

Statement of Accounts 2009/10



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FOREWORD BY CHIEF FINANCE OFFICER

INTRODUCTION

The foreword explains the key components of the Statement of Accounts 2009/10 and provides a guide to the financial activities of the Council during the year 1 April 2009 to 31 March 2010.

THE ACCOUNTING STATEMENTS

The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2003. The format reflects the requirements of the 'Code of Practice in Local Authority Accounting in Great Britain – A Statement of Recommended Practice' (SORP 2009) and the Best Value Accounting Code of Practice 2004, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and comprises:

A Statement of Responsibilities - This statement defines the roles and responsibilities for preparing the accounts.

Independent Auditors Report

The Statement of Accounting Policies - This statement describes the underlying accounting principles and concepts used in producing the figures in the accounts.

The Annual Governance Statement - This statement sets out the framework within which the Council's control systems are managed and reviewed and any resulting actions proposed.

The Core Accounting Statements:

- **Income and Expenditure Account** - This account shows the operating income and expenditure for the Council's services compared to the income from government grants and local taxpayers.
- **Statement of Movement on the General Fund Balance** - this statement shows the adjustments required to reconcile accounting practice with legislative requirements, for example removing charges for depreciation and similar costs that are not borne directly by Taxpayers.
- **Statement of Total Recognised Gains and Losses** - This statement brings together all the recognised gains and losses of the Council during the financial year.
- **Balance Sheet** - This statement sets out the overall financial position of the Council as at 31 March 2010. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **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.
- **Notes to the core accounting statements** - required to provide more detail, in line with accounting and statutory requirements.

The Supplementary Single Entry Financial Statements:

- **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 the material interests that the Council has in subsidiary and associated companies. The group accounts are structured in line with the Council's core accounting statements, and are accompanied by notes in the same way.

FINANCIAL RESULTS AND ACTIVITY FOR THE 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 adds value to a fixed asset. This is financed largely by capital grants, loans and other capital contributions.

1. General Fund

All the services provided by the Council, including council housing, are shown within the Income and Expenditure Account. This account shows the equivalent of the trading position of a UK unlisted company in accordance with UK GAAP requirement, and discloses a deficit for 2009/10 of £8.8m. The Statement of Movement in General Fund Balance reconciles the movement on the Income and Expenditure Account with the statutory provisions that local authorities need to take into account when setting local taxes. The entries in this Statement turn the UK GAAP loss of £8.8m into a net increase in the General Fund Balance of £1.822m. The general fund outturn detailed below excludes the Housing Revenue Account and for this reason does not reconcile with the statutory presentation of the Income and Expenditure Account.

The General Fund is the main revenue fund of the Authority and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £18.437m (amount to be funded by Government Grant and Council Tax). This resulted in a Band D Council Tax for 2009/10 of £218.85, an increase of 3.4% over 2008/09.

The General Fund balance at the beginning of the year stood at £2.717m. The final outturn delivered a service variance of £408,000 before transfers to reserves. The transfer to the general fund reserve of £1.822m representing this under spend plus an amalgamation of a number of earmarked reserves as set out in the budget strategy approved in July 2009 and again as part of the budget setting in February 2010. As a result of this movement the General Fund Balance as at 31.3.2010 was £4.539m.

The following table compares the major elements of the budget and actual for general fund services in 2009/10:

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Net Service Expenditure	18,319	19,902	19,696	(206)
Net Interest and Capital Financing	307	294	92	(202)
Contributions to/(from) Earmarked Reserves	(427)	(3,563)	(3,173)	390
Transfer to General Fund Reserve	238	1,804	1,822	18
Budget Requirement	18,437	18,437	18,437	-
Financed by:				
Formula Grant and Non Domestic Rates	(10,338)	(10,338)	(10,338)	-
Council Taxpayers	(8,099)	(8,099)	(8,099)	-
Total Financing	(18,437)	(18,437)	(18,437)	-

The major variances between the revised budget and the actual net expenditure were due to the following:

- Reduction in income from car parking, development control and theatres as a result of the current economic climate
- Reduction in recycling costs
- First year of operation for Towner; art gallery opened in April 2009.
- Successful negotiation of gas and electric contracts
- One off accounting adjustments to balance sheet items.

2. 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 2010 it provided 3,703 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 2009/10 the Housing Revenue Account (HRA) income was £15.3m compared to the budget of £14.7m. Actual expenditure shows as £12.0m. The net position after adjustments required by statute shows an overall deficit of £174,000 for the year.

The following table compares movement in the HRA Balance from the budget to the outturn for 2009/10:

	Original Budget	Revised Budget	Actual	Variance
	£000	£000	£000	£000
Total Expenditure	10,692	10,815	10,678	(137)
Total Income	(14,652)	(14,128)	(13,928)	200
Net cost of Service	(3,960)	(3,313)	(3,250)	(63)
Capital Financing less interest receivable	3,488	3,201	3,076	(125)
Appropriations	472	(228)	-	228
Housing Revenue Account (Surplus) / Deficit	-	(340)	(174)	166
Opening Balance 1.4.09	(1,205)	(1,205)	(1,205)	-
Closing Balance 31.3.10	(1,205)	(1,545)	(1,379)	166

3. Collection Fund

The Council has, by law, to maintain a specific account called the Collection Fund which records all income from Council Tax and National Non-Domestic Rates and its distribution to the major precepting authorities, being East Sussex County Council, Sussex Police, East Sussex Fire Authority and Eastbourne Borough Council.

The Collection Fund is showing a deficit of £1.388m as at 31.3.2010 (£797,000 as at 31.3.2009). The budgeted forecast deficit of £1.395m will be recovered from the precepting bodies pro rata to their Band D Council Tax during 2010/11 leaving a balance of £7,000 to be distributed in 2011/12. The Council share as at 31.3.2010 was £196,000.

4. Capital Spending

The Council's capital spending in the year was £23.29m compared with a revised budget of £21.96m. Capital expenditure has been financed as follows:

	£000
Capital Receipts	1,003
Government Grants	3,130
Other Contributions	1,616
Major Repairs Reserve	2,712
Revenue Financing	707
Financed from Loans	14,124
Total	23,292

The main items of capital expenditure are set out below:

	Budget	Actual	Variance
	£000	£000	£000
Council Dwelling Improvements	18,715	18,040	(675)
Building of new Social Housing	212	281	69
Private Sector Renewal Grants	2,174	2,460	286
Grants to Provide Disabled Facilities	723	728	5
Towner	200	409	209
Playground Improvements	403	344	(59)
Other Schemes	658	1,030	372
Total Capital Expenditure	23,085	23,292	207

The main reasons for the variance are as follows:

- The under spend of 3.6% for Council Dwelling Improvements is due to work expected to be completed in 2009/10 which was delayed until early 2010/11.
- Additional government grant of £300,000 was received for Private Sector Renewal Grants, which allowed an increased spend for the year.
- The Towner overspend relates to additional costs.
- The over spend for other schemes was mainly due to planned expenditure by Serco at the Sovereign Centre on behalf of the Council.

The Council continues to invest in assets to support the local community and economy. The most significant planned capital schemes are improvements to the Council's housing stock.

5. Pensions

The net increase in the Council's liability for future pension payments has more than doubled, from £23.2m to £47.1m. Compared to the previous year there has been a considerable recovery in asset values, which have increased by a net £18.7m to £75.7m. This is more than offset, however, by an increase in liabilities from £80.3m to £122.8m. To an extent this reflects continuing improvements in longevity for current and future pensioners, but the largest element of the increase results from a reduction in the expected bond yields that are used to discount scheme liabilities, while expectations of inflation and pay rises are increasing. It is important to realise that this accounting reduction does not trigger an immediate increase in contribution rates, as these are assessed with a longer term view of liabilities and of investment performance.

6. Loans and Investments

The Council's external loan debt at 31 March 2010, comprising long-term borrowing stood at £64m. This is a net increase of £11m over the previous year, mainly as a result of Government supported borrowing.

There were no short-term investments held at 31 March 2010 compared with £15.7m the previous year. The Council held cash balances as at 31 March 2010 of £1.9m, which includes call deposit accounts. The decrease in investments was mainly due to the Council's strategy to borrow internally; meaning that rather than taking additional borrowing existing balances are used to finance the Council Dwelling improvements programme. This is accordance with the Council Treasury Management Strategy to reduce investment risks.

SUMMARY OF ACCOUNTING CHANGES

There continues to be changes to the accounts as a result of the developments in Accounting Standards. In recent years both central government and the Accounting Standards Board have sought to bring Local Authority Accounts in line with UK GAAP (Generally Accepted Accounting Principles). UK GAAP is the framework of accounting standards, conventions and legal requirements for the preparation of financial statements in the UK.

For the changes one to four identified below the comparative figures for 2008/09 and the balance sheet at 1 April 2009 have been adjusted in line with the new accounting standards.

1. National Non-Domestic Rates (NNDR)

These are collected on behalf of and paid over to the Government, who pool receipts from all local authorities and pay each local authority a share on a formula basis. In the Income and Expenditure Account the Council has accounted only for this share, and this arrangement remains unchanged. In previous years, however, the Balance Sheet has shown separately the gross amount of debts, adjustments for doubtful debts, income in advance and amounts owing to ratepayers, and also any amount paid in excess of or less than the total contribution to the Government for the year. Under the new accounting policy all of these balances are consolidated into a single figure, either a debtor or creditor. The Cash Flow Statement also changes to consolidate all cash movements related to the collection of NNDR into a single movement in liquid resources.

2. Council Tax for Preceptors

These changes are on similar lines to those described above for NNDR. This Council collects Council Tax for its major precepting authorities (the county council, police and fire authorities), as well as itself. As with NNDR, the Balance Sheet has shown separately the gross amount of debts, adjustments for doubtful debts, income in advance and amounts owing to taxpayers. These amounts are now

netted into single figures owing to or from the preceptors, together with their share of the Collection Fund balance at the end of the financial year. The Cash Flow Statement also changes to consolidate all cash movements related to the collection of Council Tax for preceptors into a single movement in liquid resources.

3. Council Tax for Eastbourne Borough Council

The balance sheet previously showed the balance on the Collection Fund as part of its Total Net Worth. This balance is now split, the elements relating to major preceptors being shown under current assets or liabilities as noted above. The element relating to this Council remains under Total Net Worth as the Collection Fund Adjustment Account.

The amounts credited to the General Fund are the pre-determined precept for the year, adjusted by the Council's share of the surplus or deficit on the Collection Fund as estimated in January, before the end of the financial year. Under the new arrangements the Income and Expenditure Account is credited with the Council's share of Council Tax collected for the year. Any difference between this share and the amounts legally credited to the General Fund is adjusted through the Statement of Movement on the General Fund. As a result of all of these changes there is no longer any entry for the movement in the Collection Fund balance in the Statement of Recognised Gains and Losses.

4. Accounting for leisure centre contracts

This Council has contracts under which the management of two leisure centres is contracted to a service provider, who are also enhancing the structure and equipment of the centres. Up until 2008/09 all of the annual payments were charged to the Income and Expenditure Account, while only enhancements between the start of the contract and the last revaluation in 2006 were recognised on the Balance Sheet. The Council had not previously followed its accounting policy by recognising these as long term obligations, and has made prior year adjustments to reflect the correct financial position in its re-stated accounting statements and notes.

5. Short term contracts held in bank call accounts

Some of the Council's short term investments are held in what are known as "call accounts", which pay interest, but where the Council can withdraw the money at any time. Previously this money was included in the Balance Sheet under Investments, but it has now been clarified that the amount held should be treated as cash in hand. This new treatment has been followed for 2009/10, but, as it is not formally a change in accounting policy, no restatement has been made to adjust for the £2m held in call accounts at 31 March 2009, however this change is mentioned in the notes 22 and 32 of the core financial statements.

