Rother District Council

FINANCIAL REPORT AND STATEMENT OF ACCOUNTS

2011/12

CONTENTS

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 2011/12, 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.

- **Movement in Reserves Statement -** this shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus on the provision of services line shows the true economic cost of providing the authorities services, which is shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers from earmarked reserves is made by the Council.

- **Comprehensive Income and Expenditure Statement** – this shows the Council's actual financial performance for the year. The Statement shows the accounting cost in the year of providing the services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with regulations and this may be different to the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet** - this is fundamental to the understanding of the Council's year-end financial position. The Balance Sheet shows the value as at the Balance Sheet date of the Assets and Liabilities recognised by the Authority. Net Assets of the Authority are matched by the Reserves held by the Authority. Reserves are reported in two categories; Reserves that are usable (i.e. those reserves that the Authority can spend on services subject to maintaining a prudent level of reserves and any statutory limitations on their use), and Reserves that are unusable e.g. reserves that hold unrealised gains and losses such as the Revaluation Reserve. See notes 19 and 20, for further information.

- **Cash Flow Statement** – this shows the changes in the cash and cash equivalents of the Authority. The Statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities shows the extent to which operations of the Authority are funded by way of taxation, grant income or income from recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the future delivery of services (i.e. cash funds that are not immediately needed can be invested to make a return for the Authority).

- **Collection Fund Statement** – this reflects the statutory obligation for Rother District Council as the Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities (precepting) and the Government of council tax and non-domestic rates.

FOREWORD BY THE HEAD OF FINANCE

Significant Changes to the 2011/12 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.

The 2011/12 Local Government Accounting Code of Practice (the Code) has only made limited changes that affect Rother District Council to the format of the accounts following the move to International Financial Reporting Standards (IFRS) from UK GAAP in 2010/11. The changes include the separate identification and valuation of Heritage Assets, although for this Authority only one asset, the Landgate Arch at Rye has been identified.

Financial Summary 2011/12

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 financial performance of the Council's General Fund services in 2011/12 resulted in a balanced budget of £12,227,740 excluding Parish Precepts. The original 2011/12 Revenue Budget assumed utilising £2.051m of Reserves to support expenditure in the year. Due to savings achieved and additional Government grants received during the year the call on reserves was reduced to £1.051m, a reduction of £1m. The major variations are discussed below:

Employee costs - £469,000 saving

During 2011/12 a number of employees opted for voluntary redundancy. The costs associated with the redundancies were provided for in the 2010/11 accounts and, together with those posts held vacant, resulted in savings of £469,000 for the year. The impact of the redundancies has been reflected in the 2012/13 budget.

New Homes Bonus - £385,000 additional grant income

Rother received a New Homes Bonus grant of £385,000 for 2011/12. This grant was not built into the Council's base revenue budget due to the current uncertainties surrounding local authority funding.

Next Wave revenue costs - £255,000

As part of the Next Wave capital project, costs were incurred which are not expected to be capitalised as they have no long term benefit to the Colonnade and the Promenade. This includes such items as publicity and project management and this spend will be met from the Corporate Priority Project Earmarked Reserve.

Refuse Collection, Recycling and Street/Beach Cleansing – contract costs £154,000; Recycling £122,000 additional income.

The Council's major contracts for Refuse Collection and Street & Beach Cleansing were overspent by year end. Two factors affected the spend: the budget no longer had any contingency for dealing with variable costs within the contract (e.g. additional works requested); and the change in inflation between the setting of the budget and the actual annual increase at the date determined by the contract. This has been dealt with in the 2012/13 Revenue Budget so that this situation should not occur for the remainder of the contracts.

On a positive note the good recycling performance of the Council and its residents has increased recycling income/credits by £122,000 over that budgeted for in 2011/12.

Car Parks Income - £144,000 additional income

Car Parking was significantly up on that budgeted due in part to the increased enforcement activity being undertaken. The increased income is offset by additional employee costs of approximately £43,000.

Housing Benefit and Council Tax Benefit - £148,000

There has been a deterioration of the level of subsidy to spend during the year. This reflects the impact of increased levels of overpayment for which lower subsidy is paid by the Government. In addition, due to the increase in Housing Benefit overpayments, it has been necessary to provide for an additional £158,000 of bad debts. Although these debts are not currently bad, it is prudent to make additional provision to reflect the current financial climate. These additional costs have partially been reduced by employee and other savings within the service.

Service Resetting Projects - £469,000

The Revenue accounts include the expenditure incurred in delivering the improvements demanded by the Service Resetting Programme that the Council embarked on during 2011. Projects included the refurbishment of the Town Hall (£243,000), the closure of Beeching Road (£10,000) and Agile Working (£216,000). These costs have been more than met from the on-going savings arising from the voluntary redundancy programme and the recurring savings from the disposal of the Beeching Road offices. These projects ensure that the office infrastructure is now fit for the long term.

Use of Reserves

Overall Useable Reserves reduced by £4m (£1m Earmarked, £3m Capital Receipts) as the Council continues to have to support its Revenue Budget in order to protect services and meet the cost of the Capital Programme. In addition to making up the shortfall on investment income and meeting the costs of redundancies, reserves were used to support the Corporate Projects, local development framework and housing services such as homelessness.

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

General Fund 2011/12: Comparison of Expenditure with Budget

Service Area	Budget £000	Actual £000	Variation £000
Cultural & Related	3,220	3,666	446
Environmental	5,763	5,355	-408
Planning & Development	2,233	2,101	-132
Highways Roads & Transport	-500	-553	-53
Housing General Fund	1,132	1,589	457
Corporate & Democratic Core	3,009	3,795	786
Central Services to the Public	1,124	1,058	-66
Other Operating Income & Exp	-1,736	-1,697	39
Support Services	34	96	62
Net Revenue Budget/Actual before use of Reserves	**14,279**	**15,410**	**1,131**
Use of Reserves	-2,051	-1,051	1,000
Other items:			
FRS17 Items - Pensions	0	13	13
Reversal of Depreciation and amortisation	0	-1,072	-1,072
Reversal of Revenue Expenditure Funded from Capital under Statute	0	-1,076	-1,076
Reversal of Accumulated Absences Adjustment	0	3	3
Net Revenue Budget/Actual	**12,228**	**12,228**	**0**
Financed By:			
Special Expenses - Bexhill and Rye	(862)	(862)	0
Collection Fund Surplus	(42)	(42)	0
Government Grant	(5,034)	(5,034)	0
Demand on the Collection Fund - excluding Parish Councils	(6,290)	(6,290)	0
Total Financing	**(12,228)**	**(12,228)**	**0**

Collection Fund

The Collection Fund is operated by Rother District Council (RDC) on behalf of East Sussex County Council (ESCC), RDC, Sussex Police Authority and all of the Town and Parish Councils within the RDC area. The Fund receives its income from local taxpayers and meets the demands of the precepting authorities. The Council is required, when setting the local tax level, to levy a charge sufficient to recover any anticipated deficit brought forward on the fund at the start of the year and conversely to make any adjustments on any brought forward surpluses. The Collection Fund was in surplus by £223,628 as at 31 March 2012, Rother's share of which is £29,514. This will form part of the future adjustments to Council Tax bills with ESCC receiving the largest part of the surplus.

The provision for bad debt methodology remains as in previous years without modification. It is felt at this time it remains robust enough to deal with the current economic climate and the final collection rate of 98.44% is marginally lower than the target rate of 98.5%.

Capital

The Council has actively managed its capital spending and resources and achieved a spend of £4.3m against a final programme of £5.1m. This represents 84% of the programme. The main variations are detailed below.

Next Wave - £96,000 underspend (Capital Programme item 4-04)

The Next Wave project was substantially completed during 2011/12. Final accounts are yet to be agreed and the underspend of £96,000 is broadly in line with current retentions held on the main contracts.

Egerton Park EPIC - £721,000 underspend (item 4-22)

Practical completion of two large parts of the EPIC project is expected by late July 2012. This is the installation of the play-zone and the construction of the new refreshment/boat kiosk for which a launch event is due to be held on 11 August 2012. Soft landscaping of the play-zone and enhancement and extension of the sensory garden will be completed during this financial year. The underspend will be carried forward into 2012/13 for the completion of the scheme.

Disabled Facilities Grant - £5,000 overspend (item 5-02)

The strong demand for Disabled Facilities Grants was managed in 2011/12 to enable 82 grants to be completed. The majority of grants were for bathing facilities and the average grant was £7,200 (£9,500 in 2009/10). The introduction of the Adaptation Support Service has led to savings in fees paid for the applicant's technical advice. The overspend was met from additional Government grant.

Resetting Projects - £18,000 overspend (items 1.02, 1.16, 1.19)

The Council has invested in its Service Resetting Programme to make the office infrastructure fit for purpose and enable the release of savings through greater efficiencies, be they staff time or other savings such as reduced energy consumption.

Future Capital Programme

At the end of March 2012 the Council had £3m of capital resources remaining. The Capital Programme commits approximately £2.06m of those resources. The available resources include the proceeds from the disposal of Beeching Road Administrative offices on a long lease by way of a premium payment of £375,000 and an annual rental payment.

No provision has been made for alternative funding, such as borrowing due to the difficulty in making savings to meet the cost of borrowing. The Council previously agreed the reduction in capital spend on housing in future years. It has been policy to ringfence the capital receipt from the Large Scale Voluntary Transfer (LSVT) of the Council's housing stock in 1998 for housing related schemes. Consequently these funds have supported the Council's contribution to Disabled Facility Grants for a number of years. The LSVT receipt is sufficient to continue making a small contribution of £20,000 per annum towards disabled facility grants.

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 2012 by the actuary as a deficit of £18m, as compared with a deficit of £13m at 31 March 2011. This represents a liability incurred now which is payable over many years in the future as pensionable employees retire. The increase in deficit largely relates to increased Net Present Value of the obligations of the fund reflecting changes in the Local Government Pension Scheme and contributors.

Borrowing

The Council did not enter into any borrowing during 2011/12. All the Council's PWLB debt was repaid in April 2002. However under the Code, a notional finance lease liability of £0.5m (£0.9m 2010/11) has been included in the Councils Balance Sheet reflecting the vehicles and equipment deployed by the Council's refuse collection and street cleansing contractor.

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 not increased during 2011/12.

