



# Summary of Accounts 2010/11

## Your Council, Our promise

East Sussex County Council will, in partnership, make the best use of resources to:

- help make East Sussex prosperous and safe;
- support the most vulnerable people;
- improve and develop roads and infrastructure;
- encourage personal and community responsibility;
- deliver the lowest possible council tax; and
- be a voice for East Sussex, listening and answering to local people.

## Summary of Accounts

### What are Accounts and why do we produce them?

Welcome to the County Council's summary accounts for the 2010/11 financial year. By their very nature, our full statutory Statement of Accounts are complex documents that have to comply with strict accounting guidelines, and run into many pages. This short document has been prepared to give you a brief insight into the finances of the County Council for the year. It shows where we have spent and invested money, and what our financial position was at the end of March 2011.

Large organisations like companies or Councils have to keep a written record of their income and expenditure. We also have to publish these records each year. Councils must tell the taxpayers in their area where their money came from, what they did with it, what they own, and what they owe.

During 2010/11, the Council completed the mandatory transition of its Accounting Statements to comply with International Financial Reporting Standards (IFRS), with effect from 1 April 2010. These international standards govern the way financial transactions are brought into account and how they are reported. The transition has affected both the appearance of the Council's Accounting Statements and reported financial balances. In complying with the transition to IFRS, the Council has had to revisit and restate the previous year's financial statements.

The Council Statement of Accounts for 2010/11 was completed and the Director of Corporate Resources on 30 June 2011 formally approved the draft Statement of Accounts, in line with the Accounts and Audit 2011 Regulations. The final audit, member's approval, and publication are required to be completed by 30th September 2011.

PKF (UK) LLP was appointed by the Audit Commission (the Government's public-spending watchdog) as the Council's external auditors. The Council's auditors can be contacted at:

PKF (UK) LLP  
Accountants & Business Advisers  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP  
Direct tel 020 7065 0432  
Direct fax 020 7065 0650  
[www.pkf.co.uk](http://www.pkf.co.uk)

This leaflet is a summary of the accounts and is designed to help you get a better understanding of the Council's finances and our Statutory Statement of Accounts.

## How have we looked after the money?

The following statements describe some of the key points in our stewardship of public funds.

### Finances – Revenue Spending:

Our finances for 2010/11 are broadly in line with the cautious predictions made earlier in the year and are within the budget approved by the Council in February 2010.

The budget management processes in place at the Council are robust and working effectively, in line with the key aim of the Council to deliver quality services at the lowest possible Council Tax. The process of Reconciling Policy and Resources is a key tool to finding the right balance, as is promoting customer-focused productivity and efficiency improvements.

The Council's policy on balances is to maintain a level of 2.25% of the net spending (excluding Dedicated Schools Grant). The overall financial situation is regularly reviewed and reported to Cabinet as part of the budget monitoring process.

### Financial Health:

The Council's spending is controlled and contained within budgets. The Council's reserves and provisions (money set aside for the future), are sufficient to safeguard future costs that may arise. The Council plans its budget using a 4 year Medium Term Financial Plan. This takes account of risks in assessing future spending levels and the level of reserves needed to protect the Council's finances, deal with risks and potential future costs (e.g. the cost of the Waste Private Finance Initiative).



## What did we spend the money on?

The Council's Comprehensive Income and Expenditure Statement is equivalent to the Profit and Loss Account disclosed in company accounts. It shows the cost of running Council services during the financial year, where the money came from to pay for services and the surplus or deficit of income over expenditure for the year. This statement operates in much the same way as a household budget account (e.g. spend on mortgage, council tax, utilities, food, etc) and the money that comes into the account/household (e.g. wages and salaries). The cost of running Council services (e.g. staff salaries, transport, premises, supplies, and services) is shown net of income generated.

