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## **INTRODUCTION**

The Statement of Accounts details the Council's financial activities for the year 1<sup>st</sup> April 2006 to 31<sup>st</sup> March 2007 and comprises:

- **Independent Auditors Report**
- **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:**
  - **Income and Expenditure 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.
  - **Consolidated Balance Sheet** - This statement sets out the overall financial position of the Council as at 31<sup>st</sup> March 2007. 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 Recognised Gains and Losses** - 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.
  - **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.
  - **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 2006-2007 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 2006-07 actual net expenditure amounted to £15.383m which was mainly funded by Government Grants and the precept on the Collection Fund. The surplus of £1.769m 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	991	1,089	98
Cultural & Related Services	5,960	5,706	(254)
Environmental Services	5,975	6,423	448
Planning & Development Services	1,078	1,040	(38)
Highways, Roads & Transport Services	1,130	1,126	(4)
Housing Services	(2,428)	(2,988)	(560)
Corporate & Democratic Core	1,781	1,717	(64)
Non Distributed Costs	267	188	(79)
<b>Net Cost of Services</b>	<b>14,754</b>	<b>14,301</b>	<b>(453)</b>
Corporate Operating Expenditure	1,691	382	(1,309)
Appropriations	700	700	0
<b>Total Net Expenditure</b>	<b>17,145</b>	<b>15,383</b>	<b>(1,762)</b>
<b>Funded by:</b>			
Demand on the Collection Fund	(7,219)	(7,219)	0
Revenue Support Grant	(1,606)	(1,613)	(7)
Contribution from non-domestic rate pool	(8,320)	(8,320)	0
<b>(Surplus) / Deficit for the year</b>	<b>0</b>	<b>(1,769)</b>	<b>(1,769)</b>

The actual figures within Net Cost of Services include Council Housing. This is separately accounted for within the Housing Revenue Account (page 50) but included within the Income and Expenditure Account (page 25) from which the above figures are taken.

The General Fund working balance stands at £3,106m at 31<sup>st</sup> March 2007. This sum is held as uncommitted and as a contingency against unforeseen occurrences.

N.B. The accounting disclosures required by the introduction of FRS17 accounting for pensions have been included within the actual figures for 2006-2007. This will account for some of the difference when compared with 2006-2007 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 and it transferred responsibility for the management of the housing stock to Eastbourne Homes Ltd, an arms length management organisation on 1<sup>st</sup> April 2005.

At 31<sup>st</sup> March 2007 it provided 3,780 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 2006-2007 the Housing Revenue Account (HRA) budgeted for income and expenditure of £13.745m. In the event actual income fell to £13.653m, principally due to a reduction of £83,000 in HRA subsidy receivable. Actual expenditure rose to £14.865m, principally due to £1.498m being transferred to a capital reserve for decent home work by Eastbourne Homes Ltd. There was a reduction in the statutory contribution to the General Fund of £179,000 for rent rebate subsidy limitation and a reduction of £54,000 for depreciation charges.

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

	<b>£'000</b>
Opening balance at 1 <sup>st</sup> April 2006	(1,998)
Deficit in 2006-2007	1,212
Closing balance at 31 <sup>st</sup> March 2007	(786)

## 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 2007 but ended the year with a deficit of £1,389,000. The cumulative deficit of £2,201,000 at 31<sup>st</sup> March 2007 will be taken into account when estimating the balance at 31<sup>st</sup> March 2008. 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 2008-2009.

## Capital Spending

The Council's capital spending in the year was £10.247m compared with an original budget of £8.668 m that was revised to £12.173 m to reflect third party contributions. Resources totalling £13.737m were actually received in 2006-07. Earmarked reserves held as at 31<sup>st</sup> March 2007 amount to £6.572m, so after financing this allows a balance to be carried forward to support 2007-08 plans.

The main items of capital expenditure are set out below:

	<b>£'000</b>
Housing Capital Expenditure	
• stock improvement	5,200
• private sector housing grants	962
• cash incentive scheme	0

- other housing schemes 363

#### Non-Housing Capital Expenditure

- Theatres and the cultural centre 2,618
- Eastbourne Park deep water lake 6
- Tourism Sports and Leisure facilities 157
- Office accommodation strategy 34
- IT systems including Implementing Electronic Government 318
- Other non-housing schemes 560
- Heritage Economic regeneration scheme 29

<b>Total Capital Expenditure</b>	<b>10,247</b>
----------------------------------	---------------

Capital expenditure has been financed as follows:

- |  | <b>£'000</b> |
|--|--------------|
| • major repairs reserve  | 2,696        |
| • government borrowing permissions (supported capital expenditure) | 0            |
| • capital contributions from partners and developers               | 3,885        |
| • capital receipts   | 1,291        |
| • government grants  | 965          |
| • revenue Contributions  | 1,410        |
| • capital reserves   |              |

<b>Total Capital Financing</b>	<b>10,247</b>
--------------------------------	---------------

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

There have been no unusual charges or material changes to assets or liabilities arising during 2006-07.

### **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 2006 SORP introduced a number of minor changes that have been reflected in the accounts.

Depreciation is now charged on the opening balance; depreciation was previously charged on the mid year value.

### **CHANGES IN FUNCTIONS**

There have been no changes in the functions of the Council for 2006/2007.

### **LOANS AND INVESTMENTS**

The Council's external loan debt at 31<sup>st</sup> March 2007, comprising long-term borrowing and short-term borrowing stood at £31.248m. This is a net decrease of £67,000 over the previous year, as a result principal repayments.

Short-term investments of £7.575m were held at 31<sup>st</sup> March 2007 compared with nil the previous year. This increase was the result of a receipt in respect of overpaid NNDR contribution in 05/06, together with the proceeds from the sale of capital assets during the year.

## **PENSIONS**

The Council's share of the East Sussex Pension Scheme, as assessed by the actuary's valuation, shows a net liability of £19.7m. Further information is disclosed within the notes to the Income and Expenditure Account and Consolidated Balance Sheet.

## **RESERVES**

The Council's total usable reserves at 31<sup>st</sup> March 2007 amounted to £239.8m, an increase of £18.8m over the previous year. These are analysed within the Consolidated Balance Sheet (page 26), they include usable capital receipts reserve £8.3m, earmarked reserves £6.6m and pensions reserve (£19.7m). Usable capital receipts reserve is available solely to finance future capital spending.

Revenue balances includes £3.1m held by the General Fund for cash flow purposes and as a contingency against unforeseen circumstances. It also includes a £2.2m deficit held in the Collection Fund of which £850,000 is being collected in 2007-2008 and £1.35m will be taken into account in setting Council Tax for 2008-2009, and a surplus of £0.8 m held by the Housing Revenue Account. This is in excess of the recommended HRA balance of £0.5m needed to finance cashflow and unforeseen circumstances. The balance will be available to support the Council's Arms Length Management Organisation (Eastbourne Homes Ltd) in its delivery of an investment programme to meet Decent Homes Standards.

## **PLANNED FUTURE DEVELOPMENT**

### **Capital**

Within the Council's capital strategy, the main scheme is the construction of a new Cultural Centre which is due for completion by December 2007.

## **THE ACCOUNTS AND AUDIT REGULATIONS 2003**

In accordance with Regulations 10(3) and 10(4) of the above the Chair of the meeting adopting the Statement of Accounts must sign and date the statement (as below) in order to confirm that the adoption process has been completed.

I confirm that the adoption process for the Statement of Accounts for 2006-2007 has been formally completed.

Signed

Councillor Neil Stanley  
Chair, Annual Accounts Committee

Date

## **FURTHER INFORMATION**

Summary financial information is published annually on the Council's website ([eastbourne.gov.uk](http://eastbourne.gov.uk)). Further information on any of the financial statements may be obtained from the Assistant Director - Financial Management, 68 Grove Road, Eastbourne, BN21 4UH.

**INDEPENDENT AUDITOR'S REPORT TO EASTBOURNE BOROUGH COUNCIL**

**Audit Report to follow**



## 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 2006: 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 Notes 25 and 33 to the Consolidated Balance Sheet, on page 43 & 46.

The Council also maintains certain provisions whereby sums are set aside to meet specific liabilities. Details can be found in Note 25 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 determine 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 2006. Subsequent revaluations of fixed assets will be in accordance with an agreed risk based programme.

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 Income and Expenditure 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, a proportion of the receipt is reserved for payment to the national pool of capital receipts.

Immediately prior to disposal, the asset is re-valued and any change in value is reflected in the fixed asset restatement account and written out on disposal.

## **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.
- depreciation is charged on the opening balance and therefore assets are not depreciated in the year of acquisition. This is a change to the previous policy. Assets in the course of construction are not depreciated until they are brought into use
- depreciation is calculated over the following periods:
  - Council Dwellings 60 years
  - Other Land and Buildings 35 years
  - Vehicles, Plant, and Equipment 3-10 years
  - Community Assets 5-20 years
  - Infrastructure assets 10-40 years
- amortisation of intangible assets is made over a period not exceeding 21 years.

Council Dwellings are depreciated following the introduction of Resource Accounting for the Housing Revenue Account from 1<sup>st</sup> April 2001. Up to 2004-2005 the Major Repairs Allowance was used as proxy to calculate housing stock depreciation. From 2005-2006 depreciation has been calculated using the value of housing stock as at 1<sup>st</sup> April.

## **Charges to revenue**

Service revenue accounts and central support services are charged with depreciation.

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 Income and Expenditure 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 Department of Communities & Local Government (DCLG) 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 Income and Expenditure Account and then reversed through 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 Income & Expenditure 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 Income and Expenditure Account and the Balance Sheet.

More detailed information is contained within note 4 to the accounting statements on page 30.

## **12. RELATED COMPANIES**

The Council holds an investment in Eastbourne Buses Limited. Under the new modified group accounting requirements introduced in 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 58). In accordance with 2006 SORP it has been determined that both Eastbourne Homes Ltd (ALMO) and Wealden and Eastbourne Lifeline are not required to be included in the Council's group accounts.

### **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 Income and Expenditure 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 ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Director – Financial Management
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

### **The Assistant Director – Financial Management's (Statutory Section 151 Officer) Responsibilities**

The Assistant Director – Financial Management 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 Assistant Director – Financial Management***

- 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 Assistant Director – Financial Management 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 2007 and its income and expenditure for the year ended 31<sup>st</sup> March 2007.