Outlook for 2012/13

The Council has developed its Medium Term Financial Strategy (MTFS) to align with the 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 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 2012/13 the Council froze its Council Tax opting to take the Council Tax freeze grant from the Government. The Council is now in the second year of its service resetting programme which is required to deliver further savings of £2m to £3m over the next three years. To date savings approaching £1.7m reflecting the cut in Government grant support have been achieved. The Council had set aside specific reserves to deal with the loss of investment income, but these will be exhausted in 2012/13.

This has increased the pressure to deliver savings in the short term to ensure a balanced budget is set. The current recession has also impacted on a number of services, predominantly through increased homelessness applications, benefit take up and the stagnation of the housing market which has impacted on planning income. The forecast budget for the next five years indicates savings in the order of £3m will be required to achieve a balanced budget. Following the election of a new coalition Government in May 2010, subsequent announcements on future funding suggest that further substantial savings are likely to be required. The ability to increase Council Tax beyond 0% to 3% for the foreseeable future is doubtful due to the new government's commitments on Council Tax increases. This increases pressure on the Council to identify further efficiency and cash savings to meet future service needs. The Corporate Plan will be reviewed by Members in conjunction with our Strategic Partners during 2012 and will necessitate a further review of the Medium Term Financial Strategy.

Presentation of Accounts

In preparing the accounts for 2011/12, the Council has followed the Local Government Accounting Code of Practice 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 Resources Overview and Scrutiny Committee on the 26 September 2012 and were authorised by the Chairman of the Committee Councillor Martin Mooney.

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Councillor Martin Mooney
Chairman of Resources Overview and Scrutiny
26th September 2012

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 Code).

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 Code.

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 10 to 58 give a true and fair view of the financial position of the Council as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

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Robin Vennard
Head of Finance
26 September 2012

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed -where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Exceptional Items

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the CI&ES when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of the Authority’s employees are members of The Local Government Pensions Scheme, administered by East Sussex County Council.

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

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

- The liabilities of the East Sussex pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method -i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond chosen by the Fund's Actuary.

- The assets of the East Sussex pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.

- The change in the net pensions liability is analysed into seven components:

  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employees worked
  - past service cost -the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years -debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of Non Distributed Costs.
  - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the CI&ES
  - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the CI&ES.
  - gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of Non Distributed Costs
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.
  - contributions paid to the East Sussex pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Financial Instruments

Financial Liabilities

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

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CI&ES is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CI&ES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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:

- Recognised and carried at its fair value
- Movements in fair value recorded in the Balance Sheet and any gains or losses taken to the CI&ES.
- Any residual gains or losses arising at the settlement date will be taken to the CI&ES

10. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March.

11. Government Grants and Contributions

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

- the Authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CI&ES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CI&ES.

Where capital grants are credited to the CI&ES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12. Heritage Assets

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment (e.g. where there is damage, physical deterioration or doubt of authenticity). The impairment is recognised and measured in accordance with the Authority's other impairment policies. Any Heritage Assets that are disposed of are accounted for in line with policies for disposal of Property, Plant and Equipment.

The Authority has carried out a Heritage Asset review and identified one asset in its ownership that meets the criteria for being treated as such. This asset is the Landgate Arch located in Rye, East Sussex. This is a gateway built in 1329 as part of the Town's fortifications.

13. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the web site is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&ES. Useful life is normally set at seven years but may vary depending on the asset. An asset is tested for impairment whenever there is an indication that the asset might be impaired -any losses recognised are posted to the relevant service line(s) in the CI&ES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other Operating Expenditure line in the CI&ES.

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

14. Inventories and Long Term Contracts

Inventories 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

15. Investment Property

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

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

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

16. Leases

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

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

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

17. The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the CI&ES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The **Authority** as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property -applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CI&ES).

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

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

Operating Leases

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

18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SRCOP and accounted for as separate headings in the CI&ES, as part of Net Expenditure on Continuing Services.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CI&ES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CI&ES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value -EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings -straight-line allocation over the useful life of the property as estimated by the Valuer. Useful life is between 22 and 60 years depending on the asset.
- vehicles, plant, furniture and equipment -a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer. Useful life is between 7 and 15 years.
- infrastructure -straight-line allocation over 50 years.
- No depreciation is charged in year of acquisition but is charged at a full year rate in the year of disposal
- Reclassified assets are depreciated from year of reclassification

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on 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.

Componentisation of Property Assets

From April 2010, where the Council has formally revalued a property, or carried out major capitalised works, it has been necessary to identify the major components making up the property. The Council's previous Audit Committee has adopted the following components:

- Land
- Buildings
- External areas (such as car parks)
- Plant and equipment (such as lifts and heating systems)

The Council has also adopted a deminimis level of 10% of the building value or £50,000 to apply componentisation.

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the other Operating Expenditure line in the CI&ES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CI&ES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The Council pays to the Government 75% of the principal portion of mortgage repayments relating to former Council residential dwellings sold under the Right to Buy scheme.

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

20. Private Finance Initiative (PFI) and Similar Contracts

The Council does not have any PFI or similar contracts operational during 2011/12.

21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

The Council has considered the implications arising from unequal back pay claims and considers that due to current and past practices, no such claims are foreseeable.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

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

22. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CI&ES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

It is the Council’s policy to aim to maintain the General Fund Reserve at £1m.

23. Revenue Expenditure Funded from Capital under Statute

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

24. VAT

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

25. Accounting Policies issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to an amendment to IFRS7 *Financial Instruments: Disclosures*, which will need to be adopted fully by the Council in the 2012/13 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of an amended standard, but is not yet required to be adopted by the Council, in this case, financial instruments. As is set out above, full adoption of the standard will be required for the 2012/13 financial statements. However, the council is required to make disclosure of the estimated effect of the amended standard in these (2011/12) financial statements. The adoption of this amended standard will not have a material effect on the 2011/12 financial statements.

26. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above the Authority has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in this Statement of Accounts relate to the uncertainty over future funding levels of local government. The Authority has decided that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

27. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Term	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £6,915 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £5.895m. A 1 year increase in member life expectancy would result in an increase in the pension liability of £2.106m. A 0.5% increase in the Salary Increase Rate would result in an increase in the pension liability of £1.423m. A 0.5% increase in the Pension Increase Rate would result in an increase in the pension liability of £4.447m.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors for £2.183m. A review of significant balances suggested that an impairment of doubtful debts of (£792k) was appropriate. However, if the economic Conditions worsen this level of impairment may not be sufficient.	If Collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £792k to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

The Council is now in the second year of its service resetting programme which is required to deliver further savings of £2m to £3m over the next three years. To date savings approaching £1.7m reflecting the cut in Government grant support have been achieved. The Council had set aside specific reserves to deal with the loss of investment income, but these will be exhausted in 2012/13. This has increased the pressure to deliver savings in the short term to ensure a balanced budget is set.

Following the election of a new coalition Government in May 2010, subsequent announcements on future funding suggest that further substantial savings are likely to be required. The ability to increase Council Tax beyond 0% to 3% for the foreseeable future is doubtful due to the new government's commitments on Council Tax increases. This increases pressure on the Council to identify further efficiency and cash savings to meet future service needs.

MOVEMENT IN RESERVES STATEMENT - *Note 19*

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	**Unusable Reserves - *Note 20* £'000**	**Total Authority Reserves £'000**
Balance at 31 March 2010	**1,000**	**11,186**	**9,127**	**1,542**	**22,855**	**3,468**	**26,323**
Movement in reserves during 2010/2011							
Surplus or (deficit) on the provision of services	1,026				**1,026**		**1,026**
Other Comprehensive Income and Expenditure	0				**0**	**11,962**	**11,962**
Total Comprehensive Income and Expenditure	**1,026**	**0**	**0**	**0**	**1,026**	**11,962**	**12,988**
Adjustments between accounting basis and funding basis under regulations - *Note 3*	(2,593)		(2,932)	(197)	**(5,722)**	**5,722**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(1,567)**	**0**	**(2,932)**	**(197)**	**(4,696)**	**17,684**	**12,988**
Transfers to/from Earmarked Reserves - *Note 4*	1,567	(1,567)			**0**		**0**
Increase/Decrease in 2010/2011	**0**	**(1,567)**	**(2,932)**	**(197)**	**(4,696)**	**17,684**	**12,988**
Balance at 31 March 2011 carried forward	**1,000**	**9,619**	**6,195**	**1,345**	**18,159**	**21,152**	**39,311**
Movement in reserves during 2011/2012							
Surplus or (deficit) on the provision of services	(2,368)				**(2,368)**		**(2,368)**
Other Comprehensive Income and Expenditure					**0**	**(4,616)**	**(4,616)**
Total Comprehensive Income and Expenditure	**(2,368)**	**0**	**0**	**0**	**(2,368)**	**(4,616)**	**(6,984)**
Adjustments between accounting basis and funding basis under regulations - *Note 3*	1,317		(3,108)	88	**(1,703)**	**1,703**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(1,051)**	**0**	**(3,108)**	**88**	**(4,071)**	**(2,913)**	**(6,984)**
Transfers to/from Earmarked Reserves - *Note 4*	1,051	(1,051)			**0**		**0**
Increase/Decrease in 2011/2012	**0**	**(1,051)**	**(3,108)**	**88**	**(4,071)**	**(2,913)**	**(6,984)**
Balance at 31 March 2012 carried forward	**1,000**	**8,568**	**3,087**	**1,433**	**14,088**	**18,239**	**32,327**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010-2011 GROSS EXPEND. Restated £'000	2010-2011 GROSS INCOME Restated £'000	2010-2011 NET EXPEND. Restated £'000	SERVICES	2011-2012 GROSS EXPEND. £'000	2011-2012 GROSS INCOME £'000	2011-2012 NET EXPEND. £'000
10,917	9,696	1,221	Central Services to the Public	**10,388**	**9,464**	**924**
3,882	334	3,548	Cultural & Related Services	**3,867**	**201**	**3,666**
6,323	1,330	4,993	Environmental Services	**6,357**	**1,484**	**4,873**
3,633	935	2,698	Planning & Development Services	**3,252**	**1,081**	**2,171**
533	1,071	(538)	Highways & Transport Services	**562**	**1,220**	**(658)**
30,171	27,731	2,440	Housing Services	**30,837**	**29,248**	**1,589**
2,761	33	2,728	Corporate & Democratic Core	**2,915**	**39**	**2,876**
857	131	726	Non-Distributed Costs	**976**	**137**	**839**
608	175	433	Concessionary Travel Scheme #	**60**	**1**	**59**
(6,647)	0	(6,647)	Exceptional Item - Pension Liability	**0**	**0**	**0**
53,038	41,436	11,602	**Cost of Services**	**59,214**	**42,875**	**16,339**
1,141	108	1,033	Other Operating Income & Expenditure - *Note 5*	**1,460**	**485**	**975**
7,233	4,081	3,152	Financing & Investment Income & Expenditure - *Note 6*	**3,850**	**4,285**	**(435)**
0	16,813	(16,813)	Taxation & Non-Specific Grant Income - *Note 7*	**0**	**14,511**	**(14,511)**
61,412	62,438	(1,026)	**(Surplus) or Deficit on Provision of Services**	**64,524**	**62,156**	**2,368**
0	111	(111)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets - *Note 20*	**0**	**0**	**0**
0	11,851	(11,851)	Actuarial (gains)/losses on pension assets/liabilities - *Note 32*	**4,616**	**0**	**4,616**
0	11,962	(11,962)	**Other Comprehensive Income & Expenditure**	**4,616**	**0**	**4,616**
61,412	74,400	(12,988)	**Total Comprehensive Income & Expenditure**	**69,140**	**62,156**	**6,984**

