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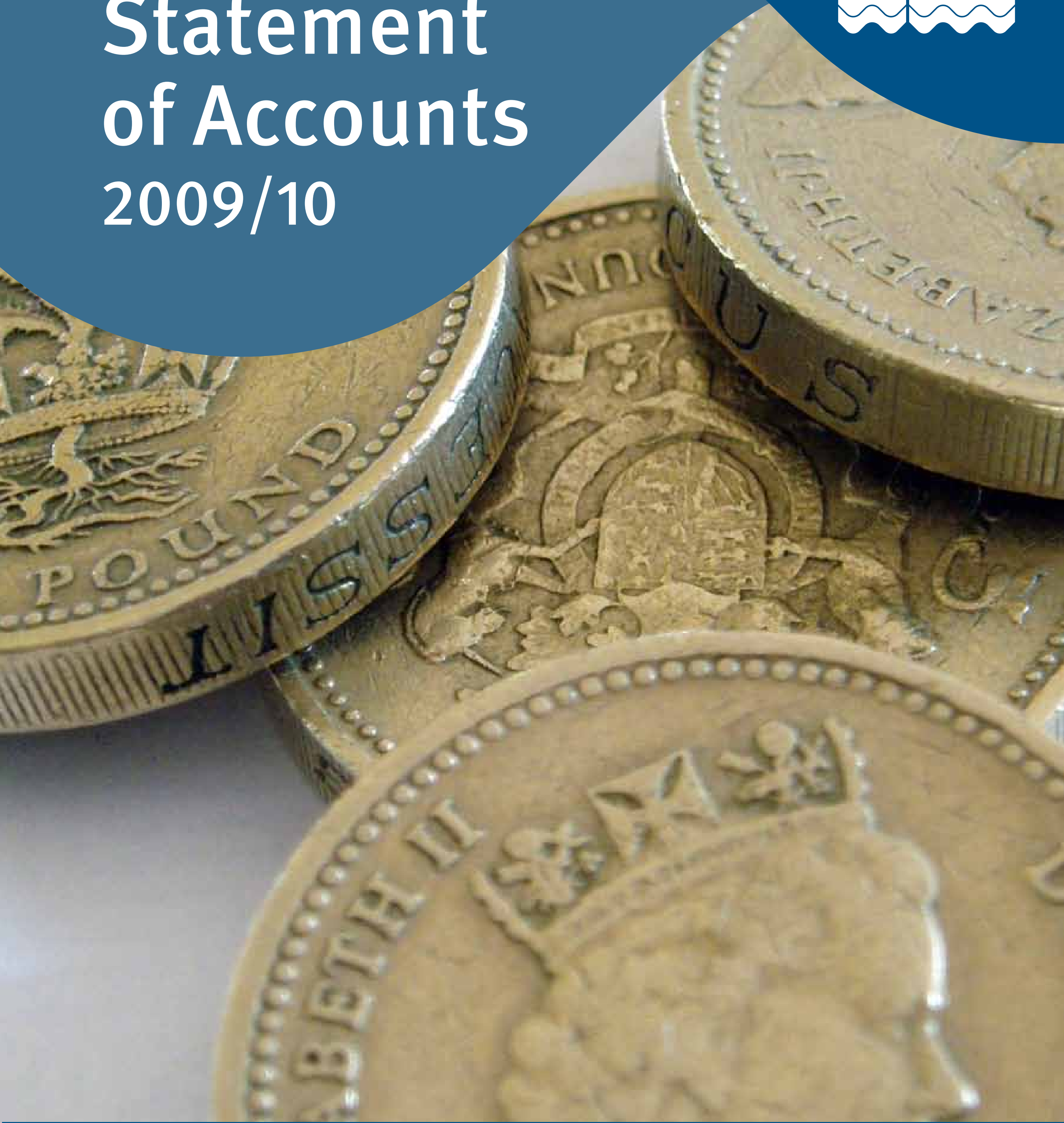
East Sussex
County Council

Statement of Accounts
2009/10



Your Council, Our promise

East Sussex County Council is an efficient, customer-focused, accountable authority working with partners and local communities to:

- make a positive difference to people's lives
- create a prosperous and safe County, and
- provide affordable, high quality services at the lowest possible Council Tax

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Foreword by the Deputy Chief Executive and Director of Corporate Resources

Statement of Accounts

The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Statement of Recommended Practice on Local Authority Accounting, published by CIPFA (the SORP).

To make the document as useful as possible to its audience and make meaningful comparisons between authorities the SORP requires:

- All Statements of Accounts to reflect a consistent presentation
- Interpretation and explanation of the Statement of Accounts to be provided
- The Statement of Accounts and supporting notes to be written in plain language

This Statement of Accounts comprises various sections and statements, which are briefly explained below:

- Foreword - this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2009/10.
- The Statement of Responsibilities – this details the responsibilities of the Council and the Deputy Chief Executive and Director of Corporate Resources concerning the Council's financial affairs and the actual Statement of Accounts.
- The Independent Auditor's Report to the Council – this is provided by the external auditors, PKF (UK) LLP following the completion of the annual audit.
- Annual Governance Statement -– the Authority is required to carry out an annual review of the effectiveness of the system of internal control and to include a status report with the Statement of Accounts. The Statement explains how the Council has complied with the Code of Corporate Governance during 2009/10. However, any significant events or developments that occur between 31 March 2010 and the date on which the Statement of Accounts is signed by the Deputy Chief Executive and Director of Corporate Resources must also be reported.
- The Statement of Accounting Policies – this statement explains the basis for the recognition, measurement and disclosure of transactions in the accounts.
- The Statement Reporting Reviews of Internal Financial Controls – this explains the specific financial framework which underpins maintaining and developing excellence in financial management.
- The Core Accounting Statements, comprise:

  ~ The Income and Expenditure Account – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to switch particular expenditure to be met from capital resources.
  ~ The Statement of Movement on County Balances – this provides a reconciliation showing how the balance of resources generated/consumed in the year links to the Balance Sheet.
  ~ The County Fund Balance Sheet – like the Income and Expenditure Account this is also fundamental to the understanding of the Council's financial position as at 31 March 2010. It shows the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held, it includes long term liabilities and the balances and reserves at the Council's disposal.
  ~ The Statement of Total Recognised Gains and Losses – this demonstrates how the movement in total equity in the Balance Sheet between years is linked to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
  ~ The Cash Flow Statement – this summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- The Notes to the Accounting Statements provide supporting and explanatory information.
- The Pension Fund Accounts – the East Sussex Pension Fund is administered by the Council; however, the Pension Fund has to be completely separate from the Council's own finances. This statement is an extract from the Pension Fund Annual Report and summarises the financial position of the East Sussex Pension Fund, including all income and expenditure for 2009/10 and assets and liabilities as at 31 March 2010.
- A glossary to the Statement of Accounts is also included to help to make, what is ultimately a very technical accounting document, more understandable to the reader.

Changes to accounting policies

The Statement of Recommended Practice (SORP) 2009 has introduced some required changes to local authority financial statements.

The most substantive changes introduced into the 2009 SORP include-

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts (see page 3 for further details).

- Accounting for local taxes has been revised to ensure that the major preceptor, i.e. the County Council, fully reflects in the Balance Sheet the outstanding share of council tax debts due from the collection funds which are managed by District Councils.
- A new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees is in the note accompanying the Statement of Accounts.

Other changes in 2009/10 include:

- Three disclosure notes have been removed as a requirement of the 2009 SORP (but can be voluntarily disclosed if considered to be appropriate to local circumstances) : –
  - Section 137 expenditure
  - Publicity Expenditure
  - Income under the Local Authorities Good and Services Act
- Application of FRS 2 & FRS 9 when accounting for investments in associates, subsidiaries and joint ventures.
- Long term liabilities due to be settled within 12 months after the balance sheet date are to be presented in current liabilities.
- Audit & Audit Regulations - 'true and fair' to replace 'present fairly'

Private Finance Initiative (PFI) schemes

The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The requirements are based on International Financial Reporting Interpretation Committee (IFRIC) 12 Service Concession Arrangements, and it is consistent with the approach adopted by the Government's IFRS-based Financial Reporting Manual (FReM). As well as contracts entered into from 1 April 2009, the requirements apply in respect of PFI and similar contracts existing at 31 March 2009.

In 2009/10 the Council adopted IFRIC 12 Service Concession Arrangements. The Council was required to assess each PFI contract against two key tests:

- Does the council control or regulate the services the PFI contractor provides, to whom it provides them, the price payable and the location.
- Does the council control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the assets at the end of the PFI contract.

The outcome of the assessment confirmed that for each PFI contract the Council should recognise both the assets (i.e., building) and the liability (i.e., the amount due to the PFI contractor for the provision of new assets) on its Balance Sheet. The changes required include:

a. the recognition of assets transferred to the PFI contractor under the contract at the time the contract was entered into;
b. the recognition of the cost of any new assets acquired or constructed by the PFI contractor under PFI contracts;
c. the liability created by the PFI contract being the amounts due from the Council to the PFI contractor for new assets;
d. the de-recognition of certain assets (such as the prepayment) that are no longer appropriate under IFRS.

The adoption of IRIC 12 – Service Concession in relation to PFIs has lead to the inclusion of fixed assets in the Council's Balance Sheet to the value of £46.3m (Waste PFI £26.2m, and Schools PFI £20.1m) in 2009/10. See note 38 to the core financial statements for more details.

Financial Report

This section of the Statement of Accounts for 2009/10 sets out:
• The construction of the original budget for 2009/10.
• The final outturn for 2009/10.

Setting the Revenue Budget for 2009/10 – the draft budget strategy
The County Council has developed policy steers which set out key priorities. The process used by the County Council to bring together the three elements of policy, priority and finance is known as the Reconciling Policy and Resources Process. This approach has been commended by the Audit Commission and is used as an example of good practice.

Work started on developing the draft budget strategy for 2009/10 during the summer of 2008. This involved officers and Cabinet Members together looking at overall Council expenditure by:

[1] Reviewing and updating the forecast of likely resources for the period 2009/10 to 2012/13.
[2] Each Directorate reviewing its budgets. In order to ensure council tax remained at a supportable level there was a strong focus on identifying areas for making savings alongside recognition where spend pressures were acute.
[3] Updating the Medium Term Financial Plan with the most up to date details of service pressures and growth proposals.

Foreword by the Deputy Chief Executive and Director of Corporate Resources

During the autumn of 2008 each Portfolio Holder and Director met with the Lead Member for Resources and the Deputy Chief Executive and Director of Corporate Resources to review the spend pressures and savings proposals and hence to properly reconcile policy with available resources. The expenditure proposals were prioritised and revised and then incorporated within the draft Budget Strategy.

Partner Consultation on expenditure priorities
As with previous years, the Council welcomed contributions in setting the budget and priorities for the year ahead. A consultation meeting took place in November 2008, where members of Cabinet and the Chief Officer Management Team shared with partners from the East Sussex Strategic Partnership the challenges and opportunities of the coming years and listened to views on the Council's priorities and budget proposals.

The following priorities were identified at the consultation meeting:

- The need for East Sussex County Council (ESCC) and its partners to work together to gather and share intelligence to tackle the changing economic climate. Support for local businesses and the local workforce was highlighted as key;
- The increased importance of partners sharing services in a bid to improve services and deliver efficiencies;
- Support for the elderly population of East Sussex to access the right services to meet their needs; and
- Climate change.

Resident Consultations on expenditure priorities
Throughout the summer of 2008 East Sussex residents were also asked for their priorities to help us set the budget for 2009/10. Through the East Sussex Residents' Panel (a consultative group made up of a representative cross-section of 1,900 East Sussex residents) and the Place Survey, residents highlighted the following priorities:

- Street cleanliness;
- Levels of crime;
- Traffic congestion;
- Activities for teenagers; and
- Road and pavement repairs.

The budget proposals presented to Cabinet in January 2009 allocated additional resources to most of these priorities.

Income
Our revenue budget income comes from these principal sources:

- From Government - Revenue Support grant (RSG), Area Based grant and Specific grants (attributed directly to services)
- From Residents – Council tax
- From Business – Non-Domestic rates (collected nationally and used to fund RSG)
- From Goods and Services – receipts from service users

The Government undertook a Comprehensive Spending Review in 2007 and 2009/10 was the second year of a three year settlement. Consequently, there was a degree of certainty as to the outcome of the amount of formula grant due for 2009/10. We were therefore able to plan our 2009/10 budget based on a good estimate of available income from Government. The increase in general revenue grants for the County Council in the 2009/10 Settlement was 3.3%, which was the same as our planning assumption and amounted to an increase of £3.1m. The new non-ring fenced general grant introduced by Government (last year) and known as the Area Based Grant (ABG) was created by the transfer of existing specific grants. ABG differs from Revenue Support Grant (RSG) in terms of allocation methodology; RSG is allocated through the "Four Block Model" whilst ABG is allocated using specific policy criteria.

For residents the increase in the council tax for 2009/10 was 3.5% (2008/09 3.9%) which was consistent with the published strategy of reducing the annual increase in tax.

Setting the Revenue Budget for 2009/10 – the final budget strategy
The final budget strategy was presented to Council in February 2009. Overall, the budget set for 2009/10 targeted growth to our priority service areas, and identified savings from our efficiencies with marginal appropriations from balances.

In setting the budget for 2009/10 the County faced cost increases of £19.4m just to maintain service levels. After allowing for the general grant increase of £3.1m and planned increase in council tax, the net cash increase available for services amounted to £12m. Thus, savings of £7.4m were required to balance the budget.

The key steps that we took to make savings included:

- We reduced administration and procured services more cost effectively from our suppliers.
- We made inflationary increases available only for priority services.
- We made careful use of all our specific grant funding and targeted priority services.
- We managed our money prudently which contributed to interest earned on cash balances.
- We minimised the cost of borrowing to fund our capital programme.

The key assumptions used were as follows:

Expenditure

- 2% for pay awards (with 2.3% for teachers).
- 2% for price inflation.

Income

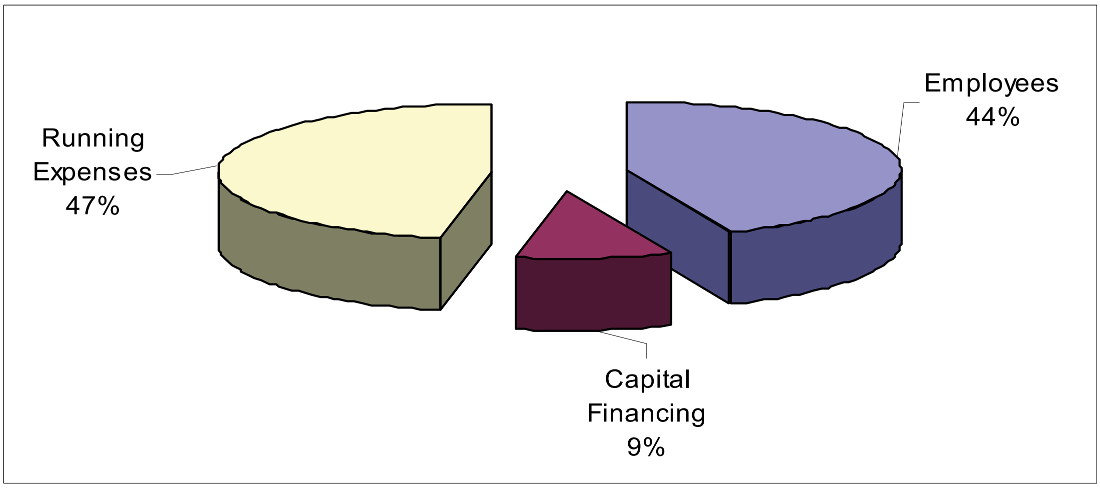
- A 3.3% increase in general revenue grant.
- Projections of 3.6% for Dedicated Schools Grant (DSG) from the Department for Education adjusted for local pupil number projections.
- A 3.5% increase in Council Tax.
- A small collection fund surplus (non-domestic rates)

So how much was spent on the revenue account

The Income and Expenditure Account at page 26 shows how the County Council money is spent and where the money comes from, as summarised in the charts below.

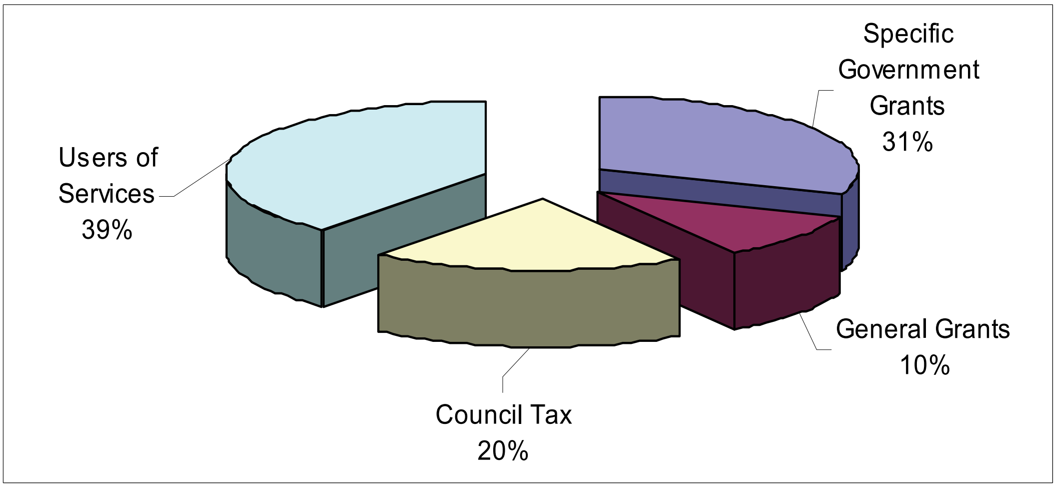
In total our net revenue expenditure was £353.3m. The chart below presents a full break down of how the money was spent:

What the money was spent on



County Council services are staff intensive and employee costs account for 44% (43% in 2008/09) of the expenditure. Running expenses including costs of premises, transport, supplies, services and third party payments account for just under half of all costs at 47% (51% in 2008/09), capital financing (the cost of borrowing, interest and repayments) and accounting for on-going PFI within the ESCC Balance Sheet took the remaining 9% (6%in 2008/09).

Where the money came from



The chart shows that 31% of our income came from specific government grant (31% in 2008/09), 20% of our income came from residents through the council tax (20% in 2008/09), 10% of our income came from business through the non-domestic rates (11% in 2008/09), and 39% of our income came from users of our services (38% in 2008/09).

Analysis of the Revenue Budget

The table below sets out the revenue budget for 2009/10 using the standard management reporting format and how these compare with outturn:

Departments	Current Estimate £m	Actual Outturn £m	Variation £m	Variation %
Adult Social Care	158.6	158.5	0.1	0.1
Chief Executive	20.7	20.3	0.4	1.9
Children's Services	95.4	94.4	1.0	1.0
Corporate Resources	14.5	13.8	0.7	4.8
Transport & Environment	70.9	69.2	1.7	2.4
Service Spend (Ex DSG Related)	360.1	356.2	3.9	
DSG Related (i.e. Schools)	-	(1.3)	1.3	
Treasury Management, etc.	(7.0)	(7.7)	0.7	
	353.1	347.2	5.9	
Transfers to / (from):				
Income from the Collection Fund	-	0.0		
Income from Local Authority Business Growth Incentives	-	0.2		
Transfers to / (from) Carry Forward Reserve, etc.	-	5.9		
Net Budget Requirement	**353.1**	**353.3**		
Financed from				
Revenue Support Grant	18.1	18.1		
Non-Domestic Rates	78.6	78.6		
Council Tax	231.1	231.1		
Adjustments for earlier years	0.2	0.2		
Area Based Grant	25.1	25.1		
Business Growth Incentive Scheme grant	-	0.2		
	353.1	**353.3**		
Balances				
Opening	7.1	7.5		
Change during year	(0.1)	0.0		
Closing	**7.0**	**7.5**		

Careful monitoring of budgets during the year has ensured that service pressure areas have been identified early and action taken by directorates to manage potential variations within their cash limited budgets.

The table shows actual spending of £347.2m during 2009/10, based on the total cost of providing services including charges for support services, and use of assets. The current estimate of service spending for the year was £360.1m, with a Net Budget Requirement of £353.1m. Total actual expenditure was 1.08% below the current estimate of £360.1m.

The overall service underspend of £3.9m against directorates' budgets represents just 0.4% of the original gross budget of £876m. This excludes the effect of below the line items, whose impact is addressed through general balances. Under the Council's Standard Financial Procedures, over and underspends for directorates and schools have been carried forward to 2010/11.

The County Council's general balance of £7.5m at the year end is in line with the target minimum level of 2.25% of the net revenue budget set by the County Council.

In the budget for 2009/10 a reduction in interest receipts of some £1.8m was provided within the Treasury Management budget and a buffer reserve of £3.0m was set up for losses beyond that sum. Due to careful management not all of the reserve was needed for interest receipt losses and it was possible to reallocate £1.2m to other one-off future priorities.

The financial statements also set out details of the County Council's earmarked reserves which are another essential tool to manage risk exposure and smooth the impact of major costs. The largest reserves relate to future exposure under the joint waste PFI contract, insurance (where the County Council self-insures some risks), the capital programme reserve which helps finance the County Council's capital programme and the budget reserve which is the mechanism for carrying forward previous years underspends.

The analysis of revenue expenditure provided is for budgetary comparison purposed and does not agree directly to the analysis of expenditure contained in the Income and Expenditure Account. The disparity arises because the Income & Expenditure Account is presented in a prescribed Best Value Accounting Code of Practice (BVACOP) format, based on standard accounting practices, which facilitate direct comparisons with other local authorities. For example, for external reporting purposes, the Income & Expenditure Account includes gains and losses on the sale of fixed assets. The differences in presentation and convention may significantly affect the reported cost of services, but it has no effect on the total reported expenditure of the County Council.

The Capital Programme

The Government removed the capital controls on borrowing and credit arrangements from 2004/05 and replaced them with a Prudential Code under which each Council determines its own affordable level of borrowing. This strategy, which includes the Authorised Borrowing Limit and prudential indicators for the Council is approved through our annual Treasury Strategy report to Council. As at 31 March 2010 prudential borrowing of £241.3m had been used which is £98m under the authorised limit for 2009/10.

The Council can fund its capital expenditure from several sources, each with its own advantages and limitations. The main source of funding remains borrowing, most of which is for schools and for highways and transportation schemes. For each service area, capital bids for new projects are made in accordance with a plan, framework and timetable.

In 2009/10 the County Council's gross expenditure was £86.7m (£32.4m net of external funding) on its roads, schools, and other capital projects.

The original budget at the start of the year was £99.9m. Any budget not spent in the previous year due to project delays is brought forward at the start of the year and added to this amount. In September each year, the complete programme is subject to thorough review (mid term review) and is submitted to Cabinet for approval. This forms the revised estimate against which all post September monitoring takes place. The programme is also revised through formal approved variations as better information becomes available and further external funding is secured. The final revised budget for the year was £93.3m, of which £58.3m was supported by scheme specific resources giving a net provision of £35.0m.

The underspend of £2.6m (compared to the revised net provision of £35.0m) is represented by expenditure in advance of 2010/11 budgets of £1.1m, offset by scheme delays (slippage) of £3.8m and a net overspend of £0.1m.

The larger schemes during the year included the Adult Social Care Milton Grange project, structural maintenance of roads throughout the county, Bexhill and Hastings Link Road, Bexhill High School, Next Generation Network and many other improvements to schools and roads.

During 2010/11 the County Council plans to invest £171.3m, which will be funded as follows:

	£m
Borrowing	26.5
Capital grants and contributions	133.9
Capital receipts	1.0
Capital programme reserve	7.6
Revenue contributions	2.3
Total resources	171.3

A reduction in capital grant is expected to be announced in 2010/11 linked to the new coalition government austerity drive. No new borrowing was undertaken in 2009/10 and in February 2010 a further £23m of debt was repaid which should provide savings in future years. Internal borrowing and the repayment of existing debt has been possible due to a small number of significant cash-backed earmarked reserves where it is known the cash will not be required in the short-term – notably the corporate waste reserve.

East Sussex Pension Fund

During the year to 31 March 2010 the overall increase in the Fund due to the upturn in equity and other markets was estimated to be 36.0% compared to the average estimated increase in Local Authority funds of 34.9%.

In line with the accounting standard FRS 17, the County Council's net liability for future pension payments, as shown in the Balance Sheet, has increased from £262.6m at the start of the year to £515.9m at 31 March 2010. Note 6 to the accounting statements provide detailed information.

The explanations for this significant change are as follows:

- In assessing liabilities for retirement benefits at 31 March 2009, the actuary assumed a discount rate of 3.7% real (6.9% nominal), which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2010, the actuary has advised that a rate of 1.6% real (5.5% nominal) is appropriate. All other things being equal, the change in the real discount rate over the year (together with a small experience loss) has resulted in an increase in liabilities measured at today's prices of £370m, included in the actuarial loss recognised for the year in the Statement of Total Recognised Gains and Losses.
- The Council witnessed significant deterioration (similar to vast majority of other employers) in the FRS 17 balance sheet this year, with FRS 17 deficits larger in monetary terms than last year. A fall in the real discount rate over the year has had an adverse effect and has outweighed the positive return on assets. Further, a strengthening of the post retirement mortality assumptions serves to increase liabilities further. The prices movement in the FRS 17 position is the overall result of a combination of factors.

