

# Statement of Accounts

## 2009-2010





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# GENERAL INFORMATION

## PHYSICAL FEATURES

Hastings covers an area of **2,972 hectares**

The Council owns land amounting to approximately **1,137 hectares**

The length of the coastline is **12 kilometres**

## POPULATION

The Town's estimated population at the June 2001 Census as provided by the Office of National Statistics was **85,029**. The age structure was as follows :-

Age Range	Males	Females	Total	%
0 - 14	8,529	8,369	16,898	20
15 - 29	6,923	7,344	14,267	17
30 - 44	8,996	9,154	18,150	21
45 - 59	8,286	8,125	16,411	19
60 - 74	5,246	6,045	11,291	13
75 and over	2,682	5,330	8,012	10
	<b>40,662</b>	<b>44,367</b>	<b>85,029</b>	100

The registered electorate in 2009-2010 was : **63,732**

## COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2010	<b>£44,144,120</b>
Net Borough Council Revenue Expenditure (excluding capital charges)	
Council Tax Base	<b>29,117</b>
Council Tax at Band D - includes all preceptors	<b>£1,573.75</b>

## EMPLOYEES

The average number of persons employed by the Council during the period was :-

	NUMBER OF EMPLOYEES	
	2008-09	2009-10
Full time	422	<b>392</b>
Part time (full time equivalents)	66	<b>69</b>
Total	<b>488</b>	<b>461</b>

The cost of employment during the year was :-

	£'000	£'000
	2008-09	2009-10
Wages and Salaries	13,020	<b>12,283</b>
National Insurance	963	<b>940</b>
Pension Contributions	2,405	<b>2,373</b>
Total	<b>16,388</b>	<b>15,596</b>



# EXPENDITURE SUMMARY

2008-2009		2009-2010 REVISED ESTIMATE	EXPEND.	2009-2010 ACTUAL INCOME	NET
NET		£	£	£	£
	<b>SERVICES :</b>				
	<b><u>CORPORATE RESOURCES</u></b>				
	<b>Deputy Chief Executive &amp; Director of Corporate Resources</b>				
344,769	Chief Executive's Division	368,930	<b>376,259</b>	(725)	<b>375,534</b>
553,947	Borough Solicitors Division	567,690	<b>616,531</b>	(44,491)	<b>572,040</b>
	Corp. Policy, Partnerships & Performance	345,210	<b>336,477</b>	(2,500)	<b>333,977</b>
352,275	Democratic Services Division	370,860	<b>357,329</b>	0	<b>357,329</b>
364,050	Audit & Investigations Division	400,820	<b>420,881</b>	(92,109)	<b>328,772</b>
301,175	Estates Division	317,670	<b>355,302</b>	0	<b>355,302</b>
807,847	Accountancy & Exchequer Serv.Divsn.	826,370	<b>833,595</b>	(23)	<b>833,572</b>
2,184,688	Revenues Division	2,290,040	<b>2,439,659</b>	(178,517)	<b>2,261,142</b>
463,273	Projects Division	406,850	<b>428,074</b>	0	<b>428,074</b>
588,044	Personnel & Org. Development Div.	587,130	<b>590,428</b>	(1,113)	<b>589,315</b>
0	Facilities Management Team	16,260	<b>273,008</b>	(5)	<b>273,003</b>
(6,277,024)	Less recharges to other accounts	(6,481,570)	<b>(7,027,543)</b>	<b>319,483</b>	<b>(6,708,060)</b>
0	Unallocated Cost	16,260	<b>0</b>	0	<b>0</b>
271,997	Corporate Expenses	0	<b>1,627,471</b>	(1,627,471)	<b>0</b>
0	Non-distributed Corporate Expenses	56,760	<b>168,018</b>	0	<b>168,018</b>
814,901	Cost of Democracy	853,860	<b>868,877</b>	(135)	<b>868,742</b>
167,121	Election Expenses	171,980	<b>273,460</b>	(111,091)	<b>162,369</b>
112,870	Registration of Electors	118,350	<b>116,325</b>	(5,595)	<b>110,730</b>
(232,999)	Employment Areas	(235,040)	<b>116,946</b>	(338,855)	<b>(221,909)</b>
(1,023,549)	Factory Units	(926,980)	<b>784,842</b>	(1,254,854)	<b>(470,012)</b>
(696,197)	Land & Property Holdings	(1,225,200)	<b>939,315</b>	(1,576,409)	<b>(637,094)</b>
143,292	Land and Property Systems (GIS)	139,140	<b>200,651</b>	(20,000)	<b>180,651</b>
(4,674)	St Mary in the Castle	37,630	<b>37,863</b>	(11,880)	<b>25,983</b>
1,463,771	Corporate Management	231,720	<b>766,808</b>	(30,000)	<b>736,808</b>
1,165,898	Concessionary Travel	1,552,700	<b>1,903,946</b>	(434,138)	<b>1,469,808</b>
112,754	Benefit Payments & administration	236,480	<b>60,040,227</b>	(59,892,490)	<b>147,737</b>
	Council Tax & Business Rates				
464,422	Collection Costs	531,750	<b>878,868</b>	(366,213)	<b>512,655</b>
76,943	Other Income & Expenditure	306,810	<b>363,221</b>	(259,316)	<b>103,905</b>
42,307	CAA & Efficiency	76,980	<b>74,735</b>	0	<b>74,735</b>
42,901	Public Consultation	58,800	<b>36,653</b>	0	<b>36,653</b>
35,244	Local Strategic Partnership	37,100	<b>36,568</b>	(3,161)	<b>33,407</b>
42,210	Sustainable Development	51,370	<b>47,060</b>	(500)	<b>46,560</b>
500,802	Foreshore Trust	282,910	<b>329,798</b>	0	<b>329,798</b>
57,434	Public Art	49,230	<b>46,425</b>	10	<b>46,435</b>
(6,450)	Greenways	0	<b>0</b>	(6,450)	<b>(6,450)</b>
19,967	Projects Division - other expenditure	27,100	<b>43,806</b>	0	<b>43,806</b>
252,723	Corporate Personnel Expenses	272,640	<b>363,488</b>	(132,772)	<b>230,716</b>
<b>3,823,688</b>		<b>2,722,350</b>	<b>70,065,371</b>	<b>(66,071,320)</b>	<b>3,994,051</b>

# EXPENDITURE SUMMARY

2008-2009		2009-2010 REVISED ESTIMATE	2009-2010 ACTUAL		
NET £	<b>SERVICES :</b>	£	EXPEND. £	INCOME £	NET £
	<u>REGENERATION, HOMES and COMMUNITIES</u>				
	<b>Director of Regeneration, Homes &amp; Communities</b>				
2,108,462	Planning Services Division	1,553,810	2,042,059	(1,979)	2,040,080
1,551,640	Housing Services - Administration	1,417,390	1,721,983	(405)	1,721,578
868,930	Regeneration Administration	911,850	885,976	(2,867)	883,109
497,083	Area Based Grant Administration	568,740	489,225	(26)	489,199
760,751	Communications & Marketing Division	678,810	723,226	(16,605)	706,621
723,249	Information Technology Division	784,670	790,776	(215)	790,561
(5,994,220)	Less recharges to other accounts	(5,878,630)	(6,149,171)	22,097	(6,127,074)
515,895	Unallocated Cost	36,640	504,074	0	504,074
607,823	Development Control	555,480	924,907	(319,579)	605,328
298,650	Forward Planning	375,050	439,668	(86,779)	352,889
110,572	E-planning	2,480	2,719	0	2,719
97,700	Building Control Services	75,260	371,637	(296,377)	75,260
1,136	Local Land Charges Register	52,380	215,793	(150,632)	65,161
255,181	Conservation	161,620	279,350	(70,530)	208,819
71,983	Dangerous Structures	63,910	63,789	0	63,789
704,654	Regeneration	862,780	1,189,820	(279,630)	910,190
1,342	Regeneration Programming Team	0	1,153	0	1,153
259,652	Greater Hollington Partnership	21,000	21,691	(500)	21,191
661,548	Community Action	485,660	485,512	(1,796)	483,716
1,331,517	Area Based Grant Projects	3,201,270	2,706,603	(55,340)	2,651,263
32,457	Future Cities	86,110	443,831	(395,011)	48,820
(8,684)	The Stade	950	4,325	(29,152)	(24,827)
0	Hastings & Bexhill Task Force	45,200	142,478	(105,790)	36,688
210,732	Safer Hastings Partnership	198,620	702,444	(527,745)	174,699
170,213	Tressell Training	25,270	41,883	(23,519)	18,364
109,972	Civic & Ceremonial Expenses	99,820	102,936	0	102,936
280,399	Visitor & Community Marketing	295,600	302,401	(26,830)	275,571
98,004	1066 Country Campaign	125,480	212,243	(81,109)	131,134
390,705	Hastings Information Centre	424,750	983,817	(568,273)	415,544
13,066	Twinning	16,690	17,590	(3,292)	14,298
9,431	Meteorological Expenses	10,360	7,285	0	7,285
96,829	Raising the Profile of Hastings	113,930	164,301	(57,766)	106,535
38,000	Cultural Development	0	0	0	0
10,000	Coastal Currents	10,800	10,651	0	10,651
209,200	Information Technology Reserve Exp.	184,000	139,645	0	139,645
0	IT Hardware	10,000	118,736	(118,736)	0
(865,561)	Renovation Grant Administration	343,540	3,026,812	(2,443,652)	583,160
410,200	Housing Renewal	360,690	404,763	(22,547)	382,216
281,871	Housing Advice & Aid	284,570	283,247	0	283,247
461,732	Homelessness	499,810	596,328	(129,350)	466,978
0	Homelessness Strategy	0	250,891	(250,891)	0
65,110	Liaison-Agencies & Hsng. Assoc.	67,920	107,865	0	107,865
198,276	Housing Register / Nominations	203,570	203,135	0	203,135
0	Housing Other	0	14,039	(14,103)	(64)
0	Regeneration other	0	130	0	130
7,129,605		9,301,210	15,488,492	(6,058,929)	9,429,563

# EXPENDITURE SUMMARY

2008-2009		2009-2010 REVISED ESTIMATE	2009-2010 ACTUAL		
NET £	<b>SERVICES :</b>	£	EXPEND. £	INCOME £	NET £
	<b><u>ENVIRONMENTAL SERVICES</u></b>				
	<b>Director of Environmental Services</b>				
654,110	Highways Division	622,020	598,375	17	598,392
1,435,820	Environmental Services Division	1,345,450	1,345,737	(198)	1,345,539
73,102	Emergency Call Out Service	42,200	42,906	0	42,906
525,890	Waste Management Team	503,280	503,145	(2,298)	500,847
1,141,210	Amenities & Resorts Division	1,092,610	1,084,720	(3,081)	1,081,639
209,510	Leisure Services - Administration	221,550	217,365	(401)	216,964
(4,039,642)	Less recharges to other accounts	(3,831,660)	(3,792,248)	5,962	(3,786,287)
0		(4,550)	0	0	0
30,260	Naming & Numbering Streets	31,140	27,951	0	27,951
(1,320,222)	Car Parking	(1,486,420)	2,276,022	(3,664,307)	(1,388,285)
34,891	ESCC Highways Management	62,470	479,719	(451,078)	28,641
233,501	Traffic Management	122,090	313,443	(48,438)	265,005
22,794	Highways Shelters and Seats	30,270	28,548	(3,500)	25,048
34,968	Transport Policy	36,210	36,341	0	36,341
35,730	Licensing	36,740	325,002	(321,374)	3,628
383,125	Environmental Protection	387,680	389,709	(4,897)	384,812
238,468	Food Safety & Infectious Diseases	235,870	229,804	(344)	229,460
250,121	Health & Safety	262,710	256,567	0	256,567
97,694	Pest Control	94,380	105,947	(13,695)	92,252
484,332	Environmental Enforcement Service	497,100	493,797	(19,763)	474,034
85,262	DVLA Powers & Removal of	91,470	103,276	(14,281)	88,995
21,404	Together Action	31,130	27,736	0	27,736
115,652	Closed Circuit Television	72,670	171,273	(5,544)	165,729
1,458,128	Street Cleansing	1,573,390	1,563,043	(42,304)	1,520,739
1,793,068	Waste Collection	2,064,740	2,339,013	(327,507)	2,011,506
478,898	Public Conveniences	571,390	561,141	0	561,141
49,816	Emergency Planning	57,600	61,368	(7,066)	54,302
(59,897)	Bulverhythe Depot	33,230	65,009	(51,655)	13,354
144,972	Allotments	83,350	93,253	(10,851)	82,402
200,969	Arboriculture	203,820	203,969	0	203,969
26,782	Cliff Railways	(3,310)	333,941	(169,712)	164,229
458,870	Sea Front	381,770	709,456	(251,430)	458,026
165,598	Decorative Lighting	120,080	175,561	(280)	175,281
65,730	Town Centre & Street Decorations	54,010	53,667	0	53,667
(113,361)	Cemetery & Crematorium	(140,130)	658,182	(807,105)	(148,923)
71,497	Ecology	75,100	85,152	(10,000)	75,152
242,534	Country Parks	274,100	340,962	(55,616)	285,346
323,017	Coastal Protection	55,630	345,497	(14,999)	330,498
55,384	Watercourses	71,850	70,541	0	70,541
8,312	Navigational Aids	11,800	8,831	0	8,831
1,561,350	Parks & Gardens and Recreation	1,696,430	1,798,853	(182,769)	1,616,084
(31,649)	Chalets and Hut Sites	(41,190)	93,709	(142,232)	(48,523)
0	Other Expenses				0
413,518	Museums and Art Gallery	441,640	866,480	(110,861)	755,619
66,719	Hastings Castle & Caves	22,520	107,300	(91,761)	15,539
381,332	Sports Centres	424,620	484,176	(44,782)	439,394
149,508	Sports Development	167,010	196,260	(27,858)	168,402
14,196	Sports Management	22,390	69,925	(47,612)	22,313
96,985	Play Development	102,410	151,948	(57,064)	94,884
62,110	Active Hastings	62,110	211,421	(149,311)	62,110
5,480	Support for Events	460	1,862	(1,292)	570
581,617	White Rock Theatre	634,660	610,153	(931)	609,222
23,823	Youth Activities	19,290	20,089	(127)	19,962
0	Make Way for Play	0	64,968	(64,968)	0
10,070	Other Cultural	22,370	100,556	(79,580)	20,976
95,216	Other	50,850	106,097	(334)	105,763
9,548,572		9,614,950	17,817,518	(7,297,228)	10,520,290