Transferred to East Sussex County Council from 1st April 2011

BALANCE SHEET

1 April 2010 £'000	31 March 2011 £'000		31 March 2012 £'000	31 March 2012 £'000
		LONG-TERM ASSETS		
23,143	23,383	Property, plant and equipment - *Note 8*	24,815	
0	0	Heritage assets - *Note 9*	0	
13,396	12,751	Investment property - *Note 10*	12,781	
513	343	Intangible assets - *Note 11*	261	
0	0	Long-term investments	0	
246	237	Long-term debtors - *Note 12*	179	
37,298	36,714	**Total Long-Term Assets**		**38,036**
		CURRENT ASSETS		
17,193	14,805	Short-term investments - *Notes 12 & 13*	9,451	
12	12	Inventories - *Note 14*	16	
4,331	5,205	Short-term debtors - *Notes 12,13 & 15*	2,706	
4,469	2,070	Cash and cash equivalents - *Note 16*	3,789	
26,005	22,092	**Total Current Assets**		**15,962**
63,303	58,806	**Total Assets**		**53,998**
		CURRENT LIABILITIES		
(4,002)	(5,339)	Short-term creditors - *Notes 12 & 17*	(3,133)	
0	(162)	Provisions - *Note 18*	0	
(410)	(414)	Finance leases - *Note 29*	(357)	
(4,412)	(5,915)	**Total Current Liabilities**		**(3,490)**
58,891	52,891	**Total Assets Less Current Liabilities**		**50,508**
		LONG-TERM LIABILITIES		
(31,161)	(13,064)	Defined pension scheme liability - *Note 32*	(18,022)	
(930)	(516)	Finance leases - *Note 29*	(159)	
(477)	0	Capital grants receipts in advance	0	
(32,568)	(13,580)	**Total Long-Term Liabilities**		**(18,181)**
26,323	39,311	**Net Assets**		**32,327**
		FINANCED BY:		
		Usable Reserves - *Note 19*		
1,000	1,000	General fund balance	1,000	
11,186	9,619	Earmarked reserves - *Note 4*	8,568	
9,127	6,195	Capital receipts reserve	3,087	
1,542	1,345	Capital grants unapplied account	1,433	
		Unusable Reserves - *Note 20*		
1,718	1,788	Revaluation reserve	1,579	
32,881	32,345	Capital adjustment account	34,682	
223	195	Deferred capital receipts reserve	116	
(31,161)	(13,064)	Pension reserve - *Note 32*	(18,022)	
(47)	36	Collection fund adjustment account	29	
(146)	(148)	Accumulated absences adjustment account	(145)	
26,323	39,311	**Total Equity**		**32,327**

CASH FLOW STATEMENT

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

2010-2011 £'000 Restated		**2011-2012 £'000**
	OPERATING ACTIVITIES	
(7,239)	Taxation	**(7,288)**
(30,696)	Grants (Including DWP Subsidy)	**(30,346)**
(7,044)	Sales of goods and rendering of services	**(8,170)**
(163)	Interest received	**(125)**
(243)	Other receipts from operating activities	**(433)**
(45,385)	**Cash inflows generated from operating activities**	**(46,362)**
8,044	Cash paid to and on behalf of employees	**8,112**
28,742	Housing Benefit paid out	**28,686**
510	Precepts paid	**1,028**
1	Payments to the Capital Receipts Pool	**1**
12,817	Cash paid to suppliers for goods and services	**12,824**
2,204	Other payments for operating activities	**2,174**
52,318	**Cash outflows generated from operating activities**	**52,825**
6,933	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	**6,463**
	INVESTING ACTIVITIES	
4,000	Purchase of property, plant and equipment, investment property and intangible assets	**3,421**
12,500	Purchase of short-term and long-term investments	**6,500**
1,333	Other payments for investing activities	**713**
(90)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(502)**
(15,000)	Proceeds from short-term and long-term investments	**(12,000)**
(107)	Other receipts from investing activities	**(51)**
2,636	**NET CASH FLOWS FROM INVESTING ACTIVITIES**	**(1,919)**
	FINANCING ACTIVITIES	
(7,581)	Other receipts from financing activities	**(6,677)**
411	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	**414**
(7,170)	**NET CASH FLOWS FROM FINANCING ACTIVITIES**	**(6,263)**
2,399	**NET (INCREASE) OR DECREASE IN CASH AND CASH EQUIVALENTS**	**(1,719)**
4,469	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD**	**2,070**
2,070	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD -** ***Note 16***	**3,789**

CASH FLOW STATEMENT

Details of the cash balances are shown below:

	01/04/2010 £'000	2010/11 £'000	31/03/2011 £'000	2011/12 £'000	31/03/2012 £'000
Cash held by the authority	4	0	4	(1)	3
Current bank accounts	(1,538)	129	(1,409)	403	(1,006)
Short term deposits	6,003	(2,528)	3,475	1,317	4,792
	4,469	**(2,399)**	**2,070**	**1,719**	**3,789**

NOTE 1. MATERIAL ITEMS OF INCOME AND EXPENSE

Disposal of 14 Beeching Road

Included in the Comprehensive Income and Expenditure Account under Financing and Investment income and expenditure are the sale proceeds of £375,000 for the disposal of an administration building at 14 Beeching Road by way of a 60 year lease. Additionally the Council will be receiving £5,000 per annum in ground rent.

NOTE 2. EVENTS AFTER THE BALANCE SHEET DATE

There are no post Balance Sheet events that require reporting.

NOTE 3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	Usable Reserves 2011-2012			**2011-2012**
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	900			**(900)**
Revaluation losses on Property, Plant and Equipment	0			**0**
Movements in the market value of Investment Properties	30			**(30)**
Amortisation of Intangible Assets	172			**(172)**
Revenue expenditure funded from capital under statute	1,076			**(1,076)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	405			**(405)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(414)			**414**
Capital Expenditure charged against the General Fund	(14)			**14**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(698)		698	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			(610)	**610**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(486)	486		**0**
Use of the Capital Receipts Reserve to finance new Capital Expenditure		(3,672)		**3,672**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	1	(1)		**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		79		**(79)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 32)	2,007			**(2,007)**
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,666)			**1,666**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7			**(7)**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)			**3**
Total Adjustments	**1,317**	**(3,108)**	**88**	**1,703**

	Usable Reserves 2010-2011 General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	**2010-2011 Movement in Unusable Reserves £'000**
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	920			**(920)**
Revaluation losses on Property, Plant and Equipment	3,425			**(3,425)**
Movements in the market value of Investment Properties	123			**(123)**
Amortisation of Intangible Assets	171			**(171)**
Capital Grants and Contributions Unapplied				
Revenue expenditure funded from capital under statute	1,738			**(1,738)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	60			**(60)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(411)			**411**
Capital expenditure charged against the General Fund	(133)			**133**
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,990)		1,990	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account			(2,187)	**2,187**
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(170)	170		**0**
Use of the Capital Receipts Reserve to finance new Capital Expenditure		(3,129)		**3,129**
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	1	(1)		**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		28		**(28)**
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (See Note 32)	(4,600)			**4,600**
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,646)			**1,646**
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which the council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(83)			**83**
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2			**(2)**
Total Adjustments	**(2,593)**	**(2,932)**	**(197)**	**5,722**

NOTE 4. TRANSFERS TO/FROM EARMARKED RESERVES

The Council maintains a number of Earmarked 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.

Reserve	Balance at 1 April 2010 £'000	Transfers Out 2010-2011 £'000	Transfers In 2010-2011 £'000	Balance at 31 March 2011 £'000	Transfers Out 2011-2012 £'000	Transfers In 2011-2012 £'000	**Balance at 31 March 2012 £'000**
Interest Equalisation	1,363	230		1,133	211		**922**
Repair and Renewals	1,387	429	51	1,009	1	115	**1,123**
Corporate Plan Projects	1,434	333	51	1,152	391	71	**832**
Invest to Save	798	735	964	1,027	675		**352**
Affordable Housing	969	49		920			**920**
Corporate Development	1,368	589	57	836	91	184	**929**
Planning Improvement and LDF	649	122		527	65		**462**
Waste & Recycling	346	7		339			**339**
BCCI Refund	216			216	150		**66**
Housing Benefit Subsidy	259			259	204		**55**
Homelessness	191	83	75	183	32	46	**197**
New Homes Bonus Scheme	0			0		385	**385**
Economic Development Reserve	30			30			**30**
Risk Management Reserve	147			147			**147**
Medium Term Financial Strategy Reserve	2,029	188		1,841	32		**1,809**
	11,186	2,765	1,198	9,619	1,852	801	**8,568**

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. As part of the Council's service resetting programme a number of reserves have been released to meet one-off costs in securing on-going savings .

