

FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The pages that follow are the Council's final accounts for 2001-2002 and comprise:

CONSOLIDATED REVENUE ACCOUNT (page 8) - This reports the cost for the year of the major functions for which the Council is responsible and the finance provided from charges made by the Council, from the Collection Fund and from Central Government.

HOUSING REVENUE ACCOUNT (page 15) - This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs - and how these are met by rents, subsidy and other income

CONSOLIDATED BALANCE SHEET (page 19) - This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the activities of related companies and Trust Funds.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES (page 34) - This brings together all the recognised gains and losses of the authority, and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves. The Collection Fund is excluded from this statement.

CASH FLOW STATEMENT (page 37) - This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

COLLECTION FUND REVENUE ACCOUNT (page 41) – This shows the transactions of the Council as a Charging authority in relation to National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities.

STATEMENT OF ACCOUNTING POLICIES (page 44) - This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are explained.

SUMMARY OF THE 2001-2002 FINANCIAL YEAR

The Council incurs both revenue and capital expenditure during the financial year. Revenue spending is generally on items that are consumed within a year and is financed from the Council Tax, Government Grants and other income. Capital expenditure is on items which must have a life beyond one year and which also add value to the Council's stock of fixed assets. This is financed largely by loans and other capital cash.

REVENUE SPENDING IN 2001-2002

For 2001-2002 actual net General Fund expenditure amounted to £13.850m. This was funded by Government Grants and the precept on the Collection Fund which together totalled £13.773m. The deficit of £77,000 was financed by withdrawal from the Council's General Fund working balance.

Services	Original Budget £'000	Actual £'000	Difference £'000
Central Services to the Public	1,063	994	(69)
Cultural & Related Services	7,423	7,147	(276)
Environmental Services	5,428	5,381	(47)
Planning & Development Services	1,132	1,154	22
Highways, Roads & Transport Services	439	359	(80)
Housing Services	2,155	1,868	(287)
Council Housing	0	2,851	2,851
Corporate & Democratic Core	1,447	1,396	(51)
Unapportionable Central Overheads	325	425	100
Net Cost of Services	19,412	21,575	2,163
Corporate Operating Expenditure Appropriations	(5,539)	(8,854)	(3,315)
	(100)	1,129	1,229
Total Net Expenditure	13,773	13,850	77
Funded by:			
Council Tax Precept	(4,044)	(4,044)	0
Council Tax Surplus	(48)	(48)	0
Revenue Support Grant	(6,212)	(6,212)	0
Contribution from non-domestic rate pool	(3,439)	(3,439)	0
Community Charge Surplus	(30)	(30)	0
Deficit for the year	NIL	77	77

The actual figures within Net Cost of Services include the impact of resource accounting for Council Housing (£2.851m). This sum is reversed out within Corporate Operating Expenditure to show the actual General Fund net deficit for the year as £77,000.

After withdrawing £77,000 to finance the actual deficit for the year the General Fund working balance stands at £1,013,000 at 31st March 2002. This sum is held as uncommitted and as a contingency against unforeseen occurrences.

HOUSING

The Council continues to be the major provider of rental accommodation in the town. At 31st March 2002 it provided 4,063 dwellings for rent. Housing Associations are the second major provider, and the Council continues its work and investment with them in order to meet new social housing requirements for Eastbourne.

The presentation of the Housing Revenue Account has changed with effect from 2001-2002 as a result of the Government's introduction of a new financial framework based on a form of resource accounting.

For 2001-2002 the Housing Revenue Account budgeted for income of £18.891m and expenditure of £19.583m. In the event actual income rose to £19.183m (principally due to a prior year subsidy adjustment of £457,000), and actual expenditure fell to £18.627m. The major reasons for the reduction in expenditure were savings of £212,000 in repairs and maintenance, £157,000 in supervision and management, £163,000 in rent rebates and £341,000 in capital charges.

The Council, through good financial management in previous years, had built up a working balance of £1,332,000 at 1st April 2001.

During 2001 – 2002 this balance was increased as follows:

	£'000
Opening Balance at 1 st April 2001	1,332
Surplus in 2001-2002	556
Closing balance at 31 st March 2002	1,888

During financial year 2002-2003 the Council will determine how best to apply this working balance in delivering its housing strategy and meeting the Government's decent homes standards.

CAPITAL SPENDING IN 2001-2002

The Council's capital spending in the year was £7.337m compared with an original budget of £7.087m. The additional spending related to schemes brought forward from the previous year (2000-2001) which were financed by an equal amount of resources also brought forward.

The financial year 2001-2002 saw the introduction by Government of the single capital pot of resources for capital spending. The Council's capital expenditure plans are now contained within its capital strategy. This is a rolling programme which seeks to match capital expenditure with capital resources over a 5 year period.

As part of the new single capital pot arrangements, as well as being a substantial part of the new financial framework for housing finance, Government has introduced the Major Repairs Allowance (MRA). This is intended to finance capital investment in the Council's housing stock, particularly as regards modernisation and refurbishment.

There has been a corresponding reduction in Government borrowing approvals to offset the introduction of the new allowance.

The main items of capital expenditure are set out on the next page together with the sources of capital financing.

Capital Expenditure	£'000
Housing	
• Stock Improvement and Development	2,528
• Grants to Housing Associations	1,092
• Private Sector Housing Grants	836
• Cash Incentive Scheme	118
• Other Housing Schemes	74
Other	
• Eastbourne Sports Park	1,000
• Willingdon Trees Community Centre	335
• Clifton Nursery	309
• Theatres	230
• Sovereign Centre	197
• Conservation and Regeneration Schemes	150
• Other Tourism and Leisure Facilities	126
• Other Schemes and Projects	342
	7,337

Financed By	£'000
Capital Receipts	2,391
Major Repairs Allowance	2,018
Credit Approvals	1,311
Government Grants	1,156
Capital Contributions	433
Consolidated Revenue Account	50
Less Financing of Accrued Expenditure	(22)
	7,337

RESERVES

The Council's total reserves at 31st March 2002 amounted to £10.273m, an increase of £1.420m over the previous year. These are analysed within the Consolidated Balance Sheet (page 19) as earmarked reserves £6.895m and revenue balances £3.378m.

Earmarked reserves include £3.631m which is specifically available to finance future capital spending. It also includes revenue reserves of £3.264m of which £1.464m is available to finance specific future revenue spending and £1.8m is held against any future realisation of the Council's investment in Eastbourne Buses Limited.

Revenue balances includes £1.013m held by the General Fund for cashflow purposes and as a contingency against unforeseen circumstances.

It also includes £477,000 held by the Collection Fund which will be redistributed to local taxpayers in their Council Tax bills. £462,000 has been returned in 2002-2003 with the balance to follow in 2003-2004.

Finally, it includes £1.888m held by the Housing Revenue Account. This is considerably in excess of the recommended balance of £500,000 needed to finance cashflow and

unforeseen circumstances, and the Council plans to determine in 2002-2003 how best to apply the excess for the future benefit of its tenants.

LOANS AND INVESTMENTS

The Council's external loan debt at 31st March 2002, comprising long-term borrowing, short-term borrowing and deferred liabilities, stood at £40.279m. This is a net decrease of £1.249m over the previous year principally as a result of repaying short-term borrowing from improved cashflow.

Short-term investments were £10.250m at 31st March 2002 compared with £4m the previous year. This is an increase of £6.250m and primarily reflects the increase in capital resources set aside for the repayment of debt and held in the Provision for Credit Liabilities (Note 16 page 30) pending application. It also reflects the specific increase in reserves outlined above on page 4 as well as other cashflow improvements reflected in Net Current Assets (page 19).

COLLECTION FUND

The Council has, by law, to maintain a specific account called the Collection Fund which records all income and expenditure (excluding Administration) on Council Tax, National Non-Domestic Rates and Residual Community Charge.

The Council budgeted for a NIL balance on the Fund at 31st March 2002, but ended the year with an actual surplus of £1,000 and a cumulative surplus of £477,000. £462,000 of this surplus was taken into account when setting the Council Tax for 2002-2003, and was shared with East Sussex County Council and Sussex Police for the direct benefit of taxpayers. The balance will be applied in 2003-2004.

CHANGES IN THE ACCOUNTING STATEMENTS

The format of Statement of Accounts has been amended to produce a document which is intended to be more relevant and understandable.

The introduction of depreciation for all assets, with the exception of investment properties, has resulted in an increase in capital charges to the Housing Revenue Account. This increase has been compensated by an increase in the credit in the Asset Management Revenue Account.

The Consolidated Revenue Account has been amended accordingly to comply with the Best Value Code of Accounting Practice.

FURTHER INFORMATION

Summary financial information is published annually in the Council's Eastbourne Review. This is distributed with the local free newspaper, the Eastbourne Advertiser. Further information on any of the financial statements published either here, or in the Eastbourne Review, may be obtained from the Director of Finance and Corporate Services, 1 Grove Road, Eastbourne, BN21 4TW.

