

## CONTENTS

	Page
<b>Foreword by the Director of Finance and Corporate Services.....</b>	<b>2</b>
<b>Independent Auditors Report.....</b>	<b>8</b>
<b>Statement of Accounting Policies.....</b>	<b>10</b>
<b>Statement of Responsibilities for the Statement of Accounts.....</b>	<b>16</b>
<b>Statement on Internal Control.....</b>	<b>17</b>
<b>The Accounting Statements</b>	
<b>Consolidated Revenue Account.....</b>	<b>22</b>
<b>Housing Revenue Account.....</b>	<b>28</b>
<b>Consolidated Balance Sheet.....</b>	<b>33</b>
<b>Statement of Total Movements in Reserves.....</b>	<b>48</b>
<b>Cash Flow Statement.....</b>	<b>52</b>
<b>Collection Fund.....</b>	<b>56</b>
<b>Group Accounts.....</b>	<b>59</b>

## **INTRODUCTION**

The Statement of Accounts details the Council's financial activities for the year 1<sup>st</sup> April 2004 to 31<sup>st</sup> March 2005 and comprises:

- **A statement of accounting policies** - This statement describes the underlying accounting principals and concepts used in producing the figures in the accounts.
- **A Statement of Responsibilities** - This statement defines the roles and responsibilities for preparing the accounts.
- **A Statement on Internal Control** - This statement sets out the framework within which the Council's control systems are managed and reviewed.
- **The accounting statements:**
  - **Consolidated Revenue Account** - This account shows the operating income and expenditure for the Council's main services. It shows how the net cost of these services has been financed from government grants and income from local taxpayers.
  - **Housing Revenue Account** – This account reflects the statutory obligation to account separately for Council housing provision. It shows the main elements of housing revenue expenditure – maintenance, administration and capital financing costs and how these are met by rents, subsidy and other income.
  - **Collection Fund** - This account reflects the statutory requirement to maintain a separate record of transactions in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities, the national non-domestic rates pool and the Council.
  - **Consolidated Balance Sheet** - This statement sets out the overall financial position of the Council as at 31<sup>st</sup> March 2005. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
  - **Statement of Total Movement in Reserves** - This statement brings together all the recognised gains and losses of the Council during the financial year. The statement separates the movements between revenue and capital reserves.
  - **Cash Flow Statement** – This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year.
  - **Group Accounts**– These accounts show any material interests that the Council has in subsidiary and associated companies.
- **Notes to the accounts** – The notes to the accounts add to and interpret the content of the individual accounting statements. They provide more explanation and analysis where matters of financial significance cannot adequately be shown in the statements themselves.

## SUMMARY OF THE 2004-2005 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.

### General Fund

For 2004-2005 actual net General Fund expenditure amounted to £15.179m which was fully funded by Government Grants and the precept on the Collection Fund. The surplus of £233,000 has increased the Council's General Fund working balance.

<b>Services</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Difference £'000</b>
Central Services to the Public	1,057	1,344	287
Cultural & Related Services	6,467	7,384	917
Environmental Services	6,926	7,444	518
Planning & Development Services	1,080	895	(185)
Highways, Roads & Transport Services	464	508	44
Housing Services	1,124	1,909	785
Council Housing	0	4,587	4,587
Corporate & Democratic Core	1,278	1,689	411
Non Distributed Costs	267	145	(122)
<b>Net Cost of Services</b>	<b>18,663</b>	<b>25,905</b>	<b>7,242</b>
Corporate Operating Expenditure	(3,251)	(7,070)	(3,819)
Appropriations	0	(3,656)	(3,656)
<b>Total Net Expenditure</b>	<b>15,412</b>	<b>15,179</b>	<b>(233)</b>
<b>Funded by:</b>			
Council Tax Precept	6,647	6,647	0
Council Tax Surplus	20	20	0
Revenue Support Grant	6,273	6,273	0
Contribution from non-domestic rate pool	2,472	2,472	0
<b>(Surplus) / Deficit for the year</b>	<b>15,412</b>	<b>15,412</b>	<b>(233)</b>

The actual figures within Net Cost of Services include Council Housing. This is separately accounted for within the Housing Revenue Account (page 28) but included within the Consolidated Revenue Account (page 22) from which the above figures are taken.

The General Fund working balance stands at £1,233,000 at 31<sup>st</sup> March 2005. This sum is held as uncommitted and as a contingency against unforeseen occurrences.

NB The accounting disclosures required by the introduction of FRS17 accounting for pensions have been included within the actual figures for 2004-2005. This will account for some of the difference when compared with 2004-2005 budget figures that were not prepared on this basis.

## Housing Revenue Account

The Council continues to be the major provider of rented accommodation in the town. At 31<sup>st</sup> March 2005 it provided 3,826 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 affordable housing requirements for Eastbourne.

For 2004-2005 the Housing Revenue Account (HRA) budgeted for income and expenditure of £12,906m. In the event actual income rose to £13,001, principally due to a prior year adjustment of £92,000 in HRA subsidy receivable. Actual expenditure fell to £12,210m which was due to a reduction of £244,000 in supervision and management, £195,000 in repairs and maintenance, and £156,000 in capital financing charges.

As a result of these changes the HRA working balance was increased as follows:

	£'000
Opening balance at 1 <sup>st</sup> April 2004	(989)
Surplus in 2004-2005	(791)
Closing balance at 31 <sup>st</sup> March 2005	(1,780)

## 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 31<sup>st</sup> March 2005 but ended the year with a deficit of £408,000. The cumulative deficit of £356,000 at 31<sup>st</sup> March 2005 will be taken into account when estimating the balance at 31<sup>st</sup> March 2006. Any estimated surplus or deficit will be shared with East Sussex County Council, Sussex Police and the Fire Service in the setting of Council Tax for 2006-2007.

## Capital Spending

The Council's capital spending in the year was £9.016m compared with an original budget of £10.421m that was revised to £12.062m to reflect third party contribution and the delay in realising capital resources from asset disposals. In the event, resources totalling £8.3m were actually received. After financing this allows the balance of £3.849m to be carried forward to finance slippage and to contribute to new capital expenditure planned in the 2005-2006 budget.

The main items of capital expenditure are set out below:

	£'000
Housing Capital Expenditure	
• Deferred purchase repayment	1,227
• stock improvement	3,849
• private sector housing grants	599
• grants to housing associations	150
• cash incentive scheme	50
• other housing schemes	69
Non-Housing Capital Expenditure	
• Theatres and the cultural centre	1,284
• Eastbourne park deep water lake	61
• Tourism Sports and Leisure facilities	103
• Office accommodation strategy	591
• Implementing electronic government	446
• Other non-housing schemes	480

- Heritage Economic regeneration scheme 107

<b>Total Capital Expenditure</b>	<b>9,016</b>
----------------------------------	--------------

Capital expenditure has been financed as follows:

	£'000
• major repairs reserve	2,533
• government borrowing permissions (supported capital expenditure)	1,392
• capital reserve	1,227
• capital contributions from partners and developers	751
• capital receipts	2,524
• government grants	447
• consolidated revenue account	404
• financing accrued expenditure	(262)

<b>Total Capital Financing</b>	<b>9,016</b>
--------------------------------	--------------

### **UNUSUAL CHARGES & MATERIAL ASSETS/LIABILITIES ARISING DURING THE YEAR**

The Council made a repayment of £1.227m during 2004-2005 to fully extinguish a loan under the deferred purchase arrangements.

### **CHANGES IN POLICY**

The accounts are prepared in line with the Code of Practice on Local Authority Accounting (the SORP), issued annually, by the Chartered Institute of Public Finance and Accounting (CIPFA). The 2004 SORP introduced a number of changes that have been reflected in the accounts.

The major change to the 2004 SORP is modified group accounting requirements. These require local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Even where an authority had previously excluded a related company on the grounds of materiality, group accounts may now be required under the modified arrangements.

Based on these new requirements, group financial statements have been prepared to include Eastbourne Buses Limited. The impact of this consolidation has changed the reserves by £331,000 reflecting the Council's share of losses since consolidation (see Group Accounts page 59 for further detail).

Rent rebates are now accounted for within the General Fund (prior year within the HRA).

### **CHANGES IN FUNCTIONS**

From 1 April 2004 the Sovereign Centre and Motcombe Pool facilities were operated by a Leisure Trust. From May 2004 Red Eventfull Cuisine took over the functions of 'Coastline Caterers'.

## **LOANS AND INVESTMENTS**

The Council's external loan debt at 31<sup>st</sup> March 2005, comprising long-term borrowing, short-term borrowing and deferred liabilities stood at £29.881m. This is a net decrease of £5.594m over the previous year, principally as a result of repaying short-term loans and the deferred purchase loan arrangement.

Short-term investments were £4m at 31<sup>st</sup> March 2005 compared with £9m the previous year. This decrease of £5m was used to repay short-term debt.

## **PENSIONS**

The Council's share of the East Sussex Pension Scheme, as assessed by the actuary's valuation, shows a net liability of £24.2m. Further information is disclosed within the notes to the consolidated Revenue Account and Consolidated Balance Sheet.

## **RESERVES**

The Council's total usable reserves at 31<sup>st</sup> March 2005 amounted to £10.616m, a decrease of £0.013m over the previous year. These are analysed within the Consolidated Balance Sheet (page 33) as usable capital receipts reserve £2.222m, earmarked reserves £5.737m and balances £2.657m. Usable capital receipts reserve is available solely to finance future capital spending.

Earmarked reserves include £2.087m that is specifically available to finance future capital spending, £1.950m which is available to finance specific future revenue spending, and £1.700m which is held against any future realisation of the Council's investment in Eastbourne Buses Limited.

Revenue balances includes £1.233m held by the General Fund for cash flow purposes and as a contingency against unforeseen circumstances. It also includes a £356,000 deficit held in the Collection Fund that will be taken into account in setting Council Tax in 2006-2007, and a surplus of £1.780m held by the Housing Revenue Account. This is in excess of the recommended HRA balance of £500,000 needed to finance cashflow and unforeseen circumstances. The balance will be available to support the Council's new Arms Length Management Organisation (Eastbourne Homes Ltd) in its delivery of an investment programme to meet Decent Homes Standards.

## **PLANNED FUTURE DEVELOPMENT**

### **Revenue**

The Council is at the early stages of investigating options for setting up a Trust to operate some Cultural services in future years.

### **Capital**

Within the Council's capital strategy, the main scheme is the construction of a new Cultural Centre.



## INDEPENDENT AUDITOR'S REPORT TO EASTBOURNE BOROUGH COUNCIL

I have audited the financial statements on pages 22 to 66, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 10 to 15.

This report is made solely to Eastbourne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective responsibilities of the Director of Finance and Corporate Services and Auditor**

As described on page 16, the Director of Finance and Corporate Services is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. 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 financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on page 17 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review is not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of Audit Opinion**

I conducted 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 issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.



**Opinion**

In my opinion the statement of accounts present fairly the financial position of Eastbourne Borough Council as at 31<sup>st</sup> March 2005 and its income and expenditure for the year then ended.

**Certificate**

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

Audit Commission

Signature

Date

## STATEMENT OF ACCOUNTING POLICIES

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

### 1. GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004: A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with guidance notes issued by CIPFA on the application of the SORP.

### 2. RESERVES AND PROVISIONS

The Council is able to set aside resources to cover future payments through the use of reserves and/or provisions.

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 Earmarked Reserves  | - to enhance future revenue spending plans out of accumulated surpluses carried forward from previous years. |

Details of these are given in Note 18 to the Consolidated Balance Sheet, on page 45.

The Council also maintains certain provisions whereby sums are set aside to meet specific liabilities. Details can be found in Note 12 to the Consolidated Balance Sheet on page 43.

