

Statement of Accounts

2010-2011



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GENERAL INFORMATION

PHYSICAL FEATURES

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

The Council owns land amounting to approximately **1,080 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 2010-2011 was : **64,400**

COUNCIL TAX & BUSINESS RATING INFORMATION

Rateable value of business premises at 31 March 2011	£57,840,381
Net Borough Council Revenue Expenditure (excluding capital charges)	£20,955,177
Council Tax Base	29,348
Council Tax at Band D - includes all preceptors	£1,614.43

EMPLOYEES

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

	NUMBER OF EMPLOYEES	
	2009-10	2010-11
Full time	392	374
Part time (full time equivalents)	69	68
Total	461	442

The cost of employment during the year was :-

	£'000	£'000
	2009-10	2010-11
Wages and Salaries	12,283	11,847
National Insurance	940	898
Pension Contributions	2,373	2,244
Total	15,596	14,989

EXPENDITURE SUMMARY

2009-2010 ACTUAL				2010-2011 REVISED ESTIMATE	2010-2011 ACTUAL		
EXPEND. £	INCOME £	NET £		£	EXPEND. £	INCOME £	NET £
<u>CORPORATE RESOURCES</u>							
Deputy Chief Executive & Director of Corporate Resources							
376,259	(725)	375,534	Chief Executive's Division	357,410	349,709	247	349,956
			Corp. Policy, Partnerships & Performance	330,900	333,089	0	333,089
336,477	(2,500)	333,977	Estates Division	399,110	383,989	0	383,989
355,302	0	355,302	Democratic Services Division	371,610	382,785	(1,461)	381,324
357,329	0	357,329	Borough Solicitors Division	551,740	559,138	(34,254)	524,884
616,531	(44,491)	572,040	Audit & Investigations Division	374,320	415,269	(67,872)	347,397
420,881	(92,109)	328,772	Accountancy & Exchequer Serv.Divsn.	887,380	867,527	(5,750)	861,777
833,595	(23)	833,572	Revenues Division	2,406,380	2,626,752	(153,461)	2,473,291
2,439,659	(178,517)	2,261,142	Projects Division	232,310	213,669	(4)	213,665
428,074	0	428,074	Personnel & Org. Development Div.	556,940	562,178	(10,494)	551,684
590,428	(1,113)	589,315	Corporate Expenses	289,580	305,520	0	305,520
1	(1)	0	Corporate Personnel Expenses	355,250	322,832	(4,320)	318,512
238,666	(6,070)	232,596	Less recharges to other accounts	(6,477,070)	(6,857,443)	0	(6,857,443)
(6,754,535)	319,478	(6,435,057)	Non-recharged costs	635,860	465,014	(277,369)	187,645
238,667	(6,071)	232,596	Corporate Management Non-distributed	717,400	689,801	0	689,801
502,939	0	502,939	Corporate Expenses	172,100	167,791	0	167,791
167,800	0	167,800	Benefit Payments & administration	348,990	63,275,275	(63,039,387)	235,888
60,011,048	(59,892,490)	118,558	Council Tax & Business Rates Collection Costs	481,930	904,024	(346,320)	557,704
871,207	(366,213)	504,994	Concessionary Travel	1,253,180	1,856,410	(642,827)	1,213,583
1,903,946	(434,138)	1,469,808	Cost of Democracy	1,596,500	1,689,749	0	1,689,749
875,137	(135)	875,002	Election Expenses	220,470	329,163	(96,450)	232,713
273,460	(111,091)	162,369	Registration of Electors	120,000	123,718	(1,814)	121,904
116,325	(5,595)	110,730	Employment Areas	(262,900)	58,162	(335,200)	(277,038)
100,168	(338,855)	(238,687)	Factory Units	(1,037,430)	337,569	(1,388,926)	(1,051,357)
315,733	(1,229,789)	(914,056)	Land & Property Holdings	(1,424,420)	253,253	(1,740,806)	(1,487,553)
372,262	(1,574,030)	(1,201,768)	Land and Property Systems (GIS)	112,020	116,080	0	116,080
142,166	0	142,166	St Mary in the Castle	19,890	27,174	110	27,284
37,863	(11,880)	25,983	Other Income & Expenditure	81,600	167,099	(127,807)	39,292
354,221	(259,316)	94,905	CAA & Efficiency	6,000	0	0	0
72,398	0	72,398	Public Consultation	54,160	57,050	0	57,050
36,653	0	36,653	Local Strategic Partnership	39,550	48,863	0	48,863
36,568	(3,161)	33,407	Sustainable Development	22,550	65,864	(40,484)	25,380
47,060	(500)	46,560	Foreshore Trust	252,160	321,536	0	321,536
335,019	0	335,019	Greenways	0	0	0	0
0	(1)	(1)	Projects Division - other expenditure	32,240	32,187	0	32,187
41,734	0	41,734					
66,852,374	(64,233,265)	2,619,109		3,441,850	70,985,782	(68,037,280)	2,948,502

EXPENDITURE SUMMARY

2009-2010 ACTUAL				2010-2011 REVISED ESTIMATE	2010-2011 ACTUAL		
EXPEND. £	INCOME £	NET £		£	EXPEND. £	INCOME £	NET £
			SERVICES : <u>REGENERATION, HOMES and COMMUNITIES</u>				
2,042,059	(1,979)	2,040,080	Planning Services Division	1,914,990	1,862,973	(17,694)	1,845,279
1,721,983	(405)	1,721,578	Housing Services - Administration	1,735,340	1,777,352	(10,696)	1,766,656
885,976	(2,867)	883,109	Regeneration Administration	920,050	896,047	(71,780)	824,267
489,225	(26)	489,199	Area Based Grant Administration	518,050	495,266	(1)	495,265
723,226	(16,605)	706,621	Communications & Marketing Division	684,150	726,235	(17,261)	708,974
790,776	(215)	790,561	Information Technology Division	888,640	873,803	(4,998)	868,805
212,553	(136,143)	76,410	Building Control Services	193,810	319,772	(139,010)	180,762
30,295	(13,587)	16,708	Jackson Hall	1,650	18,878	(11,175)	7,703
(16,426)	0	(16,426)	IT Hardware	111,760	110,724	1,057	111,781
(6,149,171)	22,097	(6,127,074)	Less recharges to other accounts	(6,143,740)	(6,207,304)	0	(6,207,304)
730,496	(149,730)	580,766	Non-recharged costs	824,700	873,746	(271,558)	602,188
927,224	(319,579)	607,645	Development Control	689,210	928,343	(186,936)	741,407
438,358	0	438,358	Planning Policy	338,860	337,002	0	337,002
2,307	0	2,307	E-planning	0	0	0	0
216,899	(150,632)	66,267	Local Land Charges Register	(27,840)	128,725	(205,121)	(76,396)
157,264	(0)	157,264	Conservation	98,800	94,608	0	94,608
63,789	0	63,789	Dangerous Structures	83,880	44,515	0	44,515
0	0	0	Hastings Pier	245,000	357,602	(18,800)	338,802
1,186,431	(638,630)	547,801	Regeneration	912,130	1,984,456	(992,238)	992,218
552	0	552	Regeneration Programming Team	0	101	0	101
21,691	(500)	21,191	Greater Hollington Partnership	0	0	0	0
485,499	(0)	485,499	Community Action	523,710	479,211	0	479,211
2,706,603	(55,340)	2,651,263	Area Based Grant Projects	3,549,710	2,826,585	(155,232)	2,671,353
443,831	(395,011)	48,820	Future Cities	134,650	90,526	(21,939)	68,587
4,325	(4,000)	325	The Stade	700	4,262	(4,000)	262
140,463	(105,790)	34,673	Hastings & Bexhill Task Force	(2,640)	78,003	(79,371)	(1,368)
701,823	(527,745)	174,078	Safer Hastings Partnership	143,770	602,334	(461,001)	141,333
46,425	10	46,435	Public Art	21,760	24,274	(6,500)	17,774
102,904	0	102,904	Civic & Ceremonial Expenses	126,570	131,793	0	131,793
302,401	(26,830)	275,571	Visitor & Community Marketing	260,280	254,535	(35,553)	218,982
205,056	(81,109)	123,947	1066 Country Campaign	128,680	264,700	(87,621)	177,079
961,835	(568,273)	393,562	Hastings Information Centre	424,700	1,092,819	(660,959)	431,860
17,590	(3,292)	14,298	Twinning	21,020	39,685	(19,009)	20,676
7,195	0	7,195	Meteorological Expenses	7,610	7,056	0	7,056
164,301	(50,766)	113,535	Raising the Profile of Hastings	124,870	158,894	(43,136)	115,758
10,651	0	10,651	Coastal Currents	10,200	10,000	0	10,000
139,645	0	139,645	Information Technology Reserve Exp.	10,000	5,380	0	5,380
301,310	(3)	301,307	Renovation Grant Administration	152,050	156,266	0	156,266
332,284	(14,547)	317,737	Housing Renewal	430,740	492,516	(26,523)	465,993
283,247	0	283,247	Housing Advice & Aid	224,550	240,204	0	240,204
591,968	(129,350)	462,618	Homelessness	409,950	530,806	(110,298)	420,508
253,469	(250,891)	2,578	Homelessness Strategy	0	236,830	(236,830)	0
67,865	0	67,865	Liaison-Agencies & Hsng. Assoc.	51,630	55,557	0	55,557
203,135	0	203,135	Housing Register / Nominations	159,680	169,636	0	169,636
14,975	(221,103)	(206,128)	Housing Other	0	83,863	(32,070)	51,793
20,089	(127)	19,962	Youth Activities	19,680	12,840	(100)	12,740
130	0	130	Regeneration other	0	0	0	0
12,254,030	(3,693,238)	8,560,792		10,098,610	12,797,673	(3,654,795)	9,142,878

EXPENDITURE SUMMARY

2009-2010 ACTUAL			SERVICES : <u>ENVIRONMENTAL</u> <u>SERVICES</u>	2010-2011 REVISED ESTIMATE	2010-2011 ACTUAL		
EXPEND.	INCOME	NET			EXPEND.	INCOME	NET
£	£	£		£	£	£	£
598,375	17	598,392	Highways Division	481,280	481,900	8	481,908
1,345,737	(198)	1,345,539	Environmental Services	1,356,800	1,320,939	(7,373)	1,313,566
42,906	0	42,906	Division	43,120	43,488	0	43,488
503,145	(2,298)	500,847	Emergency Call Out	475,230	492,684	(652)	492,032
1,084,720	(3,081)	1,081,639	Waste Management	1,155,100	1,137,659	(2,675)	1,134,984
217,365	(401)	216,964	Amenities & Resorts	145,800	144,789	(1)	144,788
273,008	(5)	273,003	Division	230,630	236,329	0	236,329
0	0	0	Leisure Services -	0	2,422	(2,422)	0
1,835,118	(3,293,134)	(1,458,016)	Administration	(1,085,600)	1,991,258	(3,117,629)	(1,126,371)
(4,065,256)	5,967	(4,059,289)	Facilities Management	(4,182,030)	(4,175,778)	1	(4,175,777)
1,835,118	(3,293,133)	(1,458,015)	Team	(1,379,670)	1,675,690	(3,130,743)	(1,455,053)
27,951	0	27,951	Admin Buildings (net)	31,870	17,929	0	17,929
476,791	(451,078)	25,713	Car Parking	(82,470)	391,723	(459,140)	(67,417)
113,654	0	113,654	Less recharges to other	30,000	29,848	0	29,848
			accounts				
28,548	(3,500)	25,048	Non-recharged costs	20,770	32,241	(7,174)	25,067
36,341	0	36,341	Street Naming	20,200	17,298	0	17,298
324,659	(321,374)	3,285	ESCC Highways Man.	9,450	260,311	(245,936)	14,375
			Traffic Management				
379,197	(4,897)	374,300	Highways Shelters/Seats	343,220	331,776	(4,345)	327,431
229,804	(344)	229,460	Transport Policy	236,170	227,411	(80)	227,331
256,567	0	256,567	Licensing	234,440	225,970	0	225,970
105,947	(13,695)	92,252	Environmental Protection	60,500	75,551	(14,840)	60,711
495,819	(19,763)	476,056	Food Safety & Infectious	495,350	517,042	(31,505)	485,537
			Diseases				
103,291	(14,281)	89,010	Health & Safety	92,720	101,599	(8,235)	93,364
27,736	0	27,736	Pest Control	40,530	31,009	(500)	30,509
			Environmental				
171,273	(5,544)	165,729	Enforcement Service	72,770	81,244	(22,600)	58,644
1,472,373	(42,304)	1,430,069	DVLA Powers/ Removal	1,469,760	1,529,305	(42,735)	1,486,570
2,336,802	(327,507)	2,009,295	of Abandoned Vehicles	1,822,820	2,056,686	(328,245)	1,728,441
431,363	0	431,363	Together Action	530,150	656,914	(159,897)	497,017
59,230	(7,066)	52,164	Closed Circuit Television	51,520	56,604	(6,249)	50,355
63,677	(51,655)	12,022	Street Cleansing	50,980	60,707	(41,050)	19,657
93,012	(10,636)	82,376	Waste Collection	80,520	92,438	(10,933)	81,505
203,992	0	203,992	Public Conveniences	142,570	140,648	(100)	140,548
234,309	(169,712)	64,597	Emergency Planning	(14,420)	293,192	(316,658)	(23,466)
561,383	(200,059)	361,324	Bulverhythe Depot	331,290	480,576	(180,511)	300,065
112,755	(280)	112,475	Allotments	100,170	104,323	(565)	103,758
52,699	0	52,699	Arboriculture	50,070	42,858	0	42,858
656,280	(807,105)	(150,825)	Cliff Railways	(125,590)	669,528	(803,570)	(134,042)
85,464	0	85,464	Sea Front	76,740	73,003	0	73,003
341,636	(64,616)	277,020	Decorative Lighting	245,510	296,905	(37,108)	259,797
47,326	(1)	47,325	Town Centre	29,260	123,052	(145,055)	(22,003)
70,541	0	70,541	Cemetery	71,680	67,009	0	67,009
8,831	0	8,831	Ecology	8,040	4,074	0	4,074
1,785,501	(293,163)	1,492,338	Country Parks	1,593,300	1,757,042	(236,741)	1,520,301
88,399	(142,232)	(53,833)	Coastal Protection	(69,450)	75,153	(150,672)	(75,519)
501,718	(46,293)	455,425	Watercourses	445,730	532,976	(99,113)	433,863
107,121	(91,761)	15,360	Navigational Aids	(33,570)	34,262	(79,096)	(44,834)
447,821	(54,782)	393,039	Parks & Gardens	393,220	426,461	(28,945)	397,516
197,473	(27,858)	169,615	Chalets and Hut Sites	151,740	295,856	(208,191)	87,665
69,925	(47,463)	22,462	Museums/Art Gallery	40,890	81,014	(55,980)	25,034
153,270	(176,064)	(22,794)	Hastings Castle/Caves	95,550	174,548	(29,450)	145,098
206,920	(149,311)	57,609	Sports Centres	62,110	160,428	(95,902)	64,526
1,862	(1,292)	570	Sports Development	490	342	(375)	(33)
608,270	(931)	607,339	Sports Management	535,710	529,930	0	529,930
65,570	(75,968)	(10,398)	Play Development	0	43,574	(22,770)	20,804
0	0	0	Active Hastings	107,000	58,094	0	58,094
103,070	(71,580)	31,490	Support for Events	5,000	5,000	0	5,000
46,241	(150)	46,091	White Rock Theatre	51,060	106,940	0	106,940
			Make Way for Play				
15,827,530	(6,987,398)	8,840,132	Grande Parade -CP	8,525,700	15,046,084	(7,005,009)	8,041,075
			Other Cultural				
			Other				

