- Wealden Leisure Ltd (trading as Freedom Leisure), that has been established as a Leisure Trust, an industrial and provident society, providing community leisure activities in the Wealden district and elsewhere. The council works in partnership with the Trust in the delivery of common objectives and provides financial assistance (£715,000 revenue grant in 2010/11) to assist in the achievement of those objectives within the administrative district of Wealden.

35. Capital Expenditure and Capital Financing

The Capital Financing Requirement shows how 2010/11 capital expenditure has been financed:

2009/10 £000		2010/11 £000
14,129	***Opening Capital Financing Requirement***	14,336
	Capital Investment	
4,088	Property, Plant and Equipment	6,540
-	Investment Properties	-
-	Intangible assets	305
1,252	Revenue Expenditure Funded from capital under Statute	1,134
	Source of finance	
(464)	Capital receipts	(1,700)
(385)	Government Grants and other contributions	(350)
(2,302)	Major Repairs Allowance	(2,324)
(1,890)	Capital expenditure funded from revenue	(1,948)
(93)	Minimum Revenue Provision and voluntary set aside	(551)
14,336	***Closing Capital Financing Requirement***	15,442
	Explanation of movements in year	
300	Increase in underlying need to borrowing (supported by government financial assistance)	300
(93)	Increase/(Decrease) in underlying need to borrowing (unsupported by government financial assistance)	(397)
-	Assets acquired under finance leases	1,203
207	***Increase/(decrease) in Capital Financing Requirement***	1,106

36. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of buildings and equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2010 £000		31 March 2011 £000
	Other Land and Buildings	
	Vehicles, Plant, Furniture and Equipment	

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 the finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amount:

31 March 2010 £000		31 March 2011 £000
	Finance leases liabilities (net present value of minimum lease payments):	
	• Current	
	• Non-current	
	Finance costs payable in future years	
	Minimum lease payments	

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	606	680		
Later than one year and not later than five years	787	1.177		
Later than five years	37	102		
	1,430	**1,959**		

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There are no contingent rents.

Operating Leases

The Council has acquired some equipment by entering into operating leases, with typical lives of seven years.

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

	31 March 2010 £000	31 March 2011 £000
Not later than one year	346	107
Later than one year and not later than five years	196	231
Later than five years	2	9
	544	**347**

Expenditure charged to the Culture, Environmental and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2010 £000		31 March 2011 £000
	Minimum lease payments	
	Contingent rents	
	Less	
	Sublease payments receivable	

Authority as Lessee

Finance Leases

The Council has no property leased on a Finance Lease.

Operating Leases

The Council lease out property under operating leases for the following purposes:

Provide suitable affordable accommodation for local businesses

Provide garden plots

Provide business start up units

Provide accommodation to other local service providers

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

	31 March 2010 £000	31 March 2011 £000
Not later than one year		
Later than one year and not later than five years		
Later than five years		

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There are no contingent rents.

37. Impairment Losses

The construction of the Crowborough Community Centre required part of the Car Park at Pinegrove to be closed to provide the Contractors with storage facilities adjacent to the construction site. After completion of the centre and any reinstatement works to the car park are completed a further review will be undertaken.

38. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £188,116. This was paid to 9 officers made redundant as part to the Council's Transformation Programme, a comprehensive review of how services are delivered.

39. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) for its employees, administered by East Sussex County Council which is a defined benefit scheme. It is also a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Contribution rates for 2010/11 were determined at the last formal triennial actuarial valuation of the Fund on 31 March 2007.

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 against council tax is based upon the cash payable into the pension fund for the year in accordance with the statutory requirements governing the LGPS. The difference between these two amounts is taken to a Pensions Reserve and is included within the reconciling item in the Statement of Movement on the General Fund Balance.

Fair Value of employer assets

Assets in the County Council Pension Fund are valued at bid value as required by IAS19. Please note that in previous accounting periods, the value of assets may have been reported at mid-market value. If the assets were valued at mid-market prices last year, the move to bid value will result in an actuarial loss in the revenue accounts.

Details of the differences between mid-market and bid value of assets for the Fund as a whole as at 31 March 2011 are provided by the Administering Authority.

	As at 31 March 2010	**As at 31 March 2011**
	£000	**£000**
Equities	62,046	69,828
Bonds	4,192	7,162
Property	5,869	7,162
Cash	11,738	5,371
Total	**83,845**	**89,523**

The above asset values as at 31 March 2011 are at bid value as required under IAS19.

Breakdown of the expected return on assets by category

	As at 31 March 2010	As at 31 March 2011
	% p.a.	% p.a.
Equities	74%	78%
Bonds	5%	8%
Property	7%	8%
Cash	14%	6%

Balance Sheet

	31 March 2010	31 March 2011
	£000	£000
Fair Value of Employers Assets	**83,845**	**89,523**
Present value of scheme liabilities[1]	(129,593)	(103,502)
Net (Under)/Overfunding in Funded Plans	(45,748)	(13,979)
Present value of unfunded liabilities[2]	(3,083)	(2,573)
Net Pension Liability	**(48,831)**	**(16,552)**
Amount in the Balance Sheet		
Liabilities	(48,831)	(16,552)
Assets		
Net Pension Liability	**(48,831)**	**(16,552)**

[1] The liabilities are estimated to comprise of approximately £46,386,000, £11,741,000 and £45,375,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2011. The approximation involved in the roll forward model means that the split between the three classes of member may not be reliable for certain types of employer. However, the Actuary, Hymans Robertson LLP, are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

[2] For unfunded liabilities as at 31 March 2011, it is assumed that all unfunded pensions are payable for the remainder of the members life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension 50% of the member's pension as at the date of the member's death.