The Medium-Term Financial Strategy Reserve primarily relates to the meeting of one-off investments and managing transitional periods before savings are achieved 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 2011-12:

(i) £1,000 costs of settling claims below excess in respect of employers liability claim and personal injury claim
(ii) £173,000 Premiums payable to external insurers excluding insurance broker fees

NOTE 5. OTHER OPERATING EXPENDITURE

2010-2011 £'000		**2011-2012 £'000**
1,025	Parish council precepts	**1,028**
115	Levies	**115**
1	Payments to the Government Housing Capital Receipts Pool	**1**
(108)	Gains/losses on the disposal of non-current assets	**(169)**
1,033	Total	**975**

NOTE 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010-2011 £'000		**2011-2012 £'000**
51	Interest payable and similar charges	**33**
651	Pensions interest cost and expected return on pensions assets	**13**
(290)	Interest receivable and similar income	**(271)**
2,740	Income and expenditure in relation to Investment Properties and changes in their fair value	**(210)**
3,152	Total	**(435)**

NOTE 7. TAXATION AND NON SPECIFIC GRANT INCOMES

2010-2011 £'000		**2011-2012 £'000**
8,186	Council tax income	**8,215**
5,750	Non domestic rates	**3,846**
887	Non-ringfenced government grants	**1,752**
1,990	Capital grants and contributions	**698**
16,813	Total	**14,511**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT
Movements in 2011-2012:

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1st April 2011	11,249	3,132	9,132	0	0	3,398	**26,911**
Additions	50	202				2,545	**2,797**
Revaluation increases/(decreases) recognised in the Revaluation Reserve							**0**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services							**0**
Derecognition - Disposals	(346)						**(346)**
Derecognition - Other							**0**
Assets reclassified (to)/from Held for Sale							**0**
Other movements in cost or valuation	(148)						**(148)**
At 31st March 2012	**10,805**	**3,334**	**9,132**	**0**	**0**	**5,943**	**29,214**
Accumulated Depreciation and Impairment							
At 1st April 2011	882	1,906	740	0	0	0	**3,528**
Depreciation charge	233	484	183				**900**
Depreciation written out to the Revaluation Reserve							**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(29)						**(29)**
At 31st March 2012	**1,086**	**2,390**	**923**	**0**	**0**	**0**	**4,399**
Net Book Value							
At 31st March 2012	**9,719**	**944**	**8,209**	**0**	**0**	**5,943**	**24,815**
At 31st March 2011	**10,367**	**1,226**	**8,392**	**0**	**0**	**3,398**	**23,383**

Comparative Movements in 2010-2011

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation							
At 1st April 2010	10,028	2,948	9,132	17	0	3,663	**25,788**
							0
Additions	90	211		101		3,579	**3,981**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	101	10					**111**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(350)			(154)		(2,920)	**(3,424)**
Derecognition - Disposals							**0**
Derecognition - Other	1,381	(37)		36		(925)	**455**
Assets reclassified (to)/from Assets under Construction							**0**
Assets reclassified (to)/from Investment Properties							**0**
Other movements in cost or valuation	(1)					1	**0**
At 31st March 2011	**11,249**	**3,132**	**9,132**	**0**	**0**	**3,398**	**26,911**
Accumulated Depreciation and Impairment							
At 1st April 2010	665	1,423	557	0	0	0	**2,645**
Depreciation charge	217	520	183				**920**
Depreciation written out to the Revaluation Reserve							**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services		(37)					**(37)**
At 31st March 2011	**882**	**1,906**	**740**	**0**	**0**	**0**	**3,528**

Capital Commitments
The Council had three major contracts yet to be completed. Details of the outstanding contract value and retentions based on the last independent valuations before year end are shown below:

		Contract Value £'000	Payments to Date £'000	Remaining Commitment £'000
Cheesmur Building Contractors	E.P.I.C Project	196	22	174
English Landscapes	Next Wave Project	1,333	1,107	226
Neilcott Construction	Next Wave Project	3,501	3,365	136
	Total	5,030	4,494	536

NOTE 9. HERITAGE ASSETS

The Authority has carried out a Heritage Asset review and identified one asset in its ownership that meets the criteria for being treated as such. This asset is the Landgate Arch located in Rye, East Sussex. This is a gateway built in 1329 as part of the Town's fortifications.

The District Valuer has valued this asset at below £10,000 and therefore it is treated as de-minimis.

NOTE 10. INVESTMENT PROPERTIES

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

2010-2011 £'000		**2011-2012 £'000**
(297)	Rental Income from Investment Property	(396)
37	Direct operating expenses arising from investment property	90
(260)	Net gain/loss	(306)

Movements in Investment Properties during the year:

2010-2011 £'000		**2011-2012 £'000**
13,396	Balance at start of year	12,751
	Additions:	
30	Construction	
(123)	Impairments	(45)
(60)	Disposals	
	Net gains/(losses) from fair value adjustments	(73)
(492)	Assets reclassified (to)/from Investment Properties	148
12,751	Balance at end of year	**12,781**

NOTE 11. INTANGIBLE ASSETS

The authority accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £171,506 charged to revenue in 2011-2012 was charged to Housing Needs, Electoral Registration, Accountancy, Payroll Services, Human Resources, Reliefs and Benefits - Housing Benefits, Cost of Collection, Information Technology and Corporate Policy Making. Part of this amount was then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

2010-2011 £'000		**2011-2012 £'000**
	Balance at start of year	
1,167	Gross Book Value at 1st April	1,167
(654)	Accumulated amortisation	(824)
513	Net carrying amount at start of year	343
0	Additions - Purchases	90
(170)	Amortisation for the period	(172)
	Depreciation	
343	Net carrying amount at end of year	**261**
	Comprising	
1,167	Gross carrying amounts	1,257
(824)	Accumulated amortisation	(996)
343		**261**

NOTE 12. FINANCIAL INSTRUMENTS

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

	Long-Term		Current	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Investments				
Loans and receivables	179	237	4,792	5,975
Financial Assets at fair value through profit & loss			9,451	12,305
Total Investments	**179**	**237**	**14,243**	**18,280**
Debtors - Financial assets carried at contract amounts			**3,593**	5,928
Borrowings - Financial liabilities at amortised cost			**357**	414
Creditors - Financial liabilities carried at contract cost #			**2,609**	5,043

Payments received in advance of £524,000 (£296,000 2010/11)

Soft Loans
The Council does not consider any of the loans it has made to organisations to be classed as soft loans.

Car Loans
The total value of car loans outstanding at 31 March 2012 was £63,457 (£42,080 2010/11). Interest charged on one car loan was zero percent, the remainder were charged at a rate in excess of the investment returns of the Council. Due to the low value of preferable loans, the impact of fair value is not considered significant.

Income Expense, Gains and Losses
The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2011/12				2010/11			
	Financial Liabilities measured at amortised cost £'000	Financial Asset: loans and receivables £'000	Assets and Liabilities at fair value through Profit and Loss £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Asset: loans and receivables £'000	Assets and Liabilities at fair value through Profit and Loss £'000	Total £'000
Interest expense	**33**			**33**	51			**51**
Impairment losses		165		**165**		162		**162**
Total expense in Surplus or Deficit on the provision of services	**33**	**165**	**0**	**198**	**51**	**162**	**0**	**213**
Interest Income		(99)	(156)	**(255)**		(155)	(136)	**(291)**
Total income in the Surplus or Deficit on the provision of services	**0**	**(99)**	**(156)**	**(255)**	**0**	**(155)**	**(136)**	**(291)**
Gains on revaluation			(8)	**(8)**			(5)	**(5)**
Losses on revaluation				**0**			7	**7**
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**(8)**	**(8)**	**0**	**0**	**2**	**2**
Net gain/loss for the year	**33**	**66**	**(164)**	**(65)**	**51**	**7**	**(134)**	**(76)**

Fair Value of Assets and Liabilities
Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. The Council's investments managed through its Fund Manager, are shown at fair value as the investments are actively traded with the intention of making capital gains as well as interest earnings. In determining the fair value of those items shown at amortised cost, their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

(i) Estimated interest rates at 31 March 2012 of 1.21% based on the average investment rate the Council achieved during 2011/12 or Public Works Loan Board Rate in the case of notional leases (see note below).
(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. The Balance Sheet also includes values for the notional leases relating to the equipment and vehicles deployed by our major contractors for the waste collection and street/beach cleansing contract. The interest rate applied to these leases is the relevant Public Works Loan Board rate at 31 March and is a reasonable measure of the fair value of the remaining notional liability.

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.

NOTE 13. NATURE & 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 Authority's 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.

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 2011-2012 of past experience:

	Amount at 31 March 2012 £'000	Estimated Maximum exposure to default %	Estimated Maximum exposure to default £'000	Amount at 31 March 2011 £'000	Credit Rating Fitch & Moody As at 30th March 2012	
Deposits with banks and financial institutions Managed by External Fund Managers:					**FITCH**	**MOODY'S**
UK						
Barclays Bank	812	0%	Nil	1,215	**A / F1**	**Aa3 / P-1**
Nationwide	811	0%	Nil	1,311	**A+ / F1**	**A2 / P-1**
Lloyds Bank	0	0%	Nil	2,215	**A / F1**	**A1 / P-1**
HSBC	1,006	0%	Nil	0	**AA / F1+**	**Aa2 / P-1**
United Kingdom Gilts	415	0%	Nil	503	**AAA**	**Aaa**
United Kingdom Commercial Paper	0	0%	Nil	3,425	**AAA**	**Aaa**
AUSTRALIA						
National Australia Bank	701	0%	Nil	0	**AA- / F1+**	**Aa2 / P-1**
Com Bank Australia	100	0%	Nil	0	**AA- / F1+**	**Aa2 / P-1**
CANADA						
Bank of Nova Scotia	672	0%	Nil	0	**AA- / F1+**	**Aa1 / P-1**
USA (Citibank)						
Cash	18	0%	Nil	15	**A / F1**	**A2 / P-1**
FINLAND						
Nordea Group	2,301	0%	Nil	0	**AA- / F1+**	**Aa2 / P-1**
EUROPEAN COMMUNITY						
European Bank for reconstruction	307	0%	Nil	0		
NETHERLANDS						
Cooperatieve Centrale Raiffeisen Boerenleenbank BA (Previously Rabobank)	2,308			1,211	**AA / F1+**	**Aaa / P-1**
FRANCE						
BNP Paribas	0	0%	Nil	2,410	**A+ / F1+**	**Aa3 / P-1**
Total Externally Managed	**9,451**			**12,305**		
Managed In-house						
Deposits more than 3 months						
UK						
Bank of Scotland	0	0%	Nil	1,500	**A / F1**	**A1 / P-1**
SPAIN						
Santander	0	0%	Nil	1,000	**A+ / F1**	**A1 / P-1**
Total In-house Investments	**0**			**2,500**		
TOTAL INVESTMENTS	**9,451**			**14,805**		
Short-Term Deposits - less than 3 months						
UK						
Bank of Scotland	0	0%	Nil	10		
National Westminster Bank	4,792			2,815	**A / F1**	**A1 / P-1**
					A / F1	**A2 / P-1**
SPAIN						
Santander	0	0%	Nil	650	**A+ / F1**	**A1 / P-1**
TOTAL SHORT-TERM DEPOSITS	**4,792**			**3,475**		
Mortgages, loans and debtors excluding prepayments and notional leases	3,294	26.96%	888	5,620		

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 it's share of the council tax is shown below:

2010-11 £'000		Government Bodies & Council Tax# £'000	Mortgages £'000	Housing Benefit Overpayments £'000	Receivables and Sundry provisions £'000	2011-2012 TOTAL £'000
4,197	Within Due Date	717	2	21	965	1,705
607	Payment Plan			741	71	812
29	1st reminder 28 to 42 days			14	7	21
9	2nd Reminder42 to 56 days			3	3	6
583	Legal Recovery			564	71	635
5,425	**Total**	**717**	**2**	**1,343**	**1,117**	**3,179**

\# 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 Statement.