EXPENDITURE SUMMARY

2009-2010 ACTUAL				2009-10 REVISED ESTIMATE	2010-2011 ACTUAL		
EXPEND. £	INCOME £	NET £	SERVICES :	£			
			DIRECT SERVICE				
94,933,934	(74,913,901)	20,020,032	EXPENDITURE	22,066,160	98,829,539	(78,697,084)	20,132,455
2009-10	SERVICE MEASURES			2010-11			
Numbers of :-							
47,324	Museum visitors			59,112			
0	East Hill Cliff Railway users			155,514			
219,464	West Hill Cliff Railway users			207,548			
42,626	Hastings Castle visitors			42,770			
18,346	Concessionary Bus Passes in circulation at year end			19,268			
24	Public Conveniences			24			
108	Burials			96			
80,673	Grave spaces			80,737			
1,339	Cremations			1,260			
17,848	Kilometres of Street Swept per annum			17,848			
2.78 million	Dustbins Emptied (Bin Equivalents)			2.87 million			
8,238	Recycling tonnage			7,788			
17	Renovation Grants - Number Completed			0			
620	Planning Applications			667			
3	Conservation Area Projects			3			
1,087	Building Regulation Applications*			634			
596	Local Land Charges (full searches only)			1,134			
2,230	Car Parking Spaces (Off-Street)			2,105			
1,034,835	Vehicles Parked (Off Street)			898,336			
22,705	Penalty Charge Notices issued			23,531			
188	Untaxed & Abandoned Vehicles removed			151			
2,172	Licences Issued			2,154			
554	Food Hygiene Inspections			572			
292	Health & Safety Inspections			198			
63,810	Local Electorate			64,400			
96	Number of Factory Units			98			
£1,228,598	Rental Income from Factory Units			£ 1,346,536			

* The numbers for 2009/10 include cavity wall insulation totalling 656, this figure was zero for 10/11 due to CPS competent persons schemes

EXPLANATORY FOREWORD

INTRODUCTION

The Council's accounts for the year of 2010-2011 are set out on pages 15 to 85.

1. Layout of the Statement of Accounts

The Statement of Accounts consists of the following:

(a) The Statement of Responsibilities, setting out the general responsibilities of both the Borough Council, and of the Head of Finance and Governance, in making proper financial arrangements and in maintaining financial records.

(b) The Independent Auditor's report

(c) The core accounting statements:

The following four statements show in broad terms where the Council's money comes from, what it is spent on, and what services it provides.

Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Account. These are different from the statutory amounts required to be charged to the General Fund Balance for tax setting purposes (see Note 7 for details). The line entitled "Net Increase / Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The Comprehensive Income and Expenditure Statement

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

The Balance Sheet

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (such as the Capital Receipts Reserve being restricted to fund capital expenditure or to repay debt). The second grouping includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

The Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council's future service delivery. Cash flows arising from financing activity are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

EXPLANATORY FOREWORD

(d) Notes to the Core Financial Statements, which include explanations and more detailed information.

(e) 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.

2. Changes to Accounting Policies: International Financial reporting Standards

For the first time this Statement of Accounts, in common with those for all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS).

This brings local authority accounting in line with the rest of the public sector, which adopted IFRS in its published accounts from 2009/10. IFRS requires entities to re-state the previous financial year's results in line with IFRS, and as if they had always produced their accounts under IFRS.

The balance sheets as at the start and end of 2009/10 have therefore been re-stated in this set of accounts, together with all of the accounting statements and notes for the year.

Changing the way in which we account does not in itself add or deduct from the overall resources, but it does enable the Council to show more clearly what resources are available. The usable reserves represent those reserves that can be applied to fund expenditure or reduce local taxation.

Full details of the change to policies are given in Note 1 to the accounting statements.

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.

3. Material assets/liabilities

No material assets have been acquired or material liabilities incurred.

4. Pension

The Council provides for the pensions of its past and present employees by contributing to the East Sussex County Council Pension Fund.

Revenue

Following the Chancellor's budget statement on 22 June 2010 the calculations for pensions have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account of £11 million. This credit is reversed out for Council Tax purposes.

Balance sheet

There has been an improvement in the balance sheet since last year. This is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than at 31 March 2010. The overall effect is that the net deficit in the pension fund has moved from a deficit of £52 million to a deficit of £20 million

EXPLANATORY FOREWORD

5. Revenue Budget Summary

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements, and discloses a loss for 2010/11 of £5.7m. The Movement in Reserves Statement shows the movement in the year on different reserves held by the Council and shows the true economic cost of providing the Council's services. The entries in this Statement turn the IFRS loss into a net increase in the General Fund Balance of £502,000

The following table compares the major elements of the budget and actual for general fund services in 2010/11:

	2010-11 Estimate Budget £	Revised Budget £	2010-11 Actual Outturn £	Variance £
Directorates				
Corporate Resources	2,697,870	3,441,850	2,918,502	(523,348)
Environmental Services	9,438,910	8,525,700	8,041,075	(484,625)
Regeneration, Homes & Communities	10,790,800	10,098,650	9,142,878	(955,772)
Direct Service Expenditure	22,927,580	22,066,200	20,102,455	(1,963,745)
Contingencies	175,000	100,000	30,000	(70,000)
Other operating costs	727,000	657,000	648,240	(8,760)
Net Contribution to / (from) Reserves	(2,529,760)	(1,909,380)	174,482	2,083,862
Expenditure	21,299,820	20,913,820	20,955,177	41,357
Less Government Grant	(14,378,170)	(13,992,170)	(14,033,527)	(41,357)
met by Council	6,921,650	6,921,650	6,921,650	0

The favourable variances between the revised budget and the actual net expenditure were due to the following:

- there was an under spend in 10/11 on Area Based grant funded projects amounting to £948,000
- there was a general saving of £131,000 on Waste Collection Services
- Various vacant posts across all services;
- Slippage on reserve funded spend of £520,000

6. Current Economic Climate

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The 2011/12 budget has been set against an uncertain economic background. The Council's medium term financial strategy sets out its spending plans for the period 2011/12 to 2013/14. In common with other local authorities a reduction in funding received from Central Government each year has been built in to future spending plans. The Council continues to set a balanced budget without the need to draw down from reserves to support on going expenditure.

EXPLANATORY FOREWORD

7. Capital Expenditure

The Council planned to spend £10.165 million on capital projects during 2010-2011. Significant schemes include :-

	2010-2011	
	Budget	Outturn
	£'000	£'000
Housing Renewal (including Disabled Facilities Grants)	2,792	2,378
Sea Front (including The Stade Improvements)	3,642	3,434
Amenities - including Parks and Playgrounds	1,570	1,418
Coast Protection Works	41	51
Buildings-Refurbishment & Improvements	777	777
Conservation and Regeneration schemes	390	261
Crematorium	763	765
Other Schemes	190	53
Total	10,165	9,137

This capital expenditure was financed as shown below:-

	£'000	
Loan	1,399	
Proceeds from the sale of assets	839	*
Grants	5,896	
Reserves	805	
Revenue	198	
Total financing	9,137	

* Additional expenditure of £95K was spent on acquiring a piece of land which was funded as part of a land swap. The disposal of land is an additional capital receipt. These figures have been excluded here.

8. Borrowing Facilities

Total loans outstanding owed to external sources for capital spending amount to £9.5m. Under the prudential code for borrowing the Council assessed its limit for affordable borrowing at £20m and its operational boundary at £20m.

9. Reserves

The Council has set aside reserves for a number of purposes, including provision for the renewal and repair of equipment, repair and maintenance of buildings, and the financing of capital expenditure.

The balance on these reserves at 31st March 2011 is £12,232 million compared with £12,847 million at 31st March 2010.

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 Council's accounting statements

We have audited the accounting statements of Hastings Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the [*Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund*] and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and Director of Corporate Resources and auditor

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

Scope of the audit of the accounting statements

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

Opinion on accounting statements

In our opinion the accounting statements:

- give a true and fair view of the state of Hastings Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on other matter

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

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

AUDIT REPORT

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

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

Respective responsibilities of the Council and auditor

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

Our responsibility requires us to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. It therefore excludes arrangements relating specifically to the delivery of front-line services, unless we have identified a significant risk with implications for corporate arrangements.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Hastings Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Robert Grant

for and on behalf of PKF (UK) LLP
London, UK
30 September 2011

STATEMENT OF RESPONSIBILITIES

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 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 2011.

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 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.

Signed on behalf of Hastings Borough Council:

N Dart CPFA,

Deputy Chief Executive and Director of Corporate Resources

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked Reserves	Capital Receipts reserve	Capital grants unapplied	Total usable reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	(500)	(11,028)	(332)	(597)	(12,457)	(41,157)	(53,614)
<u>Movement in reserves in 2009/2010</u>							
Surplus (deficit) on the provision of services (accounting basis)	(1,427)				(1,427)		(1,427)
Other Comprehensive Income and Expenditure					0	10,808	10,808
Total Comprehensive Income and Expenditure	(1,427)	0	0	0	(1,427)	10,808	9,381
Adjustments between accounting and funding basis under regulation note 7	(392)		4	(1,281)	(1,669)	1,669	0
Net increase/decrease before transfers to Earmarked reserves	(1,819)	0	4	(1,281)	(3,096)	12,477	9,381
Transfers to/from Earmarked reserves - note 8	1,819	(1,819)			0		0
(Increase)/Decrease in Year	0	(1,819)	4	(1,281)	(3,096)	12,477	9,381
Balance at 31 March 2010	(500)	(12,847)	(328)	(1,878)	(15,553)	(28,680)	(44,233)

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Total usable reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010	(500)	(12,847)	(328)	(1,878)	(15,553)	(28,680)	(44,233)
<u>Movement in reserves in 2010/2011</u>							
Surplus (deficit) on the provision of services (accounting basis)	(5,665)				(5,665)		(5,665)
Other Comprehensive Income and Expenditure					0	(21,934)	(21,934)
Total Comprehensive Income and Expenditure	(5,665)	0	0	0	(5,665)	(21,934)	(27,599)
Adjustments between accounting and funding basis under regulation note 7	6,280		325	988	7,593	(7,593)	0
Net increase/decrease before transfers to Earmarked reserves	615	0	325	988	1,928	(29,527)	(27,599)
Transfers to/from Earmarked reserves - note 8	(615)	615			0		0
(Increase)/Decrease in Year	0	615	325	988	1,928	(29,527)	(27,599)
Balance at 31 March 2011	(500)	(12,232)	(3)	(890)	(13,625)	(58,207)	(71,832)
Details of Comprehensive Income and Expenditure are given in the Comprehensive Income and Expenditure Statement. A further analysis of adjustments between accounting and funding bases are given in Note 7, and further information on earmarked reserves and unusable reserves is given in note 8.							

COMPREHENSIVE INCOME & EXPENDITURE ACCOUNT

GROSS EXPEND. £'000	2009-10 INCOME £'000	NET EXPEND. £'000		GROSS EXPEND.	2010-11 INCOME	NET EXPEND. £'000
			SERVICES			
			Cultural, Environmental, Regulatory & Planning Services:			
8,423	(2,366)	6,057	Cultural and Related Services	10,316	(2,450)	7,866
8,268	(2,143)	6,125	Environmental Services	8,416	(2,324)	6,092
9,224	(4,727)	4,497	Planning and Development Services	11,418	(5,168)	6,250
4,611	(4,182)	429	Highways, Roads & Transport Services	6,606	(4,227)	2,379
64,691	(60,508)	4,183	Housing Services	68,280	(63,609)	4,671
2,412	(892)	1,520	Central Services to the Public	2,082	(778)	1,304
1,825	(9)	1,816	Corporate & Democratic Core Expenses	2,775	(62)	2,713
420	0	420	Non Distributed Costs*	(11,674)	0	(11,674)
			Exceptional Item - VAT refund from HM Revenue and Customs	0	0	0
355	(1,935)	(1,580)		0	0	0
100,229	(76,762)	23,467	Cost of Services	98,219	(78,618)	19,601
	(829)	(829)	Other Operating Expenditure - Note 17		(431)	(431)
2,423	(354)	2,069	Financing and Investment Income and Expenditure - Note 9	1565	(499)	1,066
	(26,134)	(26,134)	Taxation and non-specific grant income - Note 10		(25,901)	(25,901)
102,652	(104,079)	(1,427)	(Surplus) or Deficit on Provision of Services	99,784	(105,449)	(5,665)
		(15,036)	Surplus or deficit on revaluation of non-current assets.			(745)
		25,844	Actuarial (gains)/losses on pension assets/liabilities			(21,189)
		10,808	Other Comprehensive Income and Expenditure			(21,934)
		9,381	Total Comprehensive Income and Expenditure			(27,599)

* Calculations for pensions in 2010-11 have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account of £11 million. This credit is reversed out for Council Tax purposes.