Treasury Management Borrowing Facilities and Investments

The strategy for 2009/10, agreed in January 2009 was set against a background of market uncertainty and an extremely prudent approach was taken with nearly all investments on an overnight basis (on call). The changes in the strategy during the current financial year have increased flexibility by increasing the maximum limit to be lent to the counterparties that the County Council already invest with (the highest rated banks) and the period of investment has been increased to three months.

The current strategy agreed by Cabinet and as approved by subsequent full Council meetings is:-

- In the current economic climate it is essential that a very prudent approach is maintained. This will be primarily achieved through investing for up to a period of three months with selected banks and funds which meet the Council's rating criteria.
- It is also important to recognise that movements within the money markets can happen with no notice and the Deputy Chief Executive and Director of Corporate Resources may have to amend this strategy in order to safeguard Council funds. As in the past any such actions will be reported to the next Cabinet meeting. An example of that is exercising a judgement to place more weight on UK Government's moral guarantee to high street banks if there are marginal movements in credit rating for the same high street banks.
- No new external borrowing was undertaken during the year, however the limits set out in the original strategy would allow such borrowing. External borrowing will only take place if the rates available are so low that the long term benefits will significantly exceed the short term cost.
- As well as using internal borrowing to finance new capital investment some £23m of existing PWLB loans were repaid in February 2010. Further cost effective repayment opportunities will be taken if and when they emerge.
- The different elements of the total cash balances to be invested are dealt with as follows:
    a. Fire Authority – invested in line with own specific policy
    b. Specific Council reserves – will not be separate for investment purposes.

  <u>Up to a maximum of £60m deposited up to a period of one year</u> with any of the following: -

Bank / Fund
Barclays
Lloyds HBOS
Nat West/RBS
Santander (ex Abbey National)
HSBC
Nationwide
Individual Treasury Type Money Market Funds (AAA rated)
Individual Cash Type Money Market Funds (AAA rated)

Only banks which are eligible for the Government's Credit Guarantee Scheme AND meet the following minimum rating criteria for at least two of the designated agencies to be used.

Ratings Agency	Long Term	Short Term
Fitch	AA-	F1+
Moody	AA3	P-1
Standards and Poors	AA-	A-1+

The policy retains the ability to revert to some, or even extensive use of the Government's Debt Management Account Deposit Facility (DMADF) if market risk conditions tighten.

Foreword by the Deputy Chief Executive and Director of Corporate Resources

Issues arising during 2009-10

~ National Overview

Following the collapse of the financial markets in the previous year, 2009/10 started with the economy in deep recession. Bank base rate had reduced from 2% to 0.5% between January and March 2009 and remained at 0.5% for the whole of 2009/10. Inflation, as measured by RPI, was negative in March 2009 and remained negative until November 2009.

In line with other world economies the UK Government increased borrowing on a substantial scale.
Public sector net debt, expressed as a percentage of gross domestic product (GDP), was 62.0% at the end of March 2010 compared with 52.9% at end of March 2009. Net debt was £890.0 billion at the end of March 2010 compared with £742.3 billion a year earlier.
By the third quarter of 2009 the bulk of the world's developed economies had pulled out of recession. In the UK however, the economy was reported as contracting at the fastest rates since the early 1980's and the sustained UK recession impact will be marked for public finances.

~ Local Matters

The difficult state of public finances nationally means that the public sector as a whole must find significant cost savings to help bring down public debt to a manageable level. Local government is already the most efficient part of the public sector and we have entered an era where even more innovative solutions are required. Greater sharing of resources, people and capital equipment between local authorities is vital to meet efficiency savings and we are working with partner authorities in the south east to ensure this is achieved.

The County Council elections were held in June 2009 and in East Sussex the Conservatives maintained their majority winning 29 of the 49 seats.

2010-11 and beyond

Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. IFRS are International Financial Reporting Standards, and are accounting standards issued by the International Accounting Standards Board (IASB). Following the Financial Statement and Budget report, published in March 2007, CIPFA/LASAAC considered the transition to IFRS for local government and welcomes the adoption of or move to IFRS, as it reinforces the drive to improve financial reporting and enhance accountability for public money.

The requirement to prepare the County Council's Statement of Accounts using IFRS is mandatory and will apply to Local Government from 2010/11 accounts. There will also be a need to restate the 2009/10 accounts on the same basis for comparison purposes. CIPFA has issued the 2010/11 IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom, which will be a new governance framework of the Code of Practice on Local Authority Accounting.

Following the general election on 6 May 2010, the new coalition government has announced intentions to make rapid cuts in public spending. The detailed implications for local government and the impact on withdrawal of grants for services are presently being analysed.

~Carbon Footprint

One of the County Council's corporate objectives is a long-standing Policy Steer for "Effective energy management as a contribution to addressing global warming". This is manifested in the County Council's investment decisions and the way buildings are managed and also anticipates the Carbon Reduction Commitment which came into force from 1 April 2010. Initiatives during 2009/10 include:

- an invest to save programme for energy saving measures to Council buildings of nearly £1.2 million over the next four years, part funded by the Carbon Trust's SALIX fund
- provision of £0.35m each year for five years to incorporate sustainable design features in new construction projects
- Commencement of the installation of Automated Meter Reading equipment in all buildings.

The Council's Stewardship, Responsibilities and Financial Management Polices

The County Council deals with considerable sums of public money. The Council's Financial Regulations provide the framework within which financial control is operated. To conduct its business efficiently, a Council needs to ensure that it has sound financial management and procedures in place and that they are strictly adhered to. Strict compliance with these policies ensures that the Council's policy objectives are pursued in a prudent and efficient way. These Financial Regulations provide clarity about the accountabilities of individuals – Cabinet; Members; the Chief Executive; the Monitoring Officer; the Chief Finance Officer (The Deputy Chief Executive and Director of Corporate Resources) and Service Directors.

The present policies provide for:
• The cash limiting of budgets.
• The allocation of pay and price contingencies at the start of the year with no further supplements.
• All variations to be met by directorates from existing budgets.
• The carry forward of any over or underspends at the year end.

Foreword by the Deputy Chief Executive and Director of Corporate Resources

There are five key areas covered by the Financial Regulations.
These are:

1. General financial management and planning
2. Accounting and audit arrangements
3. Control of resources (finances, staffing, systems and contracts)
4. Banking, treasury, investment and insurance
5. External arrangements.

These Financial Regulations link with other internal regulatory documents forming part of the County Council's Constitution, including Standing Orders, Standard financial procedures and departmental guidance and procedures. This Statement of Accounts is part of that stewardship process, part of the process for being publicly accountable for public money.

The responsibilities of the County Council and its designated Chief Finance Officer, who is the Deputy Chief Executive and Director of Corporate Resources, is set out in the Constitution.

The Annual Governance Statement which is included in this Statement of Accounts covers more than just financial matters and is set out in full on pages 16 to17, complemented by the Statement Reporting Reviews of Financial Controls.

Through the Council Plan and Reconciling Policy and Resources Process the Council takes a long term view of its strategic aims, priorities for improvement, service targets and the allocations of resources to meet targets. This approach has helped bring about a number of improvements in our financial management:

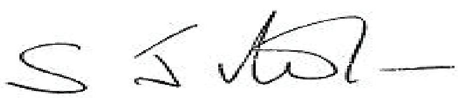
- There is a close connection between the determination of service delivery priorities, as identified within our corporate aims and priorities for improvement, and our budget setting.
- Budgeting is more strategically focused.
- Changes in service delivery can be planned over a longer period.
- The focus is on medium term changes.
- It allows integration of revenue and capital planning.
- Consultation processes are more meaningful.

Our financial framework relies upon the quality of the financial systems of the County Council. There is a commitment continually to improve systems to ensure that budget holders receive information in the form and at the time they require and that key financial processes are managed efficiently and economically.

The Audit Opinion

The 2009/10 Audit Opinion and Certificate is available on pages 13 to 15.

In addition we have established a high reputation for the way that resources are managed. Previous external assessments had rated the Council 4 out of 4 in the Comprehensive Performance Assessment (CPA) for its Use of Resources. The CPA regime was replaced in 2009/10 by the Comprehensive Area Assessment (CAA) comprising an area assessment and an organisational assessment. Under this harder test the County Council scored 3 out of 4 in the overall organisational assessment including 3 out of 4 (performing well) in the Use of Resources element. It is worth adding that no County Council scored higher than 3 out of 4 and out of 391 Authorities assessed under this new regime only 1% scored 4 out of 4. (*Note: The new coalition government has announced the abolition of CAA from 2010/11, including the removal of the assessments of 'Use of Resources' and 'Managing Performance', however it is believed that a form of external judgment of Councils' accounts will need to continue).*

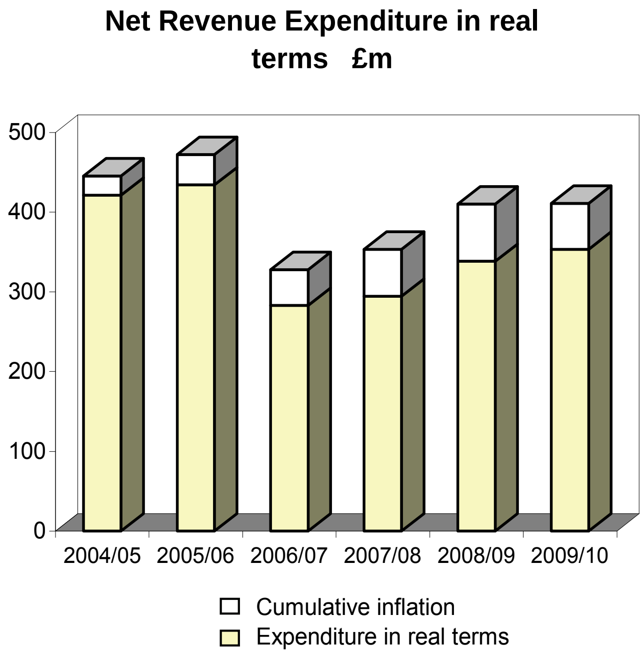


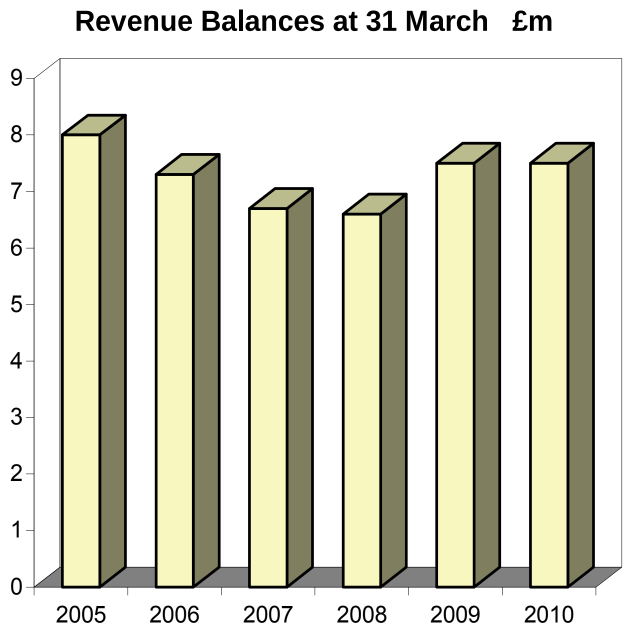
Sean Nolan

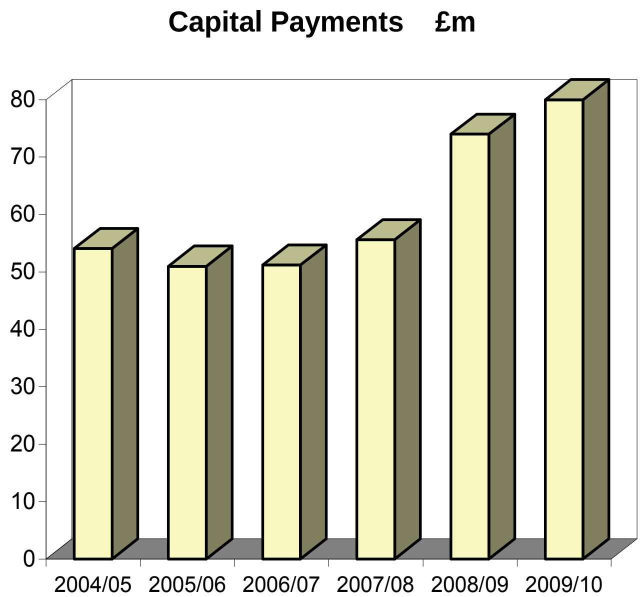
Deputy Chief Executive and Director of Corporate Resources

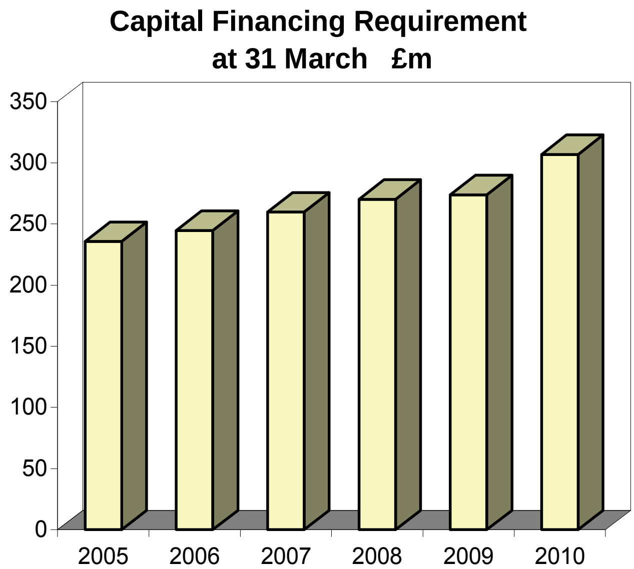
8 June 2010.

Trends


Net Revenue Expenditure in real terms £m
500
400
300
200
100
0
2004/05
2005/06
2006/07
2007/08
2008/09
2009/10
Cumulative inflation
Expenditure in real terms


Revenue Balances at 31 March £m
9
8
7
6
5
4
3
2
1
0
2005
2006
2007
2008
2009
2010


Capital Payments £m
80
70
60
50
40
30
20
10
0
2004/05
2005/06
2006/07
2007/08
2008/09
2009/10


Capital Financing Requirement at 31 March £m
350
300
250
200
150
100
50
0
2005
2006
2007
2008
2009
2010

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive and Director of Corporate Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts, which include the accounting statements for East Sussex Pension Fund.

The Responsibilities of the Deputy Chief Executive and Director of Corporate Resources

The Deputy Chief Executive and Director of Corporate Resources is responsible for the preparation of the authority's statement of accounts which, in terms of the Chartered Institute of Public Finance and Accountancy/Local Authorities (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to provide a true and fair view of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

In preparing this statement of accounts the Deputy Chief Executive and Director of Corporate Resources has:

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

The Deputy Chief Executive and Director of Corporate Resources has also:

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

Sean Nolan

Deputy Chief Executive and Director of Corporate Resources
8 June 2010

Signature of the County Councillor presiding at the meeting at which the accounts were approved:

Peter Jones

Leader and Chairman of the Governance Committee
8 June 2010

Re-approved by the Governance Committee on 3 September 2010.

Signature of the County Councillor presiding at the meeting at which the accounts were re-approved:

Tony Reid

Deputy Leader and Presiding Chairman of the Governance Committee
3 September 2010

Independent auditors' report to the Members of East Sussex County Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of East Sussex County Council ("the Authority") for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the County Fund Balance, the County Fund Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of East Sussex County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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

The Deputy Chief Executive and Director of Corporate Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

We review whether the Annual Governance Statement reflects compliance with "Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the accounting statements. We are not required to consider, nor have we considered, whether the Annual Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority's accounting statement, and consider whether it is consistent with the audited Authority's accounting statement. This other information comprises the Foreword, Trends, Statements Reporting Reviews of Internal Financial Controls and the Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the Authority accounting statement. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Independent Auditors’ Report to East Sussex County Council

Opinion on the East Sussex Pension Fund accounting statements

We have audited the East Sussex Pension Fund (“the pension fund”) accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of East Sussex County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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

The Deputy Chief Executive and Director of Corporate Resources’ responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Foreword, the Introduction and the Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Pension Fund’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements.

Opinion

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, East Sussex County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Richard Bint
Partner, on behalf of PKF (UK) LLP
London, UK

3 September 2010

1. Scope of responsibility

East Sussex County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of the County Council's affairs, the effective exercise of its functions, the management of risk and the stewardship of the resources at its disposal. To this end, East Sussex County Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code is on our website at www.eastsussexcc.gov.uk or can be obtained from the Council's Monitoring Officer. This statement sets out how the County Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 (as amended) by the Accounts and Audit Regulations 2006 (Amendment) (England) in relation to the publication of a statement on internal control.

2. Purpose of the governance framework

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Our governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Through effective governance the Council is accountable to, engages with and, where appropriate, leads the community.

The Code of Corporate Governance can provide only reasonable and not absolute assurance that the Council achieves its aim of good governance. Equally the County Council's system of internal control is designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage those risks efficiently, effectively and economically. It cannot eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance that our policies, aims and objectives are achieved.

The Local Code of Corporate Governance and the system of internal control have been in place at East Sussex County Council for the year ended 31 March 2010 and up to the date of the approval of the Statement of Accounts.

3. Review of effectiveness

East Sussex County Council reviews the effectiveness of its governance arrangements, including its system of internal control, on an ongoing basis. This review of effectiveness is informed by:

- the work of Members through the Cabinet, Committees including Governance Committee, Standards Committee, Audit and Best Value Scrutiny Committee, Scrutiny Committees generally and the full Council;
- the work of Chief Officers and managers within the Council, who have primary responsibility for the development and maintenance of the internal control environment;
- the work of the Deputy Chief Executive and Director of Corporate Resources (as Chief Financial Officer) and the Financial Management Team and the Statement Reporting Reviews of Internal Financial Controls;
- the work of the Monitoring Officer and the Corporate Governance Group;
- the annual risk management report and periodic review of strategic risks conducted by Chief Officers;
- the work of the internal audit service including their annual report and opinion;
- the external auditors in their annual audit letter and annual governance report;
- the Audit Commission's Organisational Assessment where the Council's governance, risk management and internal control arrangements are assessed as "performing well";
- the judgements of a range of external inspection and other statutory bodies including the Local Government Ombudsman, the Standards Board for England, the Care Quality Commission and the Office for Standards in Education

4. Key elements of the governance and internal control environments

The key elements that comprise the Council's governance arrangements are set out in the Local Code and they include:

- a Community Strategy and Council Plan that set out our vision for the community and the outcomes we intend to achieve;
- an established medium term planning process including the process for reconciling policy priorities with financial resources, which takes account of the need to improve both customer focus and efficiency;
- a business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- regular reporting of performance against the Council's key objectives, as set out in the Council Plan, to officers and members;
- established budgeting systems, clear budget management guidance and regular reporting of financial performance against budget forecasts to officers and members;
- financial management structures which promote ownership of financial issues within service departments;
- the Council's constitution which sets out clear arrangements for decision making, scrutiny, communication and the delegation of powers to officers and members;
- codes of conduct for members and employees which set out clear expectations for standards of behaviour;
- a clear framework for financial governance based on Contract Standing Orders, Financial Regulations and Standard Financial Procedures;

- a risk management strategy and detailed risk management framework, which takes account of both strategic and operational risks and ensures that they are appropriately managed and controlled;
- Member committees with clear responsibilities for governance, audit and standards
- established arrangements for dealing with complaints and whistle-blowing, and combating fraud and corruption;
- schemes for identifying the development needs of members and officers, supported by appropriate training;
- strategies for communication and consultation with the people of East Sussex and our key stakeholders;
- clear guidance that promotes good governance in our partnership working;
- a range of policies and processes designed to ensure best practice and legal compliance for personnel matters, Information Communications Technology (ICT) security, access to information, data protection and project management.

5. Assurance and Significant Governance Issues

No assurance can ever be absolute; however this statement seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's governance arrangements. On the basis of the review of the sources of assurance set out in this statement, we are satisfied that the County Council has in place satisfactory governance arrangements, including a satisfactory system of internal control, both of which are operating effectively.

As part of our review, we have not identified any gaps in assurance over key risks or significant governance issues.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively and meet changing legislative needs, reflect best practice and our intention to achieve excellence in all our activities. The Council has identified a number of areas where it wishes to enhance its governance arrangements, as follows:

- To review the Corporate Governance Framework to ensure that it remains up to date and reflects best practice;
- To ensure that the transition to new senior management arrangements for the Chief Executive and other senior managers including the Monitoring Officer do not have a negative impact on the effectiveness of the County Council and its governance arrangements;
- To review and update the corporate Business Continuity plan in line with BS25999;
- To apply the new Equality Framework for Local Government (EFLG) to ensure improvement against local and national indicators and compliance with legislation and to be an "Achieving" authority against the EFLG by the end of 2011/12;
- To carry out a full review of the Council's safety management arrangements, improving communication, awareness and compliance;
- To improve the level of attendance and well being of staff at work by reducing the likelihood of ill-health absences and ill-health retirement;
- To improve health & safety compliance through the development of improved managers' guidance documents;
- To develop an electronic online accident reporting system to both improve the level of accident reporting and to generate detailed accident statistics;
- To improve the Council's information governance arrangements by:
    - Making available to all staff policy, protocol and tools to enable protection of sensitive data whilst in transit (i.e. outside of their normally secure location);
    - Introducing an authentication process which will allow shared information between partner organisations by membership of the Government Connect, NHS N3 and Criminal Justice System programmes;
    - Implementing and supporting appropriate technologies to support Data in Transit Policy;
- To raise awareness of the Council's partnership working guidelines across all departments;
- To develop and publish a toolkit to promote best practice in the use of consultants;
- To co-operate with partner agencies to deliver changes in the governance arrangements for the Local Safeguarding Children's Board in line with the recommendations made in the Laming Report;
- To develop and implement processes for e-petitions and councillor call for action in line with proposals agreed by the Council in October 2009.

Actions plans are in place to address these issues, and their implementation will be monitored and reviewed during the year.

Cllr Peter Jones
Leader and Chairman of the Governance Committee
08 June 2010

Becky Shaw,
Chief Executive
8 June 2010

Statement of Accounting Policies

1. General

The Chartered Institute of Public Finance and Accountancy (CIPFA) provides legally binding guidance on local authority accounting. The Statement of Accounts summarises the County Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP). We have complied with this standard, except where noted in the paragraphs below. The accounting convention adopted for the County Council's accounts is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The accounts of the Pension Fund are also prepared in accordance with the Statement of Recommended Practice for pension funds.

2. Accounting for Assets

We record as capital expenditure all transactions that involve the purchase of new fixed assets or expenditure that adds to their value. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Otherwise individual items of vehicles and equipment are treated as capital if the value is over £20,000. If the value is less than this sum we charge it to revenue. The only exception being in respect of spending by schools from Standards Fund capital grants which in accordance with the DfE Conditions of Grant is all treated as capital expenditure in the accounts with no lower limit.

We include in the Balance Sheet all assets under the following headings: intangible assets (such as computer software), land and buildings, vehicles, plant, furniture and equipment (if it is worth more than £20,000), infrastructure assets, community assets, investment properties, assets under construction and assets held for disposal. See Note 20 for information about how we values our assets.

We charge depreciation on our assets, (except for freehold land, investment properties, assets under construction and community assets), over their expected remaining life. An additional charge is made for impairment if there has been an unusual event, such as a fire, which affects the value of an asset. An impairment charge may be reversed in a subsequent year, after the asset has been restored.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum assets are revalued 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

We update the value of our assets by recording revaluations (for land and buildings), depreciation, enhancements (capital expenditure) and disposals such as sales.

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

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

Where an impairment loss, due to a consumption of economic benefits, is charged to the Income and Expenditure Account initially but there were also accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

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.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

3. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. In some cases, this is because we capitalise expenditure on schemes such as increasing access for the disabled: such expenditure is initially added to the asset value and then revalued to negate its effect. There are other circumstances where we account for capital expenditure as revenue expenditure funded from capital under statute rather than assets. This includes expenditure on assets not owned by the County Council, capital grants and on feasibility studies for schemes that may or may not take place.

In addition, the Government may direct the County Council to treat as capital expenditure items which would normally count as revenue. These would not result in an asset or an increase to the value of existing assets and are therefore treated as revenue expenditure funded from capital under statute. The cost of revenue expenditure funded from capital under statute is immediately charged to the revenue account for the appropriate service. A corresponding reduction is made in the Statement of Movement on the County Fund Balance, so that this does not affect the overall charge to the taxpayer.

4. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation is provided for on all assets with a determinable finite life (except for investment properties, assets under construction and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use

- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

- Amortisation of intangible fixed assets attributable to the service.

This amount is reversed in the Statement of Movement on County Fund Balance, and has no impact on taxation.

5. Capital Receipts

Capital receipts (if more than the de minimis level of £10,000) from the sale of assets are held in a reserve until they are required to finance capital expenditure.

6. Grants

We account for revenue grant income in the same year as the related expenditure. Capital grant and contribution income is held in Unapplied Government Grants and Capital Contributions accounts until it is required to finance the related capital expenditure, when we transfer it to the Government Grants and Capital Contributions Deferred Accounts. The amounts which make up the Government Grants and Capital Contributions Deferred accounts are written off to individual services to offset the depreciation charge of the fixed assets funded from grants and contributions or adjusted in line with the asset accounts to which they relate.

