

Statement of Accounts

2005-2006

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GENERAL INFORMATION

PHYSICAL FEATURES

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

The Council owns land amounting to approximately **1,146 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
	40,662	44,367	85,029	100

The registered electorate in 2005-2006 was : **59,318**

COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2006	£44,737,685
Net Borough Council Revenue Expenditure	£14,478,528
Council Tax Base	£28,865
Council Tax at Band D	£1,340.01

EMPLOYEES

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

	NUMBER OF EMPLOYEES	
	2004-2005	2005-2006
Full time	443	446
Part time (full time equivalents)	58	61
Total	501	507

The cost of employment during the year was :-

	£'000	£'000
Wages and Salaries	11,516	12,216
National Insurance	889	945
Pension Contributions	1,734	2,121
Total	14,139	15,282

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
	<u>DEPUTY CHIEF EXECUTIVE</u>				
	Chief Executive				
481,329	Chief Executive's Division	458,420	442,672		442,672
(481,329)	Less recharges to other accounts	(458,420)	(442,672)	0	(442,672)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Borough Solicitors				
514,703	Borough Solicitors Division	619,860	618,721	(11,007)	607,714
(514,703)	Less recharges to other accounts	(619,860)	(618,721)	11,007	(607,714)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
45,380	Foreshore	76,220	28,260	0	28,260
0	Recharge to Foreshore Trust	21,630	51,492	0	51,492
<u>45,380</u>		<u>97,850</u>	<u>79,752</u>	<u>0</u>	<u>79,752</u>
	Policy & Performance				
304,390	Policy & Performance Unit	333,820	338,366	(2,073)	336,293
(304,390)	Less recharges to other accounts	(333,820)	(338,366)	2,073	(336,293)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
110,784	Public Consultation	94,920	79,872	0	79,872
38,352	Sustainability	47,040	53,044	(11,000)	42,044
<u>149,136</u>		<u>141,960</u>	<u>132,916</u>	<u>(11,000)</u>	<u>121,916</u>
	Democratic Services				
281,462	Democratic Services Division	296,400	299,562	0	299,562
(281,462)	Less recharges to other accounts	(296,400)	(299,562)	0	(299,562)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
713,004	Democratic Representation	766,730	766,535	(500)	766,035
46,990	Election Expenses	48,730	64,370	0	64,370
84,848	Registration of Electors	105,970	97,626	(1,147)	96,479
<u>844,842</u>		<u>921,430</u>	<u>928,531</u>	<u>(1,647)</u>	<u>926,884</u>
	Audit				
269,376	Audit & Investigations Division	309,530	307,661	0	307,661
(269,376)	Less recharges to other accounts	(309,530)	(307,661)	0	(307,661)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Estates Management				
399,145	Estates Division	386,660	421,349	(30,930)	390,419
(399,145)	Less recharges to other accounts	(386,660)	(421,349)	30,930	(390,419)
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(250,950)	Employment Areas	(314,460)	159,386	(475,429)	(316,043)
(376,893)	Factory Units	(262,370)	911,835	(1,185,057)	(273,222)
82,870	Land Holdings	(172,260)	243,927	(468,955)	(225,028)
21,717	Farms, Estates & Other Property	59,320	389,051	(430,697)	(41,646)
(299,916)	Priory Meadow Shopping Develop.	(258,000)	181,586	(440,937)	(259,351)
<u>(823,172)</u>		<u>(947,770)</u>	<u>1,885,785</u>	<u>(3,001,075)</u>	<u>(1,115,290)</u>

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
	<u>DEPUTY CHIEF EXECUTIVE (con't)</u>				
	Financial Services				
689,142	Accountancy & Exchequer Serv.Divsr	732,800	725,435	(16)	725,419
1,408,426	Revenues Division	2,079,950	2,162,984	(62,878)	2,100,106
833,877	Corporate Expenses	819,880	848,351	0	848,351
(2,224,608)	Less recharges to other accounts	(2,910,950)	(3,043,528)	62,894	(2,980,634)
706,837		721,680	693,242	0	693,242
334,446	Concessionary Bus Passes	270,350	267,169	(4,568)	262,601
(45,978)	Benefit Payments (net)	198,690	42,371,605	(42,181,567)	190,038
340,196	Tax Collection Costs	317,070	578,829	(298,239)	280,590
176,359	Other Income & Expenditure	85,250	127,583	(11,336)	116,247
1,511,860		1,593,040	44,038,428	(42,495,710)	1,542,718
1,728,046		1,806,510	47,065,412	(45,509,432)	1,555,980

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
	COMMUNICATIONS & ORGANISATIONAL DEVELOPMENT				
0	Personnel & Organisational Development				0
573,065	Personnel & Org. Develop. Division	601,140	595,900	(990)	594,910
212,583	Recruitmnt.& Relocation Expenses	177,000	154,719	0	154,719
(785,648)	Less recharges to other accounts	(783,140)	(750,619)	990	(749,629)
0		(5,000)	0	0	0
188,168	Corporate Personnel Expenses	238,530	230,035	0	230,035
188,168		233,530	230,035	0	230,035
	Marketing & Communications				
631,207	Marketing & Communications Division	626,490	651,897	(26,718)	625,179
(631,207)	Less recharges to other accounts	(626,490)	(650,429)	26,718	(623,711)
0		0	1,468	0	1,468
89,148	Civic & Ceremonial Expenses	94,690	97,280	(285)	96,995
321,419	Visitor & Community Marketing	298,300	367,019	(82,455)	284,564
94,302	1066 Country Campaign	88,600	155,213	(75,195)	80,018
260,113	Hastings Information Centre	303,610	631,640	(310,792)	320,848
22,137	European Liaison	28,010	25,055	0	25,055
12,987	Meteorological Expenses	13,370	13,519	0	13,519
81,699	Raising the Profile	93,190	105,838	(3,812)	102,026
881,805		919,770	1,397,032	(472,539)	924,493
	Information Technology				
659,439	Information Technology Division	730,470	691,035	(1,292)	689,743
(659,439)	Less recharges to other accounts	(730,470)	(693,904)	1,292	(692,612)
0		0	(2,869)	0	(2,869)
114,558	Land and Property Systems	101,930	98,890	0	98,890
83,324	Information Technology Reserve Exp.	134,000	13,780	0	13,780
197,882		235,930	109,801	0	109,801
	Other Expenditure				
1,759,954	Corporate Management	1,794,360	1,810,252	0	1,810,252
1,759,954		1,794,360	1,810,252	0	1,810,252
3,027,809		3,183,590	3,547,120	(472,539)	3,074,581

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
	<u>REGENERATION & PLANNING</u>				
	Executive Director, Regeneration & Planning				
1,449,341	Planning Division	1,527,040	1,812,105	(303,890)	1,508,215
400,212	Projects Division	498,510	450,575	0	450,575
535,047	Regeneration Division	539,720	538,666	(25,377)	513,289
(2,384,600)	Less recharges to other accounts	(2,584,970)	(2,801,346)	329,267	(2,472,079)
0		(19,700)	0	0	0
331,387	Development Control	391,520	780,210	(388,785)	391,425
260,112	Forward Planning	256,470	379,564	(130,884)	248,680
0	Building Control Services	(2,000)	366,878	(357,878)	9,000
(314,190)	Local Land Charges Register	(258,740)	98,258	(405,477)	(307,219)
552,706	Conservation	266,420	690,714	0	690,714
55,359	Environmental Schemes	200,550	258,108	(72,608)	185,500
687,226	Coast Protection - Sea Defences	677,410	670,067	0	670,067
8,386	Navigational Aids	4,750	1,958	0	1,958
62,626	Dangerous Structures	46,160	46,238	0	46,238
19,062	Watercourses	31,600	26,606	0	26,606
8,729	Repairs to Cliffs	10,630	10,629	0	10,629
554,760	Regeneration	574,210	870,559	(349,723)	520,836
(3,147)	Regeneration Programming Team	25,510	277,881	(301,616)	(23,735)
0	Single Regeneration / AIF Pymnts.	0	3,827,050	(3,827,050)	0
8,753	The Stade	0	37,291	(37,291)	0
0	Hastings & Bexhill Task Force	0	142,484	(142,484)	0
17,310	Greenway	6,040	12,294	(7,032)	5,262
13,116	Sustainable Business Development	6,160	6,316	(156)	6,160
71,136	Tressell Training	59,290	762,350	(702,570)	59,780
16,038	Other Expenses	25,670	84,845	(63,298)	21,547
2,349,369		2,301,950	9,350,300	(6,786,852)	2,563,448

