

Rother District Council

STATEMENT OF ACCOUNTS

2009/10



CONTENTS

	Page
Foreword by the Head of Finance	3
Statement of responsibilities for the Statement of Accounts	8
Statement of Accounting Policies	9
Annual Governance Statement	20
Core Financial Statements	
Income and Expenditure Account	26
Statement of the Movement on the General Fund Balance	27
Statement of Total Recognised Gains and Losses	29
Balance Sheet	30
Cash Flow Statement	32
Notes to the Core Financial Statements	34
Collection Fund	54
Glossary of Terms	57
Independent Auditors report to the Members of Rother District Council	TBD
Index of Accounting Policies	
Index of Notes to the Accounts	

FOREWORD BY THE HEAD OF FINANCE

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The pages that follow are Rother District Council's accounts for the year 2009/10, and include:

- **Statement of Accounting Policies** - this explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are explained.
- **Income and Expenditure Account** – this shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.
- **Statement of Movement on the General Fund Balance** – this summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance arising from entries required by statute and non-statutory proper practices to be taken into account for council tax setting purposes.
- **Statement of Total Recognised Gains and Losses** – this brings together all the gains and losses experienced during the year.
- **Balance Sheet** - this is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held.
- **Cash Flow Statement** - this brings together in a single statement the inflows and outflows of cash arising from the Council's transactions with third parties for revenue and capital purposes.
- **Collection Fund Income and Expenditure Account** - this reflects a statutory requirement for the Council, which collects the local taxes, to maintain a separate account in relation to Non-Domestic Rates and the Council Tax, and their distribution.

Significant Changes to the 2009/10 Statement of Accounts

Efforts have been made to present information in a format that is easy to read and understand, whether you are a local taxpayer, Councillor or Council employee. I am, however, required by law to set the accounts out in a certain way. Further information about the accounts presented in this Statement is available from the Resources Directorate of the Council.

Up to 2008/2009 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund. From the year commencing 1 April 2009, the Council Tax income included in the Income and Expenditure Account shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by statute to be credited to the General Fund shall be taken to the Collection Fund

Adjustment Account and included as a reconciling item to the Statement of Movement on the General Fund Balance.

FOREWORD BY THE HEAD OF FINANCE

Financial Summary 2009/10

The Council's annual spending is categorised as being either Revenue or Capital. Revenue spending is generally on the day-to-day provision of services. Capital expenditure, by contrast, is on items that have a life beyond one year.

Revenue

The General Fund expenditure is met primarily by Government grants and Council Taxpayers. The Council's General Fund actual spending on services in the year amounted to £13.7m after setting aside amounts in specific reserves for future spending. The Council's Cabinet (Executive) has agreed that the deficit for the year of £43,000 will be met from the Medium Term Financial Strategy Reserve.

There were a number of significant variations to the budgeted spend including continued underperformance on investment returns due to the current economic conditions. £830,000 was taken into the Revenue account from the earmarked reserve for interest equalisation. This was £210,000 in excess of the budgeted amount highlighting the downturn in rates was more severe than expected when the budget was set in March 2009.

Services such as Planning and Building Control were also affected by the economic downturn and have seen a substantial reduction in income earned during the year. This was actively managed through the year and action taken to minimise the impact on the Revenue account including holding a number of posts vacant through the year. Savings in service contracts such as leisure and grounds maintenance have also been achieved to help offset the reduction in income.

A challenge to the VAT treatment of sporting and cultural services, led to a claim for recovery of VAT from HM Revenue and Customs dating back to the 1980's. External advisors were engaged to lead the claim for the Council and the claim was successful with £383,000 being repaid to the Council. This one off income has been transferred into earmarked reserves to help fund future invest to save projects.

Overall reserves reduced by nearly £0.83m, made up of contributions to reserves of £0.87m and from reserves of £1.7m. In addition to making up the shortfall on investment income, reserves were used to support the Corporate Projects (£0.325m), local development framework and housing services such as homelessness.

Individual service spend compared against budget was also affected by a number of accounting entries required under current guidance, but which are subsequently reversed so as to not affect the Council Tax payer. In particular changes in asset valuations, such as the refurbished Bexhill Museum, have impacted on the cost of services but have no effect on the final Revenue account.

The following table shows the overall year end financial position for the Revenue account:

FOREWORD BY THE HEAD OF FINANCE

General Fund 2009/10: Comparison of Expenditure with Budget

Service	Net Expenditure	Final Approved Budget	Variation
	£000	£000	£000
Cultural and Related Services	5,171	3,196	-1,975
Environmental Services	5,399	5,523	124
Planning and Development Services	2,286	2,468	182
Highways, Roads and Transport Services	-73	84	157
Housing General Fund	1,363	1,243	-120
Corporate and Democratic Core	2,837	2,984	147
Central Services to the Public + Support Services	959	1,319	360
Unapportionable Central Overheads	9	158	149
Other Operational Income and Expenditure	-340	-1,208	-868
Windfall Gain - VAT	-384	0	384
Decrease in Provision for Potential Bad Debts	-29	0	29
NET COST OF SERVICES	17,198	15,767	-1,431
Surplus on trading undertakings	-220	-285	-65
Interest and Investment income	-402	-610	-208
Interest Payable and similar charges	1		-1
NET OPERATING EXPENDITURE	16,577	14,872	-1,705
Reversal of Non Cash items charged to Revenue Services			
Amortisation of Intangible Fixed Assets	-171		171
Depreciation and Impairment of Fixed Assets	-479		479
Government Grants Deferred Amortisation	901		-901
Deferred Charges	-1,501		1,501
Fixed Asset Net Loss on Revaluation	-1,843		1,843
Capital Expenditure Financed from Revenue	20	20	0
Pensions FRS 17	854		-854
Contributions from Earmarked Reserves to Fund Revenue	-1,579	-1,407	172
Contributions to Earmarked Reserves from Revenue	883	78	-805
NET EXPENDITURE FOR THE YEAR	13,662	13,563	-99
Funded by:			
RSG	-1,229	-1,229	0
NNDR Pool	-5,324	-5,324	0
ABG	-56		56
Transfers to and from Collection Fund	-7,010	-7,010	0
NET SURPLUS/(DEFICIT) FOR THE YEAR	43	0	-43

FOREWORD BY THE HEAD OF FINANCE

Collection Fund

Rother District Council is responsible for operating a Collection Fund on behalf of itself, East Sussex County Council, the Sussex Police Authority, East Sussex Fire Authority and all of the Town and Parish Councils within the Rother area. The Fund receives all income collected from local taxpayers and meets the demands of the precepting authorities. Collection performance continued to be high during the year and was in line with the target set by the Council. The Collection Fund was in deficit for the year by £134,000 with a carried forward balance to 2010/11 of £356,000. There is an increasing likelihood of non-payment of Council Tax as the economy struggles to recover and therefore the Council has continued to apply its new methodology for calculating the provision for bad debts introduced in 2007/08. The Revenues Team managed to achieve a recovery rate of 98.4% which was an excellent result in the current financial climate.

Capital

The Council has actively managed its capital spending and resources during the year and achieved a spend of £5.2m against a final programme of £8m. This represents 65% of the programme. The main variations relate to major items in the programme for the seafront project and Elva Way business centre. The Council's capital expenditure has been financed, from capital grants and contributions (£1.2m), capital receipts (£3.9m) and other sources (£0.1m).

Pensions

Accounting regulations require Councils to show any deficit or surplus on the Pension Fund within the balance sheet. The Council's share of the Pension Fund administered by East Sussex County Council was assessed at 31 March 2010 by the actuary as a deficit of £31.2m, as compared with a deficit of £16.5m at 31 March 2009. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire. The significant deterioration in the year reflects the decrease in the value of assets held by the pension fund with share prices and property values falling during the recession.

Borrowing

The Council did not enter into any borrowing during 2009/10. All the Council's PWLB debt was repaid in April 2002 and the remaining £31,000 of debenture stock was repaid.

Land and Property values

The Council reviewed the market value of its land and property holdings based upon advice received from the District Valuer. This advice indicated that values had increased by around 3% from 2008/09 which has increased the value of the Council's land and buildings by £0.7m. A significant downward valuation (£1.8m) was received for the Bexhill Museum taking account of the new lease granted the Society of Bexhill Museums following completion of the expansion project during this year.

Outlook for 2010/11

The Council has developed its Medium Term Financial Strategy (MTFS) to align with the new corporate plan. The Council continues to maintain its policy of not relying on reserves to fund ongoing revenue expenditure. However reserves will continue to be used to meet one of the effects of the financial climate on investment returns and to meet the cost of one off projects, especially for "invest to save" projects. For 2010/11 the Council increased its Council Tax by 2.9% dealing with the impact of the recession largely from existing budgets. The Council has set aside specific reserves to deal with the loss of investment income, but these will be exhausted in two years should the economic conditions not improve. The forecast budget for the next three years indicates savings in the order of £2m will be required to achieve a balanced budget. Following the election of a new coalition Government in May 2010 announcements on future funding indicate that further substantial savings are likely. However it is unlikely that the Council Tax will increase beyond 0% to 3% for the foreseeable future due to the new government's commitments on Council Tax increases, which increases pressure on the Council to identify efficiency and cash savings to meet future service needs. A fundamental review of the MTFS was commenced during 2009/10, to ensure it continues

FOREWORD BY THE HEAD OF FINANCE

to align with the Corporate Plan and to drive improvements in Value for Money and identify sustainable efficiencies that will deliver on going cash savings. The Strategy will be finalised in the Autumn of 2010 to take account of the Government spending review.

Presentation of Accounts

In preparing the accounts for 2009/10, the Council has followed the Statement of Recommended Practice on Local Authority Accounting 2009, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This Code establishes a framework of best practice that the preparers of local authority accounts are expected to follow.

Approval of Accounts

The accounts were presented to the Audit Committee on the 30 June 2010 and were authorised by the Chairman of the Committee Councillor Michael Ensor.

STATEMENT OF RESPONSIBILITIES

The following statements are made in accordance with recommended practice:

The Council's Responsibility

The Council is required:

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

The Head of Finance's (as the Chief Financial Officer) Responsibility

The Head of Finance is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP").