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 secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Services
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts

The Director of Finance and Corporate Services Responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting for the United Kingdom. The Statement of Accounts is required to set out fairly the Authority's financial position as at 31st March 2002 and its income and expenditure for the financial year.

In preparing this statement of accounts, the Director of Finance and Corporate Services has:

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

The Director of Finance and Corporate Services has also:

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

Sue McHugh ACA
Director of Finance and Corporate Services

Date 12th December 2002

AUDITORS' REPORT TO EASTBOURNE BOROUGH COUNCIL

I have audited the statement of accounts on pages 8 to 49, which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 44 to 49.

Respective responsibilities of Director of Finance and Corporate Services and Auditors

As described on page 6 the Director of Finance and Corporate Services is responsible for the preparation of the statement of accounts. My responsibilities as independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

Basis of Opinion

I carried out my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

My audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion

In my opinion the statement of accounts presents fairly the financial position of Eastbourne Borough Council at 31st March 2002 and its income and expenditure for the year then ended.

Certificate

I have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until an investigation arising from an objection to the 1998-99 accounts by an elector has been formally completed. I am satisfied that the amount which is the subject of the objection will not have a material effect on the statement of accounts.

Date 20th December 2002

District Audit

CONSOLIDATED REVENUE ACCOUNT FOR YEAR ENDED 31ST MARCH 2002

This reports the cost for the year of the major functions for which the Council is responsible and the finance provided from charges made by the Council, from the Collection Fund and from Central Government.

2000- 2001 NET £'000	SERVICES	GROSS EXPEN- DITURE £'000	GROSS INCOME £'000	2001- 2002 NET £'000
936	Central Services to the Public	2,547	1,553	994
7,602	Cultural & Related Services	13,819	6,672	7,147
5,264	Environmental Services	7,480	2,099	5,381
1,012	Planning & Development Services	2,085	931	1,154
318	Highways, Roads & Transport Services	1,265	906	359
3,858	Housing Services	23,561	21,693	1,868
293	Council Housing	22,034	19,183	2,851
1,438	Corporate & Democratic Core	1,723	327	1,396
436	Unapportionable Central Overheads	432	7	425
21,157	Net Cost of Services (Note 1)	74,946	53,371	21,575
111	(Surpluses)/Deficits on Trading Undertakings (Note 2)	2,258	2,060	198
189	Prior Years Housing Benefits Grant	10	0	10
(5,433)	Asset Management Revenue Account (Note 3)	0	8,864	(8,864)
378	Losses/(Gains) on the Repurchase of Borrowing	380	17	363
(656)	Interest and Investment Income	0	561	(561)
15,746	Net Operating Expenditure	77,594	64,873	12,721
(819)	HRA Surplus/(Deficit) transferred to HRA balances			556
526	Contribution to HRA Capital Reserve			692
(4)	Transfer (from) Insurance Reserve			0
(190)	Transfers (from)/to Earmarked Reserves			590
(1,881)	Contribution (from) Capital Financing Reserve (Note 4)			(709)
13,378	Amount to be met from Government Grants and Local Taxation			13,850
(5,600)	Revenue Support Grant			(6,212)
(3,445)	Non-Domestic Rates Distribution			(3,439)
(3,831)	Demand on the Collection Fund			(4,044)
(47)	Surpluses transferred from the Collection Fund			(78)
455	Net General Fund Deficit for the year			77
(1,545)	Balance on General Fund at 1 st April			(1,090)
(1,090)	Balance on General Fund at 31st March			(1,013)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. CHANGE IN ACCOUNTING POLICY AND PRESENTATION

The Consolidated Revenue Account has been prepared on the basis of new directions applying to the Housing Revenue Account (HRA) following the introduction of resource accounting for the HRA with effect from 1st April 2001.

As a result there are new capital charges reflecting both the cost of capital employed and the cost of using those assets. These notional costs are reversed out through the Asset Management Revenue Account and replaced with the HRA's statutory proportion of the interest payable on the Council's actual borrowing.

For this year of transition to the new resource accounting arrangements for the HRA, it will be difficult to make year on year comparisons on these particular items within the account

2. SURPLUSES/DEFICITS ON TRADING UNDERTAKINGS

2000-2001 Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	2001-2002 Net Expenditure £'000
(4)	Coastline Caterers	1,859	1,783	76
115	Eastbourne Leisure	1,729	1,607	122
111		3,588	3,390	198

Coastline Caterers budgeted to breakeven after delivering its contracted commission to the Council. In the event it made a deficit of £76,000 due to difficult trading conditions brought about by poor weather and fewer than expected conferences.

Eastbourne Leisure actual net performance was in line both with its own budget and with the level of trading subsidy approved by the Council.

3. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account reverses out the capital charges made to services under the capital accounting system and replaces them with depreciation (net of government grants and contributions deferred) and real interest charges paid by the Council.

Some of the interest payable relates to Housing Revenue Account (HRA) borrowing and this is reflected in the calculation of statutory charges (Item 8 Debit) made to the HRA.

2000- 2001 £'000		2001-2002 £'000
	Income	
(6,097)	Capital Charges - General Fund	(6,093)
(4,320)	- Housing Revenue Account	(10,093)
(542)	Transfer from Government Grants Deferred Account	(553)
(85)	Transfer from Capital Contributions Deferred Account	(125)
(11,044)		(16,864)
	Expenditure	
2,170	Provision for depreciation	4,645
3,348	External interest charges	3,298
93	Debt Management Expenses	57
5,611		8,000
(5,433)	Net transfer to Consolidated Revenue Account	(8,864)

4. CONTRIBUTION FROM CAPITAL FINANCING RESERVE

This account records amounts set aside from revenue to redeem external debt and to finance capital expenditure.

An appropriation is made from the Capital Financing Reserve to ensure that the capital accounting entries have no net impact on the amount to be raised from local taxation.

2000- 2001 £'000		2001-2002 £'000
877	Minimum Revenue Provision	894
(2,170)	Less: depreciation charged	(4,645)
(1,293)		(3,751)
50	Contributions for deferred purchase repayments	50
442	Capital Expenditure charged to Revenue	(50)
(801)		(3,751)
0	Add - Transfer to Major Repairs Reserve	2,364
(1,080)	Add/(Less) - Appropriation from Capital Financing Reserve	678
(1,881)	Net Contribution (to) Consolidated Revenue Account	(709)

5. MINIMUM REVENUE PROVISION

The Council is required by the Local Government and Housing Act 1989, to set aside a minimum revenue provision for the redemption of external debt.

The method of calculating the provision is prescribed by regulations made under the Act.

The effect of these regulations on the Council is as follows :-

2000-2001 £'000		2001-2002 £'000
670	Housing Revenue Account - 2% of credit ceiling	650
207	General Fund - 4% of credit ceiling	244
<u>877</u>		<u>894</u>

6. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. As a consequence, the majority of the provisions of Section 137 were repealed with effect from October 2000.

No expenditure was incurred by the Council in 2001-2002 under the remaining provisions.

7. PUBLICITY

The Council is required by Section 5 of the Local Government Act 1986, to keep separate accounts of expenditure and income on publicity. The total net expenditure can be analysed as follows :-

2000-2001 £'000		2001-2002 £'000
221	Tourism and Economic Development	238
66	Public Relations and Information	65
138	Recreation and Leisure	87
43	Recruitment	93
33	Other	23
<u>501</u>		<u>506</u>

8. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function.

However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2000-2001			2001-2002		
Chargeable £'000	Non- Chargeable £'000	Total Building Control £'000	Chargeable £'000	Non- Chargeable £'000	Total Building Control £'000
<u>Expenditure</u>					
101	100	201	109	101	210
9	10	19	11	9	20
10	8	18	8	8	16
83	44	127	90	37	127
203	162	365	218	155	373
<u>Income</u>					
(224)	0	(224)	(196)	0	(196)
0	(7)	(7)	0	(5)	(5)
(224)	(7)	(231)	(196)	(5)	(201)
(21)	155	134	22	150	172
(Surplus)/ Deficit for Year					

9. OPERATING LEASES

The Council uses operating leases to finance 2 Dotto road trains and a tractor mower.

Details of payments and obligations under these leases are set out below :-

	Operating Leases £'000
Total rentals paid in 2001-02	75
Outstanding obligations	
- 2002-2003	41
- 2003-2004	41
- 2004-2005	3

10. PENSION COSTS

In 2001-2002 the Council paid an employer's contribution of £1.161m representing 13.9% of employees' pensionable pay into East Sussex County Council's Pension Scheme, which provides members with defined benefits related to pay and service. The contribution rate was determined by the Fund's Actuary based on triennial actuarial valuations.