Lesley Lane  
Assistant Director – Financial Management  
Statutory Section 151 Officer

Signature

Date

## **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. EBC has a statutory 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 responsible for ensuring that there is a sound system of internal control which facilitates the effective delivery 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<sup>st</sup> March 2007 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues 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 and updated in December 2005. 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 within 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 5 areas are as follows:

#### 1. Community Focus

- The Eastbourne Community Strategy was initially developed during 2003. This was subsequently revised and relaunched by the Eastbourne Strategic Partnership, which includes stakeholders from public, private and voluntary sectors, to cover the period 2005-2020. It was subject to wide public consultation and was simplified in response to feedback.
- EBC's Performance Plan sets out its contribution to delivery of the Community Strategy. This 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 recent years.
- A communication and consultation strategy sets out arrangements for ensuring this information is disseminated to all sections of the community. This includes development of the Council website. The strategy is to be reviewed in 2007.
- 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 Use of Resources assessment.

#### 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 the delivery of these.
- The Scrutiny Committee was responsible in 2006/2007 for monitoring achievement of the Performance Plan 'Hot' targets. The Committee also received quarterly performance reports on Best Value Performance Indicators (BVPIs). Both reports are also considered by the Corporate Management Team.
- 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.
- The Strategic Procurement Plan is a three year plan that identifies and prioritises areas of activity that will generate significant savings, transfer intolerable risk, improve quality or otherwise contribute to corporate priorities. The Efficiency Review Programme provides 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 Financial Services is responsible to the Council for ensuring its financial affairs are properly managed; the Assistant Director - Financial Management and the Monitoring Officer are responsible to the Council for ensuring that statutory obligations required under the Local Government Act 1972 are met.

### 4. Risk Management and Internal Control

- The Council has an agreed 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 as well as regular meetings of the Risk Management Group (who report to CMT) and the Audit Task Group. 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 Quarterly updates to the Council's senior Management Team – each key risk area has an allocated AD lead
  - o Monitoring of risks associated with key priorities (hot targets) via Scrutiny Group;
  - o Monitoring of strategic and high level operational risks by the Risk Management Group and Audit Task Group;
  - o Review of the risk management strategy by the Risk Management Group and Audit Task Group;
  - o All staff have job descriptions and person specifications, annual appraisals and training plans linked to delivery of the Council's objectives. The Council's processes are endorsed by the Investors in People award.
- The Council's systems for risk management and internal control are subject to evaluation via Use of Resources assessment, 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 a responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control. This 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. Comments made by the appointed external auditor in the annual audit letter and by other review agencies and inspectorates are also considered in this review.

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.
- The Audit Commission carried out a review of the Council's Use of Resources and judged that overall the Council remained at a level 2, however the Internal Control key line of enquiry moved from a 1 to a 2 rating due to improvements put in place.
- In arriving at its Use of Resources judgement the auditor assessed the following individual elements and scored them up to a maximum of 4: Financial Reporting 1, Financial Management 2, Financial Standing 2, Internal Control 2, and Value for Money 2.
- Audit Task Group have met five times and have considered all Internal Audit work, Internal Audit Plan for 2007-2011, the Corporate Risk Register and this statement of internal control. This task group also receives copies of all Internal Audit reports and reviews progress against recommendations able to progress any items for further review to Scrutiny as it sees fit
- Scrutiny receives copies of all Internal Audit reports and would receive updates on areas of concern where recommendations have not been applied, however, no such cases had developed in 2006-07
- The role of Performance Management Task Group is to monitor key performance indicators (hot targets) and hold officers to account.

In addition the Risk Management Group consisting of 5 senior officers, the Principal Internal Auditor and the Strategic Projects Co-ordinator has reviewed the improvement plan included in the 2005-2006 Statement of Internal Control and the following progress has been made.

<b>Improvement Area</b>	<b>Action Agreed</b>	<b>Lead</b>	<b>Action Taken</b>
1. Risk management	Fully implement the approved Risk	Director of FS	Development of Strategic Risk Register.

	<p>Management Strategy and Policy Statement. Specifically, establish a mechanism to ensure that service level risks arising from the service and financial planning framework are considered at a corporate level, paying particular attention to the likely impact of the risks on the achievement of corporate priorities.</p>	<p>Asst Dir S &amp; D</p>	<p>Establishment of Risk Management Group to monitor strategic risks and significant operational risks, and to oversee review of risk management strategy. Risk Management Group reports to CMT and Audit Task Group.</p>
<p>2. Procedure notes covering all business critical systems</p>	<p>Ensure that procedure notes cover all business critical systems in accordance with the 2004/2005 statement of internal control action plan.</p>	<p>Asst Dir FM Chief Internal Auditor</p>	<p>A detailed review has been completed of all major systems and key controls logged. These include Debtors, Treasury Management, Creditors, Housing Benefits, NNDR, Council Tax, Housing Rents and Payroll. The information recorded has also enabled an assurance framework to be developed which includes manager check lists and an overall framework for internal audit reviews. Also a detailed Finance Manual is being put in place to supplement the overarching financial procedures which will also be reviewed during 2007-08. A draft scheme of delegation has been prepared for the organisation which will be formally adopted by CMT during 2007-08</p>
<p>3. Controls Assurance</p>	<p>Ensure that timely, accurate, up to date, and relevant reconciliations are performed regularly for all key financial systems.</p>	<p>Asst Dir FM CIA</p>	<p>A thorough review of all reconciliations has taken place as part of 2006-07 close down. As a result some process improvements have already been adopted. Further improvements</p>

			are planned to enhance the bank reconciliation process and interface between the cash receipting system and the general ledger for implementation in July 2007. These will be checked by Internal Audit in consultation with External Audit.
4. Role and Functioning of Audit Committee	Create an Audit Task Group to report to Scrutiny Committee	Chair of Scrutiny Director of FS	The Audit Task Group has been set up and met on a number of occasions this year. They have considered various items including the review of internal Audit work and progress against the Audit Plan, individual audit reports, the Internal Audit Plan for 2007-2011. They also considered the effectiveness of the authority's risk management arrangements including the Corporate Risk Policy and Register.
5. Consultation and communications planning	Annual plan to be produced.	AD S&D	Consultation needs are identified through the annual Service and Financial Planning process. An annual Corporate Consultation Calendar has been produced for 2007/8 and published on the Council's website, information on consultation for past years is also available on the website at <a href="http://www.eastbourne.gov.uk/council/consultations">http://www.eastbourne.gov.uk/council/consultations</a>
6. Information Technology Strategy	Develop and agree a strategy to ensure that the information technology requirements needed to support the delivery of the Council Plan and its corporate priorities are considered at a corporate level	CMT	Following the launch of the new partnership agreement with our new IT suppliers the Council now has a Transformation Programme in place to take it forward with a number of key strategic

			projects being implemented in 2007-08
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## 5. Significant Internal Control Issues

In carrying out its inspection of the Council's Use of Resources and arriving at its overall assessment, the Audit Commission scored the Council as 2 for Internal Control. The Audit Commission had previously identified two fundamental weaknesses relating to corporate risk arrangements and business critical system procedure notes.

The Council has addressed these areas of weakness and details of these improvements can be found in paragraph 4 above.

The Council has become aware of a number of serious issues during the close down period of the 2006/2007 accounts. These primarily relate to the Collection Fund and cash handling although there is need for further reassurance in the robustness of contractual arrangement procedures and payment methods used by our customers. In addition the Council is aware of further improvements it can make and these are set out below in the 2007-2008 Improvement Plan.

## 6. 2007-2008 Improvement Plan

As a result of the review activity carried out over the past year the following improvement areas and actions have been agreed for 2007-08:

<b>Improvement Area</b>	<b>Action Agreed</b>	<b>Lead Responsibility</b>
1. Risk management	Training Programme to be developed and implemented upon adoption of the updated Risk Management Strategy for Officers and Members	AD S&D ADFM
2. Asset Management	The preparation and adoption by the Council of a formal Asset Management Plan and the integration of this plan with the capital investment plan.	AD A&CM ADFM
3. Controls Assurance	Ensure that enhancement work on the bank reconciliation process and interface between the cash receipting system and the general ledger is completed by the end of July 2007. This will be comprehensively checked by Internal Audit in consultation with External Audit.	ADFM
4. Business Assurance	To implement business assurance framework for main business systems (including Debtors, Treasury	ADFM PIA

	Management, Creditors, Housing Benefits, NNDR, Council Tax, Housing Rents and Payroll) reporting and review processes.	
5. Business Continuity	To develop, test and maintain Business Continuity Plans for the Council's services as per agreed timetable.	AD S&D
6. Data Quality	Data quality policy statement to be reviewed and approved by CMT as part of an annual review programme. Internal Audit checks to be held on selected PI collection areas. Develop Members' scrutiny role to assure data quality. Data quality audit to be completed creating a central database of data collected and returned to various Central Government departments and agencies.	AD S&D CMT
7. Financial Procedures	To review and agree the Council's financial procedures with incorporated finance manual	ADFM CMT
8. Scheme of Delegation	To agree the Council's Scheme of Delegation	ADFM CMT
9. Communication	The Corporate Communications Strategy 2004-2007 and the Corporate Communications participation, Reputation and Branding guidance are scheduled to be reviewed during summer 2007.	ADET&P
10. Information Technology	The implementation of key strategic projects as outlined in the Transformation Programme	ADCS
11. Medium Term Financial Strategy – Four year plan	The preparation and adoption by the Council of a four year plan incorporating the Council's vision, Priorities and objectives	CMT
12. Decent Homes Requirement	Achieve ALMO 2 star rating	ADH&HS/CMT
13. Review of Effectiveness	Complete an independent forensic validation of the work undertaken in the action plan agreed at the Accounts Committee on 25 September 2007	CEx & ADFM
14. Payment methods	Review all payment methods	CEx & ADFM

	used to ensure effectiveness whether provided by contractors or in house	
15. Contractual Arrangements	Review procedures and processes for procurement of contracted services and the monitoring of performance	CEx & CMT
16. Collection Fund	Review outcome for 2006/7 and reasons for deficit and review current position for 2007/8 and implications for future years	CEx & ADFM

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 of the plan for further actions to ensure continuous improvement of the system is in place.