EXPENDITURE SUMMARY

2004-2005		2005-2006	2005-2006 ACTUAL		
NET		REVISED	EXPEND.	INCOME	NET
£		ESTIMATE	£	£	£
	SERVICES :				
	<u>ENVIRONMENT & SAFETY</u>				
	Executive Director, Environment & Safety				
497,444	Highways Division	571,450	559,279	0	559,279
1,193,294	Environmental Services Division	1,360,120	1,364,723	(11,604)	1,353,119
56,919	Emergency Call Out Service	50,710	60,685	(4,157)	56,528
239,709	Waste Management Team	221,490	231,414	(38,943)	192,471
24,365	Wardens Office	22,740	21,739	0	21,739
(2,011,731)	Less recharges to other accounts	(2,226,510)	(2,237,840)	54,704	(2,183,136)
0		0	0	0	0
35,667	Naming & Numbering Streets	34,250	31,578	0	31,578
(1,163,411)	Car Parking	(818,570)	2,298,837	(3,153,097)	(854,260)
20,765	ESCC Highways Management	19,770	403,201	(420,701)	(17,500)
384,241	Traffic Management	404,300	399,669	0	399,669
35,258	Highways Shelters and Seats	48,750	30,407	0	30,407
49,148	Transport Policy	65,650	72,799	(9,127)	63,672
30,469	Cycle Routes	32,880	43,430	0	43,430
17,820	Community Bus Scheme	16,500	16,473	0	16,473
89,156	Local Licence Fees/Liquor Licensing	84,100	249,141	(202,066)	47,075
317,788	Environmental Protection	359,790	345,991	(5,869)	340,122
161,214	Food Safety & Infectious Diseases	221,990	222,866	(426)	222,440
151,710	Health & Safety Enforcement	172,460	173,697	0	173,697
91,360	Health & Safety - Corporate	78,750	82,486	0	82,486
139,695	Pest Control	111,080	127,721	(16,112)	111,609
193,207	Wardens	149,050	437,187	(267,726)	169,461
8,187	Car Crime Reduction	11,730	47,909	(47,321)	588
	DVLA Powers & Removal of				
159,135	Abandoned Vehicles	163,100	236,959	(83,228)	153,731
44,321	Together Action	108,000	89,443	0	89,443
190,719	Community Safety	193,060	399,914	(230,649)	169,265
5,286	Communities Against Drugs	11,100	154,692	(145,325)	9,367
43,717	Crime Prevention / CCTV / Neighbhd. Watch	71,510	71,482	0	71,482
7,331	Safer Communities Initiative	16,720	96,472	(82,089)	14,383
0	Community Chest	3,220	10,587	(13,557)	(2,970)
1,240,244	Street Cleansing	1,202,340	1,400,403	(163,034)	1,237,369
1,185,237	Refuse Collection	1,321,720	1,410,897	(66,760)	1,344,137
368,315	Public Conveniences	277,890	379,971	(114,431)	265,540
192,831	Recycling	737,850	1,361,721	(374,822)	986,899
9,383	Emergency Planning	38,310	55,819	(24,824)	30,995
<u>4,008,793</u>		<u>5,137,300</u>	<u>10,651,752</u>	<u>(5,421,164)</u>	<u>5,230,588</u>

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
	<u>LEISURE & CULTURAL DEVELOPMENT</u>				
	Executive Director, Leisure & Cultural Development				
906,668	Administration Division	994,300	986,372	(16)	986,356
320,671	Open Space Management	416,260	403,886	(14,320)	389,566
(1,227,339)	Less recharges to other accounts	(1,435,560)	(1,390,258)	14,336	(1,375,922)
0		(25,000)	0	0	0
520,447	Indoor Sports Facilities	551,570	553,173	(13,433)	539,740
178,841	Sports Development	177,030	327,469	(152,716)	174,753
(5,040)	Sports Management	(1,650)	67,816	(53,491)	14,325
83,168	Play Development	93,840	104,934	(4,836)	100,098
105,355	Passport to Leisure Scheme	104,500	123,361	(17,816)	105,545
80,467	Allotments	77,570	85,401	(9,388)	76,013
198,909	Arboriculture	190,870	211,203	(27,500)	183,703
352,559	Museums and Art Gallery	393,590	380,497	(19,290)	361,207
117,090	Arts Development	98,190	142,216	(38,689)	103,527
188,096	St Mary in the Castle	130,140	107,048	(8,247)	98,801
99,365	Support for Events	52,050	52,259	(200)	52,059
545,757	White Rock Theatre	533,470	534,356	0	534,356
24,264	Marina Pavilion	0	0	0	0
(29,977)	Chalets and Hut Sites	(5,150)	66,722	(88,832)	(22,110)
611,208	Sea Front	214,690	615,531	(400,933)	214,598
68,766	Cliff Railways	70,720	276,508	(198,319)	78,189
50,212	Hastings Castle & Caves	54,570	109,008	(75,402)	33,606
40,353	Youth Activities	73,450	44,925	0	44,925
112,936	Decorative Lighting	127,570	113,990	0	113,990
106,592	Town Centre & Street Decorations	103,610	113,157	0	113,157
(31,788)	Cemetery & Crematorium	(92,530)	543,780	(577,175)	(33,395)
43,937	Ecology	49,030	51,700	(297)	51,403
214,561	Country Park	291,910	305,785	(26,441)	279,344
1,726,011	Parks & Gardens and Recreation Grounds & POS	1,843,150	1,930,155	(94,998)	1,835,157
50,136	Other Expenses	77,430	129,204	(59,798)	69,406
5,452,225		5,184,620	6,990,198	(1,867,801)	5,122,397

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
	<u>HOUSING, COMMUNITIES & NEIGHBOURHOODS</u>				
	Executive Director, Housing, Communities & Neighbourhoods				
1,400,021	Housing Services - Administration	1,464,130	1,626,981	(119,698)	1,507,283
(1,400,021)	Less recharges to other accounts	(1,464,130)	(1,626,981)	119,698	(1,507,283)
0		0	0	0	0
1,362,380	Renovation Grant Administration	928,710	1,464,449	0	1,464,449
788,433	Housing Renewal	513,220	500,578	(12,040)	488,538
192,279	Housing Advice & Aid	207,670	206,058	(250)	205,808
551,621	Homelessness	575,380	817,657	(259,482)	558,175
0	Homelessness Strategy	0	93,374	(93,374)	0
448,074	Liaison-Agencies & Hsng. Assoc.	1,075,080	548,050	0	548,050
132,367	Housing Register / Nominations	143,060	143,164	0	143,164
0	Secure Accomodation Scheme	0	94,788	(94,788)	0
7,925	Southwater Road Renewal	0	6,500	(6,500)	0
971,097	St Leonards Renewal Area	821,360	1,276,294	(178,120)	1,098,174
836,047	Community Action	828,930	924,554	(110,482)	814,072
66,236	Neighbourhood Renewal	77,710	1,459,056	(1,380,525)	78,531
0	Greater Hollington Partnership	0	578,709	(578,709)	0
0	Police Priority Area	0	13,331	(13,331)	0
0	Robsack School Hall	0	2,866	(2,866)	0
0	Local Strategic Partnership	0	63,419	(63,419)	0
<u>5,356,459</u>		<u>5,171,120</u>	<u>8,192,847</u>	<u>(2,793,886)</u>	<u>5,398,961</u>

EXPENDITURE SUMMARY

2004-2005		2005-2006 REVISED ESTIMATE	2005-2006 ACTUAL		
NET £	SERVICES :	£	EXPEND. £	INCOME £	NET £
<u>21,922,701</u>	DIRECT SERVICE EXPENDITURE	<u>22,785,090</u>	<u>85,797,629</u>	<u>(62,851,674)</u>	<u>22,945,955</u>

2004-2005	SERVICE MEASURES	2005-2006
	Numbers of :-	
38,915	Museum visitors	27,078
112,293	East Hill Cliff Railway users	101,952
140,379	West Hill Cliff Railway users	196,203
46,254	Hastings Castle visitors	53,529
10,025	Concessionary Bus Fare Permits Issued	11,500
26	Public Conveniences	26
116	Burials	101
80,072	Grave spaces	80,466
1,353	Cremations	1,387
17,848	Kilometres of Street Swept	17,848
2.34 million	Dustbins Emptied (Bin Equivalents)	2.34 million
3,582	Recycling tonnage	5,167
56	Renovation Grants - Number Completed	23
1,750	Planning Applications	904
4	Conservation Area Projects	3
963	Building Regulation Applications	1,236
1,989	Car Parking Spaces (Off-Street)	1,989
879,139	Vehicles Parked (Off Street)	891,587
28,915	Penalty Charge Notices issued	30,952
1,244	Untaxed & Abandoned Vehicles removed	1,105
1,229	Licences Issued	1,705
529	Food Hygiene Inspections	476
247	Health & Safety Inspections	172
3,253	Local Land Charges	3,123
63,367	Local Electorate	59,318
85	Number of Factory Units	85
£1,060,818	Rental Income from Factory Units	£1,165,057

FINANCIAL REVIEW AND FOREWORD

INTRODUCTION

The Council's accounts for the year of 2005-2006 are set out on pages 19 to 45. They consist of :-

- (a) The Consolidated Revenue Account - the Council's main revenue account covering income and expenditure on all services.
- (b) The Collection Fund Income and Expenditure Account - the Council is required to maintain a collection fund to receive sums by way of Community Charges, Council Tax, Business Rates, and any other amounts relating to the fund. Payments out include sums required by precepting bodies (such as the E.S.C.C.) 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.
- (c) 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.
- (d) The Consolidated Balance Sheet - which sets out the financial position of the Council on 31 March 2006. It includes the Collection Fund.
- (e) The Statement of Movement in Reserves - which summarises the total movement of the Council's capital and revenue reserves for the year.
- (f) The Cash Flow Statement - which summarises the total movement of the Council's Funds for the year.