ADOPTION OF THE ACCOUNTS

In accordance with Accounts and Audit Regulations the Chair of the Audit Committee meeting adopting the Statement of Accounts must sign and date the statement in order to confirm that the adoption process has been completed.

I confirm that the Statement of Accounts for 2009/10 was approved at the meeting of the Audit Committee held on 30 June 2010.

Signed

Councillor Susan Tarrant
Chair, Audit Committee
Date 30th June 2010

FURTHER INFORMATION

Summary financial information is published annually on the Council's website (eastbourne.gov.uk). Further information on any of the financial statements may be obtained from the Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW.

Alan Osborne
Chief Finance Officer
Statutory Section 151 Officer

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 Chief Finance Officer:
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets:
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The 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 /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the 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 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 the true and fair financial position of the Authority at the 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Alan Osborne
Chief Finance Officer
Statutory Section 151 Officer
Date 29 September 2010

ANNUAL GOVERNANCE STATEMENT

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.

Eastbourne Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is available on the website (www.eastbourne.gov.uk)

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 authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 2010 and up to the date of approval of the Annual Reports on financial Outturn and performance and Statement of Accounts.

The governance framework

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

Key Elements	Owner	Confirmation that arrangements are in place	Comments
Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	Heads of Service and Senior Heads of Service. (HOS)	Yes	Set out in the themed sections of the 2008-2011 Corporate Plan

Key Elements	Owner	Confirmation that arrangements are in place	Comments
Reviewing the authority's vision and its implications for the authority's governance arrangements	HOS	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 authority's objectives and for ensuring that they represent the best use of resources	HOS/ Chief Finance Officer (CFO)	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-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication	Head of Human Resources (HR) / HOS	Yes	Set out in responsibility for functions and roles section of the Council's Constitution and confirmed by the Council at its annual meeting scheme
Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	HOS	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	CFO/ HR/ Monitoring Officer (MO)	Yes	Scheme of Delegation, Financial Regulations and procedure notes in place and reviewed regularly. Processes and controls covered by Internal Audit programme.
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities	HOS./ CFO	Yes	Audit 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	Head of Strategy and Democracy (S&D)/ CFO/ HR / MO	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 (IAM)/ S&D/ HR	Yes	Set out in the codes and protocols section of the Council's constitution and regularly reviewed by Internal Audit
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	HR	Yes	Work force development and member development plans are in place. The Council is required as an Investor in People.

Key Elements	Owner	Confirmation that arrangements are in place	Comments
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	S&D	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.
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 authority's overall governance arrangements.	S&D	Yes	Review of partnerships report approved by Equality Steering Group in April 2008. Annual Review of Governance of major Strategic Partnership.(ESP)

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 authority 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 they are 'fit for purpose' in a changing environment
- All reports from Internal Audit work, annual report by the Head of Internal Audit
- External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports
- Risk Management – review of report by the Head of Internal Audit, Annual Governance Statement and Strategic Risk Register reported to Corporate Management Team.
- Audit Committee – Review of report by the Head of Internal Audit, Annual Governance Statement, Internal Audit provision, all internal audits and Strategic Risk Register. Also considers the draft annual financial statements including the Annual Governance Statement in June and then the final statements following audit in September
- Scrutiny – Any item discussed by the Audit Committee can be subject to Scrutiny as required
- Corporate Management Team - Consideration of Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.
- Cabinet – Consideration of External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports. To sponsor and recommend adoption of the accounts.
- Managers' Assurance Statements – Statements cover the operational, project and partnership responsibilities of Heads of Service. These can be used to highlight concerns and actions required to improve governance throughout the Council.
- External reviews – Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection which impact on the governance framework.

Significant Governance Issues

Internal controls across the authority were generally found to be sound. However the following exceptions are noted;

Area	Issue	Actions
Performance Management	The Council obtained a CAA rating of 1 in this area.	The Council has embarked on a long term sustainable improvement plan in partnership with IESE. This has been subject to a Scrutiny report which created a Scrutiny working group. The improvement plan will be submitted to Cabinet in due course.
Procurement	An audit review discovered a weakness with record keeping in one department, which led to a lack of evidence to support decision making on an external contract letting.	The setting up of a Procurement Steering Group means that these issues can be overseen and dealt with centrally. This should lead to a consistent approach to letting contracts across the Council. Follow up audit work will compliment this.
	A lack of controls were found within the procure to pay processes, in particular the ability to manually intervene in the matching process between Invoices, Goods Received Notes and Purchase Orders.	Controls were immediately put into place and these will be monitored. Substantial testing showed few errors that amounted to an insignificant value Business Process Re-engineering of procure to pay processes is planned under the agile work programme and the outcome will be reported to the Procurement Steering Group.

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit Committee and recommend a plan to address weaknesses identified by processes outlined above. In addition we commit to ensure continuous improvement of the system is in place.

Signed on behalf of Eastbourne Borough Council:

.....
Leading Member

.....
Chief Executive

Date: 15th September 2010

Opinion on the accounting statements

We have audited the accounting statements of Eastbourne Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Statement of Accounting Policies, the Council and Group Income and Expenditure Accounts, the Council Statement of the Movement on the General Fund Balance, the Council and Group Balance Sheets, the Council and Group Statements of Total Recognised Gains and Losses, the Council and Group Cash Flow Statements, the Council Housing Revenue Account, the Council Collection Fund, the Group Reconciliation of the Single Entity Deficit for the Year to the Group Deficit Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Chief Finance Officer and auditors

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

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

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

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

We read other information published in the Statement of Accounts, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting 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 accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or other

irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements.

Opinion on Council Accounting Statements

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

Opinion on Group Accounting Statements

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

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

Council's Responsibilities

The Council 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 Council 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

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

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 a local authority elector. We are satisfied that these matters do not have a material effect on the financial statements.

Robert Grant
for on behalf of PKF (UK) LLP
London, UK

30 September 2010

Issue of audit opinion

In my audit report for the year ended 31 March 2010, issued on 30 September 2010, I reported that, in my opinion, the financial statements gave a true and fair view, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Council and its Group as at 31 March 2010 and its income and expenditure for the year then ended.

Issue of value for money conclusion

As stated in my audit report for the year ended 31 March 2010, issued on 30 September 2010, I reported that in my opinion, in all significant respects, Eastbourne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

In my audit report dated 30 September 2010, I explained the audit could not be formally concluded on that date until consideration of matters brought to my attention by a local authority elector had been completed. These matters have now been dealt with. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

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

Robert Grant
for on behalf of PKF (UK) LLP
London, UK

8 October 2010

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and franked by the Accounting Standards Board.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and 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 on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have 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.
- Accruals are made in the usual way for debts collected on behalf of the Government for National Non-Domestic Rates and on behalf of major precepting authorities for their share of Council Tax collection. The Balance Sheet, however, merges all balances held under these two categories into single amounts payable to or from these authorities.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by East Sussex County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

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

- The liabilities of the East Sussex County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% as supplied by the actuary.
- The assets of the East Sussex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unlisted securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account;

- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses;
- contributions paid to the East Sussex Pension Fund – cash paid as employer’s contributions to the pension fund.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. VAT

Income and expenditure excludes any amounts related to VAT, except in unusual circumstances where VAT is irrecoverable.

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2009* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Operational assets are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Non-operational assets are fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Assets valued at less than a de minimis level of £10,000 are excluded from recognition on the balance sheet.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement basis:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

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

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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

Depreciation is calculated on the following basis:

- dwellings – 60 years
- Other buildings – as assessed individually by the council’s surveyor
- vehicles, plant and equipment – 3 to 10 years
- infrastructure – straight-line allocation over periods of between 10 and 40 years, as assessed at the time of the capital investment.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. Redemption of Debt

Provision for the redemption of General Fund debt is made on the basis of the Minimum Revenue Provision (MRP). The provision is calculated by applying 4% of the general Fund Capital Financing Requirement (CFR). For assets under the credit sales agreement, MRP equates to the actual repayment each year.

13. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

14. Leases

Operating Leases

None of the leases held by the Council fall within the accounting definition of a finance lease, and they are therefore accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has there is a single rate of interest payable throughout the life of the loan, meaning that the effective rate of the interest is the same as the original repayable rate. The amount presented in the Balance Sheet is therefore the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

16. Financial Assets

All of the financial assets held by the Council come within the classification of "loans and receivables". These are assets that have fixed or determinable payments but are not quoted in an active market.

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

17. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

18. Interests in Companies and Other Entities

The Council has a material interest in one company, Eastbourne Homes Ltd, a wholly owned subsidiary of the Council, and is therefore required to prepare Group Accounts.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008/09		Gross	2009/10	Net
Net		£000	Income	£000
Re-stated		£000	£000	£000
1,318	Central Services to the Public	11,611	(10,342)	1,269
6,595	Cultural & Related Services	15,718	(9,017)	6,701
5,813	Environmental Services	12,219	(5,900)	6,319
1,122	Planning and Development Services	5,895	(848)	5,047
2,281	Highways, Road and Transport Services	3,678	(1,549)	2,129
1,476	Housing Services	46,803	(45,772)	1,031
31,513	Council Housing	11,953	(15,652)	(3,699)
2,303	Corporate & Democratic Core	1,732	(14)	1,718
2,390	Non Distributed Costs	383	(1)	382
(1,559)	Exceptional item	-	-	-
53,252	Net Cost of Services	109,992	(89,095)	20,897
63	(Gains) / Losses on sale of fixed assets			592
240	Precepts/Levies of local precepting authorities			242
(260)	(Surplus) / deficit of trading operations			(306)
3,371	External Interest payable			3,503
313	Contribution of housing capital receipts to Government Pool			611
(2,786)	Interest and Investment Income			(335)
1,091	Pensions Interest Cost and Expected Return on Pension Assets			1,801
55,284	Net Operating Expenditure			27,005
(7,705)	Income from Council Tax			(8,015)
(1,331)	General Government Grants			(2,111)
(9,030)	Non-Domestic Rates Distribution			(8,399)
37,218	(Surplus) / Deficit for the year			8,480

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. This does not, however, correspond completely with the charges made each year against Council Tax, and which are reflected in the annual movement on the balance on the General Fund. The statement below summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09		2009/10
£000		£000
37,218	Increase or decrease in the General Fund Balance for the year: (Surplus) / Deficit on the Income and Expenditure Account	8,480
<u>(38,456)</u>	Net additional amount required by statute and other proper practices to be debited or credited to the General Fund	<u>(10,302)</u>
(1,238)		(1,822)
<u>(1,479)</u>	General Fund brought forward	<u>(2,717)</u>
<u>(2,717)</u>	General Fund balance carried forward	<u>(4,539)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2008/09		2009/10
£000		£000
37,218	(Surplus) / deficit on Income and Expenditure Account	8,480
8,760	(Gain) / loss on valuation of fixed assets	(3,305)
8,426	Actuarial (Gain) / loss on net pension fund liabilities	22,940
<u>54,404</u>		<u>28,115</u>

The table below shows the change to the net worth of the balance sheet as at 1 April 2009, and the consequent change to the comparative figures in the Statement above.