Councillor Tutt  
 Leader of the Council  
 Martin Ray  
 Chief Executive



## INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31<sup>st</sup> MARCH 2007

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>2005/06</b>	<b>2006/07</b>	<b>2006/07</b>	<b>2006/07</b>
<b>NET</b>	<b>GROSS</b>	<b>GROSS</b>	<b>NET</b>
<b>£'000</b>	<b>EXPEND.</b>	<b>INCOME</b>	<b>£'000</b>
1,441 Central Services to the Public	2,320	1,231	1,089
6,137 Cultural & Related Services	15,411	9,705	5,706
5,758 Environmental Services	10,598	4,175	6,423
505 Planning & Development Services	2,653	1,613	1,040
316 Highways, Roads & Transport Services	2,429	1,303	1,126
2,340 Housing Services	43,383	42,931	452
(3,516) Council Housing	10,213	13,653	(3,440)
1,650 Corporate & Democratic Core	3,535	1,818	1,717
654 Non Distributed Costs	188	0	188
<b>15,285 Net Cost of Services</b>	<b>90,730</b>	<b>76,429</b>	<b>14,301</b>
0 (Gains) / losses on sale of fixed assets			(607)
0 Precepts/Levies of local precepting authorities			222
0 (Surplus)/deficit of trading operations			(316)
2,361 External Interest payable			2,427
1,418 Contribution of housing capital receipts to Government Pool			1,184
665 Losses/(Gains) on the Repurchase or early settlement of Borrowing			655
(341) Interest and Investment Income			(570)
417 Pensions Interest Cost and Expected Return on Pensions Assets			94
<b>19,805 Net Operating Expenditure</b>			<b>17,390</b>
(6,916) Demand on the Collection Fund			(7,219)
(6,347) Revenue Support Grant			(1,613)
(2,640) Non-Domestic Rates Distribution			(8,320)
<b>3,902 (Surplus)/Deficit for the year</b>			<b>238</b>

## STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

This statement sets out in outline the difference between the amounts chargeable to the Income and Expenditure Account, in accordance with proper accounting practice, and the total chargeable to the General Fund, and therefore impacting on the amounts charged to Council Tax. The amounts summarised above are set out in detail in Note 13.

<b>2005/06</b>	<b>2006/07</b>
<b>NET</b>	<b>NET</b>
<b>£'000</b>	<b>£'000</b>
(1,233) Opening General Fund Balance	(1,336)
3,902 (Surplus) / Deficit for the year	238



(24,350)	Pensions Liability	4	(19,710)
(71)	Deferred Credits	26	(59)
(2,582)	Govt Grants & Contributions unapplied		(2,291)
<b>222,688</b>	<b>Total Assets less Liabilities</b>		<b>239,886</b>
190,778	Fixed Asset Restatement Account	29	196,240
47,039	Capital Financing Account	30	46,788
1,590	Usable Capital Receipts Reserve	31	8,304
(24,350)	Pensions Reserve	4	(19,710)
116	Major Repairs Reserve		0
4,993	Earmarked Reserves	34	6,572
1,998	Housing Revenue Account Balance		786
(812)	Collection Fund		(2,201)
1,336	General Fund Balance		3,106
<b>222,688</b>	<b>Total Equity</b>		<b>239,886</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 2007 and its income and expenditure for the year 2006-2007.

Lesley Lane, Assistant Director – Financial Management  
Statutory Section 151 Officer

#### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the recognised gains and losses of the authority, and identifies those which have and have not been recognised in the Income and Expenditure Account. The statement separates the movements between revenue and capital reserves.

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
456	(Surplus) / Deficit on Collection Fund	1,389
3,902	(Surplus) / Deficit on General Fund	238
21,498	(Gain) / Loss on valuation of fixed assets	(14,047)
(215)	Actuarial (gain) loss on net pension fund liabilities	(4,778)
<b>25,641</b>	<b>Total recognised (gains) / losses for the year</b>	<b>(17,198)</b>

#### CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

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

**2005/06**  
**£'000**

**2006/07**  
**£'000**

**2006/07**  
**£'000**

#### REVENUE ACTIVITIES

##### Cash Outflows

14,286	Cash paid to and on behalf of employees	13,444
23,619	Other operating cash payments	33,596

22,864	Housing Benefits paid out	24,299	
29,895	NNDR payments to national pool	22,454	
34,188	Precept paid to East Sussex County Council	36,454	
2,387	Precept paid to East Sussex Fire Authority	2,551	
3,930	Precept paid to Sussex Police Authority	4,202	
1,563	Payments to the Capital Receipts Pool	1,184	
<b>132,732</b>			<b>138,184</b>
	<b>Cash Inflows</b>		
(5,134)	Housing Rents (after rebates)	(4,560)	
(41,488)	Council Tax receipts	(41,491)	
(23,402)	Non-Domestic rate receipts	(24,546)	
(6,347)	Revenue Support Grant	(1,613)	
(2,640)	NNDR receipts from national pool	(8,320)	
(35,093)	DWP grants for benefits	(37,608)	
(3,639)	Other government grants (note 39)	(3,115)	
(15,831)	Cash received for goods and services	(22,349)	
642	Other operating cash receipts	(135)	
<b>(132,932)</b>			<b>(143,737)</b>
<b>(200)</b>	<b>Revenue Activities Net Cash (Inflow)/Outflow</b>		<b>(5,553)</b>
	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
1,694	Interest paid	1,773	
	<b>Cash Inflows</b>		
(409)	Interest received	(520)	
<b>1,285</b>			<b>1,253</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
7,134	Purchase of fixed assets	8,850	
1,670	Other capital cash payments	1,398	
<b>8,804</b>			<b>10,248</b>
	<b>Cash Inflows</b>		
(3,131)	Sale of fixed assets	(9,178)	
(428)	Capital grants received	(1,544)	
(2,473)	Other capital cash receipts	(3,015)	
<b>(6,032)</b>			<b>(13,737)</b>
<b>3,857</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>(7,789)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>(4,000)</b>	Net increase/(decrease) in Short Term Deposits		<b>7,575</b>

## FINANCING

### Cash Outflows

<b>67</b>	Repayments of amounts borrowed	533	
	Reduction in short term debt	33	

### Cash Inflows

<b>(1,500)</b>	New loans raised	(500)	
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**66**

<b>(1,576)</b>	<b>Net (Increase)/Decrease in Cash</b>		<b>(148)</b>
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## NOTES TO THE ACCOUNTING STATEMENTS

### 1. APPROVAL OF THE STATEMENT OF ACCOUNTS

### 2. SURPLUSES/DEFICITS ON TRADING UNDERTAKINGS

The Council has no trading activities.

### 3. DEFERRED PREMIUMS

The Council regularly examines its long term borrowing portfolio and reschedules loans if it is possible to make a revenue saving. Some of these deals involve the payment of a premium, the cost of which is outweighed by the saving on interest payments. The table below shows the movement during the year on premiums yet to be written off.

<b>2005-06</b> <b>£'000</b>		<b>2006-07</b> <b>£'000</b>
3,326	Balance at the beginning of the year	2,661
0	Premiums paid	0
	Amounts written back to the Income and Expenditure Account:	
0	General Fund	0
(665)	Housing Revenue Account	(655)
(665)		(655)
<b>2,661</b>	<b>Balance at the end of the year</b>	<b>2,006</b>

### 4. DEFINED BENEFIT PENSION SCHEME

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

The Council participates in the Local Government Pension Scheme, and therefore in the East Sussex Pension Scheme, which is administered by East Sussex County Council. The council also has liabilities for discretionary payments for added years, etc., both for local government employees and for teachers. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against council tax is based on the contributions payable in the year. To adjust for this statutory requirement, the estimated long-term cost of retirement benefits is included in the Income and Expenditure Account, but the net effect is removed through the Statement of Movement on the General Fund Balance. The balance sheet therefore shows an overall liability for the cost of providing pensions in future years, less an apportionment of the assets held on behalf of the Council by the Pension Fund.

This liability is exactly balanced by a statutory Pensions Reserve. The table below shows analyses the annual movements in both the Pensions Liability and the Pensions Reserve.

	2005/06		2006/07	
	£000	%	£000	%
Liabilities 1 April - share of pension fund	(74,696)		(84,420)	
- unfunded discretionary pensions	(4,869)		(5,370)	
	<u>(79,565)</u>		<u>(89,790)</u>	
Less share of pension fund assets	55,356		65,440	
<b>Net opening liability</b>	<u>(24,209)</u>		<u>(24,350)</u>	
<b>Annual movements in liability:</b>				
<b>Net Cost of Services:</b>				
Current Service Cost	(1,321)		(1,650)	
Past Service Cost	(47)		NIL	
Settlements and Curtailments	(607)		(188)	
<b>Net Operating Expenditure:</b>				
Interest Cost	(4,169)		(4,373)	
Expected Return on Assets	3,741		4,279	
Adjust for actual amount charged against council tax:				
Employer's contributions	1,672		1,794	
Unfunded retirement benefits payable to pensioners	0		0	
<b>Net movement on Pensions Reserve</b>	<u>(731)</u>		<u>(138)</u>	
<b>Actuarial gains and losses:</b>				
Expected and actual return on assets	9,299	14.2	33	0.0
Gains and losses on scheme liabilities	358	0.4	51	0.1
Changes in demographic and financial assumptions	(9,067)	(10.1)	4,694	5.3
	<u>590</u>	<u>0.7</u>	<u>4,778</u>	<u>5.4</u>
<b>Net liabilities 31 March</b>	<u><b>(24,350)</b></u>		<u><b>(19,710)</b></u>	
Liabilities 31 March - share of pension fund	(84,420)		(83,046)	
- unfunded discretionary pensions	(5,370)		(5,255)	
	<u>(89,790)</u>		<u>(88,301)</u>	
Less share of pension fund assets	65,440		68,591	
<b>Net closing liability</b>	<u><b>(24,350)</b></u>		<u><b>(19,710)</b></u>	

The net liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The total liability of £19.7m at 31 March 2007 has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However there are several other points which mitigate the effect of this deficit:

- The interest rate used for discounting the liabilities for future pensions is related to bond yields, and is specified as such for the purposes of this statement. However this is lower than the returns from the actual

investments that we manage, and that the actuaries estimate when assessing contributions to the Pension Fund.