The Fund's Actuary has advised that the pension cost that it would have been necessary to provide for in the year, in accordance with SSAP24 "Accounting for Pension Costs", is 13.7% of pensionable pay. This is 0.2% below the total contribution rate paid in 2001-2002.

The most recent actuarial valuation was carried out as at 31st March 2001. The results show a funding level of 102% but reveal that the cost of providing pensions is rising as a result of the abolition of tax credits and the level of early and ill health retirements. As a result employers contributions for the Council will increase by 1.0% from 1st April 2002, with further successive increases of 0.3% each year over the three years 1st April 2003 to 31st March 2006.

The Council is also responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2001-2002 these amounted to £304,000 representing 3.6% of pensionable pay.

Further information can be found in the East Sussex County Council Pension Scheme Fund Annual Report which is available upon request from the Director of Corporate Resources, County Hall, Lewes, East Sussex BN7 1SF.

11. OFFICERS EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, exceeded £40,000 is shown below in bands of £10,000.

Remuneration Band	Number of Employees		Left During the year	
	2000-2001	2001-2002	2000-2001	2001-2002
£40,000-£49,999	2	5	-	2
£50,000-£59,999	6	4	1	1
£60,000-£69,999	1	1	1	-

12. MEMBERS ALLOWANCES

Allowances and expenses paid to Eastbourne's 30 Councillors during the year amounted to:-

2000-2001 £'000	2001-2002 £'000
96 Members Allowances	95
3 Conferences and Travelling Expenses	4
<u>99</u>	<u>99</u>

13. RELATED PARTY TRANSACTIONS

There were no material transactions with related parties not disclosed elsewhere in the accounts during 2001-2002.

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs - and how these are met by rents, subsidy and other income.

2000- 2001 £'000			2001- 2002 £'000
	Income		
	Gross Rental Income		
10,365	Dwelling Rents (Gross)		10,494
305	Non-Dwelling Rents (Gross)		303
987	Charges for Services and Facilities		1,034
4,258	Housing Revenue Account Subsidy Receivable	Note 2	7,309
0	Reduction in provision for doubtful debts		43
<u>15,915</u>	Total Income		<u>19,183</u>
	Expenditure		
2,412	Repairs and Maintenance		2,314
2,847	Supervision and Management		2,820
125	Rents, rates, taxes and other charges		123
6,289	Rent Rebates		6,345
85	Increase in provision for doubtful debts		0
4,008	Cost of Capital Charge	Note 4	7,729
0	Depreciation of fixed assets	Note 5	2,364
0	Amortisation of Deferred Charges		168
0	Debt Management expenses		46
125	Provision for Deferred Purchase Repayment	Note 7	125
<u>15,891</u>	Total Expenditure		<u>22,034</u>
(24)	Net Cost of Services		2,851
0	Net HRA Income from Asset Management Revenue Account	Note 8	(4,709)
	Investment Income		
(13)	Mortgage Interest		(11)
(103)	Interest on cash balances		(79)
<u>(140)</u>	Net Operating Expenditure/(Income)		<u>(1,948)</u>
	Appropriations		
433	Revenue Contributions to Capital Expenditure	Note 9	50
526	Transfer to Capital Reserve	Note 9	692
0	HRA Contribution to Minimum Repayment Provision		650
819	(Surplus)/Deficit for the year		(556)
(2,151)	Balance at 1st April		(1,332)
<u>(1,332)</u>	Balance at 31st March		<u>(1,888)</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. NEW FINANCIAL FRAMEWORK

Government introduced a new financial framework for the HRA from 1st April 2001. The account is now based on a form of resource accounting that shows the cost of capital employed and depreciation of those assets used in the provision of services.

2. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2001-2002 is made up as follows:

	£'000
Major Repairs Allowance	2,364
Management and Maintenance Allowance	3,970
Capital Charges Allowances	3,760
Tenants Participation Allowance	15
Resource Accounting Allowance	31
Rent Rebates Costs	6,028
Other Allowable expenditure	196
	<hr/>
	16,364
Less: Notional rent income	(9,500)
Other income	(12)
	<hr/>
	6,852
Prior Years Adjustment	457
	<hr/>
	7,309

3. ASSET VALUATION

The Council's Consolidated Balance Sheet includes the following HRA assets :-

	1 st April 2001 £'000	31 st March 2002 £'000
Operational Assets	118,918	138,700
Non Operational Assets	1,621	1,621
	<hr/>	<hr/>
	120,539	140,321

For resource accounting purposes the housing stock has been valued at either existing use value for social housing where tenants of flats and houses have the right to buy, or at existing use value where they do not.

The Council's valuer, Wilks, Head and Eve, has calculated that the open market vacant possession value of the housing stock at 1st April 2001 was £229.217m. Government considers that the difference between this figure and the balance sheet figure shown above represents the economic cost to Government of providing Council housing at less than open market rents.

4. COST OF CAPITAL

The charge for the cost of capital tied up in housing assets is calculated using a prescribed notional rate of interest which is currently specified at 6%.

5. DEPRECIATION

The cost of depreciation of the housing stock has been calculated using the basis of the Major Repairs Allowance (MRA) and is equivalent to that sum for the year.

The depreciation charge is based on the annual cost of replacing individual building components (such as windows, kitchens and heating systems) as they reach the end of their useful life.

6. MAJOR REPAIRS RESERVE

Established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 to ensure funds from the MRA are transferred into capital expenditure on HRA properties. During the year not all of the funding was utilised therefore leaving a balance to be carried forward and applied in future years.

	£'000
Balance as at 1 st April 2001	0
Depreciation of Housing Stock	2,364
Financing of Capital Expenditure	2,018
Balance as at 31 st March 2002	<u>346</u>

7. PROVISION FOR DEFERRED PURCHASE REPAYMENTS

In 1992-93, the Council provided an initial lump sum towards the final repayment costs in 2005 of its deferred purchase arrangement relating to the provision of sheltered housing. Equal annual contributions of £125,000 are now made which will fully provide for this arrangement when it falls due.

8. NET INCOME FROM THE ASSET MANAGEMENT REVENUE ACCOUNT

This replaces the notional costs of capital with the HRA's proportion of the interest payable on the Council's actual borrowing.

9. REVENUE CONTRIBUTIONS TOWARDS CAPITAL EXPENDITURE

The Council has decided to supplement its available capital resources by making revenue contributions available to finance capital expenditure. This is because of its commitment to invest in the modernisation and improvement of its own stock in a bid to achieve Government decent homes standards.

The Council also transferred a further £692,000 into a capital reserve to finance further improvement works in 2002-2003.

10. HOUSING STOCK

The Council's housing stock consisted of:-

31st March 2001		31st March 2002
	Houses and Bungalows	
17	- one bedroom	17
621	- two bedrooms	606
1,375	- three bedrooms	1,333
62	- four or more bedrooms	60
2,075		2,016
	Flats	
1,099	- one bedroom	1,091
530	- two bedrooms	517
9	- three or more bedrooms	8
432	- bed-sits	431
2,070		2,047
4,145		4,063

In addition the Council has shared ownership arrangements covering 21 full property equivalents (21 at 31st March 2001) and has acquired the use of 22 actual properties (26 at 31st March 2001) under short term property leases.

11. RENT ARREARS

Rent arrears at 31st March 2002 amounted to £570,000, compared with £583,000 at 31st March 2001. These sums include the overpayment of Housing Benefit and former tenants' arrears. During 2001-2002 former tenant arrears of £93,000 were written off (£60,000 in 2000-2001).

The Council has made a provision for doubtful debts of £397,000 at 31st March 2002 (£440,000 at 31st March 2001). The year on year reduction is largely as a result of the write off of former tenant arrears mentioned above.

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2002

This is fundamental to the understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the activities of related companies and Trust Funds.

31st March 2001 £'000	Note	31st March 2002 £'000
Fixed Assets		
Operational Assets		
118,918	- Council Dwellings	138,700
33,088	- Other Land and Buildings	31,214
310	- Vehicles, Plant and Equipment	223
31,404	- Infrastructure Assets	30,663
837	- Community Assets	816
10,437	Non-operational Assets	9,576
194,994	Total Fixed Assets	211,192
0	Deferred Charges	0
2,099	Deferred Premiums	1,736
2,003	Long Term Investments	1,953
942	Long Term Debtors	369
200,038	Total Long-Term Assets	215,250
Current Assets		
197	- Stocks	194
5,047	- Debtors	3,983
4,000	- Investments	10,250
9,244		14,427
Current Liabilities		
1,214	- Short Term Borrowing	152
5,620	- Creditors	6,331
1,123	- Bank Overdraft	770
7,957		7,253
1,287	Net Current Assets	7,174
201,325	Total Assets less Current Liabilities	222,424
(38,937)	Long Term Borrowing	(38,800)
(1,377)	Deferred Liabilities	(1,327)
(19,803)	Government Grants Deferred Account	(20,162)
(8,520)	Capital Contributions Deferred Account	(8,828)
(957)	Provisions	(1,090)
(237)	Deferred Credits	(224)
131,494	Total Assets less Liabilities	151,993
96,743	Fixed Asset Restatement Reserve	112,828
25,898	Capital Financing Reserve	28,892
1,434	Usable Capital Receipts Reserve	0
4,521	Earmarked Reserves	6,895
2,898	Balances	3,378
131,494	Total Equity	151,993

I certify that the Consolidated Balance Sheet and related accounts represent the true financial position of Eastbourne Borough Council at 31st March 2002 and its income and expenditure for the year 2001-2002.