	Published	Restatement	Restated
	£000	£000	£000
Net Worth at 1 April 2008	(247,263)	179	(247,084)
Gains and Losses in STRGL:			
Collection Fund	(555)	555	-
Income and Expenditure Account	37,418	(200)	37,218
Loss on revaluation of fixed assets	8,760		8,760
Actuarial loss on pension fund assets and liabilities	8,426		8,426
Net Worth at 31 March 2009	<u>(193,214)</u>	<u>534</u>	<u>(192,680)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

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

2008/09			2009/10		
£000	£000	£000	£000	£000	£000
			Revenue Activities		
			Cash outflows		
17,098			Cash paid to and on behalf of employees	13,582	
40,765			Other operating costs	46,821	
28,485			Housing benefits paid out	35,243	
<u>320</u>	86,668		Payments to the Capital Receipts Pool	<u>271</u>	95,917
			Cash inflows		
(4,716)			Housing rents (after rebates)	(4,280)	
(7,768)			Council Tax receipts	(8,010)	
(1,257)			Revenue support grant	(1,939)	
(9,030)			NNDR receipts from national pool	(8,399)	
(43,498)			DWP grants for benefits	(46,972)	
(5,559)			Other government grants	(5,227)	
(13,594)			Cash received for goods and services	(13,877)	
<u>(7,373)</u>	<u>(92,795)</u>		Other revenue cash income	<u>(6,358)</u>	<u>(95,062)</u>
		(6,127)	Net revenue activities cash flow		855
			Returns on Investments and Servicing of Finance		
			Cash outflows		
	3,085		Interest paid		3,784
			Cash inflows		
	(2,935)		Interest received	<u>(802)</u>	
		<u>150</u>			<u>2,982</u>
		(5,977)			3,837
			Capital Activities		
			Cash outflows		
	18,502		Purchase of fixed assets		21,949
			Cash inflows		
(402)			Sale of fixed assets	(936)	
(412)			Capital grants received	(896)	
<u>(206)</u>	<u>(1,020)</u>		Other capital income	<u>(281)</u>	<u>(2,113)</u>
		<u>17,482</u>			<u>19,836</u>
		11,505	Net cash (inflow) / outflow before financing		23,673
			Management of Liquid Resources		
2,525			Net increase / (decrease) in short term deposits		(15,500)
<u>(1,156)</u>		<u>1,369</u>	Other net increase / (decrease) in liquid resources		<u>2,383</u>
		12,874			<u>(13,117)</u>
					10,556
			Financing		
			Cash outflows		
166			Repayments of amounts borrowed	166	
<u>-</u>	166		Reduction in short term loans	<u>-</u>	166
			Cash inflows		
(11,974)			New loans raised	(11,411)	
(1,201)			Disposal of investment	-	
<u>-</u>	<u>(13,175)</u>		Increase in short term loans	<u>-</u>	<u>(11,411)</u>
		<u>(13,009)</u>			<u>(11,245)</u>
		<u>(135)</u>	Net (increase) / decrease in cash		<u>(689)</u>

NOTES TO THE ACCOUNTING STATEMENTS

1. EXCEPTIONAL ITEMS, PRIOR PERIOD ADJUSTMENTS AND OTHER ADJUSTMENT TO PRIOR YEAR FIGURES

The balance sheet as at 1 April 2009 and the comparative figures for 2008/09 in the other main accounting statements have been re-stated for the changes relating to the Collection Fund outlined in the Foreword to the Accounts and the Statement of Accounting Policies. The restatements relate to two areas:

Collection Fund: In the Balance Sheet the opening deficit on the Collection Fund (now renamed the "Collection Fund Adjustment Account") has been reduced from £796,900 by £685,000 to £111,900, reflecting the impact of the deficit on the balance sheets of the precepting authorities. This is offset by reductions of £1,127,700 on Creditors and £442,700 on Debtors, which also remove the share of Council Tax debtors and prepayments relating to precepting authorities and consolidates all outstanding balances relating to National Non-Domestic Rates to a single credit balance with the Government. These changes also resulted in re-statements for the other main accounting statements.

Leisure Services Contract: previously the annual payments under the contract were all charged to "Cultural Services" in the Income and Expenditure Account. In the restated accounts this amount has been reduced by £354,000, matched by an increase of £189,000 in interest payable and of £165,000 in the Minimum Revenue Provision on the Statement of Movement in the General Fund Balance. The opening balance sheet has been re-stated to reflect this change, and there are corresponding adjustments to the 2008/09 Cash Flow Statement and to various notes to the accounts. More details of these contracts are given in Note 12.

Amounts included in restated 2008/09 Balance Sheet	£000
Other Land and Buildings	495
Vehicles Plant and Equipment	44
Long Term Liabilities	<u>(1,758)</u>
Assets less liabilities	<u>(1,219)</u>
Capital Adjustment Account	<u>(1,219)</u>
Total Net Worth	<u>(1,219)</u>

No Exceptional Items are included in the Income and Expenditure Account for 2009/10. The amounts in 2008/09 related to a claim for VAT charged on ticket admissions at the council's theatres in the early 1990s. At that time the council charged VAT on such income in line with the requirements of HM Revenue and Customs, but subsequently, in line with a number of other councils, it successfully challenged this interpretation of the law. During 2008/09 the Council was able to recover £1.9m in overcharged VAT, offset by £356,000 in consulting fees, making up the net £1,588,000 shown as an Exceptional Item. The Council also recovered accumulated £1,424,000 in interest on these amounts (shown under Interest and Investment Income), offset by £285,000 in fees, which was charged as a treasury management cost to the Corporate and Democratic Core.

In 2008/09 there was also an unusual credit of £2,639,000 to Non-Distributed Costs. This was the income received from Stagecoach as a one-off payment settling the pension liabilities of the council's holding in Eastbourne Buses. As mentioned below in Note 28, there was a corresponding charge to Non-Distributed Costs of £1,566,000 as a Past Service Cost relating to the same transaction (this amount was reversed in the Statement of Movement and replaced by the payment of employer's contributions, including the amount of £2,639,000 paid to the Pension Fund).

2. EVENTS AFTER THE BALANCE SHEET DATE

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer's FRS17 liabilities by around 7% (£8.6M) and the FRS17 balance sheet deficit by around 18%

3. AUTHORISATION OF ACCOUNTS FOR ISSUE

Under the Accounts and Audit Regulations there are the following 3 stages when the Accounts can be regarded as issued:

Action	Date
Certification by the responsible Finance Officer	18 June 2010
Statement is approved for publications	30 June 2010
When the audit of the Statement is certified closed	

4. TRADING OPERATIONS

The Council maintains trading accounts for the following:

- Corporate Property – the costs and income relating to the Council’s holdings of investment property, not related to the provision of services.
- Printing Services – these costs are charged to internal users and some external customers on a trading basis.

2008/09		2009/10			
Net		Gross Expenditure	Internal Income	External Income	Net
£000		£000	£000	£000	£000
(290)	Corporate Investment Property	0	0	(313)	(313)
30	Printing Services	177	(105)	(65)	7
(260)	Total Surplus	177	(105)	(378)	(306)

5. AGENCY ARRANGEMENTS

The Council acts as an agent in collecting National Non-Domestic Rates on behalf of the Government. The amounts collected and paid over are shown in the Collection Fund account below.

The Council also collects council tax on behalf of itself and of other precepting authorities (East Sussex County Council, Sussex Police Authority and East Sussex Fire and Rescue Service). In 2009/10 it collected £49.6m on behalf of these authorities, compared to £48.3m in 2008/09.

6. LEASES

Activities as Lessee

Expenditure under operating leases was as follows:

2008/09		2009/10	
£000		£000	
191	Land and buildings	197	
101	Vehicles	84	
21	Equipment	20	
313	Total	301	

The Council has obligations of £209,000 payable for 2010/11 under operating leases, the expiry dates of which are shown below. There are no obligations under finance leases:

	Property	Vehicles	Equipment	Total
	£000	£000	£000	£000
Expiring in 2010/11	187	20	2	209
Expiring between 2011/12 and 2015/16	-	142	34	176
Expiring after 2015/16	10	-	-	10
Total	197	162	36	395

Activities as Lessor

In 2009/10 the Council received £1,156,000 from operating leases of property. The net book value of assets leased out at 31 March 2010 was £14,762,000, made up of £14,901,000 gross value, less £139,000 depreciation.

7. GOVERNMENT GRANT INCOME

The total shown as "General Government Grants" being grants that are not attributable to specific services, in the Income and Expenditure Account is built up as shown in the table below.

2008/09		2009/10
£000		£000
1,257	Revenue Support Grant	(1,939)
-	- New Burdens Grant	(4)
-	- LAA Performance Reward Grant	(87)
74	LA Business Growth Incentive Scheme	(41)
-	- Habitats Grant	(17)
-	- Area Based Grant	(23)
<u>1,331</u>		<u>(2,111)</u>

8. MEMBERS' ALLOWANCES

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

2008/09		2009/10
£000		£000
112	Members' allowances	115
<u>2</u>	Conference and Travelling Expenses	<u>4</u>
<u>114</u>		<u>119</u>

9. OFFICERS' REMUNERATION

The number of employees whose remuneration, excluding pension contributions, exceeded £50,000 is shown below in bands of £5,000.

2008-09	Remuneration Band	2009-10	Left During year
Number of Employees		Number of Employees	
5	£50,000 - £54,999	3	
1	£55,000 - £59,999	3	1
3	£60,000 - £64,999	2	
1	£80,000 - £84,999	-	
1	£85,000 - £89,999	-	
1	£90,000 - £94,999	1	
-	£95,000 - £99,999	1	1
1	£100,000 - £104,999	-	
-	£120,000 - £124,999	1	1
-	£125,000 - £129,999	1	1
-	£130,000 - £134,999	1	1
13	Total	13	

The table below sets out the remuneration payable to senior officers for the year. This table only includes remuneration for individuals while serving in their senior capacity, and thus excludes any remuneration in less senior posts, whereas the table above is based on the whole of the salary for each individual.

	Salary	Expenses	Benefits	Remuneration	Pension Contribs	Total
	£	£	£	£	£	£
Chief Executive	103,181	3,718	-	106,899	22,891	129,790
Deputy Chief Executive (from October 2009)	39,017	1,541	-	40,558	8,518	49,076
Director of Economy Tourism & Environment (to October 2009)	60,017	-	1,700	61,717	8,929	70,646
Director of Housing Health Community Services (to December 2009)	61,701	232	3,370	65,303	13,251	78,554
Chief Finance Officer (from May 2009)	63,656	344	-	64,000	13,818	77,818
Senior Head of Community (from October 2009)	25,417	1,223	-	26,640	5,566	32,206
Senior Head of Tourism and Leisure (from March 2010)	2,788	129	-	2,917	610	3,527
Senior Head of Development and Planning (from March 2010)	492	23	-	515	108	623
	356,269	7,210	5,070	368,549	73,691	442,240

The senior management structure of the Council was subject to a major restructuring during 2009/10, involving the deletion of the two previous director posts. Of the posts listed above, only the Chief Executive post was filled completely during the year. The table below shows the equivalent figures for 2008/09:

	Salary	Expenses	Benefits	Remuneration	Pension Contribs	Total
Chief Executive	97,869	3,351	-	101,220	21,737	122,957
Director of Economy Tourism & Environment	81,063	25	-	81,088	17,426	98,514
Director of Housing Health Community Services	81,063	310	5,210	86,583	5,210	91,793
Assistant Director, Financial Management	42,200	1,672	-	43,872	7,200	51,072
Solicitor to the Council (to July 2008)	17,080	826	-	17,906	3,044	20,950
	319,275	6,184	5,210	330,669	54,617	385,286

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Council is required to disclose material transactions with related parties, that is, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. These transactions are disclosed in order 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

Related Parties 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.