BALANCE SHEET

2008-09 £'000	2009-10 £'000		2010-11 £'000
77,225	92,520	Property, Plant and Equipment - <i>Note 35</i>	90,622
935	935	Investment Properties - <i>Note 36</i>	1,168
1,713	1,713	Assets held for sale - <i>Note 38</i>	1,466
329	18	Intangible Assets - <i>Note 37</i>	59
0	0	Long Term Investments	0
251	157	Long Term Debtors - <i>Note 13</i>	142
80,453	95,343	LONG TERM ASSETS	93,457
85	102	Inventories - <i>Note 11</i>	109
8,567	4,219	Short Term Debtors - <i>Note 13</i>	3,327
16,484	19,642	Short Term Investments - <i>Note 25</i>	9,000
333	192	Cash and cash equivalents - <i>Note 14</i>	4,520
25,469	24,155	CURRENT ASSETS	16,956
(5,746)	(7,711)	Short-term creditors - <i>Note 16</i>	(8,528)
(7,771)	(4,569)	Short-term borrowing- <i>Note 24</i>	(62)
(755)	(486)	Provisions - <i>Note 18</i>	(299)
0	(440)	Bank Overdraft	0
(14,272)	(13,206)	CURRENT LIABILITIES	(8,889)
(12,000)	(9,500)	Long Term borrowing - <i>Note 24 and Note 25</i>	(9,500)
(1,003)	(820)	Long-term creditors - <i>Note 16</i>	(597)
(25,033)	(51,739)	Other long-term liabilities - <i>Note 22</i>	(19,595)
(38,036)	(62,059)	LONG TERM LIABILITIES	(29,692)
53,614	44,233	Net Assets	71,832

BALANCE SHEET

2008-09 £'000	2009-10 £'000		2010-11 £'000
(500)	(500)	General Fund balance	(500)
(332)	(328)	Usable Capital Receipts Reserve-(movement in reserves)	(3)
(597)	(1,878)	Capital grants unapplied -(movement in reserves)	(890)
(11,028)	(12,847)	Earmarked reserves - Note 8	(12,232)
(12,457)	(15,553)	Usable reserves	(13,625)
(4,496)	(19,028)	Revaluation Reserve - Note 34	(18,861)
(43)	(20)	Deferred Capital Receipts Reserve - Note 34	(17)
(61,587)	(61,293)	Capital Adjustment Account - Note 34	(58,837)
(386)	(377)	Financial Instruments Adjustment Account - Note 34	(326)
10	(5)	Collection Fund Adjustment Account	(43)
312	304	Balance - Note 34	282
25,033	51,739	Accumulated absences account - Note 1.6 and note 34	19,595
(41,157)	(28,680)	Pensions Reserve - Note 34	(58,207)
		Unusable reserves	(58,207)
<hr/>			
(53,614)	(44,233)	Total Reserves	(71,832)
<hr/>			

CASH FLOW STATEMENT

2009-10 £'000	2010-11 £'000
(6,836) Taxation	(7,099)
(72,653) Grants - Note 20	(72,182)
(16,523) Sales of goods and rendering of services	(13,634)
(1,088) Interest received	(252)
(129) other receipts from operating activities	(56)
(97,229) Cash inflows generated from operating activities	(93,223)
 13,808 Cash paid to and on behalf of employees	 13,507
47,626 Housing benefit payments	49,780
 23,201 Cash paid to suppliers of goods and services	 23,504
490 Interest paid	407
6,163 Other operating cash payments	5,104
91,288 Cash outflows generated from operating activities	92,302
 (5,941) Net cashflows from operating activities	 (921)
 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	 (612)
(1,781) assets	
Purchase of property, plant and equipment, investment property and intangible assets	6,711
3,103	
2,999 Purchase of short-term and long-term investments	6,132
Proceeds from the sale of short-term and long-term investments	(16,708)
0	
(2,219) Other receipts from investing activities	(2,481)
 2,102 Net cashflows from investing activities	 (6,958)
Cash receipts from short-term and long-term borrowing.	0
0	
5,700 Repayments of short-term and long-term borrowing	4,506
Changes in National Non-Domestic Rates balances held for Central Government	(556)
(725)	
Changes in Council tax balances held for preceptors	(839)
(555)	
 4,420 Net cashflows from financing activities	 3,111
 581 Net (Increase) / decrease in cash	 (4,768)

CASH FLOW STATEMENT

Details of the cash balances are shown below:

	1st April 2009	2009/10	31st March 2010	2010/11	31st March
	£'000	£'000	£'000	£'000	2011
					£'000
Cash and bank balances	333	(747)	(414)	556	142
Money held in interest-bearing call accounts	0	166	166	4,212	4,378
Total Cash and cash equivalents	333	(581)	(248)	4,768	4,520

NOTES TO THE CORE FINANCIAL STATEMENTS

1 CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEARS' FIGURES

1.1 Introduction

For the first time this Statement of Accounts has been prepared in accordance with International Financial Reporting Standards (IFRS). This has required the Council to re-state the balance sheets as at 1 April 2009 and 31 March 2010 in line with IFRS, and to adjust all of the main accounting statements and the notes accordingly.

Where changes to the accounting policies have resulted in material differences between the amounts reported in the 2009/10 Balance Sheet and Comprehensive Income and Expenditure Statement, they are explained below.

Various items on the balance sheet and in the Comprehensive Income and Expenditure Statement have been adjusted for non-material changes to accounting policies.

1.2 Government grants and contributions used to finance capital expenditure

Under previous accounting rules grants and contributions previously used to finance capital expenditure were held in the Government Grants Deferred Account, and released over a number of years through the Income and Expenditure Statement to the Capital Adjustment Account (an unusable reserve). This arrangement has been discontinued, and the entire balance on the Government Grants Deferred Account transferred to the Capital Adjustment Account. The following changes have therefore been made to the balance sheet:

	Balance 1 April 2009		Balance 1 April 2010	
	Published	Adjustment Made	Published	Adjustment Made
	£000	£000	£000	£000
Government grants deferred	(11,531)	11,531	(12,451)	12,451
Capital adjustment account	(44,695)	(11,531)	(43,317)	(12,451)
Short term creditors	(6,414)	597	(10,021)	1,878
Capital Grants unapplied	(597)	(597)	(43,317)	(1,878)
		-		-

There is also an impact on the Comprehensive Income and Expenditure Statement, with the removal of the annual credits re: deferred charges to net service expenditure lines as shown below:

	2009/10 Published	Deferred charges Adjustment
	£000	£000
Central services to the public	1,520	+20
Cultural, environmental, regulatory and planning services	17,609	+266
Highways and transport services	411	+50
Housing services	1,976	+2,444
Corporate and democratic core	1,785	+30
Non distributed costs	168	0
	23,469	2,810

NOTES TO THE CORE FINANCIAL STATEMENTS

There is no change to the General Fund Balance, as under the previous practice a transfer was made from the General Fund to the Capital Adjustment Account to reverse the impact, and this reversal has now been discontinued.

Under current accounting rules we recognise government grants and third party contributions and donations as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and that the grants and contributions will be received. As these grants and contributions are not legally a credit to the General Fund, an equivalent appropriation is made from the General Fund into Earmarked Reserve. Some adjustments have been made to the accounts in respect of s106 funding (funding from legal agreements between Local Authorities and developers which are linked to a planning permission) and revenue grants as follows:

	Balance 1 April 2009		Balance 1 April 2010
	Published	Adjustment Made	Published
	£000	£000	£000
Short term creditors	(6,898)	697	(10,021)
Provisions			(555)
Earmarked reserves	(10,257)	(697)	(11,285)
		-	-
Revenue and s106 adjustments			
	2009/10	Revenue	S106
	Published	grants	adjustments
	£000	£000	£000
Central services to the public	1,520		
Cultural, environmental, regulatory and planning services	17,609	(514)	(83)
Highways and transport services	411		
Housing services	1,976	(199)	
Corporate and democratic core	1,785		
Non distributed costs	168		
	23,469	(713)	(83)

1.3 Cash held in call accounts

The Council places money in interest-bearing call accounts as part of its overall cash management policy. The Council included the balance at 1 April 2009 as short term investments, but changed its policy during 2009/10 to count the balance as part of cash. This change of policy was not sufficient, under the previous code of practice, to justify a prior year adjustment, but an adjustment has now been made, as shown below:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2009		Balance 1 April 2010	
	Published	Adjustment	Published	Adjustment
	£000	£000	£000	£000
Short term investments	16,484	-	19,808	(166)
Cash and cash equivalents	333	-	26	166
		<u>-</u>		<u>-</u>

No change was required as at 1 April 2009.

1.4 Adjustments to the expenditure summaries

Adjustments in respect of recharges classified in the published accounts as income incorrectly leading to the overstatement of income and overstatement of expenditure.

	2009/10 Published £000	Income £000	Expenditure £000
Central services to the public	1520	119	(119)
Cultural, environmental, regulatory and planning services	17,609	170	(170)
Highways and transport services	411	369	(369)
Housing services	1,976	0	0
Corporate and democratic core	1,785	1,754	(1,754)
Non distributed costs	168	0	0
	23,469	2,412	(2,412)

1.5 Other adjustments

Prior period adjustments have arisen because of the transition from SORP 2009 to International Financial Reporting Standards and the new layout of the Balance Sheet as follows:

	Balance 1 April 2009		Balance 1 April 2010	
	Published	Adjustment	Published	Adjustment
	£000	£000	£000	£000
Trust Funds	(261)	261	(474)	474
Long Term Creditors	0	(261)		
General Fund	(614)	114	(612)	112
Short Term Creditors	(6,414)	(114)	(10,021)	(586)
		<u>-</u>		<u>-</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1.6 Employee Benefits

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

	Balance 1 April 2009		Balance 1 April 2010	
	Published	Adjustment	Published	Adjustment
	£000	£000	£000	£000
Provisions	0	(312)	0	(304)
Accumulated absences account	0	312	0	(304)
		<u>-</u>		<u>-</u>

1.7 Long term assets

The introduction of IFRS has brought changes to the classification, valuation and disclosures of long term assets.

- Property, Plant and Equipment has been analysed into Land and Buildings; Vehicles, Plant and Equipment; Infrastructure, Community Assets, Surplus Assets and Assets Under construction.
- The definition of Investment Properties and Intangible Assets has changed.
- There is a requirement to account for the value of certain assets that had been acquired in the past.

	Balance 1 April 2009		Balance 1 April 2010	
	Published	Adjustment	Published	Adjustment
	£000	£000	£000	£000
Land and Buildings	11,664	28,763	23,443	33,290
Infrastructure assets	12,964	0	13,257	0
Vehicles, Plant, Equipment	1,710	44	1438	(18)
Community Assets	14,568	5,150	15,168	5,150
Investment Properties	30,230	(29,295)	34,180	(33,245)
Assets Under Construction	1,333	0	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

Surplus assets, held for Disposal	1,268	445	1,758	(45)
Intangibles	286	43	0	18
Revaluation Reserve	(4,632)	136	(19,369)	136
Capital Adjustment Account	(44,695)	(5,286)	(43,317)	(5,286)
		-		-

1.8 Leases

The introduction of IFRS has lead to the re-classification of some operating leases as finance leases and assets have been introduced to the balance sheet with matching liabilities. These changes are summarised below:-

	Balance 1 April 2009		Balance 1 April 2010	
	Published	Adjustment	Published	Adjustment
	£000	£000	£000	£000
Property, Plant and equipment	0	1,029	0	790
Long Term Creditors	0	(942)	0	(742)
Capital Adjustment Account	0	(87)	0	(48)
		-		-

2 ACCOUNTING POLICIES, CRITICAL JUDGEMENTS AND ESTIMATION TECHNIQUES.

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the end of 31 March 2011, the close of the financial year. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which specify that the Statement is prepared in accordance with proper accounting practices. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

2.2 Accruals of Expenditure and Income

We account for activity in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchase, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when the payments are made.
- 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.

The Council collects income from payers of Non-Domestic Rates on behalf of the Government. As this is categorised as an agency service, the Council does not account for the income or the payment over of business rates within its Income and Expenditure Account, and includes a single creditor or debtor in its balance sheet, representing the net amount of Non-Domestic Rate debtors, adjustments for doubtful debts, income in advance, and amounts due to or from the Government.

Similarly the Council collects income from Council Tax payers, but only part relates to this Council, the balance being on behalf of other major precepting authorities. The amounts of debtors, adjustments for doubtful debts, and income in advance that relate to the precepting authorities are shown as a single net creditor in the balance sheet. The element of the Collection Fund due to preceptors is split between payments due to be made in the following financial year, which are held as Short Term Creditors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors. In the event of a deficit, the amounts would be split between Short Term and Long Term Debtors.

2.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and which form an integral part of the Council's cash management.

NOTES TO THE CORE FINANCIAL STATEMENTS

2.4 Charges to Revenue for Non-Current Assets

Services including support services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise Council Tax to fund these charges, and they are therefore reversed through an appropriation from the Capital Adjustment Account to the General Fund. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by MRP by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

2.5 Exceptional Items

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

2.6 Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

2.7 Contingent Assets

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the authority, whose outcome is uncertain when the balance sheet is compiled.

NOTES TO THE CORE FINANCIAL STATEMENTS

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.8 Contingent Liabilities

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent liability is related to a legal action against the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent liabilities are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.9 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).

NOTES TO THE CORE FINANCIAL STATEMENTS

- We include the assets of the East Sussex County Council Pension Fund attributable to this Council 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 the following components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - contributions by scheme participants, which reduce plan liabilities, but correspondingly increase plan assets, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
 - 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
 - benefits paid, which reduce plan assets, but correspondingly reduce its liabilities, and are therefore not reflected in the Comprehensive Income and Expenditure Statement
 - 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 Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement
 - 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 Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - Contributions paid to the East Sussex County Council Pension Fund – the employer's contributions to the pension fund for the financial year, not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to

NOTES TO THE CORE FINANCIAL STATEMENTS

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 the amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of contributions paid rather than as benefits are earned by the employee.

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.