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 Comprehensive Income and Expenditure Statement 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 affect its ability to meet its day to day commitments. The average investment rate for the reported year was 1.21%.

Price Risk
The Authority uses an external fund manager to manage part of its surplus cash holdings (£9.45m as at 31 March 2012). The fund has been determined at fair value meaning that all movements in price will impact on the Comprehensive Income and Expenditure Statement. A shift of 1% in the market value of the fund would therefore have resulted in a gain or loss of £94,503.

NOTE 14. INVENTORIES

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

2010-2011 £'000		**2011-2012 £'000**
12	Stocks of car park tickets, paper, stationery and postage stamps	**16**

NOTE 15. DEBTORS

2010-2011 £'000	**AMOUNTS FALLING DUE WITHIN ONE YEAR:**	**2011-2012 £'000**
2,920	Government departments/bodies	**504**
396	Other local authorities	**277**
1,915	Other debtors	**2,183**
192	Local taxpayers	**213**
2	Mortgage instalments	**2**
(723)	Impairment allowance	**(888)**
4,702		**2,291**
	Payments made in advance by the Council:	
55	Romney Marshes Area Internal Drainage Board	**0**
7	Local authorites	**10**
441	Other entities and individuals	**405**
503		**415**
5,205		**2,706**

2010-2011 £'000	The impairment allowance (provision for bad debts) is made up as follows:	**2011-2012 £'000**
80	Council taxpayers	**96**
643	Other debtors	**792**
723		**888**

NOTE 16 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

2010-2011 31 March £'000		**2011-2012 31 March £,000**
4	Cash held by the Authority	**3**
(1,409)	Bank current accounts	**(1,194)**
3,475	Short-term deposits with building societies	**4,792**
0	Cash in Transit	**188**
2,070		**3,789**

NOTE 17. CREDITORS

2010-2011 £'000	**AMOUNTS FALLING DUE WITHIN ONE YEAR:**	**2011-2012 £'000**
2,745	Government departments/bodies	**1,018**
245	Other local authorities	**168**
106	East Sussex Pension Fund	**367**
	Collection Fund surplus:	
114	East Sussex County Council	**65**
14	Sussex Police	**8**
8	East Sussex Fire & Rescue	**5**
9	Local taxpayers	**10**
1,802	Other creditors	**968**
5,043		**2,609**
	Payments received in advance by the Council	
43	Local authorites	**46**
0	Government departments/bodies	**49**
253	Other receipts in advance	**429**
296		**524**
5,339		**3,133**

NOTE 18. PROVISIONS

2010-2011 £'000		**2011-2012 £'000**
0	**Balance At 1 April**	**162**
162	Provisions made in year - Voluntary Redundancy payments	**0**
0	Amounts used in year	**(162)**
162	**Balance at 31 March**	**0**

NOTE 19. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

NOTE 20. UNUSABLE RESERVES

2010-2011 31 March £'000		**2011-2012 31 March £'000**
1,788	Revaluation Reserve	**1,579**
32,345	Capital Adjustment Account	**34,682**
195	Deferred Capital Receipts Reserve	**116**
(13,064)	Pensions Reserve	**(18,022)**
36	Collection Fund Adjustment Account	**29**
(148)	Accumulated Absences Account	**(145)**
21,152	**Total Unusable Reserves**	**18,239**

Revaluation Reserve
The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:
(a) revalued downwards or impaired and the gains are lost
(b) used in the provision of services and the gains are consumed through depreciation, or
(c) disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance within the Capital Adjustment Account.

2010-2011 £'000		**2011-2012 £'000**
1,718	**Balance as at 1 April**	**1,788**
111	Upward revaluation of assets	**0**
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(171)**
111	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(171)**
(41)	Difference between fair value depreciation and historical cost depreciation	**(38)**
70	Amount written off to the Capital Adjustment Account	**(209)**
1,788	**Balance as at 31 March**	**1,579**

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 3 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010-2011 £'000		**2011-2012 £'000**
32,881	**Balance as at 1 April**	**32,345**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(920)	Charges for depreciation and impairment of non-current assets	**(900)**
(3,425)	Revaluation losses on Property, Plant and Equipment	**0**
0	Revaluation gains on Property, Plant and Equipment	**0**
(171)	Amortisation of intangible assets	**(172)**
(1,738)	Revenue Expenditure funded from capital under statute	**(1,076)**
(60)	Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	**(405)**
(6,314)		**(2,553)**
41	Adjusting amounts written out of the Revaluation Reserve	**209**
(6,273)	Net amount written out of the cost of non-current assets consumed in the year	**(2,344)**
	Capital Financing applied in the year:	
3,129	Use of the Capital Receipts Reserve to finance new capital expenditure	**3,672**
133	Capital Expenditure financed from Earmarked Reserves	**1**
1,610	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**0**
577	Application of grants to capital financing from the Capital Grants Unapplied Account	**610**
411	Statutory provision for the financing of capital investment charged against the General Fund	**414**
0	Capital expenditure charged against the General Fund	**14**
(413)		**2,367**
(123)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**(30)**
32,345	**Balance at 31 March**	**34,682**

Pensions Reserve
The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010-2011 £'000		**2011-2012 £'000**
(31,161)	**Balance at 1 April**	**(13,064)**
11,851	Actuarial gains or losses on pensions assets and liabilities	**(4,617)**
(2,047)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(2,007)**
6,647	Past Service Gains (Loss)	**0**
1,646	Employer's pensions contributions and direct payments to pensioners payable in the year	**1,666**
(13,064)	**Balance at 31 March**	**(18,022)**

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gain recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010-2011 £'000		**2011-2012 £'000**
223	**Balance at 1 April**	**195**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**0**
(28)	Transfer to the Capital Receipts Reserve upon receipt of cash	**(79)**
195	**Balance at 31 March**	**116**

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

2010-2011 £'000		**2011-2012 £'000**
(47)	**Balance at 1 April**	**36**
83	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory arrangements	**(7)**
36	**Balance at 31 March**	**29**

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010-2011 £'000		**2011-2012 £'000**
(146)	**Balance at 1 April**	**(148)**
146	Cancellation of accrual made at the end of the preceding year	**148**
(148)	Amounts accrued at the end of the current year	**(145)**
(2)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**3**
(148)		**(145)**

NOTE 21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. Annex A to the Statement details the reconciliation between the Comprehensive Income and Expenditure Statement and the subjective analysis.

NOTE 22. ACQUIRED AND DISCONTINUED OPERATIONS

No operations were discontinued during 2011-2012.

NOTE 23. MEMBERS ALLOWANCES

Allowances and expenses paid to Councillors during the year were:

2010-2011 £'000		**2011-2012 £'000**
206	Members Allowances	**211**
19	Conferences, Training and Travelling Expenses	**25**
225		**236**

NOTE 24. OFFICERS' REMUNERATION

The Council's Senior Employees' remuneration and expenses was as follows:

2010-2011 £'000		Salary & Allowances £'000	Expenses £'000	Employers' Pension Contribn £'000	Other £'000	**2011-2012 £'000**
122	Chief Executive	94	0	24	5	**123**
96	Director	76	2	18	0	**96**
92	Director	78	0	18	0	**96**
76	Head of Service	62	0	14	0	**76**
76	Head of Service	62	0	14	0	**76**
76	Head of Service	62	1	14	0	**77**
77	Head of Service	0	0	0	0	**0**
69	Head of Service	57	0	13	0	**70**
66	Head of Service	55	1	12	0	**68**
65	Head of Service	55	1	12	0	**68**
65	Head of Service	55	0	12	0	**67**
0	Head of Service	53	0	12	0	**65**
65	Head of Service	55	0	12	0	**67**
945						**949**

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

2010-2011		**2011-2012**
6	£50,000 - £54,999	**5**
1	£55,000 - £59,999	**3**
4	£60,000 - £64,999	**3**
0	£65,000 - £69,999	**0**
0	£70,000 - £74,999	**0**
2	£75,000 - £79,999	**2**
0	£80,000 - £84,999	**0**
0	£85,000 - £89,999	**0**
0	£90,000 - £95,999	**0**
1	£95,000 - £99,999	**1**
14		**14**

During 2011-12 voluntary redundancy payments were made to employees. The total cost of exit packages as shown in the table below includes future pension costs charged to the pension scheme as settlements and curtailments (see note 32, £847k) and not paid directly to employees.

Exit Package cost band (including) special payments)	No. of compulsory redundancies		No. of other departures agreed		Total no. of exit packages by cost band		Total cost of exit packages in each band	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11 £	2011-12 £
£0 - £20,000	-	-	3	3	3	3	31,462	26,383
£20,001 - £40,000	-	-	7	2	7	2	202,671	55,852
£40,001 - £60,000	-	-	4	2	4	2	215,218	94,372
£60,001 - £80,000	-	-	3	0	3	0	213,195	0
£80,001- £100,000	-	-	1	1	1	1	80,329	89,033
£100,000 - £150,000	-	-	4	0	4	0	495,153	0
Total	**-**	**-**	**22**	8	**22**	8	**1,238,028**	**265,640**

Under IAS19 and FRS17 the strain which arises from early retirements due to redundancies is shown as a curtailment loss in the Comprehensive Income and Expenditure Statement. Curtailments affect the employer's balance sheet position by increasing the value of the defined benefit obligation at the accounting date.

The methodology and assumptions used to determine the curtailment cost are different to those used to determine the strain cash contribution due from employers. The reasons for this are:

- The **curtailment** figure is determined using accounting assumptions at the accounting date (in line with the requirements of the accounting standard). In addition, the methodology used to determine this figure differs slightly from that used to determine the strain contribution.

- The **strain cash contribution** due from the employer is based on the assumptions at the 2010 actuarial valuation and, as mentioned above, the methodology is slightly different than that applied for the curtailment figure.