The central government provides much of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Income and Expenditure Account, the Cash Flow Statement, the Collection Fund, and Notes 17 and 34. The Collection Fund statements outline transactions with the precepting authorities.

The Council's relationship with Eastbourne Homes Ltd and with Wealden and Eastbourne Lifeline are outlined in 24.

The Eastbourne Leisure Trust was set up to oversee the management and operation of the Sovereign Centre and Motcombe Pool, on which it holds a 15-year lease starting in 2004 (see also Note 12). Prior to April 2009 the Council had a 20% representation on the Trust, but it is now set up as an Independent Provident Society, without any local authority members. The staff employed at these centres are jointly employed by the trust and the contractor, Serco.

Members of the Council have direct control over the Council's financial and operating policies. The Council also nominates members to sit on outside bodies. Seven members are also members of East Sussex County Council. Grants totalling £152,000 were paid to voluntary organisations in which five members had an interest. The relevant members did not take part in any discussion or decision relating to the grants. Members had no other 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.

During 2009/10 works and services to the value of £40,000 were commissioned from a company in which one officer had an interest.

11. AUDIT FEES

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

2008/09		2009/10
£000		£000
125	Fees payable to PKF (UK) LLP with regard to external audit services carried out by the appointed auditor	141
8	Fees payable to Audit Commission in respect of statutory inspection	9
64	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	61
8	Fee payable in respect of other services provided by the appointed auditor	3
8	Additional fees payable to PKF (UK) LLP to respond to questions asked by local electors under Section 15 of the Audit Commission Act 1998	-
213		214

12. OBLIGATIONS UNDER LONG TERM LEISURE CONTRACTS

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 10, to Eastbourne Leisure Trust for a period of 15 years from 2004. The Leisure Trust employs SERCO Leisure to manage the centres on a day to day basis. The Council retains the ownership of the centres, and also retains responsibility for their maintenance and improvement. These functions are also contracted to SERCO Leisure under contracts expiring in 2019/20. The Council has entered into three long term credit sale agreements with SERCO to renovate and improve the centres and to purchase items of capital equipment. The table below sets out the movements in the Council's obligations up to the end of 2009/10, and shows the projected repayments and amounts scheduled to be drawn down for 2010/11.

	Agreement 1	Agreement 2	Agreement 3	Total
Starting Date	October 2004	June 2008	June 2009	
Completion Date	May 2019	April 2019	April 2019	
	£000	£000	£000	£000
Total credit sales facility	2,614	350	250	3,214
Drawn down to 1 April 2008	(1,910)	-	-	(1,910)
Net repayments to 1 April 2008	467	-	-	467
Liability outstanding 1 April 2008	(1,443)	-	-	(1,443)
Drawn down 2008/09	(44)	(299)	(137)	(480)
Interest charge for 2008/09	(172)	(17)	-	(189)
Gross repayments for 2008/09	315	39	-	354
Liability outstanding 1 April 2009	(1,344)	(277)	(137)	(1,758)
Drawn down 2009/10	(265)	(42)	(102)	(409)
Interest charge for 2009/10	(181)	(23)	(24)	(228)
Gross repayments for 2009/10	315	46	31	392
Liability outstanding 31 March 2010	(1,475)	(296)	(232)	(2,003)
Projections for 2010/11				
Liability 1 April	(1,475)	(296)	(232)	(2,003)
Estimated draw-down	(56)	(8)	(11)	(75)
Interest charge	(178)	(22)	(18)	(218)
Gross repayments for the year	315	46	37	398
Liability 31 March 2011	(1,394)	(280)	(224)	(1,898)
Remaining facility 31 March 2011	337	-	-	337

13. EXPLANATION OF STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority 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 the fixed assets are consumed.
- The payments of a share of housing capital receipts to the government is treated as a loss in the Income and Expenditure Account, but is met from usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to the Pension Fund and Pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against 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 following reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance:

2008/09		2009/10
£000		£000
Amounts included in the Income and Expenditure Account, but legally excluded from the Movement on the General Fund Balance for the year		
(39,474)	Depreciation and Impairment of Fixed Assets	(6,970)
686	Release from Government Grants Deferred and Capital Contributions Deferred	779
(215)	Revenue Expenditure Financed from Capital under Statute	(365)
(63)	Gain / (loss) on sale of fixed assets	(592)
301	Premiums and discount balance to Financial Instruments Adjustment A/c	225
407	Difference between pension costs and amounts legally chargeable to General Account	(942)
79	Difference between Council Tax income and amount taken to General Fund	(84)
(38,279)		(7,949)
Items not included in I&E account, but legally chargeable to the General Fund		
523	Statutory provision for repayment of debt	509
927	Capital expenditure charged to revenue account	707
(313)	Transfer from Usable Capital Receipts equal to amount payable to Government Pool	(611)
1,137		605
Items not included in I&E Account, but also charged to General Fund		
(840)	Transfer surplus / (deficit) on Housing Revenue Account	220
(474)	Transfer to or from earmarked reserves	(3,178)
(1,314)		(2,958)
(38,456)		(10,302)

14. MOVEMENTS IN ASSET BALANCES

All Assets

	Operational Assets	Non- Operational Assets	Intangible Assets	Revenue Expenditure Capitalised under Statute	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2009	252,264	33,532	253	-	286,049
Additions	18,217	281	41	365	18,904
Depreciation for the year	(4,813)	-	-	-	(4,813)
Write-down intangible assets	-	-	(148)	-	(148)
Revenue expenditure capitalised under statute:					
Charge to I&E account	-	-	-	(365)	(365)
Disposals	(1,573)	-	-	-	(1,573)
Impairments	(4,720)	-	-	-	(4,720)
Reclassifications	28,735	(28,735)	-	-	-
Revaluations	3,213	94	-	-	3,307
Balance at 31 March 2010	291,323	5,172	146	-	296,641

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.

Operational Assets

	Council Dwellings	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure	Community Assets	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
Balance at 1 April 2009	192,270	40,180	2,408	34,359	2,317	271,534
Additions	16,723	702	623	6	163	18,217
Disposals	(1,643)	-	(225)	-	-	(1,868)
Impairments	-	(4,720)	-	-	-	(4,720)
Reclassifications	-	28,810	26	(102)	1	28,735
Revaluations	-	635	-	-	-	635
Balance at 31 March 2010	207,350	65,607	2,832	34,263	2,481	312,533
Depreciation						
Balance at 1 April 2009	(5,528)	(2,579)	(1,106)	(9,494)	(563)	(19,270)
Charge for the year	(2,712)	(968)	(284)	(849)	-	(4,813)
Disposals	71	-	224	-	-	295
Reclassifications	-	-	-	-	-	-
Revaluations	-	2,578	-	-	-	2,578
Balance at 31 March 2010	(8,169)	(969)	(1,166)	(10,343)	(563)	(21,210)
Net Balance Sheet at 1 April	186,742	37,601	1,302	24,865	1,754	252,264
Net Balance Sheet at 31 March	199,181	64,638	1,666	23,920	1,918	291,323

Non-Operational Assets

	Assets under Construction	Investment Properties	Surplus Assets	Total
	£000	£000	£000	£000
Cost or Valuation				
Balance at 1 April 2009	9,296	24,152	84	33,532
Additions	281	-	-	281
Disposals	-	-	-	-
Impairments	-	-	-	-
Reclassifications	(9,296)	(19,439)	-	(28,735)
Revaluations	-	96	(2)	94
Balance at 31 March 2010	281	4,809	82	5,172

The methods of accounting for tangible fixed assets and intangible assets are set out in paragraphs 9 and 10 of the Statement of Accounting Policies.

A review of accounting practices identified that a number of properties previously classified as Investment Properties ought to have been treated as operational (Other Land and Buildings), and this adjustment is included in the "Reclassification" line above.

None of the operational, non-operational or intangible assets analysed above are held under finance leases, or under the Private Finance Initiative.

15. CAPITAL COMMITMENTS

Capital commitments as at 31 March 2010

	2010/11	2011/12	2012/13	Total
Improvement of Council Dwellings	8,600	8,400	6,000	23,000
New House Building	3,558			3,558
	12,158	8,400	6,000	26,558

16. CAPITAL INVESTMENT AND FINANCING

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

2008/09			2009/10	
£000	£000		£000	£000
	43,652	Opening Capital Financing Requirement		56,294
72		Intangible assets	41	
18,832		Operational assets	18,217	
886		Non-operational assets	281	
215		Revenue Expenditure Financed from Capital under Statute	4,753	
<u>20,005</u>		Total capital investment	<u>23,292</u>	
(1,888)		Capital receipts	(1,003)	
(568)		Government grants	(3,130)	
(869)		Other contributions	(1,616)	
(2,617)		Major Repairs Reserve	(2,712)	
(927)		Revenue financing	(707)	
<u>(6,869)</u>		Total financing other than from loan	<u>(9,168)</u>	
	13,136	Net investment financed from loan		14,124
	(494)	Revenue provision for repayment of loans		(509)
	56,294	Closing Capital Financing Requirement		69,909

The concept of "Revenue Expenditure Financed from Capital under Statute" is explained in paragraph 12 in the Statement of Accounting Policies.

The capital investment financed from loan relates 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:

2008/09			2009/10	
£000			£000	
253	Intangible Assets		146	
285,796	Fixed Assets		296,495	
(18,432)	Government Grants Deferred		(17,981)	
(8,483)	Capital Contributions Deferred		(8,515)	
(168)	Revaluation Reserve		(3,419)	
(202,672)	Capital Adjustment Account		(196,817)	
<u>56,294</u>			<u>69,909</u>	

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 from revenue to the Capital Adjustment Account. The Council's provision for repayment of loans was £509,000, compared with £494,000 in 2008/09

17. CAPITAL GRANTS AND CONTRIBUTIONS

The Council frequently receives grants and contributions towards capital investment some time before it is actually spent, particularly in the case of planning contributions. These are held in the "Long Term Liabilities" section of the Balance Sheet until they are used for financing capital schemes, at which point they are transferred to the Government Grants Deferred or Capital Contributions Deferred accounts. The table below shows the movement in unapplied grants and contributions. The line for "Adjustment with current Creditors" represents contributions expected to be used for financing the capital programme in the subsequent financial year: the estimated balance is shown as a current liability at the balance sheet date.

2008/09		2009/10
£000		£000
	Grants	
(1,451)	Balance in hand, 1 April	(1,356)
(473)	Receivable during year	(751)
568	Applied to finance capital investment	219
(1,356)	Balance in hand, 31 March	(1,888)
	Contributions	
(3,174)	Balance in hand, 1 April	(2,234)
(865)	Receivable during year	1,990
869	Applied to finance capital investment	140
936	Adjustment with current Creditors	-
(2,234)	Balance in hand, 31 March	(104)
(3,590)	Total Grants and Contributions	(1,992)

As noted above, grants and contributions used for financing capital are transferred to the Government Grants Deferred or the Capital Contributions Deferred account. These accounts form part of the Capital Financing Requirement (note 16 above) and are not available for either revenue or capital spending. Individual grants and contributions are released annually to the Income and Expenditure Account, on the same basis as depreciation, but this credit to Income and Expenditure is reversed by a transfer from the Statement of Movement on the General Fund Balance to the Capital Adjustment Account. The table below shows the movement in grants and contributions deferred.