- The deficit on the funded element of the scheme will be made good by increased employer's contributions over the remaining working life of the employees, as assessed by the scheme actuary.
- Provision is made within the Council's budget for the annual payment of all unfunded pension liabilities.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

	<b>2005/06</b>	<b>2006/07</b>
Rate of inflation	3.1%	3.2%
Rate of increase in salaries	4.6%	4.7%
Rate of increase in pensions	3.1%	3.2%
Rate for discounting scheme liabilities	4.9%	5.4%

Assets in the 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 March 2006</b>	<b>31 March 2007</b>
	%	%	%
Equity investments	7.8	68	65
Bonds	4.9	12	13
Other assets	5.8	10	11
Cash	4.9	10	11
<b>Total</b>	<b>6.9</b>	<b>100</b>	<b>100</b>

At 31 March 2007 the Council owed £121,000 to the East Sussex Pension Fund in respect of employer's and employees' contributions.

Details of the East Sussex Pension Fund, for which a full actuarial valuation was last carried out at 1 April 2004, can be found in the Statement of Accounts of the East Sussex County Council.

## **5. SECTION 137 OF THE LOCAL GOVERNMENT ACT 1972**

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £172,000, mainly on donations to voluntary bodies working in the local area.

## **6. 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>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
204	Tourism and Economic Development	123
34	Public Relations and Information	33
48	Recreation and Leisure	42
112	Recruitment	156
28	Other	93
<b>426</b>		<b>447</b>

## 7. 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>2005/06</b>		<b>2006/07</b>	<b>2006/07</b>	<b>2006/07</b>
<b>£'000</b>		<b>Chargeable</b>	<b>Non -</b>	<b>Total</b>
		<b>£'000</b>	<b>Chargeable</b>	<b>£'000</b>
			<b>£'000</b>	<b>£'000</b>
271	Employee Expenses	217	62	279
2	Premises	NIL	NIL	NIL
21	Transport	11	3	14
38	Supplies/ Services	26	29	55
105	Charges for Support Services	81	20	101
<b>437</b>	<b>Total Expenditure</b>	<b>335</b>	<b>114</b>	<b>449</b>
(325)	Building Regulation charges	(273)	NIL	(273)
(8)	Other income	NIL	(19)	(19)
<b>(333)</b>	<b>Total Income</b>	<b>(273)</b>	<b>(19)</b>	<b>(292)</b>
<b>104</b>	<b>(Surplus)/ Deficit for the Year</b>	<b>62</b>	<b>95</b>	<b>157</b>

## 8. MEMBERS ALLOWANCES

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

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
102	Members Allowances	99

**107****101****9. 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	
	2005-2006	2006-2007	2005-2006	2006-2007
£50,000-£59,999	2	4	0	1
£60,000-£69,999	1	1	1	0
£70,000-£79,999	1	2	0	0
£80,000-£89,999	1	0	0	0
£90,000-£99,999	0	1	0	0

**10. RELATED PARTY TRANSACTIONS**

The Council is obliged to disclose material transactions with related parties, a term which includes central government, authorities for whom the Council collects and distributes council tax and related companies, as well as any financial relationships with members and chief officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the council might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with the Council.

The central government provides much of the County Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Income and Expenditure Account, the Cash Flow Statement, the Collection Fund, and Notes 25, 27 and 55.

Members of the council have direct control over the council's financial and operating policies. None of the members or chief officers had any interests in any related party transactions during the year. The Register of Members' Interests is held at the Town Hall and is open to public inspection.

**11. AUDIT FEES**

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

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
87	Fees payable to the Audit Commission in respect of annual audit. 2006-2007 inspection fee included	97
-	Fees payable to the Audit Commission in respect of inspection	-
53	Fees payable to the Audit Commission for the certification of grant claims and returns	43
17	Fees payable in respect of other services provided by the appointed auditor	30
<b>157</b>		<b>170</b>

The fees for other services relate to:

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		
17	Additional fee for 2005/2006 audit of accounts	30
<b>17</b>		<b>30</b>

## **12. OPERATING LEASES**

The Council uses operating leases to finance 1 Dotto road train, 13 vans, 2 Tractors and 16 Cars.

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

	<b>£'000</b>
Total rentals paid in 2006-07	104
Outstanding obligations	
- 2007-2008	87
- 2008-2009	61
- 2009-2010	31
- 2010-2011	7
-	

The Council also acts as lessor to Eastbourne Homes Ltd. for their use of office accommodation (3<sup>rd</sup> Floor, 1 Grove Road) and office equipment. During 2006-2007 the Council received £54,000 in rentals.

The Council leases 66-68 Grove Road on a fully repairing lease for which it paid £188,000 in rentals in 2006-07.

As part of the agreement of sale for the Towner Art Gallery the Council leases the property free of charge for 18 months from the date of sale.

## **13. ANALYSIS OF MOVEMENTS IN GENERAL FUND**

	<b>Note</b>	<b>2005/06</b>	<b>2006/07</b>
Items included in Income and Expenditure Account, but not chargeable to General Fund			
Depreciation and Impairment of Fixed Assets		(2,509)	(2,365)
Excess of depreciation charged to HRA services over the MRA element of Housing Subsidy		(418)	(228)
Release from Government Grants Deferred Account		937	719
Deferred Charges		(1,670)	(1,398)
Gain/(loss) on sale of fixed assets			607
Withdrawal from Pension Reserve		(725)	(139)
<b>Total</b>		<b>(4,385)</b>	<b>(2,804)</b>
Items not included in Income and Expenditure Account, but legally chargeable to General Fund			
Statutory provision for repayment of debt		204	202
Capital Expenditure charged to revenue account		9	1,410
Transfer from Useable Capital Receipts equal to the amount payable to the national pool		(1,418)	(1,184)
<b>Total</b>		<b>(1,205)</b>	<b>428</b>

Items not included in Income and Expenditure Account,  
but also charged to General Fund

Transfer surplus or deficit for the year on HRA	218	(1,212)
Transfer to / (from) earmarked reserves	1,367	1,580
<b>Total</b>	<b>1,585</b>	<b>368</b>

#### 14. CAPITAL EXPENDITURE AND FINANCING

	2005/06		2006/07	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		34,025		35,292
Operational assets	5,411		5,921	
Non-operational assets	1,239		2,586	
Intangible assets	485		342	
Deferred charges	1,670		1,398	
<b>Total capital investment</b>	<b>8,805</b>		<b>10,247</b>	
Capital receipts	(2,347)		(1,292)	
Government grants	(562)		(965)	
Other contributions	(1,824)		(3,885)	
Revenue financing	(2,601)		(4,106)	
Total financing other than from loan	(7,334)		(10,248)	
<b>Net investment financed from loan</b>		1,471		(1)
Revenue provision for repayment of loans		(204)		(202)
<b>Closing Capital Financing Requirement</b>		<b>35,292</b>		<b>35,089</b>

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

For both years shown above the capital investment financed from loan relate entirely to borrowing categorised as being supported by Government financial assistance, through Revenue Support Grant.

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

	31 March 2006 £000	31 March 2007 £000
Fixed Assets	296,474	305,612
Government Grants Deferred	(18,332)	(18,672)
Capital Contributions Deferred	(5,033)	(8,823)
Capital Financing Account	(47,039)	(46,788)
Fixed Asset Restatement Account	(190,778)	(196,240)
<b>Capital Financing Requirement</b>	<b>35,292</b>	<b>35,089</b>

The Council accounts fully for depreciation of assets in line with accounting standards, but it is legally obliged to provide for the repayment of a proportion of its outstanding loan debt (the Minimum Repayment Provision). As the provision for repayment of debt is less than the amount of depreciation, an adjustment is made by a transfer to revenue from the Capital Financing Account. The Council's provision for repayment of loans was £202,000.

## 15. MOVEMENTS IN FIXED ASSETS

	Operational Assets					Total £'000
	Council Dwellings	Land and Buildings	Vehicles and equipment	Infra-structure	Community Assets	
	£'000	£'000	£'000	£'000	£'000	
<b>Gross Balance at 1<sup>st</sup> April 2006</b>	<b>211,856</b>	<b>43,859</b>	<b>2,533</b>	<b>33,933</b>	<b>1,987</b>	<b>294,168</b>
Additions	5,200	483	56	7	175	5,921
Revaluations	(13,199)	(3,675)	-	-	-	(16,874)
Disposals	(1,560)	(1,008)	-	-	-	(2,568)
<b>Gross Balance at 31<sup>st</sup> March 2007</b>	<b>202,297</b>	<b>39,659</b>	<b>2,589</b>	<b>33,940</b>	<b>2,162</b>	<b>280,647</b>
Accumulated Depn at 1 <sup>st</sup> April 2006	(3,001)	(2,513)	(1,718)	(7,152)	(528)	(14,912)
Write out of Depn on Revaluations	3,001	2,513	-	-	-	5,514
Write out of Depn on Disposals	16	43	-	-	-	59
In Year Depreciation	(2,808)	(906)	(371)	(865)	(60)	(5,010)
<b>Accumulated Depreciation at 31<sup>st</sup> March 2007</b>	<b>(2,792)</b>	<b>(863)</b>	<b>(2,089)</b>	<b>(8,017)</b>	<b>(588)</b>	<b>(14,349)</b>
<b>Balance at 31<sup>st</sup> March 2007</b>	<b>199,505</b>	<b>38,796</b>	<b>500</b>	<b>25,923</b>	<b>1,574</b>	<b>266,298</b>

	Non-operational Assets			Total £'000	Intangible Assets £'000
	Investment Assets	Surplus	Assets under construction		
	£'000	£'000	£'000		
<b>Balance at 1<sup>st</sup> April 2006</b>	<b>8,243</b>	<b>5,707</b>	<b>1,214</b>	<b>15,164</b>	<b>485</b>
Accumulated Depn at 1 <sup>st</sup> April 2006					(81)
Prior period adjustment	-	-	1,648	1,648	-
Additions	-	-	2,586	2,586	342
Revaluations	25,027	321	-	25,348	-
Disposals	-	(6,016)	-	(6,016)	-
In Year Depreciation					(162)
<b>Balance at 31<sup>st</sup> March 2007</b>	<b>33,270</b>	<b>12</b>	<b>5,448</b>	<b>38,730</b>	<b>584</b>

In the context of local authority accounting, Intangible Assets represent software licences; these are valued at acquisition cost and written off over the period of the licence.

None of the operational, non-operational or intangible assets analysed above are held under finance leases, or under the Private Finance Initiative. Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of assets, with the exception of land and community assets.