### 3. FIXED ASSETS

#### Recognition

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.

Local authorities are required to distinguish between “intangible” and “tangible” fixed assets. Intangible fixed assets are defined in FRS 10, Goodwill and Intangible Assets, as “non financial fixed assets that do not have a physical substance but are identifiable and are controlled by the entity through custody or legal rights”. This could include software licences or patents. Tangible fixed assets are further distinguished between “operational” and “non-operational” fixed assets which determines the method of valuation.

## **Measurement**

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:

### **Operational assets**

- Council dwellings are valued at either existing use value or existing use value for social housing.
- Other land and buildings are valued at the lower of net current replacement cost or net realisable value in existing use.
- Vehicles, plant, furniture and equipment are valued at the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets are valued at cost.
- Community assets are valued at cost.

### **Non-operational assets**

- Investment properties
- Assets under construction
- Surplus assets held for disposal

The SORP requires non-operational assets to be valued at the lower of net current replacement cost or net realisable value for alternative use for which there is an existing planning consent.

A full valuation was initially carried out at 1<sup>st</sup> 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.

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.

## **Impairment**

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. The SORP requires authorities to undertake a review of the balance sheet value of each category of assets at the end of each reporting period. In accordance with Financial Reporting Standard 11 (FRS 11), should an asset be economically impaired then this would have to be reflected in the accounts with a charge to the Consolidated Revenue Account representing the change in value.

## **Disposals**

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 payment to the national pool of capital receipts.

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

## 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 Code of Practice on Local Authority Accounting and Financial Reporting Standard 15 (FRS15), depreciation is charged on all operational assets with a finite life. The Council does not depreciate for non-depreciable land and non-operational investment properties.

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 35 years
  - Vehicles, Plant, and Equipment 3-10 years
  - Community Assets 5-20 years
  - Infrastructure assets 10-40 years

Council Dwellings are depreciated following the introduction of Resource Accounting for the Housing Revenue Account from 1<sup>st</sup> April 2001. The Major Repairs Allowance is used as the appropriate methodology to provide for depreciation on the Council's housing stock.

## Charges to revenue

Service revenue accounts and central support services 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 2004-2005, which have been prescribed by CIPFA, are 3.5% for assets carried at current value and 4.8% 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 capital charges for the Housing Revenue Account (HRA) are the charges for capital financing required by statute.

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 net of amortised government grants and capital contributions deferred) and to replace them with Minimum Revenue Provision. This is achieved in the entry for 'Contributions from Capital Financing Account' within the Consolidated Revenue Account.

#### **4. 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 payment to the national pool.

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

Capital receipts set aside for payment to the national pool are paid over to the ODPM quarterly in arrears.

The set aside for the government's pooling of housing capital receipts is 75% from the sale of council houses, 50% for housing land.

#### **5. DEFERRED CHARGES**

Deferred charges represent expenditure which can be treated as capital for financing purposes, but which does not lead to the creation of a tangible fixed asset, for example improvement grants. Deferred charges arising in the year are written off in full to services within the Capital Financing Account.

#### **6. 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.

#### **7. 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.

#### **8. DEBTORS AND CREDITORS AT THE YEAR END**

The Council's revenue and capital accounts are maintained on an accruals basis in accordance with Financial Reporting Standard 18 (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.

## **9. STOCKS**

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

## **10. 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 non distributed costs.

## **11. PENSIONS**

In accordance with the Code of Practice, the Council has introduced full disclosure of the necessary information required by Financial Reporting Standard 17 (FRS 17) as notes to the Consolidated Revenue Account and the Balance Sheet.

More detailed information is contained within Note 9 to the Consolidated Revenue Account on page 26 and Note 22 to the Consolidated Balance Sheet on page 46.

## **12. RELATED COMPANIES**

The Council holds an investment in Eastbourne Buses Limited. Under the new modified group accounting requirements of the 2004 SORP, the accounts of Eastbourne Buses have been consolidated using acquisition accounting. Any deviation from the accounting policies stated here are included in the notes to the group accounts (page 62).

### **13. OTHER INVESTMENTS**

Investments are shown in the Consolidated Balance Sheet at cost.

### **14. 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.

### **15. VALUE ADDED TAX**

All expenditure and income is shown net of VAT except where the Council is not able to recover VAT.

## 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 in the United Kingdom (the SORP).

#### *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 local authority SORP.

#### *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.

The Statement of Accounts presents fairly the financial position of the authority at the 31<sup>st</sup> March 2005 and its income and expenditure for the year ended 31<sup>st</sup> March 2005.

Sue McHugh ACA  
Director of Finance and Corporate Services

Signature

Date



**STATEMENT ON INTERNAL CONTROL**

**1. Scope of Responsibility**

Eastbourne Borough Council (EBC) 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. EBC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, EBC is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

**2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of EBC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at EBC for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts and, except for the areas identified for improvement at section 5, accords with best practice.

**3. The Internal Control Environment**

EBC's system of internal control is set out in a Code of Corporate Governance agreed by the Council in April 2004. The code complies with Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The code is split into the five dimensions of the Council's business:

- Community Focus – how the Council works for and with the local community, exercises leadership and undertakes an “ambassadorial” role to promote the well being of the area.
- Service Delivery Arrangements – what the Council does to ensure that continuous improvement is sought, agreed policies are implemented and decisions carried out.
- Structure and Processes – the Council's political and managerial structures and processes established to govern decision-making and the exercise of authority within the organisation.
- Risk Management and Internal Control – the Council's process for establishing and maintaining a systematic strategy, framework and processes for managing risk.
- Standards of Conduct – recognition that the openness, integrity and accountability of individuals with the Council form the cornerstone of effective corporate governance. The reputation of the Council depends on the standards of behaviour of everyone in it, whether Members, Employees or Agents contracted to it.

The key elements of EBC's system of internal control in each of these areas are as follows:

**1. Community Focus**

- The Eastbourne Community Strategy was initially developed during 2003 then revised and relaunched earlier this year to cover the period 2005-2020 by the Eastbourne Strategic Partnership which includes stakeholders from public, private and voluntary sectors. It was subject to wide public consultation and its presentation has since been simplified in response to public feedback.

- EBC's Performance Plan sets out its contribution to delivery of the Community Strategy. It includes achievements over the past year, plans for the coming year and key performance targets.
- The Performance Plan also sets out the Council's Priorities for Improvement. These reflect public feedback from a number of consultation exercises over the past two years.
- A communication strategy sets out arrangements for ensuring this information is disseminated to all sections of the community. This includes development of the Council website and distribution of the Eastbourne Review newsletter to all households.
- The Council Values include a commitment to maintaining high standards of conduct and accountability. The Constitution sets out decision-making processes and a Forward Plan of Key Decisions provides early notification of future Cabinet and Council agenda items. A publication scheme informs the public of where information can be accessed. The Council has provided staff resources and training to ensure it can meet its obligations under the Freedom of Information Act.
- The Council's reporting processes are subject to review by the Audit Commission as part of the annual audit and inspection process and periodic Comprehensive Performance Assessment (CPA).

## 2. Service Delivery Arrangements

- The Performance Plan sets out standards and targets in relation to delivery of the Community strategy themes, Priorities for Improvement and Council Values.
- Divisional Service and Financial Plans and individual appraisal targets set out more detailed targets in support of delivery of these.
- Performance Management Task group has responsibility for monitoring achievement of the Performance Plan targets. It also receives quarterly performance reports on Best Value Performance Indicators (BVPs).
- This information is also made available to Scrutiny Committee who have the right to call for further information on any item.
- The medium term financial strategy and annual service and financial planning processes ensure that targets and priorities for improvement are adequately resourced.
- The Procurement Strategy includes a commitment to working collaboratively to achieve improved outcomes.
- A Procurement Programme and Efficiency Review Programme provide for periodic review of all services on a systematic basis to identify opportunities for improved delivery arrangements.
- Reports of external assessments of service delivery arrangements (e.g. Annual Audit and Inspection Letter, CPA, Housing Inspection) are reported to Cabinet and Council along with Improvement Plans. Implementation of these is monitored via the Performance Plan or separately as appropriate.

3. Structures and Processes
  - The roles of the Council and its Committees, Members generally and specific post holders, Officers and working groups are set out in the Constitution. This also contains the rules that must be complied with (Member and Officer Codes of Conduct, Scheme of Delegation to officers, Contract and Financial Procedure Rules).
  - Training is provided to Members and Officers to ensure that they are supported in carrying out these roles.
  - All officers are provided with Job Descriptions that set out their roles and responsibilities and the framework of rules and policies with which they must comply.
  - The Chief Executive is responsible to the Council for all aspects of operational management; the Director of Finance and Corporate Services is responsible to the Council for ensuring its financial affairs are properly managed; the Head of Legal Services is responsible to the Council for ensuring that statutory obligations are met.
  
4. Risk Management and Internal Control
  - The Council has agreed a risk management strategy and has in place processes for identifying and evaluating strategic and operational risks as part of the annual service and financial planning process. This process engages managers and Members throughout the Council in considering risks.
  - Systems for managing risks include:
    - o actions and funding agreed as part of service and financial planning process;
    - o documented procedures in the Constitution and for key processes;
    - o Internal Audit;
    - o Monitoring of risks associated with key priorities (hot targets) via Performance Management Task Group;
    - o The Scrutiny Committee has the role of Audit Committee;
    - o All staff have job descriptions and person specifications, annual appraisals and training plans linked to delivery of objectives. The Council's processes are endorsed by the Investors in People award.
  - The Council's systems for risk management and internal control are evaluation via CPA, annual external audit reviews and internal audit reviews.
  
5. Standards of Conduct
  - The Council has Codes of Conduct for Members and Employees. The remit of the Standards Committee and Monitoring Officer includes monitoring compliance with the Members' Code. Members of staff and the public are encouraged to make known concerns about conduct via the corporate complaints scheme and whistle blowing guide.
  - The Codes of Conduct include provisions to guard against prejudice and conflicts of interest by Members and Employees.
  - The Council has agreed Corporate Values which set out the culture to which the Council aspires and the way in which Members and Employees are expected to carry out their roles.
  - All elected and co-opted members are required to complete a publicly available General Notice of Registered Interests and are reminded to review the accuracy of its content on at least an annual basis."

#### **4. Review of Effectiveness**

EBC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive management within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The effectiveness of the system of internal control has been evaluated during the past year in a number of ways:

- The authority has received and considered the Annual Audit and Inspection letter from the Audit Commission. A number of improvement actions were put in place as a consequence e.g. in relation to the production of the Statement of Accounts.
- Scrutiny Committee has considered two reports from Internal Audit which summarised their work and key issues. The Chief Internal Auditor has confirmed the effectiveness of the internal control environment in year.
- Cabinet approved a review of the Policy Framework which has resulted in a rationalisation of strategies and plans and a clearer focus for the Performance Plan.
- The role of Performance Management Task Group in monitoring of key performance indicators (hot targets) has continued to develop.
- Use of the balanced scorecard approach to performance management has been piloted in the Housing and Health Division.
- A working group comprising the Director of Finance and Corporate Services, Assistant Director - Strategy and Democracy, Assistant Director - Corporate Services, Head of Legal Services, Chief Internal Auditor and Financial Strategy Accountant has evaluated the systems of internal control against a check list (The Rough Guide) produced by the CIPFA Financial Advisory Network. Contributions to this evaluation have also come from the Assistant Director – Human Resources and other officers.
- The findings of the working group have been considered by Scrutiny Committee and Cabinet.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## 5. SIGNIFICANT INTERNAL CONTROL ISSUES

There are no significant internal control issues.