2008/09		2009/10
£000		£000
	Grants	
(16,950)	Balance in hand, 1 April	(18,432)
(568)	Applied to finance capital investment	(219)
588	Released to Income and Expenditure Account	670
(1,502)	Movement between Grants & Contributions	-
(18,432)	Balance in hand, 31 March	(17,981)
	Contributions	
(9,214)	Balance in hand, 1 April	(8,483)
(869)	Applied to finance capital investment	(140)
98	Released to Income and Expenditure Account	108
1,502	Movement between Grants & Contributions	-
(8,483)	Balance in hand, 31 March	(8,515)
(26,915)	Total Grants and Contributions Deferred	(26,496)

18. INFORMATION ON ASSETS HELD BY THE COUNCIL

Fixed assets held by the Council in its Balance Sheet include:

	Number as at 31 March 2009	Number as at 31 March 2010
Council Dwellings		
Houses	1,812	1,803
Flats	1,947	1,918
Other Buildings & Assets		
Cafes and retail Outlets	26	26
Cemeteries	2	2
Community Centres	5	5
Dotto Road Trains	3	3
Farms	4	4
Office Buildings	6	6
Off-Street Car Parks	14	14
Public Conveniences	29	29
Seafront Chalets (at Holywell)	69	69
Sports and Recreational Facilities	48	48
Stores	24	24
Theatres	4	4
Crematorium	1	1
Museum	1	1
Bandstand	1	1
Community Assets		
Parks and Open Spaces (hectares)	279	279
Allotments (acres)	42	42
Downland (acres)	4,100	4,100
Infrastructure Assets		
Seafront Groynes	94	94
Promenade (miles)	4.3	4.3

19. DEPRECIATION

Depreciation is calculated on a straight-line basis over the expected life of the assets, 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 for various classes of assets are shown in paragraphs 9 and 10 of the Statement of Accounting Policies.

20. MINIMUM REVENUE PROVISION

The council is legally obliged to provide for the repayment of a proportion of its outstanding loan debt (the Minimum Revenue Provision). As the provision for repayment of debt is less than the amount of depreciation, an adjustment is made by a transfer from revenue to the Capital Adjustment Account. The Council's provision for repayment of loans was £523,000, compared to £494,000 in 2008/09.

21. VALUATION OF FIXED ASSETS

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. Valuations have been carried out in accordance with the Statements of Asset Valuation Practice Guidance Notes of the Royal Institution of Chartered Surveyors. The following basis of valuations are used:

- Operational Land and Buildings: Depreciated Replacement Cost is used for specialised buildings if there is insufficient evidence of market values; Existing Use Value in all other cases.
- Non-Operational Investment properties and Surplus Properties – Market Value.

As mentioned above in Note 14, a number of properties previously treated as Investment Properties were reclassified as at 1 April 2009 as Operational Land and Buildings. Mainly because of this change the Council's surveyor carried out a comprehensive desktop revaluation as at 1 April 2009, using valuation techniques in line with the previous paragraph and a more accurate assessment of the useful

life of individual buildings. In comparison with previous asset lives, those of 40 properties were reduced from the previous 35 years to periods of between 10 and 30 years, 15 remained at 35 years, and the lives of 113 assets were increased to periods of between 40 and 75 years.

A full revaluation is scheduled to take place as at 1 April 2011.

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 review of movements in values is carried out at the end of each financial year, and this resulted in a considerable impairment to dwelling values for 2008/09.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

All loans and investments are included in the accounts at carrying amount, but the fair value of each class of financial asset is also shown in the table below. Note that the Fixed Term Deposits at 31 March 2009 included £2m in bank call accounts, but these are now shown as part of the cash balance.

2008/09	2008/09		2009/10	2009/10
Carrying	Fair Value		Carrying	Fair Value
Amount			Amount	
£000	£000		£000	£000
2,000	2,000	Cash	1,850	1,850
13,647	13,702	Fixed Term Deposits	-	-
15,647	15,702	Total Assets	1,850	1,850
43,250	49,512	Public Works Loan Board	51,194	55,529
7,735	11,246	Loan Stock	7,500	10,487
-	-	Lancashire County Council	3,000	3,021
-	-	SERCO Paisa Loans	2,480	3,435
50,985	60,758	Total Liabilities	64,174	72,472

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. The discount rate used is equal to the current rate in relation to the same instrument with the same duration from a comparable lender on the date of valuation – 31 March 2010. The rates quoted in this valuation were obtained from Sector Treasury Services Ltd (the Council's Advisors).

The fair value of loans as at 31 March 2010 is higher than the carrying value because these loans were taken out at fixed interest rates when interest rates were significantly higher than rates for similar loans at the Balance Sheet date. The greater that the interest payable is above current market rates increases the amount that the Council would have to pay if it agreed to early repayment of the loans.

23. NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Authority'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 Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's or Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings 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 the Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL.

Price risk

The Authority does not invest in equity shares, and disposed of its shareholding in Eastbourne Buses during the previous year (see Note 24). It is consequently no longer exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

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

24. INTEREST IN COMPANIES

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:

2008/09		2009/10
£000		£000
(6,988)	Turnover	(7,164)
<u>7,031</u>	Operating Costs	<u>7,184</u>
43	Operating (surplus)/deficit	20
(37)	Interest Receivable	(3)
<u>(7)</u>	Other Finance (Income)/Expenditure	<u>31</u>
(1)	(Surplus)/deficit on ordinary activities before tax	48
<u>10</u>	Tax on ordinary activities	<u>6</u>
9	(Surplus)/deficit on ordinary activities after tax	54

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 balances the Council owed Eastbourne Homes Ltd £1,007,000 (£5,766,000 at 31 March 2009), while Eastbourne Homes Ltd owed the Council £60,000 (£327,000 at 31 March 2009).

The company's accounts are consolidated into the Group Accounts on pages 56-62

Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at Ivy House, Ivy Terrace, Eastbourne, BN21 4QU.

Eastbourne Buses Ltd

This company was formed under the provisions of the Transport Act 1985. Its principal activities were the operation of bus and coach services, and the provision of garage and parking services. The Council disposed of its majority shareholding in the company during 2008/09, and there were therefore no transactions relating to the company in 2009/10. The disposal of the council's interest, as discussed above under Note 1, is included in the comparative figures in the Income and Expenditure Account, and the company's results until the point of disposal are included in the comparative figures in the Group Income and Expenditure account.

Wealden and Eastbourne Lifeline

This company works to support vulnerable people in their own homes. It is a company limited by guarantee, Eastbourne and Wealden Councils each holding 24% of the voting rights. The company's key financial results are:

2008/09		2009/10
£000		£000
(2,047)	Turnover	(2,431)
<u>1,909</u>	Operating Costs	<u>2,247</u>
(138)	Operating (surplus)/deficit	(184)
(5)	Interest Receivable	(1)
<u>-</u>	Other Finance (Income)/Expenditure	<u>6</u>
(143)	(Surplus)/deficit on ordinary activities before tax	(179)
<u>31</u>	Tax on ordinary activities	<u>39</u>
(112)	(Surplus)/deficit on ordinary activities after tax	(140)

25. ANALYSIS OF DEBTORS AND CREDITORS

Debtors – money owed to the Council

31 March 2009		31 March 2010
£000		£000
559	Council Taxpayers (Eastbourne Borough Council share)	680
657	Council House Tenants	637
2,946	Government Departments	9,312
194	Payments in Advance	237
1,582	Owed by major preceptors	2,809
2,582	Housing Benefit overpayments	2,841
3,210	Sundry Debtors	3,438
11,730		19,954
	Less: Provision for impairment of Debts	
(167)	Council Tax payers (Eastbourne Borough Council share)	(222)
(419)	Council House Tenants	(354)
(2,006)	General (including Housing Benefit)	(2,513)
9,138		16,865

The amount owed to the Council by Government Department has increased by £6.2m, which is mainly due to the Housing Benefit Subsidy claim outstanding as at 31 March 2010.

Creditors – money owed by the Council

31 March 2009		31 March 2010
£000		£000
(1,379)	Government Departments, including Tax, VAT and NNDR	(969)
(223)	East Sussex County Council	(184)
(2,412)	Income Received in Advance	(4,678)
(5,102)	Capital Creditors	(1,697)
(3,557)	Sundry Creditors	(3,050)
(12,673)		(10,578)

Capital creditors have reduced by £3.4m mainly due to the reduction in the accruals required for works on Council Dwellings as at 31 March 2010.

26. PROVISIONS

The only provision is for former council flat redecoration which was established to provide funding for the painting of sold council flats.

	Balance 1 April	Additions	Reductions	Spent	Balance 31 March
	£000	£000	£000	£000	£000
Painting of sold council houses	(202)	(3)	-	14	(191)
Total	(202)	(3)	-	14	(191)

27. SUMMARY OF MOVEMENTS IN RESERVES

This note summarises the movements in each of the classes of reserves set out in the "Net Worth" section of the Balance Sheet. The "Gains and Losses" column equals the Statement of Recognised Gains and Losses.

	1 April	Gains/Losses	Transfers	31 March
	£000	£000	£000	£000
Capital Adjustment account	202,672	-	(5,855)	196,817
Financial Instruments Adjustment	(1,051)	-	225	(826)
Collection Fund Adjustment Account	(112)	-	(84)	(196)
Revaluation Reserve	168	3,305	(54)	3,419
Pensions Reserve	(23,270)	(22,940)	(942)	(47,152)
Capital Receipts Reserve	3,962	-	(633)	3,329
Earmarked Reserves	6,389	-	(3,178)	3,211
Housing Revenue Account	1,205	-	219	1,424
General Fund	2,717	(8,480)	10,302	4,539
Total	192,680	(28,115)	-	164,565

The purpose of and movements on each reserve is outlined below.

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account contains a number of items as shown in the table below. This account forms part of the Capital Financing Requirement, and is therefore not available for further investment by the Council.

2008/09		2009/10
£000		£000
238,730	Balance at 1 April	202,672
	Capital financing	
927	Revenue	707
1,888	Usable Capital Receipts	1,003
2,617	Major Repairs Reserve	2,712
686	Grants & contributions deferred written off	779
(215)	Adjust for Revenue Expenditure Financed from Capital under Statute	(365)
(42,092)	Reversal of Depreciation and Impairments	(9,681)
523	Minimum Revenue Provision	508
(392)	Disposal of fixed assets	(1,573)
-	Adjust depreciation on revalued assets	55
202,672	Balance at 31 March	196,817

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account contains the difference between financial instruments measured at fair value and the balances required to comply with legislation. The balance relates to premiums incurred in previous years when restructuring debt in order to reduce the interest payable over the term of the loan. Under a change of accounting policy dating from 2007/08 the whole of the outstanding premiums were charged to the Income and Expenditure Account, but a corresponding transfer was made to the Housing Revenue Account (to which all the premiums related) from the Financial Instruments Adjustment Account. An annual transfer from the Housing Revenue Account to this adjustment account is now made, in line with the length of the replacement loans.

2008/09		2009/10
£000		£000
(1,352)	Balance at 1 April	(1,051)
301	Release to General Fund	225
(1,051)	Balance at 31 March	(826)

COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund accounts are set out on page 53 of this Statement of Accounts. The balances shown in these accounts at the start and end of the financial year represent amounts held or owing to all of the authorities on whose behalf this authority collects Council Tax. This amount is split between the precepting authorities, each of whom shows their share of the fund as the Collection Fund Adjustment Account.

The preceptors share of the deficit on the Collection Fund is shown on the Council's balance sheet as part of the debtors figure. See note 4 to Collection Fund

REVALUATION RESERVE

The Revaluation Reserve was established at 1 April 2007, the net book values of fixed assets at that date being effectively defined as historic cost. Revaluation gains since that date are credited to this reserve, and reductions in asset values on individual assets are debited to the reserve to the extent that it does not take the value below depreciated historic cost. If a downward revaluation takes the value of an asset below depreciated historic cost it is treated as an impairment.