Please note that following the budget statement on 22 June 2010 the calculations are based on future pension increases being linked to the Consumer Price Index (CPI) and not the Retail Price Index (RPI). The effect of the change comes through as a negative past service cost item in the revenue account..

Financial Assumptions

The main assumptions used in the calculations have been:

	2009/10	2010/11
	%	%
Rate of Inflation/pension increase rate	3.8	2.8
Rate of increase in salaries	5.3	5.1
Expected return on assets	7.1	6.9
Rate for discounting scheme	5.5	5.5

Amounts Charged to the Comprehensive Income and Expenditure Statement

2009/10 £000	% of Pay		2010/11 £000	% of Pay
		Amount Charged to Operating Costs		
1,491	12.7%	Current service costs	2,596	22.5%
5,740	48.9%	interest cost	6,769	58.6%
(4,013)	34.2%	expected return on assets in the scheme	(5,910)	51.2%
-		Past service costs	(12,093)	104.8%
-		Settlements & Curtailments	127	1.1%
3,218	**27.4%**	**Total Operating Charge**	**(8,511)**	**73.8%**
22,255		Actual Return on Plan Assets	5,761	

2009/10 £000		2010/11 £000
18,841	Actuarial gains/(losses) on plan assets	862
(44,499)	Actuarial gains/losses on obligation	20,792
(26,258)	**Actuarial gain/loss recognised in CIES**	**21,654**
(38,542)	**Cumulative Actuarial gain/loss recognised in CIES**	**(16,888)**

Reconciliation of defined benefit obligation

2009/10 £000		2010/11 £000
83,902	**Opening Defined Benefit Obligation**	**132,676**
1,491	Current Service Cost	2,596
5,740	Interest Cost	6,769
771	Contributions by Members	757
44,499	Actuarial Losses/(Gains)	(20,792)
-	Past Service Costs/(Gains)	(12,093)
-	Losses/(Gains) on Curtailments	127
-	Liabilities Extinguished on Settlements	-
-	Liabilities Assumed in a Business Combination	-
-	Exchange Differences	-
(197)	Estimated Unfunded Benefits Paid	(196)
(3,530)	Estimated benefits Paid	(3,769)
132,676	**Closing Defined Benefit Obligation**	**106,075**

Reconciliation of fair value of employer assets

2009/10 £000		2010/11 £000
61,872	**Opening Fair Value of Employer Assets**	**83,845**
4,013	Expected Return on Assets	5,910
771	Contributions by Members	757
2,478	Contributions by the Employer	1,918
197	Contributions in respect of Unfunded Benefits	196
18,241	Actuarial Gains/(Losses)	862
-	Assets Distributed on Settlements	-
-	Assets Acquired in a Business Combination	-
-	Exchange Differences	-
(197)	Unfunded Benefits Paid	(196)
(3,530)	Benefits Paid	(3,769)
83,845	**Closing Fair Value of Employer Assets**	**89,523**

Amounts for the current and previous accounting periods

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Fair Value of Employer Assets	89,523	83,845	61,872	75,357	80,599
Present Value of Defined Benefit Obligations	(106,075)	(132,676)	(83,902)	(85,776)	(97,244)
Surplus/(Deficit)	(16,552)	(48,831)	(22,030)	(10,419)	(16,645)
Experience Gains/(Losses) on Assets	862	18,241	(18,560)	(10,342)	38
Experience Gains (Losses) on Liabilities	7,702	(126)	66	1,296	86
Actuarial Gains/(Losses) on Employer Assets	862	18,241	(18,560)	(10,342)	38
Actuarial Gains/(Losses) on Obligation	20,792	(44,499)	7,486	15,943	5,587
Actuarial Gains Recognised in CIES	21,654	(26,258)	(11,074)	5,601	5,625

40. Contingent Liabilities

Municipal Mutual Insurance

During 1992/93 the Council's Insurers, Municipal Mutual Insurance, ceased accepting new business. The Council has no outstanding claims with MMI. A contingent Scheme of Arrangement agreed by creditors, should funds be insufficient to meet outstanding claims, remains in reserve. If the scheme is triggered the maximum liability for the Council is estimated to be £249,000 at 31 March 2010. However, currently a surplus at the conclusion of the run-off period is foreseen.

Local Land Charges

On the 27 July 2010 the Ministry of Justice and the Department for Communities and Local Government informed all Councils in England responsible for the provision of Land Searches that charging a fee for a personal search of the local land charges register is incompatible with the Environmental Information Regulations 2004 and the underlying 2003 EU Directive. The Government have revoked the current fee of £22 from 17 August 2010. This change does not preclude Councils from charging for assisted searches. It is possible that claims for reimbursement may be made by customers dating back to January 2005. The Government have indicated that it is acceptable for Councils to consider the cost of administering the reimbursement of fees and should avoid unjustly enriching search agents. The Council is currently assessing the impact of this ruling.

41. Nature and Extent of Risks Arising from Financial Assets

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- 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 commitments to make payments;
- Re-financing risk - the possibility that the Council may be required to renew a financial instrument on maturity at disadvantageous interest rates;
- Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

Policies are approved by the Council in the Annual Treasury Management Strategy and Policy, these include prudential indicators covering:

- The Council's overall borrowing;
- The maximum exposure to fixed and variable rates;
- The maximum and minimum exposure of the maturity structure of the Council's debts;
- The maximum and minimum exposure of investments maturing beyond a year.