## 6. IMPROVEMENT PLAN

As a result of the review activity carried out over the past year, the following improvement areas and actions have been agreed:

Improvement Area	Action Agreed	Lead Responsibility
1. Information provided to Members in reports to inform decision-making e.g. in relation to risks.	A review of the current Committee report format/standard headings to identify gaps/redundant elements.	Assistant Director – Strategy and Democracy.
2. Role and Functioning of Audit Committee	A working group reporting to Scrutiny Committee to review current arrangements in the light of emerging best practice and recommend improvements.	Chair of Scrutiny/Director of Finance and Corporate Services.
3. Training/awareness of managers of Constitution and other internal control systems.	To be incorporated into management training programme.	Assistant Director – Human Resources
4. Assurance from senior managers on the effective operation of internal controls within all	To be incorporated into Service and Financial Planning process for 2006/07.	Director of Finance and Corporate Services.

services.		
5. Legal consideration of proposals at an early stage.	Head of Legal Services to review all draft reports at pre-agenda stage.	Head of Legal Services.
6. Consultation and communications planning	Annual plan to be produced.	Assistant Director – Strategy and Democracy.
7. Risk Management	1. Improve support and challenge to assessments. 2. Risks associated with hot 11 targets to be monitored. 3. Corporate risks to be updated and in-year monitoring scheduled. 4. Project planning to include early identification of key risks.	Assistant Director – Corporate Services
8. Up to date procedures documented for all key systems.	Gaps in current documentation to be identified. Managers to develop plans to address.	Chief Internal Auditor.

Councillor Ian Lucas, Leader of the Council .....

Martin Ray, Chief Executive .....

Sue McHugh, Director of Finance and Corporate Services .....

**CONSOLIDATED REVENUE ACCOUNT FOR YEAR ENDED 31<sup>st</sup> MARCH 2005**

This statement reports the net cost for the year of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

<b>2003-2004</b>		<b>GROSS</b>	<b>GROSS</b>	<b>2004-2005</b>
<b>NET</b>	<b>SERVICES</b>	<b>SPENDING</b>	<b>INCOME</b>	<b>NET</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
955	Central Services to the Public	3,377	2,033	1,344
6,950	Cultural & Related Services	16,229	8,845	7,384
6,573	Environmental Services	10,978	3,534	7,444
1,160	Planning & Development Services	3,287	2,392	895
392	Highways, Roads & Transport Services	2,076	1,568	508
2,562	Housing Services	37,710	35,801	1,909
3,066	Council Housing	17,588	13,001	4,587
1,381	Corporate & Democratic Core	7,098	5,409	1,689
400	Non Distributed Costs	145	0	145
<b>23,439</b>	<b>Net Cost of Services</b>	<b>98,488</b>	<b>72,583</b>	<b>25,905</b>
65	(Surpluses)/Deficits on Trading Undertakings (Note 1)			25
(2,376)	Asset Management Revenue Account – General Fund (Note 2)			(1,964)
(4,622)	Asset Management Revenue Account - HRA (Note 2)			(7,193)
0	Contribution of housing capital receipts to Government Pool			2,009
811	Losses/(Gains) on the Repurchase of Borrowing			679
(525)	Interest and Investment Income			(477)
656	Pensions Interest Cost and Expected Return on Pensions Assets			(149)
<b>17,448</b>	<b>Net Operating Expenditure</b>			<b>18,835</b>
260	HRA Surplus/(Deficit) transferred to HRA balances			791
150	Contribution to HRA Capital Reserve			96
(17)	Transfer to Insurance Reserve			0
57	Transfers to Earmarked Reserves			365
0	Transfer from Usable Capital Receipts equal to the contribution to Government Pool for housing capital receipts			(2,009)
(1,293)	Contribution (from) Capital Financing Account (Note 3)			(3,147)
(551)	Contribution from the Pensions Reserve			248
<b>16,054</b>	<b>Amount to be met from Government Grants and Local Taxpayers</b>			<b>15,179</b>
(6,091)	Demand on the Collection Fund			(6,647)
(82)	Surpluses transferred from the Collection Fund			(20)
(6,747)	Revenue Support Grant			(6,273)
(3,134)	Non-Domestic Rates Distribution			(2,472)
<b>0</b>	<b>(Surplus)/Deficit for the year</b>			<b>(233)</b>
(1,000)	Balance on General Fund at 1 <sup>st</sup> April			(1,000)
<b>(1,000)</b>	<b>Balance on General Fund at 31<sup>st</sup> March</b>			<b>(1,233)</b>

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

## 1. SURPLUSES/DEFICITS ON TRADING UNDERTAKINGS

2003-2004 Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	2004-2005 Net Expenditure £'000
(212)	Coastline Caterers	251	226	25
277	Eastbourne Leisure	-	-	-
<b>65</b>		<b>251</b>	<b>226</b>	<b>25</b>

The principal services undertaken by Eastbourne Leisure were contracted out from 1 April 2004 to the Eastbourne Leisure Trust.

All of the services undertaken by Coastline Caterers were contracted out to Red Eventful Cuisine from 12 May 2004.

## 2. 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 borrowing by the Housing Revenue Account (HRA) and this is reflected in the calculation of statutory charges (Item 8 Debit) made to the HRA.

2003-2004 £'000		2004-2005 £'000
	Income	
(4,786)	Capital Charges - General Fund	(5,241)
(8,997)	- Housing Revenue Account	(10,407)
<b>(13,783)</b>		<b>(15,648)</b>
	Expenditure	
4,629	Provision for depreciation	4,940
(663)	Transfer from Government Grants Deferred Account	(732)
(123)	Transfer from Capital Contributions Deferred Account	(126)
2,884	External interest charges	2,409
58	Debt Management Expenses	0
<b>6,785</b>		<b>6,491</b>
<b>(6,998)</b>	<b>Net transfer to Consolidated Revenue Account</b>	<b>(9,157)</b>
	<b>Net Transfer to CRA comprises :-</b>	
(4,622)	Transfer to Housing Revenue Account	(7,193)
(2,376)	Transfer to General Fund	(1,964)

**NB: Debt Management Expenses are included within the cost of Corporate & Democratic Core services for 2004-2005**

## 3. CONTRIBUTION FROM CAPITAL FINANCING ACCOUNT

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 Account to ensure that the capital accounting entries have no net impact on the amount to be raised from local taxation.

2003-2004 Restated	2004-2005
-----------------------	-----------

<b>£'000</b>		<b>£'000</b>
731	Minimum Revenue Provision	200
(2,157)	Less - depreciation charged	(2,407)
<b>(1,426)</b>		<b>(2,207)</b>
50	Add - Contributions for deferred purchase repayments	0
(150)	Less - Capital Expenditure charged to Revenue	404
233	Add - Appropriation from Capital Financing Account	(1,344)
<b>(1,293)</b>	<b>Net Contribution to Consolidated Revenue Account</b>	<b>(3,147)</b>

#### 4. MINIMUM REVENUE PROVISION

The Council is required by the Local Government and Housing Act 1989, to set aside a minimum revenue provision (MRP) for the redemption of external debt. The method of calculating MRP is prescribed by regulations made under the Act and the effect of these regulations on the Council is as follows:

<b>2003-2004</b>		<b>2004-2005</b>
<b>£'000</b>		<b>£'000</b>
550	Housing Revenue Account - 2% of credit ceiling	0
181	General Fund - 4% of Capital Financing Requirement	200
<b>731</b>		<b>200</b>

#### 5. 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 Council's total net expenditure is analysed as:

<b>2003-2004</b>		<b>2004-2005</b>
<b>£'000</b>		<b>£'000</b>
234	Tourism and Economic Development	240
56	Public Relations and Information	25
69	Recreation and Leisure	43
67	Recruitment	75
34	Other	34
<b>460</b>		<b>417</b>

#### 6. 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 Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities.

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

<b>2003-2004</b>	<b>2004-2005</b>
------------------	------------------



<b>Building Control Total £'000</b>		<b>Chargeable £'000</b>	<b>Non-Chargeable £'000</b>	<b>Building Control Total £'000</b>
230	Employee Expenses	131	112	243
0	Premises	0	2	2
18	Transport	11	9	20
17	Supplies/ Services	32	14	46
145	Charges for Support Services	70	36	106
<b>410</b>	<b>Total Expenditure</b>	<b>244</b>	<b>173</b>	<b>417</b>
(282)	Building Regulation charges	(331)	0	(331)
(15)	Other income	0	(14)	(14)
<b>(297)</b>	<b>Total Income</b>	<b>(331)</b>	<b>(14)</b>	<b>(345)</b>
<b>113</b>	<b>(Surplus)/ Deficit for the Year</b>	<b>(87)</b>	<b>159</b>	<b>72</b>

## 7. OPERATING LEASES

The Council uses operating leases to finance 1 Dotto road train, 14 vans, 2 Tractors and 20 Cars.

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

	<b>£'000</b>
Total rentals paid in 2004-05	148
Outstanding obligations	
- 2005-2006	100
- 2006-2007	57
- 2007-2008	29
- 2008-2009	11
- 2009-2010	5

## 8. 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 2004-2005 under the remaining provisions.

## 9. PENSION COSTS

The Council is a member of the Local Government Pension Scheme Fund, which provides its members with defined benefits related to pay and service. Although these benefits are not actually payable until employees retire, the Council has a commitment to make these payments. Under FRS 17 it is these commitments that are disclosed within the accounts.

The commitments (current service costs) are shown within the Net Cost of Services section and replace the cash payments that were actually made to the fund. However, as the charge to the council tax payer within the CRA must be based on cash payments, a compensatory adjustment is made within the Appropriations section of the CRA. This reverses out the commitments and replaces it with the cash values.

The entries relating to FRS 17 in the CRA are summarised below:

	2003-04 £'000	2004-05 £'000
<b>Net Cost of Services</b>		
→ Current Service Cost	1,161	1,428
→ Gains and Losses on Settlements and Curtailments	179	173
<b>Net Operating Expenditure</b>		
→ Interest cost	3,747	3,528
→ Expected Return on Assets in the Scheme	(3,091)	(3,677)
<b>Appropriations</b>		
→ Movement on Pensions Reserve	235	248
<b>Actual amount charged against council tax for pensions in the year:</b>		
→ Employers contributions payable to scheme	1,761	1,700

Note 22 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 6 to the Statement of Total Movements on Reserves shows the difference between the actual and estimated returns on investments.

## 10. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard (FRS) 8 enquiries have been made to identify material transactions with related parties not disclosed elsewhere in the statement of accounts. No material transactions were identified.

## 11. OFFICERS EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, exceeded £50,000 is shown below in bands of £10,000.

Remuneration Band	Number of Employees		Left During the year	
	2003-2004	2004-2005	2003-2004	2004-2005
£50,000-£59,999	1	0	1	0
£60,000-£69,999	4	3	1	0
£70,000-£79,999	2	0	1	0
£80,000-£89,999	-	1	-	-
£90,000-£99,999	-	-	-	-
£100,000-£109,999	1	0	1	0

The Council undertook a major staffing restructuring during 2003-2004 and the resultant redundancy costs and payments in lieu of notice are included within the above note.