The life expectancies of the assets are assessed as follows:

Land	Infinite life expectancy
Buildings	Individually assessed by valuers along with valuation
Vehicles	Individually assessed on acquisition
Computer equipment	Individually assessed on acquisition
Other plant and equipment	20 years unless individual assessment made
Infrastructure	
Community assets	Not depreciated
Investment	Individually assessed by valuers along with valuation
Investment land	Infinite life expectancy
Assets under construction	Not depreciated
Surplus buildings	Individually assessed by valuers along with valuation
Surplus land	Infinite life expectancy

## 16. VALUATIONS

The freehold and leasehold properties which comprise the Council's property portfolio (excluding Council Dwellings) have been valued by the Council's own qualified surveyor. The valuation provided a comprehensive review of all assets which resulted in re-categorisation of some assets. Valuations have been carried out in accordance with the Statements of Asset Valuation Practice Guidance Notes of the Royal Institution of Chartered Surveyors.

The Council's stock of council dwellings have been re-valued by the District Valuer. The valuation was carried out by inspection using beacon properties on which to base the valuation.

Revaluation will be carried out on a risk basis annually with a complete review every 5 years in accordance with the SORP.

The basis of valuation for each type of asset, together with the depreciation methodology is detailed in the Statement of Accounting Policies on page 9.

## 17. INFORMATION ON ASSETS HELD

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

	Number as at 31 <sup>st</sup> March 2006	Number as at 31 <sup>st</sup> March 2007'
<b>Council Dwellings</b>		
Houses	1,835	1,824
Flats	1,965	1,956
<b>Operational Buildings</b>		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	1	1
Public Conveniences	32	32
Coach and Lorry Park	1	0
Off-Street Car Parks	14	14
Theatres	3	3
Devonshire Park International Tennis Centre	1	1
Dual Use Sports Centres	2	2
Swimming Pools	2	2
Art Gallery	1	0
Museums	2	1
Tourist Information Centre	1	1
Bandstand	1	1
Sports Park	1	1
<b>Community Assets</b>		
Parks and Open Spaces (hectares)	279	279
Allotments (acres)	42	42
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	8
Community Centres	5	5
Treasure Island	1	1
Other Offices	1	1
Factories	Not reported	7
Hotels	Not reported	13
Shops	Not reported	15
Sports Facilities	Not reported	12
<b>Non-Operational Equipment</b>		
Dotto Road Train	1	1

## 18. CAPITAL COMMITMENTS

The Council had a direct capital commitment at 31<sup>st</sup> March 2007 of £2.4 million to complete the construction of the Cultural Centre. This commitment is expected to be met from capital receipts of £800,000 and fund raising of £1.6m. The overall scheme is budgeted at £8.645m with the remaining £6.245m being met from various funding bodies.

## 19. 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 Income and Expenditure Account and financed from the Capital Financing Account

<b>2005/06</b> <b>£'000</b>		<b>2006/07</b> <b>£'000</b>
	Capital Expenditure in year:	
959	Grants to Housing Associations	0
619	Private Sector Housing Grants	1,325
25	Cash Incentive Scheme	0
18	Heritage Economic Regeneration Scheme	29
49	Other	44
<b>1,670</b>		<b>1,398</b>
(25)	Amounts written off to the Housing Revenue Account	0
(1,645)	Amounts written off to the CRA	(1,398)
<b>(1,670)</b>		<b>(1,398)</b>

## 20. LONG TERM INVESTMENTS AND RELATED COMPANIES

<b>31.03.2006</b> <b>£'000</b>		<b>31.03.2007</b> <b>£'000</b>
1,528	Eastbourne Buses Ltd – shares	1,528
250	Eastbourne Buses Ltd – debenture	200
<b>1,778</b>		<b>1,728</b>
50	Local Government Association - debenture	50
<b>1,828</b>		<b>1,778</b>

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

### Eastbourne Buses Ltd

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 2007 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  
31.12.2006**

	<b>£'000</b>	<b>£'000</b>
Net Assets	197	303
Profit/(Loss) before taxation	(234)	(473)
Profit/(Loss) after taxation	(192)	(419)
Dividends declared	NIL	NIL

The value of the Council's shareholding at 31<sup>st</sup> March 2007 is stated at the net cost incorporated in the Transfer Scheme. On the basis of the Company's latest trading statement to 31 December 2006, this valuation is reasonable when compared to the value of the Company's assets excluding the adjustment for the longer term pension liability which will be met from future years improved performance. 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 company's latest accounts to 31 December 2006 recognise the full cost in that period of providing for retirement benefits to its staff. They also include the related gains, losses, assets and liabilities of the company's defined benefit pension scheme which has a direct impact on the value of its net assets.

If unsustainable losses are incurred by the Company, the Council has an obligation to meet them. Financial support was not required for the period ended 31 December 2006. Copies of the Company's audited accounts may be obtained from the Chief Executive, Town Hall, Eastbourne, BN21 4UG.

**Eastbourne Homes Limited**

The responsibility for the management of Eastbourne's Council housing stock was transferred to Eastbourne Homes Ltd, an arms length management company, on 1<sup>st</sup> April 2005. Eastbourne Homes Ltd is a company limited by guarantee without a share capital and is wholly owned by Eastbourne Borough Council. Its principal activities are to manage, maintain and improve the Council's housing stock.

The Company's key financial results are:

	<b>Period ended 31.03.2006</b>	<b>Period ended 31.03.2007</b>
	£'000	£'000
Net Assets	336	159
(Surplus)/deficit on ordinary activities before tax	302	(64)
(Surplus)/deficit on ordinary activities after tax	298	(71)

Throughout the year, the Council paid Eastbourne Homes Ltd a fee in accordance with the management agreement. In addition, Eastbourne Homes Ltd obtained services from the Council under various Service Level Agreements. At the end of the year the following balances relating to these transactions are as follows:

	£'000
<b>Debtors</b>	
Amounts due from Eastbourne Homes Ltd	1,243
<b>Creditors</b>	1,149
Amounts due to Eastbourne Homes Ltd	

Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at 3<sup>rd</sup> Floor, 1 Grove Road, Eastbourne BN21 4TW.

## 21. DEBTORS

<b>31.3.2006</b>		<b>31.3.2007</b>
<b>£'000</b>		<b>£'000</b>
467	National Non-Domestic Ratepayers	494
4,094	Council Taxpayers	4,563
562	Council House Tenants	536
3,497	Government Departments	2,863
0	Inland Revenue	0
1,417	Customs and Excise	1,348
95	Assisted Car Purchase Loans	81
599	Payments in Advance	231
3,865	Sundry Debtors	7,027
<b>14,596</b>		<b>17,143</b>
	Less: Adjustment for Doubtful Debts	
(1,672)	- Collection Fund	(2,474)
(380)	- Council House Tenants	(368)
(785)	- General	(1,308)
<b>11,759</b>		<b>12,993</b>

## 22. CASH AND BANK BALANCES

	Balance 31.3.2006 £'000	Balance 31.3.2007 £'000	<b>Movement in the year £'000</b>
Bank Overdraft	0	0	<b>0</b>
Cash in hand	820	969	<b>149</b>
	<b>820</b>	<b>969</b>	<b>149</b>

## 23. CREDITORS

<b>31.3.2006</b>		<b>31.3.2007</b>
<b>£'000</b>		<b>£'000</b>
615	Business Ratepayers	553
1,244	Council Taxpayers	1,004
591	Government Departments	462
279	Inland Revenue	235
196	East Sussex County Council	189
1,052	Income Received in Advance	1,277
274	Loan Interest	273
0	Capital Creditors	926
4,926	Sundry Creditors	5,160
<b>9,177</b>		<b>10,079</b>

## 24. MOVEMENTS IN FINANCING AND MANAGEMENT OF LIQUID RESOURCES

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

<b>Movement in 2005/06</b>		<b>Balance as at</b>	<b>Balance as at</b>	<b>Movement in the year</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Long Term Borrowing:			
1,433	Public Works Loan Board	23,733	23,700	33
0	Stock	7,500	7,500	0
<b>1,433</b>		<b>31,233</b>	<b>31,200</b>	<b>33</b>
	Deferred Liabilities:			
0	Deferred Purchase Agreements	0	0	0
1	Short Term Borrowing	82	48	34
<b>1,434</b>	<b>Movements in Financing</b>	<b>31,315</b>	<b>31,248</b>	<b>67</b>
4,000	Short Term Investments	0	7,575	7,575
<b>4,000</b>	<b>Movements in Management of Liquid Resources</b>	<b>0</b>	<b>7,575</b>	<b>7,575</b>

Analysis of borrowings by maturity :-

<b>31.3.2006</b>		<b>31.3.2007</b>
<b>£'000</b>		<b>£'000</b>
533	Within 2 years	48
0	Between 2 and 5 years	0
12,200	Between 5 and 10 years	12,200
18,500	More than 10 years	19,000
<b>31,233</b>		<b>31,248</b>

## 25. PROVISIONS

	<b>31.3.2006</b>	<b>Contributions</b>	<b>Utilised</b>	<b>31.3.2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Former council flat re- decorations	148	35	0	183
Housing Benefit	<b>0</b>	121	0	121
	<b>148</b>	<b>156</b>	<b>0</b>	<b>304</b>

This provision was established to provide funding for the painting of sold Council flats. The Housing benefit provision is to cover an expected repayment to DWP.

## 26. DEFERRED CREDITS

	<b>31.3.2006</b> <b>£'000</b>	<b>Received</b> <b>£'000</b>	<b>31.3.2007</b> <b>£'000</b>
Council House Sales	71	12	59
	<b>71</b>	<b>12</b>	<b>59</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.

## 27. 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>2005/06</b> <b>£'000</b>		<b>2006/07</b> <b>£'000</b>
18,856	Balance at the beginning of the year	18,332
283	Grants applied during the year	965
(807)	Less – Amount written off to the Income and Expenditure Account	(625)
0	Less – Amount written off to the Capital Financing Account	
<b>18,332</b>	<b>Balance at the end of the year</b>	<b>18,672</b>

## 28. 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 Income & Expenditure Account.

<b>2005/06</b> <b>£'000</b>		<b>2006/07</b> <b>£'000</b>
3,879	Balance at the beginning of the year	5,033
1,283	Contributions applied during the year	3,883
0	Less – Transfer to Capital Financing Account in respect of fully financed assets not subject to a depreciation charge	
(129)	Less - Amount written off to the Income & Expenditure Account	(95)

0 Less – Amount written off to the Capital Financing Account

**5,033 Balance at the end of the year**

**8,821**

## 29. FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Account represents the difference between the current valuation of assets as shown in the Balance Sheet, and their historical cost. The reserve is written down by the book value of assets as they are disposed of, and debited or credited with the deficits or surpluses from revaluations.

