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## FOREWORD BY ACTING CHIEF FINANCE OFFICER

### INTRODUCTION

The Statement of Accounts details the Council's and Group financial activities for the year 1 April 2007 to 31 March 2008 and comprises:

- **Independent Auditors' Report**

- **A Statement of Accounting Policies** - This statement describes the underlying accounting principles 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.

- **An Annual Governance Statement** - 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.

- **Statement of Movement on the 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.

- **Balance Sheet** - This statement sets out the overall financial position of the Council as at 31 March 2008. 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 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 2007-08 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 Council Tax, Government Grants and other income. Capital expenditure is on items which have a life beyond one year and which also add value to the Council's assets. This is financed largely by capital grants, loans and other capital cash.

For 2007-08 actual net expenditure amounted to £19.11m which was mainly funded by Government Grants and the precept on the Collection Fund. The deficit of £1.63m has decreased the Council's General Fund working balance.

<b>Services</b>	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Central Services to the Public	1,233	979	254
Cultural & Related Services	6,459	5,154	1,305
Environmental Services	6,229	4,453	1,776
Planning & Development Services	1,177	1,280	(103)
Highways, Roads & Transport Services	1,127	1,479	(352)
Housing Services	1,024	703	321
Council Housing	0	(3,662)	3,662
Corporate & Democratic Core	3,034	2,459	575
Non Distributed Costs	267	6,921	(6,654)
<b>Net Cost of Services</b>	<b>20,550</b>	<b>19,766</b>	<b>784</b>
Corporate Operating Expenditure	(3,065)	(653)	(2,412)
<b>Total Net Expenditure</b>	<b>17,485</b>	<b>19,113</b>	<b>(1,628)</b>
<b>Funded by:</b>			
Demand on the Collection Fund	(7,352)	(7,352)	0
Revenue Support Grant	(1,456)	(1,456)	0
Contribution from non-domestic rate pool	(8,678)	(8,678)	0
<b>(Surplus) / Deficit for the year</b>	<b>(1)</b>	<b>1,627</b>	<b>(1,628)</b>
<b>General Fund:</b>			
Opening balance	(3,106)	(3,106)	0
(Surplus)/Deficit for the year	(1)	1,627	(1,628)
<b>Closing balance</b>	<b>(3,107)</b>	<b>(1,479)</b>	<b>(1,628)</b>

The actual figures within Net Cost of Services include Council Housing. This is separately accounted for within the Housing Revenue Account (page 53) but included within the Income and Expenditure Account (page 23) from which the above figures are taken.

The General Fund working balance stands at £1.48m at 31 March 2008. 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 2007-08. This will account for some of the difference when compared with 2007-08 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 April 2005.

At 31 March 2008 it provided 3,764 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 2007-08 the Housing Revenue Account (HRA) budgeted for income and expenditure of £13.98m. In the event actual income rose to £14.59m, principally due to an increase of £689,000 in HRA subsidy receivable that was partly offset by a reduction in charges for services of £169,000. The increase in subsidy is due to eligibility for a rental constraint allowance of £152,000 in 2007-08 and £257,000 in 2006-07. In addition there was an extra £279,000 relating to ALMO funding. Actual expenditure rose to £10.93m which includes a reduction in the statutory contribution to the General Fund of £207,000 for rent rebate subsidy limitation and an increase of £256,000 for depreciation charges.

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

	£'000
Opening balance at 1 April 2007	(786)
Surplus in 2007-08	(494)
Closing balance at 31 March 2008	(1,280)

### **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 and National Non-Domestic Rates.

Of the cumulative deficit of £2.2m at 31 March 2007 the initial sum of £850,000 was collected during 2007-08. The remaining deficit of £1.35m will be collected during 2008-09. Any estimated surplus or deficit for 2008-09 will be shared with East Sussex County Council, Sussex Police and the Fire Service in the setting of Council Tax for 2009-10.

### **Capital Spending**

The Council's capital spending in the year was £17.97m compared with an original budget of £7.8m that was revised to £23.19m to reflect third party contributions. Resources totalling £13.38m were received in 2007-08 for capital expenditure which included from the following sources:

New Borrowing	£7.52m
Major Repairs Reserve	£2.62m

Revenue/Reserves	£1.48m
Capital Receipts	£0.11m
Private Sector Renewal Grant	£0.94m
Disabled Facilities Grant	£0.42m

The main items of capital expenditure are set out below:

<b>Housing Capital Expenditure</b>	<b>£'000</b>
• stock improvement	12,144
• private sector housing grants	1,682
<b>Non-Housing Capital Expenditure</b>	
• Theatres and the cultural centre	3,173
• Eastbourne Park deep water lake	7
• Tourism Sports and Leisure facilities	461
• Office accommodation strategy	15
• IT systems including Implementing Electronic Government	101
• Other non-housing schemes	385
<b>Total Capital Expenditure</b>	<b>17,968</b>

Capital expenditure has been financed as follows:

	<b>£'000</b>
• major repairs reserve	2,616
• government borrowing permissions (supported capital expenditure)	7,520
• capital contributions from partners and developers	1,892
• capital receipts	3,027
• government grants	1,438
• revenue Contributions	700
• Capital reserves	775
<b>Total Capital Financing</b>	<b>17,968</b>

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

Following a Flood Risk Assessment carried out by consultants in August 2007 a review has resulted in impairment totalling £6.7m in relation to Investment land.

There have been no other unusual charges or material changes to assets or liabilities arising during 2007-08.

### **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 Statement of Recommended Practice (SORP) 2007 has introduced some major changes to local authority financial instruments. These changes are intended to make the financial statements easier to read and bring them more in line with practices in the private sector.

The most significant of these changes for this authority are the Financial Instruments – The 2007 SORP requirements are now based on Financial Reporting Standards (FRSs) 25, 26 and 29 that relate to financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. The Council's investments and borrowings are therefore financial instruments. The FRSs cover the way the Council must measure the value of its financial instruments at the balance sheet date and disclose additional information such as an explanation of key risks.

The rules showing changes in asset values have changed completely for 2007-08. The Fixed Asset Restatement Account (FARA) and the Capital Financing Account (CFA) have been replaced by the Revaluation Reserve and the Capital Adjustment Account. The balances on FARA and the CFA have been combined and transferred to the Capital Adjustment Account as at 1 April 2007 resulting in a starting balance of zero on the Revaluation Reserve.

Other changes in 2007-08 include Local Area Agreement Grant – a new disclosure note and the Annual Governance Statement, which replaces the Statement of Internal Control.

### **CHANGES IN FUNCTIONS**

There have been no changes in the functions of the Council for 2007/2008.

### **LOANS AND INVESTMENTS**

The Council's external loan debt at 31 March 2008, comprising long-term borrowing and short-term borrowing stood at £38.74m. This is a net increase of £7.49m over the previous year, as a result of £7.52m new borrowing following the success of Eastbourne Homes in gaining a 2 star rating from the Government, together with £33,000 in principal repayments.

Short-term investments of £12.98m were held at 31 March 2008 compared with £7.58m the previous year. This increase was mainly due to a £1.8m section 106 housing contribution in respect of the All Saints Hospital site, together with the remaining balance of the new borrowing for capital works of £4.6m, which were undertaken, but not paid until April 2008.

### **PENSIONS**

The Council's share of the East Sussex Pension Scheme, as assessed by the actuary's valuation, shows a net liability of £15.3m. Further information is disclosed within the notes to the Income and Expenditure Account and Balance Sheet.

### **RESERVES**

The Council's total reserves at 31 March 2008 amounted to £247.3m, an increase of £7.4m over the previous year. These are analysed within the Balance Sheet (page 24), they include the following usable reserves :

➤ usable capital receipts reserve	£5.72m
➤ earmarked reserves	£7.63m
➤ Housing revenue Account Balance	£1.28m

- General Fund Balance £1.48m.

Usable capital receipts reserve is available solely to finance future capital spending.

Revenue balances includes £1.48m held by the General Fund for cash flow purposes and as a contingency against unforeseen circumstances. It also includes a £191k deficit held in the Collection Fund which is the Eastbourne BC share and is being collected in 2008-2009 and a surplus of £1.28m held by the Housing Revenue Account. This is in excess of the recommended HRA balance of £0.5m needed to finance cash flow 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.

### **GROUP ACCOUNTS**

The Group accounts have been prepared using unsigned accounts supplied by Eastbourne Buses Ltd.

### **PLANNED FUTURE DEVELOPMENT**

#### **Capital**

Within the Council's capital strategy, the main scheme is the construction of a new Cultural Centre. Construction is complete and the building is currently being fitted out, with opening planned for 2009.

### **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 2007-08 has been formally completed.

Signed

Councillor Mrs Mattock  
Chairman, Annual Accounts Committee

Date 18 March 2009

### **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 Acting Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL**

### **Opinion on the financial statements**

We have audited the Authority and Group financial statements (the 'financial statements') and related notes of Eastbourne Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Authority Housing Revenue Account, the Authority Collection Fund, the Group Reconciliation of the Single Entity Surplus/Deficit for the Year to the Group Surplus/Deficit Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of Eastbourne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### ***Respective responsibilities of the Responsible Financial Officer and auditors***

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

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

We read other information published with the financial statements, and consider whether it is consistent with the audited financial accounting statements. This other information comprises the Foreword by the Acting Chief Finance Officer. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related



notes, and of whether the accounting policies are appropriate to the Authority's and the Group's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion:

- the Authority and the Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

PKF (UK) LLP  
London, UK

31 March 2009

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

### ***Authority's responsibilities***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

### ***Auditors' responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Eastbourne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### ***Best Value Performance Plan***

We issued our statutory report on the audit of the best value performance plan for the financial year 2007/08 on 19 December 2007. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

### ***Certificate***

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements.