Sue McHugh ACA
Director of Finance and Corporate Services

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Valuation

The freehold and leasehold properties which comprise the Council's property portfolio have been valued by Wilks, Head and Eve, Chartered Surveyors of Harley Street, London. Valuations have been carried out in accordance with the Statements of Asset Valuation Practice Guidance Notes of the Royal Institution of Chartered Surveyors except that:

- (i) Not all properties were inspected,
- (ii) Certain valuations, based upon depreciating the asset, the valuers have commented in their valuation where they believe the probable realisable value is significantly below the depreciated replacement cost value reported.

At 1st April 2001 a revaluation was carried out of the Council's housing portfolio. The major effect of the revaluation has been to increase the Council Dwellings valuation by £22.117m and this is reflected within the movements during the year detailed on page 21.

At the same time a rolling revaluation of assets held within the Other Land and Buildings and Non Operational Assets was undertaken which resulted in a reduction in the values of both portfolios. This is reflected within the movements during the year detailed on page 21.

Assets Held under Finance Leases

No assets were held under finance leases at 31st March 2002.

Movements in fixed assets during the year were:

OPERATIONAL ASSETS

	Council	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Total
	Dwellings	Buildings	Equipment	Assets	Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Certified valuation at 31 st March 2001	120,616	34,236	989	34,392	918	191,151
Accumulated Depreciation and impairment	(1,698)	(1,148)	(679)	(2,988)	(81)	(6,594)
Net book value of assets as at 31 st March 2001	118,918	33,088	310	31,404	837	184,557
Movement in 2001-2002						
Additions	2,528	1,626	0	134	56	4,344
Disposals	(2,499)	0	0	0	0	(2,499)
Revaluations	22,117	(2,258)	0	0	0	19,859
Depreciation	(2,364)	(1,242)	(87)	(875)	(77)	(4,645)
Impairments	0	0	0	0	0	0
Net book value of assets as at 31 st March 2002	138,700	31,214	223	30,663	816	201,616

NON OPERATIONAL ASSETS

	Total
	£'000
Certified valuation at 31st March 2001	10,693
Accumulated depreciation and impairment	(256)
Net book value of assets at 31st March 2001	10,437
Movement in 2001-2002	
Additions	414
Disposals	(28)
Revaluations	(1,247)
Impairments	0
Net book value of assets at 31st March 2002	9,576

Capital Expenditure and Financing

	2000-2001 £000	2001-2002 £000
Capital Investment		
Fixed Assets - Operational	4,590	4,344
Fixed Assets - Non Operational	171	414
	<u>4,761</u>	<u>4,758</u>
Deferred Charges	1,843	2,579
	<u>6,604</u>	<u>7,337</u>
Sources of Finance		
Credit Approvals	3,297	1,311
Major Repairs Reserve	0	2,018
Government Grants	151	1,156
Capital Contributions	1,982	433
Capital Receipts	741	2,391
Consolidated Revenue Account	442	50
Less - Financing of accrued expenditure	(9)	(22)
	<u>6,604</u>	<u>7,337</u>

The main items of capital expenditure during the year 2001-2002 were:

	£'000	£'000
Fixed Assets		
Council Housing Developments/Major Improvements	2,528	
Eastbourne Sports Park	1,000	
Willingdon Trees Community Centre	335	
Theatres	230	
Sovereign Centre	197	
Other Tourism and Leisure Facilities	126	
Other Schemes and Projects	342	
	<u>4,758</u>	4,758
Deferred Charges		
Grants to Housing Associations	1,092	
Private Sector Housing Grants	836	
Clifton Nursery	309	
Cash Incentive Scheme	118	
Conservation Area Partnership Scheme	98	
Heritage Economic Regeneration Scheme	52	
Deferred Purchase Arrangement	50	
Other Schemes and Projects	24	
	<u>2,579</u>	2,579
		<u>7,337</u>

Capital Commitments

The Council had no significant capital commitments at 31st March 2002.

Information on Assets Held

Fixed assets held by the Council in its balance sheet include:-

	Number as at 31st March 2001	Number as at 31st March 2002
Council Dwellings		
Houses	2,075	2,016
Flats	2,070	2,047
Operational Buildings		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	3	3
Public Conveniences	27	27
Coach and Lorry Park	1	1
Off-Street Car Parks	8	8
Theatres - NB: March 2001 restated	3	3
Devonshire Park International Tennis Centre	1	1
Dual Use Sports Centres	2	2
Swimming Pools	2	2
Art Gallery	1	1
Museums	2	2
Tourist Information Centre	1	1
Bandstand	1	1
Treasure Island – NB: subsequently leased to a private sector partner in June 2002	1	1
Sports Park	0	1
Operational Equipment		
Dotto Road Train	1	1
Lifeline Units	1,213	1,213
Community Assets		
Parks and Open Spaces (hectares) – NB: March 2001 restated	270	270
Allotments (acres)	39	39
Downland (acres)	4,100	4,100
Infrastructure Assets		
Seafront Groynes	94	94
Promenade (miles) – NB: March 2001 restated	4.3	4.3
Non-Operational Assets		
Royal Hippodrome Theatre	1	1
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	4	4
Community Centres	5	5

2. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Unless their useful life to the Council extends beyond one year, deferred charges are written off in the year they are incurred.

The write off is to the Capital Financing Reserve, which represents a change of practice from previous years when amounts were written off to the Consolidated Revenue Account and then offset by an equal and opposite contribution from the Capital Financing Reserve.

2000-2001 £'000	2001-2002 £'000
0	0
Balance at the beginning of the year	
Capital Expenditure in year:	
975	1,092
Grants to Housing Associations	
679	836
Private Sector Housing Grants	
0	309
Clifton Nursery	
112	118
Cash Incentive Scheme	
25	98
Conservation Area Partnership Scheme	
0	52
Heritage Economic Regeneration Scheme	
0	50
Deferred Purchase Arrangement	
52	24
Other	
1,843	2,579
Amounts written off to the Consolidated Revenue Account as follows:-	
(25)	0
Planning and Development Services	
(1,818)	0
Housing Services	
(1,843)	0
Amounts written off to the Capital Financing Reserve	
0	(2,579)
0	0
Balance at the end of the year	

3. DEFERRED PREMIUMS

Deferred premiums represent the share of losses on the early repayment of borrowing which are written back to the Consolidated Revenue Account over a timescale prescribed by statute.

2000-2001 £'000	2001-2002 £'000
2,489	2,099
Balance at the beginning of the year	
(390)	(363)
Amounts written back to the Consolidated Revenue Account	
2,099	1,736
Balance at the end of the year	

4. LONG TERM INVESTMENTS

31.3.2001 £'000		31.3.2002 £'000
1,528	Eastbourne Buses Ltd - shares	1,528
425	Eastbourne Buses Ltd - debenture	375
1,953		1,903
50	Local Government Association - debenture	50
2,003		1,953

The Eastbourne Buses Limited debenture is repayable by 26th October 2011. During 2001-2002 Eastbourne Buses Limited made a capital repayment of £50,000.

RELATED COMPANIES

Eastbourne Buses Limited is a company formed under the provisions of the Transport Act 1985. Its principal activities are the operation of bus and coach services, and the provision of garage services.

At 31st March 2002 the Council was the majority shareholder in a private company, Eastbourne Buses Limited.

The Council signed an agreement in June 2001 with Via GTI UK Ltd., part of the Keolis Group - European Bus Operator, and Eastbourne Buses Ltd. The agreement was signed with consent from the Secretary of State.

Under the agreement the Bus Company issued shares to Keolis in exchange for investment of £462,000. Keolis shareholding in Eastbourne Buses Ltd is 20% and the agreement provides for further tranches of shares to be issued at market value to a maximum shareholding by Keolis of 49% providing certain performance targets are achieved.

As a consequence of this agreement the Council's shareholding reduced from 100% at 31st March 2001 to 80% at 14th June 2001.

The Company's key financial results are :-

	Year ended 30.9.2000 £'000	Year ended 30.9.2001 £'000
Net Assets	1,842	2,235
Profit/(Loss) before taxation	14	(73)
Profit/(Loss) after taxation	50	(69)
Dividends declared	NIL	NIL

The value of the Council's share-holding is stated at the net cost incorporated in the Transfer Scheme. There is no evidence to suggest this valuation needs to be varied on the basis of the Company's latest trading statement to 30th September 2001.