These accounts are supported by the Statement of Accounting Policies and a Statement of Corporate Governance & Internal Systems which follows this foreword, and various notes to the accounts.

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)	56,245	65
Rents & Charges	9,908	12
Local Taxpayers - Council Tax	5,884	7
Business Rates - Council share	2,459	3
Other Income	11,304	13
	85,800	

What the Money is Spent on :-

	£'000	%
Employees	17,040	20
Running Expenses	21,578	25
Capital Financing Charges	6,540	8
Housing & Council Tax Benefit Payments & Disc.Rate Relief	40,642	47
	85,800	

The Service Provided :-

	£'000	%
Cultural, Environmental & Planning Services	27,132	32
Highways, Roads & Transport Services	3,564	4
Housing Services - Benefits	42,372	49
Housing Services - Other	5,151	6
Central Services	4,709	5
Trading Services	2,872	3
	85,800	

FINANCIAL REVIEW AND FOREWORD

GENERAL FUND REVENUE BUDGET

	£'000
Original budget agreed in March 2005	15,282
<u>Less</u> contribution from reserves Met by grant & Collection Fund	<u>(1,135)</u>
	<u>14,147</u>
Revised budget agreed during year	15,689
<u>Less</u> contribution from reserves Met by grant & Collection Fund	<u>(1,542)</u>
	<u>14,147</u>
Actual spending for year	14,836
<u>Less</u> contribution from reserves Met by grant & Collection Fund	<u>(689)</u>
	<u>14,147</u>
The net saving compared to the revised budget was	<u>(449)</u>

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

	£'000
Reduced interest costs and Minimum Revenue Provision	(134)
IT Reserve funded expenditure	(120)
Renewal & Repairs Reserve funded works	(140)
Other reserve funded expenditure	(112)
DEFRA recycling scheme	180
Increase in income from fees & charges	(93)
Savings in Employee costs	(122)
General decrease in expenditure	(471)
Unadjusted underspend	<u>(1,012)</u>
Underspendings to be carried forward to be spent in 2006-2007	563
Net underspending	<u>(449)</u>

CAPITAL SPENDING

In 2005-2006 the Council spent £7.55m on capital projects compared with the revised budget of £8.61m.

The reasons for the decreased expenditure were :-

	£'000
Slippage into 2006-2007	(1,266)
Overspending	97
Not in programme	43
Advanced Expenditure	63
Net variation	<u>(1,063)</u>

This capital expenditure was financed as shown below:-

	£'000
Loan	1,507
Proceeds from the sale of assets	3,471
Grants	2,240
Reserves	91
Revenue	237
Total financing	<u>7,546</u>

Total loans outstanding owed to external sources for capital spending amount to £18.7m. Under the prudential code for borrowing the Council assessed its limit for affordable borrowing at £35 m and its boundary at £25 m.

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 Finance

AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO HASTINGS BOROUGH COUNCIL

I have audited the statement of accounts on pages 22 to 45 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 19 to 21.

The report is made solely to the Council in accordance with Part 2 of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

RESPECTIVE RESPONSIBILITIES OF CHIEF FINANCIAL OFFICER AND AUDITOR

As described on page 16 the Deputy Chief Executive is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on pages 17 and 18 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

BASIS OF AUDIT OPINION

I conducted out my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

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

OPINION

In my opinion the statement of accounts presents fairly the financial position of Hastings Borough Council as at 31 March 2006 and its income and expenditure for the year then ended.

CERTIFICATE

I have carried out 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. The audit cannot be formally concluded and an audit certificate issued until consideration of an issue by an elector has been completed. I am satisfied that this issue will not have a material effect on the statement of accounts

SIGNATURE :

NAME: D Wells
District Auditor

DATE:

ADDRESS: Audit Commission, 16 South Park,
Sevenoaks, Kent

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 Finance (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.

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 Great Britain ('the Code'), 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 2006.

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 Code.

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.

Signature

N Dart CPFA, Deputy Chief Executive and Director of Finance

STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE AND INTERNAL SYSTEMS

Scope of responsibility

Hastings Borough Council acknowledges its responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money and assets are safeguarded, properly accounted for, and used economically, efficiently, and effectively. In discharging this accountability, Members and Senior Officers are responsible for ensuring proper arrangements for the accountability of the Council's affairs and the stewardship of the resources at its disposal. The Council's corporate governance arrangements are set out in a Local Code of Corporate Governance, which was agreed by Cabinet on 28th April 2003. The Local Code is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*.

Hastings Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It can, therefore, provide reasonable (but not absolute) assurance of effectiveness. The system of

internal control is based on ongoing processes designed to identify and prioritise the risks to the achievement of Hastings Borough Council's policies, priorities, and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to

manage them efficiently, effectively and economically. Increasingly, the emphasis is on 'positive' controls to

ensure the achievement policies, priorities, and objectives, rather than 'negative' controls for the avoidance of risk.

The internal control environment

Key elements of the internal control environment include:

- * An Audit Committee that is a fully constituted Committee of the Council and an internal Audit and investigations Division that reports to it
- * A Chief Finance Officer (the Deputy Chief Executive and Director of Finance) with responsibility for ensuring the proper administration of the Council's financial affairs
- * Processes for maintaining internal control include a framework of regular management information, Financial Rules and Finance Operating Procedures, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability
- * A Risk Management Framework approved by Cabinet on 28th April 2003
- * A Counter-fraud and Confidential Reporting ("Whistleblowing") Policy
- * Codes of Conduct for Members and Officers

*A Risk Management Group that monitors insurable and public liability risks

*A performance management system that includes commentary on service-level risk, the setting of targets for service delivery and monitoring of performance against targets and plans

*A strategic Corporate Plan setting out the Council's priorities and operational plans at service and project level, that include consideration of risks

* An annual budget and quarterly reviews of actual expenditure to budget

* A Local Code of Corporate Governance agreed by Cabinet on 28th April 2003

* A project management system for minimising key risks in the delivery of major projects

Commitment to continuous improvement

In accordance with its commitment to continuous improvement, during 2005-06 the Council changed the status of the Audit Committee from a Committee of Cabinet to a fully constituted committee of the Council. New Terms of Reference for the Audit Committee were also approved that specifically state the Audit Committee's responsibility for the scrutiny of the Council's corporate governance arrangements, including risk management and internal control.

In addition, new Financial Rules and Financial Operating Procedures, that bring together and replace the current Financial Regulations, Contracts Standing Orders, and Financial Authorisations, were approved by Council in December 2005 to ensure that full accountability of all Members and Officers.

STATEMENT OF ASSURANCE ON CORPORATE GOVERNANCE AND INTERNAL SYSTEMS

Processes for reviewing the effectiveness of the system of internal control

The key process for review is the Council's Audit Committee, which receives reports from internal and external auditors. The Audit and Investigations Division operates to the standards of the Institute of Internal Auditors, the Institute of Chartered Accountants, and the Chartered Institute of Public Finance and Accountancy. The Audit Commission monitors compliance with standards and stated in its Annual Audit and Inspection letter that the internal audit function provides an effective service to the Council.

The risk-driven internal audit programme provides a continuous programme of review of corporate governance and risk management arrangements, together with the audit of the systems of internal control, including the accounting systems.

The Chief Auditor reports the findings of each audit review to the Chief Executive, Deputy Chief Executive, and the Audit Committee and provides an opinion on the adequacy and effectiveness of the Corporate Governance arrangements and systems of internal control to the Audit Committee. With effect from 2005-06, the Audit Committee will provide an annual report to Council on the adequacy and effectiveness of the Corporate Governance arrangements and systems of internal control.

Assessment of the adequacy and effectiveness of the Corporate Governance arrangements and system of internal control

For internal audit work carried out during 2005-06, 89% of the systems audited, controls were evaluated as "good" or "satisfactory".

Weaknesses in internal control

The assurance that all cash received and payments made are included in the Council accounts is achieved by completing a full cashbook reconciliation. Good practice is to complete this exercise monthly. Due to the implementation of a new Financial Management System, full cashbook reconciliations were not completed on a monthly basis between 1st July 2005 and 31st March 2006. Work is currently in progress to bring this reconciliation up to date. Throughout the year, daily reconciliations have been completed confirming that all income received and payments made through the bank accounts have been posted to the Council's general ledger. These daily reconciliations have provided a mitigating control.

Signatures

R Mawford, Chief Executive

P Pragnell, Leader of the Council

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The general principles adopted in compiling the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and comply with the appropriate statements of standard accounting practice (SSAP) and Financial Reporting Standards (FRS). The classification of income and expenditure on the Consolidated Revenue Account substantially follows the standard classification recommended by CIPFA.

2. BASIS ON WHICH DEBTORS AND CREDITORS AT THE YEAR END ARE BROUGHT INTO ACCOUNT

The revenue and capital accounts of the Council are recorded on an income and expenditure basis with provision being made at the year end for debtors and creditors.