PKF (UK) LLP  
London, UK

31 March 2009

## **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 2007: 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. REVENUE RECOGNITION OF REVENUE EXPENDITURE, INTEREST INCOME AND INTEREST EXPENDITURE**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

### **3. FINANCIAL LIABILITES**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Long term borrowing is reviewed on a regular basis and where there is economic advantage loans are repaid prematurely. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net operating Expenditure in the Income and Expenditure Account in the year or repurchase/settlement.

#### **4. FINANCIAL ASSETS – LOANS AND RECEIVABLES**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account

#### **5. 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 33 and 34 to the Balance Sheet, on page 48.

The Council also maintains certain provisions whereby sums are set aside to meet specific liabilities. Details can be found in Note 25 to the Balance Sheet on page 45.

#### **6. 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 April 2006. Subsequent revaluations of fixed assets will be carried out every 5 years.

Assets acquired under finance leases and deferred purchase schemes are capitalised in the Council's accounts, and included in the balance sheet on the appropriate basis depending on their classification.

## **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 revaluation reserve 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 SORP and Financial Reporting Standard 15 (FRS15), depreciation is charged on all operational assets with a finite life. The Council does not depreciate 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. 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
Infrastructure assets	10-40 years

- amortisation of intangible assets is made in line with the life of the licence and over a period not exceeding 21 years.

Council Dwellings are depreciated following the introduction of Resource Accounting for the Housing Revenue Account from 1 April 2001. Up to 2004-05 the Major Repairs Allowance was used as proxy to calculate housing stock depreciation. From 2005-06 depreciation has been calculated using the value of housing stock as at 1 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 Adjustment Account' within the Statement of Movement in the General Fund.

## **7. CAPITAL RECEIPTS**

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

## **8. 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 Adjustment Account.

## **9. 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.

## **10. 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.

## **11. 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 the prudential impairment on the collection of debts.

## **12. STOCKS**

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

## **13. 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.



## **14. PENSIONS**

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 28.

## **15. RELATED COMPANIES**

The Council holds an investment in Eastbourne Buses Limited. Under the 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. In accordance with 2007 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.

## **16. 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.

## **17. 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 Acting Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- to approve the statement of accounts.

### **The Acting Chief Finance Officer (Statutory Section 151 Officer) Responsibilities**

The Acting Chief Finance Officer 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 Acting Chief Finance Officer**

- 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 Acting Chief Finance Officer 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 March 2008 and its income and expenditure for the year ended 31 March 2008.

Post balance sheet events have been considered. All shares in Eastbourne Buses Ltd were sold on 18<sup>th</sup> December 2008. There are no other events to report in these accounts.

Peter Stabb  
Acting Chief Finance Officer  
Statutory Section 151 Officer

Signature

Date



## **Scope of responsibility**

Eastbourne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has adopted an overarching record that incorporates links to all relevant evidence that underpins the Council's code of corporate governance. The evidence is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This important record of individual documents and source information is in the process of being populated by Internal Audit with links to existing specific documents that will continue to be held on the internet and available to all. Links to the evidence are held under the following headings

- Establishing principal statutory obligations and organisational objectives
- Identification of principal risks to achievement of objectives
- Identification and evaluation of key controls to manage principal risks
- Assurance on the effectiveness of key controls
- Evaluation of assurances and identification of gaps in control/ assurances
- Action plan to address weaknesses and ensure continuous improvement of the system of corporate governance
- Annual Governance Statement drafted in accordance with the statutory requirements
- Annual report to the Council on the Annual Governance Statement

The Council follows a sound code of corporate governance meeting the required elements of the framework but the new overarching record coordinates all elements of that work and specific evidence in one area for clearer information and easier review.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through

which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 the Council'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 governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the Annual Governance Statement and performance and Statement of Accounts.

## The Governance Framework

Key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

<b>Key Elements</b>	<b>Owner</b>	<b>Confirmation that arrangements are in place</b>	<b>Comments</b>
Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users	Assistant Director Strategy & Democracy	Yes	Set out in the themed sections of the 2008-11 Corporate Plan
Reviewing the Council's vision and its implications for the Authority's governance arrangements	Assistant Director Strategy & Democracy	Yes	Annual review of activity within the priority themes in the Corporate Plan
Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources	Assistant Director Strategy & Democracy/ Assistant Director Financial Management	Yes	Collation of performance data in respect of national and local indicators as set out in the Corporate Plan alongside planned activity together with their specific reporting lines and time tables
Defining and documenting the roles and responsibilities of the executive, non-	Assistant Director Human Resources/	Yes	Set out in responsibility for functions and roles section of the Council's Constitution and confirmed by the Council at its

<b>Key Elements</b>	<b>Owner</b>	<b>Confirmation that arrangements are in place</b>	<b>Comments</b>
executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication	Assistant Director Strategy & Democracy		annual meeting scheme
Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	Assistant Director Strategy & Democracy	Yes	Set out in relevant sections of the Council's Constitution, reviewed as necessary in accordance with new or changing guidance
Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks	Assistant Director Financial Management/ Assistant Director Human Resources	Yes	Scheme of Delegation, Financial Regulations and procedure notes in place and reviewed annually. Processes and controls covered by Internal Audit programme and main systems controls also covered by Business Assurance process
undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities	Assistant Director Strategy & Democracy/ Assistant Director Financial Management	Yes	Audit Task Group and Accounts Committee in place with core functions defined in the Council's constitution. The Council also submits items to Cabinet such as external audit reports and the Annual Audit and Inspection letter
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	Assistant Director Strategy & Democracy/ Assistant Director Financial Management/ Assistant Director Human Resources	Yes	Set out in the rules of procedure section of the Council's constitution
Whistle-blowing and for receiving and investigating complaints from the public	Internal Audit Manager/ Assistant Director Strategy &	Yes	Set out in the codes and protocols section of the Council's constitution and regularly reviewed by Internal Audit

<b>Key Elements</b>	<b>Owner</b>	<b>Confirmation that arrangements are in place</b>	<b>Comments</b>
	Democracy/ Assistant Director Human Resources		
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	Assistant Director Human Resources	Yes	Work force development and member development plans are in place. The Council is required as an Investor in People.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	Assistant Director Strategy & Democracy	Yes	Citizens Panel in place and refreshed each year. Used annually to consult on the budget and service planning process and one use per year made available to Scrutiny Committee at their discretion. Pilot devolved budget scheme to be operated in 08-09 with review at year end
Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships,(ref 7) and reflecting these in the Council's overall governance arrangements.	Assistant Director Strategy & Democracy	Yes	Review of partnerships report approved by Equality Steering Group in April 2008. Intended launch of partnership good practice toolkit and review work to determine worth and continuity of existing partnerships planned for 08-09

## **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

- Continual assessment and review by officers of the corporate governance arrangements to ensure 'fit for purpose' in a changing environment
- All reports from Internal Audit work, annual report by the head of Internal Audit
- Audit Commission and External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports
- Risk Management Group – review of report by the head of Internal Audit, Annual Governance Statement and Corporate Risk Register
- Audit Task Group – Review of report by the head of Internal Audit, Annual Governance Statement, Internal Audit provision, all internal audits and Corporate Risk Register
- Scrutiny – Any item discussed by the Audit Task Group can be escalated to Scrutiny as required
- Accounts Committee – Considers the draft annual financial statements including the Annual Governance Statement in June and then the final statements following audit in September
- Corporate Management Team - Consideration of Internal Audit Plan, Annual Governance Statement and Corporate Risk Register
- Cabinet – Consideration of External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Risk Management Group and the Audit Task Group and a plan to address weaknesses and ensure continuous improvement of the system is in place. Full details can be found at Appendix A of the Chief Executive's and Assistant Director Financial Management's report considered at item 7 by the Annual Accounts Committee on 10<sup>th</sup> July 2008. (Copies can be downloaded from the website; [www.eastbourne.gov.uk/council/meetings](http://www.eastbourne.gov.uk/council/meetings).)

Signed behalf of Eastbourne Borough Council:

.....  
Leading Member

.....  
Chief Executive

Date:

<b>INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2008</b>
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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>2006-07</b>		<b>2007-08</b>	<b>2007-08</b>	<b>2007-08</b>
<b>NET</b>		<b>GROSS</b>	<b>GROSS</b>	
<b>£'000</b>		<b>EXPEND.</b>	<b>INCOME</b>	<b>NET</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1,089	Central Services to the Public	3,955	2,976	979
5,706	Cultural & Related Services	13,217	8,063	5,154
6,423	Environmental Services	7,547	3,094	4,453
1,040	Planning & Development Services	2,262	982	1,280
1,126	Highways, Roads & Transport Services	2,605	1,126	1,479
452	Housing Services	44,029	43,326	703
(3,440)	Council Housing	10,927	14,589	(3,662)
1,717	Corporate & Democratic Core	2,459	0	2,459
188	Non Distributed Costs	6,921	0	6,921
<b>14,301</b>	<b>Net Cost of Services</b>	<b>93,922</b>	<b>74,156</b>	<b>19,766</b>
(607)	(Gains) / losses on sale of fixed assets			100
222	Precepts/Levies of local precepting authorities			236
(316)	(Surplus) of trading operations	Note 2		(297)
3,082	External Interest payable			2,452
1,184	Contribution of housing capital receipts to Government Pool			930
(570)	Interest and Investment Income			(1,050)
94	Pensions Interest Cost and Expected Return on Pensions Assets		Note 4	42
<b>17,390</b>	<b>Net Operating Expenditure</b>			<b>22,179</b>
(7,219)	Demand on the Collection Fund			(7,352)
(1,613)	Revenue Support Grant			(1,456)
(8,320)	Non-Domestic Rates Distribution			(8,678)
<b>238</b>	<b>Deficit for the year</b>			<b>4,693</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 below are set out in detail in Note 13.