## EXPENDITURE SUMMARY

2008-09		2009-10	2009-2010 ACTUAL		
NET	SERVICES :	REVISED	EXPEND.	INCOME	NET
£		ESTIMATE	£	£	£
		£	£	£	£
<u>20,501,865</u>	<b>DIRECT SERVICE EXPENDITURE</b>	<u>21,638,510</u>	<u>103,371,381</u>	<u>(79,427,476)</u>	<u>23,943,904</u>
2008-09	<b>SERVICE MEASURES</b>				2009-10
	Numbers of :-				
45,884	Museum visitors				47,324
0	East Hill Cliff Railway users (out of use since June 2007, reopened 27th March 2010)				0
209,173	West Hill Cliff Railway users				219,464
39,189	Hastings Castle visitors				42,626
16,789	Concessionary Bus Passes in circulation at year end				18,346
26	Public Conveniences				24
121	Burials				108
80,565	Grave spaces				80,673
1,389	Cremations				1,339
17,848	Kilometres of Street Swept per annum				17,848
2.17million	Dustbins Emptied (Bin Equivalents)				2.78 million
7,949	Recycling tonnage				8,238
16	Renovation Grants - Number Completed				17
676	Planning Applications				620
3	Conservation Area Projects				3
1,344	Building Regulation Applications				1,087
695	Local Land Charges (full searches only)				596
2,289	Car Parking Spaces (Off-Street)				2,230
981,721	Vehicles Parked (Off Street)				1,034,835
23,702	Penalty Charge Notices issued				22,705
330	Untaxed & Abandoned Vehicles removed				188
1,989	Licences Issued				2,172
606	Food Hygiene Inspections				554
383	Health & Safety Inspections				292
63,732	Local Electorate				63,810
95	Number of Factory Units				96
£1,542,183	Rental Income from Factory Units				£1,228,598

# FINANCIAL REVIEW AND FOREWORD

## INTRODUCTION

The Council's accounts for the year of 2009-2010 are set out on pages 15 to 68. They consist of :-

### The Core Single Entity Financial Statements:

- (a) The Income & Expenditure Account - the Council's main revenue account covering income and expenditure on all services.
- (b) The Statement of Movement on the General Fund Balance - a statement reconciling the Income & Expenditure Account to the General Fund which is that used to determine the council tax for the year.
- (c) The Statement of Total Recognised Gains & Losses (STRGL) - a statement that reflects the Council's entire gains and losses, not just those shown in the Income & Expenditure Account.
- (d) The Balance Sheet - which sets out the financial position of the Council on 31 March 2010. It includes the Collection Fund.
- (e) The Cash Flow Statement - which summarises the total movement of the Council's Funds for the year.

### Notes to the Core Financial Statements:

Explanations and more detailed information to support the statements (a) to (e) above.

### The Supplementary Single Entity Financial Statements:

- (f) The Collection Fund Income and Expenditure Account - the Council is required to maintain a Collection Fund to receive sums by way of Council Tax, Business Rates, and any other amounts relating to the fund. Payments out include sums required by precepting bodies such as the East Sussex County Council, the Police and the Council's own General Fund, the contribution to the national Business Rating Pool and other amounts relating to the operation of the Fund.
- (g) A Capital Expenditure Summary which provides an analysis of the year's spending on the provision and improvement of lasting assets and deferred charges, together with how it was financed.

These accounts are supported by the Statement of Accounting Policies and an Annual Governance Statement which follows this foreword, and various notes to the accounts.

Changes to accounting policies that impact on the 2009-10 accounts include:-

- \* IFRIC (International Financial Reporting Interpretations Committee ) 12. This relates to service concessions where the Council regulate/control a service.
- \*providing more detailed information regarding senior employees' remuneration.
- \*NDR/Council Tax/ Collection Fund - Now separates principal and agents elements e.g amounts due to/from preceptors.
- \*removal of section 137 LG Act 1972 note re: discretionary expenditure
- \*removal of publicity expenditure section 5 LG Act 1986
- \*removal of Building control statement

This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's position. The following three statements show in broad terms where the Council's money comes from, what it is spent on, and what services it provides.

### Where the Money Comes from :-

	£'000	%
Taxpayers (govt. grants)	67,778	65
Rents & Charges	10,207	10
Local Taxpayers - Council Tax	6,739	7
Business Rates - Council share	8,367	8
Other Income	10,282	10
	<hr/>	
	103,373	

### What the Money is Spent on :-

	£'000	%
Employees	17,315	17
Running Expenses	20,390	20
Depreciation & Other Capital Charges	7,100	7
Housing & Council Tax Benefit Payments & Rate Relief	58,568	56
	<hr/>	
	103,373	

### The Service Provided :-

	£'000	%
Cultural, Environmental & Planning Services	24,007	23
Highways, Roads & Transport Services	5,066	5
Housing Services - Benefits	60,037	58
Housing Services - Other	4,887	5
Central Services	6,284	6
Trading Services	3,089	3
	<hr/>	
	103,370	

# FINANCIAL REVIEW AND FOREWORD

## GENERAL FUND REVENUE BUDGET

	<b>£'000</b>
<b>Original</b> budget agreed in March 2009	<b>23,487</b>
<u>Less</u> contribution from reserves	<u>(3,041)</u>
Met by grant & Collection Fund	<u><b>20,446</b></u>
<b>Revised</b> budget agreed during year	<b>22,623</b>
<u>Less</u> contribution from reserves	<u>(1,958)</u>
Met by grant & Collection Fund	<u><b>20,665</b></u>
<b>Actual</b> spending for year	<b>21,773</b>
<u>Less</u> contribution from reserves	<u>(1,108)</u>
Met by grant & Collection Fund	<u><b>20,665</b></u>
The net saving compared to the revised budget was	<u><b>(850)</b></u>

The major changes from the revised budget are as follows:-

	<b>£'000</b>
Reserve funded expend.unspent	<b>(133)</b>
General saving on waste collection	<b>(111)</b>
Severence pay	<b>100</b>
Area Based Grant expend. unspent	<b>(690)</b>
General increase in expenditure	<b>(16)</b>
Net under-spending	<u><b>(850)</b></u>

## CAPITAL SPENDING

In 2009-2010 the Council spent £6.449m on capital projects compared with the revised budget of £7.664m.

The reasons for the decreased expenditure were :-

	<b>£'000</b>
Expenditure rephased into 2010-2011	<b>(490)</b>
Delays in schemes	<b>(946)</b>
Overspending	<b>238</b>
Advanced Expenditure	<b>166</b>
Underspending	<b>(101)</b>
Transfer to revenue	<b>(82)</b>
Net variation	<u><b>(1,215)</b></u>

This capital expenditure was financed as shown below:-

	<b>£'000</b>
Loan	<b>1,015</b>
Proceeds from the sale of assets	<b>1,389</b>
Grants	<b>3,964</b>
Reserves	<b>81</b>
Revenue	<b>0</b>
Total financing	<u><b>6,449</b></u>

Total loans outstanding owed to external sources for capital spending amount to £12m. Under the prudential code for borrowing the Council assessed its limit for affordable borrowing at £30m and its operational boundary at £30m.

The Council provides for the pensions of its past and present employees contributing to the East Sussex County Council Pension Fund. The Council's share of this fund at the 31st March 2010 showed a deficit of £52m following the most recent actuarial valuation.

### FURTHER INFORMATION

Further information about the accounts is available from Financial Services at the address shown on page 1.

**N. Dart , CPFA , Deputy Chief Executive and Director of Corporate Resources**

# AUDIT REPORT

## **Independent auditor's report to the Members of Hastings Borough Council**

### ***Opinion on the accounting statements***

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

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

### **Respective responsibilities of the Chief Finance officer (the Deputy Chief Executive and Director of Corporate Resources) and auditor**

The Chief Finance Officer (the Deputy Chief Executive and Director Corporate of Resources) responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

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

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

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

# AUDIT REPORT

## **Basis of audit opinion**

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

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

## **Opinion**

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

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

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

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

# AUDIT REPORT

## **Conclusion**

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

## **Certificate**

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

**Robert Grant**  
**Partner, on behalf of PKF (UK) LLP**  
London, UK

30 September 2010

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## THE COUNCIL'S RESPONSIBILITIES

The Council is required :-

(i) 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 Hastings that officer is the Deputy Chief Executive and Director of Corporate Resources (referred to as the Deputy Chief Executive hereafter).

(ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

(iii) to approve the Statement of Accounts.

## RESPONSIBILITIES OF THE DEPUTY CHIEF EXECUTIVE

The Deputy Chief Executive is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in United Kingdom (the SORP), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this statement of accounts, the Deputy Chief Executive has :-

(i) selected suitable accounting policies and then applied them consistently;

(ii) made judgements and estimates that were reasonable and prudent;

(iii) complied with the local authority SORP.

THE DEPUTY CHIEF EXECUTIVE HAS ALSO :

(i) kept proper accounting records which were up to date;

(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

## CONFIRMATION OF APPROVAL BY MEMBERS

I confirm that these accounts were approved by the Audit Committee at the meeting held on 28<sup>th</sup> June 2010.

Signed on behalf of Hastings Borough Council:

N Dart CPFA,

Deputy Chief Executive and Director of Corporate Resources

Chair of Audit Committee

Date 28<sup>th</sup> June 2010

# ANNUAL GOVERNANCE STATEMENT

## **Scope of responsibility**

Hastings Borough 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. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough 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 the code is on our website at [www.hastings.gov.uk](http://www.hastings.gov.uk) . This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

## **The purpose of the governance framework**

The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages 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 risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an 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 Hastings Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they not be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2010, up to the date of approval of the Statement of Accounts.

## **The governance framework**

The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:

Hastings Borough Council continues to have an established Corporate Plan setting out its objectives and there is an accompanying Performance Plan through which achievement of the authority's objectives is monitored.

# ANNUAL GOVERNANCE STATEMENT

Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are Overview and Scrutiny Committees covering all portfolios. An Audit Committee provides independent assurance to the council on risk management and control, and the effectiveness of the arrangements the council has for these matters. The Constitution is reviewed annually by the Monitoring Officer and is codified into one document that is available on the intranet and external web pages.

Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a comprehensive corporate induction programme in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. The Council has an Internal Audit function and established protocols for working with External Audit. The Audit Commission through its Inspectorate functions also reviews compliance with policies, procedures, laws and regulations within their remit.

Hastings Borough Council has continued to enhance and strengthen its' internal control environment through the introduction of new policies and procedures.

The Council carried out a major review of its risk management strategy that was approved by the Audit Committee in June 2009. The actions arising out of it have been discharged except for risk management training to members which was consciously deferred until July to allow for the elections to pass. We have made good progress in embedding risk management within the Council but it is acknowledged that further work is necessary to become a 'risk managed' organisation. This is being led by the Corporate Director for Environment who is the Council's Risk Champion.

Hastings Borough Council Internal Audit continues to provide training and support to give managers at all levels a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process up and down the Council. The high-level risk management methodology was reviewed to provide more focus to member and senior officer management of risk. The Strategic Risk Register was refreshed in December 2009.

Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised by having regard to a combination of economy, efficiency, and effectiveness as required by the Best Value Duty.

The Council performs well in its use of resources, improving on the individual judgements secured in 2008. No areas covered by the appointed auditor's judgements deteriorated and arrangements for preparing and publishing the annual accounts improved.

Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, AGRESSO, which integrates the general ledger function with those of budgetary control and payments. These are supported by the Financial Operating Procedures (FOPS) Manual held on the council's intranet which contains information on financial and business procedures and processes to be followed in all areas of the council. A scheme of delegation which sets out the powers of Directors, the Financial rules and Contract Standing Orders form part of the Constitution. A rigorous system of

# ANNUAL GOVERNANCE STATEMENT

monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.

## **Review of effectiveness**

Hastings Borough 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 Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's Internal Audit and Risk Managements annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The Council contributes to the delivery of the Community Strategy for Hastings through the Corporate Plan. The council monitors and reports publicly on progress so residents can see how issues that matter to them are being tackled. The plan is monitored on a quarterly basis by Overview and Scrutiny Committees.