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
216,696	Balance at the beginning of the year	190,778
(24,233)	Revaluations	14,046
(1,685)	Disposals	(8,584)
<b>190,778</b>	<b>Balance at the end of the year</b>	<b>196,240</b>

## 30. 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 Income and Expenditure Account reconciles the debits for impairment and depreciation (net of government grants and capital contributions deferred) to the Minimum Revenue Provision.

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
47,313	Balance at the beginning of the year	47,039
0	Capital receipts set aside in year	
	Capital financing in year:	
2,601	- Revenue	4,106
279	- Specified Capital Grant	0
2,347	- Capital Receipts	1,292
540	- Third Party Contributions	0
<b>5,767</b>		<b>5,398</b>
<b>(5,307)</b>	Sums set aside from revenue for repayment of debt:	<b>(4,970)</b>

### Appropriations

(1,670) - Deferred Charges written down	(1,398)
936 - Government Grants and Capital Contributions Deferred	719
<b>(734)</b>	<b>(679)</b>
<b>47,039</b> Balance at the end of the year	<b>46,788</b>

### 31. 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>31.3.2006</b>	<b>Receipts</b>	<b>to Gov.</b>		<b>Financing</b>	<b>31.3.2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	666	7,493			(1,292)	6,867
Housing Revenue Account	925	1,697			(1,184)	1,438
	<b>1,591</b>	<b>9,190</b>			<b>(2,476)</b>	<b>8,305</b>

### 32. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

<b>Capital Grants and Contributions</b>	<b>31.3.2006</b>	<b>Added</b>	<b>Withdrawn</b>	<b>Transfer to Reserves</b>	<b>31.3.2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	872	3,662	(3,479)		1,055
Housing Revenue Account	812	761	(1,094)		479
Eastbourne Park	492	65	(7)		550
Social Housing Development	406		(270)		136
Section 106 Monies	0	70			70
	<b>2,582</b>	<b>4,558</b>	<b>(4,850)</b>		<b>2,290</b>
Major Repairs Reserve	<b>116</b>		<b>(116)</b>		<b>0</b>

### 33. ANALYSIS OF MOVEMENT IN RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

	<b>31.3.2006</b>	<b>(Gains) / Losses</b>	<b>Transfers between reserves</b>	<b>31.3.2007</b>	<b>Further details</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Fixed Asset Restatement Account	190,778	14,046	(8,584)	196,240	
Capital Financing Account	47,039	5,398	(5,649)	46,788	
Usable Capital Receipts	666	7,493	(1,292)	6,867	

Reserve Usable Capital Receipts	925	1,697	(1,184)	1,438	
Reserve - HRA Pensions Reserve	(24,350)	4,778	(138)	(19,710)	Note 4 on page 30
Major Repairs Reserve	116		(116)	0	
Earmarked Reserves	4,993	1,579		6,572	
Housing Revenue Account	1,998	(652)	(560)	786	
Collection Fund	(812)	(1,389)		(2,201)	
General Fund	1,336	1,770		3,106	
<b>Total reserves</b>	<b>222,689</b>	<b>34,720</b>	<b>(17,523)</b>	<b>239,886</b>	

#### 34. EARMARKED RESERVES

	<b>31.3.2006</b>	<b>Added</b>	<b>Withdrawn</b>	<b>Transfer to Reserves</b>	<b>31.3.2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Upkeep of Graves and Memorials	85	66			151
Earmarked Revenue Reserves	1,823	1,665	(1,442)		2,046
Earmarked Capital Reserves-HRA	710	1,498	(710)		1,498
Earmarked Capital Reserves – General Fund	0	25			25
Insurance	116				116
Other	584	571	(44)		1,111
	<b>3,318</b>	<b>3,825</b>	<b>(2,196)</b>		<b>4,947</b>
Eastbourne Buses Realisation	<b>1,675</b>		<b>(50)</b>		<b>1,625</b>
	<b>4,993</b>	<b>3,825</b>	<b>(2,246)</b>		<b>6,572</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 20 on page 40).

#### 35. 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>31.3.2007</b>
	<b>£'000</b>
General Fund	44,023
Housing Revenue Account	195,863
	<b>239,886</b>

#### 36. CONTINGENT LIABILITIES

##### Municipal Mutual Insurance Limited

The Council has one outstanding claim 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.

### Pay and Grading Review

As a result of the Pay and Grading Review being carried out, there may arise liabilities relating to 2006/2007. However, as the certainty and value of any awards are unknown, no provision has been made.

### 37. POST BALANCE SHEET EVENTS

None

### 38. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO CASH FLOW STATEMENT

	<b>2006/07</b>
	<b>£'000</b>
(Surplus) /Deficit on Income and Expenditure Account	238
Net Interest	(1,253)
Add/(Less) – Non Cash transactions:	
Depreciation	(5,172)
Grants and contributions deferred	720
Deferred charges	(1,398)
Gain on sale of fixed assets	607
Provisions set aside	(155)
Pensions Reserve	(138)
Financing, reserves and provisions	
Add/(Less) – Revenue items accrued in the accounts	998
<b>Revenue Activities Net Cash Flow</b>	<b>(5,553)</b>

### 39. GOVERNMENT GRANTS

<b>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
1,592	Housing Revenue Account Subsidy	1,043
29	Single Regeneration Budget	0
144	Housing Benefit Performance Standard	0
764	Benefits Administration	1,033
132	Housing Benefit Anti Fraud Incentive	81
102	Countryside Commission	101
160	Housing Benefits Verification Framework	0
166	Housing Benefits Other Grants	0
58	Housing –Other	26
75	Home Office Grants	0
459	Planning Delivery	425
62	Voluntary Sector Projects	111
13	Recycling Initiatives	38
0	Safer Communities	79
0	Capacity Building Grant	172
0	Other	6
<b>3,756</b>		<b>3,115</b>



## 40. TRUST FUNDS

The Council acts as trustee for three 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 2007 was £38,647 (£35,027 at 31<sup>st</sup> March 2006). The largest of these is the Langney Cemetery Maintenance Fund which amounted to £20,750 in both years.

## 41 PRIOR PERIOD ADJUSTMENTS

The statement of accounts for 2005-06 have been re-stated to reflect the following changes to the accounts required by the SORP 2006 thereby providing an accurate comparison between the current year and previous year:

- Removal of capital financing charge (notional interest).
- Replacement of Consolidated Revenue Account (CRA) with an Income & Expenditure Account.
- New Statement of Movement on the General Fund Balance to reconcile the surplus/deficit on Income and Expenditure Account with the movement on the General Fund Balance in the year (ie it shows the amount that would in accordance with the 2005 SORP have been reported as the surplus/deficit on the CRA for the year).
- Replacement of Statement of Total Movement on Reserves (STMR) with a Statement of Total Recognised Gains and Losses (STRGL).
- Grouping of 'core' financial statements together followed by notes to the core statements followed by the 'supplementary' statements.

Comparative figures in respect of 2005/06 have been adjusted to conform with the requirements of the 2006 SORP. In particular, the removal of the notional interest charge has had the effect of reducing the Net Cost of Services in 2005/06 from £25.6 million to £15.3 million. These reductions are offset by the deletion of Net Income on Asset Management Revenue Account (Cr £8.8 million) and inclusion of Interest Payable (£1.8 million) in the Operating Expenditure part of the statement.

The table below shows the comparison between the net cost of services stated in the accounts for 2005-06 and the re-stated accounts.

	<b>2005/06 Under 2005 SORP £</b>	<b>Adjustments £</b>	<b>2005/06 Restated £</b>
Culture, Environmental & Planning Services	15,727	(3,327)	12,400
Highways, Roads and Transport Services	502	(186)	316
Housing Services	6,134	(7,310)	(1,176)
Central Services	1,544	(103)	1,441
Corporate & Democratic Core	1,893	(243)	1,650
Non-Distributed Costs	654	-	654
Net Cost of Services	<u>26,454</u>	<u>(11,169)</u>	<u>15,285</u>

## HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007

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.

<b>2005-06</b>		<b>2006-07</b>
<b>£'000</b>		<b>£'000</b>
	<b>Income</b>	
10,776	Dwelling Rents (Gross)	11,051
345	Non-Dwelling Rents (Gross)	335
1,131	Charges for Services and Facilities	1,224
1,611	Housing Revenue Account Subsidy Note 7 Receivable	1,043
<b>13,863</b>	<b>Total Income</b>	<b>13,653</b>
	<b>Expenditure</b>	
6,473	Management Fee	6,456
724	Supervision and Management	828
54	Increased Provision for Doubtful Debts	53
3,001	Depreciation and Impairment of Fixed Assets Notes 2 & 4	2,808
25	Amortisation of Deferred Charges Note 6	NIL
69	Debt Management Costs	68
438	Statutory Contribution to the General Fund - Note 10 Rent Rebates	121
<b>10,784</b>	<b>Total Expenditure</b>	<b>10,334</b>
<b>(3,079)</b>	<b>Net Cost of HRA Services</b>	<b>(3,319)</b>
	HRA Share of Operating I&E Included in Whole Authority I&E Account	
1,974	Interest Payable and Similar Charges	1,973
665	Amortised Premiums and Discounts	655
	Investment Income	
(7)	Mortgage Interest	(6)
(85)	Interest on Cash Balances	(98)
<b>(532)</b>	<b>(Surplus/Deficit) for the Year</b>	<b>(795)</b>

### Statement of Movement on the HRA Balance

(532)	(Surplus) or deficit for year on HRA Income and Expenditure Account	(795)
-------	---	-------

#### **Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement on the HRA balance**

(25)	Deferred charges		NIL
37	Contribution to Pension Reserve Note 8		37
720	Capital expenditure funded by the HRA		1,410
(418)	Transfer to/from Major Repairs Reserve		(228)
	Transfer to/from Reserve		788

<b>(218)</b>	<b>Net Movement</b>	<b>1,212</b>
(1,780)	Balance at 1 <sup>st</sup> April	(1,998)
<b>(1,998)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(786)</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. 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. The Authority has transferred responsibility for the management of its housing stock to Eastbourne Homes Ltd, an arms length management organisation. Eastbourne Borough Council paid Eastbourne Homes Ltd £6.456 m out of rents, government subsidy and other income in the year. The fee was spent as follows:

	<b>£'000</b>
Supervision and Management	3,245
Repairs	3,211
<b>Management Fee</b>	<b>6,456</b>

In addition to the management fee Eastbourne Homes Ltd received £36,000 bank interest.