<b>2006-07</b>		<b>2007-08</b>
<b>NET</b>		<b>NET</b>
<b>£'000</b>		<b>£'000</b>
	Increase or decrease in the General Fund Balance for the year analyses between :	
238	(Surplus) / Deficit for the year on the Income & Expenditure Account	4,693
0	Write out of PWLB premia not previously charged to Income & Expenditure Account – see Note 3	2,006
(2,008)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year – see Note 13	(5,072)
(1,336)	General Fund Balance brought forward	(3,106)
<b>(3,106)</b>	<b>General Fund Balance carried forward</b>	<b>(1,479)</b>

## BALANCE SHEET AS AT 31 MARCH 2008

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

<b>31 March 2007</b>	<b>Note</b>	<b>31 March 2008</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
584	<b>Intangible Assets</b>	387
	<b>Tangible Fixed Assets</b>	
	Operational Assets	
199,505	- Council Dwellings	215,784
38,796	- Other Land and Buildings	37,529
500	- Vehicles, Plant and Equipment	781
25,923	- Infrastructure Assets	25,083
1,574	- Community Assets	1,567

	Non-operational Assets		
5,448	- Assets Under Construction		8,419
33,270	- Investment Property		27,410
12	- Surplus Assets		551
<b>305,612</b>	<b>Total Fixed Assets</b>	<b>15</b>	<b>317,511</b>
1,778	Long Term Investments	20	1,778
81	Long Term Debtors		54
2,006	Deferred Premiums & Discounts	3	0
<b>309,477</b>	<b>Total Long-Term Assets</b>		<b>319,343</b>
	<b>Current Assets</b>		
56	- Stocks		59
17,143	- Debtors	21	16,002
(4,150)	Less provision for bad debts		(4,220)
7,575	- Investments	24	12,975
969	- cash and bank	22	325
<b>21,593</b>			<b>25,141</b>
<b>331,070</b>	<b>Total Assets</b>		<b>344,484</b>
	<b>Current Liabilities</b>		
(48)	- Short Term Borrowing	24	(15)
(10,079)	- Creditors	23	(11,844)
<b>(10,127)</b>			<b>(11,859)</b>
<b>320,943</b>	<b>Total Assets Less Current Liabilities</b>		<b>332,625</b>
(31,200)	Long Term Borrowing	24	(38,720)
(304)	Provisions	25	(556)
(18,672)	Government Grants Deferred Account	27	(16,950)
(8,821)	Capital Contributions Deferred Acc.	28	(9,214)
(19,710)	Pensions Liability	4	(15,251)
(59)	Deferred Credits	26	(46)
(2,291)	Govt Grants & Contributions unapplied	32	(4,625)
<b>239,886</b>	<b>Total Assets less Liabilities</b>		<b>247,263</b>
0	Revaluation Reserve	29	9,039
243,028	Capital Adjustment Account	30	240,071
8,305	Usable Capital Receipts Reserve	31	5,722
0	Financial Instruments Adjustment		(1,352)
(19,710)	Pensions Reserve	4	(15,251)
6,572	Earmarked Reserves	34	7,627
786	Housing Revenue Account Balance		1,280
(2,201)	Collection Fund – Eastbourne BC		(1,352)
3,106	General Fund Balance		1,479
<b>239,886</b>	<b>Total Equity</b>		<b>247,263</b>

I certify that the Balance Sheet and related accounts represent the true financial position of Eastbourne Borough Council at 31 March 2008 and its income and expenditure for the year 2007-08.

Peter Stabb – Acting Chief Finance Officer  
Statutory Section 151 Officer

<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008</b>
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This statement brings together all the recognised gains and losses of the Council, 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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
1,389	(Surplus) / Deficit on Collection Fund	(850)
238	Deficit on Income and Expenditure Account	4,693
0	Write out of PWLB premia not previously charged to Income & Expenditure Account	2,006
(14,047)	(Gain) / Loss on valuation of fixed assets (Note 15)	(9,133)
(4,778)	Actuarial (gain) loss on net pension fund liabilities	(4,093)
<b>(17,198)</b>	<b>Total recognised (gains) for the year</b>	<b>(7,377)</b>

<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008</b>
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This statement summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

<b>2006-07</b>		<b>2007-08</b>	<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
13,444	Cash paid to and on behalf of employees	13,981	
33,596	Other operating cash payments	26,815	
24,299	Housing Benefits paid out	26,093	
22,454	NNDR payments to national pool	24,842	
36,454	Precept paid to East Sussex County Council	37,802	
2,551	Precept paid to East Sussex Fire Authority	2,659	
4,202	Precept paid to Sussex Police Authority	4,427	
1,184	Payments to the Capital Receipts Pool	279	
<b>138,184</b>			<b>136,898</b>
<b>Cash Inflows</b>			
(4,560)	Housing Rents (after rebates)	(4,201)	

(41,491)	Council Tax receipts	(44,360)	
(24,546)	Non-Domestic rate receipts	(25,028)	
(1,613)	Revenue Support Grant	(1,456)	
(8,320)	NNDR receipts from national pool	(8,678)	
(37,608)	DWP grants for benefits	(39,307)	
(3,115)	Other government grants – see Note 39	(3,711)	
(22,349)	Cash received for goods and services	(15,175)	
(135)	Other operating cash receipts	(4,594)	
<b>(143,737)</b>			<b>(146,510)</b>
<b>(5,553)</b>	<b>Revenue Activities Net Cash (Inflow)</b> <b>(Note 38)</b>		<b>(9,612)</b>
	<b>RETURNS ON INVESTMENTS AND</b> <b>SERVICING OF FINANCE</b>		
	<b>Cash Outflows</b>		
1,773	Interest paid	2,471	
	<b>Cash Inflows</b>		
(520)	Interest received	(1,071)	
<b>1,253</b>			<b>1,400</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Cash Outflows</b>		
8,850	Purchase of fixed assets	16,246	
1,398	Other capital cash payments	1,722	
<b>10,248</b>			<b>17,968</b>
	<b>Cash Inflows</b>		
(9,178)	Sale of fixed assets	(1,362)	
(1,544)	Capital grants received	(1,985)	
(3,015)	Other capital cash receipts	(3,678)	
<b>(13,737)</b>			<b>(7,025)</b>
<b>(7,789)</b>	<b>Net Cash (Inflow)/Outflow before</b> <b>Financing</b>		<b>2,731</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
<b>7,575</b>	Net increase in Short Term Deposits (Note 24)		<b>5,400</b>
	<b>FINANCING</b>		
	<b>Cash Outflows</b>		
533	Repayments of amounts borrowed	0	
33	Reduction in short term debt	33	
	<b>Cash Inflows</b>		
(500)	New loans raised	(7,520)	
<b>66</b>			<b>(7,487)</b>
<b>(148)</b>	<b>Net (Increase)/Decrease in Cash</b>		<b>644</b>

## NOTES TO THE ACCOUNTING STATEMENTS

### 1. APPROVAL OF THE STATEMENT OF ACCOUNTS

The Accounts were approved by the Acting Chief Finance Officer on 18<sup>th</sup> March 2009

### 2. TRADING OPERATIONS

	Expenditure	Income	Net Expenditure/(Income)
	£'000	£'000	£'000
Corporate Property	15	(594)	(579)
Estates Management	281	(25)	256
Corporate Purchasing	3	(3)	0
Printing Services	89	(63)	26
<b>Total</b>	<b>388</b>	<b>(685)</b>	<b>(297)</b>

### 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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
2,661	Balance at the beginning of the year	2,006
0	Premiums paid	0
	Amounts written back to the Income and Expenditure Account:	
0	General Fund	(2,006)
(655)	Housing Revenue Account	
<b>2,006</b>	<b>Balance at the end of the year</b>	<b>0</b>

The 2007 SORP requires any overhanging deferred premiums to be charged to Revenue.

### 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.. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

The costs of retirement benefits are recognised 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.

	<b>2006-07</b>		<b>2007-08</b>	
	£000	%	£000	%
Liabilities 1 April - 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	
Net opening liability	(24,350)		(19,710)	
Annual movements in liability:				
Net Cost of Services:				
Current Service Cost	(1,650)		(1,501)	
Past Service Cost	0		(99)	
Settlements and Curtailments	(188)		(13)	
Net Operating Expenditure:				
Interest Cost	(4,373)		(4,727)	
Expected Return on Assets	4,279		4,685	
Adjust for actual amount charged against council tax:				
Employer's contributions	1,794		2,021	
Unfunded retirement benefits payable to pensioners	0		0	
Net movement on Pensions Reserve	<u>(138)</u>		<u>366</u>	
Actuarial gains and losses:				
Expected and actual return on assets	33	0.0	(7,151)	(11.7)
Gains and losses on scheme liabilities	51	0.1	(467)	(9.3)
Changes in demographic and financial assumptions	4,694	5.3	11,711	15.3
	<u>4,778</u>	5.4	<u>4,093</u>	
<b>Net liabilities 31 March</b>	<b><u>(19,710)</u></b>		<b><u>(15,251)</u></b>	

Liabilities 31 March - share of pension fund	(83,046)	(71,348)
- unfunded discretionary pensions	(5,255)	(4,995)
	<u>(88,301)</u>	<u>(76,343)</u>
Less share of pension fund assets	68,591	61,097
Difference due to Actuarial figures on estimate not actual		(5)
<b>Net closing liability</b>	<b><u>(19,710)</u></b>	<b><u>(15,251)</u></b>