In preparing this statement of accounts, the Head of Finance has:

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

The Head of Finance has also:

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

Head of Finance Certificate

I certify that I have fulfilled my responsibilities noted above and that the accounts set out on pages X to XX give a true and fair view of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

.....
Robin Vennard
Head of Finance

_____2010

.....
Councillor M Ensor
Chair of Audit Committee

_____2010

STATEMENT OF ACCOUNTING POLICIES

1. Accounting Concepts

In managing its finances and preparing the Statement of Accounts the Council has particular regard to the accounting concepts within the 2009 SORP. The precise existence and value of assets, liabilities, income and expenditure may be uncertain and where this is the case, professional judgement is used to estimate. In doing so the Council adhere to the following accounting concepts to ensure that the accounts present fairly its financial position and performance. The accounting concepts are set out below:

- **Relevance** – the information in the accounts is useful in assessing the Council’s stewardship of public funds and making economic decisions.
- **Reliability** – the information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors.
- **Comparability** – a consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this is disclosed.
- **Understandability** – the Council has endeavoured to ensure that an interested reader can understand the accounts.
- **Materiality** – in using its professional judgement the Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission would reasonably change the substance of the information presented in the accounts.
- **Accruals** – the statements reflect the non-cash effects of transactions for the financial year in which they are experienced.
- **Going Concern** – the accounts are prepared on the assumption that the Council will continue to provide operational services for the foreseeable future.
- **Primacy of Legislative Requirements** – the Council operates through the power of statute. Where legislation prescribes the treatment of transactions then the accounting concepts outlined above may not be applied.

STATEMENT OF ACCOUNTING POLICIES

2. Estimation

In line with Financial Reporting Standard 18 – Accounting Policies, a distinction is drawn between accounting policies and estimation techniques. Estimation techniques are the methods adopted to arrive at estimated monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Throughout this section and in the notes to the Balance Sheet, reference is made to the bases on which assets, liabilities, gains, losses and changes in reserves have been assessed. There have not been any material changes in the basis of the estimation techniques since the preparation of the last Statement of Accounts.

3. Tangible Fixed Assets

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

Recognition: expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. A “de minimis” level below which asset valuations are not included in the balance sheet (with the exception of investment properties) has been set at £10,000.

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, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost and net realisable value.
- Infrastructure assets and community assets are included in the balance sheet at historic cost net of depreciation or at nominal values.

Net current replacement cost is assessed as:

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

STATEMENT OF ACCOUNTING POLICIES

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. Losses on revaluation are charged to the Revaluation Reserve, save where there are insufficient previous gains to offset the loss. In this circumstance the net loss is taken to the service revenue accounts in the Income and Expenditure Account.

Impairment: The value of assets is 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:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

Disposals: When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

4. Intangible Fixed Assets

Included in the Balance Sheet are Intangible Fixed Assets. Intangible fixed assets will include expenditure of a capital nature that does not have physical substance, typically this would be computer software. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

STATEMENT OF ACCOUNTING POLICIES

5. Depreciation

In accordance with recommended practice, the Council depreciated all assets except land and investment properties. Where depreciation is provided for, assets are being depreciated on a straight-line method over the following periods:

Land and Buildings – 60 years or as per independent assessment.

Infrastructure Assets – 50 years

Intangible Assets – 7 years

Plant and Equipment – 7 years

The above periods have been reviewed in 2007 following advice received from the District Valuer. Due to the current economic conditions the District Valuer has advised that land and property values have increased by 3% to the end of March 2010. This advice has been reflected in the values of the Council's land and property assets.

Revaluation gains are also depreciated, with an amount equal to the difference between the 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. Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

6. Charges to Revenue for Fixed Assets

Service revenue accounts, central support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year and are included in the net cost of services section of the Income and Expenditure Account.

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

These amounts are required by statute to be excluded when determining the movement on the General Fund balance for the year since the Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. Accordingly these amounts are subsequently credited to the General Fund balance for the year. Previously, under the terms of the Local Government & Housing Act 1989, the Council was required to make a Minimum Revenue Provision (MRP) in respect of principal repayments on outstanding loans. However, due to the Council's change in circumstances following the Large Scale Voluntary Transfer (LSVT) in 1998, this MRP is no longer required.

STATEMENT OF ACCOUNTING POLICIES

7. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute are payments of a capital nature that do not result in the creation of a real fixed asset, but are in respect of expenditure that may properly be financed over a period of years. In most cases however, for example housing grants to individuals where there is no economic benefit to the Council, the full value of the deferred charge is amortised to revenue in the year. The cost of this expenditure is met from existing capital resources and a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

8. Leases

Finance Leases

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

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

Fixed Assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated life. The Council did not have any finance leases at the Balance Sheet date.

Operating Leases

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

9. Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. This includes any borrowing and amounts owed to other organisations and individuals for goods or services received during the year but not paid for. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability and the actual fixed rate of interest applicable to the borrowing.

STATEMENT OF ACCOUNTING POLICIES

10. Financial Assets

The Authority has two types of Financial Asset:

- (i) loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- (ii) fair value through profit or loss – assets that are acquired or incurred principally for the purpose of selling or repurchasing in the near term

11. Loans and Receivables

Loans and receivables include long-term debtors, bank and other financial institution deposits and short-term debtors. Long Term Debtors comprise outstanding loans to individuals and organisations that are to be repaid to the Council over a number of years, for example advances to local associations and for local regeneration.

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

Where the rate of interest is below the market rate (a soft loan) a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be forgone over the life of the soft loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. A de minimis limit of £1,000 has been applied to the value of all interest forgone, and no adjustments are made to the Income and Expenditure Account below this amount. Statutory provisions require that the impact of soft loans on the General Fund is the interest receivable for the financial year.

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

Any gains or losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

12. Assets held at fair value through profit or loss

Assets held at fair value through profit and loss refer to the funds managed by the Council's external fund manager. Instruments that have been invested in will be:

STATEMENT OF ACCOUNTING POLICIES

- (i) Recognised and carried at its fair value
- (ii) Movements in fair value recorded in the Balance Sheet and any gains or losses taken to the Income and Expenditure Account.
- (iii) Any residual gains or losses arising at the settlement date will be taken to the Income and Expenditure Account

13. Stocks and Works in Progress

Stocks are valued at actual cost. This is a departure from the requirements of the Code of Practice that require stocks to be shown at the lower of actual cost or net realisable value. The effect of this difference in treatment is not material to the Council's accounts. Work in Progress is valued at the latest valuation of works completed in accordance with the relevant contract.

14. Deferred Income

In those cases where mortgages have been given, the balance still to be repaid is shown as a deferred capital receipt (deferred credit). This recognises the fact that, on repayment, the monies received will be classified as capital receipts.

15. Capital Receipts

Capital receipts are generated from the sale of Council assets and can be used to pay for capital spending. These are known as usable capital receipts and are held within the Usable Capital Receipts Reserve.

16. Government Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants to a government grants deferred account. Amounts are released from the government grants deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

17. Provisions

The Council makes provision for potential bad debts from non-payment of income owed to the Council such as Council Tax and NNDR. Debtors shown in the Balance Sheet are net of the Bad Debt Provision (Impairment allowance).

STATEMENT OF ACCOUNTING POLICIES

18. Reserves

The Council maintains certain reserves to meet items of irregular but recurring expenditure, such as the replacement of computer equipment, in order to smooth charges to services. The Council has also approved the roll forward of specified amounts between financial years, where it has not been possible to incur the expenditure within the approved financial year and where the Committee budget is not overspent. Such reserves are described as "earmarked". General reserves are also held, including a Fund for Self Insurance. It is the Council's policy to maintain the General Fund Reserve at £1m.

19. Pensions

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

- (i) The liabilities of the East Sussex Pension Fund (the Fund) are attributable to the 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 and projected earnings for current employees.
- (ii) Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years), at the FRS17 valuation date.
- (iii) The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value:

Quoted securities – current bid price
Unquoted securities – professional estimate
Unitised securities – current bid price
Property – market value

- (iv) The change in the net pensions liability is analysed into seven components:
 - Current service costs – the increase in liabilities as a result of service earned this year. This is allocated in the Income and Expenditure Account to the revenue accounts for services for which the employees worked.
 - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of non distributed costs.
 - Interest Cost – the expected increase in the present value of liabilities during the year as they move closer to being paid. This is debited to the Net Operating Expenditure in the Income and Expenditure Account.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average of the expected long term return. This is credited to the Net Operating Expenditure in the Income and Expenditure

Account.

STATEMENT OF ACCOUNTING POLICIES

- Gains/Losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of Non distributed costs.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to the Statement of Total Recognised Gains and Losses.
 - Contributions paid to the Fund – cash paid as employers contributions to the Pension Fund.
- (v) Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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 a member of staff are accrued in the year of the decision to make an award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

20. Cost of Management and Support Services

All employee costs, including those of service managers, are charged to services. Those services that provide the essential back up and support to front-line services (for example Legal, Financial and Human Resources) are charged to services on a basis that reflects the actual level of support being demanded.

The costs of the “Corporate and Democratic Core” (i.e. corporate policy making, public accountability, etc.) and of unapportionable central overheads for which no user continues to benefit, are retained in the General Fund as services in their own right.

21. Value Added Tax (VAT)

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

22. Group Accounts

The Council has reviewed its interests with external bodies in 2009/10 as required by the SORP and has concluded that it does not have any interests in subsidiaries, associated companies or joint ventures that would require Group Accounts to be produced.

STATEMENT OF ACCOUNTING POLICIES

23. Contingent Assets and Liabilities

Contingent Assets and Liabilities relate to a probable inflow (asset) or outflow (liability) of financial resources that cannot be reliably quantified. All known contingent assets and liabilities are disclosed as a note to the accounts.

24. Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NNDR). The key features relevant to accounting for council tax in the core financial statements are:

- in its capacity as a billing authority, the Council acts as an agent: it collects and distributes Council Tax income on behalf of the major preceptors (East Sussex County Council, Sussex Policy Authority and East Sussex Fire Authority) and itself
- while the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out to the major preceptors. The amount credited to the General Fund under statute is an authority's precept for the year plus the authority's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year.

Up to 2008/2009 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund. From the year commencing 1 April 2009, the Council Tax income included in the Income and Expenditure Account shall be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount required by statute to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item to the Statement of Movement on the General Fund Balance.

The impact of these changes is explained in more detail in note 1 to the Core Statements, Prior Year Adjustments

(b) National Non-Domestic Rates (NNDR) Income

Billing authorities collect NNDR under what is in substance an agency arrangement with the Government. The 2009 SORP has confirmed that, as a result, the NNDR taxpayers' debtor and creditor balances and bad debt provision are not Balance Sheet items of the billing authority, but that it should recognise a creditor with the Government for cash collected from NNDR taxpayers not yet paid to the Government at the Balance Sheet date or a debtor if it has 'overpaid' the Government.

STATEMENT OF ACCOUNTING POLICIES

25. Changes in Accounting Policy

There were no material changes to accounting policies in 2009/10.