Credit Risk

Credit risk arises from deposits with financial institutions and from the Council's customers. Deposits are not made with financial institutions unless they meet the minimum requirements set out in the Treasury Management Strategy.

The council uses Fitch ratings to derive its counter party criteria, reviewing all credit ratings as they change.

The following analysis summaries the council's potential maximum exposure to risk:

	Amount at	Historical	Estimated

	31 March 20110	experience of default	maximum exposure to default
	£000		£000
	A	B	(A x B)
Deposits with banks and financial institutions	10,391	0.00%	0
Customers (Long Term and Short Term Debtors)	1,191	2.00%	24
Total	**9,414**	**0.25%**	**24**

The Council does not formally allow credit to it's Debtors, such that all debt is past it's due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	726
Three to four months	25
Four months to one year	400
More than one year	40
	1,191

Liquidity Risk

The Council has access to borrowings from the Public Works Loans Board for long term funding. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is no significant risk that it would be unable to raise finance to meet it commitments under financial instruments.

The Council seeks to maintain a balanced portfolio of PWLB debt, to ensure an even maturity profile, the analysis of the maturity is shown in note 19.

Market Risk

Interest Rate Risk

The Council has limited exposure to risk on it's borrowings as these are all at fixed rates, however changes in base rates would impact on the fair value of borrowings, the Council does not carry borrowings at fair value and any nominal gains and losses would not impact on the income and Expenditure Account.

All PWLB loans are included in the accounts at nominal value , however the code requires the fair value of each class of financial asset to also be disclosed. The fair value of the portfolio as 31st March 2011 is £5,834,810, this is determined by calculating the Net Present Value of future cash flows (to provide an estimate of the value of future payments in today's terms). The discount rates used in calculating the NPV are the new PWLB borrowing rates applicable as at 31st March for loans of the same duration, structure and terms as the current portfolio. Also included in the fair value is the amount of accrued interest on each loan up to and including the valuation date of 31st March.

	As at 31 March 2011
	£000
PWLB portfolio nominal value at 1 April	5,533
Net present value adjustment	212
Accrued interest adjustment	97
PWLB fair value at 31 March	**5,842**

Exposure to risk on investments is greater because of the shorter maturity profile (with overnight lending reflecting daily interest rate changes) and because some of the investments are at variable rates. Movement in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gain and Losses.

The Council's Annual Treasury Management Strategy draws together the prudential indicators and it's expected treasury activities, including an expectation of interest rate movements. Prudential indicators are set which provide maximum and minimum limits for fixed and variable rate interest rate exposure. The central finance team monitor the market and forecast interest rates within the year and adjust the exposures appropriately.

The financial impact of a 1% movement in interest rates, with all other variables remaining constant, would be:

	£000
Movement in interest payable on variable rate borrowings (none held)	-
Movement in interest receivable on variable rate investments	329
Impact on Income and Expenditure Account	**329**

Price Risk

The council does not invest in equity shares and is therefore not exposed to movements in share prices.

Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to movements in exchange rates.

Housing Revenue Account Income and Expenditure Account

2009/10 £000		£000	2010/11 £000
	INCOME		
(10,288)	Dwelling Rents (gross)	**10,389**	
(134)	Non-dwelling rents (gross)	**132**	
(824)	Charges for services and facilities	**981**	
30	Adjustment to provision for doubtful debts (Note 3)	**15**	
(428)	Supporting People Grant	**180**	
(63)	Other Income	**73**	
(11,707)	**Total Income**		**11,769**
	EXPENDITURE		
1,949	Repairs & Maintenance	**2,042**	
3,356	Supervision & Management	**3,032**	
60	Rents, Rates, Taxes and other charges	**44**	
2,572	Contribution to National HRA Subsidy Pool (Note 4)	**2,780**	
2,313	Depreciation of fixed assets (Note 5)	**2,324**	
21,164	Impairment of fixed assets	**29,269**	
43	Debt Management Expenses	**36**	
31,457	**Total Expenditure**		**39,527**
19,750	Net Cost of HRA Services included in whole authority Income & Expenditure Account		**27,759**
128	HRA Services share of Corporate & Democratic Core		**148**
19,878	**Net Cost of HRA Services**		**27,907**
	***HRA share of operating income and expenditure included in whole authority Income & Expenditure Account*:**		
(454)	Gain on sale of HRA fixed assets		**(507)**
504	Interest payable		**432**
(20)	Interest and investment income (Note 6)		**(21)**
191	Pension interest cost and expected return on pension assets (Note 7)		**95**
20,099	**(Surplus)/Deficit for the year on HRA Services**		**27,906**

Statement of Movement on the Housing Revenue Account Balance

2009/10 £000		2010/11 £000
20,099	Surplus for the year on the Income & Expenditure Account	**27,906**
	Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance:	
454	Gain on sale of HRA fixed assets (reversal)	**506**
(11)	Depreciation of equipment determined in accordance with SORP but contrary to statutory HRA requirements	
(21,164)	Impairment of fixed assets	**(29,269)**
(88)	HRA share of contributions from Pensions Reserve	**16**
563	Capital Expenditure funded by HRA (Note 8)	**76**
(147)	**(Increase)/Decrease in Housing Revenue Account Balance for the Year**	**(765)**
(1,695)	Housing Revenue Account Balance brought forward	(1,842)
(1,842)	**Housing Revenue Account Balance carried forward**	**2,607**

Notes to the Housing Revenue Account

1. Financial Framework

The Housing Revenue Account reflects a statutory obligation to report separately on local authority housing provision. The items required to be debited and credited to the Housing Revenue Account are determined by statute and (non-statutory) proper practices. The Housing Revenue Account Income and Expenditure Account shows the income and expenditure on HRA services included in the whole authority Income and Expenditure Account, compiled in accordance with UK GAAP principles. The additional amounts required by statute and non-statutory proper practices to be charged or credited to the Housing Revenue Account in determining the movement on the HRA Balance for the year are identified in the Statement of Movement on the Housing Revenue Account Balance.