The accrual of income and expenditure into the period to which it relates accords with the accounting code of practice.

3. NATURE OF SUBSTANTIAL RESERVES, PROVISIONS, CONTINGENT GAINS & LOSSES AND DEFERRED CHARGES

(a) The Council maintains various reserves created under the provisions of the Local Government (Miscellaneous Provisions) Act 1976 and Local Government & Housing Act 1989. These include Capital Reserves, a Risk Management Reserve, a Renewal and Repairs Reserve, an Industrial Development Reserve, an Information Technology Reserve and a General Reserve (see notes to the Balance Sheet).

(b) The loan debt outstanding on mortgages granted to purchase housing, and loans to other organisations is shown in the Balance Sheet as Long Term Debtors.

(c) Provisions have been established to provide for bad debts arising from general debtors, Council Taxpayers, residual sums due from Community Charge payers, Business rate payers and former tenants. These are in accordance with government regulations and accounting code of practice.

(d) Deferred charges represent expenditure of a capital nature where no fixed asset is created. Such expenditure is normally written off against revenue in the year in which it was incurred. Exceptions may include items of value to the authority which are then written off against revenue over appropriate periods.

(e) Legislation on the capital receipts of local authorities does not permit income over £10,000 on the sale of fixed assets to be credited to the general fund revenue account as required by SSAP6. Therefore receipts from the disposal of assets are held in the capital receipts unapplied account or capital receipts set aside account until such time as they are used. The legislation changed from 1 Sept. 1999 from when all capital receipts arising from the sale of non-housing assets can be used and none need be set aside.

Interest on unused capital receipts is credited to the General Fund.

(f) Contingent gains and losses arise from time to time where material sums apply (eg. legal claims pending settlement, disputed contractual liabilities, guarantees, grant approvals) at the balance sheet date. They are disclosed in note 16 to the Consolidated Balance Sheet.

4. BASIS OF PROVISION FOR REDEMPTION OF DEBT

The Council operates a Consolidated Loans and Investment Account into which all loans raised are paid and from which all loans are eventually repaid. Repayment of loans is made on the basis of a minimum revenue provision. This is calculated at 4 % of the loans outstanding for General Fund schemes.

Additionally the Council makes a voluntary provision with respect to finance leases in accordance with the capital accounting procedures.

STATEMENT OF ACCOUNTING POLICIES

5. BASIS ON WHICH CAPITAL WORKS OR EXPENSES ARE RECORDED IN THE BALANCE SHEET

Capital works and expenses are recorded in the balance sheet at cost except for appropriation of land and buildings which are recorded at value current at the time of appropriation.

Expenditure of less than £50,000 on any one scheme is generally treated as revenue.

6. BASIS OF VALUATION OF ASSETS

In the Balance Sheet :-

- (i) Infrastructure and community assets are shown at historical cost net of depreciation.
- (ii) Operational land and properties and other operational assets are shown at an open market valuation.
- (iii) Non-operational land and properties and other non-operational assets, and assets that are surplus to requirements, are shown at an open market valuation.
- (iv) Intangible Assets are shown at historic cost net of depreciation.

7. BASIS OF DEPRECIATION PROVISION

Depreciation has been provided for on all fixed assets with a finite useful life, which can be determined at the time of acquisition or revaluation. This includes freehold property.

It has been 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.

8. BASIS ON WHICH REVENUE ACCOUNTS ARE CHARGED FOR CAPITAL

Revenue accounts are charged with a capital charge for all fixed assets used in the provision of a service. This is in accordance with the capital accounting provisions of the Code of Practice on Local Authority Accounting.

Such charges cover the annual provision for depreciation, where appropriate, plus a capital charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet.

9. COSTS OF SUPPORT SERVICES

The aim is to allocate the costs of Support Services completely over all the services of the Council. Minor residual balances are transferred to holding accounts to be adjusted in later years.

The bases of allocation used for the main costs of Support Services are outlined as follows :-

Administrative Directorates :

The Deputy Chief Executive's and the Organisational Development Directorates - annual apportionment of staff time for each member of staff.

Technical Services Directorate :

Regeneration & Planning Services - actual time spent by staff except for administrative staff who are allocated by annual apportionment of time.

Administrative Buildings :

All costs are pooled and recharged on the basis of the number of staff occupying those buildings.

10. COST OF THE CORPORATE & DEMOCRATIC CORE & UNAPPORTIONED CENTRAL OVERHEADS

The costs of corporate policy making, public accountability and of unapportionable central overheads for which no user continues to benefit, are not allocated but remain as a charge to the General Fund in their own right.

11. INTEREST CHARGES

Net interest on external loans and investments paid by the Consolidated Loans and Investment Account is recharged to the General Fund asset management revenue account.

A proportion of that interest is then further recharged to Housing Act Advances and transferred services (on the basis of notional outstanding debt).

12. STOCKS

Separate stock accounts are kept for souvenirs, tourist information, materials, and office supplies. They are valued on the basis of cost or net realisable value.

STATEMENT OF ACCOUNTING POLICIES

13. PENSIONS

The Council contributes to the East Sussex County Council Pension Fund. It is a defined benefit scheme providing benefits based on final pensionable pay. The fund is responsible for all pension payments except for additional entitlements to payments which have been granted at the discretion of Hastings Council.

The introduction of Financial Reporting Standard 17 (FRS 17) has now taken full effect. The Council has introduced the recommended disclosure of the necessary information in this Statement as notes to the Consolidated Revenue Account and Balance Sheet.

14. BASIS OF ACCOUNTING FOR RESERVES

All expenditure financed by reserves is reflected in the overall total expenditure on services whilst the financing from the reserve is reflected as an appropriation in the Consolidated Revenue Account and not netted off the relevant expenditure.

15. GOVERNMENT GRANTS

Revenue grants are matched with the expenditure to which they relate. They are credited to the revenue account of the period in respect of which they are payable.

Where the acquisition of a fixed asset is either wholly or partially financed by government grant, the amount of grant is credited to a government grants deferred account and written off to the asset management revenue account over the useful life of the asset to match the depreciation of the asset to which it relates.

16. LEASES

Finance Leases - rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Operating Leases - rentals payable under operating leases are charged to revenue over the term of the lease.

17. VAT

VAT has only been included in the accounts when it is irrecoverable.

CONSOLIDATED REVENUE ACCOUNT

2004-2005 NET EXPEND. £'000	SERVICES	2005-2006 GROSS EXPEND. £'000	2005-2006 INCOME £'000	2005-2006 NET EXPEND. £'000	2005-2006 Pension adjustment under FRS 17 ¹ £'000	2005-2006 Adjusted Net Expend. £'000
	Cultural, Environmental & Planning Services:					
813	Cultural Services	940	(139)	801	(7)	794
5,353	Environmental Services	8,655	(2,415)	6,239	(76)	6,163
1,718	Planning and Development Services	7,379	(5,536)	1,843	(75)	1,768
4,068	Recreation & Sport	4,778	(862)	3,916	(39)	3,877
793	Tourism	1,298	(472)	826	(9)	817
973	Community Development	3,804	(2,852)	952	(9)	943
248	Other	278	(93)	185	(4)	181
	Highways, Roads & Transport Services:					
(1,164)	Highways - Parking	2,299	(3,153)	(854)	(10)	(864)
335	Transportation - Concessionary Fares	267	(5)	262	0	262
573	Other	998	(430)	568	(22)	546
	Housing Services:					
(46)	Housing Benefits	42,372	(42,182)	190	(79)	111
4,455	Housing - other than Council Housing	5,151	(645)	4,506	(64)	4,442
	Central Services:					
512	Central Services to the Public	1,111	(705)	406	(43)	363
2,750	Corporate & Democratic Core Expenses	2,905	(1)	2,904	(104)	2,800
707	Non Distributed Costs	693	0	693	(6)	687
(189)	Other Funds	106	0	106	0	106
21,899	Net Cost of Services	83,034	(59,490)	23,543	(547)	22,996
	(Surplus) / Deficit on Trading Undertakings- Note 1	2,872	(3,364)	(491)	(16)	(507)
(2,213)	Asset Management Revenue Account-Note 2	1,976	(4,118)	(2,142)	0	(2,142)
(1,665)	Interest and Investment Income	103	(1,684)	(1,581)	0	(1,581)
237	Deferred Charges not attributable to services	237	0	237	0	237
	Pensions Interest Cost and expected Return in Pensions Assets	0	0	0	285	285
0	Extraordinary Items / Prior Year adjustments	0	0	0	0	0
18,094	Net Operating Expenditure	88,222	(68,656)	19,566	(278)	19,288
	APPROPRIATIONS					
189	Other Funds surplus / (deficit) taken to balances			(106)	0	(106)
(400)	Contribution to / (from) Earmarked Reserves			(343)	0	(343)
(225)	Contribution to / (from) General Reserves			(346)	0	(346)
	Movement on Pensions Reserve			0	278	278
(4,085)	Contribution from capital Reserves including the provision for the repayment of external loans & amounts set a side to finance capital expenditure			(4,639)	0	(4,639)
13,573	Amount to be met from Government Grants & Local Taxpayers			14,132	0	14,132
	SOURCES OF FINANCE					
(5,588)	Government Grants			(5,789)	0	(5,789)
(2,337)	Distribution from Non Domestic Rate Pool			(2,459)	0	(2,459)
30	Transfers to / from Collection Fund re previous years surpluses / deficits			0	0	0
(5,672)	Amount met from Collection Fund			(5,884)	0	(5,884)
6	General Fund (surplus) / deficit for the year taken to balances			(0)	0	(0)
	CONSOLIDATED BALANCE					
(789)	Balance (surplus) at beginning of the year			(973)		
(189)	Other Funds (surplus) / deficit			106		
6	General Fund (surplus) / deficit for the year			(0)		
(973)	Balance (surplus) at end of year			(867)		

¹ 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 (see note 3 to CRA).