7. Interest Charges

We show the accrued interest associated with a loan as part of the carrying value of the loan. Loans are included on the Balance Sheet at amortised cost based on the Effective Interest Rate (EIR) method.

Where no EIR calculation has been undertaken, the accrued interest will be charged to the Income and Expenditure Accounts and added to the value of the loan. This will increase the carrying value of the loan until such time the interest is paid.

8. Redemption of Debt

There is a legal requirement for the County Council to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement of at least 4% of its total debt outstanding at the start of the year or an amount calculated on a prudent basis determined by the County Council in accordance with statutory guidance. This is not a cost to the Income & Expenditure Account but is charged to the County Fund through the Statement of Movement on the County Fund Balance.

9. Debtors and Creditors

We record all material transactions on the basis of income and expenditure. In order to achieve this we account for actual or estimated debtors and creditors at the end of the year, except in two cases:

- Charges for utilities (gas, electricity and telephones) are not accrued, so long as we have paid for a full twelve months during each financial year;

- Most accounts for Trust Funds are kept on a receipts and payments basis.

Lump sum payments relating to redundancy cases are accounted for in the period when the related decision was taken.

10. Stocks and Work in Progress

We normally value stocks at the lower of cost or net realisable value, in accordance with SSAP 9 (Statement of Standard Accounting Practice – Stocks and Long Term Contracts). However, catering stocks are valued at the latest invoice price.

11. Overheads

The costs of support services are fully charged to services. Charges are based on time allocations for central departments, floor areas for administrative buildings and actual usage for computing. Some overhead charges are allocated pro-rata to gross expenditure.

There are some central costs, classified as the corporate and democratic core, which are shown under Central Services in the Income and Expenditure Account. All expenditure is classified according to CIPFA's Best Value Accounting Code of Practice.

12. Pensions

The County Council contributes to two different pension schemes that meet the needs of different groups of employees. Both schemes provide their members with defined benefits related to pay and service. The schemes are:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education.

- The Local Government Pension Scheme.

Teachers' Pensions

This scheme is administered by the Department for Education. The scheme is unfunded, but the contribution rate is determined by the Department on the basis of a notional fund. The charge to our accounts is the amount payable to the Department as the employer's contribution for the year.

Local Government Pensions

Most other employees can join the Local Government Pension Scheme. The County Council administers the pension fund for all local authorities within the geographical area of East Sussex.

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

As per FRS 17, the liabilities of the pension scheme attributable to the County Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

In assessing liabilities for retirement benefits at 31 March 2009, the actuary assumed a discount rate of 3.7% real (6.9% nominal), which is based on the rate of return at the accounting date on a high-quality corporate bond of equivalent currency and term to scheme liabilities. In assessing liabilities for retirement benefits at 31 March 2010, the actuary has advised that a rate of 1.6% real (5.5% nominal) is appropriate.

The assets of the pension fund attributable to the County Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate of fair value
- 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 Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the County Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the County Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions require the General Fund balance to be charged with the amount payable by the County Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits - The County Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) 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.

13. Investments

The investments in the County Council's accounts are shown at cost.

The County Council is of the opinion that it has no material interest in any company or other entity which would require it to produce Group Accounts alongside its own financial statements.

We show the investments held by the Pension Fund at the market (bid) quoted price. The sources of valuation are as follows:

- Where available, all assets are priced at bid (the price a dealer is prepared to pay for a security).
- Northern Trust uses a number of established vendors for pricing equities and fixed income regardless of the market the security is traded in.
- The Private Equity Investments are valued quarterly in arrears and are shown in the Net Assets Statement as Equities – Unlisted Overseas.
- Unitised funds' prices are also sourced from a number of vendors as well as the Investment Manager.
- Non-sterling priced assets are priced in the local currency and converted to sterling at the WM/Reuters 4pm foreign exchange rate.

14. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the County Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the

Income and Expenditure Account is the amount payable for the year in the loan agreement.

Where loans are replaced through restructuring, there are two distinct accounting treatments, as follow:

- *Modification* - Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

- *Substantially Different* - Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The County Council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

- *Early repayment of loans* - The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Income and Expenditure Account upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years. These provisions are effected in the Statement of Movement on the General Fund Balance, after debits and credits have been made to the Income and Expenditure Account in line with the SORP's requirements. The adjustments made in the Statement of Movement are managed via the Financial Instruments Adjustment Account.

15. Financial Assets

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

Where 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 Income and Expenditure Account.

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

16. Provisions and Reserves

We set aside provisions where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the County Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Details are given as notes to the accounting statements

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council. Details of individual reserves are given as a note to the accounting statements.

17. Pension Fund

Foreign income is translated into sterling at the exchange rate at the time of the transaction.

The expenditure of the Fund includes all valid benefit claims arising during the financial year.

18. Estimatio n Techniques

Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in Financial Reporting Standard (FRS) 18, specifically:

The qualitative characteristics of financial information:
- Relevance;
- Reliability;
- Comparability;
- Understandability;
- Materiality;

Pervasive accounting concepts:
- Accruals;
- Going concern;
- Primacy of legislative requirements.

Estimation techniques are methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques are only included in the financial statements where they are applied to items where the range of possible monetary values is so large that any different amount could be material. Where a change in estimation techniques is material the change and effect is disclosed.

The main areas where estimation techniques are used are:

- Depreciation
- Allocation of overheads to services
- Private Finance Initiative (operator's model)
- Actuarial Valuation for FRS 17 purposes

The fact that the Council has a negative Net Worth in its Balance Sheet at 31 March 2010 does not affect the Council's ability to continue as a "going concern" because the pension fund liability is to be met over a long period.

19. Contingent Assets and Liabilities

The County Council only records definite assets and liabilities in its Balance Sheet. Where income or expenditure is dependent on the result of an event such as a court case, details of material items are shown as notes to the accounting statements.

20. Prior Year Adjustments

Accounting standards require amendments to opening Balance Sheet figures and to the previous year's comparatives either for changes to accounting policies or to correct fundamental misstatements in the accounts.

21. Value Added Tax

VAT paid by the County Council is only shown in the accounts as an amount recoverable from HM Customs and Revenue. VAT charged by the County Council to its customers is payable to Customs and Revenue, and is therefore shown only as a reduction of the net amount payable.

22. Operating Leases

Rental charges payable under operating leases are charged to revenue on a straight-line basis over the length of the lease, in line with the payments made.

23. Landfill Allowances Trading Scheme

The Government allocates allowances for landfill to local authorities, who are then able to trade them with each other. Although there is no cash charge for the allowances, we account for them as expenditure, with a corresponding grant receivable from the Government. The Balance Sheet contains both the value of outstanding allowances, at the lower of cost or net realisable value, and the County Council's liability for its use of landfill in the past financial year.

Carbon Reduction Commitment (CRC) - This is a national scheme being introduced by central government to incentivise organisations within the public and private sectors to reduce their carbon emissions. The scheme focuses specifically on buildings and the carbon emissions attributable are based on the organisations' consumption of electricity, gas and fuel oil. The four key requirements of the scheme are:

- Purchase in advance the estimated carbon emission allowances required by the authority at a fixed price from government.
- Monitor emissions and complete an annual report
- Surrender allowances equal to total emissions, buying or selling allowances as appropriate
- Receive a recycling repayment from the government based on the County Council's position within a league table of performance - improved performance is rewarded, poor performance is penalised

It is envisaged that a secondary trading market in these emission allowances will develop as the scheme becomes embedded over time.

24. Exceptional Items

Any material exceptional items are included within the cost of the relevant individual service or separately identified on the face of the Income and Expenditure Account. Details (if any) of such items will be given in the explanatory notes.

25. Events After the Balance Sheet Date (FRS 21)

The accounts have taken into consideration any material event after the balance sheet date:

- Those that provide evidence of conditions that existed at the balance sheet date for which the County Council shall adjust the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events);
- Those that are indicative of conditions that arose after the balance sheet date for which the County Council does not adjust the amounts recognised in its financial statements (non-adjusting events).

26. Private Finance Initiative (PFI)

From 1 April 2009, the Council is required to apply IFRIC 12 under the SORP. This has led to a change in accounting for PFI schemes which were previously treated as off balance sheet. The prior year comparatives have been restated.

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed under IFRIC 12 to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge, the Council now carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

Payments made by the County Council under a contract to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Income and Expenditure Account.

- Finance cost – an interest charge (based on Internal Rate of Return (IRR) of 10.87% for Peacehaven Schools and 5.34% for the Joint Integrated Waste Management Service PFI Contract) on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs - recognised as fixed assets on the Balance Sheet for the Joint Integrated Waste Management Service PFI Contract, and recognised as revenue expenditure for Peacehaven Schools.

27. Capital Expenditure on Assets Owned by Others

The expenditure is charged to revenue on the basis of the benefit obtained by the service from the expenditure in that period. Any grant income that funded that expenditure is also credited to the relevant service.

Expenditure on voluntary aided schools assets, i.e., properties not owned by the County Council, are charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

28. 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 Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

29. Council Tax

The Council Tax is collected on behalf of the County Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council. From 1 April 2009, the County Council as a precepting authority is required to show Council Tax income in the Income and Expenditure Account on an accruals basis.

The difference between the income included in the Income and Expenditure account and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the County Fund Balance.

From 1 April 2009, the County Council is also required to recognise its share of Council Tax arrears, bad debt allowances, overpayments and prepayments in its Balance Sheet. The change of accounting policy for Council Tax has required a prior year adjustment to the 2008/09 corresponding amounts.

Statement Reporting Reviews of Internal Financial Controls for the year ended 31 March 2010

This statement is given in respect of the statement of accounts for East Sussex County Council. I acknowledge my responsibility under the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2003 (as amended) for ensuring that there are adequate and effective arrangements for financial management and that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Council;
- the work of the Finance Management Team (FMT);
- the work of the internal audit service;
- the external auditors in their annual governance report and other reports; and
- the Audit Commission's Organisational Assessment and the work of our external auditors on Use of Resources.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved. It is the responsibility of internal audit to form an independent opinion on the adequacy and effectiveness of the system of internal control. In particular, the system includes:

- an established medium-term planning process including the process for reconciling policy priorities with financial resources;
- a clear business planning and performance management framework which includes setting clear objectives and targets, both financial and otherwise;
- medium-term financial planning;
- established budgeting systems and clear budget management guidance;
- regular reporting of financial performance against budget forecasts to officers and members;
- a clear framework for financial governance based on Contract Standing Orders, Financial Regulations and Standard Financial Procedures;
- clearly defined capital expenditure guidelines and processes that are compliant with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code on a Prudential Framework for Local Authority Capital Finance;
- clearly defined responsibilities for budget and financial management;
- robust and appropriate treasury management arrangements which are regularly reviewed and are compliant with CIPFA's revised Treasury Management Code;
- head of profession links between the Deputy Chief Executive and Director of Corporate Resources, as designated Treasurer for the Council, and departmental finance teams;

- financial management structures which promote ownership of financial issues within service departments and the use of formal project management disciplines for major projects; and a clear Anti-Fraud and Corruption Policy.

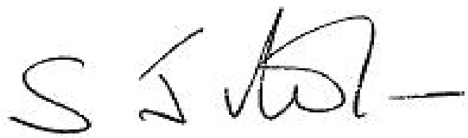
I am also satisfied that my role and the Authority's financial management arrangements generally are compliant with CIPFA's Statement on the Role of the Chief Financial Officer in Public Service Organisations.

In carrying out my responsibility for establishing sound financial management arrangements I have relied primarily on my head of profession links with the Financial Management Team and the systems and processes outlined above. I have also placed reliance on the County Council's statutory internal audit arrangements for which I am responsible. The in-house internal audit service is delivered in line with the Code of Practice for Internal Audit in Local Government in the United Kingdom. Internal audit delivery is based on a risk-based strategic audit plan and regular reporting to managers, chief officers and the Audit and Best Value Scrutiny Committee. On the basis of the audit reviews carried out, the Chief Internal Auditor provides an independent annual opinion on the adequacy and effectiveness of the system of internal control. The internal audit service works closely with the external auditor, within agreed protocols, to maximise the benefits from audit coverage at the County Council.

No assurance can ever be absolute; however, this opinion seeks to provide a reasonable assurance that there are no significant weaknesses in the County Council's system of internal financial control. There have been a number of areas for improvement that have been identified as a result of internal audit activity during the year including the system for making foster care payments (Carepay) which was judged to be "minimal assurance" in 2008/09. I am satisfied that appropriate action has now been taken to improve controls within Carepay and this is reflected in the "substantial assurance" opinion given by internal audit in 2010. In my opinion the County Council has in place a satisfactory framework of internal financial control. There are no significant weaknesses, however the County Council continues to face a number of challenges going forward (these are summarised at a strategic level in the Council's Strategic Risk Log) and will need to keep its system of internal financial control under review.

We know the financial outlook for public spending over the medium term will be the most challenging for decades. While the budget for 2010/11 has been set with a degree of certainty, the savings required in year will be very challenging and careful monitoring is required. For the medium term it will be vital to put in place robust planning frameworks for 20/11 onwards as soon as possible. All this is on top of 'normal' risks associated with particularly volatile and high value social care budgets which if anything are coming under increasing pressure. The need for careful monitoring also extends to the short and medium term threat to capital funding.

Continuing action will be taken to promote excellence in financial management across the Council. Again this will build on the firm foundations already in place and specific improvement initiatives have been identified in the Council Plan and supporting business plans for 2010/11. I remain satisfied, however, that all reasonable measures to control risk are being taken.



Sean Nolan – Deputy Chief Executive and Director of Corporate Resources
8 June 2010

Income and Expenditure Account

The Income and Expenditure Account shows the County Council's actual financial performance for the year in accordance with proper accounting practices. It summarises the resources that have been generated and consumed in providing the functions for which the County Council is responsible, and demonstrates how the cost has been financed from general government grants and income from local taxpayers.

2008/09 Net Expenditure £000 *(Restated)*	See Note		2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000
		Continuing Services			
109,831		Education and Children's Services	485,877	398,230	87,647
155,067		Adult Social Care Services	231,916	70,233	161,683
40,350		Highways & Transport Services	48,920	11,325	37,595
262		Other Housing Services	351	174	177
31,320		Cultural, Environmental & Planning Services	87,306	54,492	32,814
		Central Services:			
1,037		Central services to the public	4,164	1,905	2,259
2,210		Corporate and Democratic Core	2,292	239	2,053
8,846		Non Distributed Costs	5,959	152	5,807
764		Court Services	837	-	837
349,687		Net Cost of Services	867,622	536,750	330,872
805		Loss on disposal of Fixed Assets			3,259
442	3	Levying bodies			443
(145)	4	Net surplus on trading undertakings			(316)
16,484		External Interest payable			13,880
2,502		Net premiums for early repayment of loans			952
2,412		Interest Payable and Similar Charges - PFI schemes			2,873
(13,174)		Interest and Investment Income			(2,238)
11,504	6	Pensions interest cost and net return on assets			19,795
370,517		Net Operating Expenditure			369,520
(222,238)		Council Tax			(230,936)
(11,460)		Revenue Support Grant			(18,136)
(173)		Local Authority Business Growth Incentive Grant			(156)
(23,717)	44	Area Based Grant			(25,124)
(82,322)		Non-Domestic Rates			(78,573)
30,607		Deficit for the year transferred to the County Fund			16,595

Please note that the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax and Private Finance Initiatives (PFI). Please see Prior Period Adjustments (note 1) for more details, and the amounts summarised above are set out in detail in Note 17 to the Accounting Statements.

Statement of Movement on County Fund Balance

The Income and Expenditure Account shows the County Council's actual financial performance for the year in accordance with proper accounting practices. However, the County Council is required to raise Council Tax on a different accounting basis in line with statutory provisions. The main differences are that capital investment is accounted for as it is financed rather than when the fixed asset is consumed, and retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned. This Statement of Movement on County Fund Balance summarises the differences between the surplus or deficit on the Income and Expenditure Account and the amount transferred to or from the County Fund balance.

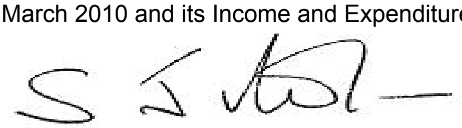
2008/09 £000 *(Restated)*		2009/10 £000
30,607	Deficit on Income and Expenditure Account for the year	16,595
(31,050)	Net additional amount required to be credited to the County Fund balance (See note 17)	(18,022)
(443)	Increase in County Fund for the year	(1,427)
(17,423)	County Fund Balance brought forward	(17,866)
(17,866)	County Fund Balance carried forward	(19,293)
	Consisting of:	
(10,391)	Schools Balances	(11,753)
(7,475)	General Balance	(7,540)
(17,866)		(19,293)

Please note that the 2008/09 comparative figures have been adjusted to reflect the changes in the accounting treatment for Council Tax and Private Finance Initiatives (PFI). Please see Prior Period Adjustments (note 1) for more details, and the amounts summarised above are set out in detail in Note 17 to the Accounting Statements.

County Fund Balance Sheet

2009			At 31 March	2010	
£000	£000	See Note		£000	£000
(Restated)	*(Restated)*				
		19-21	**Fixed Assets**		
	4,642		**Intangible Fixed Assets**		4,426
			Tangible Fixed Assets		
			Operational assets:		
579,799			Land and Buildings	604,841	
27,989			Vehicles, Plant, Furniture and Equipment	25,884	
146,382			Infrastructure Assets	156,521	
1,619	755,789		Community Assets	1,625	788,871
			Non-operational assets:		
2,000			Investment properties	5,234	
12,955			Assets under construction	40,557	
8,013	22,968		Surplus Assets held for disposal	6,686	52,477
	783,399		**Total Fixed Assets**		845,774
	1	24	Long Term Investments		1
	28,175	25	Long Term Debtors		25,962
	811,575		**Total Long Term Assets**		871,737
		5	**Current Assets**		
75			Stocks and Work in Progress	72	
4,337			Payments in Advance	4,174	
231			Landfill Allowances	1,628	
28,317		25	Debtors	30,788	
241,066		2,46	Short Term Investments	209,002	
178		26	Cash and Bank	200	
	274,204				245,864
	1,085,779		**Total Assets**		1,117,601
		5	**Current Liabilities**		
(1,420)			Short Term Borrowing	(1,348)	
(70,760)		27	Creditors	(76,069)	
(13,695)			Income in Advance	(15,709)	
(77)			Liability for Landfill Usage	(1,014)	
(11,550)	(97,502)	26	Accrued balance at bank and for third parties	(8,669)	(102,809)
	988,277		**Total Assets less Current Liabilities**		1,014,792
			Long-term liabilities		
	(264,224)	2,28	Long Term Borrowing		(241,262)
	(262,593)	6	Liability related to defined benefit pension schemes		(515,937)
	(38,957)	30	Unapplied Government Grants & Capital Contributions		(37,081)
	(149,999)	30	Government Grants & Capital Contributions Deferred		(180,595)
	(26,084)	38	Deferred Liabilities		(34,418)
	(5,756)	29	Provisions		(5,722)
	240,664		**Total Assets less Liabilities**		(223)
		31	**Financed by:**		
	35,374	32	Revaluation Reserve		54,892
	287,828	33	Capital Adjustment Account		277,446
	(3,047)	50	Financial Instruments Adjustment Account		(2,926)
	(156)	51	Collection Fund Adjustment Account		(339)
	(262,593)	6	Pensions Reserve		(515,937)
	4,827	34	Usable Capital Receipts Reserve		4,218
	160,565	35	Earmarked Reserves		163,130
	7,475		General Balances - County Fund		7,540
	10,391	43	- Schools		11,753
	240,664		**Total Net Worth**		(223)

I certify that this Statement of Accounts provides a true and fair view of the financial position of the County Council as at 31 March 2010 and its Income and Expenditure for the year then ended.



Sean Nolan,
Deputy Chief Executive and Director of Corporate Resources, 8 June 2010

These accounts replace the unaudited accounts authorised at the meeting of the Governance Committee on 8 June 2010 and were re-approved by the Governance Committee on 3 September 2010.

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses (STRGL) brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the (surplus)/deficit generated on the Income and Expenditure Account, it also includes gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits.

	2008/09	2009/10
	£000	**£000**
Deficit on Income and Expenditure Account	33,723	16,595
Net gain on valuation of fixed assets	(19,154)	(20,617)
Actuarial loss on Pension Fund assets and liabilities	87,134	244,909
Other (Gains) / Losses	20	-
Total recognised (gains) / losses for the year	**101,723**	**240,887**

This statement brings together all the gains and losses of the County Council for the year:

- The surplus or deficit on the Income and Expenditure account is taken from the statement earlier in this Statement of Accounts;
- The gain or loss on valuation of fixed assets is shown in Note 32 and there is more detail in Note 19. It arises from annual revaluations;
- The actuarial gain or loss on the assets and liabilities of the Pension Fund also arises from annual re-measurement, and is shown in more detail in Note 6;
- Other (Gains)/Losses is a £0.020m fair value re-measurement of a stepped investment loan that was repaid during 2008/09;
- The Total Recognised Gain or Loss for the year of £240.887m represents the movement in Total Net Worth between the opening and closing balances on the Balance Sheet;
- The 2008/09 Statement of Accounts showed a Total Net Worth of £210.547m at 31/3/09. The 2008/09 comparative Balance Sheet has now been restated to show a Total Net Worth of £240.664m due mainly to the inclusion of Private Finance Initiative (PFI) assets. The 2008/09 Statement of Total Recognised Gains and Losses has not been restated for this change.

This Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The Cash Flow Statement has been prepared using the indirect method. The supporting notes to the Cash Flow Statement are Notes 26, 39, 40, 47 and 48.

	2008/09				2009/10	
£000	£000	£000		£000	£000	£000
		(41,883)	**Net cash inflow from revenue activities (see below)**			(33,596)
			Returns on Investments and Servicing of Finance			
			Cash outflows			
16,450			Interest paid	13,838		
2,502	18,952		Premium on the early repayment of debt	952	14,790	
			Cash inflows			
	(18,452)		Interest received		(5,251)	
		500				9,539
			Capital Activities			
			Cash outflows			
	65,723		Investment in fixed assets		79,847	
			Cash inflows			
(666)			Sale of fixed assets	(1,391)		
(23,407)			Capital grants received	(44,178)		
(2,032)	(26,105)		Other capital income	(7,050)	(52,619)	
		39,618				27,228
		(1,765)	Net cash inflow before financing			3,171
			Management of Liquid Resources			
	37,930		Net increase / (decrease) in short term deposits		(29,050)	
	(50,208)	(12,278)	Net decrease in other liquid resources		-	(29,050)
		(14,043)				(25,879)
			Financing			
			Cash outflows			
12,629			Repayments of amounts borrrowed	22,962		
-	12,629		Reduction in short term loans	-	22,962	
			Cash inflows			
(6,450)			New loans raised	-		
8	(6,442)		Decrease in short term loans	14	14	
		6,187				22,976
		(7,856)	**Net increase in cash**			(2,903)

Supplementary information of revenue activities by type of income and expenditure	**2008/09**	**2009/10**
	£000	£000
Expenditure		
Cash paid to and on behalf of employees	387,636	389,374
Other operating costs	375,965	424,919
Internal recharges	119,501	136,062
Revenue funded from capital under statute	7,411	8,207
Total cash outflows	**890,513**	**958,562**
Income		
Revenue Support Grant	(11,460)	(18,136)
Non-domestic rate income	(82,322)	(78,573)
Council tax income	(220,609)	(231,292)
Other government grants	(366,563)	(387,127)
Cash received for goods and services	(50,724)	(66,301)
Internal recharges	(119,501)	(136,062)
Other revenue cash income	(81,217)	(74,667)
Total cash intflows	**(932,396)**	**(992,158)**
Net cash inflow from revenue activities	**(41,883)**	**(33,596)**

1. Authorisation of Statement of Accounts & Prior Period Adjustments

These accounts were authorised for issue by Sean Nolan, Deputy Chief Executive and Director of Corporate Resources, 8 June 2010.

The Statement of Accounts (re-approved on 3 September 2010) is published with an audit opinion and with additional disclosure notes since member approval on 8 June 2010.

Prior Period Adjustments

In its 2009/10 Statement of Accounts, the Council has adopted two significant accounting policies that impact the comparative figures for 2008/09. The first is a change to the way we treat PFI contracts under the International Financial Reporting Interpretation Committee 12 (IFRIC 12). This requires examining each PFI contract to determine whether it should continue to be off Balance Sheet or move onto the Balance Sheet. The main criteria are around the control and eventual ownership of the assets. In all cases our PFI contracts require the assets to be recognised on the balance sheet with a corresponding lease liability. The second accounting policy change is in relation to the Council's position as principal in the role of the Collection Fund. The 2009 SORP concludes that billing authorities act as agent of major precepting authorities in collecting their attributable share of Council Tax. Billing authorities and major preceptors share proportionally the risks and rewards that the amount of Council Tax collected could be less or more than predicted. This requires us to recognise debtors and creditors in relation to the collection of Council Tax at the end of each year.

These changes have had the following impact on the comparative figures for 2008/09 compared to those published in the 2008/09 Statement of Accounts. For comparability and understandability of the Income and Expenditure Account, the 2008/09 services cost has been restated, with most impact between Education/Children Services and Adult Social Care Services. Please note the following tables only show an extract of the financial statements where figures have been adjusted to take account of the changes in accounting policies.