2. Housing Stock

The Council's housing stock at the end of the financial year was as follows:

As at 31 March 2010			As at 31 March 2011
	Houses and Bungalows		
119	- one bedroom	119	
562	- two bedrooms	560	
862	- three bedrooms	858	
26	- four or more bedrooms	26	1,563
	Flats		
1,113	- one bedroom	1,072	
357	- two bedrooms	355	
9	- three bedrooms	9	
16	- bedsits (shared facilities)	16	1,452
3,064	**Total**		**3,015**

In addition the Council had, at the same date, shared ownership arrangements covering 97 properties within sheltered schemes and two properties (partly) sold under the Right To Buy.

3. Provision for bad debts

Rent Arrears

The amount to be set aside from revenue to provide for non-payment of rent is determined by reference to the nature and level of arrears outstanding at the end of the financial year. The bad debt provision for rent arrears has been decreased by £15,000 to £178,000

4. Contribution to the National HRA Subsidy Pool

The Local Government Act 2003 transferred, with effect from 1 April 2004, the liability for Rent Rebates to the General Fund. Subsidy in respect of Rent Rebates is therefore no longer received by the H.R.A. As a consequence, the H.R.A. subsidy calculation – set out below – results in a payment to the National Subsidy Pool rather than a receipt from it.

2009/10 £000		2010/11 £000
2,302	Major Repairs Allowance	2,324
4,913	Management and Maintenance Allowance	4,904
725	Capital Charges Allowances	621
7,940		7,849
(10,502)	Less: Assumed rent income	(10,613)
(10)	Adjustment re previous years	(16)
(2,572)	**Total**	**(2,780)**

5. Depreciation

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

6. Investment Income – Interest on cash balances

Under the provisions of the Local Government & Housing Act 1989, interest earned from the investment of capital receipts is credited to the General Fund. Consequently, the figure for investment income represents solely interest earned from investment of the HRA's revenue balances.

7. Pension Costs

In accordance with International Accounting Standard 19 and the requirements of the 2010 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 LGPS. The difference between these two amounts is taken to a Pensions Reserve and is included within the reconciling item in the Statement of Movement on the Housing Revenue Account Balance.

8. Revenue Contribution to Capital Expenditure

The statutory financial framework does not impose any specific limit on the extent of direct funding of the capital programme from revenue monies. In 2010/11 Wealden has augmented its capital spending by making a direct revenue contribution of £75,746

9. Asset Valuation

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

	As at 31 March 2010 £000	As at 31 March 2011 £000
Operational Assets		
- dwellings	174,013	144,119
- equipment	43	43
Non-operational Assets	1,359	1,359
	175,415	**175,415**

The Council dwellings are valued, for resource accounting purposes, according to their **existing use for social housing**. Under this method, the open market value of the stock is reduced by a factor determined by the Government. This year the reduction has been set at 68%, thereby reducing the balance sheet value of the stock to 32% of its open market value. The exception to this method of valuation is the stock of dwellings that have been earmarked as available for purchase by elderly residents on a Shared Ownership basis. These properties have been valued on an open market value which reflects the basis on which they are offered.

It has been calculated that the **open market (vacant possession) value** of the total housing stock at 1 April 2010 was £382 million. The Government considers that the difference between this and the balance sheet value shown above represents the economic cost to Government of providing council housing at less than open market rents.

10. Major Repairs Reserve

This account was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 in order to channel the funds made available through the Major Repairs Allowance (equivalent to the depreciation of the stock – see Note 5) into capital expenditure on HRA property. The movements on the account, as set out below, show that the full amount has been used for its intended purpose.

	2010/11 £000
Balance at 1 April 2010	-
Depreciation of housing stock	2,324
Financing of Capital Expenditure	(2,324)
Balance at 31 March 2011	-

11. Funding of Capital Expenditure

Capital expenditure in the year on HRA services has been funded as follows:

2009/10 £000		2010/11 £000
300	Borrowing	300
563	Revenue Contribution	76
2,302	Major Repairs Reserve	2,323
464	Capital Receipts	631
3,629	**Total**	**3,330**

The capital receipts shown in this table include the use of income from shared ownership (sheltered) sales to meet the capital cost of re-purchases (as tenancies are concluded). The following note (no. 12) shows that receipts of this nature in 2010/11 totalled £295,000 whereas the cost of shares re-purchased in 2010/11 amounted £631,750

12. Capital Receipts

Receipts from the sale of HRA assets are summarised below:

2009/10 £000		2010/11 £000
511	Sale of Council Houses (Right to Buy)	826
30	Repayment of R T B discount	10
1	Repayment of HRA mortgages	1
52	Deferred sales of Do-It-Yourself-Shared-Ownership (DIYSO) properties	-
170	Sale of Land	-
342	Shared Ownership (sheltered) sales	295
1,106	**Sub Total**	1,132
(406)	Less Paid to National Pool	(628)
700	**Net Total**	**504**

13. Rent Arrears

Rent arrears at 31st March were:

	As at 31 March 2010 £000	As at 31 March 2011 £000
Current Tenants	177	177
Former Tenants	83	83
	260	**260**

Write-offs in 2010/11 amounted to £23,051 compared to £15,019 in 2009/10. These were all in respect of former tenants.