CONSOLIDATED REVENUE ACCOUNT NOTES

NOTE 1. TRADING UNDERTAKINGS

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

2004-2005 NET £'000		EXPEND. £'000	2005-2006 INCOME £'000	NET £'000
(824)	Employment Areas, Factories, Land & Property Entertainments	1,886	(3,001)	(1,115)
546	- White Rock Theatre	534	0	534
24	- Marina Pavilion	0	0	0
50	- Caves & Castle	109	(75)	34
39	- Other	343	(287)	56
<u>(165)</u>	Net deficit / (surplus)	<u>2,872</u>	<u>(3,364)</u>	<u>(491)</u>
(7)	less FRS Pensions Fund adjustment	0	0	0
<u>(172)</u>		<u>2,872</u>	<u>(3,364)</u>	<u>(491)</u>

NOTE 2. ASSET MANAGEMENT REVENUE ACCOUNT

The asset management revenue account is required under the current system of capital accounting. The components of this account are set out below :-

2004-2005 £'000		2005-2006 £'000
	EXPENDITURE :	
822	External interest payable on borrowing	868
0	Interest payable under finance leases	0
928	Depreciation	1,108
<u>1,750</u>		<u>1,976</u>
	INCOME :	
(3,697)	Capital charges for the use of fixed assets	(3,780)
(266)	Capital grants and contributions	(338)
<u>(2,213)</u>		<u>(2,142)</u>

CONSOLIDATED REVENUE ACCOUNT NOTES

NOTE 3. PENSION COSTS

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. The cost of the contributions shown in the Council's account was as follows :-

2004-2005			2005-2006	
£'000	%		£'000	% of pensionable pay
1,734	16.90	Primary contribution	1,964	18.20
148	1.45	Discretionary years, added years and lump sums awarded	157	1.45
<u>1,882</u>	<u>18.35</u>	Total payments to the Pension Fund	<u>2,121</u>	<u>19.65</u>

The capital cost of discretionary increases in pension payments agreed by the Council, usually related to the early retirement of employees, was as follows :-

a) in the year of account	£0
b) in earlier years for which payments are still being made	£0

The last full actuarial valuation was as at 31 March 2004. 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 £22.6m impacts on the Council by way of increased employer contributions. Over four years annual increases of 1.3% have been agreed to raise the contribution to 22.1% by 2008-09.

Hastings Nos. at 31 Jan.2005		Hastings Nos. at 31 Jan.2006
483	Active Members	499
447	Deferred Pensioners	477
642	Pensioners	629
<u>1,572</u>		<u>1,605</u>

2004-2005			2005-2006	
£'000		% of payroll	£'000	
1,670	Current Service Cost	17.40%	1,558	
0	Past Service Cost	0.00%	0	
1,670	Total Operating Charge (A)	17.40%	1,558	
3,725	Expected Return on Employer Assets	45.60%	4,086	
(3,518)	Interest on Pension Scheme Liabilities	(48.70%)	(4,371)	
207	Net Return (B)	3.20%	(285)	
<u>1,463</u>	Net Revenue Account Cost (A) - (B)	<u>20.60%</u>	<u>1,843</u>	

2004-2005			2005-2006	
£'000			£'000	
(11,478)	Deficit at the beginning of the year		(23,183)	
(1,670)	Current Service Cost		(1,558)	
0	Past Service Cost		0	
161	Contributions in respect of Unfunded Benefits (as estimated by the Actuary)		161	
1,720	Employer contributions (as estimated by Actuary)		1,964	
207	Net Return on Assets		(285)	
(12,123)	Actuarial gains / (losses) - includes adjustment of £143k by Actuary of deficit b/f		261	
<u>(23,183)</u>	Deficit at end of year		<u>(22,640)</u>	

Note : see also note 14 to the Balance Sheet and note 5 to the Statement of Movement in Reserves.

CONSOLIDATED REVENUE ACCOUNT NOTES

2004-2005		2005-2006
£'000		£'000
2,300	Difference between expected and actual return on assets	10,151
58,217	Value of Assets	72,091
4.00%	% of assets	14.10%
(1,843)	Experience gains / (losses) on liabilities	20
81,401	Value of Liabilities	94,730
(2.30%)	% of assets	0.00%
(11,980)	Actuarial gains / (losses)	261
81,401	Value of Liabilities	94,730
(14.7%)	% of assets	0.30%

NOTE 4. EMPLOYEE REMUNERATION (excluding employers pension contributions)

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

2004-2005		2005-2006
11	£50,001 - 60,000	9
1	£60,001 - 70,000	2
5	£70,001 - 80,000	5
1	£80,001 - 90,000	1
1	£90,001 - £100,000	1
19		18

NOTE 5. AMOUNT SET ASIDE FOR THE REPAYMENT OF EXTERNAL LOANS

There is a statutory requirement to set aside a minimum revenue provision for the repayment of external loans. This is calculated at 4% of the loans outstanding for General Fund schemes. However the General Fund provision is distorted by the effect of the commutation of renovation grants and following the transfer of council housing to a Housing Association in 1995-96 the overall position became nil and will remain so until 2007-2008.

2004-2005		2005-2006
£'000		£'000
0	General Fund schemes	0
0	Housing Revenue Account schemes	0
0		0

NOTE 6. 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. There are no finance leases at the current time.

2004-2005		2005-2006
£'000		£'000
258	Operating Leases (vehicles)	320
1	Finance Leases (unit factories, fixed plant and equipment)	0
259		320
386	Future cash payments required under Operating Leases	479

CONSOLIDATED REVENUE ACCOUNT NOTES

NOTE 7. MEMBERS ALLOWANCES

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

2004-2005 £'000		2005-2006 £'000
182	Members Allowances	256
18	Conferences, Training and Travelling Expenses	18
200		274
32	Number of Councillors	32
£6,255	Average sum per Councillor	£8,005

NOTE 8. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 enables a local authority to spend up to the product of the population multiplied by £5.00 for the benefit of people in their area on activities or projects not specifically authorised by other powers.

Generally this expenditure relates to grants made to voluntary groups where other powers do not exist.

2004-2005 £'000		2005-2006 £'000
89	Grants to Voluntary Organisations	99
89		99
426	Maximum permitted spend	423

NOTE 9. PUBLICITY EXPENDITURE

Since 1 April 1988 section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of their expenditure on publicity, which is available for public inspection. The areas covered by the act include resort advertising and economic development advertising. During 2005-2006 this expenditure was as follows :-

2004-2005 £'000		2005-2006 £'000
129	Tourism Resort & Community Awareness publicity	219
129		219

CONSOLIDATED REVENUE ACCOUNT NOTES

NOTE 10. RELATED PARTY TRANSACTIONS

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

	Receipts £'000	Payments £'000
Central Government		
Specific Revenue Grants	(48,858)	-
Revenue Support Grant	(5,789)	-
Contributions to / from Business Rate Pool	(2,459)	15,382
Capital Grants	(1,068)	-
East Sussex County Council - precept	-	27,680
East Sussex Fire Authority - precept	-	1,933
Sussex Police Authority - precept	-	3,182
East Sussex County Council Pension Fund - payment of employer's pension contributions in respect of employees	-	2,122
Hastings Borough Council Staff - loans made to individual members of staff to assist with the purchase of vehicles and repayments	87	57
Hastings Borough Council Staff - grants to individual members of staff to assist with their costs of relocation when taking employment with the Council	-	0

NOTE 11. BUILDING CONTROL STATEMENT

Under the Building (Local Authority Charges) Regulations 1998 the Council has made a scheme that took effect from 1 April 1999. The expenditure and income divided between chargeable and non-chargeable was :-

2004-2005 £'000		Chargeable £'000	Non-chargeable £'000	2005-2006 £'000
331	Expenditure	229	138	367
(331)	Income	(238)	(120)	(358)
0	Net (Surplus) / Deficit	(9)	18	9

NOTE 12. AUDIT FEES

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

2004-2005 £'000		2005-2006 £'000
81	External audit services	82
17	Statutory Inspection	0
34	Certification of Grant Claims and Returns	27
1	Other Services	0
133		109