If unsustainable losses are incurred by the Company, the Council has an obligation to meet them. Financial support was not required in 2001-2002.

Copies of the Company's audited accounts may be obtained from the Chief Executive, Town Hall, Eastbourne, BN21 4UG.

5. LONG TERM DEBTORS

	31.3.2001 £'000	Additions £'000	Repayments £'000	31.3.2002 £'000
Assets transferred to East Sussex County Council	706	0	(583)	123
Advances to Housing Associations and Private Mortgagors	109	0	(1)	108
Council House Mortgagors	126	0	(12)	114
Other loans and advances	1	24	(1)	24
	942	24	(597)	369

Long Term Debtors include housing associations and individuals with outstanding advances in respect of loans for private house purchase, as well as the balance of debt outstanding on fixed assets that have been transferred to East Sussex County Council. The account is written down by principal repayments received during the year.

6. DEBTORS

31.3.2001 £'000	31.3.2002 £'000
2 Community Charge payers	0
762 National Non-Domestic Ratepayers	764
1,787 Council Taxpayers	2,743
583 Council House Tenants	570
1,672 Government Departments	456
6 Inland Revenue	8
212 Customs and Excise	247
154 Assisted Car Purchase Loans	154
199 Payments in Advance	233
1,939 Sundry Debtors	1,675
7,316	6,850
Less: Provision for Doubtful Debts	
(1,419) - Collection Fund	(2,110)
(440) - Council House Tenants	(397)
(410) - General	(360)
5,047	3,983

7. CREDITORS

31.3.2001		31.3.2002
£'000		£'000
346	Business Ratepayers	241
674	Council Taxpayers	309
633	Government Departments	1,523
242	Inland Revenue	251
152	East Sussex County Council	168
637	Income Received in Advance	703
292	Loan Interest	291
90	Capital Creditors	68
2,554	Sundry Creditors	2,777
<u>5,620</u>		<u>6,331</u>

8. LONG TERM BORROWING

31.3.2001		31.3.2002
£'000		£'000
31,437	Public Works Loan Board	31,300
7,500	Loan Stock	7,500
<u>38,937</u>		<u>38,800</u>

Analysis of borrowings by maturity:-

31.3.2001		31.3.2002
£'000		£'000
137	Between 1 and 2 years	67
200	Between 2 and 5 years	700
4,100	Between 5 and 10 years	3,533
34,500	More than 10 years	34,500
<u>38,937</u>		<u>38,800</u>

9. DEFERRED LIABILITIES

31.3.2001		31.3.2002
£'000		£'000
1,377	Deferred Purchase Agreement	1,327

10. GOVERNMENT GRANTS DEFERRED ACCOUNT

Government grants applied in the financing of fixed assets are held here. They are written off over the useful life of the asset to match the depreciation of the asset to which the grant relates. Thus the balance held on this account is not available for new investment, but rather it has already been invested and is held to assist with the presentation of depreciation within the Asset Management Revenue Account.

2000-2001 £'000		2001-2002 £'000
20,331	Balance at the beginning of the year	19,803
	Grants applied during the year	
14	- Coastal Protection grant	912
(542)	Less - Amount written off to the Asset Management Revenue Account	(553)
<u>19,803</u>	Balance at the end of the year	<u>20,162</u>

11. CAPITAL CONTRIBUTIONS DEFERRED ACCOUNT

This account operates in a similar way to the Government Grants Deferred Account, except that it records the transactions relating to the application of Third Party Capital Contributions. Thus the balance held on this account is not available for new investment, but rather it has already been invested and is held to assist with the presentation of depreciation within the Asset Management Revenue Account.

2000-2001 £'000		2001-2002 £'000
6,623	Balance at the beginning of the year	8,520
	Contributions applied during the year:	
370	- Insurance Claims	266
349	- Developer's Contributions	24
563	- Sport England	20
700	- Other	<u>123</u>
<u>1,982</u>		433
(85)	Less - Amount written off to the Asset Management Revenue Account	(125)
<u>8,520</u>	Balance at the end of the year	<u>8,828</u>

12. PROVISIONS

	31.3.2001 £'000	Contributions £'000	Utilised £'000	31.3.2002 £'000
Deferred Purchase	852	125	0	977
Other	105	30	(22)	113
	957	155	(22)	1,090

A Deferred Purchase provision has been created to meet the final lump sum repayment of an arrangement entered into by the Council for the provision of sheltered housing. This falls due in 2005. Equal annual contributions of £125,000 are made from the Housing Revenue Account to meet this obligation.

13. DEFERRED CREDITS

	31.3.2001 £'000	Received £'000	31.3.2002 £'000
Council House Sales	126	(12)	114
East Sussex County Council	110	0	110
Other	1	(1)	0
	237	(13)	224

Deferred Credits includes mortgages outstanding in relation to dwellings sold to former Council housing tenants, and debt outstanding from East Sussex County Council in respect of transferred land. The account is written down by the amount of principal repayments received during the year.

14. FIXED ASSET RESTATEMENT RESERVE

The balance on the Fixed Asset Restatement Reserve primarily represents the difference between the valuation of assets under the previous system of capital accounting, and the revaluation which took place at 1st April 1994.

In addition, the reserve is written down by the net book value of assets as they are disposed of, and increased or reduced with the surpluses or deficits arising on revaluation.

2000-2001 £'000		2001-2002 £'000
72,945	Balance at the beginning of the year	96,743
24,673	Revaluation of fixed assets	18,612
(875)	Disposal of fixed assets	(2,527)
96,743	Balance at the end of the year	112,828

15. CAPITAL FINANCING RESERVE

The Capital Financing Reserve contains amounts required by law to be set aside from capital receipts for repayment of external loans, and the amount of capital expenditure financed from revenue and from capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal of external loans. Thus the balance on this account is reserved to meet predetermined liabilities rather than being available for new investment.

The appropriation to the Consolidated Revenue Account reconciles the debits for impairment and depreciation (net of government grants and contributions deferred) to the Minimum Revenue Provision.

2000-2001 £'000		2001-2002 £'000
24,807	Balance at the beginning of the year	25,898
1,789	Capital receipts set aside in year	2,818
789	Housing Corporation grants set aside in year	1,658
	Capital financing in year	
741	- Capital Receipts	2,391
442	- Consolidated Revenue Account	50
0	- Major Repairs Reserve	2,018
0	- Specified Capital Grant	244
	Sums set aside from revenue for repayment of debt: (less depreciation provision)	
(1,293)	- Long Term Borrowing	(3,751)
50	- Deferred Purchase arrangements	50
(347)	Less - Long Term Debtors written down	(583)
0	- Deferred Charges written down	(2,579)
(1,080)	- Appropriation to Consolidated Revenue Account	678
25,898	Balance at the end of the year	28,892

16. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)

In accordance with statutory requirements the Council must set aside certain sums as a provision to repay external loans. These transactions are incorporated within the Capital Financing Reserve (Note 15), but are shown separately in this memorandum account for record purposes.

31.3.2001 £'000		31.3.2002 £'000
0	Capital Receipts set aside at 1st April	668
1,789	Capital Receipts set aside in year	2,818
789	Capital Grants set aside in year	1,658
876	Sums set aside from revenue (MRP)	894
3,454		6,038
(189)	Less – used to redeem debt	(200)
(2,597)	Less – used to finance credit approvals	(1,311)
668	Capital Receipts set aside at 31st March	4,527

17. USABLE CAPITAL RECEIPTS

Capital receipts received in the year are recorded as usable or reserved.

The usable part is held in this account as being available to finance new capital expenditure.

The reserved part is transferred to the Capital Financing Reserve (see note15).

	31.3.2001 £'000	New Receipts £'000	Set Aside £'000	Capital Expenditure £'000	31.3.2002 £'000
General Fund	0	715	(632)	(83)	0
Housing Revenue Account	1,434	3,060	(2,186)	(2,308)	0
	<u>1,434</u>	<u>3,775</u>	<u>(2,818)</u>	<u>(2,391)</u>	<u>0</u>

18. EARMARKED RESERVES

	31.3.2001 £'000	Added £'000	Withdrawn £'000	31.3.2002 £'000
Capital Grants and Contributions				
- General Fund	0	3,646	(2,978)	668
- Housing Revenue Account	960	772	(50)	1,682
- Eastbourne Park	787	2	(24)	765
- Social Housing Development	50	120	0	170
- Major Repairs Reserve	0	2,364	(2,018)	346
	<u>1,797</u>	<u>6,904</u>	<u>(5,070)</u>	<u>3,631</u>
Revenue Grants and Contributions				
Eastbourne Buses Realisation	1,850	0	(50)	1,800
Upkeep of Graves and Memorials	85	0	0	85
General Fund	471	791	(329)	933
Insurance	121	0	0	121
Other	197	142	(14)	325
	<u>2,724</u>	<u>933</u>	<u>(393)</u>	<u>3,264</u>
	<u>4,521</u>	<u>7,837</u>	<u>(5,463)</u>	<u>6,895</u>

The Eastbourne Buses Realisation Account represents the surplus on the book value of net assets transferred to Eastbourne Buses Limited at 26th October 1986. This surplus will only be realised if the Council disposes of the shares and debenture held as Long Term Investments (Note 4 on page 25).