## 12. MEMBERS ALLOWANCES

Allowances and expenses paid to Eastbourne's 27 Councillors during the year amounted to:

2003-2004 £'000		2004-2005 £'000	
92	Members Allowances	95	
7	Conferences and Travelling Expenses	3	
<b>99</b>		<b>98</b>	

## 13. AUDIT COSTS

The Council incurred the following fees relating to statutory external audit and inspection:

2003-2004 £'000		2004-2005 £'000	
86	Fees payable to the Audit Commission in respect of annual audit	77	
16	Fees payable to the Audit Commission in respect of inspection	7	
80	Fees payable to the Audit Commission for the certification of grant claims and returns	61	
19	Fees payable in respect of other services provided by the appointed auditor	0	
<b>201</b>		<b>145</b>	

The fees for other services relate to:

2003-2004 £'000		2004-2005 £'000	
17	Legality Issues	0	
2	Objections	0	
<b>19</b>		<b>0</b>	

### HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2005

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

2003-2004 £'000	2004-2005 £'000
--------------------	--------------------

	<b>Income</b>		
10,434	Dwelling Rents (Gross)		10,464
326	Non-Dwelling Rents (Gross)		342
1,188	Charges for Services and Facilities		1,249
6,380	Housing Revenue Account Subsidy Receivable	Note 7	946
<b>18,328</b>	<b>Total Income</b>		<b>13,001</b>
	<b>Expenditure</b>		
2,628	Repairs and Maintenance		2,578
3,207	Supervision and Management		3,360
83	Rents, Rates, Taxes and Other Charges		78
6,079	Rent Rebates		0
38	Increased Provision for Doubtful Debts		35
6,525	Cost of Capital Charge	Note 4	7,874
2,472	Depreciation and Impairment of Fixed Assets	Notes 2,3 & 5	2,533
194	Amortisation of Deferred Charges	Note 4	1,277
43	Debt Management Costs		57
125	Provision for Deferred Purchase Repayment	Note 8	0
<b>21,394</b>	<b>Total Expenditure</b>		<b>17,792</b>
<b>3,066</b>	<b>Net Cost of Services</b>		<b>4,791</b>
(4,622)	Net HRA Income on the Asset Management Revenue Account	Note 4	(7,193)
452	Amortised Premiums and Discounts		679
	Investment Income		
(9)	Mortgage Interest		(8)
(31)	Interest on Cash Balances		(62)
<b>(1,144)</b>	<b>Net Operating Income</b>		<b>(1,793)</b>
	<b>Appropriations</b>		
150	Revenue Contributions to Capital Expenditure	Note 9	404
550	HRA Contribution to Minimum Revenue Provision		0
0	Statutory Contribution to the General Fund - Rent Rebates		502
184	Transfer to Reserve		96
<b>(260)</b>	<b>(Surplus)/Deficit for the year</b>		<b>(791)</b>
(729)	Balance at 1 <sup>st</sup> April		(989)
<b>(989)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(1,780)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records revenue income and expenditure relating to the Council's own housing stock. This includes the cost of managing and repairing the dwellings and capital financing costs as well as rental income from tenants and HRA subsidy from central government. The account is "ring fenced" as there are statutory controls over the transfers which can be made between the HRA and the Council's General Fund.

### 1. HOUSING STOCK

The Council's housing stock consisted of:

**31<sup>st</sup> March**

**31<sup>st</sup> March**

<b>2004</b>		<b>2005</b>
	Houses and Bungalows	
17	- one bedroom	17
563	- two bedrooms	556
1,246	- three bedrooms	1,222
55	- four or more bedrooms	54
<b>1,881</b>		<b>1,849</b>
	Flats	
1,054	- one bedroom	1,050
505	- two bedrooms	501
8	- three or more bedrooms	8
414	- bed-sits	418
<b>1,981</b>		<b>1,977</b>
<b>3,862</b>		<b>3,826</b>

There has been a change in the analysis of stock as at 31<sup>st</sup> March 2004 following a reclassification.

In addition the Council has shared ownership arrangements covering 14.5 full property equivalents (16 at 31<sup>st</sup> March 2004) and has acquired the use of 12 actual properties (14 at 31<sup>st</sup> March 2004) under short-term property leases.

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

	<b>1<sup>st</sup> April 2004</b>	<b>31<sup>st</sup> March 2005</b>
	<b>£'000</b>	<b>£'000</b>
Operational Assets - Dwellings	202,183	224,967
- Other Land and Buildings		
Non Operational Assets	1,688	1,688
	<b>203,871</b>	<b>226,655</b>

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 1<sup>st</sup> April 2003 was £349.434m. 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.

## **2. MAJOR REPAIRS RESERVE (MRA)**

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 all of the funding was utilised.

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2004	0
Add - Depreciation of Housing Stock	2,533
Less - Financing of Capital Expenditure	2,533
Balance as at 31 <sup>st</sup> March 2005	<b>0</b>

## **3. HRA CAPITAL EXPENDITURE, FINANCING AND CAPITAL RECEIPTS**

Housing Revenue Account capital expenditure incurred in 2004-2005 and how it was financed is summarised as follows:

	Land, Housing and Other Property £'000	Cash Incentive Scheme £'000	Deferred Purchase £'000	Total £'000
Total Capital Expenditure	3,850	50	1,227	5,127
Add - 2003-2004 accrued Expenditure financed in 2004-2005	122			122
<b>Capital Expenditure financed in 2004-2005</b>	<b>3,972</b>	<b>50</b>	<b>1,227</b>	<b>5,249</b>
Financed by:				
Borrowing	1,085			1,085
Major Repairs Reserve	2,533			2,533
Capital Provision			1,227	1,227
Revenue Contributions	354	50		404
<b>Total Funding</b>	<b>3,972</b>	<b>50</b>	<b>1,227</b>	<b>5,249</b>

HRA capital receipts from disposals is summarised as follows:

	£'000
Right to Buy Sales of Houses and Flats	2,517
Shared Ownership Property	202
Sale of Land	130
Repayment of Right to Buy Discount	75
Mortgage Repayments	12
<b>Total</b>	<b>2,936</b>

#### 4. COST OF CAPITAL CHARGE

In 2004-2005 the HRA incurred a cost of capital charge of £7.874m representing the cost of capital tied up in council housing. The figure is based on a prescribed interest charge of 3.5% on the balance sheet value of the housing stock.

In addition the HRA incurred a deferred charge of £1.277m in respect of capital expenditure which did not result in the acquisition, creation or enhancement of a tangible fixed asset (Cash Incentive scheme £50,000 and Deferred Purchase arrangement £1.227m). In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure has been financed from capital resources.

##### Capital Asset Charges Accounting Adjustment:

The cost of capital and deferred charges are included in the net cost of service in the HRA showing the cost of capital tied up in housing assets. However, they do not impact on tenants' rents as they are reversed out, leaving the HRA continuing to bear its share of the Council's debt financing and management costs. This capital asset charges accounting adjustment is achieved by means of the Asset Management Revenue Account (AMRA), as shown below:

	<b>£'000</b>
Cost of Capital (3.5% Charge)	7,874
Deferred Charges	1,277
Less - Transfer from AMRA to the HRA	(7,193)
<b>Actual Interest borne by the HRA</b>	<b>1,958</b>

#### 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.

The accumulated depreciation on the housing stock is summarised below

	<b>1<sup>st</sup> April 2004</b>	<b>31<sup>st</sup> March 2005</b>
	<b>£'000</b>	<b>£'000</b>
Operational Assets	7,263	9,796
Non Operational Assets	0	0
	<b>7,263</b>	<b>9,796</b>

## 6. IMPAIRMENT

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2004-2005 relating to fixed assets.

## 7. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2004-2005 is made up as follows:

	<b>£'000</b>
Major Repairs Allowance	2,533
Management and Maintenance Allowance	5,195
Capital Charges Allowances	2,898
Other Allowable expenditure	134
Prior Year Adjustment - Additional Subsidy	92
	<b>10,852</b>
Less: Notional rent income	9,897
Other income	9
	<b>946</b>

## 8. 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 were made which has fully provided for this arrangement which fell due on 30 March 2005.

## 9. REVENUE CONTRIBUTIONS TOWARDS CAPITAL EXPENDITURE

The Council supplements its available capital resources by making revenue contributions available to finance capital expenditure.

## 10. RENT ARREARS

Rent arrears at 31<sup>st</sup> March 2005 amounted to £557,000, compared with £630,000 at 31<sup>st</sup> March 2004. These sums include the overpayment of Housing Benefit and former tenants' arrears. During 2004-2005 former tenant arrears of £102,000 were written off (£122,000 in 2003-2004).

The Council has a provision for doubtful debts of £381,000 at 31<sup>st</sup> March 2005 (£448,000 at 31<sup>st</sup> March 2004).

The decrease in rent arrears and the provision for doubtful debts is largely as a result of the write off of former tenants arrears deemed to be irrecoverable.



## CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2005

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.

31 <sup>st</sup> March 2004 £'000	Note	31 <sup>st</sup> March 2005 £'000
<b>Fixed Assets</b>		
Operational Assets		
202,183	- Council Dwellings	224,967
37,207	- Other Land and Buildings	42,204
807	- Vehicles, Plant and Equipment	1,036
29,464	- Infrastructure Assets	28,664
564	- Community Assets	490
10,076	Non-operational Assets	13,270
<b>280,301</b>	<b>Total Fixed Assets</b>	<b>310,631</b>
0	Deferred Charges	0
4,005	Deferred Premiums	3,326
1,903	Long Term Investments	1,853
213	Long Term Debtors	106
<b>286,422</b>	<b>Total Long-Term Assets</b>	<b>315,916</b>
150	- Stocks	70
7,401	- Debtors	7,357
9,000	- Investments	4,000
<b>16,551</b>		<b>11,427</b>
Current Liabilities		
5,881	- Short Term Borrowing	81
8,670	- Creditors	9,299
724	- Bank Overdraft	754
<b>15,275</b>		<b>10,134</b>
<b>1,276</b>	<b>Net Current Assets</b>	<b>1,293</b>
<b>287,698</b>	<b>Total Assets less Current Liabilities</b>	<b>317,209</b>
(28,367)	Long Term Borrowing	(29,800)
(1,227)	Deferred Liabilities	0
(19,401)	Government Grants Deferred Account	(18,856)
(3,944)	Capital Contributions Deferred Account	(3,879)
(1,337)	Provisions	(111)
(12,415)	Pensions Liability	(24,209)
(87)	Deferred Credits	(75)
<b>220,920</b>	<b>Total Assets less Liabilities</b>	<b>240,279</b>
178,102	Fixed Asset Restatement Account	206,559
44,604	Capital Financing Account	47,313
3,697	Usable Capital Receipts Reserve	2,222
(12,415)	Pensions Reserve	(24,209)
1,556	Capital Grants and Contributions Unapplied	2,087
0	Major Repairs Reserve	0
3,335	Earmarked Reserves	3,650
2,041	Balances	2,657
<b>220,920</b>	<b>Total Equity</b>	<b>240,279</b>

I certify that the Consolidated Balance Sheet and related accounts represent the true financial position of Eastbourne Borough Council at 31<sup>st</sup> March 2005 and its income and expenditure for the year 2004-2005.

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 1<sup>st</sup> April 2004 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 £27.535m and this is reflected within the movements during the year detailed on page 35.

At the same time a rolling revaluation of assets held within the Other Land and Buildings and Non Operational Assets was undertaken. This resulted in an increase in the value of the Other Land and Buildings portfolios of £6.903m, and an increase in the Non-Operational portfolio of £2.239m

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Council Dwellings £000's	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Non Operational Assets £000's	Total £000's
Valued at Historical Cost	0	0	1,725	0	1,725
Valued at Current Value in:					
1999-2000	0	95	0	0	95
2000-2001	23,201	0	0	2,172	25,373
2001-2002	22,117	(1,648)	0	(1,133)	19,336
2002-2003	34,841	1,159	0	355	36,355
2003-2004	40,149	6,714	0	(150)	46,713
2004-2005	27,535	6,903	0	2,239	36,677

The basis of valuation for each type of asset, together with the depreciation methodology are detailed in the Statement of Accounting Policies on page 11.

### Assets Held under Finance Leases

No assets were held under finance leases at 31<sup>st</sup> March 2005.