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2004-2005 £'000	INCOME	2005-2006 £'000
30,001	Income from Council Taxpayers	31,616
7,617	Transfers from General Fund re Council Tax - Council Tax Benefit awarded	7,913
142	Sums recovered from Preceptors re previous year's Collection Fund deficit - East Sussex County Council	0
12	- Sussex Police Authority	0
30	- Hastings Borough Council	0
<hr/> 37,802	Total from Council Tax	<hr/> 39,529
15,256	Income collectable from Business Ratepayers - <i>Note 2</i>	15,509
<hr/> 53,058		<hr/> 55,038
	EXPENDITURE	
26,563	East Sussex County Council Precept on Collection Fund - <i>Note 3</i>	27,680
3,035	Sussex Police Authority Precept on Collection Fund - <i>Note 3</i>	3,182
1,842	East Sussex Fire Authority	1,933
5,672	Hastings Borough Council Demand on Collection Fund - <i>Note 3</i> Business Rate - <i>Note 2</i>	5,884
15,125	- Payment to National Pool	15,382
131	- Cost of Collection	127
	Bad & Doubtful Debts	
181	- Write offs of uncollectable Council Tax	323
322	- Provision for uncollectable Council Tax-addition to/(reduction in) sum required	359
<hr/> 52,871		<hr/> 54,870
<hr/> (187)	Movement on Fund Balance - (surplus) / deficit	<hr/> (168)
	FUND BALANCE - <i>Note 4</i>	
(6)	Balance brought forward	(193)
(187)	(Surplus) / deficit for year	(168)
<hr/> (193)	Balance carried forward	<hr/> (361)

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 :-

2004-2005 £'000		2005-2006 £'000
(16,702)	Non-Domestic rates billed at uniform business rate of 41.5p (2004-2005 : 45.6p)	(18,805)
1,446	Less adjustments to charges, voids, reliefs and other non-collectable sums	3,296
<u>(15,256)</u>	Amount Collectable	<u>(15,509)</u>
131	Less allowance for the Cost of Collection	127
<u>(15,125)</u>	Net contribution to National Pool	<u>(15,382)</u>
£2,336,703	Redistribution from National Pool - credited to General Fund	£2,459,098
£44,820,937	Rateable Value of Business Premises at 31 March	£44,737,685

NOTE 3. COUNCIL TAX BASE

Band & Value	Number of Properties	Relationship to Band D	Annual Amount
Band A - up to £40,000	13,896	6/9	£893.34
Band B - over £40,000 up to £52,000	11,503	7/9	£1,042.23
Band C - over £52,000 up to £68,000	6,989	8/9	£1,191.12
Band D - over £68,000 up to £88,000	5,442	-	£1,340.01
Band E - over £88,000 up to £120,000	2,134	11/9	£1,637.79
Band F - over £120,000 up to £160,000	767	13/9	£1,935.57
Band G - over £160,000 up to £320,000	181	15/9	£2,233.35
Band H - over £320,000	49	18/9	£2,680.02
	<u>40,961</u>		
Council Tax Base and amount originally expected for 2005-2006		=	28,865
	East Sussex County Council share		£27,680,092
	Sussex Police Authority share		£3,182,366
	East Sussex Fire Authority share		£1,932,601
	Hastings Borough Council share		£5,884,443
			<u>£38,679,502</u>

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.

	2004-2005		2005-2006	
	Community Charge £'000	Council Tax £'000	Community Charge £'000	Council Tax £'000
Balance brought forward :-				
East Sussex County Council	0	3	0	137
Sussex Police Authority	0	2	0	17
East Sussex Fire Authority	0	0	0	9
Hastings Borough Council	1	0	1	29
Surplus / (Deficit)	<u>1</u>	<u>5</u>	<u>1</u>	<u>192</u>
Movement on Fund Balance :-				
East Sussex County Council	0	134	0	120
Sussex Police Authority	0	15	0	14
East Sussex Fire Authority	0	9	0	8
Hastings Borough Council	0	29	0	26
Surplus / (Deficit)	<u>0</u>	<u>187</u>	<u>0</u>	<u>168</u>
Balance carried forward :-				
East Sussex County Council	0	137	0	257
Sussex Police Authority	0	17	0	31
East Sussex Fire Authority	0	9	0	17
Hastings Borough Council	1	29	1	55
Surplus / (Deficit)	<u>1</u>	<u>192</u>	<u>1</u>	<u>360</u>
Total of Community Charge and Council Tax		<u>193</u>		<u>361</u>

CAPITAL EXPENDITURE SUMMARY

2004-2005 £'000	Detail	2005-2006 £'000	£'000
	Operational Assets:		
	Other Land & Buildings -		
163	Office Accomodation	87	
103	Museum Extension	228	
96	Crematorium	0	
266	Car Park Improvements & Security Measures	344	
51	Other	21	680
	Infrastructure Assets -		
48	Long Term Beach Management	16	
34	Warrior Square Footpath	87	
454	Lower Queens Road Works	8	
66	Highfield Drive - Gabion Wall	0	
0	Sea Front Strategy	60	
0	SRB Regeneration Initiatives	283	
27	Other	0	454
474	Vehicles, Plant & Equipment		2
555	Intangible Assets - Software & Systems		507
	Community Assets -		
38	Cliff Stabilisation Works	473	
0	West Marina Area Regeneration	69	
462	Alexandra Park Restoration & Artwork	150	
156	White Rock Area	0	
49	St.Leonards Gardens / West Lodge	0	
62	Country Park	46	
26	Other Parks, Gardens, Recreation Grounds & Public Open Spaces	90	
10	Playground Enhancements & Games Areas	632	
31	Decorative Lighting	155	
105	Other	89	1,704
3,276			3,347
	Non-operational Assets:		
0	Priory Meadow Shopping Centre Improvements	443	
2	Factory Unit Refurbishments	111	
134	Other	13	567
3,412	Total of Fixed Assets		3,914
	Deferred Charges:		
360	Conservation Grants	522	
1,215	Renovation & Disabled Facilities Grants	1,285	
400	Social Housing Grants	500	
903	Renewal Areas	900	
308	Empty Properties Strategy	188	
237	Other	237	3,632
6,835	Total Capital Expenditure for year		7,546
	Financed by :-		
0	Loan		1,507
4,423	Capital Receipts (proceeds of the sale of fixed assets)		3,471
2,094	Grant receipts		2,240
81	Use of Reserves		91
237	From Revenue		237
6,835	Total Financing		7,546

Significant capital commitments for unfinished building works contracts at the 31 March 2006 totalled £2.16m.

CONSOLIDATED BALANCE SHEET

2004-2005		2005-2006	
£'000	FIXED ASSETS - <i>Notes 1 & 2</i>	£'000	£'000
	Operational Assets-		
8,945	Other Land & Buildings		9,463
12,899	Infrastructure Assets		12,727
974	Vehicles, Plant, Furniture & Equipment		800
10,604	Community Assets		12,310
977	Intangible Assets		1,266
	Non-operational Assets		
29,812	Investment Properties	29,181	
0	Assets under Construction	0	
2,230	Surplus Assets, held for Disposal	2,451	31,632
66,441			68,198
	LONG TERM INVESTMENTS		
0	Investments - <i>Note 3</i>		0
	LONG TERM DEBTORS		
126	Mortgages		113
181	Other		390
66,748	Total Long -Term Assets		68,701
	CURRENT ASSETS		
73	Stocks - <i>Note 4</i>		48
8,368	Debtors - <i>Note 5</i>		9,826
29,647	Short Term Deposits - <i>Note 15</i>		29,487
117	Cash in Hand		7
38,205			39,368
	CURRENT LIABILITIES		
(6,935)	Creditors - <i>Note 6</i>		(5,633)
(8,698)	Borrowing repayable on demand or within one year - <i>Note 7</i>		(8,500)
0	Bank Overdraft		(1,393)
22,572	Net Current Assets / (Liabilities)		23,842
89,320	Total Assets less Current Liabilities		92,543

CONSOLIDATED BALANCE SHEET

2004-2005 £'000		2005-2006 £'000	2005-2006 £'000
89,320	Total Assets less Current Liabilities b/f		92,543
LONG TERM LIABILITIES			
(13,500)	Long Term Borrowing repayable in excess of 1 year - <i>Note 7</i>		(18,698)
0	Deferred Liabilities - <i>Note 8</i>		0
(816)	Provisions - <i>Note 9</i>		(675)
(23,183)	Liability related to a Defined Benefit Pension scheme		(22,640)
<u>(37,499)</u>			<u>(42,013)</u>
<u>51,821</u>	Total Assets less Liabilities		<u>50,530</u>
EQUITY			
(63)	Deferred Credits - <i>Note 10</i>		(46)
(19)	Trust Funds - <i>Note 11</i>		(18)
(973)	Revenue Balances - <i>Note 13</i>		(867)
(12,329)	Reserves * - <i>Note 12</i>		(12,174)
(1,746)	Usable Capital Receipts *		(13)
(8,423)	Government Grants - Deferred *		(10,325)
(55,920)	Capital Financing Account *		(55,076)
4,662	Fixed Asset Restatement Account *		5,710
23,183	Pensions Reserve		22,640
	Collection Fund Balance ^ -		
(137)	East Sussex County Council	(257)	
(17)	Sussex Police Authority	(31)	
(9)	East Sussex Fire Authority	(17)	
(30)	Hastings Borough Council	(56)	(361)
<u>(51,821)</u>	Total Equity		<u>(50,530)</u>

* see Statement of Movement in Reserves on pages 41 - 43 for further detail.