ROTHER DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

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

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

Rother District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website or can be obtained from Head of Corporate Services, Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX or telephone 01424 787716. This statement explains how Rother District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

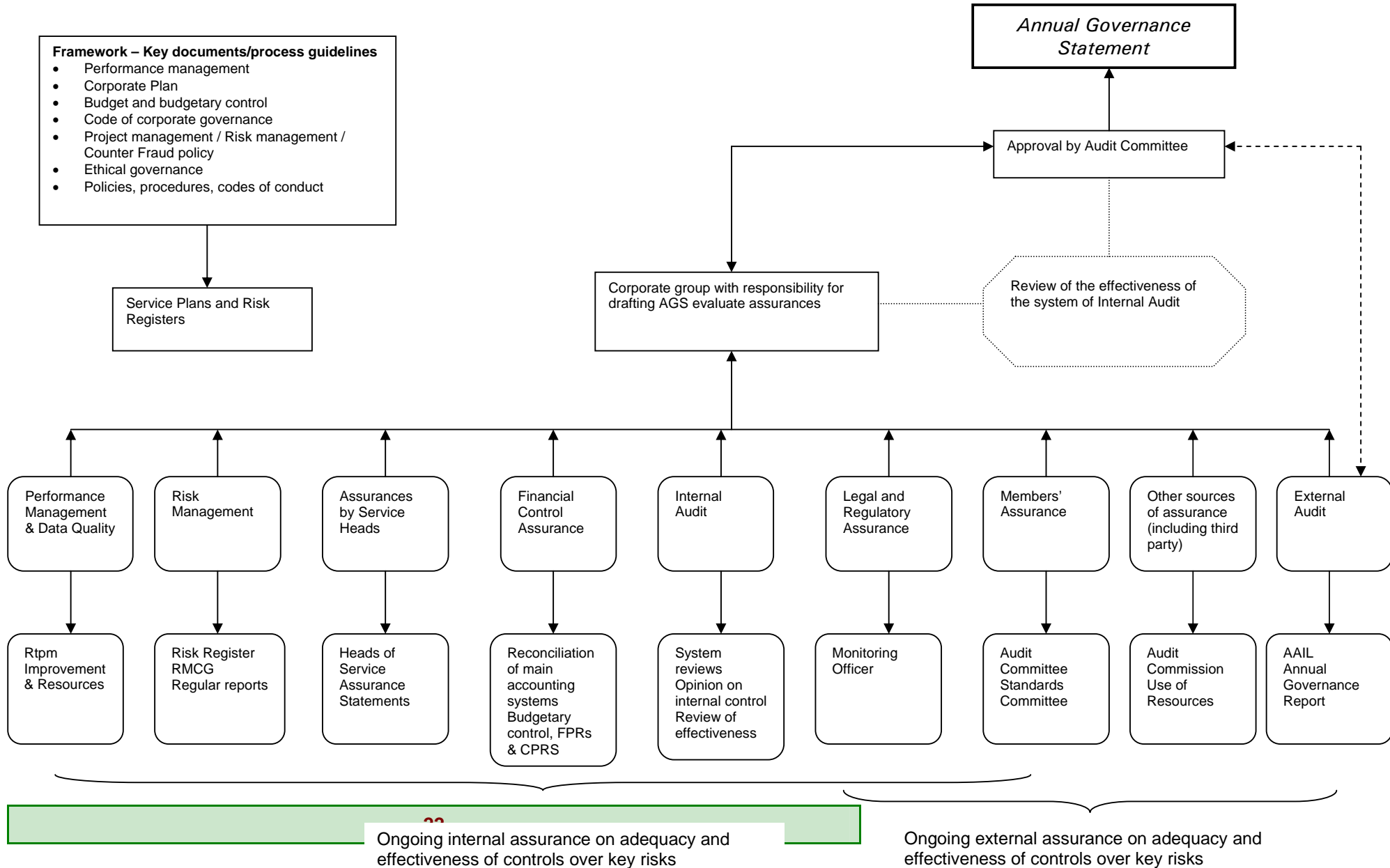
The purpose of the governance framework

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

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

The governance framework has been in place at Rother for the year ended 31 March 2010 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE FRAMEWORK



Review of effectiveness

Rother District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Services' annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Performance Management and Data Quality

The Rother Sustainable Community Strategy sets out the vision for the district and a number of priority areas for improvement in local quality of life. These are picked up in our ten-year Corporate Plan. The Corporate Plan is delivered through a programme of projects, which are project managed against well-defined plans and monitored by a Programme Board. The Corporate Plan is regularly monitored by Members and will be reviewed through a biennial Corporate Plan Review.

Rother District Council's performance management framework is set out in its Annual Performance Plan, published on 30 June each year. Objectives and targets are set against the Council's corporate aims:

- Putting Customers First
- Delivering Value for Money
- Building Stronger, Safer Communities
- Working in Partnership

Performance is monitored against a series of measures, approximately 150 in number, including in 2009/10 new National Indicator Set (NIS) measures. Benchmarking against national quartiles has been a key aspect of performance management. Strategic Management Team and the Improvement and Resources Scrutiny Committee routinely carry out high-level oversight of performance. The Committee receives detailed quarterly reports against which actions and resource allocation recommendations are determined for action by Cabinet.

Rother District Council is the reference site for a specialised real time performance management system, branded locally as RtPM, which captures and analyses data not only for the Council but also for its strategic partners across the district. This management information incorporates robust data quality features. Data quality is also managed through a Member Champion and service representatives across the organisation. Quality control processes include Head of Service sign off, risk assessment and internal auditing of measures and their data.

Risk Management

Rother District Council has an approved Risk Management Policy and Strategic Integrated Framework. This document shows the role both Members and Officers have in the identification and minimisation of risk. Training has been provided for both Members and staff and a programme of risk assessments continues. Progress has been made to further embed risk management within the organisation and is now driven by risk and corporate governance forming an integral part of the quarterly meetings of the Councils Heads of Service. This group consists of all Heads of Service from within the organisation and is chaired on a rotational basis. Risk Management is a feature of all new projects and is an integral part to the service planning process. Day to day management and monitoring processes and procedures are in place but further work needs to be undertaken to improve the awareness of all staff. The corporate risk register forms an integral part of the Council's risk

management process and is now available throughout the Council's services. A copy of the code is on our web site or can be obtained from the Town Hall, Bexhill-on-Sea, East Sussex, TN39 3JX.

Legal and Regulatory Assurance

The role of Solicitor to the Council entails oversight of all the Council's legal dealings, including as necessary the sealing or signing of formal legal documents. The role of Monitoring Officer entails oversight of the Council's ethical framework, oversight of the Council's Constitution including the proper allocation of functions between the executive, regulatory and scrutiny limbs of the democratic machinery, and the statutory duty to report direct to full Council with respect to any breach of law. Key to the performance of both roles is the vetting of the agenda, reports and minutes of all meetings.

From June 2010, the role of Monitoring Officer has been transferred to the Head of Corporate Services, previously being carried out by the Democratic Services Manager. This followed the retirement of that officer who had been in post throughout the 2009/10 financial year. The Council's Legal Services Manager is the appointed Solicitor to the Council.

Members' Assurance – Audit Committee

Council has delegated responsibility for internal control to the Audit Committee. Consequently the Audit Committee receive and scrutinise quarterly reports from the Head of Corporate Services on the reviews carried out and progress against the plan and the year end report includes a formal opinion of the adequacy, reliability and effectiveness of the Council's Internal Control systems.

Members' Assurance – Standards Committee

The Standards Committee comprises six District Councillors (two from each of the political groups represented on the Council), three independent lay members and three Town & Parish Councillor representatives, and meets quarterly. In discharge of the responsibilities placed upon it by statute (promoting and maintaining the highest standards of conduct, assisting Members to observe the Code of Conduct, monitoring the operation of the Code and advising and training Members on matters relating to the Code), the Committee receives regular reports from the Monitoring Officer. These include details of all complaints received now that the Committee itself is responsible for dealing with all complaints in connection with potential breaches of the Code of Conduct of the Council or any Town and Parish Council within the Rother area, Standards Board England publications, training undertaken, annual audits of registration regimes and requests made for dispensations. The Committee has also set out a work programme to ensure its policies and procedures are kept up to date and fit for purpose and reviews the annual report that now has to be submitted to the Standards Board for England. The Committee has also commenced a programme of visits to all Parish and Town Councils within the area to raise awareness of the requirements of the Code and to assist Parishes in complying with those requirements. Training has been organised for all members of the Standards Committee and an opportunity is afforded at the end of each quarterly meeting to share any learning from the operation of the new system for the local determination of complaints. In addition to its statutory responsibilities, the Council has also vested in the Committee the overview of complaints handling and Local Ombudsman investigations. In this regard, the Committee receives regular quarterly reports and an annual report on the Council's whole year performance.

Assurances by Heads of Service

In addition to the Internal Audit reviews, Heads of Service are required on an annual basis to complete a Managers Assurance Statement covering internal control within their Service.

Other Sources of Assurances

Apart from the work of internal and external audit, there were no other inspections which raised any governance issues for the council

Financial Control Assurance

A regular process of reconciling the main accounting systems is in place. Budget monitoring is produced monthly for all budget managers and regular reports have been submitted to Cabinet. The quality of reporting is continually under review by Finance and budget managers and improvements have been made this last year.

Internal Audit

Each year an Internal Audit plan of work is agreed by the Strategic Management Team and Section 151 officer and the Audit Committee. Progress against the amended Plan was 95.5%. All core financial audits were completed together with the audits that had been categorised as high risk within the Plan.

The Head of Corporate Services reports quarterly to the Strategic Management Team and Section 151 Officer and the Audit Committee, on the audit reviews that have been undertaken highlighting any significant recommendations that have been made. In addition the Strategic Management Team and Section 151 Officer review the effectiveness of Internal Audit annually.

External Audit

External audit provide the Council with an Annual Governance Report on the Statement of Accounts and an Annual Audit and Inspection Letter, which reports on the Council's use of resources, which includes value for money and data quality.

Included in the above was a review by External Audit of the effectiveness of the governance arrangements which has been considered by the Audit Committee and an improvement plan put in place.

Significant governance issues

In terms of internal control there have been areas where weaknesses have been identified through the Managers Assurance Statements, Internal Audit and the work of the Standards Committee. These include:

2008/09 issues

- (i) Business continuity plans require further testing to ensure they are deliverable in the event of a major incident.
- (ii) Compliance with Financial Procedure Rules on procurement needs improving. Work is in progress to provide simplified guidance for officers involved with procurement.

2009/10 issues

- (iii) It has been identified that there is a need to improve information flows within the organisation and this could impact on the achievement of corporate aims. An information management plan has been developed as part of the Business Improvement Strategy and will be delivered over the short term to help the flow and sharing of information and data.
- (iv) Improvements to service planning process and involvement/ understanding of all staff. A review has commenced to improve the quality and relevance of the service planning process within the Council. This will include reference to greater use of baselining and benchmarking of costs and service.
- (v) Debt Management performance (not recovery performance but management of the debt portfolio) needs to improve, particularly the interface between Finance and Legal Services. Progress has been made to improve performance in 2009/10 but further work is required in 2010/11 to ensure an efficient debt recovery service is delivered across all aspects of debt.
- (vi) There appears to be conflict in Government policy regarding the need for greater transparency in local government and the need for greater security of data brought in by Gov Connect. These issues will need to be resolved without compromising the internal control environment, data protection and reputation of the Council.
- (vii) A fraud was detected during 2009/10. This is currently being dealt with by Sussex Police and is subject to criminal charges. Until such a time as any court action is complete, full disclosure of the circumstances and subsequent actions taken, cannot be made. However the financial loss identified is below £10,000 and therefore not material to the accounts of the Council.