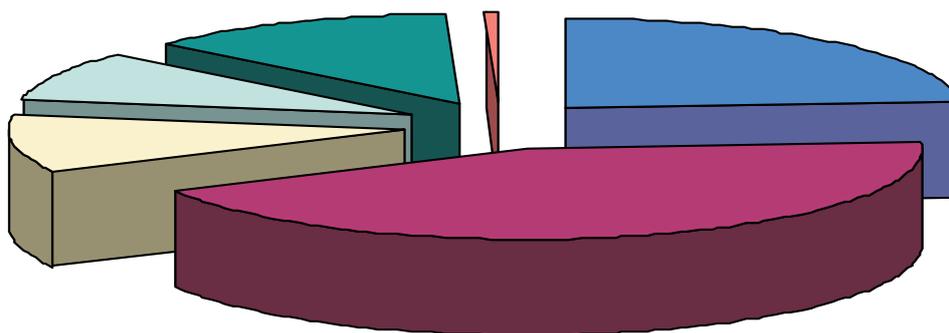
The Comprehensive Income and Expenditure Statement has prescribed headings for the types of expenditure and shows the amount to be financed from local and national tax, together with the running costs of the Council between 1st April 2010 and 31st March 2011 as follows:

Service	Net Expenditure £ million
Education and children's services	118.11
Adult social care services	177.73
Highways and transport services	41.18
Other housing services	0.29
Cultural, environmental, regulatory and planning services	34.43
Central services to the public	2.48
Corporate and democratic core	2.47
Non distributed costs	(114.04)
<b>Net cost of services</b>	<b>262.65</b>
Other operating costs	54.34
<b>Cost of local services met by local and national taxes</b>	<b>316.99</b>

**Note:**

*Non Distributed Costs (NDC) – this is past service costs relating to retirement benefits, i.e., the decrease in the present value of the defined benefit obligation for employee service in prior periods. The Past Service Cost figure for this year includes amounts in respect of efficiency and in respect of the changes to pension introduced in the Chancellor's budget statement on 22 June 2010 regarding calculations on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account.*

## How we spent the money



- Adult social care 56%
- Education and children's services 37%
- Highways and Transport 13%
- Other (- 18%)
- Corporate 1%
- Cultural, environmental, regulatory and planning 11%

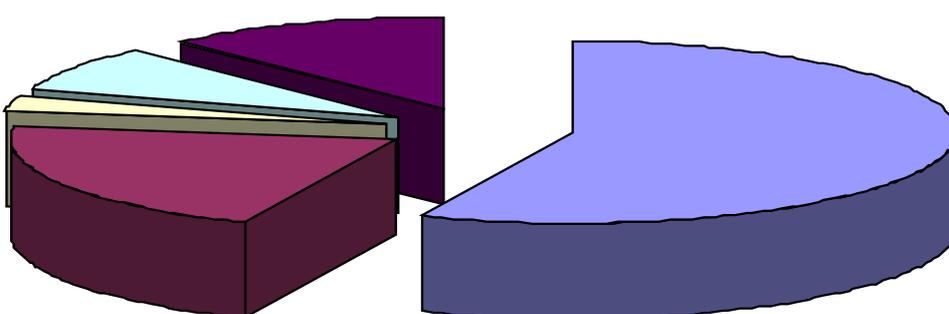
**Note:**

*Other (-18%) include the effect of future pension increases being linked to CPI and not the RPI, this change comes through as a negative past service cost item in the revenue account.*

## Where the money comes from

In addition to the income generated by services, we financed our spending using local taxes and government grant.

Source of funding	£ million
Council tax	238.83
<b>Government Grants</b>	
National Non-domestic rates	87.42
Revenue support grant	12.70
Area based grant	33.75
Capital Grant and Contributions	50.31
<b>Total Income</b>	<b>423.01</b>



- Council tax 56%
- National non-domestic rates 21%
- Revenue support grant 3%
- Capital Grant and contributions 12%
- Area based grant 8%

## Did we have anything left over?

As well as the direct cost of services, the Council has a number of other costs that it has to meet. These include the repayment of debt, contributions to pay for capital expenditure, and transfers to and from earmarked reserves. After these are charged, there was a surplus of income over expenditure of £1.77m. As shown in the table below this is a schools surplus of £1.77m.