The net liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £15.3m at 31 March 2008 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>2006-07</b>	<b>2007-08</b>
Rate of inflation	3.2%	3.6%
Rate of increase in salaries	4.7%	5.1%
Rate of increase in pensions	3.2%	3.6%
Rate for discounting scheme liabilities	5.4%	6.9%

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 2007 Weighting</b>	<b>31 March 2008 Weighting</b>
	%	%	%
Equity investments	7.7	65	65
Bonds	5.7	13	13
Other assets	5.7	11	11
Cash	4.8	11	11
<b>Total</b>		<b>100</b>	<b>100</b>

At 31 March 2008 the Council owed £137,000 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 2007, 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 £204,000, mainly on donations to voluntary bodies working in the local area. (£172,000 in 2006-07)

## 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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
123	Tourism and Economic Development	111
33	Public Relations and Information	77
42	Recreation and Leisure	33
156	Recruitment	65
93	Other	102
<b>447</b>		<b>388</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>2006-07</b>		<b>2007-08</b>	<b>2007-08</b>	<b>2007-08</b>
<b>£'000</b>		<b>Chargeable</b>	<b>Non - Chargeable</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
279	Employee Expenses	224	88	312
0	Premises	0	0	0
14	Transport	14	5	19
55	Supplies/ Services	21	0	21
101	Charges for Support Services	66	25	91



<b>449</b>	<b>Total Expenditure</b>	<b>325</b>	<b>118</b>	<b>443</b>
(273)	Building Regulation charges	(304)	0	(304)
(19)	Other income	0	(12)	(12)
<b>(292)</b>	<b>Total Income</b>	<b>(304)</b>	<b>(12)</b>	<b>(316)</b>
<b>157</b>	<b>Deficit for the Year</b>	<b>21</b>	<b>106</b>	<b>127</b>

## 8. MEMBERS ALLOWANCES

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

<b>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
99	Members Allowances	111
2	Conferences and Travelling Expenses	2
<b>101</b>		<b>113</b>

## 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	
	2006-07	2007-08	2006-07	2007-08
£50,000-£59,999	4	8	1	3
£60,000-£69,999	1	1	0	0
£70,000-£79,999	2	2	0	0
£80,000-£89,999	0	0	0	0
£90,000-£99,999	1	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 Note 27 .

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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
0	Fees payable to the PKF (UK) LLP for annual audit	120
92	Fees payable to Audit Commission for annual audit	0
5	Fees payable to Audit Commission for inspection	7
0	Fees payable to the PKF (UK) LLP for the certification of grant claims and returns	45
43	Fees payable to Audit Commission for the certification of grant claims and returns	0
30	Fees payable in respect of other services provided by the appointed auditor	18
0	Additional fees payable to PKF (UK) LLP to complete the audit of accounts	50
0	Additional fees payable to PKF (UK) LLP to respond to questions asked by local electors under Section 15 of the Audit Commission Act 1998	16
<b>170</b>		<b>256</b>

The fees for other services relate to:

<b>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
30	Additional fee for 2006-2007 audit of accounts	41
<b>30</b>		<b>41</b>

## 12. OPERATING LEASES

The Council uses operating leases to finance 1 Dotto road train, 14 vans, 1 Tractor and 18 Cars.

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

<b>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
104	Total rentals paid	94
	Outstanding obligations	
61	- 2008-2009	82
31	- 2009-2010	53
7	- 2010-2011	25
	- 2011-2012	7

The Council also acts as lessor to Eastbourne Homes Ltd. for their use of office accommodation (3rd Floor, 1 Grove Road) and office equipment. During 2007-08 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 2007-08.

### 13. STATEMENT OF MOVEMENTS ON THE GENERAL FUND BALANCE

The Income and expenditure Account shows the Council's financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the statutory amount charged to the General Fund Balance.

The amounts additional to the surplus or deficit on the Income and Expenditure Account that are required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year comprise the following:

	<b>2006-07</b>	<b>2007-08</b>
<b>Amounts included in the Income and Expenditure Account, but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Depreciation and Impairment of Fixed Assets	(2,365)	(9,067)
Excess of depreciation charged to HRA services over the MRA element of Housing Subsidy	(228)	(323)
Release from Government Grants Deferred & Capital Contributions Deferred	719	4,662
Deferred Charges	(1,398)	(1,722)
Gain/(loss) on sale of fixed assets	607	(100)
Premiums & discounts balance to Financial Instruments Account	0	(1,352)
Withdrawal from Pension Reserve	(139)	365
<b>Total</b>	<b>(2,804)</b>	<b>(7,537)</b>

**Amounts not included in the Income and Expenditure Account, but required to be included by statute when determining the Movement on the General Fund Balance for the year**

Statutory provision for repayment of debt	202	372
Capital Expenditure charged to revenue account	1,410	1,475
Transfer from Useable Capital Receipts equal to the amount payable to the national pool	(1,184)	(930)
<b>Total</b>	<b>428</b>	<b>917</b>

**Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year**

Transfer surplus or deficit for the year on HRA	(1,212)	494
Transfer to / (from) earmarked reserves	1,580	1,054
<b>Total</b>	<b>368</b>	<b>1,548</b>

<b>Total Net Additional Amount</b>	<b>(2,008)</b>	<b>(5,072)</b>
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**14. CAPITAL EXPENDITURE AND FINANCING**

	<b>2006-07</b>		<b>2007-08</b>	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		35,292		35,089
Operational assets	5,921		12,875	
Non-operational assets	2,586		3,293	
Intangible assets	342		78	
Deferred charges	1,398		1,722	
<b>Total capital investment</b>	<b>10,247</b>		<b>17,968</b>	
Capital receipts	(1,292)		(3,027)	
Government grants	(965)		(1,438)	
Other contributions	(3,885)		(1,892)	
Major Repairs Reserve			(2,616)	
Revenue financing	(4,106)		(1,475)	
Total financing other than from loan	(10,248)		(10,448)	
<b>Net investment financed from loan</b>		(1)		7,520
Revenue provision for repayment of loans		(202)		(372)

**Closing Capital Financing Requirement**

<b>35,089</b>	<b>42,237</b>
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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:

	<b>31 March 2007</b>	<b>31 March 2008</b>
	£000	£000
Fixed Assets	305,612	317,511
Government Grants Deferred	(18,672)	(16,950)
Capital Contributions Deferred	(8,823)	(9,214)
Capital Adjustment Account	(243,028)	(240,071)
Revaluation Reserve	0	(9,039)
<b>Capital Financing Requirement</b>	<b>35,089</b>	<b>42,237</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 £371,626 (2006-07 £202,000).

**15. MOVEMENTS IN FIXED ASSETS**

	Operational Assets					Total
	Council Dwellings	Land and Buildings	Vehicles and equipment	Infra-structure	Community Assets	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Balance at 1 April 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>
Additions	12,144	153	480	33	65	12,875
Transfers		(297)	14	0	0	(283)
Revaluation Gains	5,471	0	0	0	0	5,471
Revaluation Losses	(7)	0	0	0	0	(7)
Disposals	(1,204)	(262)	(25)	(7)	(96)	(1,594)
<b>Gross Balance at 31 March 2008</b>	<b>218,701</b>	<b>39,253</b>	<b>3,058</b>	<b>33,966</b>	<b>2,131</b>	<b>297,109</b>
<b>Accumulated Depn at 1 April 2007</b>	<b>(2,792)</b>	<b>(863)</b>	<b>(2,089)</b>	<b>(8,017)</b>	<b>(588)</b>	<b>(14,349)</b>
Write out of Depn on Revaluations	2,792	0	0	0	0	2,792
Write out of Depn on Disposals	22	1	25	0	96	144
In Year Depreciation	(2,939)	(862)	(213)	(866)	(72)	(4,952)
<b>Accumulated Depreciation at 31 March 2008</b>	<b>(2,917)</b>	<b>(1,724)</b>	<b>(2,277)</b>	<b>(8,883)</b>	<b>(564)</b>	<b>(16,365)</b>

<b>Net Book Value at 31 March 2008</b>	<b>215,784</b>	<b>37,529</b>	<b>781</b>	<b>25,083</b>	<b>1,567</b>	<b>280,744</b>
<b>Net Book Value at 31 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				Intangible Assets
	Investment Assets £'000	Surplus £'000	Assets under construction £'000	Total £'000	£'000
<b>Balance at 1 April 2007</b>	<b>33,269</b>	<b>12</b>	<b>5,448</b>	<b>38,729</b>	<b>827</b>
Accumulated Depn at 1 April 2007	0	0	0	0	(242)
Prior period adjustment	0	(2)	0	(2)	0
Additions	323	0	2,971	3,294	78
Transfers	21	262	0	283	0
Revaluation Gains	550	320	0	870	0
Revaluation Losses	(6,730)	(39)	0	(6,769)	0
Disposals	(23)	0	0	(23)	0
In Year Depreciation	0	(2)	0	(2)	(276)
<b>Net Book Value at 31 March 2008</b>	<b>27,410</b>	<b>551</b>	<b>8,419</b>	<b>36,380</b>	<b>387</b>
<b>Net Book Value at 31 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) were valued by the Council's own qualified surveyor as at 1 April 2006. 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 was re-valued by the District Valuer as at 1 April 2006. The valuation was carried out by inspection using beacon properties on which to base the valuation. A desktop revaluation was carried out as at 1 April 2007.

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 10.