Collection Fund Income and Expenditure Account

2009/10 Total £000		NNDR £000	Council Tax £000	2010/11 Total £000
	INCOME			
(90,081)	Council Tax		(92,849)	(92,849)
	Transfers from General Fund			
(9,128)	Council Tax Benefits		(9,633)	(9,633)
2	Transitional Relief		1	1
(59)	Discretionary Relief	(58)		(58)
(26,135)	Business Ratepayers	(25,471)		(25,471)
(125,401)	**Total Income**	**(25,529)**	**(102,481)**	**(128,010)**
	EXPENDITURE			
	Precepts and Demands			
70,031	East Sussex County Council		72,317	72,317
8,368	Sussex Police Authority		8,642	8,642
4,974	East Sussex Fire Authority		5,111	5,111
15,169	Wealden District Council		15,617	15,617
25,593	Payment to NNDR Pool	24,638		24,638
208	Costs of Collection Allowance (NNDR)	208		208
28	Interest on Overpayments	52		52
364	Write Offs	240	156	397
550	Provision for uncollectable amounts	390	518	909
300	Distribution of Surplus		150	150
125,585	**Total Expenditure**	**25,529**	**102,512**	**128,041**
184	**Deficit/(Surplus) for year**	**-**	**31**	**31**
(542)	Balance at 1 April	-	(358)	(358)
(358)	**Balance at 31 March**	**-**	**(327)**	**(327)**

Notes to the Collection Fund Income and Expenditure Account

1. General

This account shows the transactions of the Collection Fund, a statutory fund maintained for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The transactions of the Collection Fund are wholly prescribed by legislation. The Collection Fund balance, including debtors, prepayments and bad debt provision, is apportioned between the District Council and each of the major precepting authorities and included in the their Balance Sheet . The accounts have been prepared on an accruals basis.

2. Council Tax

The Council levied an average charge of £1,586.51 per Band D property for Council Tax purposes. Actual Band D charges set ranged between £1,511.71 and £1,641.58 dependent upon the parish addition. Charges for properties in other bands were calculated by multiplying the basic amount of tax by the following ratios:

Valuation Band	A	B	C	D	E	F	G	H
Ratio	$^{6}/_{9}$	$^{7}/_{9}$	$^{8}/_{9}$	$^{9}/_{9}$	$^{11}/_{9}$	$^{13}/_{9}$	$^{15}/_{9}$	$^{18}/_{9}$

The equivalent number of Band D properties in the area estimated at January 2010 used in the setting of the 2010/11 Council Tax, was 62,434.1 after making an allowance for non collection (1.5%) and taking into account the following discounts:

Exempt Properties (e.g. vacant dwellings up to 6 months, structural alterations, awaiting probate)	100%
Single Adult Occupier	25%
Second Homes	10%

Specific reductions were made, in accordance with government regulations, for persons on low income (council tax benefits). The Council Tax levied can be analysed as follows:

2009/10 £000		2010/11 £000
105,780	Council Tax Charge	109,371
631	Second Homes	631
345	Long Term Empty	318
	Less:	
(7,547)	Single Discounts	(7,837)
99,209		102,483
(9,128)	Less: Council Tax Benefits granted	(9,633)
90,081	**Council Tax levied**	**92,850**

3. Provision for uncollectible amounts

Arrears at the 31 March 2011 totalled £4,746,718 (compared to £4,162,212 at 31 March 2010) of which £2,753,791 was covered by the non-collection provision.

4. Income from Business Ratepayers

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (41.4p reducing to 40.7p for small businesses in 2010/11) set by the Government. The total amount, less certain relief and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities a share of the pool. Under these arrangements the payment due to the NNDR pool can be analysed as follows:

2009/10 £000		£000	2010/11 £000
29,734	Non-domestic rateable value multiplied by uniform business rate, 41.4p reduced for voids other exemptions and adjustments in respect of previous years	31,159	
	Less:		
101	transitional (relief)/premium	(1,327)	
(1,988)	mandatory relief	(2,012)	
(119)	discretionary relief	(112)	
(1,480)	small business relief	(2,124)	
			25,585
(1)	Reduction under s49 (Hardship)		(1)
(112)	Reduction due to deferral scheme		(112)
59	Add General Fund contribution to discretionary relief		58
26,194	**Net Yield**		**25,530**
	Less:		
(28)	Interest on overpayments		(52)
(208)	Cost of Collection Allowance		(208)
(190)	Write Offs		(240)
(175)	(Increase)/Decrease in Bad Debt Provision		(391)
25,593	**Net contribution to NNDR national pool**		**24,638**

Rateable values were determined by the latest quinquennial revaluation effective from 1 April 2010. The gross rateable value for the Council's area as at 31 March 2011 was £82,524,209 giving rise to estimated gross income for the year before any deductions of £33.5million

5. Fund Balance

The surplus balance in respect of Council Tax at 31 March 2011 (£326,668) will be distributed between Wealden District Council, East Sussex County Council, East Sussex Fire Authority and Sussex Police Authority in future years in accordance with Fund Regulations and a prescribed timetable. A surplus of £300,000 was projected when setting the 2011/12 council tax.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council 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 Council, that officer is the Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASACC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31 March 2011).