2008/09		2009/10	
£000		£000	
9,039	Balance at 1 April	168	
(8,760)	Revaluations during the year	3,305	
(111)	Disposals of fixed assets	-	
-	Adjustment for depreciation on re-valued assets	(54)	
168	Balance at 31 March	3,419	

CAPITAL RECEIPTS RESERVE

Proceeds from the sale of fixed assets are credited to the Income and Expenditure Account, but transferred to this reserve through the Statement of Movement on the General Fund Balance. A proportion of the receipts from the sale of council houses is payable to a national pool, and the remainder of the reserve is available for capital investment (it may not be used for revenue purposes).

2008/09			2009/10		
General	HRA	Total	General	HRA	Total
£000	£000	£000	£000	£000	£000
3,950	1,772	5,722	2,045	1,917	3,962
(17)	458	441	1	980	981
-	-	-	2,286	(2,286)	-
-	(313)	(313)	-	(611)	(611)
(1,888)	-	(1,888)	(1,003)	-	(1,003)
2,045	1,917	3,962	3,329	-	3,329
		Balance at 31 March			

EARMARKED RESERVES

Earmarked Reserves are set aside from the Statement of Movement on the General Fund Balance for estimated future liabilities.

	Balance 1 April	Added	Withdrawn	Consolidated into General Fund Balances	Balance 31 March
	£000	£000	£000	£000	£000
Eastbourne Buses Realisation Account	1,097	-	(8)	(1,089)	-
Cemeteries and Crematorium	85	-	-	(85)	-
General Reserve	1,861	1,159	(1,653)	-	1,367
Insurance	78	-	(65)	(13)	-
Section 106	1,012	-	(645)	-	367
Maintenance of Grassed Areas	25	-	-	(25)	-
Towner Art Gallery capital	25	-	(16)	-	9
Benefits and Council Tax Review	704	-	(350)	(354)	-
Strategic Change Reserve	1,427	-	(465)	-	962
Earmarked Sums Commutation	-	130	-	-	130
Riverbourne House Leaseholders	75	1	-	-	76
Capital Programme	-	300	-	-	300
Total	6,389	1,590	(3,202)	(1,566)	3,211

General Reserve: this reserve is used where the Council carries forward under spent departmental budgets to the new financial year. This reserve will be reviewed and distributed between General Fund and Strategic Change Fund as appropriate, as part of the budget setting process.

Section 106: this represents contributions from developers for expenditure on playgrounds and open spaces.

Riverbourne House leaseholders: this reserve is for future maintenance of Riverbourne House.

Strategic Change Reserve has been set up to finance one off investments under the Council's DRIVE programme that are required for development or the release of ongoing efficiencies.

28. RETIREMENT BENEFITS

Participation in 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.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council Tax is based on the contributions payable in the year. To adjust for this statutory requirement, the estimated cost of retirement benefits arising during the year 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 following transactions have been made in the Income and Expenditure Account and in the Statement of Movement on the General Fund Balance:

2008/09		2009/10
£000		£000
	Income and Expenditure Account:	
	Net cost of Services:	
1,019	Current Service Cost	864
2,012	Past Service Cost	36
135	Settlements and Curtailments	339
	Net Operating Expenditure:	
5,265	Interest Cost	5,454
(4,174)	Expected Return on Assets	(3,653)
4,257	Net Charge to Income and Expenditure Account	3,040
	Statement of Movement on the General Fund Balance:	
(4,257)	Reversal of net charges made in Income and Expenditure account in accordance with FRS 17	(3,040)
	Actual amount charged to General Fund Balance for pensions in the year:	
(4,664)	Employer's contributions	(2,098)
(4,664)	Net charge to General Fund Balance	(2,098)

The Past Service Cost for 2009/10 relates to £36,000, arising from early retirements. In comparison the figure for 2008/09 comprised £8,000 for early retirements, £438,000 for retrospective changes to employee benefits and £1,566,000 for the additional liability arising as a result of the sale of the Council's share in Eastbourne Buses (see below).

In addition to the gains and losses recognised in the Income and Expenditure Account, a net actuarial loss of £22,940,000 is included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses since 2004/05 recognised in this statement is £33,947,000.

Assets and Liabilities in relation to retirement benefits

The table below shows separately the movements in scheme assets and liabilities.

2008/09				2009/10		
Liabilities	Assets	Net		Liabilities	Assets	Net
£000	£000	£000		£000	£000	£000
(76,348)	61,097	(15,251)	Liabilities / Assets at 1 April	(80,270)	57,000	(23,270)
(1,019)	-	(1,019)	Current Service Cost	(864)	-	(864)
(2,012)	-	(2,012)	Past Service Cost	(36)	-	(36)
(135)	-	(135)	Settlements and Curtailments	(339)	-	(339)
(5,265)	-	(5,265)	Interest Cost	(5,454)	-	(5,454)
-	4,174	4,174	Expected Return on Assets	-	3,653	3,653
6,530	(14,956)	(8,426)	Actuarial gains and losses	(39,563)	16,623	(22,940)
-	4,664	4,664	Employer contributions	-	2,098	2,098
(509)	509	-	Contributions by scheme participants	(516)	516	-
3,766	(3,766)	-	Benefits paid	4,233	(4,233)	-
(5,278)	5,278	-	Adjustment for Eastbourne Buses	-	-	-
(80,270)	57,000	(23,270)	Liabilities / Assets at 31 March	(122,809)	75,657	(47,152)

The comparative figures for 2008/09 contained several adjustments relating to the sale of the Council's share of Eastbourne Buses:

- The share of the Pension Fund assets, totalling £5,278,000 was transferred to the Council.
- Corresponding liabilities of £6,844,000 were also transferred, the shortfall of £1,566,000 being shown above as part of the Past Service Cost.
- As part of the sale conditions, Stagecoach paid the Council £2,639,000, which was then paid to the Pension Fund as part of the employer's contribution of £4,664,000. This payment was based on an "ongoing basis" calculation, which results in a lower figure than the FRS 17 figures.

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

The actual return on scheme assets in the year was a gain of £20,276,000, compared with a loss of £10,782,000 in 2008/09.

Scheme History

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	£000	£000	£000	£000
Present value of liabilities	(89,790)	(88,301)	(76,343)	(80,270)	(122,809)
Fair value of assets	65,440	68,591	61,097	57,000	75,657
Surplus / (Deficit) in the scheme	(24,350)	(19,710)	(15,246)	(23,270)	(47,152)

The net liabilities show the underlying commitments that the Authority has in the long term to pay retirement benefits. The net liability of £47m at 31 March 2010 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. This return is lower than the expected long term returns from the actual investments that the fund manages, and that the actuaries estimate when assessing contributions to the Pension Fund. For 2009/10 the figures are distorted because this discount rate is low compared to the actuary's estimate of future inflation and pay rises.
- 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.

The total contribution expected to be made by the Council to the East Sussex Pension Fund in the year to 31 March 2011 is £1,757,000. At 31 March 2010 the Council owed £183,000 in respect of employer's and employees' contributions for March 2010.

Basis for estimating assets and liabilities

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

The main assumptions used in their calculations are:

2008/09		2009/10
£000	Long term expected rate of return on scheme assets:	£000
7.0%	Equity Investments	7.8%
5.4%	Bonds	5.0%
4.9%	Property	5.8%
4.0%	Cash	4.8%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
19.6	Men	20.8
22.5	Women	24.1
	Longevity at 65 for future pensioners:	
20.7	Men	22.3
23.6	Women	25.7
3.1%	Rate of inflation	3.8%
4.6%	Rate of increase in salaries	5.3%
6.5%	Rate of increase in pensions	3.8%
6.9%	Rate for discounting scheme liabilities	5.5%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

The scheme's assets consist of the following categories, by proportion of the total assets held:

2009		2010
%		%
76	Equities	74
10	Bonds	5
8	Property	7
6	Cash	14

History of Experience Gains and Losses

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

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Differences between the expected and actual return on assets	4.00%	14.20%	0.00%	(11.70)%	(26.20)%	22.00%
Experience gains and losses on liabilities	(2.90)%	0.10%	0.10%	(9.30)%	(8.10)%	32.20%

29. ANALYSIS OF NET ASSETS

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

31.3.09		31.3.10
Restated		
£000		£000
53,954	General Fund	21,884
138,662	Housing Revenue Account	142,271
192,616	Total	164,155

30. CONTINGENT LIABILITIES AND ASSETS

Towner Capital Scheme

Towner is a newly constructed art gallery and the leading centre for visual arts in the South East, which opened to the public in April 2009. There is a possible claim, not yet quantifiable, for additional costs to the contractor arising from the construction of the new gallery.

Planning Appeal

There is a possible liability of around £50,000 arising from an appeal against the granting of planning permission for development in Kings Drive.

Eastbourne Buses Ltd

The Council retains a liability of any deficit that may arise in the future from the pension liability of this company.

Municipal Insurance Limited

The Council's former insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council is set at £470,000. MMI's Directors have stated that they still foresee a fully solvent run-off of the Company's business. No provision has been made in the Statement of Accounts for any claw back of payments made to the Council.

32. RECONCILIATION OF CASH FLOW CASH AND BANK BALANCES

The table below shows the movement in the Council's liquid resources, represented by the cash in hand and at the bank, and agrees with the movement in the Cash Flow Statement. The table below shows £1,850,000 as held in bank call accounts as at 31 March 2010: the comparative figure for 31 March 2009 was £2.0m, but this was then shown as investments rather than cash.

	Balance 1 April 2009	Balance 31 March 2010	Movement in year
	£000	£000	£000
Cash at bank	460	19	(441)
Cash held in Call Accounts	-	1,850	1,850
Bank Overdraft	-	(720)	(720)
Total	460	1,149	689

33. RECONCILIATION OF CASH FLOW ITEMS IN FINANCING AND LIQUID ASSETS

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

Movement 2008/09		Balance 1 April 2009	Balance 31 March 2010	Movement in the Year
	£000	£000	£000	£000
2,672	Short Term Investments	15,647	-	(15,647)
(147)	Adjust for accrued interest	(147)	-	147
2,525	Net change in investments	15,500	-	(15,500)
(847)	Net Council Tax related to major preceptors	2,267	2,809	542
(301)	Net NNDR owing to Government	(69)	1,772	1,841
1,377	Movements in Management of Liquid Resources	17,698	4,581	(13,117)
	Long Term Borrowing:			
(12,030)	Public Works Loan Board	(43,250)	(51,194)	(7,944)
(235)	Loan Stock	(7,735)	(7,500)	235
-	Lancashire County Council	-	(3,000)	(3,000)
-	SERCO Paisa Credit Sales Agreements	(1,586)	(1,823)	(237)
(12,265)		(52,571)	(63,517)	(10,946)
291	Adjust for accrued interest	291	-	(291)
(11,974)		(52,280)	(63,517)	(11,237)
-	Short Term Borrowing	(187)	(195)	(8)
(11,974)		(52,467)	(63,712)	(11,245)
(1,201)	Add disposal of investment			-
(13,175)	Movements in Financing			(11,245)

34. ANALYSIS OF GOVERNMENT GRANTS

The table below provides further details of the grant income as shown in the Cash Flow Statement:

2008/09		2009/10
	£000	£000
(787)	Housing Revenue Account subsidy	(1,172)
(1,060)	Housing Benefit Administration	(1,172)
(563)	Concessionary Bus Fares	(493)
(1,794)	Capital grants towards revenue expenditure	(2,911)
(1,355)	Other grants	521
(5,559)		(5,227)
(1,257)	Revenue Support Grant	(1,939)
(43,498)	DWP grants for benefits	(46,972)
(50,314)		(54,138)

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. 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.