The movements in revenue reserves are reflected in the Consolidated Revenue Account with the exception of Eastbourne Buses Realisation.

19. BALANCES

	31.3.2001 £'000	Added £'000	Withdrawn £'000	31.3.2002 £'000
General Fund	1,090	0	(77)	1,013
Housing Revenue Account	1,332	556	0	1,888
Collection Fund	476	1	0	477
	2,898	557	(77)	3,378

20. ANALYSIS OF NET ASSETS EMPLOYED

Net assets employed represent the local taxpayers "equity" in the authority; the main functions are analysed in the table below:

31.3.2001 £'000		31.3.2002 £'000
129,164	General Fund	148,039
2,330	Housing Revenue Account	3,954
131,494		151,993

21. TRUST FUNDS

The Council acts as trustee for two Funds. These do not represent assets of the Council and are not, therefore, included in the Consolidated Balance Sheet.

The total amount held at 31st March 2002 was £24,000 (£24,000 31st March 2001). The largest of these is the Langney Cemetery Maintenance Fund which amounted to £21,000 in both years.

22. EMPLOYEES' RETIREMENT BENEFITS

In accordance with the requirements of Financial Reporting Standard No.17 - Retirement Benefits (FRS17) - the Council has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained in note 10 to the Consolidated Revenue Account, the Council participates in the Local Government Pension Scheme administered by East Sussex County Council.

The Council's share of assets and liabilities at 31st March 2002 are -

	£'000
Share of liabilities in East Sussex County Council Fund	56,424
Share of assets in East Sussex County Council Fund	53,302
Net Pensions Deficit	3,122

Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, by rolling forward the actuarial value of the liabilities reported as at 31st March 2001, after allowing for changes in financial assumptions prescribed by FRS17.

The main assumptions used in their calculations are -

Rate of inflation	2.8%
Rate of increase in salaries	4.3%
Rate of increase in pensions	2.8%
Rate for discounting scheme liabilities	6.4%

Assets in the East Sussex County Council Pension Fund are valued at fair value, principally market value for investments, and consist of -

	£'000
Equities	38,378
Bonds	7,462
Property	5,863
Cash	1,599
Total Assets	53,302

23. CONTINGENT LIABILITIES

Municipal Mutual Insurance Limited

The Council has a number of outstanding claims with its former insurers. The Company has put arrangements in place to try to ensure an orderly settlement of the sums due, and it believes that it has sufficient assets to meet its liabilities in full.

If ultimately this were not to be the case, then the Council would be liable to a share of the residual liabilities. The value of this is not quantifiable and no provision for this eventuality has been made in the Council's accounts.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This brings together all the recognised gains and losses of the authority, and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves. The Collection Fund is excluded from this statement.

2000-2001 £'000		2001-2002 £'000
	Surplus/(Deficit) for the year :	
(455)	- General Fund	(77)
(819)	- Housing Revenue Account	556
(244)	Movements on specific revenue reserves	590
(1,518)	Total increase/(decrease) on specific revenue reserves	1,069
708	Increase/(decrease) in usable capital receipts	(1,434)
(741)	Increase/(decrease) in unapplied capital grants and contributions	1,834
(33)	Total increase/(decrease) in realised capital resources (note 1)	400
24,673	Gains/(losses) on revaluation of fixed assets	18,612
0	Impairment losses on fixed assets	0
24,673	Total increase/(decrease) in unrealised value of fixed assets (note 2)	18,612
(875)	Value of assets, sold disposed of or decommissioned (note 3)	(2,527)
3,319	Capital receipts set aside	6,867
(2,228)	Revenue resources set aside	(3,873)
(528)	Movement on Government Grants Deferred	359
1,897	Movement on Capital Contributions Deferred	308
2,460	Total increase/(decrease) in amounts set aside to finance capital investment (note 4)	3,661
24,707	Total recognised gains and losses	21,215

Notes to the Statement of Total Movements on Reserves

	Unapplied capital receipts	Unapplied capital grants and contributions
	£,000	£,000
1. Movements in realised capital resources for 2001-2002		
Amounts receivable	957	6,903
Amounts applied to finance new capital investment	(2,391)	(5,069)
Total increase/(decrease) in realised capital resources	(1,434)	1,834
Balance brought forward at 1 st April 2001	1,434	1,797
Balance carried forward at 31 st March 2002	0	3,631

	Fixed Asset Restatement Reserve
	£'000
2. Movements in unrealised value of fixed assets	
Gains/(losses) on revaluation of fixed assets	18,612
Impairment losses on fixed assets	0
Total increase/(decrease) in unrealised value of fixed assets	18,612
3. Value of assets, sold disposed of or decommissioned	
Amounts written off fixed asset balances for disposals	(2,527)
Total movement on reserve	16,085
Balance brought forward at 1 st April 2001	96,743
Balance carried forward at 31 st March 2002	112,828

	Capital Financing Reserve	Government Grants and Capital Contributions Deferred	Total
	£'000	£'000	£'000
4. Movements in amounts set aside to finance capital investment			
Capital receipts set aside			
- reserved receipts	4,476		
- usable receipts applied	2,391		
Total capital receipts set aside	6,867	-	6,867
Revenue resources set aside			
- capital expenditure financed from revenue	2,068		
- reconciling amount for provisions for loan repayment	(5,941)		
Total revenue resources set aside	(3,873)	-	(3,873)
Grants applied to capital investment		912	
Contributions applied to capital investment		433	
Amounts credited to the Asset Management account		(678)	
Movement on Government Grants and Capital Contributions Deferred Accounts	-	667	667
Total increase/(decrease) in amounts set aside to finance capital investment			3,661
Total movement in reserve	2,994	667	
Balances brought forward at 1 st April 2001	25,898	28,323	
Balances carried forward at 31 st March 2002	28,892	28,990	

NOTES

- 1) The balances held on the Government Grant Deferred Account and the Capital Contributions Deferred Account are not available for new investment. Rather they have already been invested and are held to assist with the presentation of depreciation within the Asset Management Revenue Account. Details of the movements on these two accounts can be found in Notes 10 and 11 to the Consolidated Balance Sheet on page 28.
- 2) The Fixed Asset Restatement Reserve and the Capital Financing Reserve have been established for statutory and regulatory purposes and are not available to support Council spending. Details of the movements on these two accounts can be found in Notes 14 and 15 to the Consolidated Balance Sheet on pages 29 and 30 respectively.
- 3) Usable Capital Receipts can be used to finance expenditure designated for capital purposes. Details of the movements for the year can be found in Note 17 to the Consolidated Balance Sheet on page 31.
- 4) Earmarked Reserves are held for a variety of purposes and are available to support both Capital and Revenue spending once realised. Details of the movements for the year can be found in Note 18 to the Consolidated Balance Sheet on page 31.
- 5) General Fund and Housing Revenue Account balances represent the accumulated surplus on each of these accounts and are available to support revenue spending. Details of the movements for the year can be found in Note 19 to the Consolidated Balance Sheet on page 32.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2002

This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

2000-2001		2001-2002
£,000		£'000
REVENUE ACTIVITIES		
Cash Outflows		
13,513	Cash paid to and on behalf of employees	13,901
18,018	Other operating cash payments	18,880
17,781	Housing Benefits paid out	18,221
22,922	NNDR payments to national pool	20,653
21,452	Precept paid to East Sussex County Council	24,157
1,765	Precept paid to Sussex Police Authority	1,927
95,451		97,739
Cash Inflows		
(3,990)	Housing Rents (after rebates)	(4,254)
(23,703)	Council Tax receipts	(25,688)
(1)	Community Charge receipts	0
(20,965)	Non-Domestic rate receipts	(21,987)
(5,600)	Revenue Support Grant	(6,212)
(3,445)	NNDR receipts from national pool	(3,439)
(19,739)	DSS grants for benefits	(21,599)
(5,861)	Other government grants (note 4)	(8,018)
(12,429)	Cash received for goods and services	(14,109)
(2,219)	Other operating cash receipts	(2,513)
(97,952)		(107,819)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Cash Outflows		
3,352	Interest paid	3,300
Cash Inflows		
(450)	Interest received	(735)
401	Revenue Activities Net Cash (Inflow)/Outflow	(7,515)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2002