2.10 Events after the Balance Sheet date

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

- If they provide evidence of conditions that existed at the end of the reporting period, the Statement of Accounts is amended to reflect these events;
- If they are indicative of conditions that arose after the reporting period, the Statement of Accounts is not amended. If, however, an event would have a material effect, a disclosure is made in the notes to the accounts, outlining the event and its estimated financial effect.

Any event taking place after the accounts are authorised for issue is not reflected in the Statement of Accounts.

2.11 Prior period adjustments

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

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

2.12 Changes in accounting estimates

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

2.13 Financial instruments

Financial Liabilities

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

The term “financial asset” covers cash, equity instruments, and beneficial contractual rights to receive or exchange cash or liabilities. All of the Council's investments come within the category of “loans and receivables”. These are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council's balance sheet includes four groups of financial assets:

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance awaiting collection (“Trade accounts receivable”) is included in the balance sheet under “short term debtors”.
- Cash held in current or call accounts, together with investments for periods of less than one month, is included in the balance sheet under “cash and cash equivalents”.
- Investments taken out for periods of between three months and one year are included in the balance sheet as “short term investments”.
- Investments taken out for periods of longer than one year are included in the balance sheet as “long term investments”.

Provision for Impairment on Doubtful Debts re: Trade Debtors

NOTES TO THE CORE FINANCIAL STATEMENTS

Trade debtors are regularly assessed for possible non-payment, and an adjustment is made for possible impairment to the gross balance.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on 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 (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

2.14 Debtors

Provision for Impairment on Doubtful Debts re: 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. The Council's share of the loss is provided for.

Provision for Impairment on Doubtful Debts re: 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.

2.15 Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2.16 Government grants and other contributions

Whether paid on account, by instalments or in arrears, we recognise government grants and third party contributions and donations as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and that the grants and contributions will be received.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as capital grants received in advance (either current or long-term). When conditions are satisfied the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Grants and contributions towards specific services for revenue purposes are credited against the appropriate line in the Cost of Services, but if grants and contributions are not related to specific services they are credited as Taxation and Non-Specific Grant Income, along with all grants and contributions receivable towards investment in Property Plant and Equipment, Investment Properties or Intangible Assets. As these capital grants and contributions are not legally a credit to the General Fund, an equivalent appropriation is made from the General Fund into the Capital Grants and Contributions Reserve, which is set aside for the financing of capital investment.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

2.17 Intangible assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is written down over its useful life, as estimated by the appropriate officer, to the appropriate line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the appropriate line in the Income and Expenditure Statement.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but they are not legal charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

In some instances software costs have been fully amortised but legacy systems are still in use and that current software licenses are below capitalisation limits.

2.18 Investment Properties

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

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

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

2.19 Leases

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

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, however, the Council operates a de minimis level, for assets or class of directly related assets valued at less than £50,000 are treated within the accounts as an operating lease.

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

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

(a) The Authority as Lessee
Finance Leases

NOTES TO THE CORE FINANCIAL STATEMENTS

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

(b) The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and

NOTES TO THE CORE FINANCIAL STATEMENTS

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a material/significant premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.20 Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (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 Comprehensive Income and Expenditure Account, as part of the Cost of Services.

2.21 Property plant and equipment

Definition and Categories

NOTES TO THE CORE FINANCIAL STATEMENTS

Property plant and equipment consists of assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale). Property plant and equipment consists of the following categories:

- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure.
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements, but which are not actively being marketed.
- Assets under construction – capital expenditure on an asset before it is brought into use.

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Account as an expense when it is incurred. Assets valued at less than £50,000 are not included on the balance sheet, provided that the total excluded has no material impact.

Measurement

Assets are initially measured at cost, comprising 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:

- Land and buildings – fair value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – fair value, for which depreciated historic cost is normally used as a proxy.
- Infrastructure – depreciated historic cost
- Community Assets – historic cost or insurance value when first recognised as fixed assets, depreciated where appropriate.
- Surplus assets - fair value, based on the market value for the existing use (EUV).
- Assets under construction – historic cost

Revaluation

We revalue assets included in the Balance Sheet at fair value when there have been material changes in the value, but as a minimum every five years. Increases in valuations

NOTES TO THE CORE FINANCIAL STATEMENTS

are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains are credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. Reductions in value are charged to the Revaluation Reserve, up to the amount held for that asset in the Revaluation Reserve, or otherwise to the Comprehensive Income and Expenditure Statement.

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 as follows:

- 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.

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

Disposals

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account. An equivalent transfer is made to the General Fund to the Capital Adjustment Account to eliminate impact on the General Fund, and any revaluation gains accumulated for the asset in the Revaluation Reserve are also transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. These are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Account, but an equivalent appropriation is made from the General Fund to the Capital

NOTES TO THE CORE FINANCIAL STATEMENTS

Receipts Reserve. There is a legal requirement that sale proceeds held in this reserve can only be used to reduce debt or to finance capital expenditure.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the unusable Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. When the income is received, the debtor is written down and a transfer is made from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is based on the opening net book value, as adjusted by gains or losses arising from revaluations at 1 April each year.

Depreciation is calculated on the following bases:

- Land – not subject to depreciation
- Buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – is depreciated on a straight-line basis over the expected life of the asset
- Infrastructure – is depreciated on a straight-line basis over the expected life of the asset
- Community assets – not subject to depreciation
- Surplus assets - straight-line allocation over the life of the property as estimated by the valuer
- Assets under construction – not subject to depreciation

Where new assets are acquired or brought into use, depreciation is charged from the start of the following year. Depreciation is charged for the full final year when assets are sold. Where assets are revalued during the year, depreciation is not charged on the revalued amount.

Depreciation is charged to the Cost of Services in the Comprehensive Income and Expenditure Account, but is not a legal charge against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

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.

Changes in accounting estimates

During the year a number of fixed assets were revalued as part of the Council's rolling programme of revaluation by the Chartered Surveyors Wilks, Head and Eve. The revaluations resulted in a number of changes in the useful lives of the assets, the value of the assets and the value of the components of the assets.

NOTES TO THE CORE FINANCIAL STATEMENTS

Where an asset has major components with different estimated useful lives, these are depreciated separately. This will have an ongoing effect on the depreciation calculated on the assets in future periods. It is the Councils accounting policy not to use the revalued amount as the basis for depreciation in the year of the revaluation.

Where assets have been revalued in the past, accumulated depreciation has been written back with the depreciation in the year, apart from any charge, caused by the change in life of the asset. Due to the need to componentise the revalued assets for depreciation going forward this adjustment has not been made and the effect will result in a timing difference of depreciation charged to the income and expenditure account.

There is no material effect during the year or in subsequent accounting periods caused by re-evaluating the life of the assets with no material components.

Componentisation

The Council did not adopt early the implementation of componentisation of assets during 2009-10, as is now required under International Financial Reporting Standards (IFRS) for 2010-11. The componentisation limits which are to apply with effect from 1 April 2010 for assets revalued thereafter are (a) assets over £1,000,000 and (b) where components are over £250,000.

2.22 Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Income and Expenditure Account, but legally can only be used to finance capital expenditure, and so are transferred to the Capital Receipts Reserve and afterwards used for this specific purpose.
- Grants and Contributions Reserve: similarly the Council receives grants and contributions towards revenue expenditure, and these are also credited to the Income and Expenditure Account and immediately transferred into the Grants and Contributions Reserve until required to finance expenditure.
- Capital Grants Unapplied: the Council receives grants and contributions towards capital expenditure, and these are credited to the Income and Expenditure Account and immediately transferred into the Capital Grants Unapplied Reserve until required to finance capital investment.
- Earmarked reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund, and amounts are withdrawn as required to finance such expenditure. The expenditure itself is charged to the appropriate line in the Comprehensive Income and Expenditure Statement. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Deferred Capital Receipts: in some cases (particularly former housing stock disposed of, where the purchaser financed the transaction through a mortgage from

NOTES TO THE CORE FINANCIAL STATEMENTS

the council) an asset is disposed of, but the income cannot be collected immediately. The council maintains records for a long term debtor, offset by a balance in the Deferred Capital Receipts Account. When the income is received the debtor is written down and a transfer is made between this account and the Capital Receipts Reserve.

- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. The Reserve contains only gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains before that date are consolidated into the balance on the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are:
 - revalued downwards or impaired and the gains are lost
 - used in the provision of services and the gains are consumed through depreciation, or
 - disposed of and the gains are realised.
- Capital Adjustment Account: receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created to hold such gains.
- Pensions Reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
- Financial Instruments Adjustment Account: this represents the difference between the accounting and legislative charges for finance costs.
- Collection Fund Adjustment Account: this represents the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying across amounts from the Collection Fund to the General Fund.

2.23 Revenue Expenditure financed from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset, is 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, so there is no impact on the level of Council Tax.

NOTES TO THE CORE FINANCIAL STATEMENTS

2.24 Inventories

Where the values are significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value.

2.25 Value Added Tax (VAT)

VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income. There was a VAT reclaim in 2009-10 and this is shown as an exceptional item on the face of the Comprehensive Income and Expenditure Statement.

2.26 Foreshore Trust

The Authority is sole trustee of Hastings and St Leonards Foreshore Charitable Trust, a charitable organisation which owns portions of the Hastings foreshore.

It has been determined that the Authority does not have control over the Trust and is not a subsidiary of the Authority.

NOTE 3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

FRS 30 Heritage assets has been issued but not yet adopted under IFRS and details of the disclosures required will be reported in the 2011/12 Code. Assets held by the Council under property plant and equipment are likely to be impacted by this new accounting standard.

The carrying value of these assets is £5,150 million and they are currently classified as Community assets. These assets are currently held at insurance valuation and not depreciated. There is thought to be no impact on revaluation gains or losses. No changes in depreciation or impairment are expected.

NOTE 4. ROUNDING

The accounting statements and notes are normally rounded to the nearest thousand pounds, the main exceptions being note 24 (nature and extent of risk arising from financial instruments) where amounts are in millions, and note 26 (remuneration of senior management) where amounts are to the nearest pound. The headings in the tables indicate the level of rounding.

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

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

NOTE 6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was approved by the Director of Corporate Resources and Deputy Chief Executive on 26 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Movement in unusable reserves £'000
2009-10					
Reversal of items debited or credited to the Comprehensive					
<i>Adjustments primarily involving the capital adjustment account</i>					
Charges for depreciation and impairment of non-current assets	(3,046)				3,046
Amortisation of intangible assets	(310)				310
Revenue expenditure funded from capital under statute	(2,888)				2,888
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(520)				520
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for the financing of capital investment	531				(531)
<i>Adjustment primarily involving the Capital Grants Unapplied Account:</i>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,281			(1,281)	
Application of grants to capital financing transferred to the Capital Adjustment Account	3,961				(3,961)
<i>Adjustment primarily involving the Capital Receipts reserve</i>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,367		(1,367)		
Use of the Capital Receipts Reserve to finance new capital expenditure			1,389		(1,389)
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>					
Transfer from Deferred Capital Receipts reserve upon receipt of			(18)		18
<i>Adjustments primarily involving the Financial Instruments</i>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(9)				9
<i>Adjustments primarily involving the Pensions Reserve</i>					
Difference between accounting and statutory pension costs	(862)				862
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>					
Amount by which council tax income charged to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	15				(15)
<i>Insertion of items not debited or credited to the General Fund</i>					
Capital expenditure charged against the general fund	80				(80)
<i>Adjustments primarily involving the Accumulated Absences Account</i>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from the remuneration chargeable in the year in accordance with statutory requirements	8				(8)
	(392)	0	4	(1,281)	1,669

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2010-11	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts reserve £'000	Capital grants unapplied £'000	Movement in unusable reserves £'000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
<i>Adjustments primarily involving the capital adjustment account</i>					
Charges for depreciation and impairment of non-current assets	(9,469)				9,469
Movements in the market value of Investment Properties	232				(232)
Amortisation of intangible assets	(9)				9
Capital grants and contributions applied				988	(988)
Revenue expenditure funded from capital under statute	(2,427)				2,427
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(175)				175
Reversal of capital repayments of finance leases	0				0
Statutory provision for the financing of capital investment	647				(647)
<i>Adjustment primarily involving the Capital Grants Unapplied</i>					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement					
Application of grants to capital financing transferred to the Capital Adjustment Account	4,908				(4,908)
<i>Adjustment primarily involving the Capital Receipts reserve</i>					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	606		(606)		
Use of the Capital Receipts Reserve to finance new capital expenditure			934		(934)
<i>Adjustments primarily involving the Deferred Capital Receipts Reserve</i>					
Transfer from Deferred Capital Receipts reserve upon receipt of cash			(3)		3
<i>Adjustments primarily involving the Financial Instruments</i>					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(51)				51
<i>Adjustments primarily involving the Pensions Reserve</i>					
Difference between accounting and statutory pension costs	10,955				(10,955)
<i>Adjustments primarily involving the Collection Fund Adjustment</i>					
Amount by which council tax income charged to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	38				(38)
<i>Insertion of items not debited or credited to the General Fund</i>					
Capital expenditure charged against the general fund	1,003				(1,003)
<i>Adjustments primarily involving the Accumulated Absences Account</i>					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from	22				(22)
	6280	0	325	988	(7,593)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 8. EARMARKED RESERVES

The table below shows the balances for earmarked reserves, and the transfers made to or from the General Fund.