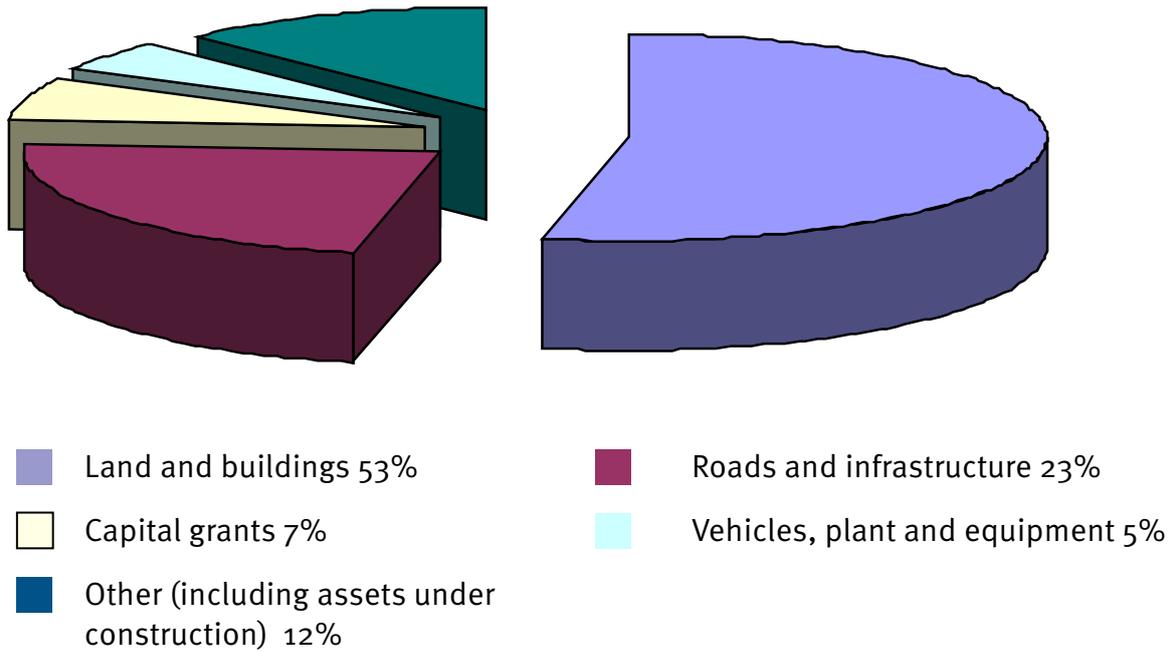
	£ million
Cost of services	316.99
Income from taxes/grant	(423.01)
Surplus for the year	(106.02)
Items not chargeable to County Fund (see note above)	104.25
<b>Increase in County Fund/Schools balance for the year</b>	<b>(1.77)</b>

Movement within Balances	£ million
County Fund	0.00
Schools	(1.77)
<b>Increase in balances for the year</b>	<b>(1.77)</b>