^ see Collection Fund Income & Expenditure Account on pages 28 - 30 for detail.

CONSOLIDATED BALANCE SHEET NOTES

NOTE 1. FIXED ASSETS & TRANSACTIONS

An analysis of fixed assets includes the following :-

2004-2005 no's		2005-2006 no's
Operational Land and Buildings :		
1	Town Hall	1
10	Offices	9
18	Off Street Car Parks	18
1	Leisure Centres and Pools	1
2	Museums and Galleries	2
2	Theatre and Entertainments Buildings	2
1	Cemetery	1
1	Crematorium	1
2	Cliff Railways	2
1	Hastings Castle	1
1	St.Clements Caves	1
Community Assets :		
617 hectares	Parks, Recreation Grounds and Open Spaces	617 hectares
3	Reservoirs	3
Non-operational Assets :		
1	St.Mary in the Castle	1
36 units	Commercial Property rented out	36 units
131 units	Industrial Land and Property rented out	131 units
3	Agricultural Properties	3
1	Fishmarket	1
Infrastructure Assets :		
1	Harbour Arm	1
4km	Promenade	4km
4km	Coast Defence Walls	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 an Associate of the Royal Institution of Chartered Surveyors.

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.

Certain seafront car parks and other land and buildings along the seashore are in the ownership of the Foreshore Trust. These are currently managed by the Council and historically figure in the assets shown in the Balance Sheet. It is envisaged that during 2006-07 these will be separated from the Council's accounts when agreement is reached with the trustees acting for the Trust.

CONSOLIDATED BALANCE SHEET NOTES

NOTE 1. FIXED ASSETS & TRANSACTIONS (continued)

Movements in fixed assets during the year :-

	Balance at 1 April £'000	Expenditure £'000	Disposals, Depreciation & Revaluations £'000	Balance at 31 March £'000
Operational Assets -				
Land and Buildings	8,945	680	162	9,463
Infrastructure	12,899	454	626	12,727
Vehicles, Plant, Furniture & Equipment	974	2	176	800
Community Assets	10,604	1,704	(2)	12,310
Intangible Assets (incl.Computer systems)	977	507	218	1,266
Non-operational Assets	32,042	567	977	31,632
Total Fixed Assets	66,441	3,914	2,157 *	68,198

* This is made up of the following :-

	Disposals £'000	Depreciation £'000	Revaluation £'000	Other Adjustments £'000	Total £'000
Operational Assets -					
Land and Buildings	0	113	(58)	107	162
Infrastructure	0	626	0	0	626
Vehicles, Plant, Furniture & Equipment	0	174	0	2	176
Community Assets	0	28	0	(30)	(2)
Intangible Assets (incl.Computer systems)	0	161	0	57	218
Non-operational Assets	29	6	981	(39)	977
Total Fixed Assets	29	1,108	923	97	2,157

NOTE 2. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. The expenditure is written down during the year in question.

	Balance at 1 April £'000	Expenditure £'000	Amount written out £'000	Balance at 31 March £'000
Renovation & Social Housing Grants	0	1,785	1,785	0
Other	0	1,847	1,847	0
	0	3,632	3,632	0

NOTE 3. INVESTMENTS

There are no investments currently held.

NOTE 4. STOCKS

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

2004-2005 £'000		2005-2006 £'000
73	Stocks of materials, souvenirs, provisions & office supplies	48
73		48

CONSOLIDATED BALANCE SHEET NOTES

NOTE 5. DEBTORS

2004-2005 £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2005-2006 £'000
5,115	Local Taxpayers	6,234
3,187	Government Departments / Bodies	3,200
269	Other Local Authorities & Public Bodies	346
657	Housing Rents & Benefit Repayments	852
2,654	Sundry Debtors	3,575
11,882		14,207
(3,514)	<u>Less</u> : Provision for bad debts	(4,381)
8,368	TOTAL	9,826

NOTE 6. CREDITORS

2004-2005 £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2005-2006 £'000
2,329	Government Departments / Bodies	782
462	Other Local Authorities & Public Bodies	400
4,144	Sundry Creditors	4,451
6,935	TOTAL	5,633

NOTE 7. BORROWING

2004-2005 £'000	SOURCE OF LOAN	2005-2006 £'000
5,500	Money Market - Short Term	8,500
16,698	Public Works Loan Board	18,698
22,198		27,198

AN ANALYSIS OF LOANS BY MATURITY IS :

£'000		Interest rate %	£'000
8,698	Maturing within one year	4.51	8,500
8,698	Total borrowing repayable within one year		8,500
0	Maturing in 1 - 2 years		0
0	Maturing in 2 - 3 years		0
0	Maturing in 3 - 4 years		0
0	Maturing in 4 - 5 years		0
0	Maturing in 5 - 6 years		0
0	Maturing in 6 - 10 years		0
0	Maturing in 10 - 15 years		0
13,500	Maturing in more than 15 years	4.63	18,698
13,500	Total borrowing repayable in excess of one year (Long Term Borrowing)		18,698
22,198	Total Borrowing	average 4.59	27,198

CONSOLIDATED BALANCE SHEET NOTES

NOTE 8. DEFERRED LIABILITIES

Deferred liabilities arise from outstanding finance lease agreements for such items as unit factories and fixed & moveable plant. However all such agreements have now ceased.

NOTE 9. 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
Interest Equalisation	300	0	62	238
Restructuring of Council Directorates	113	0	0	113
Housing Delivery	96	0	42	54
Other miscellaneous provisions	307	19	56	270
	816	19	160	675

(i) the Interest Equalisation provision 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.

(ii) a provision has been put aside to fund the costs arising out of restructuring Council Directorates.

(iii) a provision has been set up to fund survey costs aimed at tackling housing delivery issues.

NOTE 10. 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.

2004-2005 £'000	2005-2006 £'000
55 Mortgages	46
8 Loans to Business & Other Organisations	8
63	54

NOTE 11. TRUST FUNDS

The Council 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
Brassey Fund (purchase of Museum exhibits etc.)	17	1	2	16
Other Minor Trusts	2	0	0	2
	19	1	2	18

CONSOLIDATED BALANCE SHEET NOTES

NOTE 12. RESERVES

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Capital Reserve	7,079	0	444	6,635
General Reserve	1,566	445	346	1,665
Renewal and Repairs Reserve	1,912	251	551	1,612
Risk Management Reserve	231	76	64	243
Industrial Development Reserve	459	0	61	398
Information Technology Reserve	357	275	163	469
Right to Buy - ex-Council Houses sold	558	591	558	591
On-Street Car Parking Surplus Reserve	159	95	89	165
Planning Development Reserve	0	388	0	388
Other Reserves	8	0	0	8
	<u>12,329</u>	<u>2,121</u>	<u>2,276</u>	<u>12,174</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) The sale of ex-council houses allows the Council to claim part of the proceeds from the Housing Association concerned.
- (vii) 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.
- (viii) The unused part of Planning Development grant received from central government has been treated as a reserve.

NOTE 13. REVENUE BALANCES

See also Consolidated Revenue Account Summary - Consolidated 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	592	0	92	500
Other Funds	381	1,639	1,653	367
	<u>973</u>	<u>1,639</u>	<u>1,745</u>	<u>867</u>

CONSOLIDATED BALANCE SHEET NOTES

NOTE 14. 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 2006 for the purposes of FRS17 reveals :-

Assumptions as at 31 March:	2004-2005	2005-2006
Price increases	2.90%	3.10%
Salary increases	4.40%	4.60%
Pensions increases	2.90%	3.10%
Discount rate	5.40%	4.90%
Assets of the Whole Fund:	Fund Value	Fund Value
	£'000	£'000
Equities	924,702	1,071,400
Bonds	137,176	182,400
Property	135,943	155,600
Cash	46,571	163,600
Total	1,244,392	1,573,000
Net Pension Asset (this Council) as at 31 March:	2004-2005	2005-2006
	£'000	£'000
Estimated Employer Assets (A)	58,217	72,090
Present Value of Scheme Liabilities	78,686	91,910
Present Value of Unfunded Liabilities	2,714	2,820
Total Value of Liabilities (B)	81,400	94,730
Net Pension Asset (A) - (B)	(23,183)	(22,640)

NOTE 15. SHORT TERM DEPOSITS

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

2004-2005		2005-2006
£'000		£'000
2,392	Bank Deposits	2,129
26,904	Certificates of Deposit	22,303
351	British Government Securities (Gilts)	5,055
29,647		29,487

CONSOLIDATED BALANCE SHEET NOTES

NOTE 16. CONTINGENT LIABILITIES

a. Grants awarded to the Council under Government Regeneration schemes are conditional, and elements may be repayable in certain circumstances such as breach of conditions and sale of assets acquired with grant monies. At the 31 March 2006 a total of £23.2 million had been received from the SRB (Single Regeneration Budget) and AIF (Area Investment Framework) programmes.

b. It has come to light that an area of the foreshore was conveyed to the Council in 1893 by the Crown to be held in trust for the good of the public. Legal advice is that the Trust should be activated to consider how income and expenditure arising from Council run activities and responsibilities should be treated. The following services are identified as being within the affected area of land and hence require the trustees to consider the net income and expenditure arising from them:-

	Expenditure £'000	Income £'000	Net £'000
Car Parking	425	819	(394)
Seafront	400	156	244
The Stade	7	0	7
Public Conveniences	114	0	114
Street Cleansing	80	0	80
	1,026	975	51

The net cost of £51,490 has been met within the Council's accounts, although during 2006-07 the Trust will formally agree its responsibilities and account for any assessed surplus or deficit arising from the activities within its remit.