## Movements in fixed assets during the year were:

### OPERATIONAL ASSETS

	<b>Dwellings £'000</b>	<b>Buildings £'000</b>	<b>Equipment £'000</b>	<b>Assets £'000</b>	<b>Assets £'000</b>	<b>Total £'000</b>
Certified valuation at 31 <sup>st</sup> March 2004	209,446	41,112	1,726	34,984	834	288,102
Accumulated Depreciation and impairment	(7,263)	(3,905)	(919)	(5,520)	(270)	(17,877)
Net book value of assets as at 31 <sup>st</sup> March 2004	202,183	37,207	807	29,464	564	270,225
Movement in 2004-2005						
Additions	3,849	2,270	592	98	0	6,809
Disposals	(2,218)	0	0	0	0	(2,218)
Revaluations	23,686	3,804	0	(5)	0	27,485
Depreciation	(2,533)	(1,077)	(363)	(893)	(74)	(4,940)
Impairments	0	0	0	0	0	0
<b>Net book value of assets as at 31<sup>st</sup> March 2005</b>	<b>224,967</b>	<b>42,204</b>	<b>1,036</b>	<b>28,664</b>	<b>490</b>	<b>297,361</b>

### NON OPERATIONAL ASSETS

	<b>Total £'000</b>
Certified valuation at 31 <sup>st</sup> March 2004	10,076
Accumulated depreciation and impairment	0
Net book value of assets at 31 <sup>st</sup> March 2004	10,076
Movements in 2004-2005	
Additions	4
Disposals	0
Revaluations	3,190
Impairments	0
<b>Net book value of assets at 31<sup>st</sup> March 2005</b>	<b>13,270</b>

### Capital Expenditure and Financing

**2003-2004**

**2004-2005**

	<b>£'000</b>	<b>£'000</b>
<b>Capital Investment</b>		
Fixed Assets – Operational	5,878	6,810
Fixed Assets - Non Operational	28	4
	5,906	6,814
Deferred Charges	1,600	2,202
	<b>7,506</b>	<b>9,016</b>
<b>Sources of Finance</b>		
RSG Supported Capital Expenditure	1,761	1,392
Major Repairs Reserve	2,472	2,533
Government Grants	514	447
Capital Contributions	1,063	751
Capital Receipts	832	2,524
Capital Reserve	1,416	0
Capital Provision	0	1,227
Consolidated Revenue Account	150	404
Financing of accrued expenditure	(702)	(262)
	<b>7,506</b>	<b>9,016</b>

The main items of capital expenditure during the year 2004-2005 were:

<b>Fixed Assets</b>	<b>£'000</b>
Council Housing Developments/Major Improvements	3,849
Eastbourne Park - Deep Water Lake	61
Theatres	594
Office Accommodation Strategy	591
IT Systems including Implementing Electronic Government	446
The Cultural Centre	690
Other Tourism Sports and Leisure Facilities	103
Other Schemes and Projects	480
	<b>6,814</b>
<b>Deferred Charges</b>	
Private Sector Housing Grants	643
Grants to Housing Associations	150
Cash Incentive Scheme	50
Heritage Economic Regeneration Scheme	106
Deferred Purchase Arrangement	1,227
Other Schemes and Projects	26
	<b>2,202</b>
	<b>9,016</b>

### **Capital Commitments**

The Council had a capital commitment at 31<sup>st</sup> March 2005 of £600,000 to complete the re-roofing of the Winter Garden Theatre.

### **Information on Assets Held**

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

	<b>Number as at 31<sup>st</sup> March 2004</b>	<b>Number as at 31<sup>st</sup> March 2005</b>
<b>Council Dwellings</b>		

Houses	1,875	1,843
Flats	1,987	1,983
<b>Operational Buildings</b>		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	3	3
Public Conveniences	23	23
Coach and Lorry Park	1	1
Off-Street Car Parks	8	8
Theatres	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
Sports Park	1	1
<b>Operational Equipment</b>		
Dotto Road Train	1	0
Lifeline Units	1,213	1,213
<b>Community Assets</b>		
Parks and Open Spaces (hectares)	270	278
Allotments (acres)	39	39
Downland (acres)	4,100	4,100
<b>Infrastructure Assets</b>		
Seafront Groynes	94	94
Promenade (miles)	4.3	4.3
<b>Non-Operational Assets</b>		
Royal Hippodrome Theatre	1	1
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	4	4
Community Centres	5	5
Treasure Island	1	1
<b>Non-Operational Equipment</b>		
Dotto Road Train	0	1

**There has been a change in the analysis of stock for Council Dwellings as at 31<sup>st</sup> March 2004 following a reclassification.**

## **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 through the Consolidated Revenue Account and financed from the Capital Financing Account

**2003-2004**  
**£'000**

**2004-2005**  
**£'000**

0 Balance at the beginning of the year

0

	Capital Expenditure in year:	
447	Grants to Housing Associations	150
851	Private Sector Housing Grants	599
144	Cash Incentive Scheme	50
39	Heritage Economic Regeneration Scheme	107
50	Deferred Purchase Arrangement	1227
69	Other	69
<b>1,600</b>		<b>2,202</b>
(194)	Amounts written off to the Housing Revenue Account	(1,277)
(1,406)	Amounts written off to the CRA	(925)
<b>0</b>	<b>Balance at the end of the year</b>	<b>0</b>

### 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.

<b>2003-2004</b>		<b>2004-2005</b>
<b>£'000</b>		<b>£'000</b>
2,278	Balance at the beginning of the year	4,005
2,538	Premiums paid	0
	Amounts written back to the Consolidated Revenue Account:	
(359)	General Fund	0
(452)	Housing Revenue Account	(679)
(811)		(679)
<b>4,005</b>	<b>Balance at the end of the year</b>	<b>3,326</b>

### 4. LONG TERM INVESTMENTS

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
1,528	Eastbourne Buses Ltd – shares	1,528
325	Eastbourne Buses Ltd – debenture	275
<b>1,853</b>		<b>1,803</b>
50	Local Government Association - debenture	50
<b>1,903</b>		<b>1,853</b>

The Eastbourne Buses Limited debenture is repayable by 26<sup>th</sup> October 2011.

### RELATED COMPANY

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 and parking services.

At 31<sup>st</sup> March 2005 the Council was the majority (80%) shareholder in the company. The other shareholder is the Keolis Group who acquired a 20% shareholding under an agreement made in June 2001. 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.

The Company's key financial results are:

	Period ended 31.12.2003	Period ended 31.12.2004
	£'000	£'000
Net Assets	1,778	1,859
Profit/(Loss) before taxation	(198)	104
Profit/(Loss) after taxation	(162)	81
Dividends declared	NIL	NIL

The value of the Council's shareholding at 31<sup>st</sup> March 2005 is stated at the net cost incorporated in the Transfer Scheme. On the basis of the Company's latest trading statement to 30<sup>th</sup> December 2004, this valuation is reasonable when compared with the value of the Company's net assets. However, future valuations are uncertain due to the effect on the Company of implementing the full provisions of Financial Reporting Standard 17 on Retirement Benefits. The Company contributes to two pension schemes; one is a defined contribution scheme whereas the other is a defined benefit scheme (also known as a final salary scheme). The next set of Company accounts, which will be for the 12 months to 31<sup>st</sup> December 2005, will recognise the full cost in that period of providing for retirement benefits to its staff. It will also include the related gains, losses, assets and liabilities of its defined benefit pension scheme, and this will have a direct impact on the value of the Company's net assets. As a consequence, this will also have a direct bearing on the value of the Council's shareholding but this will not be recognised until the Council produces its accounts for the year ended 31<sup>st</sup> March 2006.

If unsustainable losses are incurred by the Company, the Council has an obligation to meet them. Financial support was not required in 2004-2005.

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

## 5. LONG TERM DEBTORS

	31.3.2004 £'000	Additions £'000	Repayments £'000	31.3.2005 £'000
Advances to Housing Associations and Private Mortgagors	102	0	71	31
Council House Mortgagors	87	0	12	75
Other loans and advances	24	0	24	0
	<b>213</b>	<b>0</b>	<b>107</b>	<b>106</b>

Long Term Debtors include housing associations and individual mortgagors with outstanding advances in respect of loans for house purchases. The account is written down by principal repayments received during the year.

## 6. DEBTORS

31.3.2004 £'000		31.3.2005 £'000
549	National Non-Domestic Ratepayers	662
3,835	Council Taxpayers	3,766
630	Council House Tenants	557
2,206	Government Departments	913
6	Inland Revenue	3
449	Customs and Excise	800
105	Assisted Car Purchase Loans	87
213	Payments in Advance	160
2,280	Sundry Debtors	3,219
<b>10,273</b>		<b>10,167</b>
	Less: Provision for Doubtful Debts	
(1,764)	- Collection Fund	(1,619)
(448)	- Council House Tenants	(381)
(660)	- General	(810)
<b>7,401</b>		<b>7,357</b>

Movements on Provision for Doubtful Debts:

	Opening balance	Reduce: amounts written off	Increase: ageing and new debt	Net in-year movement	Closing balance
Non-Domestic Ratepayers	(318)	60	(104)	(44)	(362)
Council Taxpayers	(1,446)	672	(483)	189	(1,257)
Collection Fund	(1,764)	732	(587)	145	(1,619)
Council House Tenants	(448)	102	(35)	67	(381)
General	(660)	16	(166)	(150)	(810)



## 7. CREDITORS

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
577	Business Ratepayers	121
1,226	Council Taxpayers	742
0	Government Departments	2,198
279	Inland Revenue	273
195	East Sussex County Council	183
946	Income Received in Advance	1,181
271	Loan Interest	273
261	Capital Creditors	168
4,915	Sundry Creditors	4,160
<b>8,670</b>		<b>9,299</b>

## 8. LONG TERM BORROWING

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
20,867	Public Works Loan Board	22,300
7,500	Loan Stock	7,500
<b>28,367</b>		<b>29,800</b>

Analysis of borrowings by maturity :-

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
67	Between 1 and 2 years	567
600	Between 2 and 5 years	33
0	Between 5 and 10 years	7,000
27,700	More than 10 years	22,200
<b>28,367</b>		<b>29,800</b>

## 9. DEFERRED LIABILITIES

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
<b>1,227</b>	<b>Deferred Purchase Agreement</b>	<b>0</b>

The deferred purchase agreement matured in March 2005. The Council's liability under the agreement was discharged in full from the provision account established for that purpose (see Note 12 on page 43).

## 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.

<b>2003-2004</b> <b>£'000</b>		<b>2004-2005</b> <b>£'000</b>
19,840	Balance at the beginning of the year	19,401
224	Grants applied during the year	447
(663)	Less - Amount written off to the Asset Management Revenue Account	(732)
0	Less – Amount written off to the Capital Financing Account	<b>(260)</b>
<b>19,401</b>	<b>Balance at the end of the year</b>	<b>18,856</b>

## 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.

<b>2003-2004</b> <b>£'000</b>		<b>2004-2005</b> <b>£'000</b>
10,252	Balance at the beginning of the year	3,944
210	Contributions applied during the year	751
(6,395)	Less – Transfer to Capital Financing Account in respect of fully financed assets not subject to a depreciation charge	0
(123)	Less - Amount written off to the Asset Management Revenue Account	(126)
0	Less – Amount written off to the Capital Financing Account	<b>(690)</b>
<b>3,944</b>	<b>Balance at the end of the year</b>	<b>3,879</b>

## 12. PROVISIONS

<b>31.3.2004</b>	<b>Contributions</b>	<b>Utilised</b>	<b>31.3.2005</b>
------------------	----------------------	-----------------	------------------

	£'000	£'000	£'000	£'000
Deferred Purchase	1,227	0	1,227	0
Other	110	31	30	111
	<b>1,337</b>	<b>31</b>	<b>1,257</b>	<b>111</b>

The Deferred Purchase provision was established to meet the final lump sum repayment of a deferred purchase arrangement entered into by the Council for the provision of sheltered housing. This repayment was made in March 2005.