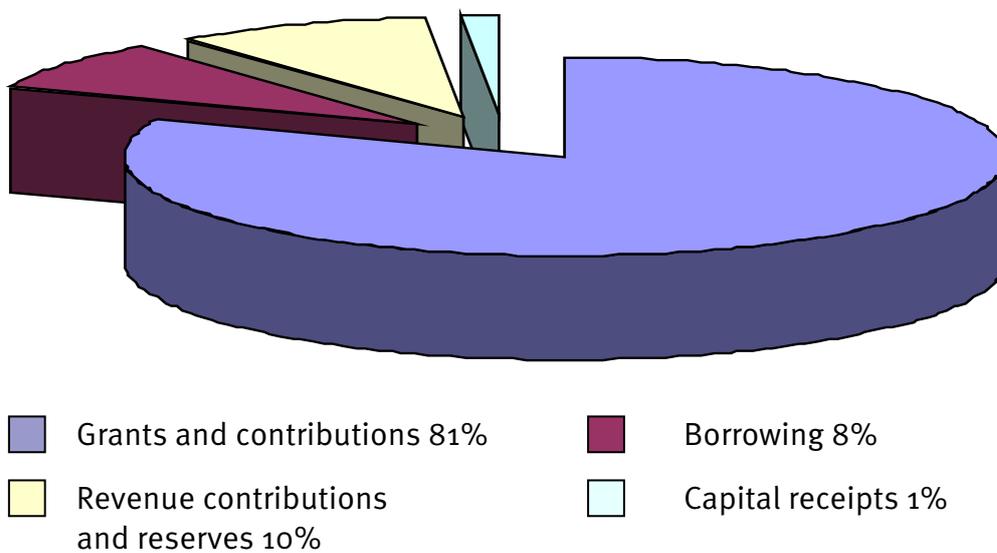
## Capital Income and Expenditure

As well as the day-to-day running costs, we also spend money on buying and improving the Council's assets, land, property, and roads. This is called capital spending and we have to account for this separately from the running of day-to-day services. During 2010/11, the Council spent £73.02 million on capital projects, which was funded by grants, borrowing, capital receipts and revenue contributions.

Capital spending (what we spent the money on)	£ million
Land and buildings	38.99
Roads and infrastructure	16.68
Capital grants	4.76
Vehicles, plant and equipment	3.58
Other (including assets under construction)	9.01
<b>Total Expenditure</b>	<b>73.02</b>



Financed by (How did we pay for it?)	£ million
Grants and contributions – mainly from Government	59.13
Borrowing	6.02
Revenue contributions and reserves	6.87
Capital receipts	1.00
<b>Total Financing</b>	<b>73.02</b>



The following are examples of major Capital Scheme investment during 2010/11:

- New Bexhill High School – a scheme classified under Building Schools for the Future (BSF);
- Bexhill to Hastings link road studies;
- Highway maintenance;
- New Archive and Records office;
- Warwick House – a new day-care and library in Seaford;
- Building maintenance programme.

## Simplified Balance Sheet

The balance sheet shows how much the Council is worth at the end of each financial year. It sets out the value of its assets, how much the Council owes, and the amount held in reserves:

<b>What the Council owns and owed</b>	<b>£ million</b>
<b>What we own:</b>	
Land, infrastructures, buildings and other property	909.73
Cash and Investments	222.30
Amount owned to the Council	57.82
Other	5.52
	<b>1,195.37</b>
<b>What we owe:</b>	
Amount owed by the Council	(83.19)
Borrowing	(241.26)
Pension Liability	(227.87)
Other	(97.08)
	<b>(649.40)</b>
<b>Net value of what we own</b>	<b>545.97</b>
<b>Represented by:</b>	
Usable reserves (incl. Schools)	212.51
Unusable reserves	333.46
<b>Net worth</b>	<b>545.97</b>

## Cash Flow

During the year, approximately £1 billion of cash flowed in and out of the Council's bank accounts:

Cash flow	£ million
Net cash overdrawn at 1 April 2010	(32.48)
Cash in during the year	(949.86)
Cash out during the year	951.39
<b>Net cash overdrawn at 31 March 2011</b>	<b>(30.95)</b>

As with all our financial statements, the cash flow position is a snapshot in time, with the position changing daily. The council has an excellent record of managing cash effectively.

## Schools

Local authorities are given a Dedicated Schools Grant (DSG) to be ring-fenced for schools and pupil related costs. This grant has to be kept separate from the County Balances.

The total amount of Dedicated School Grant received in 2010/11 was £275.98m, which was supplemented by a County Council contribution to the School budget of £2.92m. In addition, there was carry forward of the previous years underspend of £1.36m giving a total income of £280.26m. The actual amount spent was £276.55m. The School budget underspend of £3.71m will be carried forward and spent in 2011/12.



## Pension Fund

The County Council administers the fund from which pensions are paid to former employees of the County Council, Brighton and Hove City Council, Borough and District Councils in East Sussex and certain other bodies. Separate pension arrangements are made for teachers and fire fighters. The Fund is managed under the direction of the Pension Fund Investment Panel, which comprises three members of the County Council, two members of Brighton and Hove City Council, a nominee of the East Sussex Borough and District Councils and a staff representative (appointed by Unison, the public sector union).

The pension scheme is financed by contributions from employees and employers, together with income and proceeds from the fund's investments.