Income and Expenditure Account

Extract from the Income and Expenditure Account	**2008/09 Statement of Accounts (Published)** £000	**Accounting for Council Tax Adjustment** £000	**Accounting for PFI Adjustments** £000	**2008/09 Statement of Accounts (Restated)** £000
Continuing Services				
Education and Children's Services	113,150	-	(3,319)	109,831
Cultural, Environmental & Planning Services	31,900	-	(580)	31,320
Net Cost of Services	353,586	-	(3,899)	349,687
Interest Payable and Similar Charges	-	-	2,412	2,412
Net Operating Expenditure	372,004	-	(1,487)	370,517
Council Tax	(220,609)	(1,629)	-	(222,238)
Deficit for the year transferred to the County Fund	33,723	(1,629)	(1,487)	30,607

Statement of Movement on County Fund Balances

Extract from Statement of Movement on County Fund Balances	2008/09 (Published)	Accounting for Council Tax Adjustment	Accounting for PFI Adjustments	2008/09 (Restated)
	£000	£000	£000	£000
Deficit on Income and Expenditure Account for the year	33,723	(1,629)	(1,487)	30,607
Net additional amount required to be debited/(credited) to the County Fund balance (See note 17)	(34,166)	1,629	1,487	(31,050)
(Increase)/decrease in County Fund for the year	(443)	-	-	(443)
County Fund Balance brought forward	(17,423)	-	-	(17,423)
County Fund Balance carried forward	(17,866)	-	-	(17,866)

Balance Sheet

Extract from Balance Sheet	2008/09 (Published)	Fixed Assets SORP 2007/Opening Adjustment	Accounting for Council Tax Adjustment	Accounting for PFI Adjustments - Schools	Accounting for PFI Adjustments - Waste	Interest Accrual	2008/09 (Restated)
	£000	£000	£000	£000	£000	£000	£000
Intangible Fixed Assets	4,629	13	-	-	-	-	4,642
Operational Assets							
Land and Buildings	546,275	(572)	-	20,697	13,399	-	579,799
Vehicle, Plant, Furniture and Equipment	27,958	31	-	-	-	-	27,989
Infrastructure Assets	146,354	28	-	-	-	-	146,382
Non-Operational Assets							
Surplus Assets held for disposal	8,020	(7)	-	-	-	-	8,013
Long Term Debtors	5,409	2	-	-	22,764	-	28,175
Current Assets							
Debtors	20,939	2	7,376	-	-	-	28,317
Current Liabilities							
Short Term Borrowing	(210)	-	-	-	-	(1,210)	(1,420)
Creditors	(66,841)	556	(4,475)	-	-	-	(70,760)
Income in Advance	(10,638)	-	(3,057)	-	-	-	(13,695)
Accrued balance at bank and for third parties	(11,572)	22	-	-	-	-	(11,550)
Long Term Liabilities							
Long Term Borrowing	(265,434)	-	-	-	-	1,210	(264,224)
Unapplied grants & contributions	(38,379)	(578)	-	-	-	-	(38,957)
Deferred Liabilities	-	-	-	(15,480)	(10,604)	-	(26,084)
Finance by:							
Revaluation Reserve	27,773	(1,272)	-	7,920	953	-	35,374
Capital Adjustment Account	287,919	769	-	(2,703)	1,843	-	287,828
Collection Fund Adjustment Account	-	-	(156)	-	-	-	(156)
Earmarked Reserves	137,802	-	-	-	22,763	-	160,565

2. Fair Value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- estimated interest rates at 31 March 2010 of 5.35% for loans from the PWLB and 1.01% for other loans receivable and payable;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- no early repayment or impairment is recognised;
- where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.
- the fair value of trade and other receivables is taken to be the billed or invoiced amount.

The fair values calculated are as follows:

	31 March 2009		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB Debt	(251,081)	(290,631)	(228,362)	(251,593)
Non PWLB Debt	(13,143)	(12,814)	(12,900)	(12,483)
Total Debt	(264,224)	(303,445)	(241,262)	(264,076)
Other Liabilities	(128,927)	(128,927)	(131,523)	(131,523)
Total Financial Liabilities	(393,151)	(432,372)	(372,785)	(395,599)

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

Money Market Loans < 1 year	241,066	241,066	209,002	209,002
Money Market Loans > 1 year	-	-	-	-
Total Money Market Loans	241,066	241,066	209,002	209,002
Other Assets	28,336	28,336	25,868	25,868
Total Loans and Receivables	269,402	269,402	234,870	234,870

The fair value is the same as the carrying amount because the Council's portfolio of investments will mature in the next 12 months. The carrying amount is therefore assumed to approximate to fair value.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair values for non PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value of these instruments.

3. Levying Bodies

	2008/09	2009/10
	£'000	£'000
Ashdown Forest Conservators	87	79
Sussex Sea Fisheries	229	236
Environment Agency (flood defence)	126	128
Total	**442**	**443**

4. Trading Accounts

The table below analyses the figure shown in the County Income and Expenditure Account as the net effect of trading accounts:

	2008/09			2009/10		
	Expenditure £000	Income £000	Net £000	Expenditure £000	Income £000	Net £000
County Catering Service	391	(407)	(16)	374	(388)	(14)
County Transport Group	441	(582)	(141)	121	(495)	(374)
1970 Act (see below)	2,771	(2,759)	12	2,653	(2,581)	72
Total	**3,603**	**(3,748)**	**(145)**	**3,148**	**(3,464)**	**(316)**

The Local Government Goods and Services Act (1970) authorises local authorities to carry out certain services for other public bodies. The County Council provides various services to bodies including district and parish councils, Sussex Police Authority and East Sussex Fire Authority, under the provisions of section 1 of the above Act. The scale of these operations is small in relation to County Council expenditure generally and can be summarised as follows:

	2008/09			2009/10		
	Expenditure	Income	Proportion of Related Capacity	Expenditure	Income	Proportion of Related Capacity
	£'000	£'000	%	£'000	£'000	%
Legal Services	439	(439)	21	319	(319)	13
County Records	374	(374)	36	389	(389)	35
School Library Service	118	(118)	21	113	(113)	20
Music Tuition	210	(198)	7	190	(118)	6
Street Lighting	368	(368)	12	207	(207)	8
Lewes Car Parking scheme	403	(403)	21	381	(381)	19
ICT Services	30	(30)	-	24	(24)	-
Financial Services	266	(266)	2	292	(292)	7
Property Services	87	(87)	1	119	(119)	1
Other	476	(476)	19	619	(619)	31
Total	**2,771**	**(2,759)**		**2,653**	**(2,581)**	

5. Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2009	31 March 2010	31 March 2009	31 March 2010
	£'000	£'000	£'000	£'000
Financial liabilities (principal amount)	303,160	278,322	88,759	93,290
Accrued Interest	-	-	1,211	1,152
Other accounting adjustments	21	21	-	-
Financial liabilities at amortised cost	303,181	278,343	89,970	94,442
Financial liabilities at fair value through the I&E	-	-	-	-
Total borrowings	303,181	278,343	89,970	94,442
Loans and receivables (principal amount)	5,411	653	260,925	234,165
Accrued Interest	-	-	3,066	52
Other accounting adjustments	-	-	-	-
Loans and receivables at amortised cost	5,411	653	263,991	234,217
Available-for-sale financial assets	-	-	-	-
Financial assets at fair value through the I&E	-	-	-	-
Unquoted equity investment at cost	1	1	-	-
Total investments	5,412	654	263,991	234,217
Non - Financial Instruments balances:				
Stocks and Work in Progress			75	72
Debtors - VAT			2,762	3,547
Debtors - Council Tax			7,376	8,028
Total			**274,204**	**245,864**

Under accounting requirements the financial instrument values shown in the Balance Sheet include the principal amounts borrowed or lent and further adjustments for breakage costs or stepped investment loans (measured by an effective interest rate calculation) including accrued interest. However accrued intrest is shown separately in current assets or liabilities where the payments or receipts are due within one year. The fair value has been measured by direct reference to published price quotations where there is an active market and/or by estimation using a valuation technique.

6. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its employees, the County Council offers retirement benefits. Although these will not actually be payable until employees retire, the County Council has a commitment to make the payments, and this needs to be disclosed at the time that employees earn their future entitlement.

The Statement of Accounting Policies explains that the County Council participates in two schemes, the Local Government Pension Scheme and the Teachers' Pension Scheme. The Teachers' Pension Scheme is administered nationally, and the Income and Expenditure Account contains actual contributions made to the scheme. The Local Government Scheme is administered through the East Sussex Pension Fund, and in addition the County Council has liabilities for discretionary payments for added years, and other benefits, both for local government employees and for teachers. These are charged as an expense to the accounts of the County Council, rather than those of the Pension Fund. The quoted securities held as assets in the defined benefits pension scheme are now valued at bid price rather than mid-market value.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the contributions made in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the County Fund Balance and the contributions made in the year are included. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the County Fund Balance during the year:

	2008/09	2009/10
	£000	£000
Income and Expenditure Account		
Net Cost of Services:		
- Current Service Cost	17,265	15,832
- Past Service Cost	6,164	2,599
- Settlements and Curtailments	1,703	2,737
Net Operating Expenditure:		
- Interest Cost	53,797	53,330
- Expected Return on Scheme Assets	(42,293)	(33,535)
Net charge to the Income and Expenditure Account	**36,636**	**40,963**
Statement of Movement on the County Fund Balance:		
Actual amount charged against the County Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	30,990	32,528
- Reversal of net charges made for retirement benefits in accordance with FRS 17	(36,636)	(40,963)
Net Movement on the County Fund Balance	**(5,646)**	**(8,435)**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £244.9m (£87.1m in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £370.7m.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2008/09	2009/10
	£000	£000
Liabilities 1 April:	**779,008**	**770,568**
Current Service Cost	17,265	15,832
Interest Cost	53,797	53,330
Contributions by scheme participants	8,717	9,262
Actuarial gains and losses	(64,008)	397,171
Past Service Cost	6,164	2,599
Losses/Gains on Curtailments	1,703	2,737
Liabilities Assumed in a Business Combination	-	7,234
Estimated Unfunded Benefits Paid	(4,580)	(4,907)
Estimated Benefits paid	(27,498)	(29,161)
Liabilities 31 March:	**770,568**	**1,224,665**

Reconciliation of fair value of the scheme assets:

	2008/09	2009/10
	£000	£000
Assets 1 April	**609,194**	**507,975**
Expected rate of return	42,293	33,535
Contributions by scheme participants	8,717	9,262
Employer contributions	26,410	27,621
Contributions in respect of unfunded benefits	4,580	4,907
Actuarial gains and losses	(151,141)	152,262
Assets Assumed in a Business Combination	-	7,234
Unfunded benefits paid	(4,580)	(4,907)
Benefits paid	(27,498)	(29,161)
Assets 31 March	**507,975**	**708,728**

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

The actual return on scheme assets in the year was £185,797,000 (2008/09: -£106,597,000).

Scheme history

	2004/05*	**2005/06***	**2006/07** As restated	**2007/08** As restated	**2008/09**	**2009/10**
	£000	£000	£000	£000	£000	£0
Present Value of Liabilities: Local Government Pension Scheme	(691,146)	(757,770)	(819,477)	(779,008)	(770,568)	(1,224,665)
Fair value of assets in the Local Government Pension Scheme	482,340	602,480	647,564	609,195	507,975	708,728
Deficit in the scheme: Local Government Pension Scheme	**(208,806)**	**(155,290)**	**(171,913)**	**(169,813)**	**(262,593)**	**(515,937)**

* The County Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the County Council has in the long run to pay retirement benefits. The total liability of £1,224.7m (£770.6m in 2008/09) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £515.9m (£262.6m in 2008/09).

However, statutory arrangements for funding the deficit mean that the financial position of the County Council remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over a 20 year period, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the County Council in the year to 31 March 2011 is £27.5m. This excludes items that cannot be fairly estimated in advance such as past service cost, losses/ (gains) on curtailments and settlements, etc.

Based on the current benefits structure of the Local Government Pension Scheme (LGPS), and using the roll forward model, the actuarial estimate of the present value of funded liabilities is approximately £571.1m, £170.2m and £388.5m in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2010. This liability also comprises of approximately £51.6m in respect of LGPS unfunded pensions and £43.3m in respect of Teachers' unfunded pensions. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2008/09	**2009/10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.8%
Bonds	5.4%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	20.8 Years	
Women	24.1 Years	
Longevity at 65 for future pensioners		
Men	22.3 Years	
Women	25.7 Years	
Rate of inflation/Pension Increase Rate	3.1%	3.8%
Rate of increase in salaries	4.6%	5.3%
Expected Return on Assets	6.5%	7.1%
Rate for discounting scheme liabilities	6.9%	5.5%

Assets in the Pension Fund consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2009	31 March 2010
	%	%
Equity investments	76	74
Bonds	10	5
Property	8	7
Cash	6	14
Total	**100**	**100**

Amount Recognised in Statement of Total Gains and Losses (STRGL)

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Actuarial Gains and (Losses)	(79,946)	294	44,607	(3,659)	(87,134)	(244,909)
Increase/(decrease) in Irrecoverable Surplus from Membership fall and other factors	-	-	-	-	-	-
Actuarial Gains/(Losses) recognised in STRGL	(79,946)	294	44,607	(3,659)	(87,134)	(244,909)
Cumulative Actuarial Gains and Losses	**(79,946)**	**(79,652)**	**(35,045)**	**(38,704)**	**(125,838)**	**(370,747)**

At 31 March 2010, the County Council owed £3,081,000 to the Pension Fund in respect of employer's and employees' contributions.

Details of the East Sussex Pension Fund, for which a full actuarial valuation was last carried out at 31 March 2007, can be found on pages 71 to 83.

7. Teachers' Pension Scheme

Teachers employed by the County Council are members of the Teachers' Pension Scheme, administered by the Department for Education. It provides teachers with defined benefits upon their retirement, and the County Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2009/10 the County Council incurred a total of £18.3m payable to the Teachers' Pension Agency in respect of teachers pension costs, which represents 14.1% of teachers pensionable pay. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increase. These amounted to £2m, representing 1.84% of pensionable pay. These figures compare to an amount of £17.8m payable in 2008/09 (14.1% of pensionable pay), and £2.2m for added years pensions payable to former teachers.

This is a defined benefit scheme, and although it is unfunded, the Agency uses a notional fund as the basis for calculating the employer's contribution rate. However it is not possible to identify the County Council's share of the underlying liabilities of the scheme for its own employees. For the purposes of these accounts it is therefore accounted for as a defined contribution scheme. The County Council is responsible for the costs of the additional benefits awarded upon early retirement, and these benefits are fully accrued in the liability included in the Balance Sheet and in Note 6 above.

At 31 March 2010 the County Council owed £2.3m to the Teachers' Pension Agency for employers and employees' contributions to the Teachers' Pension Scheme.

8. Section 137 of the Local Government Act 1972

This section states that a local authority may incur expenditure which, in its opinion, is in the interests of its area or of part of any area, or all or some of its inhabitants and which is not otherwise authorised. None of the expenditure or income shown in the County Income and Expenditure Account was incurred under this section of the 1972 Act.

9. Publicity

A separate publicity account is kept under the provisions of section 5 of the Local Government Act 1986. The types of publicity which are required to be included relate to:

	2008/09	2009/10
	£000	£000
Staff costs, etc	530	571
Recruitment advertising	1,359	1,057
Other non-exempt advertising	942	1,024
Total	**2,831**	**2,652**

The staff costs above are for employees whose duties relate wholly or mainly to publicity. Staff employed on this basis are engaged by the Public Relations Unit of the Governance and Community Services.

10. Partnership Schemes under Section 75 of the National Health Services Act 2006

In 2009/10 the County Council participated in three partnership schemes involving pooled budget arrangements under Section 75 of the National Health Service Act 2006 with the Primary Care Trusts: East Sussex Downs and Weald PCT and Hastings and Rother PCT.

- The **Integrated Community Equipment Service** scheme, which started in September 2004, comprises the County Council, as host agency, and the East Sussex Downs and Weald PCT and Hastings and Rother PCT.

- The **Community Collaborative Rehabilitation Team** scheme, which started in October 2001, comprises the County Council together with Hastings and Rother PCT, as host agency.

- The **Carers Service** scheme started in April 2004 and comprises the County Council, as host agency, and the East Sussex Downs and Weald PCT and Hastings and Rother PCT.

The financial transactions of these schemes can be summarised as follows:

	2008/09			2009/10		
	Expenditure	Income	ESCC Contribution	Expenditure	Income	ESCC Contribution
	£'000	£'000	£'000	£'000	£'000	£'000
Arrangement						
Learning Disabilities	36,819	36,819	24,690	-	-	-
Integrated Community Equipment	3,009	3,017	1,509	3,490	3,490	1,745
Community Collaborative Rehabilitation	567	567	144	542	547	147
Carers Services	581	581	318	595	595	326
Total	40,976	40,984	26,661	4,627	4,632	2,218

- The **Learning Disabilities** pooled budget, which commenced in November 2004, comprising the County Council, as host agency, and the East Sussex Downs and Weald PCT and Hastings and Rother PCT, was terminated on 31 March 2009 as full commissioning responsibility transferred to the Council.

11. South Downs Joint Committee and South Downs Advisory Forum 2005-2010

The Joint Committee works to secure the preservation and enhancement of the South Downs. The parties to the agreement are Natural England, the County Councils of East Sussex, Hampshire and West Sussex, the unitary council of Brighton & Hove City and the Borough and District Councils of Adur, Arun, Chichester, Eastbourne, East Hampshire, Horsham, Lewes, Mid Sussex, Wealden, Worthing and Winchester City.

The local authorities and Natural England agreed in 2009 that although the two Areas of Outstanding Natural Beauty (AONBs) - Sussex Downs and East Hampshire - would be de-designated on 31 March 2010 when the South Downs National Park takes effect, the Joint Committee should stay in existence and continue to exercise its delegated functions over the area of the two former AONBs for the remainder of its term of office expiring on 31 March 2011.This is subject to the ability of the Shadow National Park Authority to assume some of these responsibilities. This arrangement allows the management of the South Downs under the Joint Committee to continue until the National Park Authority takes up full office on 1 April 2011.

Total expenditure for 2009/10 was £2.727m, met partly by £2.503m of funding by the constituent parties of which East Sussex County Council contributed £249,100 (9.2%).

12. Members' Allowances

The total amount of allowances and of travelling and subsistence expenses payable in 2009/10 were £888,000 compared to £883,000 in 2008/09. The table below shows the actual amounts paid to individual members in the 2009/10 financial year (excluding employer NI & pension contributions). The amounts to which Members' are entitled, including the basic allowance for every member and expenses for special responsibilities, travel, phones etc, are published annually and form part 6 of our Constitution.

Actual amounts paid to individual members in 2009/10

Name	Basic Allowance	Members Special Responsibility Allowance	Travel by Car	Fares and Subsistence
	£	£	£	£
Barnes	10,629	-	-	-
Belsey	8,824	-	804	-
Bennett	8,824	-	1,173	-
Bentley	10,629	11,805	1,909	18
Birch	10,842	-	-	-
Daniel	10,842	6,021	1,468	-
Dowling	10,629	3,649	408	-
Elkin	10,629	11,805	1,791	153
Ensor	10,629	4,559	-	-
Fawthrop	8,824	-	559	-
Field	10,842	3,129	1,403	5
Forster	2,048	-	134	-
Freebody	8,824	-	374	-
Freeman	10,629	2,361	597	-
Gadd	10,842	-	337	-
Garvican	2,048	-	197	-
Glazier	10,629	15,348	4,666	582
Gubby	2,048	1,137	70	40
Harris	10,842	549	-	-
Healy	10,842	2,409	742	-
Heaps	8,824	-	59	9
Howson	10,629	-	468	-
Hughes	8,824	-	-	-
Jones	10,629	23,616	764	-
Kenward	8,824	-	431	-
Kirby	2,008	2,230	-	-
Kramer	2,048	-	81	-
Lacey	2,451	2,722	-	-
Lambert	8,824	1,860	-	-
Livings	10,629	-	663	-
Lock	10,629	11,805	3,213	503
Martin	2,048	-	-	-
Maynard	10,842	10,671	-	-
Murphy	2,008	-	125	-
O'Keefe	10,842	-	-	-
Ost	10,842	2,409	335	21
Pragnell	8,824	-	-	-
Reid	10,629	16,530	2,008	1,228
Rodohan	8,824	-	106	-
Rogers	10,842	4,603	589	217
Scott	10,842	-	903	-
Shing, DS	8,824	-	-	-
Shing, S	10,842	-	299	-
Simmons	10,629	10,192	477	64
Skilton	2,048	-	-	9
Sparks	10,629	4,559	334	5
St Pierre	10,842	2,409	-	-
Stogdon	10,629	4,559	1,014	32
Stroude	10,629	11,805	1,550	148
Taylor	10,842	6,021	-	-
Thomas	10,842	-	2,787	826
Thompson	8,824	-	-	-
Tidy, B	10,629	11,805	1,696	12
Tidy, S	10,629	5,904	902	19
Tunwell	2,008	1,115	260	129
Tutt	10,842	10,671	333	47
Waite	10,629	4,559	1,832	55
Webb	10,842	4,821	-	-
Whetstone	10,629	-	1,008	-
Wilson	2,048	-	135	-
Woodall	2,048	-	-	-

13. Officers' Emoluments

The numbers of employees whose remuneration was £50,000 or more in bands of £5,000 were:

Remuneration band	2008/09	2009/10
£50,000 to £54,999	148	168
£55,000 to £59,999	60	75
£60,000 to £64,999	42	49
£65,000 to £69,999	22	16
£70,000 to £74,999	16	16
£75,000 to £79,999	12	16
£80,000 to £84,999	9	13
£85,000 to £89,999	2	4
£90,000 to £94,999	2	2
£95,000 to £99,999	4	2
£100,000 to £104,999	-	1
£105,000 to £109,999	3	1
£110,000 to £114,999	1	1
£115,000 to £119,999	1	1
£120,000 to £124,999	2	2
£125,000 to £129,999	-	2
£130,000 to £134,999	1	-
£135,000 to £139,999	-	-
£140,000 to £144,999	-	-
£145,000 to £149,999	-	1
£150,000 to £154,999	1	-
£155,000 to £159,999	-	-
£160,000 to £164,999	-	-
£165,000 to £169,999	-	1
£170,000 to £174,999	1	-
£175,000 to £179,999	-	-
£180,000 to £184,999	-	-
£185,000 to £189,999	-	-
£190,000 to £194,999	-	-
£195,000 to £199,999	-	1
£200,000 to £209,999	-	1

These figures cover all employees, including local government officers and teachers. Remuneration comprises – gross pay (before the deduction of employees' pension contributions), but excludes employer's pension contributions.

The following table sets out and provides information about the remuneration of those senior managers who influence the decisions of the County Council as a whole, i.e., for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000. In addition, the disclosures below include all Senior Officers whose salary is more than £150,000 per year.

Senior Employees' Remuneration 2009 - 2010

Position	Notes	Salary, Fees or Allowances	Bonuses	Expenses Allowance (taxable)	Compensation for loss of Employment	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2009/2010	Employers Pension Contributions	Total Remuneration Including Pension Contributions
Chief Executive - *Cheryl Miller* *	Note 1	181,098	12,928	-	-	2,154	196,180	37,059	233,239
Deputy Chief Executive and Director of Corporate Resources - *Sean Nolan*	Note 1	153,933	11,319	-	-	231	165,483	31,563	197,046
Director of Childrens Services	Note 1	135,060	9,931	-	-	916	145,907	27,693	173,600
Director of Law and Personnel	Notes 1, 2	130,292	9,173	-	65,329	-	204,794	165,152	369,946
Director of Adult Social Care		121,320	-	-	-	886	122,206	23,172	145,378
Director of Policy & Communications	Note 1	121,320	8,661	-	-	-	129,981	24,826	154,807
Director of Transport and Environment	Note 1	114,873	8,408	-	-	1,120	124,401	24,104	148,505

Notes:

1 Bonuses relate to Honorarium payments 7.50% of salary in previous year

2 Employers Pension Contributions includes 3 years Augmentation on retirement with a cost to the employer of £138,915.00

*Cheryl Miller retired as the Council's Chief Executive on 30th April 2010, after 16 years of exceptional service on behalf of the County Council. She is one of the longest serving chief executives in the country. In accordance with County Council policies, applying to all employees, Cheryl Miller was awarded three additional year's pension, the present value of which is a one-off cost of £197,000 and she will not receive any severance payment. The pension cost is covered by the Council making allowances in respect of non ill-health early retirements by contributing an additional 1% to cover such costs. It does not, therefore, represent a new cost to the Council. Her formal contract of employment with the Council ended on 30th April 2010; therefore, the employer's pension contributions and pro-rata salary for April 2010 will be disclosed within the 2010/11 Financial Statement.