### 13. DEFERRED CREDITS

	31.3.2004 £'000	Received £'000	31.3.2005 £'000
Council House Sales	87	12	75
	<b>87</b>	<b>12</b>	<b>75</b>

Deferred Credits represents mortgages outstanding in relation to dwellings sold to former Council housing tenants. The account is written down by the amount of principal repayments received during the year.

### 14. FIXED ASSET RESTATEMENT ACCOUNT

The balance on the Fixed Asset Restatement Account primarily represents the difference between the valuation of assets under the previous system of capital accounting, and the revaluations that have taken place since the new system was introduced from 1<sup>st</sup> April 1994.

In addition, the reserve is written down by the net book value of assets as they are disposed of, and any impairments which lead to permanent reductions in asset values.

2003-2004 £'000		2004-2005 £'000
142,709	Balance at the beginning of the year	178,102
41,659	Revaluation of fixed assets	30,675
(6,266)	Disposal of fixed assets	(2,218)
0	Impairment losses	0
<b>178,102</b>	<b>Balance at the end of the year</b>	<b>206,559</b>

### 15. CAPITAL FINANCING ACCOUNT

The Capital Financing Account 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 capital contributions deferred) to the Minimum Revenue Provision.

<b>2003-2004</b>		<b>2004-2005</b>
<b>£'000</b>		<b>£'000</b>
32,574	Balance at the beginning of the year	44,604
4,645	Capital receipts set aside in year	0
	Capital financing in year:	
2,472	- Major Repairs Reserve	2,533
289	- Specified Capital Grant	260
832	- Capital Receipts	2,524
853	- Third Party Contributions	690
1,416	- Capital Reserve	1,227
150	- Consolidated Revenue Account	404
6,395	Transfer from Capital Contributions Deferred Account	0
	Sums set aside from revenue for repayment of debt: (less depreciation provision)	
(1,426)	- Depreciation reversed net of MRP charged	(2,207)
50	- Deferred Purchase arrangements	1,227
(1)	Less - Long Term Debtors written down	(72)
(2,472)	- HRA depreciation transferred to MRR	(2,533)
(1,406)	- Deferred Charges written down	(925)
233	- Appropriation to Consolidated Revenue Account (CRA)	(419)
<b>44,604</b>	<b>Balance at the end of the year</b>	<b>47,313</b>

## 16. 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 paid over to the national pool.

	<b>31.3.2004</b>	<b>Receipts</b>	<b>to Gov.</b>		<b>Financing</b>	<b>31.3.2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	3,697	122	0	684	(2,281)	2,222
Housing Revenue Account	0	2,936	(2,009)	(684)	(243)	0
	<b>3,697</b>	<b>3,058</b>	<b>(2,009)</b>	<b>0</b>	<b>(2,524)</b>	<b>2,222</b>

## 17. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

	<b>31.3.2004</b>	<b>Added</b>	<b>Withdrawn</b>	<b>31.3.2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Grants and Contributions				
- General Fund	2	1,105	(876)	231
- Housing Revenue Account	535	632	(404)	763
- Eastbourne Park	425	96	(61)	460
- Social Housing Development	594	39	0	633
	<b>1,556</b>	<b>1,872</b>	<b>(1,341)</b>	<b>2,087</b>
Major Repairs Reserve	<b>0</b>	<b>2,533</b>	<b>(2,533)</b>	<b>0</b>

## 18. EARMARKED RESERVES

	<b>31.3.2004</b>	<b>Added</b>	<b>Withdrawn</b>	<b>31.3.2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Upkeep of Graves and Memorials	85	0	0	85
Earmarked Revenue Reserves	944	899	(591)	1,252
Insurance	116	0	0	116
Other	440	113	(56)	497
	<b>1,585</b>	<b>1,012</b>	<b>(647)</b>	<b>1,950</b>
Eastbourne Buses Realisation	<b>1,750</b>	<b>0</b>	<b>(50)</b>	<b>1,700</b>
	<b>3,335</b>	<b>1,012</b>	<b>(697)</b>	<b>3,650</b>

The Eastbourne Buses Realisation Account represents the surplus on the book value of net assets transferred to Eastbourne Buses Limited at 26<sup>th</sup> 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 39).

## 19. BALANCES

	<b>31.3.2004</b>	<b>Added</b>	<b>Withdrawn</b>	<b>31.3.2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	1,000	233	0	1,233
Housing Revenue Account	989	791	0	1,780
Collection Fund	52	0	(408)	(356)
	<b>2,041</b>	<b>1,024</b>	<b>(408)</b>	<b>2,657</b>

## 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:

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
19,462	General Fund	16,108
201,458	Housing Revenue Account	224,171
<b>220,920</b>		<b>240,279</b>

## 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 31<sup>st</sup> March 2005 was £21,145 (£20,985 31<sup>st</sup> March 2004). The largest of these is the Langney Cemetery Maintenance Fund which amounted to £20,750 in both years.

## 22. DISCLOSURE OF NET PENSION LIABILITY

Note 9 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pensions Scheme (administered by East Sussex County Council).

The underlying assets and liabilities for retirement benefits attributable to the Council at 31<sup>st</sup> March are as follows:

	<b>31st March 2004</b>	<b>31st March 2005</b>
	<b>£'000</b>	<b>£'000</b>
Present value of scheme liabilities	60,703	74,696
Present value of unfunded liabilities	4,036	4,869
Total value of liabilities	64,739	79,565
Estimated Employer Assets	52,324	55,356
Net asset/(liability)	(12,415)	(24,209)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. They 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 East Sussex Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and are based on the latest full valuation of the scheme as at 1<sup>st</sup> April 2004.

The main assumptions used in their calculations have been:

	<b>As at 31st March 2004</b>	<b>As at 31st March 2005</b>
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.4%	4.4%
Rate of increase in pensions	2.9%	2.9%
Rate for discounting scheme liabilities	6.5%	5.4%

The revenue figures for the year to 31st March 2005 are calculated based on a discount rate derived from corporate bond yields as at 31st March 2004 (which was 5.5% p.a.) as required by CIPFA.

Assets in the East Sussex County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	<b>Long Term Return</b>	<b>31<sup>st</sup> March 2004</b>	<b>31<sup>st</sup> March 2005</b>
	%	%	%
Equity Investments	7.7	74	74
Bonds	4.8	12	11
Property	5.7	11	11
Cash	4.8	3	4
<b>Total Assets</b>		<b>100</b>	<b>100</b>

## **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.

## **24. EURO**

The Council has currently incurred no expenditure in relation to the introduction of the Euro, but is constantly monitoring the situation with a view to implementation when considered appropriate.

## 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.

2003-2004 Restated £'000		2004-2005 £'000
	Surplus/(Deficit) for the year :	
0	- General Fund	233
260	- Housing Revenue Account	791
(398)	- Collection Fund	(408)
40	Movements on specific revenue reserves	365
0	Movements on Eastbourne Buses Realisation Reserve	(50)
(235)	Appropriation from pensions reserve	248
6,109	Actuarial gains and (losses) relating to pensions	(12,042)
<b>5,776</b>	<b>Total increase/(decrease) in specific revenue reserves (note 1)</b>	<b>(10,863)</b>
3,424	Increase/(decrease) in usable capital receipts	(1,475)
(872)	Increase/(decrease) in unapplied capital grants and contributions	531
<b>2,552</b>	<b>Total increase/(decrease) in realised capital resources (note 2)</b>	<b>(944)</b>
41,659	Gains/(losses) on revaluation of fixed assets	30,675
0	Impairment losses on fixed assets	0
<b>41,659</b>	<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>	<b>30,675</b>
<b>(6,266)</b>	<b>Value of assets, sold disposed of or decommissioned (note 4)</b>	<b>(2,218)</b>
4,645	Capital receipts set aside	2,524
0	Revenue resources set aside	185
(439)	Movement on Government Grants Deferred	(545)
(6,308)	Movement on Capital Contributions Deferred	(65)
<b>(2,102)</b>	<b>Total increase/(decrease) in amounts set aside to finance capital investment (note 5)</b>	<b>2,099</b>
<b>41,619</b>	<b>Total recognised gains and losses</b>	<b>18,749</b>



## Notes to the Statement of Total Movements on Reserves

	General Fund Balance £'000	HRA Balance £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
<b>1. Movements in revenue reserves</b>				
Surplus/(deficit) for 2004/05	233	791		
Appropriations to/from revenue			365	248
Actuarial gains and losses relating to pensions				(12,042)
Balance brought forward at 1 April 2004	1,000	989	1,585	(12,415)
Balance carried forward at 31 March 2005	1,233	1,780	1,950	(24,209)

The actuarial gains identified as movements on the Pensions Reserve in 2004-05 can be analysed into the following categories, measured as absolute amounts and percentages of assets and liabilities at 31 March 2005:

Actuarial gains and losses relating to pensions	£'000	%
Differences between the expected and actual return on assets	2,200	4.0
Differences between actuarial assumptions about liabilities and actual experience	(2,339)	(2.9)
Changes in demographic and financial assumptions used to estimate liabilities	(11,903)	-
	<b>(12,042)</b>	
Comparative totals for 2003-2004	6,109	(9.4)

	Unapplied capital receipts £,000	Unapplied capital grants and contributions £,000
<b>2. Movements in realised capital resources for 2004-2005</b>		
Amounts receivable	1,049	4,405
Amounts applied to finance new capital investment	(2,524)	(3,874)
<b>Total increase/(decrease) in realised capital resources</b>	<b>(1,475)</b>	<b>531</b>
Balance brought forward at 1 <sup>st</sup> April 2004	3,697	1,556
Balance carried forward at 31 <sup>st</sup> March 2005	2,222	2,087
		<b>Fixed Asset Restatement Reserve</b>
<b>3. Movements in unrealised value of fixed assets</b>		£'000
Gains/(losses) on revaluation of fixed assets		30,675

Impairment losses on fixed assets	0
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	<b>30,675</b>
<b>4. Value of assets, sold disposed of or decommissioned</b>	
Total increase/(decrease) in unrealised value of fixed assets	30,675
Amounts written off fixed asset balances for disposals	(2,218)
<b>Total movement on reserve</b>	<b>28,457</b>
Balance brought forward at 1 <sup>st</sup> April 2004	178,102
Balance carried forward at 31 <sup>st</sup> March 2005	206,559

	<b>Capital Financing Account</b>	<b>Government Grants and Capital Contributions Deferred</b>	<b>Total</b>
	£'000	£'000	£'000
<b>5. Movements in amounts set aside to finance capital investment</b>			
Capital receipts set aside			
- reserved receipts	0		
- usable receipts applied	2,524		
<b>Total capital receipts set aside</b>	<b>2,524</b>		<b>2,524</b>
Revenue resources set aside	5,114		
- capital expenditure financed from revenue			
-reconciling amount for provisions for loan repayment	(4,929)		
<b>Total revenue resources set aside</b>	<b>185</b>		<b>185</b>
Grants applied to capital investment		187	
Contributions applied to capital investment		61	
Amounts credited to Asset Management a/c		(858)	
<b>Movement on Government Grants and Capital Contributions Deferred Accounts</b>		<b>(610)</b>	<b>(610)</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>2,099</b>
Total movement in reserve	2,709	(610)	
Balances brought forward at 1 <sup>st</sup> April 2004	44,604	23,345	
Balances carried forward at 31 <sup>st</sup> March 2005	47,313	22,735	

## 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 42.
- 2) The Fixed Asset Restatement Account and the Capital Financing Account 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 43 and 44.
- 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 16 to the Consolidated Balance Sheet on page 45.
- 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 17 to the Consolidated Balance Sheet on page 45.
- 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 46.