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

Cllr Carl Maynard
Leader of the Council
On behalf of Rother District Council

Derek Stevens
Chief Executive
On behalf of Rother District Council

INCOME & EXPENDITURE ACCOUNT

2008-2009 NET EXPEND. Restated £'000	SERVICES	2009-2010 GROSS EXPEND. £'000	2009-2010 INCOME £'000	2009-2010 NET EXPEND. £'000
3,149	Cultural and Related Services	5,681	510	5,171
5,400	Environmental Services	6,373	974	5,399
2,749	Planning and Development Services	3,337	1,051	2,286
179	Highways, Roads & Transport Services	1,239	1,312	(73)
2,228	Housing General Fund	30,772	29,409	1,363
2,669	Corporate & Democratic Core Expenses	3,077	240	2,837
1,337	Central Services to the Public	10,096	9,477	619
423	Unapportionable Central Overheads	9	0	9
0	Other Operating Income and Expenditure	0	0	0
0	Windfall Gain - VAT	0	384	(384)
(3)	Change in Bad Debt Provision	0	29	(29)
18,131	Net Cost of Services	60,584	43,386	17,198
(18)	(Surplus) / Deficit on Trading Undertakings not included in Net Cost of Services - <i>Note 2</i>	179	399	(220)
(378)	Gains & Losses on Disposal of Fixed Assets	0	40	(40)
(25)	Net Gain on Capital Receipts not attributable to a Fixed Asset	0	28	(28)
945	Precepts Paid to Parish Councils	980	0	980
(1,848)	Interest and Investment Income	0	402	(402)
1	Interest Payable and similar charges	650	649	1
4	Contribution of Housing Capital Receipts to Government Pool	4	0	4
638	Pensions Interest Cost and expected Return on Pensions Assets - <i>Note 4</i>	3,603	2,347	1,256
17,450	Net Operating Expenditure	66,000	47,251	18,749
SOURCES OF FINANCE				
(1,213)	General Government Grants			(1,285)
(5,723)	Non Domestic Rates Redistribution			(5,324)
(7,595)	Demand on the Collection Fund			(7,966)
2,919	(Surplus) / Deficit for the year			4,174

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

2008-2009 Restated £'000		2009-2010 £'000	2009-2010 £'000
Change in the General Fund Balance for the year analysed between:			
(2,919)	Surplus / (deficit) for the year on the Income & Expenditure Account	(4,174)	
2,919	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	4,174	
<hr style="width: 100%; border: 0.5px solid black;"/>		<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
0			0
1,000	General Fund Balance brought forward		1,000
<hr style="width: 100%; border: 0.5px solid black;"/>	General Fund Balance carried forward		<hr style="width: 100%; border: 0.5px solid black;"/>
1,000			1,000

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Note of reconciling items for the Statement of Movement on the General Fund Balance

2008-2009 Restated £'000	2009-2010 £'000
Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(165) Amortisation of intangible fixed assets	(171)
(1,111) Depreciation and impairment of fixed assets	(478)
2,039 Government Grants Deferred amortisation	901
(2,520) Write downs of revenue expenditure funded from capital under statute - <i>Note 14</i>	(1,501)
(1,218) Net loss on revaluation of Fixed Assets not met by revaluation reserve	(1,843)
378 Net Gain / (Loss) on disposal of Fixed Assets	40
25 Net Gain on Capital Receipts not attributable to a Fixed Asset	28
(1,921) Net charges made for retirement benefits in accordance with FRS17	(2,040)
29 Transfers to/from Collection Fund Adjustment Account	(25)
(4,464)	(5,089)
Amounts not included in the Income & Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year	
0 Capital expenditure charged in year to the General Fund Balance	20
(4) Transfer from usable capital receipts equal to the amount payable into the Housing Capital Receipts Pool	(4)
1,536 Employer's contribution payable to the Pension Fund and retirement benefits payable direct to pensioners	1,638
1,532	1,654
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
712 Movement on Earmarked Reserves	883
356 Movement on General Reserves - transfer of surplus/(deficit) for the year	(43)
(1,055) Reserve Funding of Revenue Spend	(1,579)
13	(739)
(2,919)	(4,174)

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (STRGL)

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

2008-2009

Restated £'000		2009-2010 £'000
2,919	(Surplus) / Deficit on the Income & Expenditure Account for the year	4,174
3,564	(Surplus) / Deficit arising on revaluation of Fixed Assets	(233)
6,780	Actuarial (Gains) & Losses on Pension Fund Assets & Liabilities	14,223
0	Other (Gains) & Losses	0
<u>13,263</u>	Total Recognised (Gains) & Losses for the year	<u>18,164</u>

NOTE: (SURPLUS) / DEFICIT ON REVALUATION OF FIXED ASSETS

£'000		£'000
74	Writing down of Fixed Asset values	42
3,490	Unrealised (Gains)/Losses	(275)
<u>3,564</u>	Net Loss/(Surplus)	<u>(233)</u>

BALANCE SHEET

2008-2009 Restated £'000	FIXED ASSETS	2009-2010 £'000 £'000	
653	Intangible Assets: - Note 13		514
	Tangible Assets:		
	Operational Assets - Note 11		
9,342	Land & Buildings	9,363	
4,477	Infrastructure Assets	8,575	
232	Vehicles, Plant, Furniture & Equipment	330	
0	Community Assets	17	18,285
	Non-operational Assets - Note 12		
13,108	Investment Properties	13,385	
6,526	Assets under Construction	3,663	17,048
33,685			35,333
34,338	Total of Fixed Assets		35,847
	LONG TERM INVESTMENTS		
0	Investments		0
	LONG TERM DEBTORS		
251	Mortgages - Note 15		223
16	Other - Note 15		23
34,605	Total Long -Term Assets		36,093
	CURRENT ASSETS		
15	Stocks - Note 18		12
4,377	Debtors - Note 15 & 19		4,892
(468)	Impairment Allowance - Note 15 & 19		(561)
24,812	Short Term Deposits - Note 15 & 17		23,196
0	Cash in Hand		0
28,736			27,539
	CURRENT LIABILITIES		
(1,515)	Creditors - Note 15 & 20		(4,002)
(432)	Bank Overdraft		(1,534)
(1,947)			(5,536)
26,789	Net Current Assets		22,003
61,394	Total Assets less current liabilities		58,096

BALANCE SHEET

2008-2009 Restated £'000		2009-2010 £'000	£'000
61,394	Total Assets less Current Liabilities b/f		58,096
	LONG TERM LIABILITIES		
(31)	Long Term Borrowing repayable in excess of 1 year - <i>Note 15 & 21</i>		0
(2,062)	Capital Grants & Contributions Unapplied		(2,019)
(5,726)	Government Grants Deferred		(6,069)
(251)	Deferred Credits - <i>Note 22</i>		(223)
(16,536)	Liability related to a Defined Benefit Pension scheme - <i>Note 29</i>		(31,161)
<u>(24,606)</u>			<u>(39,472)</u>
<u>36,788</u>	Total Assets less Liabilities		<u>18,624</u>
	FINANCED BY:		
1,000	Revenue Balances - <i>Note 25</i>		1,000
11,869	Reserves - <i>Note 24</i>		11,040
13,617	Usable Capital Receipts Reserve - <i>Note 28</i>		9,127
23,000	Capital Adjustment Account - <i>Note 26</i>		24,559
3,867	Revaluation Reserve - <i>Note 27</i>		4,106
(16,536)	Pensions Reserve - <i>Note 29</i>		(31,161)
(29)	Collection Fund Adjustment Account		(47)
<u>36,788</u>	Total Net Worth - <i>Note 23</i>		<u>18,624</u>

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 30th June 2010.

Signed:

Dated:

Head of Finance

CASH FLOW STATEMENT

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

2008-2009 Restated £'000		2009-2010 £'000
	REVENUE ACTIVITIES	
	CASH OUTFLOWS	
10,103	Cash paid to and on behalf of employees	10,291
15,010	Other operating cash payments	15,088
22,366	Housing benefit payments	26,911
944	Precepts paid	980
4	Capital Receipts Pool	4
48,427		53,274
	CASH INFLOWS	
(6,825)	Council Tax Receipts	(7,018)
(5,723)	National non-domestic rate receipts from national pool	(5,514)
(819)	Revenue Support Grant	(1,285)
(22,982)	DWP grants for benefit payments	(30,211)
(2,336)	Other government / agencies grants - <i>Note 34</i>	(1,923)
(7,825)	Cash received for goods & services & rents	(6,752)
(46,510)		(52,703)
1,917	Net expenditure / (income)	571
	SERVICING OF FINANCE	
	CASH OUTFLOWS	
1	Interest paid	1
	CASH INFLOWS	
(1,385)	Interest received	(134)
533	Net Revenue Activities - <i>Note 33</i>	438
	CAPITAL ACTIVITIES	
	CASH OUTFLOWS	
4,661	Purchase of fixed and intangible assets	4,979
0	Other capital cash payments	0
4,661		4,979
	CASH INFLOWS	
(553)	Sale of other fixed assets	(68)
(1,975)	Capital grants received - <i>Note 34</i>	(1,253)
(108)	Other capital cash receipts	0
2,025	Net Capital Activities	3,658
2,558	Net cash outflow before financing - <i>Note 35</i>	4,096

CASH FLOW STATEMENT

MANAGEMENT OF LIQUID RESOURCES

(213)	Net decrease in short-term lending & bank deposits - <i>Notes 35 & 36</i>	(2,054)
(1,794)	Net decrease in other liquid resources - <i>Notes 35 & 36</i>	(971)
<u>(2,007)</u>		<u>(3,025)</u>

FINANCING

CASH OUTFLOWS

<u>0</u>	Repayment of amounts borrowed - <i>Note 35</i>	<u>31</u>
----------	--	-----------

<u>551</u>	Net decrease in cash	<u>1,102</u>
------------	----------------------	--------------

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1. PRIOR YEAR ADJUSTMENTS

Restatement of 2008-09 Accounts

As a result of the changes in accounting treatment brought in by the 2009-10 SORP adjustments have been made to figures previously reported within the 2008/2009 Accounts. The effect of the change means that the Council now accounts for the Collection Fund on an agency basis for the precepting authorities. The resultant changes are shown below:-

Extract from the Income and Expenditure Account

	2008/09 Net Expenditure before restatement £'000	2008/09 Net Expenditure after restatement £'000
Net Operating Expenditure	17,475	17,450
Less:		
Total Demand on the Collection Fund	(7,566)	(7,595)
General Government Grants	(1,213)	(1,213)
Non-Domestic Rates Redistribution	(5,723)	(5,723)
Deficit for the Year	2,973	2,919