The Council's constitution, which is annually reviewed by the Monitoring Officer, sets out the responsibilities of both Members and their senior managers. In particular the council has identified the three statutory posts as follows:

- Head of paid service - Chief Executive
- Chief Financial Officer - Deputy Chief Executive & Director for Corporate Resources
- Monitoring Officer - Borough Solicitor

The council continues to assess how its' overall corporate governance responsibilities are discharged. In particular the council has adopted the CIPFA/Solace guidance and has developed a local code of corporate governance.

The arrangements for the provision of internal audit are contained within the Council's Financial rules, which are included within the Constitution. The Deputy Chief Executive & Director of Corporate Resources is responsible for ensuring that there is an adequate and effective system of internal audit of the council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003 as amended in 2006. The internal audit service is managed, independently, by the Chief Auditor and operates in accordance with the CIPFA code of practice for Internal Audit in Local Government 2006. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the council's corporate governance arrangement, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Corporate Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditors ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement. These are submitted to

# ANNUAL GOVERNANCE STATEMENT

Members and Corporate Directors, as appropriate.

The council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management and performance Information
- Scrutiny reports
- Work undertaken by Hastings BC audit during the year
- Work undertaken by the external auditor reported in their Annual Audit and Inspection letter
- Other work undertaken by independent inspection bodies

From the work undertaken by Hastings Audit in 2009/10 the Chief Auditor was able to give the following assurance "I am able to provide a reasonable assurance on the key areas of risk management, corporate governance and financial control". In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the councils standing or Annual Accounts.

The Council's management arrangements for securing data quality are effective and PKF again judged the Council to be performing well and above the minimum standards specified by the Audit Commission.

The Council continually seeks to improve its services for stakeholders and made the following significant achievement.

As from the previous Annual Governance Statement in relation to the Museum Contract Extension recommendations, the Council committed to provide an update on progress in rolling-out a formal project management methodology:

- Hastings Borough Council has now adopted and implemented the 'Kirklees Project Management Framework', a tailored version of PRINCE2.
- Fifteen senior managers have been trained to use the framework and are now acting as champions within the Council. They are now using their experience and ideas to roll out the framework through the wider organisation.
- We are now planning further courses and awareness drives to widen the pool of trained staff and help those involved in projects to better understand their roles and responsibilities.
- New projects are being run using the framework.

## **Significant governance issues**

A key element of the annual governance review process is to identify any significant

# ANNUAL GOVERNANCE STATEMENT

control issues. Whilst it is up to the individual authority to determine what is significant within its own environment, CIPFA have produced a list of what may be considered generally as a significant issue.

There has been a change in Government and different national priorities may emerge. This together with a reduction in Public Sector expenditure will have financial and economic implications for the council.

The other significant issues have been covered in the Annual Audit and Inspection Letter 2008/09 under its key findings and are that the Council should continue to focus on:

- balancing the overall financial position over the medium term while planning for a reduced resource base
- delivering planned efficiencies identified through the Priorities Income and Efficiencies Review (PIER) process
- successfully completing those measures funded by direct grant from the Government
- embedding new organisational structures and delivering the refreshed workforce development plan
- improving performance against the Equalities Framework for local government

(It should be noted that the Council has now undergone a self assessment process with a critical friend and attained the Equalities Framework standard. This will be externally assessed within the next 2 years).

Signed:.....

Leader of the Council

Signed:.....

Chief Executive

# STATEMENT OF ACCOUNTING POLICIES

## General Principles

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice [the SORP]. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## Summary of Accounting Changes

There continues to be changes to the accounts as a result of the developments in Accounting Standards. In recent years both central government and the Accounting Standards Board have sought to bring Local Authority Accounts in line with UK GAAP (Generally Accepted Accounting Principles). UK GAAP is the framework of accounting standards, conventions and legal requirements for the preparations of financial statements in the UK.

For the three changes identified below the comparative figures for 2008/09 and the balance sheet at 1 April 2009 have been adjusted in line with the new accounting standards.

- **National Non-Domestic Rates (NNDR)**

These are collected on behalf of and paid over to the Government, who pool receipts from all local authorities and pay each local authority a share on a formula basis. In the Income and Expenditure Account the Council has accounted only for this share, and this arrangement remains unchanged. In previous years, however, the Balance Sheet has shown separately the gross amount of debts, adjustments for doubtful debts, income in advance and amounts owing to ratepayers, and also any amount paid in excess of or less than the total contribution to the Government for the year. Under the new accounting policy all of these balances are consolidated into a single figure, either a debtor or creditor. The Cash Flow Statement also changes to consolidate all cash movements related to the collection of NNDR into a single movement in liquid resources.

- **Council Tax for Preceptors**

These changes are on similar lines to those described above for NNDR. This Council collects Council Tax for its major precepting authorities (the county council, police and fire authorities), as well as itself. As with NNDR, the Balance Sheet has shown separately the gross amount of debts, adjustments for doubtful debts, income in advance and amounts owing to taxpayers. These amounts are now netted into single figures owing to or from the preceptors, together with their share of the Collection Fund balance at the end of the financial year. The Cash Flow Statement also changes to consolidate all cash movements related to the collection of Council Tax for preceptors into a single movement in liquid resources.

- **Council Tax for Hastings Borough Council**

The balance sheet previously showed the balance on the Collection Fund as part of its Total Net Worth. This balance is now split, the elements relating to major preceptors being shown under current assets or liabilities as noted above. The element relating to this Council remains under Total Net Worth as the Collection Fund Adjustment Account. The amounts credited to the General Fund are the pre-determined precept for the year, adjusted by the Council's share of the surplus or deficit on the Collection Fund as estimated in January, before the end of the financial year. Under the new arrangements the Income and Expenditure Account is credited with the Council's share of Council Tax collected for the year. Any difference between this

# STATEMENT OF ACCOUNTING POLICIES

share and the amounts legally credited to the General Fund is adjusted through the Statement of Movement on the General Fund. As a result of all of these changes there is no longer any entry for the movement in the Collection Fund balance in the Statement of Recognised Gains and Losses.

## Accruals of Income and Expenditure

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

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

## Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

# STATEMENT OF ACCOUNTING POLICIES

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

## **Reserves**

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – the reserves are explained in the relevant policies below.

## **Government Grants and Contributions (Revenue)**

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

## **Retirement Benefits**

Employees of the council are members of the East Sussex County Council Pension Fund.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

## **The Local Government Pension Scheme**

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

- The liabilities of the East Sussex County Council pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using

# STATEMENT OF ACCOUNTING POLICIES

- the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on high quality corporate bonds). The assets of the East Sussex County Council pension fund attributable to the council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid 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 result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
  - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
  - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
  - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
  - contributions paid to the East Sussex County Council pension fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

# STATEMENT OF ACCOUNTING POLICIES

## **Discretionary Benefits**

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

## **VAT**

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

## **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 [BVACOP]. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

## **Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (eg software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Amortisation of intangible assets is generally calculated over a five year life. Software costs have been fully amortised but legacy systems are still in use and that current software licenses are below capitalisation limits.

## **Tangible Fixed Assets**

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

# STATEMENT OF ACCOUNTING POLICIES

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

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

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

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

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

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

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.
- In respect of the Pebsham Landfill site, the asset is impaired as the economic benefit of the asset is consumed.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

# STATEMENT OF ACCOUNTING POLICIES

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

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

Depreciation is calculated on the following basis:

- Dwelling and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- Infrastructure – straight-line allocation over the expected life of the asset

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

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

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## Charges to Revenue for Fixed Assets

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

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provisions in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

# STATEMENT OF ACCOUNTING POLICIES

## **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

## **Leases**

### **Finance Leases**

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable)

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### **Operating Leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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

# STATEMENT OF ACCOUNTING POLICIES

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

## Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

## Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the council.

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

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

# STATEMENT OF ACCOUNTING POLICIES

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses [STRGL]. The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the 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, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

## **Stocks and Work in Progress**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

## **Bad Debts**

The Council makes provision for potential bad debts from non-payment of income owed to the Council. Debtors shown in the Balance Sheet are net of the Bad Debt Provision.

## **Provision for Bad and Doubtful Debts**

It is the Council's policy to make provision for potential bad debts.

## **Provision for Sundry Debtors**

An assessment is made by using estimation techniques based on previous experience and prevailing economic conditions. Such an assessment involves aged analysis of the Council's outstanding debtors to which are applied weighted percentages. In addition individual assessments are made on long outstanding significant debts. In this way the level of provision is determined.

## **Provision for loss on Collection of Council Tax and Non Domestic Rates**

In making a provision an assessment is made based on previous years collection rates and any known large debts that are deemed to be uncollectable based on current information.

## **Provision for Loss on Housing Benefit Overpayments**

An annual review is undertaken using estimation techniques which involve an aged analysis of outstanding debts. Whilst full provision may be made for older debts it is the Council's policy to pursue all debts where appropriate.

# INCOME & EXPENDITURE ACCOUNT

2008-2009 Adjusted Net Expend.		2009-2010 GROSS EXPEND.	2009-2010 INCOME	2009-2010 NET EXPEND.	2009-2010 Pension adjustment under FRS 17 <sup>1</sup>	2009-2010 Adjusted Net Expend.
£'000	SERVICES	£'000	£'000	£'000	£'000	£'000
	Cultural, Environmental, Regulatory & Planning Services:					
517	Cultural Services	925	(112)	813	(22)	791
5,607	Environmental Services	8,052	(2,092)	5,960	(169)	5,791
3,887	Planning and Development Services	7,011	(1,638)	5,373	(183)	5,190
3,702	Recreation, Sport & Open Spaces	4,766	(903)	3,863	(104)	3,759
876	Tourism	1,688	(737)	950	(36)	914
1,126	Community Development	586	(29)	557	(3)	554
525	Cultural Other	980	(361)	619	(12)	607
	Highways, Roads & Transport Services:					
(1,326)	Highways - Parking	2,276	(3,664)	(1,388)	(19)	(1,407)
1,166	Transportation - Concessionary Travel	1,904	(434)	1,470	(1)	1,469
345	Highways Other	886	(503)	383	(34)	349
	Housing Services:					
81	Housing Benefits	60,037	(59,892)	145	(100)	45
521	Housing - other than Council Housing	4,887	(2,861)	2,027	(95)	1,932
1,654	Central Services to the Public	2,385	(772)	1,613	(93)	1,520
2,863	Corporate & Democratic Core Expenses	3,730	(1,790)	1,940	(155)	1,785
0	Non Distributed Costs	168	0	168	0	168
(55)	Other Funds (see Note 34)	2	0	2	0	2
21,490	<b>Net Cost of Services</b>	<b>100,283</b>	<b>(75,788)</b>	<b>24,495</b>	<b>(1,026)</b>	<b>23,469</b>
(1,383)	(Surplus) / Deficit on Trading Undertakings not included in Net Cost of Services - Note 2	3,089	(3,638)	(549)	(39)	(588)
(132)	(Gains) & Losses on Disposal of Fixed Assets		(721)	(721)	0	(721)
(979)	Interest and Investment Income	0	(269)	(269)	0	(269)
532	Interest Payable and similar charges	449	0	449	0	449
	Exceptional Item - VAT refund from HM Revenue and Customs - Note 13	355	(1,935)	(1,580)	0	(1,580)
946	Pensions Interest Cost and expected Return on Pensions Assets	0	0	0	1,927	1,927
20,474	<b>Net Operating Expenditure</b>	<b>104,176</b>	<b>(82,351)</b>	<b>21,825</b>	<b>862</b>	<b>22,687</b>
	SOURCES OF FINANCE					
(15,189)	General Government Grants - Notes 3 & 7			(14,045)	0	(14,045)
(6,499)	Total Demand on the Collection Fund			(6,758)	0	(6,758)
(1,214)	<b>(Surplus) / Deficit for the year</b>			<b>1,022</b>	<b>862</b>	<b>1,884</b>

<sup>1</sup> Financial Reporting Standard 17 (FRS17) requires an adjustment to be made to the accounts to reflect the difference between the actual employer contribution to the pension fund and the estimated true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a pension at retirement.

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income & Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different basis, the main differences being:-

- \* Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- \* Depreciation and impairment of fixed assets is charged to the Income & Expenditure Account but cannot be charged to the General Fund. The amortisation of intangible fixed assets is treated in a similar way.
- \* Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- \* A statutory provision for the repayment of debt related to capital investment is included when determining the General Fund balance, but is not included in the Income & Expenditure Account.
- \* Net gains or losses on the sale of fixed assets are charged to the Income & Expenditure Account but cannot be charged to the General Fund.
- \* The net transfer from reserves is excluded from the Income & Expenditure Account but is included when determining the General Fund balance.

2008-09 £'000		2009-10 £'000	2009-10 £'000
	Change in the General Fund Balance for the year analysed between:		
1,214	Surplus / (deficit) for the year on the Income & Expenditure Account	(1,884)	
(1,159)	Net additional amount required by statute and non-statutory proper practices to be credited / (debited) to the General Fund Balance for the year - <i>Note 12.</i>	1,882	(2)
55			(2)
559	General Fund Balance brought forward ( <i>see Note. 34</i> )		614
614	<b>General Fund Balance carried forward</b>		<b>612</b>

## STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (STRGL)

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-imburement of the net liability to cover the cost of retirement benefits (see Note 14).