### 1. HOUSING STOCK

The Council's housing stock consisted of:

<b>31<sup>st</sup> March 2006</b>		<b>31<sup>st</sup> March 2007</b>
	Houses and Bungalows	
17	- one bedroom	17
551	- two bedrooms	545
1,213	- three bedrooms	1,208
54	- four or more bedrooms	54
<b>1,835</b>		<b>1,824</b>
	Flats	
1,041	- one bedroom	1,035
499	- two bedrooms	496
8	- three or more bedrooms	8
417	- bed-sits	417
<b>1,965</b>		<b>1,956</b>
<b>3,800</b>		<b>3,780</b>

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31<sup>st</sup> March 2006) and has acquired the use of 11 actual properties (12 at 31<sup>st</sup> March 2006) under short-term property leases.

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

	<b>1<sup>st</sup> April 2006</b>	<b>31<sup>st</sup> March 2007</b>
	<b>£'000</b>	<b>£'000</b>
Operational Assets - Dwellings	208,855	199,505
- Other Land and		
Buildings		
Non Operational Assets	1,688	3,366
	<b>210,543</b>	<b>202,871</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, the Valuation Office Agency, has calculated that the open market vacant possession value of the housing stock at 1<sup>st</sup> April 2006 was £435m and the value of the garages was £3m. 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 (MRR)

Established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 to ensure funds from the MRR are transferred into capital expenditure on HRA properties.

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2006	116
Add - Transfer from Capital Financing Account	2,808
Less - Transfer to the HRA	(228)
- Financing of Capital Expenditure	(2,696)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>0</b>

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

Housing Revenue Account capital expenditure incurred in 2006-2007 and how it was financed is summarised as follows:

	Land, Housing and Other Property £'000
Total Capital Expenditure	5,200
<b>Capital Expenditure financed in 2006-2007</b>	
Financed by:	
Borrowing	0
Major Repairs Reserve	2,696
Revenue Contributions	2,173
Other Contributions	331
<b>Total Funding</b>	<b>5,200</b>

HRA capital receipts from disposals is summarised as follows:

	<b>£'000</b>
Right to Buy Sales of Houses and Flats	1,542
Shared Ownership Property	103
Sale of Land/Other Property	17
Repayment of Right to Buy Discount	23
Mortgage Repayments	12
<b>Total</b>	<b>1,697</b>

## 4. DEPRECIATION

Depreciation for 2006-2007 has been calculated on the following basis:

	<b>£'000</b>
Value of housing stock at 1 <sup>st</sup> April 2006	198,185
Less residual value (15%)	(29,728)
Depreciable amount	<b>168,457</b>
Divided by estimated useful life	60 years
<b>Depreciation charge for the year</b>	<b>2,808</b>

The accumulated depreciation on the housing stock is summarised below

	Operational Assets <b>£'000</b>	Non Operational Assets <b>£'000</b>	<b>Total £'000</b>
<b>Balance b/f</b>	3,001	0	3,001
Depreciation written out on revaluation of assets*	(3,001)	0	(3,001)
Depreciation written out on disposal	(16)	0	(16)
<b>Charge for year</b>	2,808	0	2,808
<b>Balance c/f</b>	<b>2,792</b>	<b>0</b>	<b>2,792</b>

\*In each year that the housing stock is revalued, the accumulated depreciation is written down to zero.

## 5. 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 2006-2007 relating to fixed assets.

## 6. DEFERRED CHARGES

There are no deferred charges in 2006-2007.

## 7. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2006-2007 is made up as follows:

	<b>£'000</b>
Management Allowance	1,855
Maintenance Allowance	3,981
Major Repairs Allowance	2,579
Admissible Allowance	6
Capital Charges Allowances	3,169
Other Allowable expenditure	49
	<b>11,639</b>
Less: Notional Rent Income	(10,576)
Interest on Receipts	(7)
Prior Year Adjustment - Repayment of Subsidy	(13)
	<b>1,043</b>

## **8. CONTRIBUTION TO THE PENSION RESERVE**

The HRA has been charged with an attributed share of current service costs. These costs have been reversed out and replaced with employer contributions payable via an appropriation to the pension reserve after net operating expenditure.

## **9. RENT ARREARS**

Rent arrears at 31<sup>st</sup> March 2007 amounted to £536,000 compared with £562,000 at 31<sup>st</sup> March 2006. These sums include the overpayment of Housing Benefit prior to 2004/2005 and former tenants' arrears. During 2006-2007 former tenant arrears of £65,000 were written off (£55,000 in 2005-2006).

The Council has a provision for doubtful debts of £368,000 at 31<sup>st</sup> March 2007 (£380,000 at 31<sup>st</sup> March 2006).

The decrease in rent arrears and the provision for doubtful debts is due to robust arrears procedures together with close liaison with Housing Benefits staff.

## **10. STATUTORY CONTRIBUTION TO THE GENERAL FUND - RENT REBATES**

The contribution to the General Fund is made up as follow:

	<b>£'000</b>
Rent Rebate Subsidy Limitation Scheme	121
	<b>121</b>

**COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH  
2007**

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>2005/06</b>		<b>2006/07</b>
<b>£'000</b>		<b>£'000</b>
	<b>Income</b>	
40,546	Income from Council Tax (Note 1)	42,878
	Transfers from General Fund	
6,907	- Council Tax Benefits	7,443
-	- Transitional Relief	-
22,740	Income collectable from Business Ratepayers (Note 3)	24,546
<b>70,193</b>	<b>Total Fund Income</b>	<b>74,867</b>
	<b>Expenditure</b>	
	Precepts and Demands	
34,188	East Sussex County Council	36,454
6,916	Eastbourne Borough Council	7,219
3,930	Sussex Police Authority	4,202
2,387	East Sussex Fire Authority	2,551
<b>47,421</b>		<b>50,426</b>
	Business Rates	
22,610	Payment to National Pool	24,416
130	Costs of Collection	130
<b>22,740</b>		<b>24,546</b>
	Bad and Doubtful Debts/Appeals	
101	Provisions - Council Tax	813
387	Bad Debts Written Off	471
	Contributions towards previous years' estimated Council Tax Surplus	
0	East Sussex County Council	0
0	Eastbourne Borough Council	0
0	Sussex Police Authority	0
<b>0</b>		<b>0</b>
<b>70,649</b>	<b>Total Fund Expenditure</b>	<b>76,256</b>
<b>456</b>	<b>Movement on Fund Balance</b>	<b>1,389</b>
	<b>COLLECTION FUND BALANCE</b>	
356	Balance at 1 <sup>st</sup> April	812
456	(Surplus)/Deficit for the year	1,389
<b>812</b>	<b>Balance as at 31<sup>st</sup> March (Note 4)</b>	<b>2,201</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	58,859
Less Discounts	(5,727)
-	
Exemptions	(2,735)
Disabled relief	(76)
Amounts collectable from Council Taxpayers	<b>50,321</b>
Less Council Tax Benefits	(7,443)
-	
<b>Amounts receivable from Council Taxpayers</b>	<b>42,878</b>

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	Band D Equivalent Dwellings
A Disabled Reduction	18	15	5/9	8
A	7343	6280	6/9	4,187
B	11828	10627	7/9	8,266
C	10186	9322	8/9	8,286
D	7813	7313	9/9	7,313
E	3996	3794	11/9	4,637
F	1901	1753	13/9	2,532
G	982	931	15/9	1,552
H	42	39	18/9	78
	<b>44,109</b>	<b>40,074</b>		<b>36,859</b>
Less average 1.5% reduction to allow for collection losses				(554)
<b>Council Tax Base</b>				<b>36,305</b>

The estimated gross yield for Council Tax amounted to £51.2m, based on 36,859 dwellings multiplied by the Band D tax of £1,388.95. The actual gross yield of £50.3m is equivalent to a reduction in Band D equivalent dwellings for the year of 629.

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 629 Band D equivalent dwellings in 2006-2007 compares with a net reduction of 519 in 2005-2006.



## 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.

	<b>31.3.2006</b> <b>£'000</b>	<b>31.3.2007</b> <b>£'000</b>
Arrears Outstanding	4,094	4,563
Provision for non-collection	1,383	2,196

## 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 relief's 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 2006-2007 this amounted to £8.32m for Eastbourne Borough Council (£2.64m in 2005-2006).

The total non-domestic rateable value at 31<sup>st</sup> March 2007 was £65.3m and the 2006-2007 multiplier was 42.6p. The product of this is £27.8m. 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 £4.555m by Council Taxpayers at 31<sup>st</sup> March 2007, (£4.094m at 31<sup>st</sup> March 2006). All arrears continue to be actively pursued by the authority. The Council has, as a matter of prudence, made a provision of £2.196m against these arrears.

The Collection Fund Balance comprises:

<b>31.3.2006</b> <b>£'000</b>		<b>31.3.2007</b> <b>£'000</b>
812	Council Tax Deficit	2,201
<b>812</b>		<b>2,201</b>

## **Group Accounts**

### **Introduction**

The 2006 SORP requires the following approach to group accounts:

- 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 2006-2007 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 2007, 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 2006. 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 2006 to 31<sup>st</sup> March 2007 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 2006 SORP identifies the adjustments required to align Eastbourne Buses' policies.

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 loss of £406k for 2006 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 2006-2007.