The latest actuarial valuation of the Fund was carried out as at 31 March 2010. The purpose of the triennial valuation is to calculate the contribution rates required to be made by each employer participating in the Fund, which together with investment growth will be sufficient to meet the Fund's future liabilities. The 2010 valuation shows the Fund has a past service deficit, being 87% funded in respect of past liabilities. This compares with 89% funded at the 2007 valuation. A recent survey of valuation results for County Council funds carried out by the Society of County Treasurers has shown that all County Council funds are in deficit. The East Sussex Pension Fund, at 87% funding, is however, one of the best funded out of the 34 County Council Funds.



## Our Carbon Reduction Commitment

The Carbon Reduction Commitment energy efficiency scheme (CRC) was introduced in April 2010. This is one of the many initiatives designed to meet the Government's commitments to reduce carbon emissions and focuses primarily on energy usage within buildings. The Council has registered for inclusion within this scheme as its energy usage exceeds the qualifying threshold. Recent changes to the scheme mean that the first year (2010/11) is a reporting year only and there are no financial implications for the current year.

In 2011/12, the second year of the scheme the Council will be required to report on its energy usage in buildings and to purchase carbon allowances at a fixed price of £12 per ton of CO<sub>2</sub>. It is estimated that based on current levels of energy usage this will cost the Council in the region of £394,000 (excluding street lighting). This has been included in financial planning. The Council as part of its commitment to reducing its carbon emissions is well advanced in its preparations to meet the requirements of this scheme. Performance in the early years of the scheme is measured on two early action metrics;

- Conversion of meters to automatic meter reading (AMR), and
- Accreditation with a recognised carbon body.

The Council began a programme of meter conversion in March 2010 and now has 82% of its electricity and 83% of its gas meters converted to AMR. In December 2010, the Council gained accreditation with the Carbon Trust for the period up to March 2012.

## Statement from the Director of Corporate Resources

This statement gives a brief overview of our performance and accounts summary for 2010/11. It summarises the day-to-day expenditure and income and highlights the changes in the financial position of the Council during the year. I hope it has helped you to get a better understanding of our finances and accounts.

As East Sussex County Council's statutory Chief Finance Officer, I can confirm that the Council's Statement of Accounts has been prepared in accordance with accounting regulations and codes of practice. Figures in this summary are compiled from the accounts using proper accounting practice.

The accounts will be audited by PKF (UK) LLP. A full copy of the audited Statement of Accounts will be available on request in October.

**Sean Nolan**

Director of Corporate Resources

## Have Your Say

In preparing its accounts, the Council has attempted to present details of its finances in a way that is accurate, that meets legal requirements and is reasonably easy to understand. However, efforts are continuing to improve the presentation of financial information.

Let us know what you think, with your views, comments, questions, or suggestions about the full Statement of Accounts, the Summary of Accounts or Council finances in general and how you feel they could be improved.

Please send your comments to:

[finance@eastsussex.gov.uk](mailto:finance@eastsussex.gov.uk)

or to:

CRD Finance  
East Sussex County Council  
PO Box 3  
County Hall  
St Anne's Crescent  
Lewes  
East Sussex  
BN7 1UE

A full version of the Statement of Accounts can be found on the council's website  
[www.eastsussex.gov.uk/finance](http://www.eastsussex.gov.uk/finance)

## Financial Terms explained

We have tried to avoid using financial terms in this leaflet, but some are inevitable - here they are explained:

### Area Based Grant

A general grant allocated directly to local authorities as additional revenue funding to support its priority areas.

### Assets

Buildings, land, vehicles and money in the bank.

### Borrowing

Money we have borrowed to pay for fixed assets and are repaying over a number of years.

### Capital expenditure

Spending on new assets, vehicles, and the refurbishment of old assets like buildings.

### Creditors

Those to whom we owe money.

### Debtors

People or organisations who owe us money.

### Depreciation

Some assets lose value as they get older; this is called depreciation.

### Dedicated Schools Grant (DSG)

A Central Government specific grant; for funding Local Authority schools spending.

### Fixed Assets

Things that will last more than one year.

### Private Finance Initiative (PFI)

Long-term contractual partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

### Reserves

Savings or money set aside for the future.

### Revenue expenditure

Spending (and income) on day to day running costs, for example, employee costs.

### Stocks

Things we have bought but have not yet used.