<b>2008-2009</b> <b>£'000</b>		<b>2009-10</b> <b>£'000</b>
(1,214)	(Surplus) / Deficit on the Income & Expenditure Account for the year	<b>1,884</b>
(1,896)	(Surplus) / Deficit arising on revaluation of Fixed Assets	<b>(15,036)</b>
10,552	Actuarial (Gains) & Losses on Pension Fund Assets & Liabilities	<b>25,844</b>
0	(Surplus) / Deficit attributable to the Council on the Collection Fund	<b>(6)</b>
336	Other (Gains) & Losses	<b>(546)</b>
<hr/> 7,778	Total Recognised (Gains) & Losses for the year	<hr/> <b>12,140</b>

# BALANCE SHEET

2008-09		2009-2010	
£'000	<b>FIXED ASSETS - Note 17</b>	£'000	£'000
	<b>Tangible Assets:</b>		
	Operational Assets- Note 18		
11,664	Land & Buildings	23,443	
12,964	Infrastructure Assets	13,257	
1,710	Vehicles, Plant, Furniture & Equipment	1,438	
14,568	Community Assets	15,168	53,306
	Non-operational Assets- Note 19		
30,230	Investment Properties	34,180	
1,333	Assets under Construction	0	
1,268	Surplus Assets, held for Disposal	1,758	35,938
<u>73,737</u>			<u>89,244</u>
286	<b>Intangible Assets: Note 20</b>		0
<u>74,023</u>	Total of Fixed Assets		<u>89,244</u>
	<b>LONG TERM INVESTMENTS</b>		
0	Investments		0
	<b>LONG TERM DEBTORS Note 22</b>		
43	Mortgages		20
208	Other		137
<u>74,274</u>	Total Long -Term Assets		<u>89,401</u>
	<b>CURRENT ASSETS</b>		
85	Stocks - Note 23		101
8,567	Debtors - Note 24		4,219
16,484	Short Term Deposits - Note 39		19,808
333	Cash in Hand and at Bank		26
<u>25,469</u>			<u>24,154</u>
	<b>CURRENT LIABILITIES</b>		
(6,414)	Creditors - Note 25		(10,021)
(7,771)	Borrowing repayable on demand or within one year - Note 26		(4,569)
0	Bank Overdraft		(440)
<u>(14,185)</u>			<u>(15,030)</u>
<u>11,284</u>	Net Current Assets / (Liabilities)		<u>9,124</u>
<u>85,558</u>	Total Assets less current liabilities		<u>98,525</u>



# CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2008-2009 £'000	<b>REVENUE ACTIVITIES</b>	2009-10 £'000
	<b>CASH OUTFLOWS</b>	
17,731	Cash paid to and on behalf of employees	17,315
21,443	Other operating cash payments	23,201
40,555	Housing benefit payments	47,626
-	Revenue expenditure funded from capital under statute	2,645
79,729		90,787
	<b>CASH INFLOWS</b>	
(5,167)	Council Tax income	(6,836)
(8,906)	National non-domestic rate receipts from national pool	(8,367)
(6,429)	Revenue Support Grant / Area Based Grant	(5,557)
(48,222)	DWP grants for benefit payments	(52,724)
(2,836)	Other government / agencies grants	(6,005) <i>Note 45.</i>
(15,333)	Cash received for goods & services & rents	(16,652)
(86,893)		(96,141)
(7,164)	Net expenditure / (income)	(5,354)
	<b>SERVICING OF FINANCE</b>	
	<b>CASH OUTFLOWS</b>	
846	Interest paid	501
	<b>CASH INFLOWS</b>	
(119)	Interest received	(1,088)
(6,437)	Net Revenue Activities	(5,941) <i>Note 44.</i>
	<b>CAPITAL ACTIVITIES</b>	
	<b>CASH OUTFLOWS</b>	
5,542	Purchase of fixed assets (2008-09 includes Intangible Assets)	3,103
0	Other capital cash payments	0
5,542		3,103
	<b>CASH INFLOWS</b>	
(1,083)	Sale of other fixed assets	(1,781)
(3,219)	Capital grants received	(2,219)
0	Other capital cash receipts	0
1,240	Net Capital Activities	(897)
(5,197)	Net cash (inflow) / outflow before financing	(6,838) <i>Note 46.</i>

# CASH FLOW STATEMENT

2008-2009 £'000		2009-10 £'000
	<b>FINANCING</b>	
	<b>CASH OUTFLOWS</b>	
3,128	Repayment of amounts borrowed	5,700
	<b>CASH INFLOWS</b>	
0	New loans raised	0
(4,201)	New short -term loans	0
(1,073)		5,700
	<b>MANAGEMENT OF LIQUID RESOURCES</b>	
(2,999)	Net (decrease) / increase in short-term lending & bank deposits <i>Note 47.</i>	3,165
(320)	National Non-Domestic Rates	(725)
6,515	Council Tax	(555)
3,196		1,885
(3,074)	Net (Increase) / decrease in cash	747

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 1. PRIOR PERIOD ADJUSTMENTS

Restatement of 2008/2009 Accounts

As a result of the changes in accounting treatment, adjustments have been made to figures previously reported within the 2008/2009 Accounts as follows:

*Extract from the Income and Expenditure Account*

	<b>2008-09</b>	<b>2008-09</b>
	<b>£'000 before restatement</b>	<b>£'000 after restatement</b>
<b>Net Operating Expenditure</b>	20,474	20,474
<b>SOURCES OF FINANCE</b>		
General Government Grants - Notes 3 & 7	(6,283)	(6,283)
Non Domestic Rates Redistribution	(8,906)	(8,906)
Transfers to/from Collection Fund re previous years (surpluses)/deficits	182	
Total Demand on the Collection Fund	(6,510)	(6,499)
(Surplus) / Deficit for the year	(1,043)	(1,214)

*Extract from the Statement of Movement on the General Fund Balance*

	<b>2008-09</b>	<b>2008-09</b>
	<b>£'000 before restatement</b>	<b>£'000 after restatement</b>
Surplus /(Deficit) for the Year on the Income and Expenditure Account	1,043	1,214
Net additional amount required by statute and non-statutory proper practices to be credited / (debited) to the General Fund Balance for the year	(988)	(1,159)
<b>Increase in General Fund Balance for the year</b>	<b>55</b>	<b>55</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

*Extract from the Balance Sheet*

	2008-09	2008-09
	£'000 before restatement	£'000 after restatement
Total Fixed and Long Term Assets	74,274	74,274
Current Assets		
Stocks	85	85
Local Taxpayers	5,803	1,064
Government Departments / Bodies	5,401	4,479
Other Local Authorities & Public Bodies	549	549
Non Domestic Rates	0	1,454
Collection Fund deficits attributable to precepting authorities	61	0
Housing Benefit Overpayments	616	616
Other Payments in advance	206	206
Sundry Debtors	2,064	2,064
Less: Provision for bad debts	(5,649)	(1,865)
Short Term Deposits	16,484	16,484
Cash in Hand and at Bank	333	333
<b>Total Assets</b>	<b>100,227</b>	<b>99,743</b>
Current Liabilities		
Government Departments / Bodies	(328)	(328)
Other Local Authorities & Public Bodies	(976)	(976)
Amounts received in advance including Sundry Creditors	(2,917)	(2,433)
	(2,677)	(2,677)
Borrowing repayable on demand or within one year	(7,771)	(7,771)
Bank Overdraft	0	0
	<b>(14,669)</b>	<b>(14,185)</b>
Total Assets less current liabilities	85,558	85,558
Less Long Term Liabilities	(49,393)	(49,393)
<b>Total Assets Less Liabilities</b>	<b>36,165</b>	<b>36,165</b>
Reserves and Balances	36,155	36,155
Collection Fund Balance	10	0
Collection Fund Adjustment Account	0	10
<b>Total Net Worth</b>	<b>36,165</b>	<b>36,165</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Extract from the Cash Flow Statement	2008-09	2008-09
	£'000 before restatement	£'000 after restatement
<b>REVENUE ACTIVITIES</b>		
<b>CASH OUTFLOWS</b>		
Cash paid to and on behalf of employees	17,731	17,731
Other operating cash payments	21,443	21,443
Housing benefit payments	40,555	40,555
National non-domestic rate payments to national pool & other adjustments	16,963	-
Net Precepts paid	36,433	-
	<u>133,125</u>	<u>79,729</u>
<b>CASH INFLOWS</b>		
Council Tax income	(35,085)	(5,167)
National non-domestic rate receipts from ratepayers	(17,283)	-
National non-domestic rate receipts from national pool	(8,906)	(8,906)
Revenue Support Grant / Area Based Grant	(6,429)	(6,429)
DWP grants for benefit payments	(48,222)	(48,222)
Other government / agencies grants	(2,836)	(2,836)
Cash received for goods & services & rents	(15,333)	(15,333)
	<u>(134,094)</u>	<u>(86,893)</u>
Net expenditure / (income)	<u>(969)</u>	<u>(7,164)</u>
<b>SERVICING OF FINANCE</b>		
Interest paid	846	846
Interest received	(119)	(119)
Net Revenue Activities	<u>(242)</u>	<u>(6,437)</u>
<b>CAPITAL ACTIVITIES</b>		
Net Capital Activities	1,240	1,240
Net cash (inflow) / outflow before financing	998	(5,197)
Repayment of amounts borrowed	3,128	3,128
<b>CASH INFLOWS</b>		
New loans raised	0	0
New short -term loans	(4,201)	(4,201)
	<u>(1,073)</u>	<u>(1,073)</u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>		
Net (decrease) / increase in short-term lending & bank	(2,999)	(2,999)
National Non-Domestic Rates	-	(320)
Council Tax	-	6,515
	<u>(2,999)</u>	<u>3,196</u>
Net (Increase) / decrease in cash	<u>(3,074)</u>	<u>(3,074)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE 2. TRADING UNDERTAKINGS

The Council operates various undertakings whose financial results were as follows :-

2008-09 NET £'000		EXPEND. £'000	2009-10 INCOME £'000	NET £'000
(2,017)	Employment Areas, Factories, Land & Property Entertainments & Amenities	1,944	(3,233)	(1,289)
582	- White Rock Theatre	610	(1)	609
66	- Caves & Castle	107	(92)	15
(5)	- Chalets, Hut Sites and Cliff Railways	428	(312)	116
<u>(1,374)</u>		<u>3,089</u>	<u>(3,638)</u>	<u>(549)</u>
(9)	Adjustment for pension contributions under FRS17			(39)
<u>(1,383)</u>	Net deficit / (surplus)			<u>(588)</u>

### NOTE 3. GENERAL GOVERNMENT GRANTS

The constituent elements of this figure are as follows:-

2008-09 £'000		2009-2010 £'000
1,239	Revenue Support Grant	1,931
8,906	Non Domestic Rates Redistribution	8,367
5,006	Area Based Grant	3,625
38	Local Authority Business Growth Incentive Scheme (LABGI)	35
0	LAA Reward Grant	87
<u>15,189</u>		<u>14,045</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 4. PENSION COSTS

The Council provides for the pensions of its past and present employees by way of annual contributions to the East Sussex County Pension Fund. It is a defined benefit scheme providing benefits based on final pensionable pay. The cost of the contributions shown in the Council's account was as follows:-

2008-2009			2009-2010	
£'000	%		£'000	% of pensionable pay
2,414	21.80	Primary contribution	2,385	21.80
166	1.50	Discretionary years, added years and lump sums awarded	171	1.57
<u>2,580</u>	<u>23.30</u>	Total payments to the Pension Fund	<u>2,556</u>	<u>23.37</u>

The last full actuarial valuation was as at 31 March 2007 and the next formal valuation due as at 31 March 2010. The main factor in 2009/10 that results in the increase in the deficit is the change in the discount rate used to calculate the future liabilities of the fund.

The cost of providing pensions has risen mainly as a result of the lower returns on investments, the longevity of members and the level of early retirements in the past. The assessed deficit of £51.739m impacts on the Council by way of increased employer contributions. Over the next year the primary contribution will be 21.8%.

Hastings Nos. at 31 Jan.2009		Hastings Nos. at 31 Jan.2010
473	Active Members	446
552	Deferred Pensioners	564
639	Pensioners	649
<u>1,664</u>		<u>1,659</u>

2008-2009 £'000	Recognition in Income & Expenditure Account:	2009-10 £'000
1,537	Current Service Cost	1,306
671	Past Service Costs and (Gains)	0
21	Losses and (Gains) on Curtailments	251
5,928	Interest Cost	5,759
(4,982)	Expected Return on Employer Assets	(3,832)
11	over-estimation of actual pymnts by HBC by actuary	(66)
<u>3,186</u>		<u>3,418</u>
(3,186)	Reversal of net charges made for retirement benefits in accordance with FRS17	(3,418)
	Actual amount charged against the General Fund Balance for pensions in the year:	
2,580	Employers Contribution	2,556
<u>2,580</u>	Net Charge to General Fund	<u>2,556</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

The Actuary has made allowance in his calculations for the potential effect of employee or deferred pensioner members electing to take additional tax-free cash at retirement, as is permitted from April 2006.