	Balance at 1 April 2009 £'000	Movement £'000	Balance at 31 March 2010 £'000	Movement £'000	Balance at 31 March 2011 £'000
Capital Reserve	(3,529)	350	(3,179)	400	(2,779)
General Reserve	(1,310)	122	(1,188)	(502)	(1,690)
Area Based Grant Unapplied Reserve	(2,539)	191	(2,348)	593	(1,755)
Renewal and Repairs Reserve	(1,793)	(62)	(1,855)	135	(1,720)
Risk Management Reserve	(276)	16	(260)	(31)	(291)
Information Technology Reserve	(262)	30	(232)	123	(109)
s106 Reserve	(357)	(83)	(440)	(106)	(546)
Government Grants Reserve	(340)	(713)	(1,053)	237	(816)
VAT reserve	0	(1,583)	(1,583)	61	(1,522)
On-Street Car Parking Surplus Reserve	(155)	80	(75)	(65)	(140)
Interest Equalisation Reserve	(188)	(119)	(307)	100	(207)
Concessionary Travel Reserve	(205)	(53)	(258)	(32)	(290)
Monuments in perpetuity	(74)	5	(69)	7	(62)
Ore Valley Reserve			0	(305)	(305)
	(11,028)	(1,819)	(12,847)	615	(12,232)

The reasons for maintaining these earmarked reserves are shown below:

- (i) The Capital Reserve is earmarked to support capital spending.
- (ii) The General Reserve is used to support revenue spending.
- (iii) The Area Based Grant reserve is that proportion of the grant received not applied during the year of receipt.
- (iv) The Renewal and Repairs Reserve is maintained for the purchase of vehicles, plant, equipment and the repair and redecoration of property.
- (v) 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.
- (vi) The Information Technology Reserve is for the purpose of financing the purchase of computing equipment and computer systems required by the Council.
- (vii) Section 106 Contributions – these are developers' contributions to be used to finance various projects: normally they would have to be repaid if they cannot be used for the specified purpose.
This reserve was previously classified as receipts in advance, but has been moved following a review of accounting principles
- (viii) Government Grants and Contribution Reserve contains the equivalent amount of grants provided by the Government or contributions from other bodies during the financial year that cannot be used until after 31 March.
This reserve was previously classified as receipts in advance, but has been moved following a review of accounting principles
- (ix) VAT reserve holds receipts of windfall VAT reclaim and the monies have been earmarked for use in various revenue and capital schemes
- (x) 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.
- (xi) 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.
- (xii) 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.
- (xiv) The Monuments in Perpetuity reserve has been set up to maintain headstones at the Cemetery.
- (xv) Ore Valley reserve has been set up to fund activity in the area.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2008-09 £'000	2009-10 £'000		EXPEND. £'000	IAS 19 £'000	INCOME £'000	2010-11 £'000
		Expenditure:				
532	495	Interest payable and similar charges	494			494
946	1,927	Pensions interest cost and expected return on pension assets		1070		1,070
(979)	(269)	Interest receivable and similar income			(185)	(185)
		Income and expenditure in relation to investment properties and changes in their fair value	1		(314)	(313)
(85)	(84)	Other investment income				
414	2,069		495	1,070	(499)	1,066

NOTE 10. TAXATION AND NON-SPECIFIC GRANT INCOME

2008-09 £'000	2009-10 £'000		2010-11 £'000
		Expenditure:	
6,499	6,758	Council Tax Income	6,960
1,239	1,931	Non domestic rates	1,323
8,906	8,367	Revenue Support Grant	9,114
5,044	3,834	Non-ringfenced government grants	3,596
-	5,244	Capital grants and contributions	4,908
21,688	26,134		25,901

*see note 20

NOTE 11. INVENTORIES

	Consumables Stores £'000	Hastings Information Centre £'000	Total £'000
Balance at 1.4.2009	35	50	85
Purchases	79	294	373
Recognised as an expense in the year	73	285	358
Written off balances	0	2	2
Reversals of write-offs in previous years	0	0	0
Balance at 31.03.2010	41	61	102
Purchases	74	544	618
Recognised as an expense in the year	70	542	612
Written off balances	1	0	1
Reversals of write-offs in previous years	0	0	0
Balance at 31.03.2011	46	63	109

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

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 12. CONSTRUCTION CONTRACTS

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

NOTE 13. DEBTORS

The table below analyses the balance sheet figures between different types of debt.

2008-09 £'000	2009-10 £'000		2010-11 £'000
		AMOUNTS FALLING DUE WITHIN ONE YEAR:	
1,494	1,670	Other trade debtors	1,489
323	419	Trade Accounts receivable*	783
2,125	1,237	Related parties	428
206	330	Prepayments	216
4,419	563	Other	411
<hr/> 8,567	<hr/> 4,219	TOTAL	<hr/> 3,327
		AMOUNTS FALLING DUE GREATER THAN ONE YEAR:	
<hr/> 251	<hr/> 157	Other entities and individuals	<hr/> 142

*Trade accounts receivable come within the definition of Financial Instruments. Invoices are sent to individuals and other entities, where money cannot be obtained in advance of the service being rendered, and where payment is required on receipt of the invoice.

The Council has made a provision for impairment of £489,000, for doubtful debts in this category (£395,000 as at 31st March 2010). The rest of the doubtful debt provision relates to Housing Benefit overpayments and this Council's share of Council tax debts.

2008-09 £'000	2009-10 £'000		2010-11 £'000
		AMOUNTS FALLING DUE WITHIN ONE YEAR:	
6,056	1,244	Central government bodies	612
506	851	Other Local Authorities & Public Bodies	631
393	266	Public corporations	239
1,612	1,858	All other bodies	1,845
<hr/> 8,567	<hr/> 4,219	TOTAL	<hr/> 3,327
		AMOUNTS FALLING DUE GREATER THAN ONE YEAR:	
<hr/> 251	<hr/> 157	All other bodies	<hr/> 142

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 14. CASH AND CASH EQUIVALENTS

2008-09	2009-10		2010-11
£'000	£'000		£'000
5	4	Cash held by the Council	0
328	22	Bank current accounts	156
0	166	Short-term deposits with building societies	4,364
333	192		4,520

NOTE 15. AGENCY SERVICES

The Council is responsible for the collection of National Non-Domestic Rates, which it collects and passes on to the Government. It also collects Council Tax on behalf of East Sussex County Council, East Sussex Fire and Rescue Services and Sussex Police Authority, as well as itself. While the element of Council Tax collected for this Council is accounted for in the Income and Expenditure Account, the remainder of the tax collection activity is excluded from this account and is accounted for as an agency service.

All amounts collected and paid over under these agency activities are excluded from the main accounting statements and the notes, other than the Cash Flow Statement, where the changes during the year are included in the "financing activities" heading.

The totals collected on this basis are shown below:

2008-09	2009-10	2009-10		2010-11	2010-11
£'000	£'000	£'000		£'000	£'000
			Council Tax collection		
32586	32,882		East Sussex County Council	33,994	
2305	2,337		East Sussex Fire and Rescue Service	2,402	
3850	3,926		Sussex Police Authority	4,062	
38,741		39,145	Total agency Council Tax collection		40,458
16,549		17,771	NNDR collected for Government		18,366
55,290		56,916	Total agency income		58,824

NOTE 16. CREDITORS

2008-09	2009-10		2010-11
£'000	£'000		£'000
		AMOUNTS FALLING DUE WITHIN ONE YEAR:	
515	802	Central government bodies	1,220
1,197	515	Other Local Authorities	1,051
376	117	Public Corporations	726
3,658	6,277	All other bodies	5,531
5,746	7,711	TOTAL	8,528
		LONG TERM CREDITORS	
1,003	820	Other entities and individuals	597

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 17. OTHER OPERATING EXPENDITURE

2009-10 £'000	2010-11 £'000
<u>(829)</u>	<u>(431)</u>
(Gains) & Losses on Disposal of non-current assets	

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

- * Various parcel of land no longer required
- * Property forming part of Fairlight Place farm

NOTE 18. PROVISIONS

	Balance at 1 April 2009 £'000	Additional Provisions made Year £'000	Amounts used in Year £'000	Unused amounts reversed Year £'000	Balance at 31 March 2010 £'000
Provision for legal fees	374	0	0	0	374
Unpaid Housing Benefit Subsidy	35	0	0	35	0
Redundancy provision - Tressel training transfer to college	41	0	0	41	0
Marketing provision - cost of marketing campaign	48	0	0	48	0
Repayment of grant claim	156	0	0	156	0
Indexation on contract payment	71	0	0	71	0
Storm damage repairs	0	82	0	0	82
Community safety grant repayment	30	0	0	0	30
	<u>755</u>	<u>82</u>	<u>0</u>	<u>351</u>	<u>486</u>

	Balance at 1 April 2010 £'000	Additional Provisions made Year £'000	Amounts used in Year £'000	Unused amounts reversed Year £'000	Balance at 31 March 2011 £'000
Provision for legal fees	374	0	157	0	217
Storm damage repairs	82	0	0	0	82
Community safety grant repayment	30	0	0	30	0
	<u>486</u>	<u>0</u>	<u>157</u>	<u>30</u>	<u>299</u>

All provisions, when made, are expected to be paid within the year.

NOTE 19. EXTERNAL AUDIT COSTS

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

2008-09 £'000	2009-10 £'000		2010-11 £'000
109	108	Fees payable to PKF (UK) LLP with regard to external audit services carried out	99
53	43	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	52
7	9	Fees payable to the Audit Commission in respect of statutory inspection	2
2	1	Fees payable in respect of other services provided	1
<u>171</u>	<u>161</u>		<u>154</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 20 GRANTS AND CONTRIBUTIONS

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

2009-10				2010-11		
Grants £'000	Contribs. £'000	Total £'000		Grants £'000	Contribs. £'000	Total £'000
(58,375)	0	(58,375)	DWP benefits grants	(61,354)	0	(61,354)
(1,115)	0	(1,115)	Benefits administration grants	(1,363)	0	(1,363)
(192)	0	(192)	Homelessness	(165)	0	(165)
(434)	0	(434)	Concessionary fares grant	(643)	0	(643)
(202)	0	(202)	Future Jobs Fund	(991)		(991)
(1,981)	(82)	(2,063)	Other grants and contributions	(1,083)		(1,083)
(62,299)	(82)	(62,381)	Total within Cost of Services	(65,599)	0	(65,599)
(8,367)	0	(8,367)	Revenue Support Grant	(9,114)	0	(9,114)
(1,931)	0	(1,931)	Non domestic rates	(1,323)	0	(1,323)
(87)	0	(87)	LAA Performance Reward Grant	0	0	0
(35)	0	(35)	LA Business Growth Incentive Scheme	0	0	0
			Land Charges	(35)	0	(35)
(3,712)	0	(3,712)	Area Based Grant	(3,562)	0	(3,562)
(5,244)	0	(5,244)	Grants and contributions towards capital expenditure	(4,908)	0	(4,908)
(19,376)	0	(19,376)	Total within Taxation and non-specific grant income	(18,942)	0	(18,942)
(81,675)	(82)	(81,757)	Total within Comprehensive Income and Expenditure Statement	(84,541)	0	(84,541)
		9,104	Adjust for variation in accruals apportionment of Housing Benefit Grant.			12,359
(81,675)	(82)	(72,653)	Total within Cash Flow Statement	(84,541)	0	(72,182)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 21. MEMBERS ALLOWANCES

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

2008-09	2009-10		2010-11
£'000	£'000		£'000
288	295	Members Allowances	285
26	11	Conferences, Training and Travelling Expenses	10
<hr/>	<hr/>		<hr/>
314	306		295
<hr/>	<hr/>		<hr/>
32	32	Number of Councillors	32
£ 9,813	£ 9,563	Average sum per Councillor	£ 9,219

NOTE 22. DEFINED BENEFIT PENSION SCHEMES

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

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

Under the Local Government Pension Scheme retirement benefits are based on the employee's final salary, and are increased each year in line with the Consumer Price Index

The accounting policy for this pension plan, including the recognition of actuarial gains and losses, is set out in the accounting policies.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 22. DEFINED BENEFIT PENSION SCHEMES (cont'd)

Annual movement in plan obligations and assets

The table below shows separately the movements in the obligations and assets relating to the accounting group.

We recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that we are required to make against Council Tax is based on the contributions payable in the year. To adjust for this statutory requirement, the estimated cost of retirement benefits arising during the year is included in the Income and Expenditure Account, but the net effect is removed, as shown in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure (service recharge to the other services):

2008-09	2009-10		2010-11
£'000	£'000		£'000
		Comprehensive Income and Expenditure Statement	
		<i>Cost of Services</i>	
1,537	1,306	Current Service Cost	2,246
671	0	Past Service Cost	(11,934)
21	251	Curtailments	92
		<i>Financing and Investment Income and Expenditure</i>	
5,928	5,759	Interest Cost	6,698
(4,982)	(3,832)	Expected Return on Assets	(5,628)
<u>3,175</u>	<u>3,484</u>		<u>(8,526)</u>
(2,569)	(2,622)	Contributions by the Employer - per actuarial report	(2,429)
<u>606</u>	<u>862</u>	Total Post Employment Benefit Charged to the Surplus/Deficit on the Provision of Services	<u>(10,955)</u>
10,552	25,844	Actuarial Gains and Losses	(21,189)
<u>11,158</u>	<u>26,706</u>	Total Comprehensive Income and Expenditure Statement	<u>(32,144)</u>
		Movement in Reserves Statement	
		Reversal of items relating to retirement benefit debited or credited to the Comprehensive Income and Expenditure Statement	(8,543)
(2,580)	(2,556)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,412)
<u>606</u>	<u>862</u>	(Surplus) or Deficit on Provision of Services	<u>(10,955)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 22. DEFINED BENEFIT PENSION SCHEMES (cont'd)

2008-09 £'000	2009-10 £'000		2010-11 £'000
Reconciliation of Fair Value of Employer Assets (scheme Assets):			
72,395	59,186	Value of Assets at 1 April	79,984
4,982	3,832	Expected Return on Assets	5,628
749	757	Contributions by Members	716
2,569	2,622	Contributions by the Employer	2,429
(17,793)	17,425	Actuarial Gains and (Losses)	245
(167)	(173)	Unfunded Benefits Paid	(172)
(3,549)	(3,665)	Benefits Paid	(4,293)
59,186	79,984		84,537
Reconciliation of Defined Benefit Obligation (scheme Liabilities):			
2008-09 £'000	2009-10 £'000		2010-11 £'000
(86,270)	(84,219)	Value of Liabilities at 1 April	(131,723)
(1,537)	(1,306)	Current Service Cost	(2,246)
(5,928)	(5,759)	Interest Cost	(6,698)
(749)	(757)	Contribution by Members	(716)
7,241	(43,269)	Actuarial Gains and (Losses)	20,944
(671)	0	Past Service Gains and (Losses)	11,934
(21)	(251)	Losses and (Gains) on Curtailments	(92)
3,716	3,838	Benefits Paid	4,465
(84,219)	(131,723)		(104,132)
(25,033)	(51,739)	Asset/Liability at 31st March	(19,595)

Scheme History

The table below shows the liability for the current year compared to the previous four financial years:

	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000
Present value of liabilities	(94,255)	(86,270)	(84,219)	(131,723)	(104,132)
Fair value of assets	76,845	72,395	59,186	79,984	84,537
Surplus/ (Deficit) in the scheme	(17,410)	(13,875)	(25,033)	(51,739)	(19,595)

The actuarial gains identified as movements on the Pension Reserve in 2010-11 can be analysed into the following categories, plan liabilities as a percentage of plan liabilities and on plan assets as a percentage of plan assets at the balance sheet date:

	2006-07 £'000	2007-08 £'000	2008-09 £'000	2009-10 £'000	2010-11 £'000
Difference between the expected and actual return on assets	0.05%	(13.08%)	(30.06%)	21.79%	0.29%
Experience gains and losses on liabilities	(0.05%)	1.80%	(0.05%)	0.10%	(8.31%)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 22. DEFINED BENEFIT PENSION SCHEMES (cont'd)

Annual Contribution to fund

The estimated contributions for 2011/12 is £2,185,000 compared with the actual contribution of £2,412,000 for 2010-11

Cumulative Actuarial Gains and Losses

The cumulative amount of actuarial gains and losses recognised in this statement is (£18,450,000). The equivalent figure for 2009-10 was (£39,639,000).