Senior Employees' Remuneration 2008 - 2009

Position	Notes	Salary, Fees or Allowances	Bonuses	Expenses Allowance (taxable)	Compensation for loss of Employment	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2009/2010	Employers Pension Contributions	Total Remuneration Including Pension Contributions
Chief Executive - *Cheryl Miller*		172,173	-	-	-	2,497	174,670	32,924	207,594
Deputy Chief Executive and Director of Corporate Resources - *Sean Nolan*		150,915	-	-	-	30	150,945	28,825	179,770
Director of Childrens Services		132,411	-	-	-	1,339	133,750	25,290	159,040
Director of Law and Personnel		122,360	-	-	-	-	122,360	23,362	145,722
Director of Adult Social Care		124,140	-	-	-	582	124,722	23,711	148,433
Director of Policy & Communications		115,479	-	-	-	-	115,479	22,056	137,535
Director of Transport and Environment		110,895	-	-	-	586	111,481	21,413	132,894

Note - No bonus payments were made in 2008/09.

14. Transactions with Related Parties

The County Council is obliged to disclose material transactions with related parties, a term that includes central government, the Pension Fund, some partnerships, as well as any financial relationships with Members and Chief Officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the County Council might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with the County Council.

Central government provides much of the County Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Income and Expenditure Account and the Cash Flow Statement, and in Note 40.

Members of the County Council have direct control over the Council's financial and operating policies. None of the Members or Chief Officers had any interests in any related party transactions during the year. The Register of Members' Interests is held at County Hall, Lewes, and is open to public inspection.

During 2009/10, the Pension Fund had an average balance of £2.39m deposited with the County Council, which paid £7,740 interest for these deposits. The County Council charged the Fund £1.4m for expenses incurred in administering the Fund.

The County Council is involved in several partnerships under Section 75 of the National Health Services Act 2006. The Bexhill & Rother Primary Care Trust (PCT) is chaired by a member of the County Council.

The County Council acts as sole trustee for the Ashdown Forest Trust (see Note 41). No balances were held by the County Council at 31 March 2010.

The High Weald Unit of the Transport and Environment Department rented part of the Woodland Enterprises Centre from Woodland Enterprises Ltd (see note 24 to the balance sheet) at an annual rent of £25,175. There were no long term debts to the company at 31 March 2010.

15. Audit Costs

The table below sets out the fees agreed with both Audit Commission (AC) and PKF for services rendered during the year. All external audit services were carried out by both AC and PKF.

	2008/09	2009/10		
Paid to:	**£000 Total**	**£000 PKF**	**£000 AC**	**£000 Total**
External audit services	220	239	2	241
Statutory inspection	16	-	18	18
Grant claims and returns	17	15	-	15
Sub- Total	**253**	**254**	**20**	**274**
Pension Fund Audit	50	53	-	53
Total	**303**	**307**	**20**	**327**

16. Operating and Finance Leasing

The County Council does not enter into finance leases (excluding Private Finance Initiatives – see Note 38), which would allow the County Council to acquire assets at the end of the lease period, but it does use some vehicles and equipment under operating leases, which do not enable the County Council to take ownership of the asset. The amount paid under these arrangements in 2009/10 was £1,642,000 compared to a figure of £1,583,000 in 2008/09. Commitments as at 31 March 2010 of £1,536,000 include leases expiring in:

	£000
2010/11	321
2011/12 to 2015/16	1,149
2016/17 onwards	66
	1,536

17. Analysis of Statement of Movement in the County Fund Balance

2008/09 £000 *(Restated)*		2009/10 £000	2009/10 £000	2009/10 £000
30,607	Deficit on Income and Expenditure Account for the year			16,595
	1 Items in Income and Expenditure but not chargeable to County Fund			
(58,373)	Depreciation and Impairment of Fixed Assets (see 'a' below)	(45,267)		
8,670	Amortisation of Government Grants Deferred	22,068		
(7,411)	Revenue Expenditure Funded from Capital under Statute	(8,208)		
(805)	Net Gain or Loss on sale of fixed assets	(3,259)		
(1,644)	Net premiums for early repayment of loans to I & E from previous years	45		
(99)	Soft Loan Amortisation	76		
1,629	Council Tax income and residual community charge adjustment	(183)		
(36,636)	Net charges made for retirement benefits in accordance with FRS 17	(40,963)		
(94,669)			**(75,691)**	
	2 Items chargeable to County Fund but not included in the Income and Expenditure Account			
12,450	Statutory provision for repayment of debt	12,368		
18,482	Capital expenditure charged to County Fund	10,008		
30,990	Employer's contributions payable	32,528		
61,922			**54,904**	
	3 Other transfers to / (from) County Fund but not included in the Income and Expenditure Account			
200	Voluntary Provision for Repayment of Debt	200		
-	Transfer into earmarked reserves (Waste PFI)	5,251		
1,497	Transfer to / (from) earmarked reserves	(2,686)		
1,697			**2,765**	
(31,050)				(18,022)
(443)	**County Fund Surplus for the year**			**(1,427)**

a) To determine if there has been any material downward valuation in assets due to the on-going economic climate, the County Council revalued those investment properties and properties surplus to ESCC's requirement, which are not currently due for revaluation, and this has resulted in an impairment charge of £11.3m. Amount charged to service revenue accounts for the use of assets (depreciation) in 2009/10 is £34.0m. The main impairment charges made to the Income and Expenditure Account in 2009/10 are Education & Children's £8.5m, Highways and Transport £0.014m, Adult Social Care £0.1m, and Non Distributed Costs £2.6m.

18. Capital Expenditure and Financing

Capital Financing Requirement (CFR)	2008/09		2009/10	
	£000	£000	£000	£000
Opening CFR (previously reported)		273,906		284,118
Adjustment for PFI/Other Fixed Assets		-		26,080
Opening CFR (restated)		**273,906**		**310,198**
Operational assets	66,319		50,081	
Non-operational assets	31		27,616	
Intangible assets	666		771	
Revenue Expenditure Funded from Capital under Statute	7,203		8,208	
Total capital investment	74,219		86,676	
Capital receipts	(3,071)		(2,000)	
Government grants	(27,517)		(49,946)	
Other contributions	(3,774)		(2,718)	
Revenue financing	(18,482)		(10,008)	
Total financing other than from loan	(52,844)		(64,672)	
Net investment financed from loan		21,375		22,004
Revenue provision for repayment of loans		(11,163)		(12,568)
Private Finance Initiative finance leases		-		13,207
Closing Capital Financing Requirement		**284,118**		**332,841**

The Capital Financing Requirement represents the County Council's net need to borrow to finance its capital investment, made up of all loan investment in previous years, less amounts set aside each year for the redemption of debt.

For both years shown above, the capital investment financed from loans relates entirely to borrowing categorised as being supported by Government financial assistance, through Revenue Support Grant (although this grant, as discussed in the Foreword on page 4, does not in practice provide additional cash on a year-on-year basis).

The Capital Financing Requirement reflects various items in the balance sheet, as shown below:

	31 March 2009 £000	31 March 2010 £000
	(Restated)	
Fixed Assets	783,399	845,774
Government Grants Deferred	(128,771)	(157,702)
Capital Contributions Deferred	(21,228)	(22,893)
Capital Adjustment Account	(287,828)	(277,446)
Revaluation Reserve	(35,374)	(54,892)
Capital Financing Requirement	**310,198**	**332,841**

The County Council accounts fully for depreciation of assets in line with accounting standards in the Income & Expenditure Account, but it is legally obliged to provide for the repayment of a proportion of its Capital Financing Requirement (the Minimum Repayment Provision) in its charge to taxpayers. The reversal of the depreciation charge and the charge for the statutory provision for debt repayment are shown in the analysis of Movement on the County Fund Balance (Note 17).

19. Fixed Assets

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Total Operational Assets
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
As at 31 March 2009 (previously reported)	594,925	64,851	211,463	1,619	872,858
*Restatement for existing assets	(27,147)	-	-	-	(27,147)
PFI assets	34,341	-	-	-	34,341
As at 1 April 2009 (restated)	602,119	64,851	211,463	1,619	880,052
Additions	21,245	5,223	18,930	6	45,404
Additions - Waste PFI	13,207	-	-	-	13,207
Donations	-	-	-	-	-
Disposals	(4,036)	(584)	-	-	(4,620)
Reclassifications	1,400	494	51	-	1,945
Revaluations	(1,518)	-	-	-	(1,518)
Impairments	(13,452)	-	-	-	(13,452)
At 31 March 2010	618,965	69,984	230,444	1,625	921,018
Depreciation					
As at 31 March 2009 (previously reported)	(48,650)	(36,893)	(65,109)	-	(150,652)
*Restatement for existing assets	26,575	31	28	-	26,634
PFI assets	(245)	-	-	-	(245)
As at 1 April 2009 (restated)	(22,320)	(36,862)	(65,081)	-	(124,263)
Charge for 2009/10	(16,269)	(7,811)	(8,842)	-	(32,922)
Disposals	213	573	-	-	786
Reclassifications	390	-	-	-	390
Revaluations	21,554	-	-	-	21,554
Impairments	2,308	-	-	-	2,308
At 31 March 2010	(14,124)	(44,100)	(73,923)	-	(132,147)
Balance Sheet amount at 31 March 2010	**604,841**	**25,884**	**156,521**	**1,625**	**788,871**
Balance Sheet amount at 31 March 2009	**546,275**	**27,958**	**146,354**	**1,619**	**722,206**
Balance Sheet amount at 1 April 2009 (restated)	**579,799**	**27,989**	**146,382**	**1,619**	**755,789**
Nature of asset holding					
Owned	558,618	25,884	156,521	1,625	742,648
Finance Lease	-	-	-	-	-
PFI assets	46,223	-	-	-	46,223
	604,841	**25,884**	**156,521**	**1,625**	**788,871**

* The balance at 1 April 2009 has been restated for a change in how previous revaluations and impairments have been charged to either gross cost and/or accumulated depreciation.

	Investment Assets	Assets Under Construction	Assets Awaiting Disposal	Total Non Operational Assets	Intangible Assets	Total Fixed Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
As at 31 March 2009 (previously reported)	2,000	12,955	8,654	23,609	8,415	904,882
*Restatement for existing assets	1,927	-	591	2,518	(1)	(24,630)
PFI assets	-	-	-	-	-	34,341
As at 1 April 2009 (restated)	3,927	12,955	9,245	26,127	8,414	914,593
Additions	-	32,279	14	32,293	771	78,468
Additions - PFI	-	-	-	-	-	13,207
Donations	-	-	-	-	-	-
Disposals	(194)	-	(642)	(836)	(211)	(5,667)
Reclassifications	3,396	(4,677)	(664)	(1,945)	-	-
Revaluations	(1,881)	-	(1,039)	(2,920)	-	(4,438)
Impairments	(14)	-	(98)	(112)	-	(13,564)
At 31 March 2010	5,234	40,557	6,816	52,607	8,974	982,599
						-
Depreciation						-
As at 31 March 2009 (previously reported)	-	-	(634)	(634)	(3,786)	(155,072)
*Restatement for existing assets	(1,927)	-	(598)	(2,525)	14	24,123
PFI assets	-	-	-	-	-	(245)
As at 1 April 2009 (restated)	(1,927)	-	(1,232)	(3,159)	(3,772)	(131,194)
Charge for 2009/10	-	-	(106)	(106)	(987)	(34,015)
Disposals	-	-	20	20	211	1,017
Reclassifications	(492)	-	102	(390)	-	-
Revaluations	2,419	-	1,082	3,501	-	25,055
Impairments	-	-	4	4	-	2,312
At 31 March 2010	-	-	(130)	(130)	(4,548)	(136,825)
Balance Sheet amount at 31 March 2010	**5,234**	**40,557**	**6,686**	**52,477**	**4,426**	**845,774**
Balance Sheet amount at 31 March 2009	**2,000**	**12,955**	**8,020**	**22,975**	**4,629**	**749,810**
Balance Sheet amount at 1 April 2009 (restated)	**2,000**	**12,955**	**8,013**	**22,968**	**4,642**	**783,399**
Nature of asset holding						
Owned	5,234	40,557	6,686	52,477	4,426	799,551
Finance Lease	-	-	-	-	-	-
PFI assets	-	-	-	-	-	46,223
	5,234	**40,557**	**6,686**	**52,477**	**4,426**	**845,774**

Intangible Assets represent purchased software licences and are valued at acquisition cost and written off over the period of the licence. The County Council has no intangible asset trademarks, artistic originals or patents.

Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of assets, with the exception of land, community land assets, investment land, land awaiting disposal and assets under construction.

The County Council does not have a Housing Revenue Account (HRA) which accounts for the provision for housing accommodation, so all net assets employed by the County Council relate to the County Fund.

The life expectancies of the assets are assessed as follows:

Operational land	Not depreciated as an infinite life expectancy
Operational buildings	Individually assessed by valuers
Vehicles	Individually assessed on acquisition (usually up to 10 years)
IT equipment	Individually assessed on acquisition (usually up to 5 years)
Other plant, furniture and equipment	Individually assessed on acquisition (usually up to 20 years)
Infrastructure	40 years for new roads, otherwise 20 years
Intangible assets	Length of IT software licence agreement
Infrastructure land	Not depreciated as an infinite life expectancy
Community land	Not depreciated as an infinite life expectancy
Investment properties	Individually assessed by valuers
Investment land	Not depreciated as an infinite life expectancy
Assets under construction	Not depreciated
Buildings awaiting disposal	Individually assessed by valuers
Land awaiting disposal	Not depreciated as an infinite life expectancy

20. Valuation of Fixed Assets

The County Council operates a policy of revaluing its property assets on a rolling 5-year basis, with the aim of revaluing all of its assets within this period. The Council also reviews the asset register each year, and, if necessary adjusts the value of assets if significant impairment has been identified.

Freehold and leasehold properties regarded by the authority as operational, together with investment assets and assets awaiting disposal, are valued on the basis of open market value for the existing use or where this cannot be assessed because there was no market value, the depreciated replacement cost. This is in line with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Buildings are depreciated in line with the estimated life expectancies of the assets.

Furniture, equipment, plant and machinery values were initially calculated either as an assessed proportion of the valuation of the buildings or, in the case of properties valued at open market value, as an assessed rate per square metre. Together with intangible assets, they are updated in line with capital expenditure, and depreciated in line with the estimated lives of the assets.

Infrastructure and community assets are not revalued. They were initially shown on the basis of outstanding loan debt at 1 April 1994. They are updated in line with capital expenditure and, in the case of infrastructure, depreciated in accordance with the expected life of the asset created or enhanced.

With the exception of Bentley Museum contents, non-operational land and buildings are valued at the same time and in the same way as operational assets.

When the County Council sold Bentley Wildfowl Centre and Motor Museum during 2004/05, it retained ownership of the contents. A valuation carried out by Sotheby's in March 2004, valued the contents at £925,000 and this amount has previously been shown in the accounts. While the County Council will be commissioning a new valuation of these assets, a review of relevant documents in March 2009 has resulted in valuing the County Council share of these contents to be in the region of £645,000.

The following statement shows the progress of the County Council's rolling programme for the revaluation of land and buildings. The valuations are carried out by an external firm of valuers - Wilkes, Head and Eve (a member of Chartered Surveyors and Town Planners), on behalf of the County Council. The valuation dates are as at 1 April in each year.

	Operational Land and Buildings	**Non Operational Investment Assets**	**Non Operational Assets Awaiting Disposal**
	£000	£000	£000
Valued at historical cost	127,040	-	903
Valued at current value in:			
2009	88,784	5,234	319
2008	90,467	-	3,011
2007	83,063	-	576
2006	82,968	-	312
2005	132,519	-	920
Bentley contents	-	-	645
Total	**604,841**	**5,234**	**6,686**

In the light of on-going economic recession, the County Council carried out a review for impairment of all fixed assets to determine the carrying amount of the fixed asset. This is to determine if there has been any diminution in the value of assets due to the current economic climate and to ensure that the accounts do not include values that are materially different following significant changes in asset values. The outcome of the review is an additional £11.3m impairment charge in the 2009/10 accounts.

21. Assets Held

An analysis of the freehold and leasehold assets is given below

	31 March 2009 (numbers)		31 March 2010 (numbers)	
Schools	162		162	
Tutorial Units	3		3	
Maintained Youth and Community Centres	14		13	
Sports Centres	2		2	
Family and Children's Establishments	16		14	
Children's Centres	23		26	
Other Education Buildings	5		5	
Travellers' Sites	5		5	
Principal Roads	359	km	359	Km
Other Roads	2,962	km	2,933	Km
Green Lanes	56	km	56	Km
Back Lanes	7	km	7	Km
Highways Depots and Sub Depots	6		6	
Vehicles and Plant	696		702	
Libraries	26		26	
County Records buildings	6		6	
County Offices	4		4	
Surplus Buildings	25		18	
Surplus Land (Number)	36		27	
Country Parks	3		3	
Registrars' Offices	4		4	
Elderly Day Centres	21		21	
Establishments for People with Disabilities	18		18	
Group Homes for People with Disabilities	20		20	
Other Social Services' Centres and Patch Offices	21		21	
Investment & Commercial Properties	1		27	See note
Community Assets	9		9	

Note: In 2009/10 a number of residential and surplus properties have been re-classified as commercial properties.

22. Future Capital Expenditure

Over the five year period, 2010/11 to 2014/15, the Council is planning to spend a gross capital expenditure of £397m. A large part of this, some £247m is planned to be funded using scheme specific resources such as government grants and contributions from external organisations.

The approved capital programme shows that in 2010/11 the council plans to spend £171.3m. This amount includes £67.9m on new projects starting in 2010/11 and £21.5m on schemes within its continuing programme. The balance of £81.9 is shown against schemes which were already in the programme at 31 March 2010 and completing in 2010/11 or later financial years.

Having adjusted for the actual outturn in 2009/10, slippage on projects and for provisions where there is no on-going commitment, the net commitment profiles for schemes in progress at 31 March 2010 are shown below:

2010/11	2011/12	2012/13	2013/14	Total
£34.4m	£17.0m	£5.5m	£0.6m	£57.5m

Examples of the costs of completing some of the larger projects already underway at 31 March 2010 include:

Department/Scheme	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
Adult Social Care				
Warwick House	0.2	4.0	0.8	5.0
Governance and Community Services				
New Archive & Records Office	2.2	11.6	4.0	17.8
Travellers Sites Swan Barn	1.0	-	-	1.0
Children's Services				
Bexhill High BSF	11.5	0.5	-	12.0
Corporate Resources				
ICT Network Resilience	0.4	-	-	0.4
Transport and Environment				
Household Waste Recycling Site	2.0	-	-	2.0

23. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital Under Statute (previously known as Deferred Charges) represents capital expenditure either on fees for feasibility studies for capital schemes which may or may not come to fruition, or expenditure on assets which are not owned by the County Council (e.g. adapting the homes of people with disabilities). Revenue Expenditure Funded from Capital Under Statute is written off in the year in which the expenditure is incurred. However, the financing cost, in terms of interest and Minimum Repayment Provision, is deferred over a number of years. In 2009/10, £8,207,434 of the County Council's capital investment related to Revenue Expenditure Funded from Capital Under Statute (Note 18), and all was written off in the year the expenditure was incurred.

24. Investments

The County Council has a 19% interest in Woodland Enterprises, a company limited by guarantee, which was set up to create prosperity in woodland and wood industries through sustainable development. The total assets less current liabilities of the Company were £1,107,417 as at 31 March 2010. The legal liability of the County Council is limited to £1.

The Local Government Act 2003 permits local authorities to invest surplus cash balances for periods longer than one year as part of an Annual Investment Strategy. ESCC did not have any investments that are within a period between one to five years, which can be classified in the balance sheet as long-term investment.

25. Current and Long Term Debtors

	31 March 2009 £000	31 March 2010 £000
Current Debtors	*Restated*	
Government Grants and VAT	4,927	5,280
Council Tax	12,727	14,692
Sundry debtors	16,614	17,899
	34,268	37,871
Adjustment for bad debts	(600)	(419)
Adjustment for bad debts - Council Tax	(5,351)	(6,664)
Total	**28,317**	**30,788**

	31 March 2009 £000	31 March 2010 £000
Long Term	*Restated*	
Waste PFI Prepayment	22,764	25,309
Other	5,411	653
Total	**28,175**	**25,962**

26. Cash and Bank Balances

	31 March 2009	31 March 2010	Movement
	£000	£000	£000
	Restated		
Cash in hand	178	200	22
Imputed cash adjustment for South Downs and primary care trusts	(593)	1,171	1,764
Accrued balance at bank and for third parties	(10,957)	(9,840)	1,117
Total excl cash in hand	**(11,550)**	**(8,669)**	**2881**
Total including cash in hand	**(11,372)**	**(8,469)**	**2,903**

Notes 10 and 11 set out some details of the arrangements under which the County Council 'hosts' the finances of pooled arrangements for Pooled Budgets (with Primary Care Trusts) and the South Downs Joint Committee. These arrangements relate to a number of different organisations and it is necessary to allocate their balance sheets between the different participants. The result of adjusting the balances for debtors, creditors, etc. is to create an imbalance, which represents the difference between the cash actually held by the County Council and the share of the arrangements' cash which is eventually allocable to the County Council. This difference is recorded above as 'imputed cash'.

The County Council manages and invests its cash balances with the aim of achieving a balance at the bank as close as possible to zero. As it manages cash balances on behalf of the East Sussex Fire and Rescue Authority, the East Sussex Pension Fund, and some trust funds alongside its own balances, the County Council allows its own balances to become overdrawn if there is cash held in its own bank accounts on behalf of the other authorities. Our accounts also show an overdrawn balance because cheques and BACS payments are recorded when they are drawn, rather than when they are presented at the bank. The overdrawn balance shown above was made up as follows:

	31 March 2009	31 March 2010
	£000	£000
East Sussex Fire and Rescue Authority	(4,240)	(5,446)
East Sussex Pension Fund	1,850	483
Trust Funds	(993)	(212)
Unpresented cheques and BACS payments	(7,574)	(4,665)
Accrued balance at bank and for third parties	**(10,957)**	**(9,840)**

The pooled bank balances at 31 March 2010 include £20.0m (£19.2m at 31 March 2009) relating to bank accounts operated by schools under local management arrangements.

27. Creditors

	31 March 2009	31 March 2010
	£000	£000
	Restated	
Central Government – Inland Revenue and Teachers' Pensions	9,807	10,060
Council Tax	4,475	5,500
East Sussex Pension Fund	2,984	3,081
Other creditors and accruals	53,494	57,428
Total	**70,760**	**76,069**

28. Borrowing Analysis

	31 March 2009	31 March 2010	Movement
	£000	£000	£000
Loans: Public Works Loan Board (carrying amount)	251,303	228,341	(22,962)
FRS 26 Adjustment	21	21	-
Money Market Loans	12,900	12,900	-
Total long-term borrowing	**264,224**	**241,262**	**(22,962)**
Accrued interest	1,210	1,152	(58)
Other loans	210	196	(14)
Total short-term borrowing	**1,420**	**1,348**	**(72)**
Total	**265,644**	**242,610**	**(23,0344)**

Long term borrowing serviced by the County Council analysed by maturity:	31 March 2009	31 March 2010	Movement
	£000	£000	£000
Maturing up to 2 years	1	1	-
Maturing between 2 to 5 years	1,318	5,273	3,955
Maturing between 5 to 10 years	21,747	21,748	1
Maturing in more than 10 years	241,158	214,240	(26,918)
Total	**264,224**	**241,262**	**(22,962)**

29. Provisions

Provisions are amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The provision has been established for material liabilities of uncertain timing. The following table shows the level of the Council's provisions:

	Opening Balance 1 April 2009	Charged in Year	Utilised in Year	Closing Balance 31 March 2010
	£000	£000	£000	£000
Adult Social Care legal costs	295	-	-	295
Independent Insurance	64	-	(64)	-
Insurance claims	3,986	-	(112)	3,874
Municipal Mutual Insurance	81	-	(81)	-
Redundancies	53	317	-	370
Section 117 liabilities	800	-	-	800
Learning Disability Care Costs	155	-	-	155
Tipper operator - public enquiry	-	44	-	44
Schools/Hillcrest Restructuring	322	-	(138)	184
Total	**5,756**	**361**	**(395)**	**5,722**

The provision for Adult Social Care legal costs relates to a case where the County Council is liable for the costs, but the amount and settlement date have yet to be determined.

The Independent Insurance Company had been our insurers from 1993/94 to 1995/96. They ceased business during 2001/02. However, it will be several years before the County Council's exact liability can be established, therefore, previously set aside provision has been moved into reserve.

The provision for insurance claims (Pre 1997 & Post 1997 liabilities) represents an estimate of the amounts, which the County Council will have to pay for claims arising before 31 March 2010, but where the exact amount and the date of payment are uncertain.

The insurance provision for Municipal Mutual Insurance, which has now been moved into reserve, was set up following the cessation of business by this company, who had been the County Council's insurers during 1992/93.

Redundancy ASC – The application of the provision was to cover the costs associated with the specific costs relating to a Tribunal ruling for a member of staff.

Between 1993 and 2000, the County Council charged clients for the provision of services under Section 117 of the Mental Health Act 1993. A court case subsequently established that it was illegal to make such charges. The County Council is obliged to repay these charges, together with interest. However, since it is uncertain how much will be repaid and when, a provision has been set up to allow for the future repayment of all outstanding cases.

Learning Disability Care Costs is a provision in respect of care costs pending the outcome of contract disputes.

There is a claim from a tipper operator and aggregates supplier for costs relating to a public enquiry held in July 2009. This matter was then pending a further court appearance in December 2009 which also found against the Council.