Assumptions
As a result of the differences between the assumptions used to determine the curtailment cost and the strain contribution, we expect the curtailment cost at 31 March 2012 to be higher than the total strain contributions. In particular:

- The financial assumptions adopted for accounting purposes as at 31 March 2012 are much stronger than those adopted at the 2010 valuation, for example, the discount rate has fallen considerably and this has only been partially offset by a reduction in the CPI inflation assumption. Taken in isolation, this contributes to the curtailment figure being higher than the strain contribution.

- The accounting assumptions at 31 March 2012 allow for an extension to the salary freeze to 31 March 2015. Taken in isolation, this results in the curtailment loss being higher than the strain contribution, as the saving made from 'giving up' future salary increases is reduced.

Calculation methodology
The curtailment cost is determined by reference to the period from the member's current age and their retirement age in whole years to retirement. This differs to the approach adopted when setting strain contributions, which recognises the period between early retirement and normal retirement in complete months. For example, if a member retires 2 months prior to normal retirement date, the employer strain contribution due will reflect the cost of retirement two months early, whereas, the curtailment will reflect the cost of retirement 1 year prior to normal retirement date. This is not to say that the methodology applied to determine the curtailment loss is 'incorrect'. The approximations made are suitable for accounting purposes and immaterial in terms of the balance sheet position at the accounting date. However, large relative differences can sometimes arise between curtailment and strain cash figures on a member-by-member basis where the member has retired shortly before normal retirement date (since the use of complete years versus complete months is more significant).

NOTE 25. EXTERNAL AUDIT COSTS

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:

2010-2011 £'000		**2011-2012 £'000**
111	Fees payable to PKF (UK) LLP with regard to external audit services carried out by the appointed auditor	**108**
56	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	**61**
1	Fees payable to the Audit Commission in respect of statutory inspection	**1**
31	Fees payable in respect of other services provided by the appointed auditor	**0**
199		**170**

NOTE 26. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

2010-2011 £'000		**2011-2012 £'000**
	Credited to Services	
0	Youth Arts	**4**
174	Concessionary Travel	**0**
129	Leader Plus	**122**
0	DCLG - Land Charges Personal Fee revocation	**34**
113	ESCC - Better Safer Communities	**35**
137	DCLG - Ndr Cost of Collection	**135**
46	Homelessness	**46**
45	Free Swimming Grant	**0**
3	LABGI	**0**
0	DWP Mortgage Rescue	**30**
27	DWP Atlas Project	**2**
10	DCLG Bus Rate deferred billing	**0**
0	DCLG Small Bus Rate changes admin	**4**
5	ESCC re HB under 18s	**0**
34,944	DWP (Including Subsidy)	**36,054**
24	ESCC Kiosk support	**23**
5	Wealden District Council - Food Safety	**1**
35,662	**Total within Cost of Services**	**36,490**
	Credited to Taxation and Non-Specific Grant Income	
277	Regional Housing Pot	**0**
0	Council Tax Freeze Grant	**179**
0	New Homes Bonus Scheme	**385**
0	Housing Development Schemes	**56**
236	Marley Lane Development	**0**
287	Elva Business Centre	**0**
75	Adizone, Egerton Park	**0**
538	Disabled Facility Grant	**642**
577	Bexhill Seafront	**0**
835	Revenue Support Grant	**1,188**
5,750	National Non-Domestic Rates redistribution	**3,846**
52	Area Based Grant - Planning Policy Climate Change	**0**
8,627	**Total within Taxation & Non-Specific Grant Income**	**6,296**
44,289	**Total within Comprehensive Income & Expenditure Statement**	**42,786**

NOTE 27. RELATED PARTIES

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

Central Government
Central Government has significant influence 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). Grants received from Government are set out in the amounts reported for resource allocation decisions and in Note 26.

Members
Members of the Council have direct control over the Council's financial and operating policies. During 2011-2012 grants and payments to the value of £975,116, as shown below, were paid to organisations in which 24 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.

Organisation	**£**	
De La Warr Pavilion Trust	555,205	
Romney Marsh Internal Drainage Board	111,098	
Rother District Citizens Advice Bureau	83,600	
Family Mosaic (In-Touch Support) #	65,886	# Includes contractual works and funding for administration
Rother Voluntary Action	50,000	
Tourism South East	43,650	
Hastings Advice & Representation Centre	15,158	
Bexhill Light Operatic & Dramatic Society	10,000	
Bexhill Museum Association	9,000	
Hastings & Rother Mediation Service	8,400	
South East Employers	6,262	
Action in Rural Sussex	6,000	
Amicus Horizon	4,232	
The Rye Partnership Ltd	3,000	
Hastings Furniture Service	3,125	
Bexhill Old Town Preservation Society	500	
	975,116	

Officers
During 2011-2012, Officers with pecuniary interests made appropriate declarations during Committee meetings and took no part of decision making. Interests are recorded in the minutes of the relevant meetings and are available at www.rother.gov.uk.

East Sussex County Council pension fund - see note 32.
The Council made cash payments totalling £1,565,022 during 2011-2012 to East Sussex County Council as the administering body for the East Sussex Local Government pension fund. Note 32 provides further information on the Authority's pension arrangements.

Members elected to East Sussex County Council
At the date of approving the Accounts there are 4 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

Excluding annual precept payments which are shown in the notes to the Collection Fund Statement, cash payments of £557,102 were made to East Sussex County Council and receipts in the sum of £652,131 were received during 2011-2012.

Members elected to East Sussex Fire & Rescue Service
At the date of approving the Accounts Cllr M Kenward, a Member of Rother District Council, is also a Member of East Sussex Fire & Rescue Service. Other than the annual precept which is shown in the notes to the Collection Fund Statement no other payments were made to or received from East Sussex Fire & Rescue.

NOTE 28. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2010-2011 £'000		**2011-2012 £'000**	**2011-2012 £'000**
0	**Opening Capital Financing Requirement**		**0**
	Capital Expenditure requiring finance		
2,884	- Property, Plant and Equipment	3,130	
826	- Investment Properties	0	
0	- Intangible Assets	90	
1,738	- Revenue expenditure funded from capital under statute	1,076	**4,296**
	Less: sources of finance		
3,129	- Capital receipts	3,672	
880	- Government Grants	570	
1,307	- Other grants and contributions	40	
132	- Capital expenditure met from Earmarked Reserves	14	**4,296**
0	**Closing Capital Financing Requirement**		**0**

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

CAPITAL EXPENDITURE SUMMARY

2010-2011 £'000		2011-2012 £'000	2011-2012 £'000
	Long-Term Assets:		
	Other Land & Buildings:		
54	New Car Park, Camber	0	
0	Elva Business Centre	50	
0	Museum	37	
			87
	Infrastructure Assets:		
2,379	Bexhill Seafront Improvements	2,687	**2,687**
211	Vehicles, Plant & Equipment		**202**
0	Intangible Assets - Software & Systems/Project Evaluation		**90**
	Community Assets:		
91	Bexhill Cemetery	0	
139	Egerton Park	154	
10	Little Common Sports Pitch	0	
			154
2,884	**Total Long-Term Assets**		**3,220**
	Investment Properties		
31	Bexhill Rowing Club	0	
795	Sidley Goods yard	0	
			0
	Revenue Expenditure funded from Capital under Statute		
58	Village Halls and Community Projects	88	
724	Disabled Facilities Grants	590	
51	Housing Aid Grants	9	
0	Pretious Project - Northiam	300	
56	Private Sector Renewal	1	
52	Houses in Multiple Occupation	0	
240	Energy Efficiency	0	
33	Multi Use Games Area - Rye	0	
281	Marley Lane Development	4	
0	Social Housing Grant -Ewhurst	40	
120	Housing Development - Netherfield	0	
35	Empty Homes	0	
33	Small Works Scheme	0	
55	Other	44	**1,076**
5,448	**Total Capital Expenditure for year**		**4,296**
	Financed by:		
3,129	Capital Receipts (proceeds of the sale of non-current assets)		**3,672**
880	Grant receipts		**570**
1,307	Contributions from other bodies		**40**
0	Revenue Contribution		**13**
132	Use of Reserves		**1**
5,448	**Total Financing**		**4,296**

NOTE 29. LEASES

Council as a Lessee

Finance Leases
The Council has entered into an arrangement for the provision of refuse collection and street cleansing services which, while not itself a lease, nevertheless contains a right to use assets in the same way as a lease. This arrangement is being treated as a finance lease. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2010/11	**2011/12**
	£'000	£'000
Vehicles, Plant, Furniture and Equipment	793	426

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

	2010/11	**2011/12**
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	414	357
Non-current	516	159
Finance costs payable in future years	48	15
Minimum lease payments	978	531

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2010/11	**2011/12**	**2010/11**	**2011/12**
	£'000	£'000	£'000	£'000
Not later than one year	446	369	414	357
Later than one year and not later than five years	532	161	516	159
Later than five years	0	0	0	0
	978	530	930	516

Operating Leases
Vehicles and equipment have been acquired through operating leases.

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

	Minimum Lease Payments	
	2010/11	**2011/12**
	£'000	£'000
Not later than one year	77	48
Later than one year and not later than five years	34	9
Later than five years	0	0
	111	57

In addition, under the Grounds Maintenance Contract the Council has use of various assets; vehicles and equipment. The total contract payment to the contractor includes an element for the use of these assets. It is not practicable to separate out the payment reliably. The future minimum contract payments (including the element relating to the use of these assets) are:

	Minimum Lease Payments	
	2010/11	**2011/12**
	£'000	£'000
Not later than one year	992	496 #
Later than one year and not later than five years	496	0
Later than five years	0	0
	1,488	496

This represents the liability relating to the current Grounds Maintenance contract. The Council is currently tendering a new contract with its partners Hastings Borough Council and Amicus Horizon for a new contract from 1st November 2012. This is why no future liabilities are shown beyond this date.

Council as Lessor:
The Council leases out property, a number of industrial and commercial units, land and other buildings under operating leases.

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

	Minimum Lease Payments	
	2010/11	**2011/12**
	£'000	£'000
Not later than one year	156	176
Later than one year and not later than five years	428	561
Later than five years	2,684	3,172
	3,268	3,909

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £349,000 contingent rents were receivable by the Council (2010/11 £368,000).

NOTE 30. PRIVATE FINANCE INITIATIVES

The Council has not entered into any arrangements that would be treated as a Private Finance Initiative during 2011/12.