Plan Assets

The plan's assets consist of the following categories, by proportion of the total assets held:

2009-10		2010-11
74%	Equities	78%
5%	Bonds	8%
7%	Property	8%
14%	Cash	6%
100%		100%

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

The actual return on scheme assets in the year was £5,487,000 compared to £21,257,000 in 2009-10.

Actuarial Assumptions

Liabilities have been assessed on actuarial basis using the projected unit method, an estimate of the pensions that will be payable in Hymans Robertson LLP, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2010. The main assumptions used in their calculations are:

2008-09	2009-10	Long term expected rate of return on scheme assets:	2010-11
		Equity Investments	
7.0%	7.8%	Equities	7.5%
5.4%	5.0%	Bonds	4.9%
4.9%	5.8%	Property	5.5%
4.0%	4.8%	Cash	4.6%
		Mortality assumptions:	
		Longevity at 65 for current pensioners	
19.60	20.8	Men	21.3
22.50	24.1	Women	23.4
		Longevity at 65 for future pensioners:	
20.70	22.3	Men	23.3
23.60	25.7	Women	25.7
3.1%	3.8%	Rate of inflation	2.8%
4.6%	5.3%	Rate of increase in salaries	5.1%
3.1%	3.8%	Rate of increase in pensions	2.8%
6.9%	5.5%	Rate for discounting scheme liabilities	5.5%
50.0%	50.0%	Take-up of option to convert annual pension into retirement lump sum	50%

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 23. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2008-09 £'000	2009-10 £'000		2010-11 £'000
11,091	14,119	Opening Capital Financing Requirement	14,865
5,044	3,816	Property, Plant and Equipment	6,660
0	0	Investment Properties	0
0	0	Intangible Assets	50
		Revenue Expenditure Funded from Capital under Statute	
2,862	2,888		2,427
		Sources of finance	
(494)	(1,389)	Capital receipts	(839)
(3,875)	(3,964)	Government grants and other contributions	(5,896)
(244)	(81)	Sums set aside from revenue and reserves	(789)
14	7	Direct revenue contributions	(214)
(279)	(531)	MRP/loans funds principal	(646)
<u>14,119</u>	<u>14,865</u>	Closing Capital Financing Requirement	<u>15,618</u>
		Explanations of movements in year	
2,086	491	Increase in underlying need to borrow	753
942	255	Assets acquired under finance leases	0
<u>3028</u>	<u>746</u>	Increase/(decrease) in Capital Financing Requirement	<u>753</u>

* Additional expenditure of £95K was spent on acquiring a piece of land and funded as part of a land swap. The disposal of land is an additional capital receipt. These figures have been excluded here.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 24 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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 be requiring 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 in such measures as interest rates movements. |

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003/Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services 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 CIPFA Treasury Management Code of Practice;
 - by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - * The Council's overall borrowing;
 - * Its maximum and minimum exposures to fixed and variable rates;
 - * Its maximum and minimum exposures to 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 ;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. 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 after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was last approved by Council on 28/02/2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for the 2010-11 was set at £20m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £20m. This is the expected level of debt and other long term
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments. The borrowing of monies purely to invest or on lend and make a return is unlawful and this Council will not engage in such activity. The key elements are the security of capital and the liquidity of investments.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 24 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

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

Organisation	Criteria	Max Amount	Max Period
Deposit with Banks and Building Societies	Minimum F1+ short term backed up by AA-long term credit rating, support rating of 1 and a suggested Sector Rating of Orange or Above	£5M	Up to 364 days
Deposit with Banks and Building Societies	Minimum F1 short term backed up by AA-long term credit rating, support rating of 1,2 or 3 and a suggested Sector Rating of Green or Above	£5M	Up to 3 months
Deposit with Banks and Building Societies	Minimum F1 short term backed up by A+ long term credit rating, support rating of 1,2 or 3 and a suggested Sector Rating of Green or Above	£3M	Up to 3 months
UK Local Authorities		£5M	Up to 364 days

The full Investment Strategy for 2010-11 was approved by Full Council on 28/02/11 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £9m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions

	Amount	Bad Debt Provision	Estimated maximum exposure to default	Amount	Bad Debt Provision	Estimated maximum exposure to default
	£000s	£000s	£000s	£000s	£000s	£000s
	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-10	31-Mar-10	31-Mar-10
Trade debtors *	1,204	(489)	715	815	(396)	419
Total	1,204	(489)	715	815	(396)	419

* - Excluding statutory debtors – Council Tax/NNDR

The Council reviews Trade Debtors on a regular basis. In 2010-11 the Council made 100% provision against specific debts and 50% provision on the balance of debts over 121 days. It additionally made a 10% provision against Trade Debtors from 31 to 120 days.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 24 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors, such that £0.9m of the £1.2m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31-Mar-10	31-Mar-11
	£000s	£000s
Less than three months	390	496
More than 3 months	425	708
Total	815	1,204

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

Liquidity risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All of the financial assets of the Council were of less than one year's maturity, both at 31 March 2010 and 31 March 2011.

The maturity analysis of financial assets is as follows:

	31-Mar-10	31-Mar-11
	£000s	£000s
Less than 1 year	3,000	9,000

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 approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.
- The maturity analysis of financial liabilities is as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 24 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	Actual 31 March 2011	Actual 31 March 2010
	£000s	£000s
Less than 1 year *	62	4,569
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	2,000	2,000
More than 10 years	7,500	7,500
Total	9,562	14,069

* Includes interest of £62,000 (£69,000 in 2009-10)

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 24 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	41
Increase in interest receivable on variable rate investments	(166)
Impact on Surplus or Deficit on the Provision of Services	<u>(125)</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

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 2011 was £207K and is available to avoid the consequences of sudden unforeseen reductions in investment income on the General Fund in future years.

Price risk - The Council, excluding the pension fund and external fund managers, does not generally invest in equity shares or marketable bonds.

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

NOTE 25 FINANCIAL INSTRUMENTS

Year end balances compared to fair value

As noted under the heading of "Accounting Policies (Note 2.12 above), all of the Council's investments come within the category of "loans and receivables". These are financial assets that have fixed or determinable payments, and are not quoted in an active market.

31-Mar-09		31-Mar-10			31-Mar-11	
Book Value	Fair Value	Book Value	Fair Value		Book Value	Fair Value
£0	£0	£0	£0		£0	£0
0	0	0	0	Investments over one year	0	0
0	0	0	0	interest due	-	-
0	0	0	0	Long term investments	0	0
4,608	4,608	5,124	5,139	Bank deposits	9,000	9,018
9,169	9,169	13,013	13,013	Certificates of deposit	0	0
				British Government		
2,707	2,707	-	-	securities	0	0
-	-	1,505	1,503	European Investment Bank	0	0
16,484	16,484	19,642	19,655	Short term investments	9,000	9,018
323	323	419	419	Trade accounts receivable	783	783
323	323	419	419	Short Term Debtors	783	783
0	0	0	0	Short term deposits with	0	0
				Cash and Cash		
0	0	0	0	Equivalents	0	0
16,807	16,807	20,061	20,074	Total Financial Assets	9,783	9,801

The Council's borrowings are liabilities carried at amortised cost, and the details are set out below.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 25 FINANCIAL INSTRUMENTS (cont'd)

The Council's borrowings are liabilities carried at amortised cost, and the details are set out below.

31-Mar-09		31-Mar-10			31-Mar-11	
Book Value	Fair Value	Book Value	Fair Value		Book Value	Fair Value
£0	£0	£0	£0		£0	£0
(12,000)	(12,232)	(9,500)	(9,696)	Public Works Loan board	(9,500)	(9,079)
(12,000)	(12,232)	(9,500)	(9,696)	Long term investments	(9,500)	(9,079)
(7,771)	(7,718)	(2,000)	(1,999)	Money Market	0	0
0	0	(2,500)	(2,521)	Public Works Loan board	0	0
(7,771)	(7,718)	(4,500)	(4,520)	Short term investments	0	0
(19,771)	(19,950)	(14,000)	(14,216)	Total Financial Liabilities	(9,500)	(9,079)

Interest Receivable

The table below sets out the interest receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement:

2009-10	2010-11
£'000	£'000
Interest receivable	
(269) Interest from loans and receivables	(185)
0 Other interest receivable	0
(269) Total Interest receivable	(185)
Interest payable	
404 Interest on long term borrowing	406
Other interest payable and similar	
91 charges	89
495 Total Interest payable	495

Valuation Techniques for Fair Value

The fair values valuations have been provided by the Council's Treasury Management advisor, Sector. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, Sector has used the prevailing rate of a similar instrument with a published market rate, as the discount factor

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date.

The rates quoted in this valuation were obtained by Sector from the market on 31st March, using bid prices where applicable.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 26. EMPLOYEE REMUNERATION (excluding employers pension contributions)

Post holder information (Post title)	Salary (Including fees & Allowances)	Bonuses	Expense Allowance s	Compensatio n for loss of office	Benefits in Kind (e.g. leased cars)	Total Remunerati on excluding pension contributi ons
	2009-10	2009-10	2009-10	2009-10	2009-10	2009-10
	£	£	£	£	£	£
Chief Executive	102,111	0	189	0	6,653	108,953
Deputy Chief Executive & Director of Corporate Resources	81,282	0	189		5,146	86,617
Borough Solicitor	58,566	0	0	0	2,483	61,049
Director of Regeneration, Homes and Communities	73,458	0	0	0	5,452	78,910
Director of Environmental services	81,090	0	189	0	5,837	87,116
Head of Corp. Policy, Perf & Partnerships	47,874	0	0	0	1,785	49,659
Director of Community Well- Being	45,095	0	0	29,999	2,787	77,881
	489,476	0	567	29,999	30,143	550,185

2008-09	Post holder information (Post title)	Pension Contributions 2009-10	Total Remuneration 2009-10
130,879	Chief Executive	23,144	132,097
105,239	Deputy Chief Executive & Director of Corporate	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
658,568		159,749	709,934

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 26. EMPLOYEE REMUNERATION (excluding employers pension contributions cont'd)

Post holder information (Post title)	Salary (Including fees & Allowances) 2010-11 £	Bonuses 2010-11 £	Expense Allowances 2010-11 £	Compensation for loss of office 2010-11 £	Benefits in Kind (e.g. leased cars) 2010-11 £	Total Remuneration excluding pension contributions 2010-11 £
Chief Executive	102,888	0	189	0	5,895	108,972
Deputy Chief Executive & Director of Corporate Resources	81,282	0	189		5,353	86,824
Borough Solicitor	59,466	0	0	0	2,472	61,938
Director of Regeneration, Homes and Communities	73,458	0	0	0	5,716	79,174
Director of Environmental services	78,546	0	189	0	7,197	85,932
Head of Corp. Policy, Perf & Partnerships	52,197	0	0	0	1,785	53,982
	447,837	0	567	0	28,418	476,822

2009-10	Post holder information (Post title)	Pension Contributions 2010-11	Total Remuneration 2010-11
132,097	Chief Executive	22,430	131,402
105,541	Deputy Chief Executive & Director of Corporate Resources	18,924	105,748
73,564	Borough Solicitor	12,711	74,649
94,924	Director of Regeneration, Homes and Communities	16,014	95,188
104,794	Director of Environmental services	17,123	103,055
60,096	Head of Corp. Policy, Perf & Partnerships	11,379	65,361
138,918	Director of Community Well-Being	0	0
709,934		98,581	575,403

The figures above include where appropriate amounts receivable in relation to returning officer duties.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 27. EMPLOYEE REMUNERATION (excluding employers pension contributions)

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

The table below shows the number of employees in the year whose remuneration was greater than £50,000. For this purpose remuneration means amounts paid to or receivable by an employee, and includes sums due by way of expenses allowance (so far as these sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.

Persons included in note 26 are included in these figures.

The table below shows total remuneration paid to individual employees for the year, whereas the detailed tables above in note 26 show remuneration against the relevant senior post. In some cases a particular post was held by more than one employee during the course of the year, and conversely an employee held more than one post.

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

2008-09	2009-10		2010-11
5	5	£50,000 - 54,999	4
6	6	£55,000 - 59,999	5
5	5	£60,000 - 64,999	6
1	2	£65,000 - 69,999	3
1	0	£70,000 - 74,999	0
2	3	£75,000 - 79,999	1
0	0	£80,000 - 84,999	1
2	2	£85,000 - 89,999	1
0	0	£90,000 - £94,999	0
0	0	£95,000 - £99,999	0
0	0	£100,000 - £104,999	0
1	1	£105,000 - £109,999	1
23	24		22

NOTE 28. RELATED PARTY TRANSACTIONS

Definition

The term "related party" covers relationships between the Council and body or individual where one of the parties can exercise significant influence over the policies and decisions of the other.

Central Government

The central government provides much of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 20 (grants income), 13 (debtors) and 16 (creditors).

East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 22. Although the scheme is administered by East Sussex County Council, the pension fund is a separate entity, and East Sussex County Council is not in itself a related party.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 28. RELATED PARTY TRANSACTIONS (Cont.)

Members and senior officers

All members and senior officers are required to complete an annual return, disclosing the details of any interest of themselves and their close family members, which might have an impact on their activities on behalf of the Council.