The Authority has transferred responsibility for the management of its housing stock to Eastbourne Homes Ltd, an arms length management organisation. Eastbourne Borough Council paid Eastbourne Homes Ltd £6.7m out of rents, government subsidy and other income in the year. The fee was made up of £3.1m for supervision and management and £3.6m on repairs (£3.0m and £3.6m in 2008/09)

The Income and Expenditure Account, below, is compiled in line with accounting standards and therefore includes full charges for items such as depreciation and pension costs.

2008/09		2009/10
£000		£000
	Income	
(11,575)	Dwelling Rents	(11,923)
(359)	Non-Dwelling Rents	(374)
(744)	Charges for Services and Facilities	(726)
(297)	Contributions Towards Expenditure	(1,384)
(592)	Housing Revenue Account Subsidy Receivable	(1,245)
(13,567)	Total Income	(15,652)
	Expenditure	
-	Repairs and Maintenance	1,317
7,797	Supervision and Management	7,761
167	Subsidy Limitation Transfer to the General Fund	90
119	Increased Provision for Doubtful Debts	22
36,926	Depreciation and Impairment of Fixed Assets	2,689
71	Debt Management Costs	74
45,080	Total Expenditure	11,953
31,513	Net cost of HRA Services as included in the whole authority Income and Expenditure Account	(3,699)
122	HRA services share of Corporate and Democratic Core	49
31,635	Net Cost of HRA services	(3,650)
(267)	Gain or loss on sale of HRA assets	593
2,563	Interest Payable and Similar Charges	3,176
(86)	Interest and Investment Income	(23)
33,845	(Surplus)/Deficit for the Year	96

The figures above have to be modified to ensure that the correct charges are made to the Housing Revenue Account in accordance with legislation.

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The Statement of Movement below summarises the difference, and it is analysed in detail in the table below.

2008/09		2009/10
£000		£000
33,845	(Surplus) / Deficit on the HRA Income and Expenditure Account	96
(33,770)	Net additional amount required by statute and other proper practices to be debited or credited to the General Fund	(315)
75		(219)
(1,280)	Housing Revenue Account (surplus) brought forward	(1,205)
(1,205)	Housing Revenue Account (surplus) carried forward	(1,424)

NOTE ON THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

2008/09		2009/10
£000		£000
Amounts included in the HRA Income and Expenditure Account, but excluded from the Movement on the HRA Balance for the year		
(34,336)	Depreciation and Impairment of Fixed Assets	(10)
-	Excess of depreciation charged to Housing Revenue Account over the Major Repairs Allowance element of Housing Subsidy	-
27	Release from Government Grants Deferred and Capital Contributions Deferred	32
267	Gain / (loss) on sale of fixed assets	(593)
301	Premiums and discount balance to Financial Instruments Adjustment A/c	226
29	Difference between pension costs and amounts legally chargeable to General Account	29
(33,712)		(316)
Items not included in HRA Income and Expenditure account, but legally chargeable to the HRA		
700	Capital expenditure charged to revenue account	-
700		-
Items not included in HRA Income and Expenditure Account, but also charged to the HRA		
(758)	Transfer to or from earmarked reserves	1
(758)		1
(33,770)	Total	(315)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 HOUSING STOCK

The Council's housing stock consisted of:

31 March 2009		31 March 2010
	Houses and Bungalows	
17	- one bedroom	17
542	- two bedrooms	539
1,199	- three bedrooms	1,194
54	- four or more bedrooms	53
1812	Total Houses and Bungalows	1,803
	Flats	
1,028	- one bedroom	1,026
495	- two bedrooms	493
8	- three or more bedrooms	8
416	- bed-sits	373
1,947	Total Flats	1,900
3,759	All Dwellings	3,703

There is a variance between the number of Council Dwellings recorded in the HRA and the number of Council Dwellings recorded in the fixed asset register; see note 18 to the core financial statements. This is due to 18 flats at Ratton Road which are no longer available to let, however as the properties existed as at 31 March 2010 they are still included in the fixed asset register.

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2009) and has acquired the use of 10 actual properties (10 at 31 March 2009) under short-term property leases.

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

	1.4.2009 £000	31.3.2010 £000
Operational Assets :		
Dwellings	185,446	199,181
Other Land and Buildings	823	830
Total	186,269	200,011

2. VACANT POSSESSION VALUE OF DWELINGS

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 2008. The 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. The vacant possession value as at 1 April 2008 was £427m.

3. MAJOR REPAIRS RESERVE (MRR)

This reserve was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance element of the Housing Subsidy calculation is used to finance capital investment, the balance being transferred to the Housing Revenue Account.

2008/09		2009/10
£000		£000
-	Balance as at 1 April	-
2,617	Transfer from Capital Financing Account	2,712
(2,617)	Financing of Capital Expenditure	(2,712)
-	Balance as at 31 March	-

4. CAPITAL EXPENDITURE, FINANCING AND CAPITAL RECEIPTS

The table below summarises the total capital expenditure for the year, and the sources of finance.

2008/09		2009/10
£000		£000
14,976	Total Capital Expenditure	18,040
	Funding:	
11,359	Borrowing	13,711
2,617	Major Repairs Reserve	2,712
700	Revenue Contributions	300
300	Other Contributions	1,317
14,976	Total Funding	18,040

Capital receipts from disposals is summarised as follows:

2008/09		2009/10
£000		£000
423	Right to Buy Sales of Houses and Flats	945
13	Repayment of Right to Buy Discount	12
4	Mortgage Repayments	3
440		960

5. DEPRECIATION

The amounts charged for depreciation were as follows:

2008/09		2009/10
£000		£000
2,575	Dwellings	2,872
-	Other Land and Buildings	10
2,575	Total Operational Assets	2,882
42	Non-Operational Assets	-
2,617	Total HRA Assets	2,882

6. IMPAIRMENT

Impairments reflect a reduction in the carrying value of an asset, which cannot be met from existing balances in the Revaluation Reserve. They arise either from a consumption of economic benefits (such as physical damage) or from a general reduction in prices. The total of £33.4m impairment charged to the Housing Revenue Account for 2008/09 represented a reduction in dwelling values to 31 March 2009 in line with general falls in asset prices. There was no impairment in 2009/10.

7. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable was made up as follows:

2008/09		2009/10
£000		£000
2,153	Management Allowance	2,164
4,203	Maintenance Allowance	4,306
2,617	Major Repairs Allowance	2,712
3,339	Capital Charges Allowances	3,821
-	Rental Constraint Allowance	-
66	Other Allowable Expenditure	68
(220)	Prior Year Adjustment	-
12,158	Gross	13,071
(11,561)	Less: Notional Rent Income	(11,821)
(5)	Interest on Receipts	(5)
592	Total Subsidy Receivable	1,245

8. CONTRIBUTION TO THE PENSION RESERVE

Note 28 to the core financial statements sets out the accounting arrangements for the Local Government Pension Scheme, and explains that the Income and Expenditure Account is compiled on the basis of proper accounting practice, charges being made on the basis of current service cost. The statutory charge against Council Tax, however, is based upon contributions payable in the year, and there is therefore an adjustment in the Statement of Movement on the General Fund Balance to replace current service cost and other charges with the contributions for the year. These arrangements are reflected in the Housing Revenue Account, and an additional amount of £29,000 (£29,000 in 2008/09) has been charged to the Housing Revenue Account via the Statement of Movement on the HRA balance.

9. RENT ARREARS

Rent arrears at 31 March 2010 amounted to £637,000 compared with £657,000 at 31 March 2009. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2009/10 former tenant arrears of £86,000 were written off (£96,000 in 2008/09).

The Council has a provision for doubtful debts of £354,000 at 31 March 2010 (£419,000 at 31 March 2009).

10. STATUTORY CONTRIBUTION TO THE GENERAL FUND - RENT REBATES

A contribution of £90,000 was made in 2009/10 for the Rent Rebate Subsidy Limitation Scheme (£167,000 in 2008/09).

COLLECTION FUND REVENUE ACCOUNT

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, and the Council Tax, and shows how these have been distributed to preceptors and the General Fund. The Collection Fund is prepared and consolidated on the accrual basis.

2008/09			2009/10	
£000	£000		£000	£000
		Income		
	(47,191)	Income from Council Tax		(48,536)
		Transfers from General Fund		
	(8,266)	Council Tax Benefits		(9,209)
	(26,696)	Income collectable from Business Ratepayers		(26,743)
		Contributions towards previous year's Collection Fund deficit		
(977)		East Sussex County Council	-	
(193)		Eastbourne Borough Council	-	
(113)		Sussex Police Authority	-	
(68)		East Sussex Fire Authority	-	
	(1,351)			-
	(83,504)	Total Fund Income		(84,488)
		Expenditure		
		Precepts and Demands		
40,254		East Sussex County Council	41,727	
7,820		Eastbourne Borough Council	8,099	
4,757		Sussex Police Authority	4,986	
2,848		East Sussex Fire Authority	2,964	
	55,679			57,776
		Business Rates		
26,566		Payment to National Pool	26,613	
130		Costs of Collection	130	
	26,696			26,743
		Bad and Doubtful Debts/Appeals		
577		Write-offs	172	
(3)		Provisions	388	
	574			560
	82,949	Total Fund Expenditure		85,079
	(555)	Movement on Fund Balance		591
		COLLECTION FUND BALANCE		
	1,352	Balance at 1st April		797
	(555)	(Surplus)/Deficit for the year		591
	797	Balance as at 31st March		1,388

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1 INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:

	£000
Gross amount of Council Tax	(67,599)
Less Discounts	6,714
Exemptions	3,052
Disabled Relief	88
Write offs	172
Net Yield from Council Tax	<u>(57,573)</u>
Reconciliation to Collection Fund	
Income from Council Tax	(48,536)
Council Tax Benefits Granted	(9,209)
Write offs	172
	<u>(57,573)</u>

Council Tax Base

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	Est Taxable Properties	Ratio to Band D	Band D Equiv
A Disabled Reductions	18	15	5/9	8.3
A	7,578	6,506	6/9	4,337.3
B	12,164	11,008	7/9	8,561.8
C	10,158	9,239	8/9	8,212.4
D	8,039	7,683	9/9	7,683.0
E	4,261	3,996	11/9	4,884.0
F	1,969	1,926	13/9	2,782.0
G	1,038	960	15/9	1,600.0
H	49	42	18/9	84.0
	45,274	41,375		38,152.9
Less average 3.0% reduction to allow for collection losses				1,144.4
Council Tax Base				37,008.5

The estimated and actual tax base figures can vary due to the various effects of banding appeals, new properties, demolished properties and entitlements to discounts. However the variance in 2009/10 is minimal as shown below.

Comparison of Actual versus Theoretical gross Yields:

Tax base before losses (as above)	A	37,008.5
Band D Council Tax 2009/10 (Budget report)	B	£1,561.15
Theoretical gross yield	A x B	£57,775,802
Actual gross yield (as above)	C	£57,573,738
Theoretical gross yield - actual gross yield	(A x B) - C	£202,064

2. INCOME FROM BUSINESS RATE PAYERS

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 2009/10 this amounted to £8.399m for Eastbourne Borough Council (£9.03m in 2008/09).

The table below shows the total rateable value and multipliers.