2008-2009 £'000	<b>Movement on the scheme during the year:</b>	2009-10 £'000
(13,875)	Deficit at the beginning of the year	(25,033)
(1,537)	Current Service Cost	(1,306)
(671)	Past Service Cost	0
(21)	Impact of Settlements & Curtailments	(251)
167	Contributions in respect of Unfunded Benefits (as estimated by Actuary)	173
2,402	Employer contributions (as estimated by Actuary)	2,449
(946)	Net Return on Assets	(1,927)
(10,552)	Actuarial gains / (losses)	(25,844)
<u>(25,033)</u>	Deficit at end of year	<u>(51,739)</u>

2008-2009 £'000	<b>Reconciliation of Fair Value of Employer Assets (scheme Assets):</b>	2009-10 £'000
72,395	Value of Assets at 1 April	59,186
4,982	Expected Return on Assets	3,832
749	Contributions by Members	757
2,402	Contributions by the Employer	2,449
167	Contributions in respect of Unfunded Benefits	173
(17,793)	Actuarial Gains and (Losses)	17,425
(167)	Unfunded Benefits Paid	(173)
(3,549)	Benefits Paid	(3,665)
<u>59,186</u>		<u>79,984</u>

2008-2009 £'000	<b>Reconciliation of Defined Benefit Obligation (scheme Liabilities):</b>	2009-10 £'000
86,270	Value of Liabilities at 1 April	84,219
1,537	Current Service Cost	1,306
5,928	Interest Cost	5,759
749	Contribution by Members	757
(7,241)	Actuarial Gains and (Losses)	43,269
671	Past Service Costs and (Gains)	0
21	Losses and (Gains) on Curtailments	251
(167)	Unfunded Benefits Paid	(173)
(3,549)	Benefits Paid	(3,665)
<u>84,219</u>		<u>131,723</u>

Note : see also note 38.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 5. LEASES

Vehicles, plant and equipment have been acquired through operating leases. During the year payments under operating lease agreements, together with the future obligations are shown in the table below. The Council has a finance lease, see note 27, for 125 years.

2008-2009 £'000	<b>Council as Lessee:</b>	2009-10 £'000
266	Operating Leases (vehicles)	231
266		231
359	Future cash payments required under Operating Leases	306

The Council has granted leases of a number of business and industrial premises / sites to individuals and companies for varying periods. Where applicable market rents are charged to lessees. For accounting purposes these agreements are treated as operating leases.

2008-2009 £'000	<b>Council as Lessor:</b>	2009-10 £'000
3,370	Rental income	3,376
31,088	Asset value - Gross Book Value	34,596
(1,253)	Accumulated depreciation charges	(337)

## NOTE 6. MEMBERS ALLOWANCES

Allowances and expenses paid to Councillors during the year were :-

2008-2009 £'000		2009-10 £'000
288	Members Allowances	295
26	Conferences, Training and Travelling Expenses	11
314		306
32	Number of Councillors	32
£9,813	Average sum per Councillor	£9,563

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 7. AREA BASED GRANT

From 1st April 2008 for a three year period the Council has been notified of Area Based Grant (ABG) totalling £12.473m. This Government grant has been given to assist the town combat 'worklessness'. The sum awarded in 2009-10 was £3.625m. A balance of £0.2m has been transferred from reserves.

2008-09	2009-10
£'000 Expenditure:	£'000
£879 Working Neighbourhood initiatives	2,651
£1,018 Local Enterprise initiatives	905
£527 Neighbourhood initiatives	183
£21 Community Cohesion	52
£22 Youth Task Force	25
<u>£2,467</u>	<u>£3,816</u>

Note: In addition the Council has been notified of a capital grant of £593,000 over the three year period.

## NOTE 8. EMPLOYEE REMUNERATION (excluding employers pension contributions)

The number of employees of the Council whose emoluments were within the following ranges were :-

2008-2009		2009-2010
5	£50,000 - 54,999	5
6	£55,000 - 59,999	6
5	£60,000 - 64,999	5
1	£65,000 - 69,999	2
1	£70,000 - 74,999	0
2	£75,000 - 79,999	3
0	£80,000 - 84,999	0
2	£85,000 - 89,999	2
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
1	£105,000- £109,999	1
<u>23</u>		<u>24</u>

The table opposite sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 more per year.

Senior Officers emoluments-Salary is between £50,000 and £150,000 per year

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 8. EMPLOYEE REMUNERATION (excluding employers pension contributions)- (cont'd)

Post holder information (Post title)	Salary (Including fees & Allowances) 2009-2010 £	Bonuses 2009-2010 £	Expense Allowances 2009-2010 £	Compensation for loss of office 2009-2010 £	Benefits in Kind (e.g. leased cars) 2009-2010 £	Total Remuneration excluding pension contributions 2009-2010 £
Chief Executive	102,111	0	189	0	6,653	<b>108,953</b>
Deputy Chief Executive & Director of Corporate Resources	81,282	0	189		5,146	<b>86,617</b>
Borough Solicitor	58,566	0	0	0	2,483	<b>61,049</b>
Director of Regeneration, Homes and Communities	73,458	0	0	0	5,452	<b>78,910</b>
Director of Environmental services	81,090	0	189	0	5,837	<b>87,116</b>
Head of Corp. Policy, Perf & Partnerships	47,874	0	0	0	1,785	<b>49,659</b>
Director of Community Well-Being	45,095	0	0	29,999	2,787	<b>77,881</b>
	<b>489,476</b>	<b>0</b>	<b>567</b>	<b>29,999</b>	<b>30,143</b>	<b>550,185</b>

2008-2009	Post holder information (Post title)	Pension Contributions 2009-2010	Total Remuneration 2009-2010
130,879	Chief Executive	23,144	132,097
105,239	Deputy Chief Executive & Director of Corporate Resources	18,924	105,541
72,319	Borough Solicitor	12,515	73,564
94,150	Director of Regeneration, Homes and Communities	16,014	94,924
104,809	Director of Environmental services	17,678	104,794
57,018	Head of Corp. Policy, Perf & Partnerships	10,437	60,096
94,154	Director of Community Well-Being	61,037	138,918
<b>658,568</b>		<b>159,749</b>	<b>709,934</b>

# Director of Community Well-being was made redundant on 11th November 2009 and as such figures represent part of the year. The pension payment for this person is made up of £51,206 compensation payment made direct to the pension fund and £9,831 employee pension contribution.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 9. RELATED PARTY TRANSACTIONS

During the year transactions with related parties arose as follows :-

2008-09 £'000		Receipts £'000	Payments £'000
	Central Government		
(51,058)	Specific Revenue Grants	(58,729)	-
(1,277)	Revenue Support Grant (incl. LABGI and LAA Reward)	(2,053)	-
(5,006)	Area Based Grant	(3,625)	-
8,057	Contributions to / from Business Rate Pool	(8,367)	0
(3,219)	Capital Grants	(2,219)	-
31,701	East Sussex County Council - precept	-	32,829
2,243	East Sussex Fire Authority - precept	-	2,332
3,746	Sussex Police Authority - precept	-	3,923
2,580	East Sussex County Council Pension Fund - payment of employer's pension contributions in respect of employees	-	2,556
20	Hastings Borough Council Staff - loans made to individual members of staff to assist with the purchase of vehicles and repayments	(51)	33
4	Hastings Borough Council Staff - Relocation costs	-	0
<u>(12,209)</u>	the Council	<u>(75,044)</u>	<u>41,673</u>

Members of the Council have direct control over the Council's financial and operating policies. The council also nominates members to sit on outside bodies. Eight members are also members of East Sussex County Council. £19,410 was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. Grants totalling £637,912 were paid to voluntary organisations in which six members had an interest. The relevant members did not take part in any discussion or decision relating to the grants. There were no other interests in any part related transactions during the year. The register of Member's Interest is held at the Town Hall and is open to public inspection.

## NOTE 10. AUDIT FEES

Fees were paid to the Council's external auditors for services carried out as follows:-

2008-2009 £'000		2009-2010 £'000
109	Fees payable to PKF (UK) LLP with regard to external audit services carried out	108
53	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	43
7	Fees payable to the Audit Commission in respect of statutory inspection	9
2	Fees payable in respect of other services provided	1
<u>171</u>		<u>161</u>

## NOTE 11. TRANSPORT ACT 2000

Under the powers conferred by this act no expenditure was incurred.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 12. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008-2009 £'000		2009-2010 £'000
	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(283)	Amortisation of intangible fixed assets	(287)
(1,919)	Depreciation and impairment of fixed assets	(2,830)
4,733	Government Grants Deferred amortisation	2,810
(2,862)	Revenue expenditure funded from capital under statute	(2,888)
97	Unamortised discount on the premature repayment of PWLB long term loans	0
171	Collection Fund Adjustment	15
132	Net Gain / (Loss) on disposal of Fixed Assets	721
(3,186)	Net charges made for retirement benefits in accordance with FRS17	(3,418)
<u>(3,117)</u>		<u>(5,877)</u>
	<b>Amounts not included in the Income &amp; Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year</b>	
192	Minimum revenue provision for capital financing	331
0	Capital expenditure charged in-year to the General Fund Balance	0
2,580	Employers contributions payable to the ESCC Pension Fund and retirement benefits payable directly to pensioners	2,556
<u>2,772</u>		<u>2,887</u>
	<b>Transfers to, or from, the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
2,215	Movement on Earmarked Reserves	(471)
(711)	Movement on General Reserves	1,579
<u>1,504</u>		<u>1,108</u>
<u>1,159</u>	<b>Net additional amount required to be (credited) / debited to the General Fund Balance for the year</b>	<u>(1,882)</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 13. EXCEPTIONAL INCOME ITEM

The council has been successful in a "Fleming case" VAT claim against H M Revenue and Customs relating to cultural income 1990 to 1996, sporting admissions 1990 to 1994 and parking control notice income 1973 to 1996. The refund received amounts to £1.935 million in respect of the claim and interest. The Council paid £355,000 to an accountancy firm who lodged the claim on the Council's behalf.

The use of the monies received has been earmarked as part of the Council's 2010/11 budget process.

## NOTE 14. STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (STRGL):

### (SURPLUS) / DEFICIT ON REVALUATION OF FIXED ASSETS

2008-2009 £'000		2009-2010 £'000
1,141	Writing down of Fixed Asset values	0
(3,037)	Unrealised Gains	(15,036)
0	De-Minimus adjustments	0
<u>(1,896)</u>	Net (gain) / loss	<u>(15,036)</u>

### ACTUARIAL GAINS & LOSSES ON PENSION FUND ASSETS & LIABILITIES

£'000		£'000
(17,793)	Difference between the expected and actual return on assets	17,425
43	Differences between actuarial assumptions about liabilities and actual experience	(126)
7,198	Changes in demographic and financial assumptions used to estimate liabilities	(43,143)
<u>(10,552)</u>	Net gain / (loss)	<u>(25,844)</u>

From 2003-04 the Code of Practice on Local Authority Accounting in the UK has introduced the requirement to show the actuarial gains and losses related to the Council's share of the East Sussex Pension Fund.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 15. AMOUNT SET ASIDE FOR THE REPAYMENT OF EXTERNAL LOANS - MINIMUM REVENUE PROVISION (MRP)

From 1 April 2007 Government introduced new regulations concerned with the treatment of MRP. This places a general duty on the Council to make prudent provision for the repayment of capital debt. The sum assessed in 2009-10 is based on the pre 2007 position that remains a constant sum into the future, plus the effect of new borrowing to finance capital expenditure since the changes were introduced. Prior to 2008-09 the effect of commutation meant that the actual calculation was a 'nil' provision. From then the effect has tapered off to give a positive provision that will increase moving forward.

2008-09 £'000		2009-10 £'000
0	Balance 1 April	192
192	Provision in year	331
<hr/>		<hr/>
192	Balance 31 March	523

## NOTE 16. FUTURE JOBS FUND

The Council have been awarded £2.3 million for the future jobs scheme and are acting as principal in distributing the grant across Sussex. The grant has been awarded for the period 28th September 2009 to 27th November 2011.

The grant has been allocated in 2009/10 as follows:

	2009-10 £'000
<b>Bridge Community Centre</b>	5
<b>Furniture Now Eastbourne</b>	7
<b>Furniture Now Lewes</b>	5
<b>Hastings Furniture Services</b>	13
Hastings Trust	5
Other partners	128
NCDL Ltd	18
Tomorrow's People	14
Admin	7
Total	<hr/> <b>202</b> <hr/>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 17. FIXED ASSETS

An analysis of fixed assets includes the following :-

2008-2009 no's restated		2009-2010 no's
	<b>Operational Land and Buildings :</b>	
1	Town Hall	1
11	Offices	8
16	Off Street Car Parks	16
3	Leisure Centres and Pools	3
2	Museums and Art Galleries	2
1	Theatre	1
1	Cemetery & Crematorium	1
2	Cliff Railways	2
10	Allotments	10
12	Public Toilets	12
2	Depots and Workshops	4
	<b>Community Assets :</b>	
23	Recreational Areas	23
4	Reservoirs	4
43	Parks & Open Spaces	43
1	Hastings Castle	1
1	St.Clements Caves	1
108	Other Land Holdings & Community Facilities	109
	<b>Non-operational Assets :</b>	
42	Factory Sites	41
70	Factory Units	68
54	Commercial Properties	60
1	Shopping Centre	1
52	Land Holdings	52
10	Other	11
	<b>Infrastructure Assets :</b>	
1	Harbour Arm	1
4km	Promenade	4km
4km	Coast Defence Walls & Groynes	4km

Assets are revalued on a rolling programme basis, service by service. On this basis all assets are revalued within a five year period.