Extract from the Statement of Movement on the General Fund Balance

	2008/09 before restatement £'000	2008/09 after restatement £'000
Deficit for the Year on the Income and Expenditure Account	2,973	2,919
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance for the year	(2,973)	(2,919)
(Increase)/decrease in General Fund Balance for the year	0	0

Extract from the Statement of Total Recognised Gains and Losses

	2008/09 before restatement £'000	2008/09 after restatement £'000
(Surplus) / Deficit on the Income & Expenditure Account for the year	2,973	2,919
(Surplus) / Deficit arising on revaluation of Fixed Assets	3,564	3,564
Actuarial (Gains) & Losses on Pension Fund Assets & Liabilities	6,780	6,780
(Surplus) / Deficit attributable to the Council on the Collection Fund	(244)	0
Total Recognised (Gains) & Losses for the year	13,073	13,263

NOTES TO THE CORE FINANCIAL STATEMENTS

Extract from the Balance Sheet

	2008/09 before restatement £'000	2008/09 after restatement £'000
Total Fixed and Long Term Assets	34,605	34,605
Debtors and Payments in Advance		
council taxpayers	1,410	185
Non-Domestic Ratepayers	490	394
Precepting authorities re Council Tax	0	425
bad debt provision re above	(732)	(66)
DCLG National Pool	198	0
Government Depts/Bodies	908	908
all other debtors	2,063	2,063
Sub-total	4,337	3,909
Other Current Assets	24,827	24,827
Total Current Assets	29,164	28,736
Creditors and Receipts in Advance		
council taxpayers	(530)	(70)
Non-Domestic Ratepayers	(44)	0
all other creditors	(1,562)	(1,445)
Sub-total	(2,136)	(1,515)
Other Current Liabilities	(432)	(432)
Total Current Liabilities	(2,568)	(1,947)
NET CURRENT ASSETS	26,596	26,789
TOTAL ASSETS less CURRENT LIAB'S	61,201	61,394
Less Long Term Liabilities	(24,355)	(24,606)
TOTAL ASSETS LESS LIABILITIES	36,846	36,788
Reserves and Balances	36,762	36,817
Collection Fund Balance	84	0
Collection Fund Adjustment Account	0	(29)
TOTAL NET WORTH	36,846	36,788

Extract from the Cash Flow Statement

	2008/09 Net Expenditure before restatement £'000	2008/09 Net Expenditure after restatement £'000
Net Revenue Cash	123	1,917
Returns on Investments and Servicing of Finance	(1,384)	(1,384)
Net Cash (Inflow) from revenue activities	(1,261)	533
Capital Activities	2,025	2,025
Net Cash outflow before financing	764	2,558
Management of Liquid Resources		
Net (decrease)/increase in short term deposits	(213)	(213)
Net (decrease)/increase in other liquid resources	0	(1,794)
Financing	0	0
Net (Increase)/decrease in cash	551	551

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 2. TRADING UNDERTAKINGS

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

2008-2009 NET £'000		2009-2010 EXPEND. £'000	2009-2010 INCOME £'000	2009-2010 NET £'000
	Land & Property			
(22)	- West Trading Estate	24	(348)	(324)
24	- Railway Land North of Little Common Road	138	(6)	132
(18)	- St Martins, Battle	1	(18)	(17)
(5)	- Peasmarsh Workshops	10	(19)	(9)
3	- Udimore Workshops	6	(8)	(2)
(18)	Net deficit / (surplus)	179	(399)	(220)

NOTE 3. EMPLOYEE REMUNERATION

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2008-2009 Restated		2009-2010
3	£50,000 - £54,999	7
0	£55,000 - £59,999	1
2	£60,000 - £64,999	3
1	£65,000 - £69,999	0
0	£70,000 - £74,999	1
1	£75,000 - £79,999	1
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
1	£90,000 - £95,999	0
0	£95,000 - £99,999	1
8		14

The Council's Senior Employees' remuneration and expenses for 2009-10 was as follows:-

2008-2009 £'000		Salary & Allowances £'000	Expenses £'000	Employers Pension Contribn £'000	Other £'000	2009-2010 £'000
118	Chief Executive	95	0	23	3	121
93	Director	76	2	17	0	95
80	Director (from 14th April 2008)	72	0	16	0	88
73	Head of Service	61	0	14	0	75
62	# Head of Service	59	0	13	0	72
426						451

Following restructure in 2009-10 this post took on wider responsibilities resulting in additional salary offset by greater savings elsewhere in the revenue account.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 4. PENSION COSTS

As part of the terms and conditions of employment of its employees the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

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

The cost of retirement benefits is recognised in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account in the year:

Income and Expenditure Account

2008-2009 £'000		2009-2010 £'000
	<u>Net Cost of Services:</u>	
(860)	Current service costs	(784)
(423)	Past service costs	0
0	Settlements and Curtailments	0
	<u>Net Operating Expenditure</u>	
(3,723)	Interest costs	(3,603)
3,085	Expected return on assets in the scheme	2,347
(1,921)	Net Charge to the Income and Expenditure Account	(2,040)
 Statement of Movement on the General Fund Balance:		
1,921	Reversal of net charges made for retirement benefits in accordance with FRS17	2,040
 Actual amount charged against council tax for pensions in the year		
1,536	Employers contributions payable to the scheme	1,638

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £14.2m (£6.8m loss 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the statement of recognised gains and losses is £24m (£9.7m 2008/09)

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of scheme liabilities:

2008-2009 £'000		2009-2010 £'000
54,410	1 April	52,972
860	Current Service Cost	784
3,723	Interest Cost	3,603
418	Contributions by scheme participants	438
(4,234)	Actuarial Losses/ (Gains)	24,897
423	Past Service Costs/(Gains)	0
(126)	Unfunded Benefits Paid	(132)
(2,502)	Benefits paid	(2,625)
<u>52,972</u>	Closing Defined Benefits obligation	<u>79,937</u>

Reconciliation of fair value of the scheme assets:

2008-2009 £'000		2009-2010 £'000
45,039	1 April	36,436
3,085	Expected Return on Assets	2,347
418	Contributions by scheme participants	438
1,410	Contributions by the Employer	1,506
126	Contributions in respect of unfunded benefits	132
(11,014)	Actuarial gains/ (losses)	10,674
(126)	Unfunded Benefits paid	(132)
(2,502)	Benefits paid	(2,625)
<u>36,436</u>		<u>48,776</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on the gross redemption yields 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 a loss of £13m (£7.7m gain 2008-09)

Scheme History

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000
Present value of liabilities	(58,370)	(57,744)	(54,410)	(52,972)	(79,937)
Fair Value of Assets	44,570	46,956	45,039	36,436	48,776
Surplus/(deficit) in the scheme	<u>(13,800)</u>	<u>(10,788)</u>	<u>(9,371)</u>	<u>(16,536)</u>	<u>(31,161)</u>

The liabilities show the underlying commitments that the Authority has in the long term to pay retirement benefits. The total liability of £31.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remain healthy and the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

History of experience gains and losses

The actuarial gains/losses identified as movements on the Pension Reserve can be analysed into the following categories, at 31 March 2010:

	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000
Experience gains and losses on Assets	6,317	22	(4,071)	(11,014)	10,674
Experience gains and losses on liabilities	(14)	14	(2,972)	50	(103)
Net Gains and Losses	6,303	36	(7,043)	(10,964)	10,571
Scheme Assets	42,680	46,956	45,039	36,436	48,776
Gain/Losses as a % of Scheme Assets	14.77%	0.08%	-15.64%	-30.09%	21.67%

NOTE 5. LEASES

Vehicles and equipment have been acquired through operating leases. During the year payments under operating lease agreements are shown in the table below.

2008-2009 £'000	2009-2010 £'000
132 Operating Leases	131

The Council's commitment through operating leases for the next 5 years is analysed below: -

	Equipment	Vehicles	Total
Up to 1 Year	1	18	19
2 to 5 Years	20	59	79
	<u>21</u>	<u>77</u>	<u>98</u>

Council as Lessor:

The Council acts as lessor for a number of industrial and commercial units, land and other buildings. For accounting purposes these have been categorized as operating leases.

2008-2009 £'000	2009-2010 £'000
720 Rental Income	708
7,454 Gross value of assets held	7,512

Land and property that is let by the Council is treated as an Investment property. Investment properties are not depreciated in accordance with the Council's accounting policy.

NOTE 6. MEMBERS ALLOWANCES

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

2008-2009 £'000	2009-2010 £'000
191 Members Allowances	203
27 Conferences, Training and Travelling Expenses	27
<u>218</u>	<u>230</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 7. AREA BASED GRANT

Area Based grants are paid direct to Authorities and form part of the general income included in the Income and Expenditure Account. For 2009/10 the Council received £199,859 revenue grant. In addition capital grant of £119,305 was received.

NOTE 8. RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and subsidies and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in a note relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10, grants and payments to the value of £999,000 were paid to Voluntary and charitable organisations in which nineteen Members had an interest. The grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

East Sussex County Council pension fund - see note 4.

There are 5 Members of Rother District Council who are also members of East Sussex County Council listed below:

Cllr K Field
 Cllr J Hughes
 Cllr M Kenward
 Cllr C Maynard
 Cllr M Ensor

Transactions between East Sussex County Council and Rother District Council during 2009/10 are set out below:-

	Receipts £'000	Payments £'000
Precept Payments	0	43,834
Concessionary Travel	0	743
Elva Business Centre	0	186
Performance Reward Grant	87	0
Recycling & Waste Efficiency	359	0
Joint Traveller Liaison	0	13
Crime & Disorder Initiatives	89	17
Election Costs	68	0
Sports Centres/Swimming Pools	28	0
Pebsham Country Park	0	19
Local Development Framework	0	22
Access East Sussex	23	11
Land Charges	0	37
Purchase Summerhill Allotments	0	17
Miscellaneous	3	62
	657	44,961
East Sussex County Council Pension Fund - payment of employer's pension contributions in respect of employees	0	2,089

NOTE 9. AUDIT FEES

Fees were paid to PKF (UK) LLP as the Council's external auditors and to the Audit Commission for Statutory Inspections carried out as follows:-

		2009-2010 £'000
2008-2009 £'000		
105	Fees payable to PKF (UK) LLP with regard to external audit services carried out by the appointed auditor	104
51	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	39
7	Fees payable to the Audit Commission in respect of statutory inspection	13
2	Fees payable in respect of other services provided by the appointed auditor	3
165		159

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 10. FIXED ASSETS

An analysis of fixed assets includes the following :-

2008-2009 no's		2009-2010 no's
	Operational Land and Buildings :	
1	Town Hall	1
4	Offices	4
2	Sports Centres	2
1	Depots	1
29	Surface Car Parks	29
2	Cemeteries (of which one is closed)	2
1	Museum	1
30	Public Conveniences	30
	Community Assets :	
145	Parks, Recreation Grounds and Open Spaces (hectares)	145
8.4	Allotments (hectares)	8.4
58.05	Undeveloped Land (hectares)	58.05

Assets are revalued on a rolling programme basis, service by service. On this basis all assets are revalued within a five year period. As at 31st March 2010, the District Valuer advised that Land and Property Values had increased by 3% since 1st April 2009. Therefore the asset values have been restated in accordance with this advice.