2000-2001 £'000		£'000	2001-2002 £'000
CAPITAL ACTIVITIES			
Cash Outflows			
4,739	Purchase of fixed assets	4,752	
1,874	Other capital cash payments	2,607	
6,613			7,359
Cash Inflows			
(3,036)	Sale of fixed assets	(3,130)	
(1,513)	Capital grants received	(3,686)	
(427)	Other capital cash receipts	(880)	
(4,976)			(7,696)
2,038	Net Cash (Inflow)/Outflow before Financing		(7,852)
MANAGEMENT OF LIQUID RESOURCES			
(1,435)	Net increase/(decrease) in Short Term Investments		6,250
FINANCING			
Cash Outflows			
6,991	Repayments of amounts borrowed		3,749
Cash Inflows			
(4,700)	New loans raised	0	
(3,250)	New short term loans	(2,500)	
(7,950)			(2,500)
(356)	Net (Increase)/Decrease in Cash		(353)

NOTES TO THE CASH FLOW STATEMENT

1. REVENUE ACTIVITIES NET CASH FLOW

2000-2001 £'000	2001-2002 £'000
455	77
(310)	(1)
145	76
(1,595)	(6,304)
1,851	(1,287)
401	(7,515)

2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Increase in cash in the year	353
Less - Cash Inflow from new debt	0
Add – Cash Outflow from redemption of debt	1,249
Changes in net debt	1,602
Net debt at start of the year	(42,651)
Net debt at end of the year	(41,049)

Analysis of Net Debt	Balance 31.3.2001 £'000	Balance 31.3.2002 £'000	Movement in the year £'000
Bank Overdraft	(1,123)	(770)	353
Long Term Borrowing	(38,937)	(38,800)	137
Deferred Liabilities	(1,377)	(1,327)	50
Short Term Borrowing	(1,214)	(152)	1,062
	(42,651)	(41,049)	1,602

NOTES TO THE CASH FLOW STATEMENT

3. MOVEMENTS IN FINANCING AND MANAGEMENT OF LIQUID RESOURCES

The increases in financing can be reconciled to the Consolidated Balance Sheet as follows:-

Movement in 2000-2001 £'000		Balance 31.3.2001 £'000	Balance 31.3.2002 £'000	Movement in the year £'000
	Long Term Borrowing:			
500	Public Works Loan Board	31,437	31,300	(137)
0	Stock	7,500	7,500	0
500		38,937	38,800	(137)
	Deferred Liabilities:			
(50)	Deferred Purchase Agreements	1,377	1,327	(50)
509	Short Term Borrowing	1,214	152	(1,062)
959	Movements in Financing	41,528	40,279	(1,249)
(1,435)	Short Term Investments	(4,000)	(10,250)	6,250
(1,435)	Movements in Management of Liquid Resources	(4,000)	(10,250)	6,250

4. ANALYSIS OF OTHER GOVERNMENT GRANTS

2000-2001 £'000		2001-2002 £'000
4,774	Housing Revenue Account Subsidy	6,831
343	Single Regeneration Budget	379
306	Benefits Administration	316
189	Housing Benefit Anti Fraud Incentive	221
105	Countryside Commission	118
99	Housing Benefits Verification Framework	112
25	Housing Benefits Other Grants	0
20	Civil Defence	22
0	Supporting People	19
5,861		8,018

COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2002

This shows the transactions of the Council as a charging authority in relation to National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities.

2000- 2001 £'000		2001- 2002 £'000
	Income	
23,834	Council Tax (Note 2) Amounts receivable from Council Taxpayers	26,605
3,542	Transfers from General Fund Council Tax Benefits	3,680
217	Council Tax Benefit Limitation Contribution - ESCC Compensation for Subsidy Loss	391
20,901	Collectable from Business Ratepayers (Note 4)	22,183
5	Adjustment of previous years' community charges (Note 5)	6
48,499	Total Fund Income	52,865
	Expenditure	
21,370	Precepts and Demands East Sussex County Council	23,886
3,831	Eastbourne Borough Council	4,044
1,758	Sussex Police Authority	1,905
26,959		29,835
20,759	Business Rates Contribution to National Pool	22,043
142	Costs of Collection	140
20,901		22,183
	Bad and Doubtful Debts	
113	Write-offs - Council Tax	14
80	Provisions - Council Tax	461
193		475
	Contribution towards previous years' estimated Council Tax Surplus	
82	East Sussex County Council	271
15	Eastbourne Borough Council	48
7	Sussex Police Authority	22
104		341
	Contribution - Community Charge adjustment	
32	Eastbourne Borough Council	30
48,189	Total Fund Expenditure	52,864
(310)	(Surplus)/Deficit for the year	(1)
	COLLECTION FUND BALANCE	
(166)	Balance at 1st April	(476)
(310)	(Surplus)/Deficit for the year	(1)
(476)	Balance as at 31st March (Note 6)	(477)

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. GENERAL

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates, residual Community Charges, and the Council Tax, and illustrates the way in which these have been distributed to preceptors.

The Collection Fund is prepared and consolidated on the accruals basis.

2. INCOME FROM COUNCIL TAX

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings), was calculated as follows :-

Band	Chargeable Dwellings	Estimated No. of Taxable Properties (after discounts)	Ratio to Band D	Band D Equivalent Dwellings
A	6,946	5,640	6/9	3,757
B	11,439	10,004	7/9	7,781
C	10,041	8,945	8/9	7,951
D	6,743	6,103	9/9	6,103
E	3,229	2,979	11/9	3,641
F	1,618	1,484	13/9	2,144
G	940	869	15/9	1,448
H	27	24	18/9	48
	40,983	36,048		32,873
Less average 2% reduction to allow for collection losses				(657)
Add Ministry of Defence properties (contributions in lieu)				2
Council Tax Base				32,218

The estimated gross yield for Council Tax amounted to £30.443m, based on 32,875 dwellings multiplied by the Band D tax of £926.02. The actual gross yield of £30.285m reflects a reduction in Band D equivalent dwellings for the year of 171.

The estimated and actual tax base figures will vary due to the various effects of banding appeals, new properties, demolished properties and entitlements to discounts. The net reduction of 171 in 2001-2002 compares with a net reduction of 156 in 2000-2001.

3. DOUBTFUL DEBTS

The Council made provision for the non-collection of Council Tax debts which remain outstanding at the end of the financial year.

	31.3.2001 £'000	31.3.2002 £'000
Arrears Outstanding	1,787	2,743
Provision for non-collection	906	1,373

4. INCOME FROM BUSINESS RATEPAYERS

Under the Government's arrangements for uniform business rates, the Council is responsible for collecting non-domestic rates for Eastbourne, on the basis of assessed rateable values multiplied by a standard national rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

In 2001-2002 this amounted to £3.439m for Eastbourne (£3.445m in 2000-2001).

The total non-domestic rateable value at 31st March 2002 was £55.587m and 2001-2002 multiplier was 43p. The product of this is £23.902m. This represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements.

5. COMMUNITY CHARGE

The Council continues to collect amounts due in respect of the three years from 1st April 1990 to 31st March 1993. At 31st March 2002 the total outstanding had fallen to just a few hundred pounds from a figure of £2,000 at 31st March 2001. However, a total of £5,000 had been accumulated for the future benefit of Eastbourne's local taxpayers which will be applied when setting the Council Tax for 2003-2004 and used exclusively to reduce the Borough Council's share of the tax.

6. COLLECTION FUND BALANCE

The Council was owed £2.743m by Council taxpayers at 31st March 2002, (£1.787m at 31st March 2001). All arrears continue to be actively pursued by the authority. The Council has, as a matter of prudence, made a provision of £1.373m against these arrears.

The increase in Council Tax surplus represents less than a 0.5% variation between actual and estimated performance.

The Fund balance is approximately 1.5% of its total income in the year and is held for use against future year's adverse yields.

The Collection Fund Balance comprises:

31.3.2001		31.3.2002
£'000		£'000
(447)	Council Tax (Surplus)	(472)
(29)	Community Charge Adjustments	(5)
<u>(476)</u>		<u>(477)</u>

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2000, as amended by the two Update Bulletins issued by the CIPFA/LASAAC Joint Committee which deal with all issues relevant for financial statements for 2001-2002.

This means the authority has primarily used commercial accounting principles, except where Local Government law prevents their application and alternative presentational methods have been stipulated in order to facilitate the comparison of service costs between authorities.

It is not possible for the Council to comply fully with the requirements of SSAP24 - Accounting for Pension Costs - due to the statutory regulations which governed local authority pension schemes for 2001-2002.

However, the accounts do comply with CIPFA guidance on the application of SSAP24 for local authorities.

Further information on the basis and amount of pension contributions in the accounts is shown in Note 14 to these policies on page 49, and in Note 10 to the Consolidated Revenue Account, on page 13.

2. BASIS OF CONSOLIDATION

The Consolidated Balance Sheet on page 19 brings together the activities of the Council's General Fund, Housing Revenue Account, and Collection Fund, and includes all of their respective balances.