Operational and Non-operational assets are valued on an open market basis. Infrastructure and Community assets are valued on a historic cost basis.

Valuations are carried out in-house by the Council's Estates Manager who is a Member of the Royal Institution of Chartered Surveyors and also valuations in 2009/10 have been carried out by the Wilks Head and Eve Chartered Surveyors of Newlands House, 40 Berners, Street London, W1T 3NA

Depreciation on all tangible assets is calculated on a straight-line basis over the expected remaining life of those assets. It is assessed on the difference between the book value and any estimated residual value. Amortisation of intangible assets is generally calculated over a five year life. Software costs have been fully amortised but legacy systems are still in use and that current software licenses are below capitalisation limits.

During the year a number of assets were sold, amongst these were:-

\* Offices at Wellington Square

\* Silverhill Depot

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 18. OPERATIONAL ASSETS

Movements in operational assets during the year :-

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infra- structure Assets £'000	Community Assets £'000	Total £'000
Gross Book Value at 1st April	12,379	2,392	20,174	15,291	<b>50,236</b>
Additions	1,676	30	1,064	651	<b>3,421</b>
Disposals					<b>0</b>
Impairments	(417)				<b>(417)</b>
Revaluations	9,905				<b>9,905</b>
Adjustments	0				<b>0</b>
Re-categorisation	529				<b>529</b>
Gross Book Value at 31st March	<u>24,072</u>	<u>2,422</u>	<u>21,238</u>	<u>15,942</u>	<u><b>63,674</b></u>
Accumulated Depreciation at 1st April	(715)	(682)	(7,210)	(723)	<b>(9,330)</b>
Depreciation this year	(468)	(302)	(771)	(51)	<b>(1,592)</b>
Depreciation Written Out on Asset Movement	408				<b>408</b>
Adjustments					<b>0</b>
Re-categorisation	146				<b>146</b>
Accumulated Depreciation at 31st March	<u>(629)</u>	<u>(984)</u>	<u>(7,981)</u>	<u>(774)</u>	<u><b>(10,368)</b></u>
Net Book Value at 31st March	<u>23,443</u>	<u>1,438</u>	<u>13,257</u>	<u>15,168</u>	<u><b>53,306</b></u>

## NOTE 19. NON-OPERATIONAL ASSETS

Movements in non-operational assets during the year :-

	Investment Properties £'000	Assets Under Cons-truction £'000	Surplus Assets held for Disposal £'000	Total £'000
Gross Book Value at 1st April	31,417	1,333	1,275	<b>34,025</b>
Additions	356	38		<b>394</b>
Disposals	(1)		(567)	<b>(568)</b>
Impairments	(811)			<b>(811)</b>
Revaluations	3,051		513	<b>3,564</b>
Re-categorisation	301	(1,371)	541	<b>(529)</b>
Gross Book Value at 31st March	<u>34,313</u>	<u>0</u>	<u>1,762</u>	<u><b>36,075</b></u>
Accumulated Depreciation at 1st April	(1,187)	0	(7)	<b>(1,194)</b>
Depreciation this year	(10)	0	0	<b>(10)</b>
Depreciation Written Out on Asset Movement	1,159	0	54	<b>1,213</b>
Re-categorisation	(95)		(51)	<b>(146)</b>
Accumulated Depreciation at 31st March	<u>(133)</u>	<u>0</u>	<u>(4)</u>	<u><b>(137)</b></u>
Net Book Value at 31st March	<u>34,180</u>	<u>0</u>	<u>1,758</u>	<u><b>35,938</b></u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 20. INTANGIBLE ASSETS

Movements in intangible assets during the year :-

	Software Licences £'000	Other £'000	Total £'000
Gross Book Value at 1st April	1,435	0	1,435
Additions	0	0	0
Disposals	0	0	0
Revaluations	0	0	0
Re-categorisation	0	0	0
Gross Book Value at 31st March	1,435	0	1,435
Accumulated Amortisation at 1st April	(1,149)	0	(1,149)
Amortisation this year	(286)	0	(286)
Accumulated Amortisation at 31st March	(1,435)	0	(1,435)
Net Book Value at 31st March	0	0	0

## NOTE 21. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

These charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. The expenditure is written down during the year of acquisition and therefore no sum remains on the face of the balance sheet.

	Balance at 1 April £'000	Expenditure £'000	Amount written out £'000	Balance at 31 March £'000
Renovation & Social Housing Grants	0	1,726	(1,726)	0
Other Grants	0	1,162	(1,162)	0
	0	2,888	(2,888)	0

## NOTE 22. LONG TERM DEBTORS

Mortgages granted for housing purposes, loans made to businesses, and to staff by way of car loans.

2008-2009 £'000		2009-2010 £'000
43	Mortgages	20
94	Loans to Businesses	33
119	Car Loans to Staff	104
256		157
(5)	Less : Provision for bad debts	0
251		157

The SORP requires that the fair value of this category of asset be disclosed in the notes to the accounts. The following fair values apply:-

43	Mortgages	20
78	Loans to Businesses	33
116	Car Loans to Staff	102
237		155

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 23. STOCKS

Small stocks of saleable and consumable items held by a number of service providers.

2008-2009 £'000		2009-2010 £'000
85	Stocks of materials, souvenirs, provisions & office supplies	101
<u>85</u>		<u>101</u>

## NOTE 24. DEBTORS

2008-2009 £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2009-2010 £'000
1,064	Local Taxpayers	1,208
4,479	Government Departments / Bodies	166
1,454	Government Departments re: Non Domestic Rates	643
549	Other Local Authorities & Public Bodies	942
616	Housing Benefit Overpayments	695
0	Housing Benefit paid in advance	0
206	Other Payments in advance	330
2,064	Sundry Debtors	2,316
<u>10,432</u>		<u>6,300</u>
(1,865)	<u>Less</u> : Provision for bad debts	(2,081)
<u>8,567</u>	TOTAL	<u>4,219</u>

## NOTE 25. CREDITORS

2008-2009 £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2009-2010 £'000
328	Government Departments / Bodies	374
976	Other Local Authorities & Public Bodies	641
0	Collection Fund surpluses attributable to precepting authorities	0
2,433	Amounts received in advance including grants & contributions unapplied	4,460
2,677	Sundry Creditors	4,546
<u>6,414</u>	TOTAL	<u>10,021</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 26. BORROWING

2008-2009 £'000	SOURCE OF LOAN	2009-2010 £'000
7,701	Money Market - Short Term	2,000
70	Public Works Loan Board - Short Term	* 2,569
12,000	Public Works Loan Board - Long Term	9,500
<u>19,771</u>		<u>14,069</u>

\* accrued interest of £68,554 is included in this figure which relates to the long term loan but which is treated as being repayable within one year

£'000	AN ANALYSIS OF LOANS BY MATURITY (Excluding accrued interest)		Interest rate %	£'000
7,700	Maturing within one year		1.06	4,500
0	Maturing within one year		3.50	9
<u>7,700</u>	Total borrowing repayable within one year			<u>4,509</u>
4,500	Maturing in 1 - 15 years		0.65	2,000
7,500	Maturing in more than 15 years		4.80	7,500
<u>12,000</u>	Total borrowing repayable in excess of one year (Long Term Borrowing)			<u>9,500</u>
<u>19,700</u>	Total Borrowing	average	<u>3.00</u>	<u>14,009</u>

The SORP requires that the fair value of this category of asset be disclosed in the notes to the accounts. The following fair values apply:-

7,718	Money Market - Short Term	1,999
2,519	Public Works Loan Board -Short term	2,521
9,807	* Public Works Loan Board	9,696
<u>20,044</u>		<u>14,216</u>

\* PWLB debt has been evaluated using the comparable new borrowing rate as the discount factor in determining the net present value of future cashflows.

## NOTE 27. DEFERRED LIABILITIES

Deferred liabilities arise from a finance lease of 125 years on the administrative building Renaissance House.

Included within operational assets are assets which have been acquired under a finance lease for 125 years. The Gross and Net book value is £255,000

Outstanding commitments in relation to finance leases at 31 March are as follows:

2008-2009 £'000		2009-2010 £'000
0	Less than one year	9
0	Between 2-5 years	44
0	More than one year	1,004
<u>0</u>	<b>Total</b>	<u>1,057</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 28. PROVISIONS

Provisions have been created for liabilities that will occur sometime in the future but are of uncertain timing or amount.

	Balance at 1 April £'000	Receipts in Year £'000	Payments in Year £'000	Balance at 31 March £'000
The Foreshore Trust	374	0	0	374
Other miscellaneous provisions	455	(82)	356	181
	<u>829</u>	<u>(82)</u>	<u>356</u>	<u>555</u>

(i) Provisions of £356,000 were utilised or written down as not required during the year

## NOTE 29. DEFERRED CREDITS

Deferred Credits have mainly arisen from mortgages on sales of ex-Council houses, which form the main part of mortgages under long term debtors and loans made to local businesses and other organisations.

2008-2009 £'000		2009-2010 £'000
23	Mortgages	6
8	Loans to Business & Other Organisations	0
<u>31</u>		<u>6</u>

## NOTE 30. TRUST FUNDS

The Foreshore Trust has been constituted in accordance with a conveyance on trust from the Crown to Hastings Corporation in 1893 to hold an area of the foreshore on trust for the common good of all Her Majesty's subjects. The Trust has now been formally constituted. During the past year the net income from Trust activities (mostly car parking and seafront entertainments) was assessed at £220,450.

The Council also acts as trustee for legacies left by inhabitants of the Borough and elsewhere. The main trusts are summarised below :-

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
The Foreshore Trust	218	(220)	0	438
Brassey Fund (purchase of Museum exhibits etc.)	41	(3)	10	34
Vicat Cole Bequest	2	0	0	2
	<u>261</u>	<u>(223)</u>	<u>10</u>	<u>474</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 31. RESERVES

	Balance at 1 April £'000	Transfers £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Capital Reserve	3,529	0	(40)	390	3,179
General Reserve	1,310	119	(1,580)	0	2,771
Area Based Grant Unapplied Reserve	2,539	0	0	191	2,348
Renewal and Repairs Reserve	1,793	0	(509)	447	1,855
Risk Management Reserve	276	0	(1)	17	260
Information Technology Reserve	262	0	(110)	140	232
On-Street Car Parking Surplus Reserve	155	0	(52)	132	75
Interest Equalisation Reserve	188	(119)	0	0	307
Concessionary Travel Reserve	205	0	(53)	0	258
	<u>10,257</u>	<u>0</u>	<u>(2,345)</u>	<u>1,317</u>	<u>11,285</u>

- (i) The General Reserve is used to support revenue spending.
- (ii) The Renewal and Repairs Reserve is maintained for the purchase of vehicles, plant, equipment and the repair and redecoration of property.
- (iii) The Risk Management Reserve is used to cover excesses on claims and certain small risks. The object is to minimise insurance premiums whilst providing sufficient cover.
- (iv) The Industrial Development Reserve provides grants and loans to encourage and assist local businesses.
- (v) The Information Technology Reserve is for the purpose of financing the purchase of computing equipment and computer systems required by the Council.
- (vi) Surpluses from On-street car parking are shared with East Sussex County Council. Both shares will be spent on traffic management and transportation issues within the borough.
- (vii) the Concessionary Travel reserve has been set up to cover possible liabilities arising from judicial reviews of the scheme of reimbursing bus operators, and for late claims relating to previous years.
- (viii) the Interest Equalisation reserve has been created to 'smooth' the expected fluctuations in interest rates that would otherwise effect the revenue earnings arising from the substantial short term deposits.
- (vix) the Area Based Grant reserve is that proportion of the grant received not applied during the year of receipt.

## NOTE 32. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This is a statutory account that is carrying the unamortised part of discounts and premia arising from the premature repayment of loans from the PWLB. The sums are written down to the Income & Expenditure Account over relevant periods.

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Financial Instruments Adjustment Account	386	0	9	377
	<u>386</u>	<u>0</u>	<u>9</u>	<u>377</u>

## NOTE 33. GOVERNMENT GRANTS DEFERRED ACCOUNT

This account carries the value of capital grants and contributions less that released over the life of the assets.

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Government Grants Deferred A/C	11,531	(3,964)	3,044	12,451
	<u>11,531</u>	<u>(3,964)</u>	<u>3,044</u>	<u>12,451</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 34. REVENUE BALANCES

See also 'Statement of Movement on the General Fund Balance' for movement on the year.

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
General Fund net service balance	500	0	0	500
Other Funds	114	0	2	112
	<u>614</u>	<u>0</u>	<u>2</u>	<u>612</u>

## NOTE 35. REVALUATION RESERVE

This account records unrealised revaluation gains arising (since 1 April 2007) from holding fixed assets. The closing balance will therefore show revaluation gains accumulated since that date.