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Chief Finance Officer's Certificate

I certify that the accounts gives a true and fair view of the financial position of Wealden District Council at 31 March 2011.

S. J. Linnett BSc (Hons) CPFA **Date: 30 June 2011**
Chief Finance Officer

Approval of the Statement of Accounts

These accounts were approved, in accordance with Regulation 10 (3) of the Accounts and Audit Regulations 2003, by the Internal and Audit Scrutiny Committee of Wealden District Council.

Date:

Chairman, Internal and Audit Scrutiny Committee

Annual Governance Statement

Scope of Responsibility

Wealden District 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. Wealden District Council also has a duty under the Local Government Act 1999 to make arrangement 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, Wealden District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Wealden District Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this code of corporate governance is available on the Council's website at or can be obtained from David Palmer, Head of Policy & Review. This statement explains how Wealden District Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the cultures and values and systems and processes by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to 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 no 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 Wealden District 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 Wealden District Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise Wealden District Council's governance arrangements are summarised below:-

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

A Corporate Plan was in existence throughout the year, with Cabinet and Council agreeing the current version in February 2011 which sets out the Council's priorities and objectives for the period 2011 / 2015. For the first time, this extended the period traditionally covered by the Plan from three to four years in order to tie the plan into the term of the new Council. The Corporate Plan is available on the Council's website.

Reviewing the authority's vision and its implications for the authority's governance arrangements

The Council operates a comprehensive performance management framework, with quarterly reports being submitted to Cabinet and to Scrutiny Committees for consideration. In addition, the Council operated an Internal & Audit Scrutiny Committee which fulfils the core functions of an audit committee, including received the annual report of the Internal Audit section and quarterly reports on their progress.

In addition to this, as part of the Council's transformation programme (a comprehensive review of the way it works and the way it delivers its services), in October 2010, Cabinet affirmed its commitment to the vision statement for the Council, included the values and culture of the organisation.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

Alongside its performance management reports, Cabinet and Internal & Audit Scrutiny Committee also receive quarterly budget monitoring reports which highlight how the Council is using its resources to their best advantage and allows corrective action to be taken when necessary.

Review of use of resources is also subject to review by Internal and External Audit, the Audit Commission and through service benchmarking and VFM tools. To that end, the Council has been working specifically with the Audit Commission regarding its Housing service and its Benefits service.

To demonstrate its commitment to quality of service for users, the Council has a corporate Charter Mark, with all of its twelve individual services having secured Charter Mark accreditation.

In addition to the above, the Council's report template requires the Chief Financial Officer to provide advice and input on all reports, thereby enabling the authority to meet its policy and service objectives and provide effective stewardship of public money.

Through its Internal & Audit Committee, the CFO reports at appropriate intervals on the Council's Treasury Management strategy and how the Council complies with the CIPFA Code on a Prudential Framework for Local Authority Capital Finance and Treasury Management.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Wealden District Council has an agreed Constitution which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable. The Cabinet is responsible for the majority of corporate decisions. The Cabinet operates a forward plan which sets out the decisions to be taken in the coming, at least, four month period. Cabinet is held to account by two Scrutiny Committees. In addition to their own work Scrutiny programme, members have the power to call-in decisions of the Cabinet and refer them to the relevant Scrutiny Committee.

The Chief Financial Officer attends Corporate Management Team meetings and has direct access to the Chief Executive and other members of the leadership team as necessary.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Standards Committee has lead responsibility for overseeing the ethical conduct framework and oversees the training and development of District and Parish Councillors on the code of conduct. In discharging this function, the Standards Committee has met with Wealden District Council group leaders, and has conducted a comprehensive programme of visits to the Town and Parish Councils. It has also

published a communication for the public about the importance of, and good standards of, ethical governance within Wealden.

In relation to employees, the Council has a staff code of conduct which is contained within the Conditions of Service as well as a separate register for staff to declare interests.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and support procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Internal & Audit Scrutiny Committee is responsible for undertaking an annual review of the Constitution, which includes a review of standing orders and financial and contract procedure rules. The last review was completed and approved by Full Council in May 2010, with its current review due for consideration at Full Council in May 2011. The Constitution sets out the processes for decision making and the relevant checks and balances.

Ensuring the authority's financial management arrangements confirm with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)

The Chief Financial Officer attends Corporate Management Team and has access to all members of the leadership team. In addition, the CFO has access to the audit committee and the internal and external auditors. In performing the role, the CFO is able to bring influence to bear on all material decisions of the Council through advice and guidance on all corporate reports. As part of that role, the CFO leads on the budget monitoring reports, financial strategy reports and is able to promote to the organisation the delivery of good financial management. In discharging this role, the CFO is supporting by a team of officers, including a deputy, and these arrangements ensure that the CFO has adequate resources to support the design and maintenance of sound financial governance arrangements.

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees - Practical Guidance for Local Authorities.*

It is the responsibility of the internal & Audit Scrutiny Committee to perform the core functions of an audit committee. This includes approval of the annual Internal Audit Plan and monitoring of the work of that team. Due to changes in the committee structure, that committee undertook a development programme for all new members of that committee on the functions of an audit committee and how best to discharge that role. A similar programme will need to be delivered following the May 2011 elections for any new councillors on that Committee.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Council has adopted a Code of Corporate Governance in line with the CIPFA/SOLACE guidance, which is available on the Council’s website and the Council maintains an anti-fraud and anti-corruption strategy.