It also includes the Council's investments in, though not the assets and liabilities of, the Council's related company, Eastbourne Buses Limited.

Consolidation of related companies assets and liabilities is normally required by the Code of Practice on Local Authority Accounting.

However, the SORP recognises the concept of 'materiality'; this is where departures from the SORP are permitted provided they do not have a significant effect on the fair understanding of an authority's financial performance.

This is the case for the Council's financial relationship with its related company.

3. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets above a de minimis level of £10,000 is capitalised on an accruals basis in the accounts.

Such expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the authority and the services it provides for a period of more than one year.

This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Fixed assets are classified into the groupings required by the Code of Practice, and are included in the balance sheet on the following basis:

- Council dwellings are valued at either existing use value or existing use value for social housing
- operational assets are valued at either net realisable value for existing use or depreciated replacement cost.
- non-operational assets are valued at net realisable value.
- infrastructure assets and community assets are valued at cost

A full valuation was initially carried out at 1st April 1994. Subsequent revaluations of fixed assets are carried out on a rolling five year programme, whereby a percentage of the Council's assets are revalued each year.

In addition, any material changes to asset valuations will be adjusted as they occur.

Assets acquired under finance leases and deferred purchase schemes are capitalised in the authority's accounts, and included in the balance sheet at their fair value.

Income from the disposal of fixed assets is credited to the usable capital receipts reserve and accounted for on an accruals basis.

Where the Government requires that a proportion of the receipt is reserved for repayment of external loans, this is credited to a capital finance reserve.

Upon disposal, the net book value of the asset disposed of is written out against the fixed asset restatement reserve.

4. DEPRECIATION

For the majority of its operational assets, the Council is making regular repairs and maintenance which extend assets useful life in existing use. However, in accordance with the 2000 Code of Practice on Local Authority Accounting and Financial Reporting Standard (FRS) 15 depreciation is charged on all operational assets with a finite life.

In accordance with Financial Reporting Standard (FRS) 11, should an asset be economically impaired, i.e. subject to an external factor that significantly alters the value or use of an asset, then this would have to be reflected in the accounts with a charge to the Consolidated Revenue Account representing the change in value.

Depreciation is being provided on the following basis:

- depreciation is calculated using the straight-line method, so as to write off the cost or valuation of the relevant assets in equal annual instalments over their useful lives.
- newly acquired assets are depreciated from the mid-point of the year. Assets in the course of construction are not depreciated until they are brought into use
- depreciation is calculated over the following periods:
 - Other Land and Buildings 10-45 years
 - Vehicles, plant, and equipment 5-10 years
 - Community Assets 5-20 years

- Infrastructure assets

10-40 years

Council Dwellings are now being depreciated following the introduction of Resource Accounting for the Housing Revenue Account from 1st April 2001. The Major Repairs Allowance is being used as the appropriate methodology to provide for depreciation on the Council's housing stock. As a result of these new regulations issued by Government the way the HRA is accounted and reported has fundamentally changed.

5. DEFERRED CHARGES

Deferred charges represent expenditure which may be properly capitalised, but which does not represent tangible assets. Deferred charges arising in the year are written off in full to services within the Capital Financing Reserve, unless their useful life to the Council extends beyond one year.

6. CAPITAL CHARGES TO REVENUE

General Fund and Housing service revenue accounts are charged with a capital charge for all fixed assets used in the provision of services.

The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values.

The notional rates of interest used for 2001-2002, which have been prescribed by CIPFA, are 6% for assets carried at current value and 6% for assets carried at historical cost. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

No charge is made for assets under construction.

The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges in compliance with item 8 of part II of schedule 4 to the Local Government and Housing Act 1989.

In order to disclose the authority's net operating expenditure, any capital charges to revenue services need to be replaced by depreciation and external interest payments made for financing. These entries are made within the Asset Management Revenue Account.

Net operating expenditure contains accounting entries that are not revenue based and which do not have an impact on the level of Council Tax.

Thus, after the disclosure of net operating expenditure, reconciliation is needed to reverse out non-revenue items (depreciation and amortised government grants deferred) and to replace them with Minimum Revenue Provision. This is achieved in the entry for 'Contributions from Capital Financing Reserve' within the Consolidated Revenue Account.

7. CAPITAL RECEIPTS

Capital Receipts arise from the disposal of fixed assets, and are apportioned in accordance with prescribed percentages between "usable" capital receipts, and capital receipts set aside for debt redemption.

Usable capital receipts are held in the Usable Capital Receipts account until they are used to finance capital expenditure.

Capital receipts set aside for debt redemption are held in the Capital Financing Reserve where they can be used either for the repayment of outstanding debt, or to finance capital expenditure in lieu of borrowing new money up to the limit of the Government's annual allocation of credit approvals.

The set aside for redemption of debt is 75% from the sale of council houses, 50% for housing land and where grants have been made for Local Authority Social Housing (LASH) the repayment of the LASH grant is 100% set aside.

8. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or contribution is credited initially to either the Government Grants Deferred Account or to the Capital Contributions Deferred Account.

Amounts are released to the Asset Management Revenue Account over the useful life of the asset, to match any depreciation charged on the asset to which it relates.

Revenue grants and subsidies are credited direct to the service revenue account to which they relate.

Government grants and other contributions are accounted for on an accruals basis, and are recognised in the statement of accounts when the conditions for their receipt have been complied with, and there is reasonable assurance that they will be received.

9. LEASES

In accordance with the Code of Practice rentals payable under operating leases are charged to revenue accounts on an accruals basis.

No values are held in the Balance Sheet for these leases

10. DEBTORS AND CREDITORS AT THE YEAR END

The Council's revenue accounts are maintained on an accruals basis in accordance with Financial Reporting Standard (FRS) 18 and the Code of Practice on Local Authority Accounting.

This means that any sum due to the Council, or owed by the Council, in respect of the financial year, are included whether or not cash actually changed hands during the year.

They are included on an actual basis where the amount is known or predictable and are estimated when the exact amount is unknown at the year end.

Provision has been made for doubtful debts.

11. STOCKS

Stocks at 31st March 2002 are included in the balance sheet according to SSAP 9, at the lower of cost or net realisable value.

12. SUPPORT SERVICE COSTS

The costs of central and departmental support services, and the computing services facilities management contract, are recharged to General Fund service accounts, and other relevant accounts in accordance with the Best Value Accounting Code of Practice. The code stipulates that support service costs should be recharged on a total cost concept (based upon usage) and that there should be no material balances held on rechargeable accounts.

The code also clearly defines allowable expenditure that can be charged to the Corporate and Democratic Core and expenditure that can remain as unapportioned.

13. RESERVES AND PROVISIONS

The Council has the power under the Local Government and Housing Act 1989 to keep reserves for certain purposes. Details of these are given in Note 18 to the Consolidated Balance Sheet, on page 31.

Reserves include earmarked reserves set aside for specific policy purposes, balances which represent resources set aside for purposes such as general contingencies and cash flow management, and capital grants and contributions received in advance of capital expenditure taking place.

Separate reserves are held for:

Insurance	-	to reflect the move towards increased self insurance and to meet liabilities arising from it.
Eastbourne Park Development	-	to finance future infrastructure development within the park.
General Fund Earmarked Reserve	-	to enhance future revenue spending plans out of accumulated surpluses carried forward from previous years.

The Council also maintains certain provisions, whereby sums are set aside to meet specific future liabilities.

Details can be found in Note 12 to the Consolidated Balance Sheet on page 29.

The following principal provision is maintained:

- a provision for the repayment of a Deferred Purchase Loan maturing in 2005.

14. PENSIONS

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the East Sussex County Council pension scheme for these employees.

Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

More detailed information is contained within Note 10 to the Consolidated Revenue Account on page 13.

15. DEFERRED PREMIUMS

The Housing Revenue Account share of premiums paid on the repurchase or early settlement of long term borrowings is written back over a timescale prescribed by statute up to a maximum of ten years.

Any premiums which fall to the General Fund are recognised in full in the year they are paid and are written off to the Consolidated Revenue Account.

16. LONG TERM INVESTMENTS AND RELATED COMPANIES

Investments are shown in the Consolidated Balance Sheet at cost.

The Council's principal investment is with Eastbourne Buses Limited, and in recording the Council's shareholdings in this company, Financial Reporting Standard (FRS) 2 – Group Accounts – has been followed in its relevance to local authorities.

Details of the financial relationship and the accounting basis of the investment are shown in Note 4 to the Consolidated Balance Sheet on page 25.

17. CHANGES IN ACCOUNTING PRACTICE

The Council has implemented Government requirements for a new financial regime for the Housing Revenue Account and, as a consequence, complies with the new requirement of the 2000 Accounting Code of Practice to make a charge for depreciation on its housing assets.

18. VAT

All expenditure and income is shown net of VAT.