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. Seven members are also members of East Sussex County Council. £191,387 was paid to Hastings and St Leonards Foreshore Charitable Trust of which some members are Trustees. Grants totalling £949,777 (see below) 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 related party transactions during the year. The register of Member's Interest is held at the Town Hall and is open to public inspection.

Grant to voluntary organisations	£'000
Hastings Furniture Service	94
Bridge Community Centre	76
Hastings Trust	164
1066 Enterprise	529
Other	87
Total	<u>950</u>

The Hastings and St Leonards Foreshore Charitable Trust

The Hastings and St Leonards Foreshore Charitable Trust, The Foreshore Trust, was constituted in accordance with a conveyance on trust from the Crown to Hastings Corporation in 1893 to hold a area of the Foreshore for the common good of all Her Majesty's subject. The Trust has been constituted for a number of years, from 13th January 2011, under a scheme by the Charity Commission Hastings Borough Council became the sole trustee.

The scheme is so constituted so that the Council does not exercise control of the Charity as HBC may not obtain benefits from the entities activities.

Structures have been set up to ensure that the charitable purposes of the Trust are met, these include, the establishment of a separate committee of Cabinet, the Charity Committee, which make decisions to ensure there is not breaches of trust.

The delegation to Charity Committee was as follows: All member decisions relating to charities administered by the Council, in particular the Hastings and St Leonards Foreshore Charitable Trust (the Foreshore Trust). It is intended that Cabinet delegates its functions to the Charity Committee to make trustee decisions and to avoid any breach of trust or perception or apprehension of breach of trust by reason of a conflict of interest between the charity and the Council and its executive. The Committee has special responsibility in particular under the Charity Commission Scheme to have regard to the recommendations of the Protector, the Coastal Advisory Group and the Grant Advisory Group in relation to specified matters concerning the Foreshore Trust.

The Financial statements of the Trust at the 1st April 2010 showed

	£,000	£,000
Fixed assets		1
Current assets	1,871	
Creditors	(105)	
Net current assets		1,766
Total Funds		<u>1,777</u>

During the year there was a land swap with the Trust. The Trust received a portion of the Land at Pelham Place car park owned by the Council. This was exchanged for land owned by the Trust at the Stade coach and lorry park and an additional £15k.

During the year 2010-11 the Trust accrued net income resulting from the activities recorded in the Council's accounts. The net result was made up of income of £1,015k and expenditure of £772k, giving a net figure of £243k (net figure 2009-10 was £220k).

The net income was mainly in respect of car parking and seafront entertainment.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 29. CONTINGENT LIABILITIES

The Government wrote to all local authorities in England and Wales on the 27 July 2010 revoking the 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. The Council does not believe it has a responsibility for repayment of claims but in the event of this being found to be incorrect the Council's maximum exposure is estimated at £140K. This cost is likely to be financed from Central Government funding.

NOTE 30. 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 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 one other claims remains outstanding. A claim for compound interest has been made relating to these claims and is dependent on success in the High Courts

NOTE 31. TERMINATION BENEFITS

Termination benefits include lump sum payments to departing employees, enhancements to retirement benefits, and salaries paid to the end of a notice period, but when the employee ceases to provide services to the Council. We accrue for such payments at the point when a decision is made to terminate employment, rather than when the benefits fall due for payment. These payments are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement.

The Council terminated the contracts of a number of employees in 2010-11, incurring liabilities of £426K (£319K in 2009-10) .

NOTE 32. 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.

2009-10			2010-11		
£'000	£'000	Total £'000	£'000	£'000	Total £'000
	Notional				
MRP	MRP	Total	MRP	Notional MRP	Total
192	87	279	523	287	810
331	200	531	434	212	646
523	287	810	957	499	1,456
Balance 31 March					

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 33 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.

	Corporate Resources	Regeneration, Homes and Communities	Environmental Services	Cost of Services	Corporate Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Directorate Income and Expenditure 2009-10						
Fees, Charges & Other Service Income	(4,325)	(1,874)	(6,335)	(12,534)	3	(12,531)
Gain on disposal non-current assets					(829)	(829)
Interest and Investment Income				0	(269)	(269)
Income from Council tax				0	(6,758)	(6,758)
Exceptional Item VAT refund				0	(1,935)	(1,935)
Government Grants and contributions	(59,932)	(1,727)	(721)	(62,380)	(19,376)	(81,756)
Total Income	(64,257)	(3,601)	(7,056)	(74,914)	(29,164)	(104,078)
Employee expenses	6,394	5,370	5,543	17,307	862	18,169
Depreciation and impairment				0	3,117	3,117
Interest payments				0	495	495
Revenue expenditure funded from capital under statute				0	2,888	2,888
Exceptional Item VAT refund				0	355	355
Support services	(2,310)	80	1,519	(711)		(711)
Other service expenses	64,638	6,730	6,970	78,338		78,338
				0		0
Total operating expenses	68,722	12,180	14,032	94,934	7,717	102,651
Surplus or Deficit on provision of services	4,465	8,579	6,976	20,020	(21,447)	(1,427)
Reconciliation of Expenditure Summaries to Comprehensive Income and Expenditure Cost of Services						
Management Cost of Services						20,020
Income and expenditure in relation to investment properties						84
FRS17 Pension Costs						(1,062)
Exceptional Item VAT refund						(1,580)
Depreciation and impairment						3,117
Add Revenue expenditure funded from capital under statute						2,888
Cost of services per Comprehensive Income and Expenditure						23,467

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 33 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (cont'd)

	Corporate Resources	Regeneration, Homes and Communities	Environmental Services	Cost of Services	Corporate Items	Total
Directorate Income and Expenditure						
2010-11	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(4,407)	(1,914)	(6,777)	(13,098)	(235)	(13,333)
Gain on disposal non-current assets				0	(431)	(431)
Interest and Investment Income				0	(185)	(185)
Income from Council tax				0	(6,960)	(6,960)
Government Grants and contributions	(63,630)	(1,741)	(228)	(65,599)	(18,941)	(84,540)
Total Income	(68,037)	(3,655)	(7,005)	(78,697)	(26,752)	(105,449)
Employee expenses	5,357	5,842	5,565	16,764	(10,977)	5,787
Interest payments				0	495	495
Revenue expenditure funded from capital under statute				0	2,427	2,427
Depreciation and impairment				0	9,480	9,480
Support Services	77	(417)	(59)	(399)	0	(399)
Other service expenses	65,552	7,372	9,540	82,464	(470)	81,994
Total operating expenses	70,986	12,797	15,046	98,829	955	99,784
Surplus or Deficit on provision of services	2,949	9,142	8,041	20,132	(25,797)	(5,665)
Reconciliation of Expenditure Summaries to Comprehensive Income and Expenditure Cost of Services						
Management Cost of Services						£'000 20,132
Depreciation and impairments						9,480
Add Revenue expenditure funded from capital under statute						2,427
Adjustment for pensions & accumulated absences						(12,048)
IFRIC 4 leases						(255)
Income and expenditure in relation to investment properties						80
Funding of capital expenditure						(215)
Surplus or Deficit on provision of services						19,601
Grant Income						(25,901)
Other Operating Expenditure - Note 17						(431)
Financing and Investment Income and Expenditure - Note 9						1,066
Cost of services per Comprehensive Income and Expenditure						(5,665)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 34 UNUSABLE RESERVES

Note 2.18 sets out the purpose and use of the various usable and unusable reserves maintained by the Council, and the Movement in Reserves Statement shows details of the annual movements. The Movement in Reserves Statement shows only a summary of the movements in unusable reserves, and detailed analysis is shown below.

	Deferred Capital Receipts	Revaluation Reserve	Pension Reserve	Capital Adjustment Account	Financial Instruments Adjustment	Accumulated Abscenses Account	Collection Fund Adjustment	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	(43)	(4,496)	25,033	(61,587)	(386)	312	10	(41,157)
Gain or (Loss) on revaluation of assets		(15,036)						(15,036)
Actuarial gains/ (losses) on pension assets/liabilities			25,844					25,844
Total Other Comprehensive Expenditure and Income	0	(15,036)	25,844	0	0	0	0	10,808
Reversal of items debited or credited to Comprehensive Income and Expenditure Statement								
Write down Intangible Assets				310				310
Depreciation and impairment of non-current assets (per segmental analysis)				3,046				3,046
Impairment of assets		81						81
Gain or (Loss) on sale of non-current assets				514				514
Difference between accounting and statutory finance costs					9			9
Difference between accounting and statutory employee benefit						(8)		(8)
Difference between accounting and statutory credit for Council Tax							(15)	(15)
Revenue Expenditure financed from Capital under Statute				2,888				2,888
Difference between accounting and statutory pension costs			862					862
Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement:								
Capital expenditure financed from revenue								0
Statutory provision for the financing of capital investment				(531)				(531)
Repayment of Council Mortgages	4			0				4
Financing of capital expenditure directly from reserves:				(80)				(80)
Revenue expenditure financed from grants and contributions								0
Capital expenditure financed from unapplied grants				(3,961)				(3,961)
Transfer to the capital receipts reserve upon receipt of cash	18							18
Capital expenditure financed from capital receipts				(1,389)				(1,389)
Other adjustments								
Adjust 2009/10 mortgage entries	1			(1)				0
Prior period adjustments		205		(205)				0
Adjustments for depreciation on revalued non-current assets*		218		(218)				0
Difference between depreciation and impairment charged to CIES and that charged to CAA				(79)				(79)
Adjustments between accounting and funding basis under rewgulation	23	504	862	294	9	(8)	(15)	1,669
Increase / Decrease in Year	23	(14,532)	26,706	294	9	(8)	(15)	12,477

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 34 UNUSABLE RESERVES (CONT'D)

	Deferred Capital Receipts	Revaluation Reserve	Pension Reserve	Capital Adjustment Account	Financial Instruments Adjustment	Accumulated Absences Account	Collection Fund Adjustment	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	(20)	(19,028)	51,739	(61,293)	(377)	304	(5)	(28,680)
Gain or (Loss) on revaluation of assets		(745)						(745)
Actuarial gains/ (losses) on pension assets/liabilities			(21,189)					(21,189)
Total Other Comprehensive Expenditure and Income	0	(745)	(21,189)	0	0	0	0	(21,934)
Reversal of items debited or credited to Comprehensive Income and Expenditure Statement								
Write down Intangible Assets				9				9
Depreciation and impairment of non-current assets (per segmental analysis)				9,469				9,469
Movements in the market value of Investment Properties				(232)				(232)
Gain or (Loss) on sale of non-current assets		137		38				175
Difference between accounting and statutory finance costs					51			51
Difference between accounting and statutory employee benefit						(22)		(22)
Difference between accounting and statutory credit for Council Tax							(38)	(38)
Revenue Expenditure financed from Capital under Statute				2,427				2,427
Difference between accounting and statutory pension costs			(10,955)					(10,955)
Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement:								0
Statutory provision for the financing of capital investment				(647)				(647)
Repayment of Council Mortgages	3							3
Capital expenditure financed from revenue				(214)				(214)
Financing of capital expenditure directly from reserves:				(789)				(789)
Revenue expenditure financed from grants and contributions								0
Capital expenditure financed from unapplied grants				(5,896)				(5,896)
Capital expenditure financed from capital receipts				(934)				(934)
Other adjustments								0
Depreciation charged to Revaluation Reserve *		775		(775)				0
Adjustments between accounting and funding basis under regulation	3	912	(10,955)	2,456	51	(22)	(38)	(7,593)
Increase / Decrease in Year	3	167	(32,144)	2,456	51	(22)	(38)	(29,527)
Balance at 31 March 2011	(17)	(18,861)	19,595	(58,837)	(326)	282	(43)	(58,207)

* The additional depreciation £775K (2010-11) and £218K (2009-10), which is transferred from the Revaluation Reserve to the Capital Adjustment Account represents a notional charge for the depreciation of the revaluation gain on revalued assets to depreciate the calculated gain over the life of the revalued asset

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 35 PROPERTY, PLANT AND EQUIPMENT

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. (see impairment review below)

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 both 2009/10 & 2010/11 have been carried out by the Wilks Head and Eve Chartered Surveyors of Newlands House, 40 Berners, Street London, W1T 3NA. Valuations carried out are as at 31st March 2011.

Impairments review

There was a systematic review of Property plant and equipment with a main focus on Infrastructure and Community assets. In cases where these assets were deemed to have no continuing value to the Authority, these assets were impaired to zero. This resulted in a write off being recorded in the Impairments of the assets as follows:

	£'000	£'000	£'000
	Gross Book Value	Depreciation	Net book value
Other land and buildings	699	(17)	682
Infrastructure	6,074	(2,413)	3,661
Community assets	2,565	(199)	2,366
	<u>9,338</u>	<u>(2,629)</u>	<u>6,709</u>

The impairments following in note 36 include those impairments which resulted from the rolling revaluation carried out by Wilkes, Head and Eve.

Assets being re-valued upwards in the year where there had been impairments in prior periods resulted in £355k being reversed through the provision of service lines in the Comprehensive Income and Expenditure Account

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 35 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation

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, other than those acquired in the year, which have been fully amortised but legacy systems are still in use and that current software licenses are below capitalisation limits.

For assets acquired and valued after the 1st of April 2010, significant components have been identified and where these components are material and have lives significantly different from the life of the main asset, these components will be depreciated over the useful life of the component.

Capital Commitments

At 31 March 2011 the Council was contractually committed to the payment of £213k under its capital programme, compared to £1,054k at 31 March 2010.