NOTE 31. IMPAIRMENT LOSSES

During 2011-2012, the Authority has recognised impairment losses of £73,464 (£3,547,535 2010-2011), chargeable to the Cost of Services in the Comprehensive Income and Expenditure Statement. A breakdown of this amount is shown below:

Investment Properties	£'000
9 Beeching Road, Bexhill-on-Sea - revaluation	15
14 Beeching Road, Bexhill-on-Sea - revaluation	58
	73

NOTE 32. DEFINED BENEFIT PENSION SCHEMES

As part of the terms and conditions of employment of its employees the Council makes contributions towards the cost of post employment 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.

The Council participates in the Local Government Pension Scheme administered by East Sussex County Council - this is a funded defined benefit final salary 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 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 Comprehensive Income and Expenditure Statement after Cost of Services.

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge the Council is required to make against the council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made via the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement

2010-11 £'000		**2011-12 £'000**
	Cost of Services:	
(1,396)	Current service costs	**(1,147)**
6,647	Past service (costs)/Gains	**0**
0	Settlements and Curtailments	**(847)**
	Financing and Investment Income and Expenditure	
(4,081)	Interest costs	**(3,535)**
3,430	Expected return on assets in the scheme	**3,522**
4,600	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**(2,007)**
	Other Post Employment Benefit charged to Comprehensive Income & Expenditure Account	
11,851	Actuarial Gains/(losses)	**(4,616)**
16,451	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Account**	**(6,623)**
	Movement in Reserves Statement	
(4,600)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**2,007**
	Actual amount charged against council tax for pensions in the year	
1,646	Employers contributions payable to the scheme	**1,666**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Account is £16.8m (£12.2m 2010/11)

Assets and Liabilities in relation to Post Employment Benefits
Reconciliation of present value of scheme liabilities:

2010-11 £'000		**2011-12 £'000**
79,937	1 April	**64,585**
1,396	Current Service Cost	**1,147**
4,081	Interest Cost	**3,535**
436	Contributions by scheme participants	**412**
(11,658)	Actuarial Losses/(Gains)	**2,728**
(6,647)	Past Service Costs/(Gains)	**0**
0	Losses/(Gains) on Curtailments	**847**
(132)	Unfunded Benefits Paid	**(144)**
(2,828)	Benefits paid	**(2,903)**
64,585	Closing Defined Benefits obligation	**70,207**

Reconciliation of fair value of the scheme assets:

2010-11 £'000		**2011-12 £'000**
48,776	1 April	**51,521**
3,430	Expected return on Assets	**3,522**
436	Contributions by scheme participants	**412**
1,514	Contributions by the Employer	**1,522**
132	Contributions in respect of unfunded benefits	**144**
193	Actuarial gains/(losses)	**(1,889)**
(132)	Unfunded benefits paid	**(144)**
(2,828)	Benefits paid	**(2,903)**
51,521		**52,185**
(13,064)	**Net Liability at 31 March**	**(18,022)**

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 £1.6m (£3.3m 2010-11)

Scheme History

	2007-08 £'000	**2008-09 £'000**	**2009-10 £'000**	**2010-11 £'000**	**2011-12 £'000**
Present value of liabilities	(54,410)	(52,972)	(79,937)	(64,585)	(70,207)
Fair value of Assets	45,039	36,436	48,776	51,521	52,185
Surplus/(deficit) in the scheme	**(9,371)**	**(16,536)**	**(31,161)**	**(13,064)**	**(18,022)**

The liabilities show the underlying commitments that the Authority has in the long-term to pay post employment (retirement) benefits. The total liability of £18m 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £1,348,000.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension scheme liabilities have been assessed by Hymans Robertson LLP an independent firm of Actuaries on the basis of the following assumptions:

Assumptions as at 31 March	2010-2011	**2011-12**
Financial Assumptions:		
Price increases - inflation/ Pension Increase Rate	2.8%	**2.5%**
Salary increases	5.1%	**4.8%**
Expected return on Assets	6.9%	**5.9%**
Discount rate	5.5%	**4.8%**
Breakdown of the expected return on Assets by Category:		
Equities	7.5%	**6.3%**
Bonds	4.9%	**4.4%**
Property	5.5%	**4.4%**
Cash	4.6%	**3.5%**

Mortality

Life expectancy is based on the Fund's VitaCurves, 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:

	Males	Females
Current Pensioners	21.3 years	23.4 years
Future Pensioners	23.3 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 2011	year of birth, medium cohort and 1% pa minimum improvements from 2007	year of birth, medium cohort and 1% pa minimum improvements from 2007
31 March 2010	year of birth, medium cohort and 1% pa minimum improvements from 2007	year of birth, medium cohort and 1% pa minimum improvements from 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

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 under IAS19.

Assets (Employer)	2010-2011 Fund Value £'000	%	**2011-12 Fund Value £'000**	**%**
Equities	40,186	78%	**41,747**	**80%**
Bonds	4,122	8%	**4,697**	**9%**
Property	4,122	8%	**4,697**	**9%**
Cash	3,091	6%	**1,044**	**2%**
Total	51,521	100%	**52,185**	**100%**

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 2012:

	2007-08 £'000	**2008-09 £'000**	**2009-10 £'000**	**2010-11 £'000**	**2011-12 £'000**
Experience gains and losses on Assets	(4,071)	(11,014)	10,674	193	(1,889)
Experience gains and losses on Liabilities	(2,972)	50	(103)	4,011	(1,158)
Net Gains and Losses	(7,043)	(10,964)	10,571	4,204	(3,047)
Scheme Assets	45,039	36,436	48,776	51,521	52,185
Gain/Losses as a % of Scheme Assets	-15.64%	-30.09%	21.67%	8.16%	-5.84%

NOTE 33. 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 2012, 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. On 28th March 2012 the Supreme Court ruled on the employers liability policy trigger litigation relating to mesothelioma claim. The judgement said that the insurer who was on risk at the time of an employees exposure to asbestos was liable to pay compensation for the employees mesothelioma. This potentially has financial risk for scheme creditors (of which Rother is one) and the insurance company are now seeking legal, financial and actuarial advice to determine the full implications. As the company remains solvent no liability has been included in this year's accounts, although current indications are that the liability may be in the region £24,000 – £60,000. Any costs will be met from the council's insurance reserve.

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 2012 was £349,607. This has not been provided for due to the high uncertainty that any breach will occur.

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.

To support the Council's homelessness prevention strategy the Council acts as guarantor for 1 year for private rented accommodation and as at 31st March 2012, there were 51 tenancies being supported under this scheme. The maximum liability was £37,537.

NOTE 34. CONTINGENT ASSETS

The Council has not identified any Contingent Assets as at 30th June 2012.

AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Annex A

Service Income and Expenditure 2011-12	Cultural & Related Services £'000	Environmental Services £'000	Planning & Development £'000	Highways £'000	Housing £'000	Corporate & Democratic Core £'000	Central Services £'000	Non Distributed Costs £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(197)	(1,448)	(959)	(1,221)	(1,502)	(16)	(905)	(9)	(6,257)	(448)	(6,705)
Interest & investment income									0	(271)	(271)
Income from council tax									0	(8,215)	(8,215)
Government Grants & Contributions - *Note 26*	(4)	(36)	(122)		(27,746)	(23)	(8,559)		(36,490)	(6,296)	(42,786)
Gain on disposal of non-current assets									0	(485)	(485)
Gain on revaluation of non-current assets									0	(44)	(44)
Pension								(128)	(128)	(3,522)	(3,650)
Total Income	**(201)**	**(1,484)**	**(1,081)**	**(1,221)**	**(29,248)**	**(39)**	**(9,464)**	**(137)**	**(42,875)**	**(19,281)**	**(62,156)**
Employee expenses	748	1,171	2,078	149	951	1,360	901	848	8,206		8,206
Other service expenses	2,437	4,190	358	368	522	591	642	128	9,236	90	9,326
Support service recharges	231	401	813	56	433	952	505		3,391	30	3,421
Depreciation, Amortisation & Impairment	107	596		49	56	12	76		896		896
Interest payments									0	33	33
Pensions interest on obligations									0	3,535	3,535
Parish precepts									0	1,028	1,028
Drainage Board levies		114							114		114
Payments to Housing Capital receipts Pool									0	1	1
Loss on revaluation of non-current assets									0	162	162
Writing out of non-current assets									0	316	316
Revenue expenditure funded from capital under statute	344		3		640		88		1,075		1,075
Benefit payments					28,235		8,176		36,411		36,411
Total Expenditure	**3,867**	**6,472**	**3,252**	**622**	**30,837**	**2,915**	**10,388**	**976**	**59,329**	**5,195**	**64,524**
Net Expenditure	**3,666**	**4,988**	**2,171**	**(599)**	**1,589**	**2,876**	**924**	**839**	**16,454**	**(14,086)**	**2,368**

Service Income and Expenditure 2010-11	Cultural & Related Services £'000	Environmental Services £'000	Planning & Development £'000	Highways £'000	Housing £'000	Corporate & Democratic Core £'000	Central Services £'000	Non Distributed Costs £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(289)	(1,211)	(803)	(1,072)	(1,306)	(9)	(953)	(2)	(5,645)	(298)	(5,943)
Interest & investment income									0	(290)	(290)
Income from council tax									0	(8,186)	(8,186)
Government Grants & Contributions - *Note 26*	(45)	(119)	(132)	(174)	(26,425)	(24)	(8,743)		(35,662)	(8,627)	(44,289)
Gain on disposal of non-current assets									0	(171)	(171)
Pension								(129)	(129)	(3,430)	(3,559)
Total Income	**(334)**	**(1,330)**	**(935)**	**(1,246)**	**(27,731)**	**(33)**	**(9,696)**	**(131)**	**(41,436)**	**(21,002)**	**(62,438)**
Employee expenses	719	1,260	2,049	157	1,019	1,540	995	728	8,467		8,467
Other Service expenses	2,628	3,807	353	921	516	528	709	129	9,591	38	9,629
Support service recharges	253	456	823	62	452	809	542		3,397	40	3,437
Depreciation, Amortisation & Impairment	107	659		49	66	12	62		955		955
Interest payments									0	51	51
Pensions interest on obligations									0	4,081	4,081
Parish Precepts									0	1,025	1,025
Drainage Board levies		115							115		115
Payments to Housing Capital receipts Pool									0	1	1
Loss on revaluation of non-current assets	100	92					393		585	2,963	3,548
Writing out of non-current assets									0	60	60
Revenue expenditure funded from capital under statute	75		281		1,313		70		1,739		1,739
Benefit payments					26,805		8,146		34,951		34,951
Pension - Past Service Gains								(6,647)	(6,647)		(6,647)
Total Expenditure	**3,882**	**6,389**	**3,506**	**1,189**	**30,171**	**2,889**	**10,917**	**(5,790)**	**53,153**	**8,259**	**61,412**
Net Expenditure	**3,548**	**5,059**	**2,571**	**(57)**	**2,440**	**2,856**	**1,221**	**(5,921)**	**11,717**	**(12,743)**	**(1,026)**