## 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
- Reconciliation of the Single Entity Surplus/Deficit for the Year to the Group Surplus or Deficit
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

**Group Income and Expenditure Account for the year ended  
31<sup>st</sup> March 2007**

<b>2005/06 Restated</b>			<b>2006/07 Net Expenditure</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
1,441	Central Services to the Public	2,320	1,231
6,137	Cultural and Related Services	15,411	9,705
5,758	Environmental Services	10,598	4,175
505	Planning and Development	2,653	1,613
402	Highways, Roads and Transport	9,399	7,867
	<b>(Note 1)</b>		
2,340	Housing Services	43,383	42,931
(3,516)	Council Housing	10,213	13,653
1,650	Corporate and Democratic Core	3,535	1,818
654	Non Distributed Costs	188	0
<b>15,371</b>	<b>Net Cost of Services</b>	<b>97,700</b>	<b>82,993</b>
			<b>14,707</b>
	0		(667)
	0		222
	0		(316)
2,488	Interest payable <b>(Note 2)</b>		2,577
1,418	Contribution of housing capital receipts to Government pool		1,184
665	Gains/losses on the repurchase or early settlement of borrowing		655
(320)	Interest and investment income <b>(Note 2)</b>		(551)
417	Pensions interest cost and expected return on pensions assets		52
(42)	Taxation of group entities		(54)
(38)	Minority Interest share of profits of subsidiary		(84)
<b>19,959</b>	<b>Net expenditure</b>		<b>17,725</b>
(6,916)	Demands on the collection fund		(7,219)
0	Surpluses from Collection Fund		0
(6,347)	Government grants		(1,613)
(2,640)	Distribution from the Non-domestic rate pool		(8,320)
<b>4,056</b>	<b>Group (Surplus)/Deficit for the year</b>		<b>573</b>

**Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group  
Surplus or Deficit**

<b>2005/06 £'000</b>		<b>2006/07 £'000</b>
3,902	(Surplus) or deficit on the authority's single entity Income and Expenditure Account for the year	238
21	Less any distributions from group entities included in the single entity surplus/deficit on the Income and Expenditure Account	19
133	Add surplus or deficit arising from other entities included in the group accounts	316
<b>4,056</b>	<b>Group Account (Surplus)/Deficit for the year</b>	<b>573</b>

## Group Statement of Total Recognised Gains and Losses

2005/06		2006/07
£'000		£'000
<b>456</b>	<b>(Surplus)/Deficit on Collection Fund</b>	<b>1,389</b>
4,056	Net (Surplus)/Deficit for the year	573
21,497	(Surplus)/Deficit on revaluation of fixed assets	(14,047)
(205)	Actuarial gains and losses on pension fund assets and liabilities	(5,297)
0	Any other gains or losses recognised	99
<b>25,804</b>	<b>Total recognised gains or losses for the year</b>	<b>(17,283)</b>
1,474	Prior Period Adjustments	
<b>27,278</b>	<b>Cumulative Effect of Prior Period Adjustments</b>	<b>(17,283)</b>

**Group Balance Sheet as at 31<sup>st</sup> March 2007**

<b>2005/06</b>	<b>Restated</b>	<b>£'000</b>	<b>2006/07</b>
<b>£'000</b>			<b>£'000</b>
	Fixed Assets		
	Intangible Assets		
187	Goodwill <b>(Note 3)</b>		154
404	Other Intangible Assets		584
	Operational Assets <b>(Note 4)</b>		
208,856	Council Dwellings		199,505
42,052	Other Land and Buildings		39,493
3,756	Vehicles, Plant, Furniture and Equipment		2,381
26,781	Infrastructure Assets		25,923
1,459	Community Assets		1,574
16,812	Non-operational assets		38,730
2,661	Deferred Premiums		2,006
50	Other Long Term Investments <b>(Note 5)</b>		50
105	Long Term Debtors		81
<b>303,123</b>	<b>Total Fixed Assets</b>		<b>310,481</b>
	Current Assets		
232	Stock	232	
12,361	Debtors <b>(Note 6)</b>	13,409	
0	Investments	7,575	
822	Cash	969	
<b>13,415</b>		<u>22,185</u>	
	Current Liabilities		
(82)	Borrowing repayable on demand or within 12 months	(48)	
(10,459)	Creditors <b>(Note 7)</b>	(11,186)	
(63)	Bank Overdraft	(107)	
<b>(10,604)</b>		<u>(11,341)</u>	
<b>2,811</b>	Net Current Liabilities		10,844
<b>305,934</b>	<b>Total Assets Less Current Liabilities</b>		<b>321,325</b>
(32,522)	Long Term Loans <b>(Note 5)</b>		(31,838)
(71)	Deferred Liabilities		(59)
(18,332)	Government Grants Deferred		(18,673)
(5,033)	Capital Contributions Deferred		(8,823)
(205)	Provisions for Liabilities and Charges		(343)
(2,582)	Govt Grants & Contributions Unapplied		(2,291)
<b>247,189</b>	<b>Net Assets Before Pensions Asset or Liability</b>		<b>259,298</b>
(25,832)	Pensions Liability <b>(Note 8)</b>		(20,639)
<b>221,357</b>	<b>Net Assets</b>		<b>238,659</b>
64	Share Premium		64
190,778	Fixed Asset Restatement Account		196,240
47,039	Capital Financing Account		46,788
1,590	Useable Capital Receipts		8,305
7,009	Profit and loss and other reserves of the group		9,114
(24,350)	Pensions Reserve		(19,710)
(812)	Collection Fund		(2,202)
<b>221,318</b>	<b>Group Balances and Reserves</b>		<b>238,599</b>
39	Minority Interest <b>(Note 9)</b>		60
<b>221,357</b>	<b>Total Balances and Reserves</b>		<b>238,659</b>

## Group Cash Flow Statement for the Year Ended 31<sup>st</sup> March 2007

NB: Inflows show as negative figures ( )

<b>2005/06</b>		<b>2006/07</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
(597)	<b>Net Cash Inflow from Revenue Activities</b>	(5,846)
	<b>Returns on Investments and Servicing of Finance</b>	
1,821	Interest Paid	1,923
(388)	Interest Received	(501)
1,433		1,422
NIL	<b>Taxation</b>	NIL
	<b>Capital Expenditure and Financial Investment</b>	
7,208	Purchase of Fixed Assets	8,865
1,670	Other Capital Cash Payments	1,398
(3,198)	Sale of Fixed Assets	(9,763)
(428)	Capital Grants Received	(1,544)
(2,448)	Other Capital Cash Received	(2,965)
2,804		(4,009)
3,640	<b>Net Cash Inflow before Financing</b>	(8,433)
	<b>Management of Liquid Resources</b>	
(4,000)	Net Increase/(Decrease) in Short Term Deposits	7,575
	<b>Financing</b>	
82	Repayments of Amounts Borrowed	533
0	Reduction in short-term debt	33
489	Capital Element of Finance Lease	691
(1,500)	New Loans Raised	(500)
(929)		757
<b>(1,289)</b>	<b>Net (Increase)/Decrease in Cash</b>	<b>(101)</b>

## Notes to the Group Accounting Statements:

### 1. Segmental Analysis

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

### 2. 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.

### 3. Intangible Fixed Assets - Goodwill

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.

### 4. Operational Assets

Details about the fixed assets held by Eastbourne Borough Council can be found within note 15 to the accounting statements (page 37). The following notes apply to the assets held by Eastbourne Buses.

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

	<b>Leasehold Property £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Motor Vehicles £'000</b>	<b>Equipment £'000</b>	<b>Total £'000</b>
Gross Book Value as at 01/01/06	807	539	5,036	151	6,533
Additions	4	0	169	0	173
Disposals	0	0	(1,729)	(7)	(1,736)
<b>Gross Book Value as at 31/12/06</b>	<b>811</b>	<b>539</b>	<b>3,476</b>	<b>144</b>	<b>4,970</b>
<b>Depreciation</b>					
As at 01/01/06	102	446	2,232	107	2,887
Charge for the year	12	27	347	16	402
On disposals	0	0	(890)	(7)	(897)
<b>As at 31/12/06</b>	<b>114</b>	<b>473</b>	<b>1,689</b>	<b>116</b>	<b>2,392</b>
<b>As at 31/12/06</b>	<b>697</b>	<b>66</b>	<b>1,787</b>	<b>28</b>	<b>2,578</b>

### Finance lease agreements

Included within the net book value of £2,578,000 is £1,429,000 (2005 - £2,650,000) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £156,000 (2005 - £430,000).

### 5. 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.

## 6. Debtors

Debtors relating to Eastbourne Buses are as follows:

<b>2005</b> <b>£'000</b>		<b>2006</b> <b>£'000</b>
120	Trade debtors	87
216	Other debtors	156
266	Prepayments and accrued income	169
-	Deferred taxation	4
<b>602</b>		<b>416</b>

## 7. Creditors

Creditors relating to Eastbourne Buses are as follows:

<b>2005</b> <b>£'000</b>		<b>2006</b> <b>£'000</b>
63	Bank loans and overdrafts	107
624	Trade creditors	405
86	Other taxation and social security	273
490	Finance lease agreements	295
21	Other creditors	23
61	Accruals and deferred income	111
<b>1,345</b>		<b>1,214</b>

## 8. Pension Schemes

Eastbourne Buses operates two types of pension scheme:

- a. **East Sussex County Council** - a final salary or defined benefit scheme.

A minority of staff, those employed prior to the company's formation in 1986, are members of the East Sussex County Council Superannuation scheme. The latest Actuarial Valuation is dated 31 March 2004.

The employer's contributions to the scheme after the latest actuarial valuation are set at 26.7% of pensionable earnings of the payroll relating to scheme members for 2006/2007 to achieve a 100% funding level. This will increase to 34.6% for 2007/08. Contributions for the year amounted to £85,958 (2005 £78,623).

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are:

	2006		2005	
	Long-term rate of return expected %	Value £'000	Long-term rate of return expected %	Value £
Equities	7.7	5,013	7.2	5,229
Bonds	4.8	1,002	4.4	809
Property	5.7	820	5.3	760
Others	4.8	893	4.3	472
Total market value of assets		<b>7,728</b>		<b>7,270</b>
Present value of scheme liabilities		(8,875)		(9,100)
Related deferred tax asset		218		348
<b>Net pension liability</b>		<b>(929)</b>		<b>(1,482)</b>

b. **Standard Life**- a defined contribution pension scheme.

The company operates a defined contribution scheme. Employees contribute at 3% of salary, the employer at 4%. Contributions made by the company in the period amounted to £33,000. At 31 December 2006 an amount of £9,000 was payable in respect of this scheme.

## 9. 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.

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

	2006/07 £'000
Group (surplus)/deficit	901
Adjusted for:	
Non Cash Items	(6,202)
Working Capital Movements	781
Items shown elsewhere within the Cash Flow Statement	(1,326)
<b>Net Cash Inflow from Revenue Activities</b>	<b>(5,846)</b>

For further details on the accounts of Eastbourne Buses, please refer to note 20 of the accounting statements on page 40 of the main accounts.