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

- * Various parcel of land no longer required
- * Property forming part of Fairlight Place farm

* There was a land swap which involved exchanging 3% of the Pelham car park not owned by the Hastings & St Leonards Foreshore Charitable Trust for a portion of the of The Stade car park owned by the Trust

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community	Surplus	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009:							
Gross carrying amount	42,313	3,745	20,174	20,441	50	1,333	88,056
Cumulative depreciation & impairment	(1,845)	(1,049)	(7,210)	(723)	(4)	0	(10,831)
Total	40,468	2,696	12,964	19,718	46	1,333	77,225
Balance at 1 April 2010:							
Gross carrying amount	57,446	3,776	21,237	21,092	50	0	103,601
Cumulative depreciation & impairment	(757)	(1,565)	(7,981)	(774)	(4)	0	(11,081)
Total	56,689	2,211	13,256	20,318	46	0	92,520
Balance at 31 March 2011:							
Gross carrying amount	59,007	4,811	15,263	17,819	225	4,231	101,356
Cumulative depreciation & impairment	(1,664)	(2,591)	(6,182)	(296)	(1)	0	(10,734)
Total	57,343	2,220	9,081	17,523	224	4,231	90,622

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 35 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Movements in operational assets during the years 2009-10 & 2010-11 :-

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure £'000	Community £'000	Surplus £'000	Assets Under Construction £'000	Total £'000
Balance at 1 April 2009	40,468	2,696	12,964	19,718	46	1,333	77,225
Additions	2,034	31	1,063	651	0	38	3,817
Revaluations	14,523	0	0	0	0	0	14,523
Impairment losses	(1,228)	0	0	0	0	0	(1,228)
Depreciation	(479)	(516)	(771)	(51)	0	0	(1,817)
Disposals	0	0	0	0	0	0	0
Reclassifications	1,371	0	0	0	0	(1,371)	0
Balance at 31 March 2010	56,689	2,211	13,256	20,318	46	0	92,520
Balance at 1 April 2010	56,689	2,211	13,256	20,318	46	0	92,520
Additions	1,305	0	343	877	0	4,231	6,756
Revaluations	492	0	0	0	179	0	671
Impairment losses	(1,062)	0	(3,661)	(2,366)	(4)	0	(7,093)
Impairment loss reversals	355	0	0	0	0	0	355
Depreciation	(1,055)	(511)	(798)	(51)	3	0	(2,412)
Disposals	(175)	0	0	0	0	0	(175)
Reclassifications	794	520	(59)	(1,255)	0	0	0
Balance at 31 March 2011	57,343	2,220	9,081	17,523	224	4,231	90,622
Carried at historical cost							
valued at fair value as at:	3,106	2,007	3,931	17,523	0	4,231	30,798
31 March 2011	12,439	0	0	0	224	0	12,663
31 March 2010	22,624	0	0	0	0	0	22,624
31 March 2009	14,321	0	0	0	0	0	14,321
31 March 2008	2,764	0	0	0	0	0	2,764
31 March 2007	2,089	213	0	5,150	0	0	7,452
Total Cost or Valuation	57,343	2,220	3,931	22,673	224	4,231	90,622

NOTE 36. INVESTMENT PROPERTIES

2008-09 £'000	2009-10 £'000	2010-11 £'000
83	85	82
(1)	(1)	(1)
	Net gain/(loss)	232
82	84	313
2008-09 £'000	2009-10 £'000	2010-11 £'000
935	935	935
0	0	233
935	935	1,168

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 37. INTANGIBLE ASSETS

As set out in the accounting policies (Note 1), the Council accounts for its software as intangible assets. The annual movements in the balance sheet figures for intangible assets are shown below:

2009-10				2010-11			
Gross £'000	Amortised £'000	Impaired £'000	Net Total £'000	Gross £'000	Amortised £'000	Impaired £'000	Net Total £'000
1,557	(1,228)	0	329	1,557	(1,539)	0	18
				Balance at April			
				Written down for the year:			
0	(311)	0	(311)	0	(9)	0	(9)
0	(311)	0	(311)	0	(9)	0	(9)
				Added during year			
0	0	0	0	50	0	0	50
				Balance at 31 March			
1,557	(1,539)	0	18	1,607	(1,548)	0	59

The intangible assets above are not internally generated

The amortisation was in the following service lines 2010/11 Highways, Roads & Transport Services £9K (2009-10 Highways £9K, Corporate & Democratic £228K, Central Services £66K and Housing Services £7K)

NOTE 38. ASSETS HELD FOR SALE

2008-09 £'000	2009-10 £'000		2010-11 £'000
1,268	1,713	Balance outstanding at start of year	1,713
		<i>Assets newly classified as held for sale:</i>	
491	0	Property, Plant and Equipment	0
		<i>Other assets/liabilities in disposal groups</i>	
0	0	Revaluation losses	
0	513	Revaluation gains	74
		Impairment losses	(321)
		<i>Assets declassified as held for sale:</i>	
(46)	0	Property, Plant and Equipment	0
		<i>Other assets/liabilities in disposal groups</i>	
0	(513)	Assets sold	0
1,713	1,713	Balance outstanding at	1,466

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 39 LEASES

39.1 Finance leases – Council acting as lessee

The Council has acquired an administrative building under a finance lease. It has also entered into a contract for provision of services which involves the use of certain assets. The services include Street Cleansing, Waste Collection and Ground Maintenance Contracts, and certain of the assets utilised are treated as held under Finance leases.

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

2008-09	2009-10	2010-11
£'000	£'000	£'000
255	255 Other Land and Buildings	253
1,029	791 Vehicles, Plant, Furniture and Equipment	552
<u>1,284</u>	<u>1,046</u>	<u>805</u>

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

2008-09	2009-10	2010-11
£'000	£'000	£'000
	Finance lease liabilities (net present value of minimum lease payments):	
1,197	997	786
249	249 current	249
948	748 non-current	537
926	871 Finance costs payable in future years	828
<u>2,123</u>	<u>1,868</u>	<u>1,614</u>

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

2008-09	2009-10	2010-11
£'000	£'000	£'000
255	255 Not later than one year	255
846	600 Later than one year and not later than five years	355
1,022	1013 Later than five years	1,004
<u>2,123</u>	<u>1,868</u>	<u>1,614</u>

The finance lease liability will be payable over the following periods:-

2008-09	2009-10	2010-11
£'000	£'000	£'000
200	211 Not later than one year	223
742	532 Later than one year and not later than five years	309
255	254 Later than five years	254
<u>1,197</u>	<u>997</u>	<u>786</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, there are no such current rent reviews. £0 contingent rents were payable by the Authority

The Authority is in the process of negotiating the lease of the property included as Other land and Buildings held under the finance lease.

NOTES TO THE CORE FINANCIAL STATEMENTS

39.2 Operating Leases

The Authority has Vehicles, plant and equipment acquired by entering into operating leases.

2008-09	2009-10	2010-11
£'000	£'000	£'000
231	209 Not later than one year	158
128	97 Later than one year and not later than five years	72
0	0 Later than five years	0
<u>359</u>	<u>306</u>	<u>230</u>

The expenditure charged to the Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2008-09	2009-10	2010-11
£'000	£'000	£'000
266	231 Minimum lease payments	204
0	0 Contingent rents	0
<u>266</u>	<u>231</u>	<u>204</u>

None of the vehicles, plant and equipment acquired by entering into operating leases is subleased by the Authority.

Authority as Lessor

Finance leases

There are no arrangements under which the council leases out its property and equipment to other parties under a finance leases.

Operating Leases

The Authority leases out property under operating leases for the following purposes:

for economic development purposes to provide suitable affordable accommodation for local businesses.

for the provision of community services, and leisure services

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

2009-10	2010-11
£'000	£'000
2,213	2,132
5,982	5,394
49,896	48,650
<u>58,091</u>	<u>56,176</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 contingent rents £64,984k were receivable by the Authority. In 2009/10 the figure was £ 65,840

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 the amount of rental income received was £3,695k including contingent rents of £986k by the Authority. In 2009/10 the amount received was £3,292k and contingent rents of £783k.

NOTE 40 CONCESSIONARY TRAVEL SCHEME

From 1st April 2011 Hastings ceased to be the responsible authority for the administration of Concessionary Travel which passed to East Sussex County Council. At year end there is potential liability relating to any settlements from bus operators relating to reimbursement during 2010/11, for which provision has been made in the accounts. Since year end a claim for £126,922 has been received.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 41 RECONCILIATION BETWEEN THE SURPLUS/DEFICIT ON THE PROVISION OF SERVICES AND THE CASH FLOWS FROM OPERATING ACTIVITIES

2009-10 £'000		2010-11 £'000
(1,427)	(Surplus) or deficit on the provision of services	(5,665)
(1,818)	Depreciation of Non Current Assets	(2,412)
(1,228)	Impairment of Non Current Assets	(7,057)
(310)	Amortisation of intangible Fixed Assets	(9)
(862)	Pension Fund adjustments	10,955
0	Movements in the market value of Investment Properties	232
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(520)		(175)
(2,888)	Revenue funded from capital under statute	(2,427)
	Amount by which council tax income charged to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	
15		38
17	Increase in stocks	7
(4,442)	Increase/(Decrease) in Debtors	(907)
(1,782)	(Increase)/Decrease in Creditors	(593)
1,281	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	
	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
1,367		606
3,961	Application of grants to capital financing transferred to the Capital Adjustment Account	4,908
2,695	Other non-cash movement	1,578
(5,941)	Net cash flows from Operating Activities	(921)

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2009-10 £'000	INCOME	2010-11 £'000
36,409	Income from Council Taxpayers	37,232
	Transfers from General Fund re Council Tax	
10,814	- Council Tax Benefit awarded	11,467
	Sums recovered from Preceptors re previous year's Collection Fund deficit	
53	- East Sussex County Council	0
5	- East Sussex Fire & Rescue Authority	0
3	- Sussex Police Authority	0
12	- Hastings Borough Council	0
47,296	Total from Council Tax	48,699
17,771	Income collectable from Business Ratepayers - <i>Note 2</i>	18,366
65,067		67,065
	EXPENDITURE	
	Business Rate - <i>Note 2</i>	
17,646	- Payment to National Pool	18,241
125	- Cost of Collection	125
2	Prior year community charge	0
32,829	East Sussex County Council Precept on Collection Fund - <i>Note 3</i>	33,994
3,923	Sussex Police Authority Precept on Collection Fund - <i>Note 3</i>	4,062
2,332	East Sussex Fire & Rescue Authority Precept on Collection Fund - <i>Note 3</i>	2,402
6,739	Hastings Borough Council Demand on Collection Fund - <i>Note 3</i>	6,922
	Bad & Doubtful Debts	
368	- Write offs of uncollectable Council Tax	933
1,000	- Provision for uncollectable Council Tax-addition / (reduction) to the sum required	122
64,964		66,801
(103)	Movement on Fund Balance - (surplus) / deficit	(264)
	FUND BALANCE - <i>Note 4</i>	
71	Balance brought forward	(32)
(103)	(Surplus) / deficit for year	(264)
(32)	Balance - (surplus) / deficit carried forward	(296)

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 :-

2009-2010 £'000		2010-2011 £'000
(20,913)	Non-Domestic rates billed at uniform business rate of 40.7p (2009-2010 : 48.1p)	(22,667)
3,142	Less adjustments to charges, voids, reliefs and other non-collectable sums	4,301
(17,771)	Amount Collectable	(18,366)
125	Less allowance for the Cost of Collection	125
(17,646)	Net contribution to National Pool	(18,241)
£8,367,229	Redistribution from National Pool - credited to General Fund	£9,113,374
£44,711,538	Rateable Value of Business Premises at 31 March	£57,840,381

NOTE 3. COUNCIL TAX BASE

Band & Value	Number of Properties	Relationship to Band D	Annual Amount
Band A - up to £40,000	14,354	6/9	£1,076.28
Band B - over £40,000 up to £52,000	11,888	7/9	£1,255.67
Band C - over £52,000 up to £68,000	7,296	8/9	£1,435.04
Band D - over £68,000 up to £88,000	5,489	-	£1,614.43
Band E - over £88,000 up to £120,000	2,169	11/9	£1,973.19
Band F - over £120,000 up to £160,000	773	13/9	£2,331.95
Band G - over £160,000 up to £320,000	183	15/9	£2,690.71
Band H - over £320,000	43	18/9	£3,228.86
	42,195		
Council Tax Base and amount originally expected for 2010-11			= 29,348
East Sussex County Council share			£33,993,788
Sussex Police Authority share			£4,062,350
East Sussex Fire & Rescue Authority share			£2,402,427
Hastings Borough Council share			£6,921,650
			£47,380,215

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.

	2009-10 Council Tax	2010-11 Council Tax
	£'000	£'000
Balance brought forward :-		
East Sussex County Council	53	(23)
Sussex Police Authority	5	(3)
East Sussex Fire Authority	3	(2)
Hastings Borough Council	12	(4)
(Surplus) / Deficit	73	(32)
Movement on Fund Balance :-		
East Sussex County Council	(76)	(190)
Sussex Police Authority	(8)	(22)
East Sussex Fire Authority	(5)	(13)
Hastings Borough Council	(16)	(39)
(Surplus) / Deficit	(105)	(264)
Balance carried forward :-		
East Sussex County Council	(23)	(213)
Sussex Police Authority	(3)	(25)
East Sussex Fire Authority	(2)	(15)
Hastings Borough Council	(4)	(43)
(Surplus) / Deficit	(32)	(296)
Total of Council Tax	(32)	(296)

	Hastings Borough Council	East Sussex County Council	Sussex Police Authority Share	East Sussex Fire and Rescue
Council Tax Arrears	669,229	3,286,703	392,770	232,280
Impairment Allowance for doubtful debts	(667,187)	(3,276,672)	(391,571)	(231,571)
Council Tax overpayments and prepayments	(84,688)	(415,916)	(49,703)	(29,394)
Collection Fund (surplus)/deficit	(43,337)	(212,650)	(25,412)	(15,037)
Collection Fund Adjustment Account	(43,337)			
(Owed to)/Owed From Preceptors		(618,535)	(73,916)	(43,722)

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 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.

CODE

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

CONTINGENT

An asset or liability can be contingent. This means that 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

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.

IMPAIRMENT

If an asset's carrying value exceeds the amount that could be received through use or selling the asset, then the asset is impaired

INFRASTRUCTURE ASSETS

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

INVESTMENT PROPERTIES

Property held solely to earn rentals or for capital appreciation or both.

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

PROJECTED UNIT METHOD (con't)

valuation method in which the scheme liabilities 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.

PROPERTY PLANT AND EQUIPMENT (PPE)

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

PUBLIC WORKS LOAN BOARD (PWLb)

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

REFCUS

Under statute some expenditure is allowed to be treated as capital for financing purposes, but does not result in the acquisition of a fixed asset for the Council. This expenditure is now referred to as "Revenue Expenditure Funded from Capital under Statute."

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.