Valuations are carried out by the District Valuer who also reviewed the useful economic life of operational land and buildings and Community Assets. The last full valuation was carried out in October 2007.

Depreciation on all tangible assets is calculated on a straight-line basis over the expected remaining life of those assets.

Amortisation of intangible assets is generally calculated over a seven year life.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 11. OPERATIONAL ASSETS

Movements in operational assets during the year :-

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Gross Book Value at 1st April	9,797	445	4,851	0	15,093
Additions				17	17
Impairments					0
Enhancements	4	184		172	360
Disposals					0
Revaluations	289			(172)	117
Reclassification	(62)		4,281		4,219
Gross Book Value at 31st March	<u>10,028</u>	<u>629</u>	<u>9,132</u>	<u>17</u>	<u>19,806</u>
Accumulated Depreciation at 1st April	455	213	374		1,042
Depreciation this year	210	86	183		479
Depreciation Written Out on Asset Revaluation					0
Accumulated Depreciation at 31st March	<u>665</u>	<u>299</u>	<u>557</u>	<u>0</u>	<u>1,521</u>
Net Book Value at 31st March	<u>9,363</u>	<u>330</u>	<u>8,575</u>	<u>17</u>	<u>18,285</u>

The externally funded Rye Swimming Pool extension to the Thomas Peacock School is not shown as an asset of the Council and currently a license and management agreement are being negotiated with East Sussex County Council. Rockmead Road Coast protection scheme was completed in the year costing £4.281m and has therefore been reclassified from Assets under Construction to Infrastructure Assets.

NOTE 12. NON-OPERATIONAL ASSETS

Movements in non-operational assets during the year :-

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	Total £'000
Gross Book Value at 1st April	8,188	6,527	4,920	19,635
Additions	50			50
Enhancements	47	3,221		3,268
Impairments	(200)			(200)
Disposals				0
Revaluations	387	(1,804)		(1,417)
Reclassification	4,913	(4,281)	(4,920)	(4,288)
Gross Book Value at 31st March	<u>13,385</u>	<u>3,663</u>	<u>0</u>	<u>17,048</u>
Accumulated Depreciation at 1st April		0	0	0
Depreciation this year		0	0	0
Depreciation Written Out on Asset Movement				0
Accumulated Depreciation at 31st March	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value at 31st March	<u>13,385</u>	<u>3,663</u>	<u>0</u>	<u>17,048</u>

Revaluations: The Bexhill Museum extension costing £1.8m was completed in 2009-10 and the whole property was revalued down to a deminus value of £1,000 reflecting its current use under a peppercorn 25 year lease.

Changes to SORP have resulted in the reclassification of the Blackfriars site valued at £4.92m from Surplus Assets held for Disposal to Investment Properties as it is not currently being marketed.

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 13. INTANGIBLE ASSETS

	£'000
Gross Book Value at 1st April	1,135
Additions	
Enhancements	32
Impairments	
Disposals	
Revaluations	
Reclassification	
Gross Book Value at 31st March	1,167
Accumulated Depreciation at 1st April	483
Depreciation this year	170
Depreciation Written Out on Asset Movement	
Accumulated Depreciation at 31st March	653
Net Book Value at 31st March	514

NOTE 14. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute represents expenditure which may properly be capitalised, but which does not represent tangible fixed assets. The expenditure is written down during the year of acquisition.

	Expenditure £'000	Amount written out £'000
Renovation & Social Housing Grants	1,296	1,296
Village Halls & Community Projects	91	91
Economic Regeneration	62	62
Other	52	52
	1,501	1,501

NOTE 15. FINANCIAL INSTRUMENTS

Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories:

	Long - Term		Current	
	31 March 2009 Restated £000	31 March 2010 £000	31 March 2009 Restated £000	31 March 2010 £000
Financial Liabilities at Amortised Cost				
Creditors #			1,263	3,699
Bank overdraft			432	1,534
Long term borrowing - debenture stock	31	0		
Total Borrowings	31	0	1,695	5,233
Loans and Receivables at Amortised Cost				
Mortgages	251	223		
Car Loans	16	23		
Debtors			4,377	4,892
Bank Deposits			12,766	11,003
Fair Value through profit and loss				
Funds externally managed			12,046	12,193
Total Investments	267	246	29,189	28,088

Payments received in advance of £303,000 (£252,000 2008/09)

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost	Loans and Receivables	Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	1			1
Loss on derecognition			-132	-132
Impairment losses (bad debt provision)		29		29
Interest Payable and Similar charges	1	29	-132	-102
Interest income		255	302	557
Gains on derecognition				0
Interest and investment income	0	255	302	557
Gains on revaluation taken to I&E				0
Losses on revaluation taken to I&E			-23	-23
Net Gain/(loss) for the year	1	284	147	432

Fair Value of assets and liabilities carried at amortised cost

The following assumptions have been made in assessing the fair value of assets and liabilities carried at amortised cost.

- (i) Estimated interest rates at 31 March 2010 of 1.13% based on the average investment rate the Council achieved during 2009/10.
- (ii) No early repayment has been recognised
- (iii) Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- (iv) The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Liabilities

This includes trade payables, long term borrowing and bank overdraft. It has been assessed that the carrying amount in the Balance Sheet is a proxy for the fair value of those liabilities.

Assets

This includes trade receivables (debtors) and as stated above the fair value has been assessed as the billed amount and therefore is the same as the carrying amount in the Balance Sheet before the application of the impairment allowance. With regard to bank deposits these have been independently assessed and the carrying amount is a reasonable proxy for the fair value of the deposits.

The fair value is lower than the carrying amount because provision has been made for the non payment of amounts outstanding to the Authority.

Nature and extent of risks arising from Financial Instruments

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

- (i) credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- (ii) liquidity risk - the possibility that the authority might not have funds available to meet its commitments to make payments.
- (iii) market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movement. The Authorities overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services. Risk Management is carried out by the Financial Services Team in accordance with the policies laid out in the annual treasury management strategy which govern the maximum type of investment risk to which the Council can be exposed.

NOTES TO THE CORE FINANCIAL STATEMENTS

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks or financial institutions unless they are rated independently with a minimum score. The minimum score will depend on the type and length of investment as detailed in the Authority's Treasury Management Strategy. Credit limits are set for each institution where deposits are placed.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on a review during 2009/10 of past experience:

	Amount at 31 March 2010 £000	Estimated Maximum exposure to default %	Estimated Maximum exposure to default £000	Amount at 31 March 2009 £000	Credit Rating Fitch & Moody As at 28th May 2010
Deposits with banks and financial institutions Managed by External Fund Managers:					
UK					AAA
Royal Bank of Scotland	2,504	0%	Nil	1,687	F1+
Barclays Bank	2,516	0%	Nil	2,113	F1+
Nationwide	1,400	0%	Nil	0	F1+
Lloyds Bank	1,303	0%	Nil	2,206	F1+
USA					AAA
Cash	29	0%	Nil	91	
FINLAND					AAA
Nordea Group	1,101	0%	Nil	0	F1+
SPAIN					AA+
Bilbao Vizcaya	901	0%	Nil	0	F1+
Santander	1,201	0%	Nil	0	F1+
SWITZERLAND					AAA
Credit Suisse First Boston	637	0%	Nil	659	F1+
UBS AG	0	0%	Nil	1,155	F1+
EUROPEAN COMMUNITY					AAA
European Investment Bank	601	0%	Nil	609	F1+
NETHERLANDS					AAA
ING Bank	0	0%	Nil	2,468	F1+
FRANCE					AAA
Corporate and Investment Bank	0	0%	Nil	1,058	F1+
Managed In-house					
UK					AAA
Bank of Scotland	5,310	0%	Nil	2	F1+
National Westminster Bank	2,530	0%	Nil	262	F1+
Nationwide	0	0%	Nil	3,009	F1+
SPAIN					AA+
Santander	1,148	0%	Nil	3,384	F1+
Alliance and Leicester	2,015	0%	Nil	5,109	F1+
SWEDEN					AAA
Svenska Handelsbanken	0	0%	Nil	1,000	F1+
Total Invested Funds	23,196			24,812	
Mortgages, loans and Debtors excluding prepayments	4,260	13.17%	561	4,292	

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council is relying on sovereign Government guarantees and advice from treasury advisors and fund managers. Currently lending is kept at a duration of less than one year. All major investment decisions are taken with regard to the Council's Treasury Management Policies and advice from Treasury experts.

The Authority generally does not allow credit beyond its normal terms of payment of 28 days or in line with statutory requirements for Council Tax and Business Rates. Due to changes in accounting for the collection of Council Tax and Non Domestic Rates to an agency basis, only the net liability to Rother as agent plus its share of the Council Tax is shown below:

NOTES TO THE CORE FINANCIAL STATEMENTS

2008-2009 £'000		Government Bodies & Council Tax#	Mortgages	Housing Benefit Overpayments	Receivables and Sundry provisions	2009-2010 TOTAL
		£000	£000	£000	£000	£'000
3,161	Within Due Date	1,947	2	11	1,111	3,071
398	Payment Plan			527	26	553
14	1st reminder 28 to 42 days			2	3	5
8	2nd Reminder 42 to 56 days			1	6	7
460	Legal Recovery			288	113	401
4,041	Total	1,947	2	829	1,259	4,037

Included in this total are Rother's proportion of amounts due from Council Tax. A full aged debtors analysis for both Council Tax and Non Domestic Rates is shown in note 5 of The Collection Fund.

Payments received in advance by the Council are excluded from the above figures.

Liquidity Risk

As the Authority has substantial reserves in place in addition to access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest rates on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund balance.

In assessing the expected return on investments the Council has established an interest equalisation reserve to manage fluctuations in interest rates so this does not effect its ability to meet its day to day commitments. The average investment rate for the reported year was 1.13%.

Price Risk

The Authority uses an external fund manager to manage part of its surplus cash holdings (£12.2m as at 31 March 2010) The fund has been determined at fair value meaning that all movements in price will impact on the Income and Expenditure Account. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £122,000.

NOTE 16. CAPITAL FINANCING REQUIREMENT

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

2008-2009 Restated £'000		2009-2010 £'000	2009-2010 £'000
0	Capital Financing Requirement as at 1st April		0
	Capital Expenditure requiring finance		
1,969	- Tangible assets	3,671	
96	- Intangible assets	32	
76	- Non Enhancements	44	
2,520	- revenue expenditure funded from capital under statute	1,501	5,248
	Less: sources of Finance		
1,962	- capital receipts	3,900	
859	- Government Grants	909	
1,660	- other grants and contributions	335	
180	- capital expenditure met from earmarked reserves	104	5,248
0	Capital Financing Requirement as at 31st March		0

During 2009-10, the Council undertook a review of its Balance Sheet with the support of its Financial Advisors. This identified a calculation error with the Council's Capital Financing requirement dating back to 2004/05. This error notionally gave rise to a requirement to provide for MRP but due to the level of Capital Receipts available this liability has been reduced to nil through the transfer of £654k from usable capital receipts reserve to the Capital Adjustment Account.