Through the Constitution various roles have been allocated to ensure compliance in these areas. These include the Leader's portfolio which has Cabinet responsibility for corporate governance and Internal & Audit Scrutiny Committee having specific scrutiny responsibility for corporate governance.

The Council has designated its Chief Legal Officer as Monitoring Officer. The Monitoring Officer maintains the powers under the Local Government & Housing Act 1989 to report to Council on any proposal, decision or omission that gives rise to unlawfulness or maladministration, thereby stopping the implementation of that proposal or decision for consideration of the report.

Similarly, the Chief Finance Officer has been designated as the s151 Officer. That officer maintains the statutory powers to report to Cabinet or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. In February 2010, the Council approved a new Medium Term Financial Strategy to govern the use of its financial resources over the coming three year period. In March 2009, Cabinet approved the commencement of the Transformation Programme, with a further review and additions to that programme taking place in October 2010. Those reports have developed and approved a significant programme that includes a number of projects for changing the way the Council operates or delivers its services. It has also seen approval given to a new vision statement and a new set of values and culture of the organisation. The Transformation Programme will ensure that the Council maintains a balanced budget in the medium term.

As part of that programme, the Council has also approved a strategic accord with Rother District Council to explore shared services opportunities, and Internal Audit is one of the first services to be explored.

The Corporate Management Team and the Chief Finance Officer have clearly defined responsibilities for Risk Management, Internal Control, Internal Audit and preventing Fraud and Corruption, which are set out in the Financial Procedure Rules. In addition, Council approved new Financial Procedure Rules and Contract Procedure Rules in March 2007. A new policy for the use of the powers under the Regulation of Investigatory Powers Act was also approved in March 2009 and a further review will be undertaken when the new legislative requirements on RIPA come into force.

Whistle-blowing and for receiving and investigating complaints from the public

A whistle blowing policy was approved by Cabinet in December 2007 as part of the anti-fraud and anti-corruption strategy, as well as being contained within Conditions of Service.

In addition, the Council has an effective complaints procedure with an annual report being produced for Cabinet with an analysis of all complaints made, their outcomes and any learning points. There have been no adverse findings against Wealden District Council by the Local Government Ombudsman.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

A detailed and resourced member development programme has been introduced since May 2007 and is reviewed by a member working party on a six monthly basis. This followed an intensive period of induction training for all members following the May 2007 election. The Council has now signed up to the South East Employers Charter for Member Development and is working to achieve that accreditation through a member group, with a target to achieve this in the summer of 2011. As part of the work of that group, an induction programme has been set up for new members and a training needs analysis in planned for all members in May 2011.

As part of the Equalities Strategy, awareness sessions have been held for staff and members on equalities and diversity. Further sessions are planned following the election and work is underway to incorporate equalities into all training sessions to demonstrate its relevance and impact on the way the Council operates and delivers its services.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Cabinet adopted a Communication Strategy and a Community Engagement Strategy in December 2007. Subsequently in August 2008 it approved the creation of a refreshed People's Panel to allow more frequent and detailed consultation with a representative sample of Wealden's residents. In addition to this, the Council has achieved level two in the Equalities and Diversity ratings to help ensure that all groups in our community have a voice and are suitably consulted.

In November 2010, a refresh of the Communications Strategy was considered and approved by Cabinet with four underpinning principles of clarity, consistency, focus and effectiveness.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

The Council's Contract Procedure Rules and Financial Procedure rules include relevant provisions relating to partnership working and the minimum requirements when entering into partnership arrangements.

In large part the Council's arrangements do confirm with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). In one respect they do not, in that the Chief Financial Officer does not report directly to the Chief Executive nor does he have at least equal status as all other members of the Corporate Management Team. The local arrangements are that the Chief Financial Officer reports to the Director of Corporate Services. Nevertheless, the CFO does attend Corporate Management Team, and as appropriate, can have direct access to the Chief Executive, regardless of the normal reporting lines. As a result, it is considered that these arrangements allow the CFO to have the same impact within the organisation than if the specific arrangements proposed in the CIPFA Statement were in place.

Review of effectiveness

Wealden District 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 the Corporate Management Team, the Chief Finance Officer, the Chief Legal Officer and the Head of Policy & Review who have responsibility for the development and maintenance of the governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:-

Council

Council is responsible for approving the budget and policy framework, which includes the Corporate Plan and the Constitution. In addition, Council also receives an annual report from the Standards Committee on its work.

Cabinet

Cabinet has approved the Council's performance management framework and risk management policy and receives quarterly reports on risk management, performance monitoring and budget monitoring.

Internal & Audit Committee

This Committee undertakes the core functions of an Audit Committee and approves the annual Internal Audit report, receives quarterly monitoring reports updating them on progress against that report and receives the annual audit inspection letter.

Scrutiny Committees

Internal & Audit Scrutiny Committee has lead scrutiny responsibility for corporate governance, risk management and other internal control issues. It also leads the cross member scrutiny and consideration of the budget and makes recommendations for any changes to the Constitution. Community &

Environment Scrutiny Committee considers the services delivered by the Council, and partner organisations, and the impact they have on the District and its inhabitants.

Standards Committee

This Committee undertakes a proactive role in relation to the promotion of the ethical conduct framework. To achieve this it has undergone a programme of visits to improve engagement with Parish & Town Councils and to gain an understanding of public attitudes and perceptions of ethical conduct within the District. It has also published a document to inform the public about its role, the importance of good ethical conduct in the area, and the high standards of conduct evident in the District.