## 17. INFORMATION ON ASSETS HELD

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

	Number as at 31 March 2007	Number as at 31 March 2008
<b>Council Dwellings</b>		
Houses	1,824	1,815
Flats	1,956	1,949
<b>Operational Buildings</b>		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	1	1
Public Conveniences	32	32
Off-Street Car Parks	14	14
Theatres	3	4
Devonshire Park Int'l Tennis Centre	1	1
Dual Use Sports Centres	2	2
Swimming Pools	2	2
Museums	1	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

**Non-Operational Assets**

Royal Hippodrome Theatre	1	0
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	8	8
Community Centres	5	5
Treasure Island	1	1
Other Offices	1	1
Factories	7	6
Hotels	13	13
Shops	15	15
Sports Facilities	12	12

**Non-Operational Equipment**

Dotto Road Train	1	3
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**18. CAPITAL COMMITMENTS**

The Council had a direct capital commitment at 31 March 2008 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 was budgeted at £8.65m with the remaining £6.25m 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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
	Capital Expenditure in year:	
1,325	Private Sector Housing Grants	1,382
29	Heritage Economic Regeneration Scheme	0
44	Other	340
<b>1,398</b>		<b>1,722</b>
(1,398)	Amounts written off to the Income and Expenditure Account	(1,722)
<b>0</b>	<b>Balance at 31 March 2008</b>	<b>0</b>

**20. LONG TERM INVESTMENTS AND RELATED COMPANIES**

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
1,528	Eastbourne Buses Ltd – shares	1,528
200	Eastbourne Buses Ltd – debenture	200



<b>1,728</b>		<b>1,728</b>
50	Local Government Association – debenture	50
<b>1,778</b>		<b>1,778</b>

The Eastbourne Buses Limited debenture is repayable by 26th 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 March 2008 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:

	<b>Year ended 31 December 2006</b>	<b>Year ended (Unsigned) 31 December 2007</b>
	<b>£'000</b>	<b>£'000</b>
Net Assets	303	63
Loss before taxation	(473)	(348)
Loss after taxation	(419)	(334)
Dividends declared	NIL	NIL

The value of the Council's shareholding at 31 March 2008 is stated at the net cost incorporated in the Transfer Scheme. On the basis of the Company's latest trading statement to 31 December 2007, 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 draft accounts to 31 December 2007 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 no obligation to meet them. 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 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>Year ended 31 March 2007</b>	<b>Year ended 31 March 2008</b>
	£'000	£'000
Net Assets	159	901
(Surplus)/deficit on ordinary activities before tax	(364)	437
(Surplus)/deficit on ordinary activities after tax	(371)	422

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
Debtors - Amounts due from Eastbourne Homes Ltd	309
Creditors - Amounts due to Eastbourne Homes Ltd	1,601

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

## 21. DEBTORS

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
494	Business Ratepayers	407
4,563	Council Taxpayers	4,403
536	Council House Tenants	543
4,211	Government Departments including HM Revenue & Customs	4,418
81	Assisted Car Purchase Loans	31
231	Payments in Advance	195
7,027	Sundry Debtors	6,005
<b>17,143</b>		<b>16,002</b>
	Less: Provision for impairment of Debts	
(2,474)	- Collection Fund (including NNDR)	(2,024)
(368)	- Council House Tenants	(396)
(1,308)	- General (including Housing Benefit)	(1,800)
<b>12,993</b>		<b>11,782</b>

## 22. CASH AND BANK BALANCES

	Balance	Balance	<b>Movement</b>
	31 March 2007	31 March 2008	<b>in the year</b>
	£'000	£'000	<b>£'000</b>
Cash and bank	969	325	<b>(644)</b>
	<b>969</b>	<b>325</b>	<b>(644)</b>

## 23. CREDITORS

<b>31 March .2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
553	Business Ratepayers	599
1,004	Council Taxpayers	322
697	Government Departments, including tax & VAT	336
189	East Sussex County Council	204
1,277	Income Received in Advance	347
273	Loan Interest	280
926	Capital Creditors	1,196
5,160	Sundry Creditors	8,560
<b>10,079</b>		<b>11,844</b>

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

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

<b>Movement in 2006-07</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:			
33	Public Works Loan Board	23,700	31,220	(7,520)
0	Loan Stock	7,500	7,500	0
<b>33</b>		<b>31,200</b>	<b>38,720</b>	<b>(7,520)</b>
	Deferred Liabilities:			
34	Short Term Borrowing	48	15	33
<b>67</b>	<b>Movements in Financing</b>	<b>31,248</b>	<b>38,735</b>	<b>(7,487)</b>
7,575	Short Term Investments	7,575	12,975	5,400
<b>7,575</b>	<b>Movements in Management of Liquid Resources</b>	<b>7,575</b>	<b>12,975</b>	<b>5,400</b>

Analysis of borrowings by maturity:-

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
48	Between 1 and 2 years	15
0	Between 2 and 5 years	0
12,200	Between 5 and 10 years	12,200
19,000	More than 10 years	26,520
<b>31,248</b>		<b>38,735</b>

All loans and investments are included in the accounts at amortised cost, however the SORP 2007 requires the fair value of each class of financial asset to be disclosed as well. The fair value of the Council's holding as at 31 March 2008 is:

Assets	Amortised Cost	Fair value	Liabilities	Amortised Cost	Fair Value
	£'000	£'000		£'000	£'000
Cash	1,975	1,975	PWLB Loan	31,220	36,317
Fixed Term Deposits	11,000	11,062	Loan Stock	7,500	10,594
<b>Total Assets</b>	<b>12,975</b>	<b>13,037</b>	<b>Total Liabilities</b>	<b>38,720</b>	<b>46,911</b>

The fair value has been determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

Customer payments, due to the Council within one year amount to £16.06m, are recorded at amortised cost which is the same as fair value. Creditors, due to be paid by the Council within one year amount to £11.84m, are recorded at amortised cost which is the same as fair value.

## **NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet commitments to make payment as and when they fall due;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates.

The Council seeks to minimise these risks through its procedures and Treasury Management Policy.

### **CREDIT RISK**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. In respect of investment assets, the Council's investment strategy:

- Sets out clear procedures for determining the type of asset class to be used;
- Restricts investments to those denominated in sterling to avoid any exchange risk;
- Prescribes maximum periods for investment in each asset class;
- Prescribes financial limits to be invested in each asset class.

### For Investments and Loans Receivable

Although return on investments is an important consideration, the main principle governing the Council's investment criteria is the security and liquidity of its

investments over what those investment will yield. Overall levels of investment are governed by cash flow and cash flow projections that determine the duration of investments made to ensure sufficient liquidity. Liquidity is further enhanced by the use of 'instant access' deposit accounts; the council has an overdraft facility with the bank of £1,000,000 and as a last resort the Council can draw temporary funds from the Money Market. There was no requirement to use Money Market borrowing in this way in 2007-08.

The Council will only invest funds with financial institutions that have a long term credit rating of A, and a short term rating of F1 or P1. There is a maximum limit of £3m is set for each institution with a maximum duration of 1 year. These limits on time and total amounts invested are based both on the credit assessment of the institution and with a view to limiting the Council's exposure with any one institution. Credit ratings are continuously monitored, the Council receives regular updates from Sector, its external financial advisors as well as using its own assessment of changes to individual risks.

#### For Trade Receivables

Customers are assessed, taking into account their financial position, past experience and other factors. Wherever possible payment for goods and services are received in advance. Approved supplier lists are maintained and purchases are made from them wherever possible.

### **LIQUIDITY RISK**

The Council has ready access to borrowings from PWLB and as such there is no significant risk that it will be unable to raise finance to meet its commitments as and when they fall due. Furthermore, the Council maintains a daily cash flow which includes planning for all known payments in and out on a rolling 12 month basis. As at 31 March 2008 £1.975m was held in an on call deposit account.

### **MARKET RISK**

#### **Interest Rate Risk**

The Council is exposed to significant risk in terms of its exposure to interest rate movement on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charges to Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the liabilities will fall;
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowing and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance pound for pound.

The Council aims to manage the interest rate risk by setting a limit of 25% of its borrowing in variable rate loans. As at 31 March 2008 all Council borrowing was at

fixed rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Advice and guidance will always be sought from the Council's external financial advisors. For most councils the risk of loss will be ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the councils' cost of borrowing and provide compensation for a proportion of any higher costs.

### Price Risk

The Council does not invest in equity shares and is not therefore exposed to losses arising from movements in the prices of shares.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

## 25. PROVISIONS

	<b>31 March 2007</b>	<b>Contributions</b>	<b>Utilised</b>	<b>31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Former council flat redecorations	183	11	(9)	185
Housing Benefit	121	371	(121)	371
	<b>304</b>	<b>382</b>	<b>(130)</b>	<b>556</b>

The provision for former council flat redecoration 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 March 2007</b>	<b>Received</b>	<b>31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Council House Sales	59	(13)	46
	<b>59</b>	<b>(13)</b>	<b>46</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.

<b>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
18,333	Balance at the beginning of the year	18,673
965	Grants applied during the year	1,438
(625)	Less – Amount written off to the Income and Expenditure Account	(3,161)
<b>18,673</b>	<b>Balance at the end of the year</b>	<b>16,950</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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
5,035	Balance at the beginning of the year	8,823
3,883	Contributions applied during the year	1,892
(95)	Less - Amount written off to the Income & Expenditure Account	(1,501)
<b>8,823</b>	<b>Balance at the end of the year</b>	<b>9,214</b>

## **29. REVALUATION RESERVE**

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006-07 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £196m on the FARA at 31 March 2007 has been written off to the Capital Financing Account £47m credit balance to form the new Capital Adjustment Account with a balance of £243m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 only shows revaluation gains accumulated since 1 April 2007.