STATEMENT OF MOVEMENT IN RESERVES

2004-2005 £'000		2005-2006 £'000	2005-2006 £'000
	Surplus / (deficit) for the year -		
(1,513)	General Fund Reserves	(155)	
0	<i>add back</i> movement on specific revenue reserves	0	
(1,513)	Total increase / (decrease) in revenue resources		(155)
56	Increase / (decrease) in useable capital receipts	(1,733)	
0	Increase / (decrease) in unapplied capital grants & contributions	0	
56	Total increase / (decrease) in realised capital resources - note 1		(1,733)
2,544	Gains / (losses) on revaluation of fixed assets	1,363	
(415)	Impairment losses on fixed assets due to general changes in prices	(2,165)	
2,129	Total increase / (decrease) in unrealised value of fixed assets - note 2		(802)
(1,580)	Value of assets sold, disposed of or decommissioned - note 3		(246)
4,428	Capital receipts set aside	3,471	
(4,010)	Revenue resources set aside	(4,315)	
1,823	Movement on Government Grants Deferred	1,902	
2,241	Total increase / (decrease) in amounts set aside to finance capital investment - note 4		1,058
	Pensions Reserve - note 5		
(11,562)	Total recognised gains and (losses)		543
(10,229)	Total recognised gains and (losses)		(1,335)

NOTES TO THE MOVEMENT IN RESERVES

NOTE 1. MOVEMENTS IN REALISED CAPITAL RESOURCES

	Usable capital receipts £'000	Unapplied capital grants & contrib. £'000
Amounts receivable during year	1,738	0
Amounts applied to finance new capital investment during year (incl. amounts set-aside)	(3,471)	0
Total increase / (decrease) in realised capital resources	(1,733)	0
Balance at start of year	1,746	0
Balance at year end	13	0

These represent the amounts available to finance capital expenditure in future years, after setting aside amounts laid down by statute for the repayment of debt.

NOTE 2. MOVEMENT IN UNREALISED VALUE OF FIXED ASSETS

	* Fixed asset restatement account £'000
Gains / (losses) on revaluation of fixed assets	1,363
Impairment losses on fixed assets due to general changes in prices	(2,165)
Total increase / (decrease) in unrealised capital resources during the year	(802)

NOTE 3. VALUE OF ASSETS SOLD, DISPOSED OF OR DECOMMISSIONED

Amounts written off fixed asset balances for disposals during the year	(246)
Total movement on reserve during the year	(1,048)
Balance at start of year	(4,662)
Balance at year end	(5,710)

* This account represents the difference between the current valuation of assets as shown in the balance sheet, and their historic cost. It is written down by the book value of assets as they are disposed of, and adjusted by the deficits and surpluses from revaluations.

NOTES TO THE MOVEMENT IN RESERVES

NOTE 4. MOVEMENTS IN AMOUNTS SET ASIDE TO FINANCE CAPITAL INVESTMENT

	* Capital financing account £'000	^ Government grants deferred £'000	Total £'000
Capital receipts set aside during the year :			
Reserved receipts	0		0
Useable receipts applied	3,471		3,471
Total capital receipts set aside during the year	<u>3,471</u>		<u>3,471</u>
Revenue resources set aside during the year:			
Capital expenditure financed from revenue	(3,207)		(3,207)
Reconciling amount for provisions for loan repayment	(1,108)		(1,108)
Total revenue resources set aside during the year	<u>(4,315)</u>		<u>(4,315)</u>
Grants applied to capital investment during the year		2,240	2,240
Amounts credited to the asset management revenue account during the year		(338)	(338)
Movement on Government Grants Deferred		<u>1,902</u>	<u>1,902</u>
Total increase / (decrease) in amounts set aside to finance capital investment			<u>1,058</u>
Total movement on reserve during the year	(844)	1,902	
Balance at start of year	55,920	8,423	
Balance at year end	<u>55,076</u>	<u>10,325</u>	

* This account shows the amount of capital expenditure financed from revenue 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, and amounts written down from deferred charges and government grants deferred.

^ Government grants deferred represents grants that have been used in the acquisition of fixed assets. As the asset is depreciated or disposed of, so the value of this account is written down to match the depreciation charge and / or disposal.

NOTE 5. PENSIONS RESERVE

	£'000	%
Difference between the expected and actual return on assets	10,151	14.10%
Differences between actuarial assumptions about liabilities and actual experience	20	(0.00%)
Changes in demographic and financial assumptions used to estimate liabilities	(9,628)	(10.37%)
Net gain / (loss)	<u>543</u>	
Balance at start of year - surplus / (deficit)	<u>(23,183)</u>	
Balance at year end - surplus / (deficit)	<u>(22,640)</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.

CASH FLOW STATEMENT

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

2004-2005 £'000			2005-2006 £'000
	REVENUE ACTIVITIES		
	CASH OUTFLOWS		
15,873	Cash paid to and on behalf of employees		16,902
19,079	Other operating cash payments		20,892
30,804	Housing benefit payments		32,727
15,960	National non-domestic rate payments to national pool & other adjustments		15,484
31,285	Net Precepts paid		32,793
113,001			118,798
	CASH INFLOWS		
(29,429)	Council Tax income		(31,230)
(16,120)	National non-domestic rate receipts from ratepayers		(16,087)
(2,337)	National non-domestic rate receipts from national pool		(2,459)
(5,588)	Revenue Support Grant		(5,782)
(40,262)	DWP grants for benefit payments		(40,906)
(7,041)	Other government / agencies grants	<i>Note 2.</i>	(7,952)
(10,970)	Cash received for goods & services & rents		(10,793)
(111,747)			(115,209)
1,254	Net expenditure / (income)		3,589
	SERVICING OF FINANCE		
	CASH OUTFLOWS		
808	Interest paid		847
	CASH INFLOWS		
(247)	Interest received		(175)
1,815	Net Revenue Activities	<i>Note 1.</i>	4,261
	CAPITAL ACTIVITIES		
	CASH OUTFLOWS		
5,569	Purchase of fixed and intangible assets		6,450
0	Other capital cash payments		0
5,569			6,450
	CASH INFLOWS		
(4,520)	Sale of other fixed assets		(1,156)
(1,267)	Capital grants received		(1,068)
(34)	Other capital cash receipts		(572)
(252)	Net Capital Activities		3,654
1,563	Net cash (inflow) / outflow before financing	<i>Note 3.</i>	7,915

CASH FLOW STATEMENT

2004-2005 £'000		2005-2006 £'000
	FINANCING	
	CASH OUTFLOWS	
0	Repayment of amounts borrowed	0
	CASH INFLOWS	
(3,047)	New loans raised	(2,000)
0	New short -term loans	(3,000)
(3,047)		(5,000)
	 MANAGEMENT OF LIQUID RESOURCES	
500	Net (decrease) / increase in short-term deposits	(1,412)
500		(1,412)
(984)	Net (Increase) / decrease in cash	1,503
	 NOTE 1. REVENUE ACTIVITIES NET CASH FLOW	
(973)	Deficit / (Surplus) on year as shown in Consolidated Revenue Account	(0)
(187)	Deficit / (Surplus) on year as shown in Collection Fund	(168)
(1,160)		(168)
3,895	Add / (Less) non-cash transactions re capital financing, reserves & provisions	252
(920)	Add / (Less) revenue items accrued in the accounts	4,177
1,815	Deficit / (Surplus) on year	4,261
	 NOTE 2. ANALYSIS OF OTHER GOVERNMENT / AGENCIES GRANTS	
(1,375)	Neighbourhood Renewal	(1,375)
(424)	Planning Development Grant	(636)
(3,534)	Single Regeneration Budget (SRB) - revenue schemes	(3,995)
(1,708)	Other	(1,946)
(7,041)		(7,952)
	 NOTE 3. RECONCILIATION OF CASH FLOWS TO NET DEBT	
(984)	(Increase) / Decrease in cash at bank and in hand	1,503
(500)	(Increase) / Decrease in short-term deposits	1,412
0	Increase / (Decrease) in short-term borrowing	3,000
3,047	(Repayment) / New Loans Raised re longer-term borrowing	2,000
1,563		7,915

GLOSSARY

ACCRUALS

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

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.

DEBTORS

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

DEFERRED CHARGES

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

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.

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.

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.

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 SUPPORT

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

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

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