The above shows the cash position for the capital expenditure and its financing. No account is taken of capital accruals.

There were two capital contracts that the Council was committed to at the end of March 2010. The remaining liability on

the contracts amounted to: -	
Marley Lane Development, Battle	£410,000
Elva Business Centre, Bexhill	£494,000

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 17. SHORT TERM DEPOSITS

During 2009/10 the Council's lending was split between internally and externally managed funds. The Council had an average of £30m invested (2008/09 £31m), of which an average of £12.1m was managed by the Council's Fund Manager, Investec Asset Management Limited (2008/09 £11.6m). The total interest earned and reflected in the accounts amounted to £336,201 (2008/09 £1,762,999) this equated to an annual return on the investment of 1.13%, gross of management fees (2008/09 5.78%).

At 31 March 2010 the Council had £23,196,133 (31 March 2009 £24,811,852) externally invested with the following institutions:

2008-2009 £'000	<u>Institution</u>	2009-2010 £'000
12,046	Investec Asset Management Limited	12,193
3,384	Abbey National Plc	1,148
2	Bank of Scotland	5,310
262	National Westminster Bank Plc	2,530
5,109	Alliance & Leicester	2,015
3,009	Nationwide	0
1,000	Svenska Handelsbanken	0
24,812		23,196

NOTE 18. STOCKS

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

2008-2009 £'000		2009-2010 £'000
15	Stocks of car park tickets and postage stamps	12
15		12

NOTE 19. DEBTORS

2008-2009 Restated £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2009-2010 £'000
185	Local Taxpayers	189
357	ESCC	460
42	Sussex Police	55
26	ESFR	33
1,302	Government Departments / Bodies	1,210
2	Mortgage Instalments	2
2,127	Other Debtors	2,088
(468)	Impairment allowance	(561)
3,573		3,476
336	Payments made in advance by the Council	855
3,909	TOTAL	4,331

2008-2009 Restated £'000		2009-2010 £'000
	The impairment allowance (provision for bad debts) is made up as follows:	
66	Council Taxpayers	69
402	Other Debtors	492
468		561

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 20. CREDITORS

2008-2009 Restated £'000	AMOUNTS FALLING DUE WITHIN ONE YEAR:	2009-2010 £'000
133	Government Departments / Bodies	2,679
1,130	Other Creditors	1,020
<u>1,263</u>		<u>3,699</u>
252	Payments received in advance by the Council	303
<u>1,515</u>		<u>4,002</u>

NOTE 21. BORROWING

2008-2009 £'000	SOURCE OF LOAN	2009-2010 £'000
31	4% Debenture Stock	0
<u>31</u>		<u>0</u>

NOTE 22. DEFERRED CREDITS

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

2008-2009 £'000		2009-2010 £'000
243	Mortgagors	220
8	Sale of Council Houses	3
<u>251</u>		<u>223</u>

NOTE 23. MOVEMENT ON RESERVES

Reserve	Balance 1 April 2009 Restated £000	Net Movement in year £000	Balance 31 Mar 2010 £000	
Revaluation Reserve	3,867	239	4,106	Store of Gains on Fixed Assets not yet realised through sales
Capital Adjustment Account	23,000	905	24,559	Store of Capital resources set aside to meet past expenditure
Usable Capital Receipts	13,617	(3,836)	9,127	Proceeds of fixed asset sales available to meet future capital investment
Pensions Reserve	(16,536)	(14,625)	(31,161)	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet
Earmarked Reserves	11,869	(829)	11,040	Reserves set aside for specific purposes - see note 24
Revenue Balances	1,000	0	1,000	Resources to meet running costs
Collection Fund Adj Account	(29)	(18)	(47)	Share of Collection Fund Balance
Total	<u>36,788</u>	<u>(18,164)</u>	<u>18,624</u>	

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 24. RESERVES

The Council maintains a number of reserves for a variety of purposes

Below is an analysis of the Council's reserves showing the movements and transfers that took place during the year.

	Balance at 1 April Restated £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Earmarked Reserves	9,626	877	1,523	8,980
Economic Development Reserve	30	0	0	30
Risk Management Reserve	147	6	6	147
Medium Term Financial Strategy Reserve	2,066	0	183	1,883
	11,869	883	1,712	11,040

Earmarked reserves are further analysed below:-

Earmarked Reserve	Balance at 31 March £'000
Interest Equalisation	1,363
Repair and Renewals	1,387
Corporate Plan Projects	1,434
Invest to Save	798
Affordable Housing	969
Corporate Development	1,368
Planning Improvement and LDF	649
Waste & Recycling	346
BCCI Refund	216
Housing Benefit Subsidy	259
Homelessness	191
	8,980

The Earmarked Reserves are used for the roll forward of specified amounts between financial years, for the replacement of equipment, repairs and maintenance and other specific purposes. In 2009-10 BCCI refund of £216k was transferred from the Collection Fund to Earmarked Reserves but is ringfenced for the benefit of the council Tax Payer. This balance did not form part of funds returnable to preceptors.

A sum of £414k was transferred from the Corporate Development reserve to the Invest to Save reserve. The windfall gain on VAT in the sum of £384k was transferred to the Invest to Save reserve. This reserve is earmarked for schemes and projects that will either result in efficiency savings or generate income.

The Waste & Recycling reserve was previously known as the Recycling reserve and has been expanded to cover all aspects of Waste Management.

The Medium Term Financial Strategy Reserve relates to the meeting of one-off investments as laid out in the Medium Term Financial Strategy.

Self Insurance Arrangements

The Risk Management Reserve exists to meet any costs arising from any risks that are self-insured, i.e. below the excess limits that apply on the Council's various insurance policies. The Council is insured against all material risks. The fund is also utilised for expenditure on reducing the risks that the Council is exposed to.

The Council has incurred the following costs in 2009/10:

- (i) £6,000 costs of settling claims below excess in respect of employers liability claim and personal injury claim
- (ii) £161,000 Premiums payable to external insurers excluding insurance broker fees

NOTE 25. REVENUE BALANCES

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

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
General Fund net service balance	1,000	43	43	1,000
	1,000	43	43	1,000

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 26. CAPITAL ADJUSTMENT ACCOUNT

	£'000	2009-2010 £'000
Balance as at 1 April (Restated)		23,000
Movement		
Revenue Expenditure Funded from Capital under Statute	(1,501)	
Government Grants Written Down	901	
Adjustments re Non Enhancements	(41)	
Writing out of Assets	0	
Disposal of Fixed Assets	0	
Depreciation Adjustment	(649)	
Writing out depreciation	(1)	
Writing down of Revaluation Reserve	36	
Gain on revaluation	308	
Loss on Revaluation	(2,151)	
Capital Financing Adjustment	654	
Financing of Capital Programme	4,003	1,559
Balance as at 31 March		24,559

NOTE 27. REVALUATION RESERVE

The Revaluation Reserve represents principally the balance of the surpluses or deficits arising from the periodic revaluation of Fixed Assets. However, any losses on revaluation not able to be met by the Revaluation Reserve are charged to the Income and Expenditure Account.

Balance as at 1 April		3,867
Revaluation 31st March		275
Movement		
Less writing down of Revaluation Reserve		(36)
Balance as at 31 March		4,106

NOTE 28. USABLE CAPITAL RECEIPTS RESERVE

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

	Balance at 1 April £'000	Income £'000	Expenditure £'000	Balance at 31 March £'000
Usable Capital Receipts Reserve	13,617	68	(4,558)	9,127
	13,617	68	(4,558)	9,127

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 29. PENSION FUND ASSETS & LIABILITIES

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

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

Assumptions as at 31 March	2008-2009	2009-2010
Financial Assumptions:		
Price increases - inflation/ Pension Increase Rate	3.1%	3.8%
Salary increases	4.6%	5.3%
Expected Return on Assets	6.5%	7.1%
Discount rate	6.9%	5.5%
Breakdown of the expected return on Assets by Category:		
Equities	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%

Mortality

Life expectancy is based on the PFA92 and PMA92 tables, projected to calendar year 2033 for non pensioners and 2017 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	<u>Males</u>	<u>Females</u>
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

The appointed Pension Fund Actuary has provided the following historic life expectancy information for current employees and current pensioners:

Year Ended	Prospective Pensioner	Current Pensioner
31 March 2010	calendar year 2007	calendar year 2007
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2033	calendar year 2017
31 March 2007	calendar year 2017	calendar year 2004
31 March 2006	calendar year 2004	calendar year 2004

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre April 2008 service and 75% of the maximum tax-free cash for post April 2008 service.

Fair Value of Employer Assets

Assets in the County Council Pension Fund are valued at bid value as required by FRS17.

Assets (Employer)	Fund Value £'000	Fund Value £'000
Equities	27,691	36,094
Bonds	3,644	2,439
Property	2,915	3,414
Cash	2,186	6,829
Total	<u>36,436</u>	<u>48,776</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Net Pension Asset (this Council) as at 31 March:	2008-2009 £'000	2009-2010 £'000
Fair Value of Estimated Employer Assets (A)	36,436	48,776
Present Value of Funded Liabilities (1)	(51,355)	(77,981)
Net (Under)/Overfunding in Funded Plans	(14,919)	(29,205)
Present Value of Unfunded Liabilities (2)	(1,617)	(1,956)
Net Liability	(16,536)	(31,161)
Amount in the Balance Sheet		
Liabilities	16,536	31,161
Assets	0	0
Net Liability	(16,536)	(31,161)

(1) I estimate that this liability comprises of approximately £37,865,000, £9,382,000 and £30,734,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2010. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, I am satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

(2) For unfunded liabilities as at 31 March 2010, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Please note the liabilities as 31 March 2010 are based on the current benefit structure of the LGPS.

2008-2009 £'000		2009-2010 £'000
(9,371)	Deficit at the beginning of the year	(16,536)
(860)	Current Service Cost	(784)
(423)	Past Service Cost	0
126	Contributions in respect of Unfunded Benefits (as estimated by the Actuary)	132
1,410	Employer contributions (as estimated by Actuary)	1,506
0	Impact of Settlements and Curtailments	0
(638)	Net Return on Assets	(1,256)
(6,780)	Actuarial losses	(14,223)
(16,536)	Deficit at end of year	(31,161)

NOTE 30. COLLECTION FUND

The Council is required to levy a demand upon the Collection Fund which it administers by virtue of its status as a charging authority. Revenue Support Grant and the contribution from the Non Domestic Rates Pool are paid directly to the Council's General Fund. Surplus balances arising on the Collection Fund are distributed between the Council's General Fund, East Sussex County Council, East Sussex Fire Authority and the Sussex Police Authority.