	<b>2007-08</b>
	<b>£'000</b>
Balance at the beginning of the year	0
Revaluations	9,133
Disposals	(45)
Adjustment for depreciation on re-valued assets	(49)
<b>Balance at the end of the year</b>	<b>9,039</b>

### 30. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account (formerly 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>2007-08</b>	
	<b>£'000</b>	<b>£'000</b>
Balance at the beginning of the year		(243,028)
Capital receipts set aside in year		
Capital financing in year:		
- Revenue	(1,475)	
- Capital Receipts	(3,028)	
- Major Repairs Reserve	(2,616)	
Grants and Contributions Deferred written off	(4,662)	
Deferred Charges	1,722	
Reversal of Depreciation and Impairment	12,006	
Minimum Revenue Provision	(372)	
Disposal of Fixed Assets	1,431	
Adjust Depreciation on Re-valued Assets	(49)	
<b>Balance at the end of the year</b>		<b>(240,071)</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 March 2007</b>	<b>New Receipts</b>	<b>Payment to Gov.</b>	<b>Transfer</b>	<b>Capital Financing</b>	<b>31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund	6,867	110			(3,027)	3,950
Housing Rev AC	1,438	1,264	(930)			1,772
	<b>8,305</b>	<b>1,374</b>	<b>(930)</b>		<b>(3,027)</b>	<b>5,722</b>



### 32. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

Capital Grants and Contributions	31 March 2007	Added	Withdrawn	Transfer to Reserves	31 March 2008
	£'000	£'000	£'000	£'000	£'000
General Fund	1,055	3,267	(2,797)		1,525
Housing Revenue Account	479	300	(533)		246
Eastbourne Park	550	133			683
Social Housing Development	136	1,800			1,936
Section 106 Monies	70	165			235
	<b>2,290</b>	<b>5,665</b>	<b>(3,330)</b>		<b>4,625</b>
Major Repairs Reserve	<b>0</b>	<b>2,616</b>	<b>(2,616)</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.

	31 March 2007	Gains / (Losses)	Transfers between reserves	31 March 2008	Further details
	£'000	£'000	£'000	£'000	
Revaluation Reserve	0	9,133	(94)	9,039	
Capital Adjustment Account	243,028	0	(2,957)	240,071	
Usable Capital Receipts Reserve	8,305	0	(2,583)	5,722	
Financial Instruments Adjustment Account	0	0	(1,352)	(1,352)	
Pensions Reserve	(19,710)	4,093	366	(15,251)	Note 4
Earmarked Reserves	6,572	0	1,055	7,627	
Housing Revenue Account	786	0	494	1,280	
Share of Collection Fund	(315)	125	(1)	(191)	
General Fund	3,106	(6,699)	5,072	1,479	
<b>Total reserves</b>	<b>241,772</b>	<b>6,652</b>	<b>0</b>	<b>248,424</b>	

### 34. EARMARKED RESERVES

	31 March 2007	Added	Withdrawn	Transfer to Reserves	31 March 2008
	£'000	£'000	£'000	£'000	£'000
Upkeep of Graves and Memorials & Crematorium Levy	151	76			227
Earmarked Revenue	2,046	1,199	(1,601)	679	2,323

Reserves					
Earmarked Capital	1,498		(775)		723
Reserves-HRA					
Earmarked Capital	25				25
Reserves – General Fund					
Insurance	116				116
Section 106 income	1,044	296	(39)		1,301
Revenues and Benefits		1,216			1,216
Other	67	4			71
	<b>4,947</b>	<b>2,791</b>	<b>(2,415)</b>	<b>679</b>	<b>6,002</b>
Eastbourne Buses					
Realisation	<b>1,625</b>				<b>1,625</b>
	<b>6,572</b>	<b>2,791</b>	<b>(2,415)</b>	<b>679</b>	<b>7,627</b>

The Eastbourne Buses Realisation Account represents the surplus on the book value of net assets transferred to Eastbourne Buses Limited at 26th October 1986. This surplus will be realised in the 2009-10 Accounts (Note 20 on page 39).

### 35. ANALYSIS OF NET ASSETS EMPLOYED

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

<b>31 March 2007</b>			<b>31 March 2008</b>	
<b>£'000</b>			<b>£'000</b>	
44,023	General Fund		26,485	
195,863	Housing Revenue Account		220,778	
<b>239,886</b>			<b>247,263</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.

#### Impending Tribunal Hearing

Developers are taking a matter on restrictive covenants via a formal application under the Law of Property Act 1925 to a Land Tribunal hearing in January 2009. Counsel's advice received concludes that the Council may not be successful in opposing the discharge of the covenants and would then expose itself to costs in excess of £60,000 if the matter proceeds to a hearing. At the time of signing the accounts the final decision had not been received.

### Pay and Grading Review

There is no reason to believe that there will be any liabilities arising relating to 2007-08 or earlier due to the Pay and Grading Review that has been carried out and therefore no provision has been made.

### 37. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

On 18th December 2008 all shares held in Eastbourne Buses were sold to Stagecoach Bus Holdings Ltd.

The asset values contained within these accounts were considered prudent as at 31 March 2008 however market values have fallen nationally since that date.

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

2006-07		2007-08
£'000		£'000
238	(Surplus) /Deficit on Income and Expenditure Account	4,693
	Add/(Less) – Non Cash transactions:	
(5,172)	Depreciation	(5,229)
0	Impairment	(6,777)
(1,398)	Deferred charges	(1,722)
720	Grants and contributions deferred	4,662
607	Gain/(loss) on sale of fixed assets	(100)
(1,253)	Servicing of finance	(1,273)
(138)	Pensions Reserve	366
		<b>(10,073)</b>
	<b>Gross surplus on Collection Fund for the year</b>	<b>(850)</b>
998	Changes in revenue accruals	
(155)	Increase / (decrease) in Provisions	(253)
	Increase / (decrease) in Long term Investments	0
	Increase / (decrease) in Long term Debts	(27)
	Increase / (decrease) in Stocks	2
	Increase / (decrease) in Debtors	(1,211)
	(Increase) / decrease in Creditors	(1,766)
		<b>(3,255)</b>
<b>(5,553)</b>	<b>Net cash (inflow) / outflow from Revenue Activities</b>	<b>(9,485)</b>

### 39. GOVERNMENT GRANTS

2006-07		2007-08
£'000		£'000
1,043	Housing Revenue Account Subsidy	1,312
1,033	Benefits Administration	1,086
81	Housing Benefit Anti Fraud Incentive	40
101	Countryside Commission	109
0	Housing Benefits Other Grants	20
26	Housing –Other	10
0	Homelessness	66
425	Planning Delivery	248
111	Voluntary Sector Projects	122
0	Pollution	9
38	Recycling Initiatives	40
79	Safer Communities	0
172	Capacity Building Grant	165
0	Business Incentive Scheme	310
0	Concessionary Travel Pass	33
0	Smoke Free	53
6	Other	88
<b>3,115</b>		<b>3,711</b>

### 40. TRUST FUNDS

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

The total amount held at 31 March 2008 was £30,840 (£38,647 at 31 March 2007). The larger of these is the Langney Cemetery Maintenance Fund which amounted to £20,750 in both years.

### 41 LOCAL AREA AGREEMENT (LAA) GRANT

The Council is a participant in an LAA – a partnership with other bodies involving the pooling of Government Grants to finance work towards jointly agreed objectives for public services. In 2007-08 the Council received the following grants via the east Sussex County Council as accountable body :

Purpose of Grant	£'000
Anti-Social Behaviour Co-ordinator	21
Building Safer Communities	74
Waste & Efficiency Grant	80
	175

## 42 PRIOR PERIOD ADJUSTMENTS

The statement of accounts for 2006-07 have been re-stated to reflect the following changes to the accounts required by the SORP 2007 thereby providing an accurate comparison between the current year and previous year:

- Replacement of the Fixed Asset Restatement Account with a Revaluation Reserve (see Note 29);
  
- Replacement of the Capital Financing Account with the Capital Adjustment Account;

Comparative figures in respect of 2006-07 have been adjusted to conform with the requirements of the 2007 SORP as follows:

Fixed Asset Realisation Account balance 2006-07	196,240
Transfer to Capital Adjustment Account	<u>(196,240)</u>
Balance	<u>0</u>

## HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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>2006-07</b>		<b>2007-08</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
	<b>Income</b>	
11,051	Dwelling Rents (Gross)	11,442
335	Non-Dwelling Rents (Gross)	350
523	Tenants' Charges for Services and Facilities	519
206	Leaseholders' Charges for Services and Facilities	65
535	Contributions Towards Expenditure	652
1,043	Housing Revenue Account Subsidy Receivable <span style="float: right;">Note 6</span>	1,561
<b>13,693</b>	<b>Total Income</b>	<b>14,589</b>
	<b>Expenditure</b>	
6,456	Management Fee	6,795
832	Supervision and Management	950
121	Subsidy Limitation Transfer to the General Fund <span style="float: right;">Note 9</span>	68
53	Increased Provision for Doubtful Debts	98
2,808	Depreciation and Impairment of Fixed Assets <span style="float: right;">Notes 2 &amp; 4</span>	2,947
68	Debt Management Costs	68
<b>10,338</b>	<b>Total Expenditure</b>	<b>10,926</b>
<b>(3,355)</b>	<b>Net Cost of HRA Services as included in the whole authority Income &amp; Expenditure Account</b>	<b>(3,663)</b>
36	HRA services share of Corporate and Democratic Core	29
<b>(3,319)</b>	<b>Net Cost of HRA services</b>	<b>(3,634)</b>
	<b>HRA share of the operating income &amp; expenditure included in the whole authority Income &amp; Expenditure Account</b>	
0	Gain on Loss on sale of HRA Assets	(82)
1,973	Interest Payable and Similar Charges	2,192
0	Amortised Premiums	2,006
655	Amortised Premiums and Discounts	
	Investment Income	
(6)	Mortgage Interest	(5)

(98)	Interest on Cash Balances	(123)
<b>(795)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>354</b>
<b>Statement of Movement on the HRA Balance</b>		
(795)	(Surplus) or deficit for year on HRA Income and Expenditure Account	354
	Impairment of Fixed Assets	(7)
(228)	Transfer to/from Major Repairs Reserve – Note 2	(323)
0	Release from Government Grants Deferred & Capital Contributions Deferred	18
0	Gain / (Loss) on Sale of Fixed Assets	82
0	Premiums and discount balance to Financial Instruments Account	(1,352)
37	Difference Between Pension Costs & Amounts Legally Chargeable to General Fund	Note 7 30
1,410	Capital expenditure funded by the HRA	1,475
788	Transfer to/from Reserve	(771)
<b>1,212</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(494)</b>
(1,998)	Balance at 1 April	(786)
<b>(786)</b>	<b>Balance at 31 March</b>	<b>(1,280)</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 Council 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 £6.8 m out of rents, government subsidy and other income in the year. The fee was spent as follows:

	<b>£'000</b>
Supervision and Management	3,555
Repairs	3,240
<b>Management Fee</b>	<b>6,795</b>

In addition to the management fee Eastbourne Homes Ltd received £64,000 bank interest.