6) The actuarial losses identified as movements on the Pensions Reserve in 2004-2005 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2005:

	2002-2003		2003-2004		2004-2005	
	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(12,157)	(27.8)	6,324	12.1	2,200	4.0
Differences between actuarial assumptions about liabilities and actual experience	359	0.6	(215)	(0.3)	(2,339)	(2.9)
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-	(11,903)	(15.0)
Actuarial Gain/(Loss)	(11,798)		6109		(12,042)	

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005

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

2003-2004 £'000		£'000	2004-2005 £'000
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
15,863	Cash paid to and on behalf of employees	15,064	
22,649	Other operating cash payments	24,658	
21,033	Housing Benefits paid out	20,963	
21,437	NNDR payments to national pool	20,985	
31,717	Precept paid to East Sussex County Council	32,252	
0	Precept paid to East Sussex Fire Authority	2,230	
3,325	Precept paid to Sussex Police Authority	3,685	
0	Payments to the Capital Receipts Pool	1,575	
<b>116,024</b>			<b>121,412</b>
<b>Cash Inflows</b>			
(4,361)	Housing Rents (after rebates)	(5,185)	
(35,148)	Council Tax receipts	(37,563)	
(21,059)	Non-Domestic rate receipts	(22,557)	
(6,747)	Revenue Support Grant	(6,273)	
(3,134)	NNDR receipts from national pool	(2,472)	
(24,455)	DWP grants for benefits	(34,281)	
(8,582)	Other government grants (note 4)	(3,961)	
(18,436)	Cash received for goods and services	(14,730)	
(1,349)	Other operating cash receipts	0	
<b>(123,271)</b>			<b>(127,022)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash Outflows</b>			
2,895	Interest paid	2,407	
2,538	Interest Premium Paid	0	
<b>5,433</b>			<b>2,407</b>
<b>Cash Inflows</b>			
(439)	Interest received		<b>(528)</b>
<b>(2,253)</b>	<b>Revenue Activities Net Cash (Inflow)/Outflow</b>		<b>(3,731)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005

2003-2004 £'000		£'000	2004-2005 £'000
<b>CAPITAL ACTIVITIES</b>			
<b>Cash Outflows</b>			
6,409	Purchase of fixed assets	6,672	
1,799	Other capital cash payments	1,211	
<b>8,208</b>			<b>7,883</b>
<b>Cash Inflows</b>			
(8,900)	Sale of fixed assets	(3,053)	
(1,288)	Capital grants received	(1,302)	
(844)	Other capital cash receipts	(360)	
<b>(11,032)</b>			<b>(4,715)</b>
<b>(5,077)</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>(563)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
<b>4,600</b>	Net increase/(decrease) in Short Term Deposits		<b>(5,000)</b>
<b>FINANCING</b>			
<b>Cash Outflows</b>			
<b>6,916</b>	Repayments of amounts borrowed		<b>7,093</b>
<b>Cash Inflows</b>			
0	New loans raised	0	
(5,800)	New short term loans	(1,500)	
<b>(5,800)</b>			<b>(1,500)</b>
<b>639</b>	<b>Net (Increase)/Decrease in Cash</b>		<b>30</b>

## NOTES TO THE CASH FLOW STATEMENT

### 1. REVENUE ACTIVITIES NET CASH FLOW

<b>2003-2004</b>		<b>2004-2005</b>
<b>£'000</b>		<b>£'000</b>
0	(Surplus) per Consolidated Revenue Account (page 22)	(233)
398	(Surplus)/Deficit per Collection Fund (page 56)	408
<b>398</b>	<b>Revenue (Surplus)/Deficit</b>	<b>175</b>
<b>(2,067)</b>	Add/(Less) – Non Cash transactions re capital Financing, reserves and provisions	<b>(2,922)</b>
<b>(594)</b>	Add/(Less) – Revenue items accrued in the accounts	<b>(984)</b>
<b>(2,263)</b>	<b>Revenue Activities Net Cash Flow</b>	<b>(3,731)</b>

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

	<b>£'000</b>
Decrease in cash in the year	(30)
Less - Cash Inflow from new debt	(1,500)
Add – Cash Outflow from redemption of debt	7,093
<b>Changes in net debt</b>	<b>5,563</b>
Net debt at start of the year	(36,199)
<b>Net debt at end of the year</b>	<b>30,636</b>

Analysis of Net Debt	Balance 31.3.2004 £'000	Balance 31.3.2005 £'000	<b>Movement in the year £'000</b>
Bank Overdraft	(724)	(754)	<b>(30)</b>
Long Term Borrowing	(28,367)	(29,800)	<b>(1,433)</b>
Deferred Liabilities	(1,227)	0	<b>1,227</b>
Short Term Borrowing	(5,881)	(82)	<b>5,799</b>
	<b>(36,199)</b>	<b>(30,636)</b>	<b>5,563</b>

## 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 2003-2004 £'000		Balance 31.3.2004 £'000	Balance 31.3.2005 £'000	Movement in the year £'000
	Long Term Borrowing:			
6,866	Public Works Loan Board	20,867	22,300	1,433
0	Stock	7,500	7,500	0
<b>(6,866)</b>		<b>28,367</b>	<b>29,800</b>	<b>1,433</b>
	Deferred Liabilities:			
(50)	Deferred Purchase Agreements	1,227	0	(1,227)
5,800	Short Term Borrowing	5,881	81	(5,800)
<b>1,116</b>	<b>Movements in Financing</b>	<b>35,475</b>	<b>29,881</b>	<b>(5,594)</b>
4,600	Short Term Investments	(9,000)	(4,000)	5,000
<b>4,600</b>	<b>Movements in Management of Liquid Resources</b>	<b>(9,000)</b>	<b>(4,000)</b>	<b>(5,000)</b>

### 4. ANALYSIS OF OTHER GOVERNMENT GRANTS

2003-2004 £'000		2004-2005 £'000
6,171	Housing Revenue Account Subsidy	1,094
722	Single Regeneration Budget	849
753	Benefits Administration	729
35	Housing Benefit Anti Fraud Incentive	23
134	Countryside Commission	102
183	Housing Benefits Verification Framework	160
16	Housing Benefits Other Grants	53
237	Housing –Other	195
143	Home Office Grants	220
109	Planning Delivery	403
79	Voluntary Sector Projects	78
0	European Elections Grant	37
0	Recycling Initiatives	18
<b>8,582</b>		<b>3,961</b>

## COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005

This account reflects the statutory requirement 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 and the General Fund. The Collection Fund is prepared and consolidated on the accrual basis.

<b>2003-2004</b>			<b>2004-2005</b>
<b>£'000</b>			<b>£'000</b>
	<b>Income</b>		
35,521	Income from Council Tax (Note 1)		38,489
	Transfers from General Fund		
5,659	- Council Tax Benefits		6,419
20,983	Income collectable from Business Ratepayers (Note 3)		22,981
<b>62,163</b>	<b>Total Fund Income</b>		<b>67,889</b>
	<b>Expenditure</b>		
	Precepts and Demands		
31,259	East Sussex County Council	32,149	
6,091	Eastbourne Borough Council	6,647	
3,284	Sussex Police Authority	3,674	
0	East Sussex Fire Authority	2,230	
<b>40,634</b>			<b>44,700</b>
	Business Rates		
20,850	Payment to National Pool	22,849	
133	Costs of Collection	132	
<b>20,983</b>			<b>22,981</b>
	Bad and Doubtful Debts/Appeals		
<b>363</b>	Provisions - Council Tax		<b>482</b>
	Contributions towards previous years' estimated Council Tax Surplus		
458	East Sussex County Council	103	
77	Eastbourne Borough Council	20	
41	Sussex Police Authority	11	
<b>576</b>			<b>134</b>
	Contributions - Community Charge adjustment		
5	Eastbourne Borough Council		0
<b>62,561</b>	<b>Total Fund Expenditure</b>		<b>68,297</b>
<b>398</b>	<b>Movement on Fund Balance</b>		<b>408</b>
	<b>COLLECTION FUND BALANCE</b>		
(450)	Balance at 1 <sup>st</sup> April		(52)
398	(Surplus)/Deficit for the year		408
<b>(52)</b>	<b>Balance as at 31<sup>st</sup> March (Note 4)</b>		<b>356</b>



## NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

### 1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers is determined at as follows:

	£,000
Gross amount of Council Tax	52,623
Less - Discounts	5,145
Exemptions	2,500
Disabled relief	70
Amounts collectable from Council Taxpayers	44,908
Less - Council Tax Benefits	6,419
Amounts receivable from Council Taxpayers	38,489

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 Disabled Reduction	13	11	5/9	6
A	7,205	6,143	6/9	4,095
B	11,751	10,530	7/9	8,190
C	10,136	9,199	8/9	8,177
D	7,327	6,836	9/9	6,836
E	3,718	3,527	11/9	4,311
F	1,800	1,713	13/9	2,474
G	969	909	15/9	1,515
H	32	29	18/9	58
	<b>42,951</b>	<b>38,897</b>		<b>35,662</b>

Less average 2% reduction to allow for collection losses (714)

**Council Tax Base 34,948**

The estimated gross yield for Council Tax amounted to £45.6m, based on 35,662 dwellings multiplied by the Band D tax of £1,279.04. The actual gross yield of £44.9m is equivalent to a reduction in Band D equivalent dwellings for the year of 551.

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 551 Band D equivalent dwellings in 2004-2005 compares with a net reduction of 235 in 2003-2004.

### 2. DOUBTFUL DEBTS

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

31.3.2004

31.3.2005

	<b>£'000</b>	<b>£'000</b>
Arrears Outstanding	3,835	3,766
Provision for non-collection	1,446	1,257

### 3. 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 2004-2005 this amounted to £2.472m for Eastbourne Borough Council (£3.134m in 2003-2004).

The total non-domestic rateable value at 31<sup>st</sup> March 2005 was £54.5m and the 2004-2005 multiplier was 45.6p. The product of this is £24.90m. 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.

### 4. COLLECTION FUND BALANCE

The Council was owed £3.766m by Council Taxpayers at 31<sup>st</sup> March 2005, (£3.835m at 31<sup>st</sup> March 2004). All arrears continue to be actively pursued by the authority. The Council has, as a matter of prudence, made a provision of £1.257m against these arrears.

The Collection Fund Balance comprises:

<b>31.3.2004</b>		<b>31.3.2005</b>
<b>£'000</b>		<b>£'000</b>
(52)	Council Tax (Surplus)	0
0	Council Tax Deficit	356
<b>(52)</b>		<b>356</b>

## Group Accounts

### Introduction

The 2004 SORP introduced a new approach to group accounts. This included:

- Identifying whether the Council has group interests.
- Deciding whether the omission of group accounts would make a material difference to the principal users of the Statement of Accounts taking into account both quantitative measures and qualitative factors.
- Deciding on the relationship as subsidiary, associate or joint venture.

- Aligning accounting policies.
- Making consolidation adjustments.
- Compiling group financial statements and related notes.

### **Group interests identified**

In discussion with the Council's auditors, the Eastbourne Bus Company Limited (Eastbourne Buses) has been identified as the only group interest for 2004-2005 and is to be accounted for as a subsidiary.

Eastbourne Buses was formed under the provisions of the Transport Act 1985. Its principle activities are the operation of bus and coach services and the provision of garage and parking facilities. At 31<sup>st</sup> March 2005, with a shareholding of 80%, the Council was the majority shareholder in the company. The other shareholder is Keolis Group who acquired a 20% shareholding under an agreement made in June 2001.

### **Basis of consolidation**

The accounts have been consolidated using acquisition accounting on a line by line basis.