Schools Restructure - The County Council supports schools in restructuring of staffing in order to address financial difficulties arising, for example, from reducing numbers of pupils, by meeting the costs of redundancies in approved circumstances. A major restructuring had been agreed in principle before 31 March 2010 although details of individual cases had not been finalised. Therefore a provision was created in the 2009/10 to cover the estimated costs flowing from the decision to proceed with the restructuring.

30. Government Grants Deferred & Capital Contributions Deferred and Unapplied

Government Grants Deferred & Capital Contributions Deferred	**2008/09**		**2009/10**	
	Grants	**Contributions**	**Grants**	**Contributions**
	£000	£000	£000	£000
Grants and contributions applied to capital investment	27,517	3,774	49,946	2,718
Credited to the Service Revenue Accounts	(7,972)	(698)	(21,015)	(1,053)
Total movement in the account	19,545	3,076	28,931	1,665
Balance brought forward at 1 April	109,226	18,152	128,771	21,228
Balance carried forward at 31 March	**128,771**	**21,228**	**157,702**	**22,893**

The balances on these accounts represent the amounts of government grants and other contributions towards the cost of fixed assets. They are accumulated as grants and contributions until used to finance expenditure, and written down in line with depreciation and disposals.

Unapplied Government Grants and Capital Contributions

The balance on the Unapplied Government Grants and Capital Contributions account as at 31 March 2010 was £37.08m (£38.96m at 31 March 2009). The balance includes government grants £23.28m (£29.73 at 31 March 2009), developer contributions £7.30m (£6.30m at 31 March 2009) and other capital contributions £6.50m (£2.93m at 31 March 2009).

31. Analysis of Movements in Reserves

	Opening Balance 1 April 2009 *Restated*	(Gains) / Losses	Transfers between Reserves	Closing Balance 31 March 2010
	£000	£000	£000	£000
Revaluation Reserve	(35,374)	(20,616)	1,098	(54,892)
Capital Adjustment Account	(287,828)	-	10,382	(277,446)
Usable Capital Receipts Reserve	(4,827)	-	609	(4,218)
Pension Reserve	262,593	244,909	8,435	515,937
County Fund balances	(17,866)	16,594	(18,021)	(19,293)
Financial Instruments Adjustment Account	3,047	-	(121)	2,926
Collection Fund Adjustment Account	156	-	183	339
Earmarked Reserves	(160,565)	-	(2,565)	(163,130)
Total net worth	**(240,664)**	**240,887**	**-**	**223**

This note analyses the movement in each reserve, and the total gains and losses shown above equals the total shown in the Statement of Total Recognised Gains and Losses. The movements on individual reserves are shown in more detail in the notes below.

32. Revaluation Reserve

	2009/10 £000	**2009/10** £000
Gains on revaluation of fixed assets	20,617	
Impairments charged to revaluation reserve balance	-	
Adjustment for Historical Cost depreciation	(972)	
Balances on disposal transferred to the Capital Adjustment Account	(127)	
Net movement in reserve		19,518
Balance brought forward at 1 April 2009 (as previously reported)	27,773	
Restatement due to PFI/Other adjustments (see Note 1)	7,601	
Balance brought forward at 1 April 2009 (restated)		35,374
Balance carried forward at 31 March 2010		**54,892**

The balance brought forward at 1 April has been restated to reflect the inclusion of Private Finance Initiative assets.

33. Capital Adjustment Account

	2009/10	
	£000	£000
Capital receipts set aside		
Usable receipts applied		2,000
Revenue resources set aside		
Capital expenditure financed from revenue	10,008	
Revenue Expenditure Funded from Capital Under Statute and Investment written down	(8,208)	
Grants and contributions deferred written down	22,068	
Provision for loan repayment, excluding depreciation	(21,447)	
		2,421
Amounts written off fixed asset balances for disposals		(4,650)
Impairments		(11,252)
Adjustment for Historical Cost depreciation		972
Transfer of disposal gains from the revaluation reserve		127
Total movement in reserve		(10,382)
Balance brought forward at 1 April 2009 (as previously reported)		**287,919**
Restatement due to PFI/Other adjustments (see Note 1)		(91)
Balance brought forward at 1 April 2009 (restated)		**287,828**
Balance carried forward at 31 March 2010		**277,446**

The Capital Adjustment Account contains:

- Depreciation and impairment losses posted out of the Statement of Movement on the County Fund Balance;
- Compensatory adjustments from the Revaluation Reserve to convert current value depreciation/impairment loss debits to historical cost;
- Book value of assets on disposal/decommissioning posted out of the Statement of Movement on the County Fund Balance;
- Transfer from Revaluation Reserve of revaluation gains for assets outstanding on disposal/decommissioning;
- Amortisations posted out of the Statement of Movement on the County Fund Balance;
- Capital receipts posted out of the Usable Capital Receipts Reserve;
- Direct revenue financing and Minimum Revenue Provision/loan repayments debited to the Statement of Movement on the County Fund Balance;
- Minimum Revenue Provision/loan repayments;
- The amount released annually from the Government Grants Deferred Account (see Note 30 above);
- The amounts written down annually from Revenue Expenditure Funded from Capital under Statute;
- The opening balance has been restated to reflect the inclusion of Private Finance Initiative assets.

34. Usable Capital Receipts Reserve

	2008/09	2009/10
	£000	£000
Amounts receivable during the year	666	1,391
Amounts applied to finance new capital investment	(3,071)	(2,000)
Total decrease in realised capital resources	(2,405)	(609)
Balance brought forward at 1 April 2009	7,232	4,827
Balance carried forward at 31 March 2010	**4,827**	**4,218**

Capital receipts are obtained either from sale of fixed assets such as land and buildings. Such receipts can legally only be applied to reduce debt, or in most cases, to support new capital schemes. The balance at 31 March is available to support capital expenditure in future years.

35. Earmarked Reserves

	Opening Balance 31 March 2009 *Restated* £000	Receipts in Year £000	Payments in Year £000	Closing Balance 31 March 2010 £000
ACRES Reserve	-	375	-	375
ASC Business Transformation Risk	617	-	-	617
Capital Programme	43,725	2,633	(5,324)	41,034
CBOSS Development	594	61	-	655
Chief Executive ICT Refresh	51	55	(106)	-
Climate Change	150	-	-	150
Community Partnership	94	-	(93)	1
Corporate Waste	60,548	19,115	(12,970)	66,693
CSD ICT Refresh	40	108	-	148
Deferred Payments	405	-	(315)	90
Departmental Budgets	8,807	7,794	(9,031)	7,570
Developer Contribution Smoothing	175	-	(175)	-
Extended Schools (Community Facilities)	155	72	-	227
e-Government	1,314	552	(58)	1,808
High Weald	51	14	-	65
Insurance (from 1/4/97)	8,029	1,391	(1,114)	8,306
Insurance (to 31/3/97)	530	481	(17)	994
Invest To Save	2,042	90	(700)	1,432
Leisure Centres	332	-	(3)	329
Management Capacity	138	40	(49)	129
Map Digitisation	36	-	(24)	12
On-street car parking	310	237	(89)	458
Ouse Valley Commuted Maintenance	29	-	(12)	17
Interest Rate Equalisation Reserve	1,298	1,702	(2,999)	1
PFI Assets	4,680	221	(4,680)	221
Recession Fund Reserve	-	894	-	894
Redundancies	2,950	150	(1,265)	1,835
Roundabout Reserve	-	114	-	114
Strategic Economic Development	327	-	(327)	-
Transport & Environment ICT Refresh	26	32	-	58
Travellers' Sites	160	25	(34)	151
Virtual College	-	232	-	232
Winter Maintenance	189	311	-	500
Total (excl. Waste PFI)	**137,802**	**36,699**	**(39,385)**	**135,116**
Waste PFI	22,763	5,251	-	28,014
Total (with Waste PFI)	**160,565**	**41,950**	**(39,385)**	**163,130**

The purpose of each reserve shown above is set out below:

ACRES Reserve	The ACRES (Adult College of Rural East Sussex) consortium, comprising 5 colleges and the Council's Governance and Community Services dept, provides adult learning services in East Sussex. There is no Council Tax support for these services. Changes in funding arrangements in the further education sector, together with managing the potential for year on year learner number and/or trading volatility make it essential that the consortium can draw on self-generated resources to meet any future investment, restructuring and other exceptional costs.
ASC Business Transformation Risk	To meet potential unplanned costs arising from the transformation business processes within Adult Social Care.
Capital Programme	To provide resources which may be used for capital spending, and in recognition of the reducing forecasts of capital receipts.
CBOSS Development	To meet the cost of developing the corporate back office systems and services.
Chief Executive ICT Refresh	To provide for regular replacement of ICT equipment on a 4-year rolling programme in the Chief Executive's Department.
Climate Change	This should cover additional staffing costs, as well as the costs of joining the South East Climate Change Partnership, awareness-raising and training events and publications.

Community Partnership	To support initiatives that address crime and the fear of crime, and to support initiatives that can increase the capacity of local communities to be involved in activities that encourage improved quality of life, well being, engagement and self-determination.
Corporate Waste	To smooth the large year-on-year budget increases that will be needed to finance the Waste PFI project over the whole life of the service.
CSD ICT Refresh	To provide for regular replacement of ICT equipment on a 4-year rolling programme in Children's Services.
Deferred Payments	This relates to Adult Social Care cases where residential services may be provided to clients who have assets but no immediate funds and where debt is deferred until their property is eventually sold. The Council receives a government grant towards the cost of deferred income, and the reserve is designed to smooth out the cash flow difficulties associated with this practice.
Departmental Budgets	To enable net underspends by departments to be carried forward for spending in the next financial year in accordance with Financial Regulations. Underspends often reflect situations where expenditure has been committed, but not actually incurred, at the year end.
Developer Contribution Smoothing	To smooth the impact of timing differences between the payment for works (funded by development) and the actual receipt of the developer contributions. Used in approved cases where the certainty of the development contribution is high but the works are required before all the contributions are received.
Extended Schools (Community Facilities)	For Community facilities run by Schools under the extended school programme.
e-Government	To provide funding for the support of the ICT development programme.
High Weald	To provide for future spending commitments in the High Weald Area of Outstanding Natural Beauty.
Insurance (from 1/4/97)	To cater for internal insurance and risk management on County Council services. Self Insurance through this reserve is more economical than external insurance for these classes of risks.
Insurance (pre 1/4/97)	This reserve was used for the same purposes as the current insurance reserve, but it relates to the pre-reorganisation County Council, and some may eventually be attributable to Brighton and Hove City Council.
Invest To Save	To provide initial funding for projects designed to save the County Council money over future years.
Leisure Centres	To enable the County Council to meet its obligations under the lease agreement to keep premises in good repair in accordance with a 5-year plan.
Management Capacity	To provide one-off funding to support priority corporate and department projects.
Map Digitisation	Investment in making historical records available in electronic form, including through the ESCC website.
On-Street Car Parking	Use of 'surpluses' is restricted by legislation. This reserve can be used to cover deficits from earlier years, provision of off-street parking, highway maintenance and passenger transport.
Ouse Valley Commuted Maintenance	To fund the ongoing maintenance costs associated with the landscape project at Newhaven Ouse Estuary.
Interest Rate Equalisation Reserve	This reserve provides resources, which may be used to help manage fluctuations in interest rates and the impact on our short-long term borrowing and investment.
PFI Assets	The reserve has been derecognised due to the infrastructure being recognised as an asset with the related liability. The amounts previously represent the payments made to the contractor which relate to the asset value, which was exactly matched by the former PFI prepayment account.
Recession Fund	The Council has agreed to a one off allocation which can be used over several years, to support the work to address the recession and the impact it has on residents, businesses and communities.
Redundancies	To provide funds for the one-off costs of severance pay, enabling ongoing savings and efficiencies to be made.

Roundabout Reserve	The Transport & Environment Department are commencing a "Roundabout Sponsorship" scheme. Private companies will be "sponsoring" a roundabout for a period of three years - paying over an agreed sponsorship amount. Highways will then enhance/ maintain the landscaping and environment of that roundabout for that period. There is no requirement to spend particular sponsorship money on a particular roundabout, merely for certain maintenance standards to be observed.
Strategic Economic Development	To provide support for County Council projects that promote economic development.
Transport & Environment ICT Refresh	To provide for regular replacement of ICT equipment on a 4-year rolling programme in the Transport & Environment Department.
Travellers' Sites	To provide resources for future investment in the sites managed by the County Council. The reserve may be used to meet revenue costs or by way of contributions to capital expenditure.
Virtual College	The management committees of the Vitual Colleges will carry forward their balances at the end of each financial year. The reserve will hold the accumulated balances brought forward.
Winter Maintenance	To smooth the financial impact of variations between years in winter weather on road maintenance.
Waste PFI	The Waste PFI reserve represents the amount included in the unitary charge that the Council has modelled as contributing towards the development of the Energy Recovery Facility due to open in 2011. This reserve will be transferred to the Capital Adjustment Account to establish the relevant MRP as the asset comes into use and the liability is finally established.

36. Contingent Liabilities and Assets

In September 2007 the County Council extended its Integrated Waste Management Services PFI contract with South Downs Waste Services Limited (Veolia) by 5 years to end in 2033. The County Council considers that it acted legally and in the interest of Council taxpayers. There has been a complaint to the European Commission about compliance with EU procurement rules and as a result the Commission has raised certain issues with the UK Government and the County Council. The Commission has decided to issue a letter of formal notice to the UK Government setting out its concerns. The UK Government has provided its response to the concerns raised by the Commission. The Commission has sought further clarification on some of the responses and these have been provided by the Government. The complaint could take some time to reach a conclusion. It is not possible to assess what the outcome of the complaint will be, nor the financial impact, if any, on the County Council. Brighton & Hove City Council has also made this disclosure in its accounts.

An Interreg IIIA grant of £239,644 was approved by the Managing Authority in Rouen, France as shown in a Revision of Grant Offer letter dated 23 November 2007. Our partners included the Brighton & Hove Museum Service (part of Brighton & Hove City Council) and Sussex Archaeological Society. In view of a potential loss in the outstanding balance of the grant, ESCC is submitting a formal complaint to the Regional Council of Upper Normandy, the European Commission and the Government Office for the South East (GOSE). ESCC would not have committed to incurring such large costs had the correct guidance been received. In the 2009/10 accounts Transport & Environment will not accrue for the unpaid grant of £78,627. This will be treated as a contingent asset in ESCC's accounts.

Following the outcome of arbitration proceedings in favour of ESCC in relation to a capital building contract a further final account submission has been submitted by the Contractor requesting additional payments of £767,291. This claim has been refuted in detail in December 2009 and our professional advice indicates that no further monies are due for payment.

Equal Pay Employment Tribunal Claims – three Equal Pay claims have been lodged against the Council from Teaching Assistants in special schools drawing a comparison with Rights of Way Ranger posts in the Transport & Environment department. In addition, a collective grievance has been lodged on behalf of thirty-three individuals from a broader range of occupational groups, including Teaching Assistants, Care Officers, Home Care Support Workers and a range of Schools based posts such as Secretaries, Bursars etc. Discussions with the trades unions with a view to reaching a settlement are currently taking place, and correspondence on these points is still being exchanged between the Council's and Union's legal advisers. It is not possible at this stage to assess the financial implications of any potential settlement.

There are two contingent assets, for claiming compound interest from HMRC, which have been lodged at the High Court for a sum in excess of £300,000. The first claim is on hold pending the outcome of the Littlewoods case which is likely to be referred to the European Court of Justice. The second claim, regarding VAT paid on off-street car parking charges, has been lodged with the First Tier Tribunal (Tax) for £45,014 for a refund of tax. The claim is on hold pending a judgement on the Isle of Wight Council and other such cases.

37. Post Balance Sheet Events

The significant events which have occurred since the balance sheet date are non-adjusting events These events have been declared to ensure a fair presentation of the financial statements and concern conditions that did not exist at the balance sheet date:

- The Chancellor of the Exchequer announced in his emergency Budget on 22nd June 2010 that the consumer price index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. The effect of this change is estimated to reduce the value of FRS 17 liabilities and will be determined in future actuarial valuations.

- Age Well PFI Project - *On* 8th June 2010, the County Council decided to withdraw from the procurement process for the *Age Well PFI proj*ect. A bidder is now seeking to claim from the County Council its *costs incurred* under the procurement process.

38. Private Finance Initiatives (PFI)

Value of PFI assets at each balance sheet date and analysis of movement in those values.

	Peacehaven School PFI					
Schools PFI	**Hoddern Junior**	**Telscombe Cliffs Primary**	**Meridian Primary**	**Peacehaven Secondary**	**Peacehaven Infants**	**Total**
	£000	£000	£000	£000	£000	£000
Value of assets						
01 April 2009	**2,632**	**5,422**	**272**	**11,140**	**1,231**	**20,697**
Additions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(75)	(155)	(8)	(318)	(35)	(591)
31 March 2010	**2,557**	**5,267**	**264**	**10,822**	**1,196**	**20,106**

	Waste PFI					
Waste PFI	**Hollingdean WTS**	**Hollingdean MRF**	**Crowborough HWRS**	**Maresfield WTS & MRF**	**Whitesmith Composting Facility**	**Total**
	£000	£000	£000	£000	£000	£000
Value of assets						
01 April 2009	**5,393**	**5,393**	**2,858**	-	-	**13,644**
Additions	-	-	-	3,323	9,884	**13,207**
Revaluations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(153)	(154)	(327)	-	-	(634)
31 March 2010	**5,240**	**5,239**	**2,531**	**3,323**	**9,884**	**26,217**

In addition to the tangible fixed assets, there is prepayment held on Balance Sheet in relation to the Waste PFI contract. The prepayment represents the amount included in the unitary charge that the Council has modelled as contributing towards the development of the Energy Recovery facility due to open 2011.

Value of liabilities resulting from PFI at each balance sheet date and analysis of movement in those values

	Waste PFI	**Schools PFI**	**Total**
	£000	£000	£000
01 April 2009	10,604	15,480	26,084
New operational assets	13,207	-	13,207
Use of prepayment reserve	(2,705)	-	(2,705)
Lease repayment	(667)	(335)	(1,002)
31 March 2010	**20,439**	**15,145**	**35,584**

The original recognition of these fixed assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The table above includes a long term deferred liability as at 31 March 2010 of £34.4m, and short term liability of £1.2m. The long term liability is included under Deferred Liabilities in the Balance Sheet and the short term liability under Creditors.

Details of payments to be made under PFI contracts

Waste PFI

In conjunction with Brighton and Hove City Council, the Council jointly entered into a 25 year agreement, on the 31st March 2003, for the provision of an integrated waste management service with Southdown Waste Services Ltd. This agreement has now been extended by a further 5 years to 31 March 2033. Based on a projected 2.5% annual inflation rate the details of the payments due to be made are detailed below.

	Prepayments	Repayment of Liability	Interest	Service charge
	£000	£000	£000	£000
Within 1 year: 2010/11	5,647	794	699	16,022
Within 2 to 5 years: 2011/12 to 2014/15	54	9,201	18,236	65,146
Within 6 to 10 years: 2015/16 to 2019/20	-	14,980	19,867	93,423
Within 11 to 15 years: 2020/21 to 2024/25	-	15,502	15,982	114,663
Within 16 to 20 years: 2025/26 to 2029/30	-	26,652	10,092	130,244
Within 21 to 23 years: 2030/31 to 2032/33		20,237	2,269	88,774

Peacehaven Schools PFI

The County Council has a contract with Peacehaven Schools Ltd (PSL) under the Private Finance initiative to provide a new secondary school and replace or refurbish four primary schools in Peacehaven and Telscombe Cliffs. The first school became operational in January 2000. Based on actual inflation to 31 March 2010 and assuming a 3.0% inflation rate for the remaining life of the contract to 2025, the payments to be made are set out below:

	Liability	Interest	Service Charge	Contingent Rent
	£000	£000	£000	£000
Within 1 year: 2010/11	371	1,646	1,298	255
Within 2 to 5 years: 2011/12 to 2014/15	1,935	6,136	5,594	1,312
Within 6 to 10 years: 2015/16 to 2019/20	3,864	6,225	7,990	2,364
Within 11 to 15 years: 2020/21 to 2024/25	6,473	3,616	9,262	3,287
Within 16 to 17 years: 2025/26 to 2026/27	2,502	354	2,890	1,123

All operational PFI contracts are now accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements contained in the government's Financial Reporting Manual.

The long term deferred liability as at 31 March 2010 was £34.4m (£19.6m for Waste PFI, and £14.8m for Peacehaven Schools PFI), and as at 31 March 2009 was £26.1m (£10.6m for Waste PFI, and £15.5m for Peacehaven Schools PFI)

39. Reconciliation of Income and Expenditure Account to Revenue Activities Cash Flow

	£000	£000
Deficit / (Surplus) for the year		16,595
Interest		(9,539)
Non-cash transactions		
Depreciation	(34,015)	
Impairments	(11,252)	
Government Grants/Capital Contributions Deferred	22,068	
Gain on disposal of fixed assets	(3,259)	
Provisions set aside during year	34	
Social Care Debt	76	
MRP	1,129	
Pensions Reserve	(8,435)	(33,654)
Changes in accruals		
Increase in Long term debtors	291	
Decrease in Stocks and work in progress	(3)	
Decrease in Payments in advance	(163)	
Increase in Landfill allowances	459	
Decrease in Debtors	(106)	
Increase in Creditors	(5,465)	
Increase Income in advance	(2,011)	(6,998)
Net Revenue Activities		(33,596)

40. Government Grants

Grant income included in the supplementary information note to the Cash Flow Statement

	Revenue Account £'000	Adjust for Accruals £'000	Supplementary Note £'000
Department for Education	(336,103)	(124)	(336,227)
Department for Transport	(184)	212	28
Department of Health	(2,455)	(198)	(2,653)
Department for Communities and Local Government	(17,689)	(1,104)	(18,793)
Department for Environment Food and Rural Affairs	(2,979)	1,475	(1,504)
Home Office	(1,684)	(51)	(1,735)
Other Government departments	(26,336)	93	(26,243)
Total	**(387,430)**	**303**	**(387,127)**

Adjustment for Accruals at 31 March 2010

	Debtors	Income in Advance	Creditors	Total
Balance 1 April	2,165	(4,724)	-	(2,559)
Balance 31 March	1,733	(5,616)	-	(3,883)
Net Difference	(432)	(892)	-	(1,324)
Adjust for LATS Grant				1,627
Net Adjustment				**303**

As explained in the Statement of Accounting Policies (paragraph 23), under the Landfill Allowances Trading Scheme (LATS) the Government allocates allowances, which are accounted for as expenditure on the allowances matched by a Government Grant. As no money changes hands, both the grant and the corresponding expenditure are excluded from the Cash Flow Statement.

41. Trust Funds

The County Council administers various funds for the benefit of individuals or groups of people. The income of such funds is not available for general use and the accounts are kept separate from those of the County Council.

The term 'trust fund' includes money held on behalf of individuals, such as Social Services clients. In these cases, the holding is virtually a personal bank account and is not invested by the County Council. The County Council acts as sole trustee for the following trusts:

- Music: for the provision of tuition in music;
- Robertsbridge Youth Centre: interest from money raised by the sale of land at the youth centre, applied towards youth services in Robertsbridge;
- Lewes Educational Charity: interest from money raised by the sale of former educational premises, applied towards education in Lewes and the surrounding area;
- How Scholarship: assistance to individuals in the Borough of Hastings;
- Wright Legacy: for the purchase of particular classes of books for Eastbourne Library.

The transactions of the funds during the year are summarised below:

	Opening Balance 2008/09 £000	Income in Year £000	Expenditure in 2009/10 £000	Closing Balance £000
Sole trustee funds				
Music Trust	721	-	(14)	707
Robertsbridge Youth Centre	102	-	-	102
Lewes Educational Charity	43	13	(14)	42
How Scholarship	3	3	(3)	3
Wright Legacy	2	-	-	2
Total sole trustee funds	871	16	(31)	856
Ashdown Forest Trust	1,410	64	(69)	1,405
General trust funds	118	1	(1)	118
Bequests	119	-	-	119
Voluntary funds	14	8	(9)	13
Comforts funds	41	16	(22)	35
Safe Custody	822	579	(1,349)	52
Total trust funds	**3,395**	**684**	**(1,481)**	**2,598**

42. Euro Costs

The County Council continues to review the impact of the European Single Currency ("the Euro") on its ongoing operations and financial systems.

43. Dedicated Schools Grant

The County Council's expenditure on schools is funded by grant monies provided by the Department of Education (formerly the Department for Children, Schools and Families), the Dedicated Schools' Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual School Budget, which is divided into a budget share for each maintained school.

Details of the deployment of the DDG receivable for 2009/10 are as follows:

	2008/09	2009/10		
	Total £000	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for the year	257,367			266,665
Brought Forward from 2008/09	2,786			-
Carry forward to 2010/11 agreed in advance	-			1,622
Agreed budgeted distribution	260,153	36,206	232,081	268,287
Actual central expenditure	(41,125)	(37,714)	-	(37,714)
Actual Individual Schools Budget (ISB) deployed in schools	(219,288)	-	(232,081)	(232,081)
Local authority contribution	1,882	2,867	-	2,867
Carry forward	**1,622**	**1,359**	**-**	**1,359**

School Reserve

The total value of the Individual Schools' Budget (the budget which is delegated to schools) for 2009/10 was £232.0m. Schools carried forward (reserve) a net total of £11.8 m (5.1%) at the end of the financial year to 31 March 2010, which was an increase of £1.4m compared to 31 March 2009. Table below shows the numbers and value of schools with surpluses and deficits.