## 1. HOUSING STOCK

The Council's housing stock consisted of:

<b>31 March 2007</b>		<b>31 March 2008</b>
	Houses and Bungalows	
17	- one bedroom	17
545	- two bedrooms	543
1,208	- three bedrooms	1,200
54	- four or more bedrooms	54
<b>1,824</b>		<b>1,814</b>
	Flats	
1,035	- one bedroom	1,029
496	- two bedrooms	496
8	- three or more bedrooms	8
417	- bed-sits	417
<b>1,956</b>		<b>1,950</b>
<b>3,780</b>		<b>3,764</b>

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2007) and has acquired the use of 10 actual properties (11 at 31 March 2007) under short-term property leases.

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

	<b>1 April 2007</b>	<b>31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>
Operational Assets - Dwellings	199,505	212,232
- Other Land & Buildings		
Non Operational Assets	3,366	3,552
	<b>202,871</b>	<b>215,784</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 stock of council dwellings was re-valued by the District Valuer as at 1 April 2006 which resulted in a market vacant possession value of the housing stock at 1 April 2006 of £435m and the value of garages as £3m. The valuation was carried out by inspection using beacon properties on which to base the valuation. A desktop revaluation was carried out as at 1 April 2007. 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 April 2007	0
Add - Transfer from Capital Financing Account	2,939
Less - Transfer to the HRA	(323)
- Financing of Capital Expenditure	(2,616)
<b>Balance as at 31 March 2008</b>	<b>0</b>

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

Housing Revenue Account capital expenditure incurred in 2007-08 and how it was financed is summarised as follows:

	Land, Housing and Other Property £'000
Total Capital Expenditure	12,144
<b>Capital Expenditure financed in 2007-08</b>	
Financed by:	
Borrowing	7,520
Major Repairs Reserve	2,616
Revenue Contributions	1,475
Other Contributions	533
<b>Total Funding</b>	<b>12,144</b>

HRA capital receipts from disposals is summarised as follows:

	<b>£'000</b>
Right to Buy Sales of Houses and Flats	1,189
Repayment of Right to Buy Discount	62
Mortgage Repayments	13
<b>Total</b>	<b>1,264</b>

#### 4. DEPRECIATION

Depreciation for 2007-08 has been calculated on the following basis:

	<b>£'000</b>
Valuation of housing stock at 1 April 2007	207,465
Less residual value (15%)	(31,120)
Depreciable amount	<b>176,345</b>
Divided by estimated useful life	60 years
<b>Depreciation charge for the year</b>	<b>2,939</b>

The accumulated depreciation on the housing stock is summarised below

	Operational Assets	Non Operational Assets	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance b/f</b>	2,744	48	2,792
Depreciation written out on revaluation of assets*	(2,744)	(48)	(2,792)
Depreciation written out on disposal	(22)	0	(22)
<b>Charge for year</b>	2,888	51	2,939
<b>Balance c/f</b>	<b>2,866</b>	<b>51</b>	<b>2,917</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. Impairment charges of £7,000 were charged to the Housing Revenue Account income and expenditure in 2007-08..

#### 6. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2007-08 is made up as follows:

	<b>£'000</b>
Management Allowance	2,003
Maintenance Allowance	4,136
Major Repairs Allowance	2,616
Capital Charges Allowances	3,432
Rental Constraint Allowance	152
Other Allowable expenditure	46
Prior Year Adjustment	257

	<b>12,642</b>
Less: Notional Rent Income	(11,075)
Interest on Receipts	(6)
	<b>1,561</b>

## **7. 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.

## **8. RENT ARREARS**

Rent arrears at 31 March 2008 amounted to £543,000 compared with £536,000 at 31 March 2007. These sums include the overpayment of Housing Benefit prior to 2004-2005 and former tenants' arrears. During 2007-08 former tenant arrears of £70,000 were written off (£65,000 in 2006-07).

The Council has a provision for doubtful debts of £396,000 at 31 March 2008 (£368,000 at 31 March 2007).

## **9. 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	68

<b>COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008</b>
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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>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
	<b>Income</b>	
42,878	Income from Council Tax (Note 1)	45,542
	Transfers from General Fund	
7,443	- Council Tax Benefits	7,818
24,546	Income collectable from Business Ratepayers (Note 3)	24,948
<b>74,867</b>	<b>Total Fund Income</b>	<b>78,308</b>
	<b>Expenditure</b>	
	Precepts and Demands	
36,454	East Sussex County Council	38,417
7,219	Eastbourne Borough Council	7,474
4,202	Sussex Police Authority	4,498
2,551	East Sussex Fire Authority	2,702
<b>50,426</b>		<b>53,091</b>
	Business Rates	
24,416	Payment to National Pool	24,819
130	Costs of Collection	129
<b>24,546</b>		<b>24,948</b>
<b>1,284</b>	Adjustment for Bad Debt Provisions	<b>270</b>
	Contributions towards previous years' estimated Council Tax Deficit	
0	East Sussex County Council	(614)
0	Eastbourne Borough Council	(122)
0	Sussex Police Authority	(71)
0	East Sussex Fire Authority	(43)

<b>0</b>		<b>(850)</b>
<b>76,256</b>	<b>Total Fund Expenditure</b>	<b>77,459</b>
<b>1,389</b>	<b>Movement on Fund Balance</b>	<b>(849)</b>

<b>COLLECTION FUND BALANCE</b>		
812	Balance at 1 April	2,201
1,389	(Surplus)/Deficit for the year	(849)
<b>2,201</b>	<b>Balance as at 31 March (Note 4)</b>	<b>1,352</b>

## NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

### 1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers is determined as follows:

	£,000
Gross amount of Council Tax	61,832
Less - Discounts	(6,016)
Exemptions	(2,373)
Disabled relief	(83)
Amounts collectable from Council Taxpayers	<b>53,360</b>
Less - Council Tax Benefits	(7,818)

<b>Amounts receivable from Council Taxpayers</b>	<b>45,542</b>
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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	16	14	5/9	8
A	7458	6364	6/9	4,243
B	11882	10649	7/9	8,283
C	10243	9291	8/9	8,259
D	7895	7446	9/9	7,446
E	4249	4022	11/9	4,916
F	1949	1687	13/9	2,437
G	1012	951	15/9	1,585
H	39	25	18/9	50

	<b>44,743</b>	<b>40,449</b>	<b>37,227</b>
Less average 1.5% reduction to allow for collection losses			(558)
<b>Council Tax Base</b>			<b>36,669</b>

The estimated gross yield for Council Tax amounted to £53.9m, based on 37,225 dwellings multiplied by the Band D tax of £1,447.88. The actual gross yield of £53.3m is equivalent to a reduction in Band D equivalent dwellings for the year of 371.

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.

## 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. Bad debts amounting to £666,000 were written off during the year.

	<b>31 March 2007</b>	<b>31 March 2008</b>
	<b>£'000</b>	<b>£'000</b>
Arrears Outstanding	4,563	4,403
Provision for non-collection	2,196	1,800

## 3. INCOME FROM BUSINESS RATEPAYERS

Under the Government's arrangements for uniform business rates, the Council is responsible for collecting non-domestic rates for Eastbourne, on the basis of assessed rateable values multiplied by a standard national rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. In 2007-08 this amounted to £8.68m for Eastbourne Borough Council (£8.32m in 2006-07).

The total non-domestic rateable value at 31 March 2008 was £65.1m and the 2007-08 multiplier was 44.1p. The product of this is £28.7m. 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 £4.47m by Council Taxpayers at 31 March 2008, (£4.56m at 31 March 2007). All arrears continue to be actively pursued by the Council. The Council has, as a matter of prudence, made a provision of £1.80m against these arrears.

The Collection Fund Balance comprises:

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£'000</b>		<b>£'000</b>
315	Share of deficit allocated to the Council	191
1,886	Share of the deficit allocated to precepting bodies	1,160
<b>2,201</b>	<b>Total Council Tax Deficit</b>	<b>1,351</b>

## **GROUP ACCOUNTS**

### **Introduction**

The 2007 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 2007-08 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 March 2008, 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. Eastbourne Buses accounts had not been signed by the Directors at the time of preparation.