### **Differing Year-ends**

Eastbourne Buses has prepared its accounts for the period ending 31<sup>st</sup> December 2004. As this is within three months of the Council's year-end date the SORP allows these accounts to be used.

Any changes in respect of Eastbourne Buses' undertakings in the period from 31<sup>st</sup> December 2004 to 31<sup>st</sup> March 2005 that materially effect the view given by the group accounts have been disclosed in the notes to the accounts.

### **Intra-group Transactions**

All transactions between the Council and Eastbourne Buses that might have a material effect on the group accounts have been identified and eliminated.

### **Alignment of Policies**

An important principle of consolidated financial statements is that they are prepared on the basis of a single set of consistent accounting policies. The 2004 SORP identifies the adjustments required to align both the Council's and Eastbourne Buses' policies.

The following adjustments in the Council's accounts are required:

- **Incorporation of profits/losses on disposal of fixed assets into Net Operating Expenditure.** For 2004-2005 a profit of £751,000 has been calculated on the disposal of fixed assets and incorporated within Housing Services net cost of service.
- **The writing out of notional interest charges on fixed assets from the Net Cost of Services.** Notional interest charges for 2004-2005 amounted to £10,708,000 and have been removed from the net cost of services.
- **Capital contributions and government grants deferred amortisation to be posted direct to service revenue accounts.** Capital contributions of £732,000 and government grants deferred of £126,000 have been posted direct to the relevant services instead of the Asset Management Revenue Account.
- **Removal of the Asset Management Revenue Account (AMRA).** The above entries remove the need for the AMRA adjustment in the accounts. All that remains is the charge for external interest, which is now shown as a new item.

The following adjustments to the company's accounts are required:

- **Alignment of the company's segmental analysis to the service expenditure analysis of the Council.** Eastbourne Buses net operating profit of £266,000 for 2004 has been included with the net cost of services for Highways, Road and Transport.
- **Bringing the valuation of company assets in line with the valuation of the Council's assets.** No adjustment has been made for 2004-2005.
- **Adoption of FRS 17 – Retirement Benefits.** Eastbourne Buses has been unable to include sufficient disclosure regarding its defined benefit scheme, as it has not obtained an actuarial valuation at the balance sheet date.

### **The Group Financial Statements**

The group accounts presented on the following pages show the consolidated financial position of the Council and Eastbourne Buses and comprise:

- Group Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement
- Group Statement of Total Movements on Reserves

**Group Income and Expenditure Account for the year ended  
31<sup>st</sup> March 2005**

	<b>Gross Expenditure (Note 1) £'000</b>	<b>Gross Income (Note 2) £'000</b>	<b>Net Expenditure £'000</b>
Cultural and Related Services	15,098	8,892	6,206
Environmental Services	9,538	4,169	5,369
Highways, Roads and Transport (Note 3)	8,310	8,253	57
Planning and Development	3,287	2,392	895
Housing Services	37,701	35,801	1,900
Council Housing	9,714	13,752	(4,038)
Corporate and Democratic Core	7,020	5,574	1,446
Non Distributed Costs	145	0	145
Central Services to the Public	3,375	2,033	1,342
<b>Net Cost of Services (Note 4)</b>	<b>94,188</b>	<b>80,866</b>	<b>13,322</b>
Surplus/deficit of trading undertakings			25
Interest payable (Note 5)			2,546
Gains/losses on the repurchase or early settlement of borrowing			679
Interest and investment income (Note 5)			(452)
Pensions interest cost and expected return on pensions assets			(149)
Taxation of group entities			19
<b>Net operating expenditure</b>			<b>15,990</b>
Minority Interest share of profits of subsidiary			17
<b>Net expenditure before reserves movements</b>			<b>16,007</b>
Surplus/deficit for the year transferred to/from HRA balances			791
Contribution to HRA Reserve			96
Transfer to Insurance Reserve			0
Transfer to Earmarked Reserve			365
Contributions to/from pensions reserve			248
Reversal of Profits/losses on disposal of fixed assets			751
Contributions to/from the capital financing reserve			(3,147)
Contributions in respect of subsidiary entities (Note 6)			68
<b>Amount to be met from Government Grant and Local Taxes (Note 7)</b>			<b>15,179</b>
Demands on the collection fund			(6,647)
Surpluses from Collection Fund			(20)
Government grants			(6,273)
Distribution from the Non-domestic rate pool			(2,472)
<b>(Surplus)/Deficit for the year</b>			<b>(233)</b>
General fund balance b/f			(1,000)
<b>General fund balance c/f</b>			<b>(1,233)</b>

## **Notes to the Group Income and Expenditure Account:**

### **1. Gross Expenditure**

The gross expenditure of all services has been effected by the removal of notional interest which would have been within the gross expenditure in the Council's consolidated revenue account.

### **2. Gross Income**

Government grants and capital contributions amortised have been included in the income of the relevant individual services.

### **3. Segmental Analysis**

The operating expenditure and income of Eastbourne Buses has been included within Highways, Roads and Transport.

### **4. Disposal of Fixed Assets**

Profits/losses on disposal of fixed assets have been calculated and included within net cost of services.

### **5. Intra-group Transactions**

Interest payable by Eastbourne Buses to the Council has been treated as an intra-group transaction and eliminated from Interest Payable and Interest Receivable.

### **6. Appropriations**

In order to reconcile the amount to be met from Government Grants and Local Taxpayers, an appropriation equal to the net consolidation adjustments is required. It reverses Eastbourne Buses' net profit after tax of £81,000 less minority interest share of £16,000.

### **7. Amounts to be met from Government Grants and Local Taxation**

This is the same amount as that disclosed in the single entity consolidated revenue account of the Council (page 22).

## Group Balance Sheet as at 31<sup>st</sup> March 2005

	£'000	£'000
Fixed Assets		
Intangible Assets		
Goodwill (Note 1)		219
Operational Assets (Note 2)		
Council Dwellings		224,967
Other Land and Buildings		42,921
Vehicles, Plant, Furniture and Equipment		4,407
Infrastructure Assets		28,664
Community Assets		490
Non-operational assets		13,270
Deferred Premiums		3,326
Other Long Term Investments (Note 3)		50
Long Term Debtors		106
<b>Total Fixed Assets</b>		<b>318,420</b>
Current Assets		
Stock	231	
Debtors	7,783	
Investments	4,000	
Cash	251	
	12,265	
Current Liabilities		
Borrowing repayable on demand or within 12 months	(81)	
Creditors	(10,429)	
Bank Overdraft	(754)	
	(11,264)	
Net Current Liabilities		1,001
<b>Total Assets Less Current Liabilities</b>		<b>319,421</b>
Long Term Loans (Note 3)		(54,502)
Provision for Liabilities and Charges		(96)
<b>Net Assets Before Pensions Asset or Liability</b>		<b>264,823</b>
Pensions Liability		(24,209)
<b>Net Assets</b>		<b>240,614</b>
Share Premium		64
Fixed Asset Restatement Account		206,559
Capital Financing Account		47,313
Useable Capital Receipts		2,222
Income and Expenditure Reserve		8,314
Pensions Reserve		(24,209)
<b>Group Balances and Reserves</b>		<b>240,263</b>
Minority Interest (Note 4)		351
<b>Total Balances and Reserves</b>		<b>240,614</b>

## Notes to the Group Balance Sheet:

### 1. Intangible Fixed Assets

Goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. The goodwill shown here relates to the purchase of certain bus routes by Eastbourne Buses and is being amortised over a period of 10 years.

### 2. Operational Assets

Operational assets include tangible fixed assets held by Eastbourne Buses as follows:

<b>Assets</b>	<b>Net Book Value as at 31/12/04 £'000</b>
Leasehold Property	£717
Plant & Machinery	£102
Motor Vehicles	£3,208
Equipment	£61
<b>Total</b>	<b>£4,088</b>

### 3. Intra-group Balances

The Council made a debenture loan to Eastbourne Buses which shows as a long-term investment in the Council's accounts and a long-term liability in Eastbourne Buses accounts. This balance has been treated as an intra-group balance and eliminated from the group accounts. Eastbourne Buses have made a repayment on the loan since their balance sheet date of 31<sup>st</sup> December 2004 and this has been reflected in the consolidated accounts.

### 4. Minority Interest

Eastbourne Buses' financial results and balances have been consolidated in full into the group accounts to reflect the fact that the Council has 100% control over the financial and operating policies of the company. However, the ultimate rights to economic benefits for the Council are limited to those attributable to its shareholding (80%) and a proportion (20%) of the capital and reserves of the company have been identified in the accounts as attributable to the minority interest.

For further details on the accounts of Eastbourne Buses, please refer to note 4 of the Consolidated Balance Sheet on page 39 of the main accounts.



## Group Cash Flow Statement for the Year Ended 31<sup>st</sup> March 2005

NB: Inflows show as negative figures ( )

	<b>£'000</b>	<b>£'000</b>
<b>Net Cash Inflow from Revenue Activities</b>		(6,463)
<b>Returns on Investments and Servicing of Finance</b>		
Interest Paid	2,545	
Interest Received	(503)	
	2,042	2,042
<b>Taxation</b>		NIL
<b>Capital Expenditure and Financial Investment</b>		
Purchase of Fixed Assets	6,889	
Other Capital Cash Payments	1,211	
Sale of Fixed Assets	(3,159)	
Capital Grants Received	(1,302)	
Other Capital Cash Received	(310)	
	3,329	3,329
<b>Net Cash Inflow before Financing</b>		(1,092)
<b>Management of Liquid Resources</b>		
Net Increase/(Decrease) in Short Term Deposits		(5,000)
<b>Financing</b>		
Repayments of Amounts Borrowed	7,099	
Capital Element of Finance Lease	410	
New Loans Raised	(1,500)	
	6,009	6,009
<b>Net (Increase)/Decrease in Cash</b>		<b>(83)</b>

Notes:

1. Reconciliation between the net surplus/deficit on the group income and expenditure account to the revenue/operating activities net cash flow:

	<b>2004-2005</b>	<b>£'000</b>
Group deficit		142
Adjusted for:		
Non Cash Items		(3,636)
Working Capital Movements		(1,090)
Items shown elsewhere within the Cash Flow Statement		(1,879)
<b>Net Cash Inflow from Revenue Activities</b>		<b>(6,463)</b>

## **Group Statement of Total Movement on Reserves**

	-	Useable Capital Receipts	Capital Financing Account	Capital Earmarked Reserve	General Fund & Collect- ion Fund Balance	Revenue Earmarked Reserves	Pensions Reserve	Major Repairs	HRA Balance	Gvnt Grants Deferred	Capital Contr. Deferred	Group Profit and Loss	Other Group Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance B/F	178,102	3,697	44,604	3,306	1,052	1,585	(12,415)	0	989	19,401	3,944	(148)	398	244,515
Net Surplus/ Deficit for Year	0	(1,475)	(4,929)	481	(175)	365	248	0	791	(545)	(65)	68	17	(5,219)
Unrealised Gains/ Losses on Re- valuation of Fixed Assets	30,675	0	0	0	0	0	(12,042)	0	0	0	0	0	0	18,633
Effects of Disposal of Fixed Assets	(2,218)	0	0	0	0	0	0	0	0	0	0	0	0	(2,218)
Financ- ing of Fixed Assets	0	0	7,638	0	0	0	0	0	0	0	0	0	0	7,638
<b>Balance C/F</b>	<b>206,559</b>	<b>2,222</b>	<b>47,313</b>	<b>3,787</b>	<b>877</b>	<b>1,950</b>	<b>(24,209)</b>	<b>0</b>	<b>1,780</b>	<b>18,856</b>	<b>3,879</b>	<b>(80)</b>	<b>415</b>	<b>263,349</b>