		Primary	Secondary	Special	Total
All schools with surpluses					
Number of schools	**No.**	**131**	**21**	**10**	**162**
Total surplus	£000	6,472	5,413	839	12,724
All schools with deficits					
Number of schools	**No.**	**24**	**6**	**-**	**30**
Total surplus	£000	556	322	-	878
Carry forward	**£000**	**5,916**	**5,091**	**839**	**11,846**
Less Capital Loan to Schools	£000	(4)	(86)	(3)	(93)
Net carry forward	**£000**	**5,912**	**5,005**	**836**	**11,753**

This reserve represents unspent balances remaining at the year-end against schools' delegated budgets (the number of schools above include church aided schools, which are legally owned by the church authorities). The main reasons why schools hold balances are anticipation of future budget pressures usually arising from pupil number variation, to fund specific projects such as building work and IT and to hold a contingency for reasons of prudence. These balances are committed to be spent on the education service and are not available to the County Council for general use.

44. Area Based Grant (ABG)

From April 2008, 36 former specific grants were grouped together as a new Area Based Grant (ABG). ABG builds on the success of Local Area Agreement (LAA) grant by further increasing local flexibility over the use of resources, and further reducing onerous reporting requirements. This grant is non-ringfenced, but unlike general formula grant, allocations are according to specific policy area rather than general grant formulae. The grant was announced for three years, and for the County Council is currently as follows:

Policy Area	2008/09 £000	2009/10 £000	2010/11 £000
Adult Social Care	10,697	10,630	22,099
Governance and Community Services	860	872	938
Children's Services	10,368	11,615	11,103
Transport & Environment	1,792	2,007	1,983
Total Area Based Grant	**23,717**	**25,124**	**36,123**

Government guidance on ABG indicates that it will be accounted for as a "general" grant and included with "general" sources of income such as council tax and formula grant. This will not affect council tax, but it will increase the gross expenditure on services when calculating the County Council's budget requirement.

The Government has advised local authorities of the particular specific grant amounts included within ABG (i.e. for this spending review period only). This enables the County Council to allocate ABG according to current service needs, based on the existing specific grants absorbed. Ultimately, there is no expectation to use ABG to support the objectives of these former specific grants. There is also no restriction about carrying forward unspent ABG.

45. Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

		Financial Liabilities	**Financial Assets**			
	Total	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair value through the I&E	Total
	2008/09 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000
Interest expense	(16,298)	(13,880)	-	-	-	(13,880)
Losses on derecognition	(1,260)	(997)	-	-	-	(997)
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	(17,558)	(14,877)	-	-	-	(14,877)
Interest income	13,000	-	2,238	-	-	2,238
Gains on derecognition	-	-	181	-	-	181
Interest and investment income	13,000	-	2,419	-	-	2,419
Gains on revaluation	9	-	-	-	-	-
Losses on revaluation	(208)	-	(1,313)	-	-	(1,313)
Recycled to the I&E a/c after impairment	-	-	-	-	-	-
Surplus arising on revaluation of financial assets	(199)	-	(1,313)	-	-	(1,313)
Net gain / (loss) for the year	(4,757)	(14,877)	1,106	-	-	(13,771)

46. Disclosure of nature and Extent of Risk Arising from Financial Instruments

Key Risks

The County Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the County Council;
- Liquidity risk – the possibility that the County Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the County Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the County Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The County Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing strategies and policies to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the County Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the County Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The County Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the County Council's annual Council Tax setting budget. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the County Council's financial instrument exposure. Actual performance is also reported annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 10 February 2009 and is available on the Council's website. The key issues within the strategy were:

- The Authorised Limit for 2009/10 was set at £338 million. This is the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £318 million. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable rate interest rate exposure were set at 100% based on the Council's net debt;

- The maximum and minimum exposures to the maturity structure of debt are shown under the Refinancing and Maturity Risk section of this note.

These policies are implemented by a central treasury team. The County Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the County Council's customers. This risk is minimized through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The County Council's Treasury Management is kept under constant review and due to the exceptional risks of the international financial crisis the strategy was amended a number of times during 2008/09 and 2009/10.

Whilst the recent credit crisis in international markets has raised the overall possibility of default, the County Council maintains strict credit criteria for investment counterparties. The credit criteria in respect of financial assets held by the authority at 31 March 2010 are detailed below:

- Up to £60 million maximum, deposited for a period up to one year only, with any of the following up to the individual limit of £40 million – Barclays, Lloyds HBOS, Nat West/RBS, Santander, HSBC, Nationwide, Individual AAA rated Treasury Type Money Market Funds, Individual AAA rated Cash Type Money Market Funds;

- Only Banks which are eligible for the Government's Credit Guarantee Scheme and meet the following minimum rating criteria for at least two of the designated agencies to be used

	Long Term	Short Term
Ratings Agency		
Fitch	AA-	F1+
Moody	AA3	P-1
Standard & Poors	AA-	A-1+

- The policy retains the ability to revert to some or even extensive use of the Government's Debt Management Account Deposit Facility (DMADF) if market risk conditions tighten.

No breaches of the County Council's counterparty criteria occurred during the reporting period. In October 2008, the Icelandic banking sector defaulted on its obligations but the County Council had no funds invested in this sector. All the County Council deposits are made through the London Money Markets. As at 31 March 2010 the County Council's investments included £209 million with UK banks, with no investments in non UK banks. The County Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Council's maximum exposure to credit risk. The table, with composite defaults from Fitch, Standard & Poors and Moody's credit rating agencies, gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1990 – 2009. The details shown are by long term category on investments out to one year which are the most commonly held investments during the year.

	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
	a	b	c	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	-	0.00%	0.00%	-
AA rated counterparties	208,950	0.03%	0.03%	63
AA rated counterparties	-	0.08%	0.08%	-
Total	**208,950**			**63**
Trade Debtors	10,199	0.00%	0.00%	-
Total	**219,149**			**63**

The County Council does not formally allow credit for its trade debtors. The total due amount can be analysed by age as follows:

	£000
Less than three months	6,819
Three to five months	358
Five months to one year	1,139
More than one year	1,883
Total	**10,199**

The County Council initiates a legal charge on property where, for instance, clients require the assistance of Adult Social Services but cannot afford to pay immediately. The total collateral at 31 March 2010 was £1.94 million.

Liquidity risk –

The County Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The County Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The County Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	2008/09 *Restated*	2009/10
	£000	£000
Less than one year (current assets)	263,991	234,217
Between one and two years	5,411	653
Between two and three years	-	-
More than three years	1	1
	269,403	**234,871**

Refinancing and Maturity Risk –

The County Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the County Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the County Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities, including the minimum and maximum limits for fixed interest rates maturing in each period, is as follows:

	Approved Minimum Limit	Approved Maximum Limit	2008/09 *Restated*	2009/10
	%	%	£000	£000
Less than one year (current liabilities)	0%	25%	90,550	94,443
Between one and two years	0%	40%	38,380	37,081
Between two and five years	0%	60%	7,908	13,838
Between five and ten years	0%	80%	35,290	39,359
More than ten years	0%	80%	221,023	188,064
			393,151	**372,785**

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

Market risk

Interest rate risk –

In terms of exposure to interest rate changes on amounts borrowed, the County Council has little direct exposure as almost all of its borrowings are fixed interest rates. Rises in interest rates would reduce the fair value of the borrowings but as borrowings are not carried at fair value in the Balance Sheet any such nominal gains and losses would not impact on the Income and Expenditure account or Statement of Total Recognised Gains and Losses.

Exposure to interest rate changes is greater for investments because the County Council's investments have a much shorter maturity profile (with overnight lending reflecting daily interest rate changes) and because some of the investments are at variable or semi–variable interest rates. Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Recognised Gains and Losses and changes in the interest received on variable rate borrowing will be posted to the Income and Expenditure account and affect the Balance Fund balance.

The County Council has a number of strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the County Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

Using the investments and loan liabilities shown in the Balance Sheet as at 31 March 2010, the impact of a 1% rise in interest rates would be:

	£000
Increase in interest payable on variable rate borrowings (none held)	-
Increase in interest receivable on variable rate investments	1,590
Impact on Income and Expenditure Account	1,590
Increase in Government grant receivable for financing costs	-
Impact on STRGL	1,590
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	-

The approximate impact of a 1% fall in interest rates would be as above, but with the movements being reversed. This figure of £1.59 million (£0.69million at 31 March 2009) represents the immediate impact on the Council investments that are on variable rate, but ignores the impact of overnight and short-term fixed rate investments. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost.

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

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

47. Reconciliation of the movement in Cash to Net Debt

	£000
Increase in cash in the period	2,903
Cash inflow from decrease in debt financing	22,962
Cash outflow from decrease in liquid resources	(29,050)
Movement in net debt	**(3,185)**
Net Debt as at 1 April 2009	(37,595)
Net Debt as at 31 March 2010	**(40,780)**

	Balance 01 April 2009 £000	Cash Flow £000	Balance 31 March 2010 £000
Analysis of Net Debt			
Cash in Hand	178	22	200
Bank Overdraft	(11,550)	2,881	(8,669)
Long Term Borrowing	(264,224)	22,962	(241,262)
Short Term Investments	238,000	(29,050)	208,950
Long Term Investments	1	-	1
	(37,595)	**(3,185)**	**(40,780)**

48. Reconciliation of items under the Financing and Management of Liquid Resources to the opening and closing Balance Sheets

The movement in financing is analysed below:

	Balance 01 April 2009 £000	Cash Flow £000	Balance 31 March 2010 £000
Long Term Borrowing	(264,224)	22,962	(241,262)
Total Financing	**(264,224)**	**22,962**	**(241,262)**

The movement in liquid resources is analysed below:

	Balance 01 April 2009 £000	Cash Flow £000	Balance 31 March 2010 £000
Short Term Investments	238,000	(29,050)	208,950
Total Liquid Resources	**238,000**	**(29,050)**	**208,950**

Liquid resources comprise short term deposits of surplus balances (less than one year).

49. Landfill Allowance Trading Scheme

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradeable landfill allowances to waste disposal authorities to allow them to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The allowances are reflected at fair value and are subsequently revalued each financial year. The fair value of the asset can be reliably measured by using evidence of the market value of the same or similar assets.

The Council has valued the allowances for 2009/10 at £15.95 each. The council's allocation for 2009/10 was 102,028 tonnes, valued at £1.628m based on trading activities between councils. An estimated 63,588 tonnes were actually landfilled (£1.014m), leaving 38,440 (£0.613m) surplus allowances in 2009/10. These surplus permits cannot be carried forward to be used in future years as 2009/10 is a target year under the scheme. However, the Council is able to trade these surplus permits with other councils up to 30 September 2010. Authorities which landfill more than their permitted allowance can either purchase additional allowances from other waste disposal authorities or pay to the government a financial penalty of £150 per tonne.

The council has been required to write off its surplus of 2008/09 permits, which has reduced the value of the waste reserve by £0.043m.

50. Financial Instruments Adjustment Account

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. The difference between the income included in the Income and Expenditure account and the amount required by legislation to be credited to the General Fund is taken to the Financial Instruments Adjustment Account and included as a reconciling item in the Statement of Movement on the County Fund Balance. The County Council is required to account for the amortisation of premiums and discounts on the early repayment of loans and soft loan interest on Adult Social Care debt in this manner.

	2008/09 £'000	**2009/10** £'000
Amortisation of premiums 2009/10	-	793
Amortisation of premiums 2008/09	1,749	(753)
Amortisation of premiums 2007/08	(86)	(86)
Amortisation of discounts 2007/08	1	1
Measurement of Adult Social Care soft loan debt	194	37
Credit to revenue for Adult Social Care soft loan debt	(96)	(113)
Net movement for the year	1,762	(121)
Balance brought forward at 1 April	1,285	3,047
Balance carried forward at 31 March	**3,047**	**2,926**

51. Collection Fund Adjustment Account

Council Tax income is collected on behalf of the County Council on an agency basis by the five billing authorities in East Sussex: Eastbourne Borough Council, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council.

From 1 April 2009, the County Council as a precepting authority is required to show Council Tax income in its Income and Expenditure Account on an accruals basis. The difference between the income included in the Income and Expenditure account and the amount required by legislation to be credited to the County Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the County Fund Balance.

	2008/09	**2009/10**
	£'000	£'000
Adjustment to Council Tax Income	(1,629)	183
Net movement for the year	(1,629)	183
Balance brought forward at 1 April	1,785	156
Balance carried forward at 31 March	**156**	**339**

Introduction

The Local Government Pension Scheme (LGPS) is a statutory pension scheme, whose rules are governed by Parliament in accordance with the Superannuation Act 1972. New regulations came into force on 1 April 2008 with the rules of the scheme split between two separate sets of regulation; the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 and provide the statutory basis within which the Scheme can operate. Separate transitional regulations provide the link between the old and new scheme provisions.

Although a national pension scheme, set up for the benefit of local government employees the LGPS is in fact administered locally. The LGPS is open to all employees of the County Council, District, Borough and Unitary Authorities in East Sussex, as well as Colleges of Further Education, Town and Parish Councils and a small number of charitable organisations who have applied to be treated as “admission bodies”.

In addition, the Scheme allows employees of private contractors to remain in the Scheme where they are providing a service or assets in connection with the functions of a scheme employer, in accordance with the specific requirements of the LGPS Regulations. The scheme is not open to teachers or fire fighters, as these groups of employees have separate pension schemes.

Currently within the East Sussex Pension Fund there are 59 participating employers. A full list of participating employers is given in note 9.

Fund Account for Year Ended 31 March 2010
Dealings with Members, Employers and Others directly involved in the Scheme.

2008/09			2009/10	
£000	£000		£000	£000
		Contributions		
73,870		From Employers	76,762	
26,460	100,330	From Employees or Members	26,669	103,431
	7,994	**Transfers in**		9,845
	108,324			**113,276**
	80,126	**Benefits**		89,057
	5,033	Payments to and on account of leavers		8,231
	1,400	Administrative expenses		1,384
	86,559			**98,672**
	21,765	Net Additions / (Withdrawals) from dealings with members		**14,604**
		Returns on investments		
	24,746	Investment income		13,582
	(338,310)	Change in market value of Investments		460,919
	(519)	Taxation		(447)
	(3,761)	Investment management expenses		(3,227)
	(317,844)	Net returns on investments		**470,827**
	(296,079)	Net Increase / (Decrease) in fund during the year		485,431
	1,678,066	Add Opening Net Assets of the scheme		1,381,987
	1,381,987	Closing net assets of the scheme		**1,867,418**

Net Assets Statement as at 31 March 2010

2008/09				2009/10	
£000	**£000**			**£000**	**£000**
		Investment assets			
4,102		Fixed interest securities	- Public Sector	0	
130,350	134,452		- Other	95,822	95,822
109,325		Equities Segregated	- UK	135,553	
203,054			- Overseas	257,109	
69,572	381,951	Unlisted	- Overseas	82,418	475,080
0		Index Linked Securities	- Public Sector	0	
9,428	9,428		- Other	0	0
		Pooled Investment Vehicles			
110,032		Unit Trusts	- Property	165,097	
610,876			- Equities	808,125	
38,982	759,890	Partnerships	- Infrastructure	36,216	1,009,438
	90,917	Cash deposits			284,568
	15,781	Other Investment balances			10,067
	1,392,419				**1,874,975**
	(15,063)	**Investment liabilities**			(11,717)
	7,721	**Current assets**			8,153
	(3,090)	**Current liabilities**			(3,993)
	1,381,987				**1,867,418**

The Fund's financial statements do not take account of its liabilities to pay pensions and other benefits after the end of the financial year 2009/10.

Treasurer's Certificate

I certify that the accounts of the East Sussex Pension Fund provide a true and fair view of the Pension Fund at 31 March 2010 and of the movements on the Fund Account for the year then ended.

Sean Nolan
Deputy Chief Executive and Director of Corporate Resources
8 June 2010

These accounts replace the unaudited accounts authorised at the meeting of the Governance Committee on 8 June 2010 and were re-approved by the Governance Committee on 3 September 2010.

1. Administering Authority Responsibilities

East Sussex County Council has a statutory responsibility to administer and manage the East Sussex Pension Fund on behalf of all the participating employers of the Fund in East Sussex, and in turn past and present contributing members, and their dependents.

The Fund receives contributions from both employees and employers, as well as income from its investments. All of these elements put together then meet the cost of paying pensions, as well as other benefits. As part of its responsibilities as the administering authority the County Council is responsible, through the Pension Fund Investment Panel, for setting the investment policy and reviewing the performance of the Fund's external investment managers. Non investment issues concerning the Fund (such as administering authority discretions or the admission of new employers via admission agreements) are considered by the County Council's Governance Committee.

The County Council has contracted SERCO to undertake the day to day functions associated with the administration of the LGPS. The main services provided by SERCO include maintenance of scheme members records, calculation and payment of retirement benefits and premature retirement compensation, transfers of pension rights, calculation of annual pension increases and the provision of information to scheme members, employers and the Fund's Actuary.

Although the day to day work associated with administering the LGPS has been passed to SERCO, the County Council takes its statutory responsibility very seriously. It has therefore, set up procedures to ensure that SERCO undertake the work associated with the administration of the LGPS in accordance with an agreed service specification. The County Council also ensures that all the participant employers within the East Sussex Pension Fund are aware of their own responsibilities, as well as any changes to the provisions of the Scheme that may be introduced.

It is important to note that ultimate responsibility for both the administration of the Pension Fund and the investment of all monies associated with the Fund remains with the County Council. The County Council hosts an annual employers' pension forum, to update and involve all the participating employers of the East Sussex Pension Fund, which is always well attended.

The Local Government Pension Scheme (LGPS) (Management and Investment of Funds) Amendment Regulations 1998 included a requirement for LGPS administering authorities to prepare, maintain and publish a Statement of Investment Principles (S.I.P). The statement also covers the extent to which social, environmental and ethical considerations are taken into account in the selection, retention and realisation of investments and a summary of the policy (if any) in relation to the exercise of the rights, including voting rights, attaching to investments. The East Sussex Fund's consolidated S.I.P. includes the Funding Strategy Statement (FSS) and all other Policies issued by the East Sussex Fund.

The Code of Myners Principles will also be included in the S.I.P. LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles have been adopted by CLG (the central government department with responsibility for oversight of the LGPS) and replace the original ten Myners principles.

A specialist provider of Custodian Services, Northern Trust, is employed by the East Sussex Pension Fund.

The responsibilities of the Custodian are:

- Collection of investment income.
- Arranging for the custody of the schemes assets in compliance with the custody agreement.
- Providing CRD Finance with quarterly valuations of the schemes assets and details of all transactions.
- Responsibility for cash management and investing the daily cash balances in a "Triple A" rated cash pool.

2. Accounting Policies and Basis of Preparation

These accounts have been prepared in accordance with section 2 of the .Statement of Recommended Practice (SORP) 'Financial Reports of Pension Schemes' (revised May 2007) and the 2009 SORP 'A Code of Practice on Local Authority Accounting in Great Britain'. The Fund has adopted the revised Pensions SORP 2007. As a result investments previously valued at mid prices are now valued at bid or offer prices for assets where there is a bid/offer spread. The accounts summarise the transactions and net assets of the Scheme.

The accounting policies for the Pension Fund accounts are the same as those used for the County Council, as set out on pages 18 to 23. The points which specifically relate to the Pension Fund are:

- Foreign income is translated into sterling at the exchange rate at the time of the transaction.
- The expenditure of the fund includes all valid benefit claims arising during the financial year.

  We show the investments held by the Pension Fund at the market value at 31 March 2010. The sources of valuation are as follows:

- Where available, all assets are priced at bid (the price a dealer is prepared to pay for a security)

- Northern Trust uses a number of established vendors for pricing equities and fixed income regardless of the market the security is traded in.
- The Private Equity investments are valued quarterly in arrears and are shown in the net assets statement as Equities-Unlisted Overseas.
- Unitised funds` prices are also sourced from a number of vendors as well as the Investment Manager.
- Non-sterling priced assets are priced in the local currency and converted to sterling at the WM/Reuters 4pm foreign exchange rate.
- All gains and losses arising on derivative contracts are reported in the 'Reconciliation of Movement in Investments'
- Broker's commissions and other costs of acquisition are included in the cost of investments purchased.

3. Actuarial Position

The latest actuarial valuation of the Fund was carried out as at 31 March 2007. 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 2007 valuation shows the Fund has a past service deficit, being 89% funded in respect of past liabilities. This compares with 84% funded at the 2004 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 now in deficit. East Sussex funding of 89% compares with an average of 83% for all County Council funds and places East Sussex in joint 5th position out of thirty four funds. This means that the employer contribution rate only needs to go up by 1% over the next 3 years for the majority of the East Sussex Fund's employers. The contribution rates paid by each employer participating in the fund for 2009/2010 are shown at note 9.

The contribution rates as described are calculated to be sufficient to cover 100% of the Funds Liabilities. With effect from 1 April 2008 the Common Rate of Contribution was 18.8% of pensionable pay, comprising a future service funding rate of 15.2% of pensionable pay, and an additional 3.6% in respect of the past service deficit resulting from past investment underperformance.

Summary of Methods and Assumptions Used

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2008.

The actuarial opinion on the security of prospective rights is based on the Projected Unit Method. This assesses the cost of benefits accruing to existing members during the year following the valuation, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities (allowing for future salary increases) and the market value of assets.

Since assets were taken into account at their market value the actuary considers it appropriate to take a lead from the market when setting the financial assumptions used to value the ongoing liabilities, to ensure compatibility of the asset and liability valuation bases. The stream of future liability payments is converted into a capital value today by assuming a return on Fund assets of 6.1% a year. The anticipated returns on assets are set by reference to the prevailing returns available on investing in the Government bond market. Long-term returns of 1.6% a year more than Government bonds are anticipated.

The contribution rates have been calculated using the projected unit method and the main actuarial assumptions were as follows:

Investment Return	Nominal
Equities	6.1%
Pay Increases	4.7%
Price inflation/Pension Increases	3.2%

4. Fund Managers

The market value (at Bid) of the investments as at 31 March 2010 which were under the management of fund managers and the proportion managed by each manager:

Manager	2009		2010	
	£m	**%**	**£m**	**%**
UBS	114.6	8.3	11.0	0.6
Capital	11.7	0.8	19.4	1.0
Fidelity	346.6	25.2	438.1	23.5
Prudential M&G	145.0	10.5	125.8	6.7
Harbourvest	30.2	2.2	35.1	1.9
Adams Street Partners	39.3	2.9	47.7	2.6
Northern trust Cash	84.7	6.2	235.6	12.6
UBS Infrastructure	13.9	1.0	14.9	0.8
Prudential Infracapital	25.1	1.8	21.7	1.2
Legal & General	563.1	40.9	741.3	39.8
Alliance Bernstein	2.4	0.2	-	-
Schroders	-	-	174.3	9.3
Total	**1,376.6**	**100.0**	**1,864.9**	**100.0**

The overall annual rate of return achieved by the Fund is 34.3% compared with the WM Universe return of 35.1%.

5. Analysis of Investments

Description	31/03/09	(of which unquoted)	31/03/10	(of which unquoted)
	£m	**£m**	**£m**	**£m**
UK	737.9	(39.0)	1,175.2	(36.2)
Foreign	638.7	(69.6)	689.7	(82.4)
	1,376.6	**(108.6)**	1,864.9	**(118.6)**
Other Investment balances	15.8	-	10.1	-
	1,392.4	**(108.6)**	**1,875.0**	**(118.6)**

Largest Holdings

Name	Investment Type	£m	%
Legal & General UK Equity Index	Unit Trust Equity (Passive)	276.6	14.9
Legal & General World Equity Index	Unit Trust Equity (Passive)	131.9	7.1
Legal & General S N. America Equity Index	Unit Trust Equity (Passive)	117.4	6.3

Only three holdings represented over 5% of the total value of the net assets of the scheme.