### **Differing Year-ends**

Eastbourne Buses has prepared its accounts for the period ending 31 December 2007. 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 December 2007 to 31 March 2008 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 2007 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 £333k for 2007 has been included with the net cost of services for Highways, Roads and Transport.
- Bringing the valuation of company assets in line with the valuation of the Council's assets. No adjustment has been made for 2007-08.

## 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 & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

2006-07		2007-08	2007-08
£'000		£'000	Net Expenditure £'000
1,089	Central Services to the Public	3,955	979
5,706	Cultural and Related Services	13,217	5,154
6,423	Environmental Services	7,547	4,453
1,040	Planning and Development	2,262	1,280
1,532	Highways, Roads and Transport (Note 1)	8,988	1,751
452	Housing Services	44,029	703
(3,440)	Council Housing	10,927	(3,662)
1,717	Corporate and Democratic Core	2,459	2,459
188	Non Distributed Costs	6,921	6,921
	<b>Net Cost of Services</b>	<b>100,305</b>	<b>20,038</b>
(667)	Profit/loss on disposal of fixed assets		144
222	Precepts and Levies		236
(316)	Surplus/deficit of trading undertakings		(297)

2,577	Interest payable (Note 2)	2,511
1,184	Contribution of housing capital receipts to Government pool	930
655	Gains/losses on the repurchase or early settlement of borrowing	0
(551)	Interest and investment income (Note 2)	(1,033)
52	Pensions interest cost and expected return on pensions assets	(2)
(54)	Taxation of group entities	(15)
(84)	Minority Interest share of loss of subsidiary	(67)
<b>17,725</b>	<b>Net expenditure</b>	<b>22,445</b>
(7,219)	Demands on the collection fund	(7,352)
(1,613)	Government grants	(1,456)
(8,320)	Distribution from the Non-domestic rate pool	(8,678)
<b>573</b>	<b>Group (Surplus)/Deficit for the year</b>	<b>4,959</b>

#### RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

2006-07		2007-08
£'000		£'000
238	(Surplus) or deficit on the authority's single entity Income and Expenditure Account for the year	4,693
19	Less any distributions from group entities included in the single entity surplus/deficit on the Income and Expenditure Account	23
316	Add surplus or deficit arising from other entities included in the group accounts	243
<b>573</b>	<b>Group Account (Surplus)/Deficit for the year</b>	<b>4,959</b>

#### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006-07		2007-08
£'000		£'000
<b>1,389</b>	<b>(Surplus)/Deficit on Collection Fund</b>	<b>(850)</b>
573	Net (Surplus)/Deficit for the year	4,960
0	Write out of PWLB Premia not previously charged to income & Expenditure Account	2,006
(14,047)	(Surplus)/Deficit on revaluation of fixed assets	(9,254)
(5,297)	Actuarial gains and losses on pension fund assets and liabilities	(4,047)
99	Any other gains or losses recognised	
<b>(17,283)</b>	<b>Total recognised gains or losses for the year</b>	<b>(7,185)</b>

**GROUP BALANCE SHEET AS AT 31 MARCH 2008**

<b>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
	<b>Fixed Assets</b>	
	Intangible Assets	
154	Goodwill (Note 3)	122
584	Other Intangible Assets	387
	Operational Assets (Note 4)	
199,505	Council Dwellings	215,784
39,493	Other Land and Buildings	38,643
2,381	Vehicles, Plant, Furniture and Equipment	2,251
25,923	Infrastructure Assets	25,083
1,574	Community Assets	1,567
38,730	Non-operational assets	36,380
50	Other Long Term Investments (Note 5)	50
81	Long Term Debtors	54
<b>308,475</b>	<b>Total Fixed Assets</b>	<b>320,321</b>
	Current Assets	
232	Stock	225
13,409	Debtors (Note 6)	12,175
7,575	Investments	12,975
969	Cash	325
22,185		<u>25,700</u>
	Current Liabilities	
(48)	Borrowing repayable on demand or within 12 months	(15)
(11,186)	Creditors (Note 7)	(12,911)
(107)	Bank Overdraft	(240)
(11,341)		<u>(13,166)</u>
10,844	Net Current Assets/(Liabilities)	12,534
<b>319,319</b>	<b>Total Assets Less Current Liabilities</b>	<b>332,855</b>
(31,838)	Long Term Loans (Note 5)	(39,420)
(59)	Deferred Liabilities	(46)
(18,673)	Government Grants Deferred	(16,950)
(8,823)	Capital Contributions Deferred	(9,214)
(343)	Provisions for Liabilities and Charges	(656)
(2,291)	Govt Grants & Contributions Unapplied	(4,625)
<b>257,292</b>	<b>Net Assets Before Pensions Asset or Liability</b>	<b>261,944</b>
(20,639)	Pensions Liability (Note 8)	(16,146)

<b>236,653</b>	<b>Net Assets</b>	<b>245,798</b>
64	Share Premium	64
	Revaluation Reserve	9,159
243,028	Capital Adjustment Account	240,071
8,305	Useable Capital Receipts	5,722
(2,006)	Financial Instruments Adjustment Account	(1,352)
9,114	Profit and loss and other reserves of the group	8,724
(19,710)	Pensions Reserve	(15,251)
(2,202)	Collection Fund	(1,352)
<b>236,593</b>	<b>Group Balances and Reserves</b>	<b>245,785</b>
60	Minority Interest (Note 9)	13
<b>236,653</b>	<b>Total Balances and Reserves</b>	<b>245,798</b>

#### GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

NB: Inflows show as negative figures ( )

<b>2006-07</b>		<b>2007-08</b>
<b>£'000</b>		<b>£'000</b>
(5,846)	<b>Net Cash Inflow from Revenue Activities</b>	(9,501)
	<b>Returns on Investments and Servicing of Finance</b>	
<b>1,923</b>	<b>Interest Paid</b>	<b>2,530</b>
<b>(501)</b>	<b>Interest Received</b>	<b><u>(1,054)</u></b>
<b>1,422</b>		<b>1,476</b>
<b>NIL</b>	<b>Taxation</b>	<b>NIL</b>
	<b>Capital Expenditure and Financial Investment</b>	
8,865	Purchase of Fixed Assets	16,271
1,398	Other Capital Cash Payments	1,722
(9,763)	Sale of Fixed Assets	(1,538)
(1,544)	Capital Grants Received	(1,985)
(2,965)	Other Capital Cash Received	<u>(3,678)</u>
(4,009)		10,792

(8,433)	Net Cash Inflow before Financing		<u>2,767</u>
	Management of Liquid Resources		
7,575	Net Increase/(Decrease) in Short Term Deposits		5,400
	Financing		
533	Repayments of Amounts Borrowed	0	
33	Reduction in short-term debt	33	
691	Capital Element of Finance Lease	276	
(500)	New Loans Raised	<u>(7,792)</u>	
757			<u>(7,483)</u>
<b>(101)</b>	<b>Net (Increase)/Decrease in Cash</b>		<b>684</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 36). 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</b>	<b>Plant &amp; Machinery</b>	<b>Motor Vehicles</b>	<b>Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross Book Value as at 01/01/07	811	539	3,476	144	4,970
Additions	14	0	303	0	317
Disposals	0	0	(643)	0	(643)
Revaluation	289	0	0	0	289
<b>Gross Book Value as at 31/12/07</b>	<b>1,114</b>	<b>539</b>	<b>3,136</b>	<b>144</b>	<b>4,933</b>
<b>Depreciation</b>					
As at 01/01/07	114	473	1,689	116	2,392
Charge for the year	0	26	259	15	300
On disposals	0	0	(229)	0	(229)
Revaluation adjustment	(114)	0	0	0	(114)
<b>As at 31/12/07</b>	<b>0</b>	<b>499</b>	<b>1,719</b>	<b>131</b>	<b>2,349</b>
<b>As at 31/12/07</b>	<b>1,114</b>	<b>40</b>	<b>1,417</b>	<b>13</b>	<b>2,584</b>

## 5. Intra-group Balances

The Council made a debenture loan of £200,000 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>2006</b>		<b>2007</b>
<b>£'000</b>		<b>£'000</b>
87	Trade debtors	106
156	Other debtors	123
169	Prepayments and accrued income	163
4	Deferred taxation	0
<b>416</b>		<b>392</b>

## 7. Creditors

Creditors relating to Eastbourne Buses are as follows:

<b>2006</b>		<b>2007</b>
<b>£'000</b>		<b>£'000</b>
107	Bank loans and overdrafts	240
405	Trade creditors	334
273	Other taxation and social security	75
295	Finance lease agreements	233
23	Other creditors	89
111	Accruals and deferred income	337
<b>1,214</b>		<b>1,308</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 2007.

The employer's contributions to the scheme after the latest actuarial valuation are set at 34.6% of pensionable earnings of the payroll relating to scheme members for 2007-2008 to achieve a 100% funding level. This will decrease to 34.1% for 2008-09. Contributions for the year amounted to £111,030 (2006 £85,958).

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:

		<b>2007</b>		<b>2006</b>
	<b>Long-term rate of return expected</b>	<b>Value</b>	<b>Long-term rate of return expected</b>	<b>Value</b>
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£</b>
Equities	7.6	5,046	7.7	5,013
Bonds	5.1	997	4.8	1,002
Property	5.6	694	5.7	820
Others	4.7	861	4.8	893
Total market value of assets		7,598		7,728
Present value of scheme liabilities		(8,745)		(8,875)
Related deferred tax asset		252		218
Net pension liability		<b>(895)</b>		<b>(929)</b>

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

The company operates a defined contribution scheme. Employees contribute a minimum of 3% of salary, the employer at 4%. Contributions made by the company in the period amounted to £37,533. At 31 December 2007 an amount of £8,509 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.