COLLECTION FUND STATEMENT

2010-2011 £'000	INCOME	2011-2012 £'000
54,086	Income from Council Taxpayers	**54,248**
	Transfers from General Fund re Council Tax	
8,124	- Council Tax Benefit awarded	**8,150**
(1)	- Transitional Relief	**(1)**
	Sums recovered from Preceptors re previous year's Collection Fund deficit	
155	- East Sussex County Council	**0**
19	- Sussex Police Authority	**0**
11	- East Sussex Fire Authority	**0**
28	- Rother District Council	**0**
62,422	Total from Council Tax	**62,397**
0	Income collected from old system Community Charge	**0**
13,126	Income collectable from Business Ratepayers - *Note 2*	**15,675**
75,548		**78,072**
	EXPENDITURE	
44,870	East Sussex County Council Precept on Collection Fund - *Note 3*	**45,197**
5,362	Sussex Police Authority Precept on Collection Fund - *Note 3*	**5,401**
3,171	East Sussex Fire Authority - *Note 3*	**3,194**
8,130	Rother District Council Demand on Collection Fund - *Note 3*	**8,180**
	Business Rate - *Note 2*	
12,989	- Payment to National Pool	**15,540**
137	- Cost of Collection	**135**
2	Adjustments incl. Community Charge Income	**0**
	Sums payable to Preceptors re previous year's Collection Fund surplus	
0	- East Sussex County Council	**232**
0	- Sussex Police Authority	**28**
0	- East Sussex Fire Authority	**16**
0	- Rother District Council	**42**
	Bad & Doubtful Debts	
176	- Write offs of uncollectable Council Tax	**39**
80	- Provision for uncollectable Council Tax - addition to the sum required	**120**
74,917		**78,124**
(631)	Movement on Fund Balance - (surplus) / deficit	**52**
	FUND BALANCE - ***Note 4***	
356	Balance brought forward	**(275)**
(631)	(Surplus) / deficit for year	**52**
(275)	Balance carried forward	**(223)**

COLLECTION FUND STATEMENT

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:

2010-2011 £'000		**2011-2012 £'000**
13,352	Non-Domestic rates billed at uniform business rate of 43.3p (2010-2011:41.4p)	**15,791**
(226)	Adjustments to charges, voids, reliefs and other non-collectable sums	**(116)**
13,126	Amount Collectable	**15,675**
(137)	Less allowance for the Cost of Collection	**(135)**
12,989	Net contribution to National Pool	**15,540**
£5,750	Redistribution from National Pool - credited to General Fund	**£3,846**
£47,273	Rateable Value of Business Premises at 31 March	**£46,996**

NOTE 3. COUNCIL TAX BASE

Band & Value	Number of Properties	Relationship to Band D	**Annual Amount**
Band A - up to £40,000	3,606	6/9	**£1,058.81**
Band B - over £40,000 up to £52,000	5,802	7/9	**£1,235.27**
Band C - over £52,000 up to £68,000	8,313	8/9	**£1,411.74**
Band D - over £68,000 up to £88,000	7,820	1	**£1,588.21**
Band E - over £88,000 up to £120,000	6,395	11/9	**£1,941.15**
Band F - over £120,000 up to £160,000	3,363	13/9	**£2,294.08**
Band G - over £160,000 up to £320,000	2,278	15/9	**£2,647.02**
Band H - over £320,000	210	18/9	**£3,176.42**
	37,787		

Council Tax Base and amount originally expected for 2011-2012:

East Sussex County Council share	**£45,197,295**
Sussex Police Authority share	**£5,401,200**
East Sussex Fire Authority share	**£3,194,207**
Rother District Council share	**£8,179,674**
	£61,972,376

NOTE 4. COUNCIL TAX SURPLUSES & DEFICITS

The surplus of £223,000 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.

NOTE 5. ANALYSIS OF AGED DEBT

Total 2010-2011 £'000	Local Taxpayer	Within due date £'000	1st Reminder 12 days £'000	Final Notice 19 days £'000	Recovery Action £'000	Total 2011-2012 £'000
1,454	Council Tax	227	38	45	1,295	1,605
456	Non Domestic Rates	21	27	54	371	473
1,910	**Total**	**248**	**65**	**99**	**1,666**	**2,078**

GLOSSARY

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

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

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

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

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

CAPITAL RECEIPTS
The proceeds from the sale of fixed assets.

CODE OF PRACTICE ON LOCAL GOVERNMENT ACCOUNTING
Standards issued by the accountancy bodies to prescribe approved accounting methods.

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.

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

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.

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

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

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

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

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

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

INFRASTRUCTURE ASSETS
Long-Term 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.

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.

PROPERTY, PLANT & EQUIPMENT (PPE)
Tangible assets that yield up benefit to the Authority over more than one accounting period, e.g. Land and Buildings.

PUBLIC WORKS LOAN BOARD (PWLB)
A Government financed body which provides a source of long-term borrowing for local authorities.

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

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE
Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example is improvement grants.

REVENUE SUPPORT GRANT
A Government grant distributed to local authorities to augment income raised by the council tax. It is centrally determined on a needs basis.

SURPLUS ASSETS
Long-Term Assets that are actively marketed for sale.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROTHER DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Rother District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Rother District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hasti9ngs Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Rother District Council

put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

We certify that we have completed the audit of the financial statements of Rother District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: **ROBERT GRANT**

Robert Grant
For and on behalf of PKF (UK) LLP
London, UK

28 September 2012

RV/MM
Councillor Martin Mooney and Robin Vennard

26 September 2012

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
LONDON
EC1M 3AP

Dear Sirs,

Financial statements of Rother District Council for the year ended 31 March 2012

This representation letter is provided in connection with your audit of the financial statements of Rother District Council for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the relevant financial reporting framework and have been prepared in accordance with the requirements of applicable law.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of directors and management of the Council, the following representations given to you in connection with your audit of the Council.s financial statements:

FINANCIAL STATEMENTS

Responsibility for the financial statements

I acknowledge as the Head of Finance and Section 151 Officer my responsibilities for the Statement of Accounts, which include the financial statements, and for ensuring that these are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Accounting policies

I confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate.

Significant assumptions

The following significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable and appropriate:

Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- Rate of inflation (RPI / CPI) 2.5%
- Rate of increase in salaries 4.8%
- Rate of increase in pensions 2.5%
- Rate for discounting scheme liabilities 4.8%
- Take up option to convert the annual pension 50%into retirement grant

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

Pension fund investments fair values

Where required, the value at which assets and liabilities are recorded in the pension fund net assets statement is, in my opinion, the market value. I am responsible for the reasonableness of any significant assumptions underlying the valuation. Unquoted, private equity and infrastructure investments held by fund managers within funds are valued at fair value by the fund managers. Where there is no active market where prices can be readily observed for these funds, I am satisfied that appropriate assumptions have been applied by the fund managers when valuing the share of the fund held by the pension fund.

Carrying value of land and buildings

I am satisfied that the carrying value of land and buildings is materially consistent with the fair value at 31 March 2012, and that no adjustment is required to those assets that were revalued as part of the five-year rolling programme in previous years.

Fair value measurements and disclosures

I confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable. Specifically, the judgements in assessing the fair value of the outstanding loans to the Public Works Loans Board (PWLB) are reasonable and in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Plans or intentions

I confirm that the Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims, the effects of which should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the applicable financial reporting framework.

Related parties

I confirm that related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the applicable financial reporting framework.

Subsequent events

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should any material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Uncorrected misstatements

I believe that the uncorrected misstatements identified during the audit are immaterial both Individually and in aggregate to the view given by the financial statements as a whole. A list of these items is attached as an appendix to this letter.

Going concern

I confirm that we are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this conclusion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements will be approved.

Comparative information

We confirm that, in respect of the restatement to implement the Heritage Assets accounting policy changes the adjustments relate to a change in accounting policy as we believe that the new accounting policy is more appropriate, and accordingly to ensure the consistency of accounting treatment between periods it is necessary to restate the current and corresponding periods on the basis of the new policy.

Waste reserve

I confirm that, in respect of the balance within the waste project reserve, the full balance will be spent by 31 March 2013 on the work to award the waste contract from 1 April 2013 and that, should any balance remain, it will be returned to the contributing bodies.

INFORMATION PROVIDED

Completeness of information

All the accounting records have been made available to you for the purpose of your audit. I have provided you with all other information requested and given unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence. All other records and related information, including minutes of all management and Committee meetings held during the year and up to the date of this letter have been made available to you. All transactions undertaken by the Council have been recorded in the accounting records and are reflected in the financial statements. There is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud. I have communicated to you all significant deficiencies in internal control of which I am aware.

Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud. I have disclosed to you my knowledge of fraud or suspected fraud affecting the Council involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements. I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

Compliance with law and regulations

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing the financial statements. I am not aware of any actual or possible instances of non-compliance with laws and regulations whose effects should be considered when preparing the financial statements of the Council.

Related parties

I confirm that I have disclosed to you the identity of the Council.s related parties and all the related party relationships and transactions of which I am aware.

Liabilities, contingent liabilities or guarantees

There are no liabilities, contingent liabilities or guarantees to third parties other than those disclosed in the financial statements.

Title to assets

The Council has satisfactory title to all assets and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.

Yours faithfully

Robin Vennard
Head of Finance

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council.s financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council.s financial affairs and to approve the Statement of Accounts, which include the financial statements. The Head of Finance is responsible for the preparation of the

Statement of Accounts, which include the financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Head of Finance for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor Martin Mooney
Chairman - Resources, Overview and Scrutiny Committee
Signed on behalf of the Council

Appendix 1

Uncorrected misstatements	Income Over/under £'000	Expenses Over/under £'000	Assets Over/under £'000	Liabilities Over/under £'000	Reserves Over/under £'000
Factual misstatements					
Overstatement of income and understatement of receipts in advance	139			(139)	139
Judgemental misstatements					
Depreciation Overstated		(24)	24		
Liabilities understated		37		(37)	37
Total net misstatements	**139**	**13**	**24**	**(176)**	**176**