NOTE 31. CONTINGENT ASSETS

The Council has not identified any Contingent Assets as at 30th June 2010..

NOTE 32. CONTINGENT LIABILITIES

When the Council transferred its housing stock to Rother Homes in May 1998, part of the legal transaction involved the inclusion of certain warranties for a period up to twenty-eight years, for example, in respect of contaminated land. A liability may, therefore, arise at some time within this period. No provision has been made for this.

The Council's Solicitor has confirmed as of the 30 June 2010, there were no significant legal actions being taken by or against the Council.

In 1993 the Council's insurers, Municipal Mutual Insurance Limited, ceased accepting new business. The company is still paying from its reserves and hopes to remain solvent until all claims are settled. Arrangements have been made with creditors that if the company is unable to meet all of its liabilities, then all creditors will accept a reduced settlement. Rother District Council could be affected by this arrangement but as the company is still solvent no liability has been included in the year's accounts.

Grants awarded to the Council under the Leader Plus Programme are conditional and elements may be repayable in certain circumstances such as breach of conditions and sale of assets acquired with grant monies. At 31 March 2009 a total of £2,998,544 had been received from the programme. From January 2009 the Council commenced a new Leader Programme for six years the liability to repay for up to the end of March 2010 was £140,666.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 33. RECONCILIATION OF CASH FLOW STATEMENT WITH INCOME AND EXPENDITURE ACCOUNT

2008-2009		2009-2010
Restated		£'000
£'000		
2,919	Deficit / (Surplus) on year as shown in Income & Expenditure Account	4,174
8	Deficit / (Surplus) on year as shown in Collection Fund	18
<u>2,927</u>		<u>4,192</u>
(1,782)	Add / (Less) non-cash transactions	(3,740)
(612)	Add / (Less) revenue items accrued in the accounts	(14)
<u>533</u>	Deficit / (Surplus) on year	<u>438</u>

NOTE 34. ANALYSIS OF OTHER GOVERNMENT / AGENCIES GRANTS SHOWN IN THE CASH FLOW STATEMENT

2008-2009		2009-2010
£'000		£'000
Revenue activities		
7	Leader Plus	117
394	LABGI	36
27	Seeda	0
175	AIF	0
4	Empty Homes (Under Occupancy)	30
93	Planning Development Grant	107
94	Better Safer Communities	89
867	DWP	1,098
297	Concessionary Travel	304
0	Free Swimming Grant	43
0	DCLG re Council Efficiencies and Charges	10
318	RPA	0
45	Homelessness	46
0	DWP Mortgage Rescue	29
0	DCLG Bus Rate deferred billing	14
15	Other Contributions	0
<u>2,336</u>		<u>1,923</u>
Capital activities		
390	Disabled Facility Grant	468
167	Regional Housing Pot	291
0	Lottery Funding	94
232	Marley Lane Regeneration	0
561	Bexhill Seafront	400
625	English Heritage	0
<u>1,975</u>		<u>1,253</u>

NOTE 35. RECONCILIATION OF CASH FLOWS TO NET DEBT

		Balance at April 2009 £'000	1 Balance at 31 March 2010 £'000	Movement in Year £'000
Cash Overdrawn/in hand	decrease in cash in hand	(432)	(1,534)	(1,102)
Short term investments	decrease in management of liquid resources	25,103	23,049	(2,054)
Deposit Held (SIBA)	increase in liquid resources	30	30	0
Debt Outstanding		(31)	0	31
NNDR Receipts paid to the Government				127
Council Tax receipts to Major Preceptors				(1,098)
Net Movement				<u>(4,096)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 36. LIQUID RESOURCES

	£'000	£'000
Balance 1 April 2009		25,103
Short term investments in year	112,761	
Return of short term investments in year	(114,815)	(2,054)
Non Cash items:		
Interest treated as principal	147	
Mid/Bid Price valuation		147
Balance 31 March 2010		23,196

For an analysis of Liquid Resources please see Note 17.

NOTE 37. CAPITAL EXPENDITURE FINANCING

		2009-2010 £'000	£'000
2008-2009 £'000			
	Operational Assets:		
	Other Land & Buildings:		
3	Office Accommodation	1	
1,413	Museum	110	
0	Public Conveniences	4	
			115
	Infrastructure Assets:		
124	Coast Protection	8	
53	Bexhill Seafront Improvements	385	
			393
268	Vehicles, Plant & Equipment		230
96	Intangible Assets - Software & Systems / Project Evaluation		32
	Community Assets:		
0	Egerton Park	17	
0	Summerhill Allotments	17	
5	Little Common Sports Pitch	172	
			206
1,962	Total of Fixed Assets		976
	Investment Properties		
2	Bexhill Rowing and Social Club	47	
0	Marley Cottage, Brede	50	
177	Sidley Goods yard	2,674	
			2,771
	Revenue Expenditure funded from Capital under Statute		
132	Village Halls and Community Projects	91	
934	Disabled Facilities Grants	725	
244	Housing Aid Grants	226	
209	Private Sector Renewal	60	
17	Houses in Multiple Occupation	60	
95	Energy Efficiency	226	
686	Housing Development	0	
10	Marley Lane Development	61	
20	Rye Creative Centre	0	
100	Hastings Furniture Service	0	
73	Other	52	
			1,501
2,687	Total Capital Expenditure for year		5,248
	Financed by :-		
1,962	Capital Receipts (proceeds of the sale of fixed assets)		3,900
1,668	Grant receipts		909
851	Contributions from other bodies		335
0	Revenue Contribution		20
180	Use of Reserves		84
4,661	Total Financing		5,248

NOTE 38. POST BALANCE SHEET EVENTS

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

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2008-2009 Restated £'000	INCOME	2009-2010 £'000
50,815	Income from Council Taxpayers	52,314
	Transfers from General Fund re Council Tax	
6,845	- Council Tax Benefit awarded	7,749
(1)	- Transitional Relief	(1)
	Sums recovered from Preceptors re previous year's Collection Fund deficit	
218	- East Sussex County Council	25
26	- Sussex Police Authority	3
15	- East Sussex Fire Authority	2
39	- Rother District Council	5
<hr/> 57,957	Total from Council Tax	<hr/> 60,097
26	Income collected from old system Community Charge	0
13,823	Income collectable from Business Ratepayers - <i>Note 2</i>	14,184
<hr/> 71,806		<hr/> 74,281
	EXPENDITURE	
42,045	East Sussex County Council Precept on Collection Fund - <i>Note 3</i>	43,834
4,969	Sussex Police Authority Precept on Collection Fund - <i>Note 3</i>	5,238
2,975	East Sussex Fire Authority - <i>Note 3</i>	3,113
7,605	Rother District Council Demand on Collection Fund - <i>Note 3</i>	7,906
	Business Rate - <i>Note 2</i>	
13,687	- Payment to National Pool	14,048
136	- Cost of Collection	136
0	Adjustments incl. Community Charge Income	1
	Sums payable to Preceptors re previous year's Collection Fund surplus	
0	- East Sussex County Council	0
0	- Sussex Police Authority	0
0	- East Sussex Fire Authority	0
306	- Rother District Council	0
	Bad & Doubtful Debts	
182	- Write offs of uncollectable Council Tax	119
(37)	- Provision for uncollectable Council Tax-addition to the sum required	20
<hr/> 71,868		<hr/> 74,415
<hr/> 62	Movement on Fund Balance - (surplus) / deficit	<hr/> 134
	FUND BALANCE - <i>Note 4</i>	
160	Balance brought forward	222
62	(Surplus) / deficit for year	134
<hr/> 222	Balance carried forward	<hr/> 356

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

NOTE 1. GENERAL

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

NOTE 2. INCOME FROM BUSINESS RATES (NNDR)

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

2008-2009 £'000		2009-2010 £'000
14,367	Non-Domestic rates billed at uniform business rate of 48.5p (2008-2009:46.2p)	14,257
(544)	Adjustments to charges, voids, reliefs and other non-collectable sums	(73)
13,823	Amount Collectable	14,184
(136)	Less allowance for the Cost of Collection	(136)
13,687	Net contribution to National Pool	14,048
£5,723	Redistribution from National Pool - credited to General Fund	£5,324
£36,572	Rateable Value of Business Premises at 31 March	£46,816
	Rateable Value of Business Premises in 2009/10 before 2010 Valuation	£36,204

NOTE 3. COUNCIL TAX BASE

Band & Value	Number of Properties	Relationship to Band D	Annual Amount
Band A - up to £40,000	3,612	6/9	£1,030.44
Band B - over £40,000 up to £52,000	5,760	7/9	£1,202.18
Band C - over £52,000 up to £68,000	8,249	8/9	£1,373.92
Band D - over £68,000 up to £88,000	7,889	1	£1,545.66
Band E - over £88,000 up to £120,000	6,358	11/9	£1,889.14
Band F - over £120,000 up to £160,000	3,318	13/9	£2,232.62
Band G - over £160,000 up to £320,000	2,262	15/9	£2,576.10
Band H - over £320,000	215	18/9	£3,091.32
	37,663		

Council Tax Base and amount originally expected for 2009-2010:

East Sussex County Council share	£43,833,711
Sussex Police Authority share	£5,237,932
East Sussex Fire Authority share	£3,113,290
Rother District Council share	£7,906,167
	£60,091,100

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

NOTE 4. COUNCIL TAX SURPLUSES & DEFICITS

The Deficit of £355,600 in respect of Council Tax is distributed between Rother District Council, East Sussex County Council, East Sussex Fire Authority and Sussex Police Authority in future years in accordance with Fund Regulations and a prescribed timetable.

Of the £306,010 transferred to Rother District Council is included an amount of £216,051 Surplus in respect of BCCI refund which has been transferred to Earmarked Reserves.

NOTE 5. ANALYSIS OF AGED DEBT

Total 2008-2009	Local Taxpayer	Within due date	1st Reminder 12 days	Final Notice 19 days	Recovery Action	Total 2009-2010
		£000	£000	£000	£000	£000
1,411	Council Tax	149	30	37	1,213	1,429
489	Non Domestic Rates	24	28	19	433	504
1,900	Total	173	58	56	1,646	1,933

GLOSSARY

ACCRUALS

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

BUDGET

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

Expenditure on the provision and improvements of lasting assets such as land, buildings, vehicles and equipment. Also referred to as Capital Works.

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets.

COMMUNITY ASSETS

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

CREDITORS

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

DEBTORS

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

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.

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXTRAORDINARY ITEMS

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

GOVERNMENT GRANTS

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

INFRASTRUCTURE ASSETS

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

NATIONAL BUSINESS RATE POOL

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

NON-OPERATIONAL ASSETS

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

OPERATIONAL ASSETS

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

PRECEPT

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

PROVISIONS

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RESERVES

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

REVENUE SUPPORT

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

STATEMENT OF RECOMMENDED PRACTICE

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