It further undertakes the statutory role of a Standards Committee, including receiving and considering allegations relating to the code of conduct under the new local assessment process. As part of that, the Monitoring Officer provided quarterly and annual returns to Standards for England on the performance of the Committee up until the suspension of that requirement by Standards for England.

In the coming year, the Standards Committee will need to review further the proposals contained in the Localism Bill and consider ways in which the District Council can meet the proposed statutory duty on ethical governance. As part of that, it will need to consider whether a Standards Committee is a necessary element of discharging that duty.

Chief Financial Officer

The Chief Finance Officer has been designated as the s151 Officer. That officer maintains the statutory powers to report to Cabinet or Council on any proposals, decision or omission that gives rise to any unlawful expenditure. the Chief Finance Officer also has clearly defined responsibilities for Risk Management, Internal Control, and systems and process for financial administration and control, including preventing Fraud and Corruption, which are set out in the Financial Procedure Rules.

Internal Audit

The internal control system comprises the whole network of systems established within the authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of operations
- The economic and efficient use of resources
- Compliance with applicable policies, procedures, laws and regulations
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption
- The integrity and reliability of information, accounts and data
- effective monitoring systems and optimum use of performance management information

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Internal & Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

The following significant governance issues have been identified for the coming year:

No.	Issue	Action	Completion Date & Lead Officer
1	Standards Committee	Consider the implications of the Localism Bill for Standards Committees and advise on a new system for meeting the proposed statutory duties	May 2012 (Trevor Scott)
2	Undertake core functions of an audit committee	Deliver training for new members on Internal & Audit Scrutiny Committee	September 2011 (Steve Linnett)
3	Compliance with relevant laws and regulations	Review the current policy on the Regulation of Investigatory Powers Act.	Trevor Scott (September 2011)
4	Development needs of Members	A. Training Needs Analysis for all members B. Obtain the Member Development Charter	1. May 2011 (Trevor Scott) 2. Summer 2011 (Trevor Scott)
5	Shared Internal Audit Service	Ensure that the proposed plans for shared services do not adversely impact on the internal control systems and assurances provided by that service	November 2011 (David Palmer)

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Robert Standley
Leader of the Council

Charles F Lant
Chief Executive

28 June 2011

Glossary

This glossary helps to define some of the terms and phrases found in these accounts.

Accounting Period
The length of time covered by the accounts, in the case of these accounts the year from 1 April to 31 March.

Accrual
A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

Actuarial Gains and Losses
Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Appropriations
The transfer of resources between various revenue reserves.

Area Based Grant
Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Balances
These represent the accumulated surplus of revenue income over expenditure.

Best Value
The legislative framework for ensuring that local authorities have set up arrangements to secure continuous improvement in services.

Budget
An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

Budget Requirement
The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

Capital Charge
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services for more than one year. Capital expenditure also includes Deferred Charges.

Capital Adjustments Account
The capital adjustments account records the resources set aside to finance capital expenditure and offsets the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or by disposal.

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

Cash Equivalents
Generally short term, highly liquid investments readily convertible into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund
A fund administered by the Council as a "Charging Authority". The Council Tax and National Non-Domestic Rates are paid into this fund. National Non-Domestic Rates are paid over in full to the National Pool. The Council Tax demand of the Council and the precepts of other public bodies are paid out of the fund. Any surplus or deficit is shared between the various authorities.

Corporate and Democratic Core
These are the activities that a local authority engages in specifically because it is a democratically elected decision making body. These are over and above what a private company would have if it were providing similar services. These costs are not apportioned to services but are shown here. Examples of costs are Councillors' allowances, Committee support and time spent by professional officers in giving policy advice.

Creditors
The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period but not paid for.

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

Debtors
Amounts owed to the Council but unpaid at the Balance Sheet date.

Deferred Charges
Expenditure that can be classified as capital expenditure but which does not result in the acquisition of a tangible or physical asset.

Depreciation
The measure of the cost or revalued amount of the benefit of the fixed asset that have been consumed during the period.

Expected Rate of Return on Pensions Assets
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.

Fees and Charges
The income raised by charging for goods, services or the use of facilities.

Fixed Asset
A tangible item that yields benefit to the Council for a period of more than one year.

General Fund
The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

Housing Revenue Account
A separate account, maintained by law, that accounts for the income and expenditure related to the Council's housing stock. The General Fund cannot subsidise the Housing Revenue Account and vice versa.

Intangible Assets
Expenditure on assets, such as software, which are depreciated over their expected life but are not physically owned. This accounting treatment is specifically required by law.

Interest Cost
The expected increase over the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

LABGI – Local Authority Business Growth Incentive Grant
A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

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

Levy
A contribution payable by law to Internal Drainage Boards for land drainage.

Minimum Revenue Provision
An amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding.

National Non Domestic Rates (NNDR)
[also known as Business Rates or Uniform Business Rate (UBR)]
Rates from Non Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

Precept
The amount that the County Council, Sussex Police Authority and East Sussex Fire Authority require the Collection Fund to pay to meet the costs of their services after government grant. The amount that Town and Parish Council's require the District Council's General Fund to pay to meet the cost of their services.

Provisions
Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

Public Works Loans Board
A government body that provides loans to local authorities.

Reserves
The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems.

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revaluation Reserve
The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation adjustments.

Revenue Expenditure
The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

Revenue Support Grant
Central Government financial support towards the general expenditure of local authorities.

Specific Government Grants
Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.