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Revaluation Reserve	(4,632)	(15,036)	299	(19,369)
	<u>(4,632)</u>	<u>(15,036)</u>	<u>299</u>	<u>(19,369)</u>

## NOTE 36. CAPITAL ADJUSTMENT ACCOUNT

This account contains:-

- the amount of capital expenditure financed from revenue, reserves and capital receipts
- the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans
- the amount released annually from the Government Grants Deferred account
- the amount written down annually from revenue expenditure funded from capital under statute

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Capital Adjustment A/C - (a,c&d)	(44,503)	(4,514)	6,223	(42,794)
Minimum Revenue Provision (b.)	(192)	(331)	0	(523)
	<u>(44,695)</u>	<u>(4,845)</u>	<u>6,223</u>	<u>(43,317)</u>

## NOTE 37. USABLE CAPITAL RECEIPTS RESERVE

These represent proceeds from the sale of fixed assets such as land and property. Capital receipts can be used to finance new capital expenditure within government guidelines but they cannot be used for day to day spending. The unused amount is the balance shown below.

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Usable Capital Receipts Reserve	(332)	(1,385)	1,389	(328)
	<u>(332)</u>	<u>(1,385)</u>	<u>1,389</u>	<u>(328)</u>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 38. PENSION FUND ASSETS & LIABILITIES

The Council provides for the pensions of its past and present employees by way of annual contributions to the East Sussex County Council Pension Fund. It is a defined benefit scheme providing benefits based on final pensionable pay. Part of the Pension Fund is attributable to Hastings Borough Council in recognition of the assets held and the liability of pensions to past and present employees.

An actuarial valuation as at 31 March 2010 for the purposes of FRS17 reveals :-

<b>Assumptions as at 31 March:</b>	2008-2009	2008-2009	2009-2010	2009-2010
Price increases		3.10%		3.80%
Salary increases		4.60%		5.30%
Pensions increases		3.10%		3.80%
Discount rate		6.90%		5.50%
Mortality Assumptions - longevity at age 65:	males	females	males	females
Current Pensioners	19.6 yrs	22.5 yrs	20.8 yrs	24.1 yrs
Future Pensioners	20.7 yrs	23.6 yrs	22.3 yrs	25.7 yrs
Expected Return:		Fund Value		Fund Value
		£'000		£'000
Equities	7.00%	44,981	7.80%	59,188
Bonds	5.40%	5,919	5.00%	3,999
Property	4.90%	4,735	5.80%	5,599
Cash	4.00%	3,551	4.80%	11,198
	6.49%	59,186	6.49%	79,984

The service cost for the year to 31 March 2010 uses the FRS17 assumptions as at 31 March 2007, which includes an allowance for 25% of future retirements to elect additional tax-free cash up to HMRC limits. The balance sheet as at 31 March 2010 and the projected service cost up to 31 March 2011 uses the FRS17 assumptions as at 31 March 2010, which includes an allowance for 50% of future retirements to elect additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service. Changes to the LGPS as from 1 April 2008 have been allowed for in the Actuary's interim assessment of the fund.

Under the projected unit method the current service cost will increase as the pension fund members approach retirement age.

<b>Assets of the Whole Fund:</b>	2008-2009	2009-2010
	Fund Value	Fund Value
	£'000	£'000
Equities	1,035,880	1,393,420
Bonds	136,300	94,150
Property	109,040	131,810
Cash	81,780	263,620
Total	1,363,000	1,883,000
<b>Net Pension Asset (this Council) as at 31 March:</b>	2008-2009	2009-2010
	£'000	£'000
Estimated Employer Assets (A)	59,186	79,984
Present Value of Scheme Liabilities	81,814	128,776
Present Value of Unfunded Liabilities	2,405	2,947
Total Value of Liabilities (B)	84,219	131,723
Net Pension Asset (A) - (B)	Deficit	
	(25,033)	(51,739)

The three years deficits previous to 2008-09 are:- 2007/08 £25.03m; 2006/7 £17.41m; 2005/6 £22.640m

The overall position on the Balance Sheet if the Council's other reserves are taken into account is a net reserves deficit of £40.373 m.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 39. SHORT TERM DEPOSITS

The Council has invested its surplus funds using a Fund Manager for the large part, and its own bankers when funds are temporarily in hand. The combined value was as follows:-

2008-2009 £'000		2009-2010 £'000
4,608	Bank Deposits	5,290
9,169	Certificates of Deposit	13,013
2,707	British Government Securities (Gilts)	0
0	European Investment bank	1,505
<hr/> 16,484		<hr/> 19,808

The SORP requires that the fair value of this category of asset be disclosed in the notes to the accounts. The following fair values apply:-

4,608	Bank Deposits	5,304
9,169	Certificates of Deposit	13,013
2,707	British Government Securities	0
0	European Investment bank	1,503
<hr/> 16,484		<hr/> 19,820

## NOTE 40. COLLECTION FUND

Surpluses and deficits that are attributable to the precepting authorities (East Sussex County Council, Sussex Police Authority and East Sussex Fire & Rescue Authority) are shown in the top half of the Balance Sheet as creditors (surpluses) or debtors (deficits) as only the balance attributable to Hastings Borough Council as billing authority can be counted as 'Net Worth'.

## NOTE 41. CONTINGENT LIABILITIES

The Government wrote to all local authorities in England and Wales on the 27 July 2010 revoking the current statutory fee for a personal search of the land charges register and advising authorities to stop charging. It is possible that the Council could be faced with claims from individuals or property search companies potentially seeking refunds for past charges. The potential sums involved have yet to be determined.

## NOTE 42. CONTINGENT ASSET

Following the case of Fleming v HMRC it has been possible for VAT registered bodies to reclaim tax paid in relation to such activities as cultural, sporting, car parking excess charges, trade waste and crematorium memorial fees, going back over a number of years. As a result the Council has employed a national firm of accountants to pursue the recovery of a significant sum of overpaid VAT (and subsequent interest) and a claim was lodged. The Council have been successful in the cultural, sporting and cultural claims but other claims remain outstanding awaiting policy decision from H M Revenues and customs. A claim for compound interest has been made relating to these claims and is dependent on success in the High Courts

## NOTE 43. AUTHORISATION OF ACCOUNTS FOR ISSUE

The date the Statement of Accounts was authorised for issue is 28th June 2010. Authorisation was provided by the Chair of the Audit Committee (for the meeting Councillor Wilson) and the Deputy Chief Executive & Director of Corporate Resources (N Dart). Events after the Balance Sheet date until that date are reflected in the accounts.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 44. REVENUE ACTIVITIES NET CASH FLOW

2008-2009 £'000		2009-2010 £'000
(1,043)	Deficit / (Surplus) on year as shown in Income & Expenditure Account	1,884
(1,158)	Deficit / (Surplus) on year as shown in Collection Fund	(103)
<u>(2,201)</u>		<u>1,781</u>
(988)	Add / (Less) non-cash transactions	(1,882)
(6,195)	Collection Fund items related to Preceptors	(4,996)
2,947	Add / (Less) revenue items accrued in the accounts	(844)
<u>(6,437)</u>	Deficit / (Surplus) on year	<u>(5,941)</u>

## NOTE 45. ANALYSIS OF OTHER GOVERNMENT / AGENCIES GRANTS

2008-2009 £'000		2009-2010 £'000
0	Housing	(361)
0	Planning Development Grant	(82)
(726)	Regeneration Grants	(1,377)
(424)	Concessionary Travel	(501)
(695)	Community Grants	(358)
-	Revenue expenditure funded from capital under statute	(2,672)
(991)	Other	(654)
<u>(2,836)</u>		<u>(6,005)</u>

## NOTE 46. RECONCILIATION OF CASH FLOWS TO NET DEBT

2008-2009 £'000		2009-2010 £'000
(3,074)	(Increase) / Decrease in cash at bank and in hand	747
(3,196)	(Increase) / Decrease in liquid resources	(1,885)
4,201	Increase / (Decrease) in short-term borrowing	0
(3,128)	(Repayment) / New Loans Raised re longer-term borrowing	(5,700)
<u>(5,197)</u>		<u>(6,838)</u>

## NOTE 47. LIQUID RESOURCES

2008-2009 £'000		2009-2010 £'000
0	(Increase) / Decrease in short-term lending	0
(2,999)	Increase / (Decrease) in bank deposits	3,165
6,195	Increase / (Decrease) in Collection Fund	(1,280)
<u>3,196</u>		<u>1,885</u>

The increase in liquid resources arises from additional funds received by the Council that were not needed in the short term. This included capital grants in advance of spending and a large refund of VAT. Additionally the sums collected on behalf of major preceptors is shown here.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 48. FINANCIAL INSTRUMENTS - DISCLOSURE OF THE NATURE OF RISK

### 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 might need to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- \* Market risk - the possibility that financial loss might arise for the Council as a result of changes such as interest rate movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing strategies and policies to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- \* by formally adopting the requirements of the Code of Practice;
- \* by approving annually in advance Prudential Indicators for the following three years limiting:
  - \* The Council's overall borrowing requirement
  - \* Its maximum and minimum exposures to fixed and variable rates
  - \* Exposures in the maturity structure of its debt
  - \* Its maximum annual exposures to investments maturing beyond a year
- \* by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance

The Prudential Indicators are determined before the Council Tax is set. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members. These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above, and set out in detail in the Treasury Management Strategy.

The Council takes advice from a company of financial advisors (Sector) and also uses credit ratings from one of the leading credit rating organisations (Fitch).

The Council takes a very prudent approach to investments, in that it limits the amounts that can be invested with organisations and limits the periods of those investments in line with credit rating advice provided by its advisors.

The table below shows the criteria used when making investments:-

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 48. FINANCIAL INSTRUMENTS - DISCLOSURE OF THE NATURE AND EXTENT OF RISK (con't)

<u>Organisation</u>	<u>Criteria</u>	<u>Limit of sum invested</u>	<u>Maximum duration</u>
Deposits with Banks and Building Societies	Minimum F1+ short term backed up by AA-long term credit rating, individual rating of A to B and support rating of 1.	£3m	up to 364 days
Deposits with Banks and Building Societies	Minimum F1+ short term backed up by AA-long term credit rating, individual rating of C and support ratings of 1 or 2.	£3m	up to 3 months
UK Local Authorities		£3m	up to 364 days

The breakdown of investments held at 31 March 2010 being:-

Deposits with Banks & Institutions that accord with the Council's Treasury Management Policy

**Amount at 31 March**

	<b>2010</b>
	<b>£'000</b>
Fund manager (Aviva):	
Certificates of Deposit	13,013
British Government Securities	1,505
Cash Deposits	2,124
	<u>16,642</u>
Other:	
Cash Deposits	3,166
	<u>19,808</u>

The Council has never had any default on any of its Treasury Management activities and for clarity had no exposure to Icelandic Banks.

The Council does not formally allow credit for its trade debtors. The total amount of trade debtors can be analysed by age as follows:-

	<b>2,010</b>
	<b>£'000</b>
Trade Debtors:	
0-30 days	131
31-60 days	8
61-90 days	77
91-120 days	9
greater than 120 days	419
	<u>644</u>

### Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loan Board (PWL) provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no real risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council maintains sufficient Reserves which form a key part of risk management and help ensure continued liquidity.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 48. FINANCIAL INSTRUMENTS - DISCLOSURE OF THE NATURE AND EXTENT OF RISK (con't)

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The Council's Treasury Management and Investment Strategy addresses the main risks. No new loans arranged in 2009/10.

Loans are £2.5m fixed for 2 yrs @ 1.54%, £2m variable rate loan, and a £7.5m loan which has 23 years left to maturity. Investments are on a maturity profile of no more than 364 days. The maturity structure is such that the Council does not consider that it is exposed to any undue refinancing or maturity risks.

### Market risk

In terms of exposure to interest rate changes on amounts borrowed, the Council has a £2m variable rate PWLB loan. It has also reduced the impact on the difference between interest payable on borrowing and receivable on investments by re-scheduling debt in 2009/2010. The active management of the interest rate risk has continued to save the Council significant interest costs in 2009-10 and will do so for future years based on current interest rate forecasts. Using the investments and loan liabilities shown in the balance sheet at 31 March 2010, the impact of a 1% rise in interest rates would be:-.

	<b>£'000</b>
Increase in interest payable on variable rate borrowing (£2m held)	<b>20</b>
Increase in interest receivable on variable rate investments (£16.6m)	<b>(166)</b>
Net increase in interest receivable (I & E Account)	<b>(146)</b>

The Council has taken a prudent step in previous years by setting up an Interest Equalisation reserve. The balance on this reserve at 31 March 2010 was £307,000 and whilst not used in 2009-10 is available to avoid the consequences of sudden unforeseen reductions in investment income on the General Fund in future years.

Increases in interest rates would reduce the fair value of the borrowing but as borrowings are not carried at fair value in the balance sheet any such nominal gains and losses would not impact on the Income and Expenditure account.

Exposure to interest rate changes is greater for investments because the Council's investments have a much shorter maturity profile (with overnight lending reflecting daily interest rate changes) and because some of the investments are at variable or semi-variable interest rates. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gain and Losses and changes in the interest received on variable rate borrowing will be posted to the Income and Expenditure account and affect General Fund balances. The Council uses an experienced Fund Manager (Aviva) to manage the majority of its investments.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its investment strategy, including an expectation of interest rate movements. A prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately.