		2008/09	2009/10
Total non-domestic rateable value	£m	65.2	65.2
Multiplier	p	46.2	48.5
Multiplier (Small businesses)	p	45.8	48.1
Gross Yield Before Adjustments	£m	30.1	31.6

The gross yield before adjustments 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.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	Precept £000	Distribution of prior years (surplus)/deficit £000	Total £000
Eastbourne Borough Council	8,099	-	8,099
East Sussex County Council	41,727	-	41,727
Sussex Police	4,986	-	4,986
East Sussex Fire Authority	2,964	-	2,964
Total	57,776	-	57,776

4. COLLECTION FUND BALANCE

The table below shows the balances on the Collection Fund and how they relate to each precepting authority.

	2008/09 £000	2009/10 £000
East Sussex County Council	575	1,002
Eastbourne Borough Council	112	196
Sussex Police Authority	69	119
East Sussex Fire Authority	41	71
Deficit	797	1,388

The preceptors share of the deficit on the Collection Fund is shown in the Council's balance sheet as part of the debtors figures. This Council's share is included on the balance sheet under Collection fund adjustment account.

GROUP ACCOUNTS

Introduction

For the financial year 2009/10 the Group Accounts that follow consolidate the accounts of Eastbourne Borough Council with those of Eastbourne Homes Ltd. This is an arms length company which has had responsibility for the management of Eastbourne's council housing stock since 2005. It 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. 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.

The Company's key financial results are:

2008/09		2009/10
£000		£000
(6,988)	Turnover	(7,164)
7,031	Operating Costs	7,184
43	Operating (surplus)/deficit	20
(37)	Interest Receivable	(3)
(7)	Other Finance (Income)/Expenditure	31
(1)	(Surplus)/deficit on ordinary activities before tax	48
10	Tax on ordinary activities	6
9	(Surplus)/deficit on ordinary activities after tax	54

Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at Ivy House, Ivy Terrace, Eastbourne, BN21 4QU.

Up until 2008/09 the group accounts also consolidated the accounts of Eastbourne Buses Ltd. This was a company formed under the provisions of the Transport Act 1985. Its principal activities were the operation of bus and coach services, and the provision of garage and parking services.

At 1 April 2008 the Council was the majority (80%) shareholder in the company. The other shareholder was the Keolis Group who acquired a 20% shareholding under an agreement made in June 2001. On 18 December 2008 the Council disposed of its 80% interest to Stagecoach. The comparative figures for 2008/09 for the Group Accounts Income and Expenditure Account, Statement of Recognised Gains and Losses and the Cash Flow Statement therefore show company's income and expenditure and cash flows up to the point of the disposal. The company is not included, however, in the Group Balance sheet as at 1 April 2009 or in any of the reported figures for 2009/10.

GROUP INCOME & EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2010

2008/09		Gross	2009/10	Net
Net		£000	Income	£000
£000		£000	£000	£000
1,318	Central Services to the Public	11,611	(10,342)	1,269
6,595	Cultural & Related Services	15,718	(9,017)	6,701
5,813	Environmental Services	12,219	(5,900)	6,319
1,122	Planning and Development Services	5,895	(848)	5,047
2,281	Highways, Road and Transport Services	3,678	(1,549)	2,129
1,476	Housing Services	46,803	(45,772)	1,031
31,556	Council Housing	12,038	(15,717)	(3,679)
2,303	Corporate & Democratic Core	1,732	(14)	1,718
2,390	Non Distributed Costs	383	(1)	382
(1,559)	Exceptional item	-	-	-
53,295	Total Continuing Operations	110,077	(89,160)	20,917
	Discontinued Services			
337	Highways, Road and Transport Services	-	-	-
53,632	Net Cost of Services	110,077	(89,160)	20,917
63	(Gains) / Losses on sale of fixed assets			592
240	Precepts/Levies of local precepting authorities			242
(260)	(Surplus) / deficit of trading operations			(306)
3,485	External Interest payable			3,503
313	Contribution of housing capital receipts to Government Pool			611
(2,812)	Interest and Investment Income			(338)
1,084	Pensions Interest Cost and Expected Return on Pension Assets			1,832
10	Taxation of Group Entities			6
55,755	Net Operating Expenditure			27,059
(7,705)	Income from Council Tax			(8,015)
(1,331)	General Government Grants			(2,111)
(9,030)	Non-Domestic Rates Distribution			(8,399)
37,689	(Surplus) / Deficit for the year			8,534

RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT

2008/09		2009/10	£000	£000
£000		£000	£000	£000
37,218	Surplus/Deficit on the authority's single entity Income & Expenditure Account for the year			8,480
	Add surplus/deficit arising from other entities included in the group accounts			
(11)	Contribution by subsidiary:			
482	Loss after tax		54	54
37,689	Group Account Surplus/Deficit			8,534

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09	2009/10
£000	£000
37,689 (Surplus) / deficit on Income and Expenditure Account	8,534
8,760 (Gain) / loss on valuation of fixed assets	(3,305)
8,835 Actuarial (Gain) / loss on net pension fund liabilities	24,264
(1,917) Gains and losses relating to Eastbourne Buses Ltd	-
53,367	29,493

The table below shows the change to the net worth of the balance sheet as at 1 April 2009, and the consequent change to the comparative figures in the Statement above.

	Published £000	Restatement £000	Restated £000
Net Worth at 1 April 2008	(246,694)	179	(246,515)
Gains and Losses in STRGL:			
Collection Fund	(555)	555	-
Income and Expenditure Account	37,889	(200)	37,689
Loss on revaluation of fixed assets	8,760	-	8,760
Actuarial loss on pension fund assets and liabilities	8,835	-	8,835
Gain or Loss related to Eastbourne Buses Ltd	(1,917)	-	(1,917)
Net Worth at 31 March 2009	(193,682)	534	(193,148)

GROUP BALANCE SHEET

31.3.2009		31.3.2010
Restated		
£000		£000
253	Intangible Assets	146
	Tangible Fixed Assets	
	Operational Assets	
186,742	- Council Dwellings	199,181
37,601	- Other Land & Buildings	64,873
1,322	- Vehicles, Plant & Equipment	1,737
24,865	- Infrastructure	23,920
1,754	- Community Assets	1,918
	Non-Operational Assets	
9,296	- Assets under Construction	281
24,152	- Investment Property	4,809
84	- Surplus Assets	82
286,069	Total Fixed Assets	296,947
735	Long Term Debtors	47
286,804	Total Long Term Assets	296,994
	Current Assets	
101	Stocks	149
17,681	Debtors	20,600
(2,592)	- less provision for bad debts	(3,089)
15,647	Investments	-
1,162	Cash and Bank	2,176
318,803	Total Assets	316,830
	Current Liabilities	
(15)	Short term borrowing	(321)
(18,736)	Creditors	(11,134)
-	Bank Overdraft	(720)
300,052	Total Assets less Current Liabilities	304,655
(50,985)	Long Term Borrowing	(61,694)
(1,586)	Other Long Term Liability	(1,823)
(202)	Provisions	(191)
(18,432)	Government Grants Deferred	(17,981)
(8,483)	Capital Contributions Deferred	(8,515)
(23,584)	Pensions Liability	(48,765)
(42)	Deferred Credits	(39)
(3,590)	Grants and Contributions unapplied	(1,992)
193,148	Total Assets less liabilities	163,655
202,672	Capital adjustment account	196,817
(1,051)	Financial Instruments Adjustment	(826)
(112)	Collection Fund Adjustment Account	(196)
168	Revaluation Reserve	3,419
(23,270)	Pensions Reserve	(48,765)
3,962	Capital Receipts Reserve	3,329
10,311	Fund balances and reserves	9,174
468	Group Profit and Loss reserves	703
193,148	Total Net Worth	163,655

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

2008/09		2009/10		
£000		£000	£000	£000
(4,300)	Net Cash Inflow / Outflow from revenue activities			910
	Returns on Investments and Servicing of Finance			
	Cash outflows			
3,085	Interest paid		3,784	
	Cash inflows			
(2,972)	Interest received		<u>(805)</u>	2,979
<u>(4,187)</u>				<u>3,889</u>
15	Taxation			10
	Capital Activities			
	Cash outflows			
18,516	Purchase of fixed assets		22,282	
	Cash inflows			
(402)	Sale of fixed assets	(936)		
(412)	Capital grants received	(896)		
(206)	Other capital income	<u>(281)</u>	<u>(2,113)</u>	20,169
<u>13,324</u>	Net cash (inflow) / outflow before financing			<u>24,068</u>
	Management of Liquid Resources			
2,525	Net increase / (decrease) in short term deposits		(15,500)	
<u>(1,156)</u>	Other net increase / (decrease) in liquid resources		<u>2,383</u>	<u>(13,117)</u>
14,693				10,951
	Financing			
	Cash outflows			
166	Repayments of amounts borrowed	166		
	Reduction in short term loans	<u>-</u>	166	
	Cash inflows			
(11,974)	New loans raised	(11,411)		
(1,201)	Disposal of investment	-		
	Increase in short term loans	<u>-</u>	<u>(11,411)</u>	(11,245)
<u>1,684</u>	Net (increase) / decrease in cash			<u>(294)</u>

NOTES TO THE GROUP ACCOUNTING STATEMENTS

1. RESTATEMENTS AND EXCEPTIONAL ITEMS

The group accounts for 2008/09 have been restated as explained in Note 1 to the single entity accounting statements. The Exceptional Item recorded in the Income and Expenditure Account is also explained in this note.

2. TRANSACTIONS BETWEEN EASTBOURNE BOROUGH COUNCIL AND EASTBOURNE HOMES LTD

Eastbourne Borough Council pay the Company a fee in accordance with an agreement to manage and maintain the Council's housing stock, including capital works.

The Company obtained services from Eastbourne Borough Council under various Service Level Agreements. These include financial ledger systems, human resources, payroll, information technology, communications, office accommodation and reception services.

	2009	2010
	£000	£000
Income		
Housing Management contract	6,565	6,696
Other contracts	39	37
Expenditure		
Service Level Agreements	281	256
Accommodation costs	59	60
Contribution to Capital Works	300	300
Recharges		
Capital Works at cost	15,102	18,040
Other	-	76
Debtor		
Amount due from Eastbourne Borough Council	5,766	916
Creditor		
Amount due to Eastbourne Borough Council	327	88

A third of the Board Directors of Eastbourne Homes are residents in properties maintained by Eastbourne Homes and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne.

3. RECONCILIATION OF GROUP INCOME AND EXPENDITURE ACCOUNT TO GROUP CASH FLOW STATEMENT

2008/09			2009/10	
£000	£000		£000	£000
	37,261	Deficit / (Surplus) for the year		8,534
	(150)	Returns on Investment and Servicing of Finance		(2,982)
		Non-cash transactions		
(4,743)		Depreciation and write-down of Intangible Assets	(5,008)	
(37,362)		Impairment	(4,720)	
686		Grants Deferred and Contributions Deferred	779	
(63)		Gain / (loss) on sale of fixed assets	(592)	
383		Pensions Reserve	(917)	(10,458)
	(41,099)			
	(527)	Loss on disposal of share in Eastbourne Buses		
		Changes in revenue accruals		
355		Increase / (decrease) in Provisions	10	
(50)		Increase / (decrease) in Long Term Investments	-	
(4)		Increase / (decrease) in Long term debtors	(3)	
43		Increase / (decrease) in Stocks	48	
(202)		Increase / (decrease) in Debtors	809	
-		Increase / (decrease) in Deferred Credits	3	
73		Increase / (decrease) in Creditors	4,949	
	215			5,816
	(4,300)	Net cash (inflow)/outflow from revenue activities		910