6. Investment Income Table

	2008/09 £000	2009/10 £000
Income From Fixed Interest Securities	1,007	112
Dividends from Equities	13,024	10,369
Income from index linked securities	70	-
Income from pooled investment vehicles	2,389	1,731
Securities Lending	161	-
Commission Recapture	12	8
Interest on cash deposits	7,564	796
Income from Class Actions	-	119
	24,227	**13,135**
Irrecoverable Withholding tax	519	447
Total Investment Income	**24,746**	**13,582**

7. Investment

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include the costs charged directly to the scheme such as fees, commissions, and stamp duty. Transaction costs incurred during the year amounted to £1.322m (£1.567m 2008/09). In addition, indirect transaction costs are also incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Reconciliation of Movement in Investments

	Value at 2008/09 £000	Purchases at cost & Derivative Payments £000	Sales Proceeds & Derivative Receipts £000	Change in Market Value £000	Value at 2009/10 £000
Fixed Interest Securities	134,452	46,126	(119,025)	34,269	95,822
Equities	381,951	327,835	(359,714)	125,008	475,080
Index Linked Securities	9,428	-	(10,339)	911	-
Pooled Investment Vehicles	759,890	74,405	(125,435)	300,578	1,009,438
	1,285,721	**448,366**	**(614,513)**	**460,766**	**1,580,340**
Cash Deposits	90,917			(114)	284,568
Other Investment balances	15,781			267	10,067
	1,392,419			**460,919**	**1,874,975**

Fixed Interest Securities	Value £000 2008/09	Value £000 2009/10
UK Public Sector Quoted	4,102	-
UK Corporate Quoted	130,350	95,822
Overseas Corporate Quoted	-	-
	134,452	**95,822**

Equities	**2008/09**	**2009/10**
UK Quoted	109,325	135,553
UK Unquoted	-	-
Overseas Quoted	203,054	257,109
Overseas Unquoted	69,572	82,418
	381,951	**475,080**

Index Linked Securities		2008/09	2009/10
UK Public Sector Quoted		9,428	-
Overseas Public Sector Quoted		-	-
		9,428	**-**

Pooled Investment Vehicles		2008/09	2009/10
UK Unit Trusts	-Property	110,032	165,097
	-Other	610,876	808,125
Partnerships	-Infrastructure	38,982	36,216
		759,890	**1,009,438**

Cash Deposits	2008/09	2009/10
Sterling	90,917	284,568
Foreign Currency	-	-
	90,917	**284,568**

Investment Assets (Other Investment Balances)

	2008/09	2009/10
	£000	£000
Sales (including currency)	13,705	7,820
Investment Income Due	1,199	1,289
Recoverable Taxes	833	950
Managers Fees rebate	44	8
Total	**15,781**	**10,067**

8. Derivative Contracts

Derivative receipts and payments represent the realised gains and losses on futures contracts. The scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

Derivative Contracts		Mar-09	Mar-10
		£000	£000
UK Fixed Income Futures		90	-
Overseas Fixed Income Futures		-	-
		90	**-**
Type of Future	**Expiration**	**Economic Exposure Value**	**Market Value**
UK FTSE exchange traded	less than 1 year	10,972	-
Overseas FTSE exchange traded	less than 1 year	-	-
		10,972	**-**
		Mar-09	**Mar-10**
Adjustment to Variation Margin		(90)	-
		(90)	**-**

9. Authorities in the Fund

	Contribution Rates 2009/10 %	Contribution Rates 2010/11 %
Administering Authority		
East Sussex County Council	17.8%	18.1%
Scheduled Bodies		
Brighton & Hove City Council	16.7%	17.0%
Eastbourne Borough Council	20.9%	21.2%
Hastings Borough Council	20.5%	20.8%
Lewes District Council	19.2%	19.5%
Rother District Council	22.4%	22.7%
Wealden District Council	20.1%	20.4%
East Sussex Fire & Rescue Service	18.3%	18.4%
Battle Town Council	18.3%	18.6%
Bexhill 6th Form College	15.2%	15.5%
City College Brighton	16.5%	16.8%
Brighton Hove & Sussex 6th Form College	15.2%	15.5%
Chailey P C	18.3%	18.6%
Conservators of Ashdown Forest	18.3%	18.6%
Crowborough Town Council	18.3%	18.6%
Valuation Tribunal	18.3%	18.6%
Sussex Probation Board	20.0%	20.0%
Sussex Downs College	14.1%	14.5%
Forest Row Parish Council	18.3%	18.6%
Hailsham Town Council	18.3%	18.6%
Sussex Coast College	15.7%	16.0%
Heathfield & Waldron Parish Council	18.3%	18.6%
Lewes Town Council	18.3%	18.6%
Maresfield Parish Council	18.3%	18.6%
Newhaven Town Council	18.3%	18.6%
Peacehaven Town Council	18.3%	18.6%
Plumpton College	15.2%	15.5%
Polegate Town Council	18.3%	18.6%
Ringmer Parish Council	18.3%	18.6%
Rye Town Council	18.3%	18.6%
Seaford Town Council	18.3%	18.6%
Sussex Sea Fisheries District Committee	18.3%	18.6%
Telscombe Town Council	18.3%	18.6%
Uckfield Town Council	18.3%	18.6%
University of Brighton	15.4%	15.7%
Varndean 6th Form College	15.2%	15.5%
Willingdon & Jevington Parish Council	18.3%	18.6%
Chiddingly Parish Council	18.3%	18.6%
Admitted Bodies		
1066 Housing Association	29.9%	29.9%
Hove & Portslade Citizens Advice Bureau	21.0%	21.5%
Rother Homes	29.9%	29.9%
SEERA	12.8%	13.1%
Sussex Archaeological Society	18.5%	19.0%
Sussex Housing And Care	18.5%	19.0%
University of Sussex	18.5%	19.0%
Freedom Leisure	13.6%	13.9%
Commission for Social Care & Inspection	20.1%	20.7%
Centre for British Teachers	13.3%	-
Jarvis Workspace FM	18.4%	19.8%
De La Warr Pavillion Trust	16.4%	17.6%
RBLI	15.5%	15.8%
Eastbourne Leisure Trust (Serco)	8.7%	9.0%

Convex Leisure	13.4%	13.7%
Wealden & Eastbourne Lifeline (WELL)	16.3%	16.6%
Eastbourne Homes	15.9%	17.0%
May Gurney	18.7%	18.8%
Wave Leisure	12.6%	13.8%
Sussex County Sports Partnership	15.8%	15.8%
Crime Reduction Initiatives	21.3%	21.3%

The LGPS in East Sussex

Membership of the East Sussex Pension Fund as at 31 March 2010 is detailed below

	March 2009	March 2010
Contributors	21,550	21,384
Pensioners	13,644	14,247
Deferred Members	17,357	18,512

10. Analysis of Contributions

The normal contribution rates that are paid by participating employers in the Fund cover the cost of benefits relating to future service, and correcting any deficit identified at the latest actuarial valuation over a specified number of years.

The deficit funding in total for all participating employers is shown on the table below.

Contribution rates and benefits payable are set out in statutory regulations

CONTRIBUTIONS	2008/09 £000	2009/10 £000
Employers' Normal	(63,496)	(62,089)
Deficit funding	(9,181)	(13,407)
Augmentation	(1,193)	(1,266)
Members' Normal	(26,460)	(26,669)
Total	**(100,330)**	**(103,431)**

All transfers in (£9,845m) are individual transfers i.e. there are no group transfers.

BENEFITS PAYABLE	2008/09 £000	2009/10 £000
Pensions	59,405	64,281
Commutations & Lump Sums	19,249	22,882
Lump Sums Death Benefits	1,472	1,894
Total	**80,126**	**89,057**

	2008/09 Contributions Receivable £m	2008/09 Benefits Payable £m	2009/10 Contributions Receivable £m	2009/10 Benefits Payable £m
Administrative Authority	37.6	31.2	38.4	34.4
Scheduled Bodies	60.5	46.9	60.9	52.6
Admitted Bodies	2.2	2.0	4.1	2.1
	100.3	**80.1**	**103.4**	**89.1**

Payments to & on account of leavers	2008/09 £000	2009/10 £000
Refunds of Contributions	11	24
Group transfers out to other schemes	-	-
Individual Transfers out to other schemes	5,022	8,207
Total	**5,033**	**8,231**

The Pension Fund Scheme provides an Additional Voluntary Contribution (AVC) facility for scheme members. In 2009/10 some members of the pension scheme paid voluntary contributions and transfers in of £1.360m to Prudential to buy extra pension benefits when they retire. £1.853 was disinvested from the AVC provider in 2009/10. (£2.636 2008/09) The contributions are paid directly from scheme members to the AVC provider and are therefore not included in the Pension Fund Accounts. The combined value of the AVC funds at 31 March 2010 was £16.150m (2008/09 £16.023m).

11. Assets & Liabilities

	2008/09 £000	2008/09 £000
Investment Liabilities (Other Investment Balances)		
Purchases (including currency)	14,550	11,235
Managers' Fees	513	482
Total	**15,063**	**11,717**
Current Assets		
Contributions (Ers & Ees)	7,415	7,593
Other Current Assets	306	560
Cash Balances (invested with ESCC)	-	-
Total	**7,721**	**8,153**
Current Liabilities		
Pension Payments (including lump sums)	938	2,853
Cash Balances (owed to ESCC)	1,850	483
Professional Fees	62	71
Other Current Liabilities	240	586
Total	**3,090**	**3,993**

12. Contingent Liabilities and Assets

At 31 March 2010 the Fund has contractual commitments of £202.4 million to private equity funds managed by Adams Street and HarbourVest. The Fund has also committed £22.5 million to the M & G UK Companies Financing Fund.

At 31 March 2010 the unfunded commitment was £95.0 million for private equity and £22.5 million for the M & G UK Companies Financing Fund. The commitments are paid over the investment time frame of the underlying partnership. Concurrently as these partnerships mature they will also distribute capital back to investors. The Fund has received distributions not subject to recall of £21.1 million in respect of these partnerships at 31 March 2010. All figures are expressed based on relevant exchange rates as at 31 March 2010.

The value of the funded commitment net of distributions in these funds at 31 March 2010 is included in the net asset statement.

Sussex Careers - a Community Admission Body in the Pension Fund, until recently, supplied careers advisory services on behalf of both ESCC and B&H CC. Sussex Careers has now been formally wound-up, and its remaining non-pension assets will be distributed to its creditors, including the Pension Fund.
The Fund will continue to pursue a claim for compensation and recovery of outstanding debts. While the outcome will only be decided by a decision of the Liquidators, the proportion to be paid to the Fund is yet to be determined.

Following Rulings given by the European Court of Justice, along with a number of other local authority pension funds, the East Sussex Pension Fund is pursuing the recovery of tax paid on certain dividends. If successful this will be of material benefit to the Fund. The amount which may be recoverable is not currently quantifiable.

13. Stock Lending

The East Sussex Fund has not operated a Stock Lending Programme since 13 October 2008.

14. Scheme and Investment Expenses

Regulations permit the County Council to charge administration costs to the Fund. A proportion of relevant County Council costs have been charged to the Fund on the basis of actual time spent on pension scheme administration and investment related business and in safeguarding Fund assets. The fees of the Fund's external investment managers reflect the agreements contained in their respective mandates. Fees are linked to the market value of the Fund's investment and therefore may increase or reduce as the value of these investments change. The Fund Manager aggregated fees include the rebated fees in respect of the pooled funds so as to reflect the gross position in respect of investment fund manager charges.

Total expenditure on scheme and investment management expenses during the year was £4.6m broken down as follows: Professional Fees £3.2m (including £0.9m rebated fees) and Scheme Administration £1.4m.

Investment Management expenses	**2008/09 £000**	**2009/10 £000**
Investment Management & Custody fees	3,551	2,885
Performance Measurement Services	13	15
Other Advisory Services	197	327
Total	**3,761**	**3,227**

Administrative expenses	**2008/09 £000**	**2009/10 £000**
Administration & Processing	1,168	1,193
Actuarial Fees	159	111
Audit Fees	68	71
Legal & Other Professional Fees	5	9
Total	**1,400**	**1,384**

15. Related Parties

Employer pension contributions paid by East Sussex County Council in 2009/10 amounted to £38.4m (£37.6m in 2008/09). Details of transactions with East Sussex County Council can be found in note 14 to the Accounting Statements. Other than those listed above in note 14 no material transactions took place in 2009/10 with related parties. During 2009/10, the Pension Fund had an average balance of £2.4m deposited with the County Council, which paid £7,740 interest for these deposits. The County Council charged the Fund £1.4m for expenses incurred in administering the Fund. The Treasurer of the Pension Fund and members of the County Council and the Investment Panel have no material transactions with the Pension Fund. The professional fees paid to the Pension Fund's external investment fund managers and East Sussex County Council are shown in note 14.

16. Audit Costs

The table below sets out the fees agreed with PKF for services rendered during the year, and in line with the requirement for administrating authorities to produce a pension fund annual report from 2007/08. An additional requirement from 2008/09 is for the pension fund audit to be separate from the audit of the County Council's accounts. The scope of the audit is determined by the Audit Commission's Code of Audit Practice ('the Code') and PKF's risk-based approach to audit planning.

	2008/09	2009/10
	£000	**£000**
Pension Fund Audit	50	52
Total	**50**	**52**

Accruals

Provision made at the year-end to bring into account outstanding debtors, creditors, etc, in order to show income and expenditure as it is earned or incurred.

Actuarial Gains and Losses

The change in pension liabilities since the previous year, caused either by events differing from the previous forecast, or a change in actuarial assumptions.

Actuarial Valuation

A review of the Pension Fund normally carried out at 3-year intervals, which assesses the contributions required from employing bodies in order to maintain the Fund's ability to pay benefits in future years to pensioners, contributors and their dependants.

Admitted Bodies

Bodies whose staff can become members of the Pension Fund by virtue of an admission agreement made between the Pension Fund and the relevant body (contrasting with Scheduled Bodies – see below).

Annual Governance Statement

The statement sets out any functions delegated to sub-committee(s) or officers, terms, structure and operation of delegation, any representation of employers including voting rights and publishes details of governance arrangements against a set of best practice principles.

Area Based Grant (ABG)

Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Balances

A working balance maintained as a cushion against unexpected expenditure during the year.

Best Value Accounting Code of Practice (BVACOP)

A Code of Practice to establish consistent and comparable financial reporting. The code gives a mandatory definition of total cost and the divisions of service at which total cost must be aggregated when presenting cost based information and performance indicators in a published format.

Budget

An expression, mainly in financial terms, of the County Council's policy for a specified period.

Building Schools for the Future (BSF)

Building Schools for the Future (BSF) is a new, strategic approach to capital investment in schools, heralding a major transformation in secondary school education nationwide.

Capital / Capital Expenditure / Capital Receipts

Capital expenditure pays for the acquisition of assets or the enhancement (rather than maintenance) of existing assets. It is financed mainly from borrowing, and charged to revenue over a number of years. We plan for capital expenditure over several years in the published capital programme. The term 'capital receipts' covers income from the sale of assets, together with grants and contributions received specifically for financing the capital programme. Capital receipts can only be used for capital purposes, and not to support the revenue budget.

Capital Charges

Amounts charged to service revenue accounts for the use of assets, consisting of depreciation and notional interest.

Capital Adjustment Account

A reserve which is credited with amounts set aside to finance capital expenditure and absorbs the timing differences that might arise as a result of the setting aside of resources being out of line with accounting charges for depreciation and impairment losses.

Cash Instruments

These are investments which amount to short term deposits.

CIPFA / SOLACE

CIPFA – the Chartered Institute of Public Finance and Accountancy.
SOLACE – the Society of Local Authority Chief Executives and Senior Managers.
These organisations jointly publish a framework document dealing with corporate governance.

Collection Fund Adjustment Account

The difference between the income included in the Income and Expenditure account for Council Tax and the amount required by legislation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the County Fund Balance.

Community Assets

These are assets which the County Council intends to hold in perpetuity and have no determinable finite useful life.

Comprehensive Performance Assessment (CPA)

An overall assessment of the performance and capabilities of local authorities, based on evidence from other external review bodies together with the Audit Commission's own judgements.

Corporate and Democratic Core

This consists of two elements: Democratic Representation and Management, comprising the costs associated with Members of the County Council including support costs, and Corporate Management, which covers a tightly defined core of central costs, including the cost of the Chief Executive, and the costs of corporate information such as preparing the Statement of Accounts.

Contingent Assets and Liabilities

A statement of a possible gain or loss to the authority, which is contingent upon the outcome of an event which is not known for certain when the accounts are drawn up.

County Fund

The main revenue fund of the County Council into which is paid income from the council tax precept, grants and charges for services and from which is met the cost of providing services.

Creditors

Amounts owed by the County Council but not paid at the date of the Balance Sheet.

Current Service Cost

The increase in pension liabilities expected to arise from employee service in the current period.

Curtailments

This heading covers the additional cost arising from the early payment of pension benefits when an employee is made redundant. The full estimated discounted cost is charged immediately to the County Fund Revenue Account, under the heading of 'non-distributed costs', but this is offset by a transfer from the Pensions Reserve.

Debt Management Account Deposit Facility (DMADF)

The Debt Management Office provides the service as part of its cash management operations and of a wider series of measures designed to improve local and central government's investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options.

Debtors

Amounts owed to the County Council but unpaid at the date of the Balance Sheet.

Defined Benefit and Contribution Pension Schemes

Pension schemes generally fall into one of these two categories. Defined Benefit schemes are those such as the Local Government Pension Scheme, where the benefits to employees are based on their final salaries and where employers' contributions have to be adjusted to match estimates of future liabilities. Defined Contribution schemes are those where the employer's liability is restricted to the amount that they contribute. As the Teachers' Pension Scheme is administered nationally, it is treated in local authority accounts as a Defined Contribution scheme.

Depreciation

A charge to services in the Income & Expenditure Account, assessed as the amounts by which fixed assets reduce in value during the year, calculated from the estimated life expectancy and any residual value.

Equities

Ordinary shares issued by companies.

Financial Reporting Standards (FRSs)

Accounting standards approved by the Accounting Standards Board.

Floor / Floor Authority

See Revenue Support Grant.

Formula Spending Share (FSS)

See Revenue Support Grant.

FRAB

The Financial Reporting Advisory Board's (FRAB) role is to promote the highest possible standards in financial reporting by Government and to help to ensure that any adaptations of, or departures from, Generally Aaccepted Accounting Principles (GAAP) are justified and properly explained.

Government Grants

Contributions by central Government towards either the revenue or capital cost of local authority services.

HM Revenue & Customs (HMRC)

HMRC's purpose is to make sure that the money is available to fund the UK's public services. HM Revenue & Customs (HMRC) was formed on the 18 April 2005, following the merger of Inland Revenue and HM Customs and Excise Departments. HMRC ensure the correct tax is paid at the right time, whether this relates to payment of taxes received by the department or entitlement to benefits paid.

IASB

The International Accounting Standards Board (IASB) is an independent accounting standard-setter board and has responsibility for setting International Financial Reporting Standards

Impairment

Impairment to assets may be physical in nature, such as damage by fire, or caused by a general or specific reduction in prices during the financial year.

Infrastructure

This term covers capital investment on assets such as roads and rights of way.

Intangible Assets

This term includes such items as development expenditure or goodwill, but for local authorities it only covers licences for the use of computer software.

Interest Cost

The expected increase in the present value of pension liabilities during the current period, because the benefits are one year closer to settlement.

IFRS

International Financial Reporting Standards

IFRIC

International Financial Reporting Issues Committee - The IFRIC reviews, on a timely basis within the context of current International Financial Reporting Standards (IFRSs) and the IASB Framework, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment. In developing interpretations, the IFRIC works closely with similar national committees.

IRR

The **internal rate of return** (IRR) on an investment or potential investment is the annualised effective compounded return rate that can be earned on the invested capital. In more familiar terms, the IRR of an investment is the interest rate at which the costs of the investment lead to the benefits of the investment. This means that all gains from the investment are inherent to the time value of money and that the investment has a zero net present value at this interest rate.

LABGI

Local Authority Business Growth Incentives Scheme (LABGI) scheme is a financial incentive scheme to encourage economic growth by allowing local authorities to retain a share of increased Non Domestic Rate (NDR) revenue. Authorities are free to spend LABGI revenues on their own local priorities.

Leasing

A method of obtaining the use of assets: a rental charge is paid for a specified period, but under operating lease conditions the asset remains the property of the lessor and the County Council has no rights to purchase.

Levies

A contribution which the County Council is required to make towards the costs of the Environment Agency (for flood defence), the Ashdown Forest Conservators and Sussex Sea Fisheries.

Minimum Revenue Provision

An amount, prescribed by Government, to be set aside from revenue for the redemption of debt.

Net Book Value (NBV)

The amount at which fixed assets are included in the Balance Sheet. The NBV is the historical cost or current value less any accumulated depreciation.

Net Worth

The total of all assets less the total of all liabilities. It helps to determine the value of an entity and is also known as Total Net Assets or Total Equity.

Non-Distributed Costs

These are costs which the County Council has to bear, but which do not support any statutory services. This includes three elements of the pension cost (Past Service Cost, Settlements and Curtailments) which are defined elsewhere, and the costs of properties which have been declared surplus and are awaiting disposal.

Non-Domestic Rates

A charge on commercial and industrial buildings fixed by the Government and reallocated to local authorities.

Outturn

The actual level of income and expenditure in a financial year.

Past Service Costs

These arise when an employer agrees to provide added benefits in terms of years of service to an employee retiring early, normally because of redundancy. The full estimated discounted cost of the added years over the lifetime of the pension are charged immediately to the County Fund Revenue Account, under the heading of 'non-distributed costs', but this is offset by a transfer from the Pensions Reserve.

Pooled Budgets

These are formal arrangements, under Section 31 of the Health Act 1999, between local authorities and primary care trusts, to share the costs of various services which overlap the responsibilities of the various authorities. One authority hosts the entire activity for the partnership, and the others contribute towards the total costs on an agreed basis.

Post Balance Sheet Events

A statement of the financial implications of an event taking place after the Balance Sheet date, which has a material effect on the County Council's financial position at the balance sheet date.

Prior Period Adjustments

Material adjustments that are applicable to prior years and which arise from changes in accounting policy or the correction of fundamental errors. A fundamental error is one of such significance as to undermine the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Equity

Investments into new and developing companies and enterprises which are not publicly traded on a recognised stock exchange.

Private Finance Initiative (PFI)

A long-term contractual public-private 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.

Provisions

Provisions are made for liabilities and losses which have already been incurred at the date of the balance sheet, but for which the amount or dates on which they will arise cannot be determined accurately.

Public Works Loan Board (PWLB)

A Government agency which provides the main source of borrowing for local authorities.

Real Terms

The value given to expenditure and income in different years after removing the effects of inflation. The figures then being in constant price terms enable a comparison to be made of changes in volume over the years.

Related Parties

This term covers individuals or bodies with which the County Council has a close economic relationship. It includes Members and Chief Officers, Government departments that provide funding, and other bodies that are involved in partnerships with the County Council.

Reserves

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

Restatements

Assessed increases or decreases in values of the County Council's fixed assets.

Revaluation Reserve

This reserve is the net unrealised gains arising from the revaluation of fixed assets recognised in the balance sheet.

Revenue

Recurring expenditure principally on pay, running costs of buildings, equipment and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be charged to capital, and financed over a number of years, but which does not result in tangible assets.

Revenue Support Grant / Formula Spending Share / 4-Block Model / Floor and Floor Authorities

Revenue Support Grant (RSG) – a significant general grant, received from the Government, and to contribute to the overall costs of providing services.

4-Block Model – the financial modelling process that underpins the allocation of Revenue Support Grant. Formula Grant funding encompasses four elements: (1) a central minimum amount allocated per head of population; (2) the needs of a local authority to provide certain services; (3) the resources the local authority can generate for itself (e.g. the amount of council tax it can raise); (4) a safeguard to prevent unreasonable year-on-year fluctuations. These four elements represent the 'Four Block' method of calculating entitlement to Formula Grant.

Floor – the Revenue Support Grant to which local authorities are entitled is calculated using complex formulae, based upon measures of local population needs and assessment of local council tax revenues. In order to reduce any effects of negative changes or developments in these grant formulae, a minimum ('floor') grant increase for each authority is guaranteed by the Government. Authorities receiving this minimum are generally known as 'floor' authorities.

Scheduled Bodies

Local authorities and other similar bodies whose staff automatically qualify to become members of the Pension Fund.

South East England Development Agency (SEEDA)

A Government funded agency, set up in 1999, and responsible for economic and social development of the South East of England.

Settlements

These are adjustments to the County Council's pension liability arising from bulk transfers of employees. The full estimated discounted cost or gain is charged immediately to the County Fund Revenue Account, under the heading of 'non-distributed costs', but this amount is offset by a transfer from the Pensions Reserve.

Statement of Movement on the County Fund Balance

The Statement of Movement on the County Fund Balance provides the necessary reconciliation of the surplus or deficit on the Income and Expenditure Account to the balances held by the County Council. The Income and Expenditure account shows the County Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the County Council is required to raise council tax on a different accounting basis. The main differences are capital investment is accounted for as it is financed, rather than when the fixed assets are consumed and retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned. The general fund balance compares the County Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses

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

Stock Lending

Stock lending is the practice of temporarily transferring securities to a borrower, who wishes to make use of the associated borrowing rights, in return for a consideration and secured by acceptable assets.

Transfer Value

A lump sum paid or received for pension rights transferred from one pension scheme to another usually when employees change their employment.

Unfunded Pensions

The continuing payment of those elements of pensions which may be awarded as additional years' service by the employer on early retirements triggered by redundancy. These pensions are payable by the County Council and not by the Pension Fund.

Voluntary-aided (church) schools

The school's governing body controls the admission of pupils to a voluntary-aided school. These schools have their own admission arrangements but with the introduction of co-ordinated admissions, all applications must be made through the Council Council.

Additional Information

In addition to the Statement of Accounts, financial information can be gathered from the County Council's agendas and other publications which are on display in the major public libraries in the County.

Information on the County Council's budget and finances can also be found on the website:

www.eastsussex.gov.uk

Further information on particular aspects of the County Council's finances or those of the South Downs Joint Committee or the Ashdown Forest Trust plus any of the following publications may be obtained from:

The Deputy Chief Executive and Director of Corporate Resources,
P O Box 3
County Hall
Lewes, East Sussex
BN7 1UE.

Or by email to finance@eastsussex.gov.uk

Financial Budget Summary - Price £5

This booklet gives summaries and details of the approved annual revenue estimates for each service and a list of capital schemes planned for a 4-year period.

East Sussex Pension Fund Annual Report - Price £5

This booklet provides information about the Pension Fund in greater detail than that shown in this report.