Price risk - The Council, excluding the pension fund, does not invest in equity shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has minimal exposure to loss arising from movements in exchange rates.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## NOTE 49. EVENTS AFTER THE BALANCE SHEET DATE

The Council have been made aware of losses to grant in 2010/11 as follows:

Income:	£'000
Area Based Grant	286
LAA Reward grant	174
Business Growth Incentive Grant	30
<b>Total</b>	<b><u>£490</u></b>

The Chancellor of the Exchequer announced in his emergency Budget on 22nd June 2010 that the consumer price index rather than the retail price index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. The effect of this change is estimated to reduce the value of FRS17 liabilities and will be determined in future actuarial valuations.

## NOTE 50. CAPITAL COMMITMENTS

The following capital commitments existed at 31st March 2010:

	£'000
Crematorium Abatement Equipment - Facultative Technologies	675
Play Pathfinder - Adventure Playground - Ellis Building Contractors Ltd	297
Stade Development - Scott Wilson Ltd	82
	<b><u>£1,054</u></b>

## NOTE 51. EXCEPTIONAL INCOME ITEM

The council has been successful in a "Fleming case" VAT claim against H M Revenue and Customs relating to cultural income 1990 to 1996, sporting admissions 1990 to 1994 and parking control notice income 1973 to 1996. The refund received amounts to £1.935 million in respect of the claim and interest. The Council paid £355,000 to an accountancy firm who lodged the claim on the Council's behalf. The use of the monies received has been earmarked as part of the Council's 2010/11 budget process.

# COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2008-2009 £'000	<b>INCOME</b>	2009-10 £'000
35,913	Income from Council Taxpayers	36,409
	Transfers from General Fund re Council Tax	
9,494	- Council Tax Benefit awarded	10,814
	Sums recovered from Preceptors re previous year's Collection Fund deficit	
885	- East Sussex County Council	52
62	- East Sussex Fire & Rescue Authority	4
104	- Sussex Police Authority	6
182	- Hastings Borough Council	11
<hr/> 46,640	Total from Council Tax	<hr/> 47,296
16,549	Income collectable from Business Ratepayers - <i>Note 2</i>	17,917
<hr/> 63,189		<hr/> 65,213
	<b>EXPENDITURE</b>	
	Business Rate - <i>Note 2</i>	
16,424	- Payment to National Pool	17,792
125	- Cost of Collection	125
0	Prior year community charge	2
31,701	East Sussex County Council Precept on Collection Fund - <i>Note 3</i>	32,829
3,746	Sussex Police Authority Precept on Collection Fund - <i>Note 3</i>	3,923
2,243	East Sussex Fire & Rescue Authority Precept on Collection Fund - <i>Note 3</i>	2,332
6,510	Hastings Borough Council Demand on Collection Fund - <i>Note 3</i>	6,739
	Bad & Doubtful Debts	
1,293	- Write offs of uncollectable Council Tax	368
(11)	- Provision for uncollectable Council Tax-addition / (reduction) to the sum require	1,000
<hr/> 62,031		<hr/> 65,110
<hr/> (1,158)	Movement on Fund Balance - (surplus) / deficit	<hr/> (103)
	<b>FUND BALANCE - <i>Note 4</i></b>	
1,229	Balance brought forward	71
(1,158)	(Surplus) / deficit for year	(103)
<hr/> 71	Balance - (surplus) / deficit carried forward	<hr/> (32)

# COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

## NOTE 1. GENERAL

These accounts represent the transactions of the Collection Fund (accounting separately for income relating to council tax, non-domestic rates and residual community charge) which is a statutory fund separate from the main accounts of the Council, although it is consolidated with the other accounts to form the Consolidated Balance Sheet. The account has been prepared on the accruals basis. The costs of administering collection are accounted for in the General Fund.

## NOTE 2. INCOME FROM BUSINESS RATES (NNDR)

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows :-

2008-2009 £'000		2009-2010 £'000
(18,864)	Non-Domestic rates billed at uniform business rate of 48.1p (2008-2009 : 45.8p)	(20,913)
2,315	Less adjustments to charges, voids, reliefs and other non-collectable sums	2,996
<hr/> (16,549)	Amount Collectable	<hr/> (17,917)
125	Less allowance for the Cost of Collection	125
<hr/> (16,424)	Net contribution to National Pool	<hr/> (17,792)
 <b>£8,905,597</b>	Redistribution from National Pool - credited to General Fund	 <b>£8,367,229</b>
 <b>£44,711,538</b>	Rateable Value of Business Premises at 31 March	 <b>£44,144,120</b>

## NOTE 3. COUNCIL TAX BASE

Band & Value	Number of Properties	Relationship to Band D	Annual Amount
Band A - up to £40,000	14,212	6/9	£1,049.17
Band B - over £40,000 up to £52,000	11,775	7/9	£1,224.03
Band C - over £52,000 up to £68,000	7,177	8/9	£1,398.88
Band D - over £68,000 up to £88,000	5,518	-	£1,573.75
Band E - over £88,000 up to £120,000	2,176	11/9	£1,923.47
Band F - over £120,000 up to £160,000	775	13/9	£2,273.20
Band G - over £160,000 up to £320,000	187	15/9	£2,622.92
Band H - over £320,000	48	18/9	£3,147.50
	<hr/> 41,868 <hr/>		

Council Tax Base and amount originally expected for 2009-2010 = **29,117**

East Sussex County Council share	£32,829,126
Sussex Police Authority share	£3,922,933
East Sussex Fire & Rescue Authority share	£2,331,689
Hastings Borough Council share	£6,739,034
	<hr/> <b>£45,822,782</b> <hr/>

# COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

## NOTE 4. COUNCIL TAX SURPLUSES & DEFICITS

In accordance with the accounting code of practice surpluses and deficits arising from the collection of Council Tax are to be apportioned between respective authorities on the basis of their precepts or demands on the Collection Fund.

The table below shows the respective balances on the collection fund and how they relate to each authority.

	2008-2009		2009-10	
	Community Charge	Council Tax	Community Charge	Council Tax
	£'000	£'000	£'000	£'000
Balance brought forward :-				
East Sussex County Council	0	886	0	53
Sussex Police Authority	0	100	0	5
East Sussex Fire Authority	0	63	0	3
Hastings Borough Council	2	182	0	12
(Surplus) / Deficit	<u>2</u>	<u>1,231</u>	<u>0</u>	<u>73</u>
Movement on Fund Balance :-				
East Sussex County Council	0	(833)	0	(76)
Sussex Police Authority	0	(95)	0	(8)
East Sussex Fire Authority	0	(60)	0	(5)
Hastings Borough Council	0	(170)	0	(16)
(Surplus) / Deficit	<u>0</u>	<u>(1,158)</u>	<u>0</u>	<u>(105)</u>
Balance carried forward :-				
East Sussex County Council	0	53	0	(23)
Sussex Police Authority	0	5	0	(3)
East Sussex Fire Authority	0	3	0	(2)
Hastings Borough Council	2	12	0	(4)
(Surplus) / Deficit	<u>2</u>	<u>73</u>	<u>0</u>	<u>(32)</u>
Total of Community Charge and Council Tax		<u>71</u>		<u>(32)</u>

	Hastings Borough Council	East Sussex County Council	Sussex Police Authority Share	East Sussex Fire and Rescue
Council Tax Arrears	702,810	3,423,729	409,120	243,170
Impairment Allowance for doubtful debts	(653,680)	(3,184,396)	(380,521)	(226,172)
Council Tax overpayments and prepayments	(78,235)	(381,119)	(45,542)	(27,069)
Collection Fund (surplus)/deficit	(4,723)	(23,009)	(2,749)	(1,634)
Collection Fund Adjustment Account	(4,723)			
(Owed to)/Owed From Preceptors		(164,795)	(19,692)	(11,705)

## CAPITAL EXPENDITURE SUMMARY

2007-2008 £'000	(See also Notes to the Core Financial Statements 17 to 20) Detail	2009-2010 £'000      £'000	
	<b>Operational Assets:</b>		
	<b>Other Land &amp; Buildings -</b>		
459	Office Accomodation	535	
158	Museum Extension	31	
56	Cliff Railways	658	
19	Public Realm Works	0	
87	Other	196	1,420
	<b>Infrastructure Assets -</b>		
41	Long Term Beach Management & Groyne Refurbishment	359	
654	Sea Front Strategy	575	
411	SRB Regeneration Initiatives	30	
0	Other	100	1,064
185	<b>Vehicles, Plant &amp; Equipment</b>		31
4	<b>Intangible Assets - Software &amp; Systems</b>		0
	<b>Community Assets -</b>		
38	Jackson Hall Community Asset	0	
87	St.Leonards Gardens / West Lodge	5	
236	Country Park	23	
177	Other Parks, Gardens, Recreation Grounds & Public Open Spaces	164	
147	Playground Enhancements & Games Areas	428	
0	Decorative Lighting	0	
202	Buckshole Reservoir Safety Works	9	
1	Other	23	652
2,962			3,167
	<b>Non-operational Assets:</b>		
995	Creation of new Business Units	38	
0	Priory Meadow Car park Extension	356	394
3,957	<b>Total of Fixed Assets</b>		3,561
	<b>Revenue Expenditure Funded from Capital under Statute</b>		
327	Conservation Grants	123	
1,702	Renovation & Disabled Facilities Grants	1,726	
808	Renewal Areas	1,039	
26	Other	0	2,888
6,820	<b>Total Capital Expenditure for year</b>		6,449
	<b>Financed by :-</b>		
89	Loan		1,015
796	Capital Receipts (proceeds of the sale of fixed assets)		1,389
4,135	Grant receipts		3,964
1,290	Use of Reserves		81
150	From Revenue		0
6,460	<b>Total Financing</b>		6,449

# GLOSSARY

## **ACCRUALS**

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

## **ACTUARIAL GAINS & LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

## **AMORTISATION**

The practice of reducing the value of assets to reflect their reduced worth over time.

## **BALANCE SHEET**

This is a statement that shows the Council's overall financial position for the year ended 31 March. It identifies what is owned by the Council, what it owes and what it is owed.

## **BUDGET**

The Council's policy expressed in financial terms for a specified period.

## **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 provision and improvements of lasting assets such as land, buildings, vehicles and equipment. Also referred to as Capital Works.

## **CAPITAL RECEIPTS**

The proceeds from the sale of fixed assets.

## **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that have restrictions on their disposal. Examples are parks and historic buildings.

## **CREDITORS**

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

## **CONTINGENCY**

A condition which exists at the balance sheet date and where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all

activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services.

## **CURRENT SERVICE COSTS (PENSIONS)**

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

## **CURTAILMENT**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous year.

## **DEBTORS**

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

## **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of contributions payable, and the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

## **DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

## **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the Council's normal activities and which are not expected to recur.

## **FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. In simple terms it covers both financial assets and financial liabilities such as trade debtors and trade creditors, to the more complex derivatives eg. swaps and embedded derivatives.

# GLOSSARY

## **FIXED ASSETS**

Tangible assets that yield up benefit to the authority over more than one accounting period, eg. Land and Buildings.

## **GENERAL FUND**

The main revenue account of the Council which contains the revenue income and expenditure of all services provided.

## **GOVERNMENT GRANTS**

Central Government contributions towards local authority expenditure: examples: Revenue Support grant, Housing subsidy and Housing & Council Tax Benefit subsidy & grants.

## **INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. An example is the sea wall and promenade.

## **NATIONAL BUSINESS RATE POOL**

Business rate payments go into a central pool managed by the Department for Communities & Local Government. Each charging authority receives from that pool a sum proportioned to the number of Council Taxpayers in its area.

## **NON-OPERATIONAL ASSETS**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. An example is property surplus to requirement pending sale or redevelopment.

## **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **PAST SERVICE COST**

Discretionary pension benefits awarded on early retirement are treated as past service costs. This includes added years and unreduced pension benefits awarded before the rule of 85 age.

## **PRECEPT**

The amount of money the County Council, Sussex Police and the Fire Authority have instructed the Borough Council to collect and pay over to it out of Council Tax receipts held in the Collection Fund.

## **PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earning. An accrued benefits valuation method is a valuation method in which the scheme liabilities

## **PROJECTED UNIT METHOD (con't)**

at the valuation date relate to:-

- (a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date.

## **PROVISIONS**

Sums set aside for any liabilities or losses which are likely to be incurred, but uncertain as to the dates on which they will arise.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Government financed body which provides a source of long - term borrowing for local authorities.

## **RESERVES**

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

## **REVENUE EXPENDITURE**

Day to day expenditure on the running of services. It includes staff costs, utility charges, rent and business rates, IT and communications and office expenses.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example is improvement grants.

## **REVENUE SUPPORT GRANT**

A Government grant distributed to local authorities to augment income raised by the Council Tax. It is centrally determined on a needs basis.

## **SETTLEMENT (PENSION)**

Settlements will take account of outgoing bulk transfers and will show the difference between FRS17 liability and the amount paid to settle the liability.

## **STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE**

A reconciliation showing how the balance of resources generated / consumed in the year links in with the statutory requirements for raising Council Tax.

## **STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES**

Demonstration of how the movement in net worth in the balance sheet is identified to the Income and Expenditure Account surplus / deficit and to other unrealised gains and losses.

## **STATEMENT OF RECOMMENDED PRACTICE (SORP)**

Standards issued by the accountancy bodies to prescribe approved accounting methods.