

**Audited  
Statement of Accounts  
2010/11**



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## FOREWORD BY CHIEF FINANCE OFFICER

### INTRODUCTION

The foreword explains the key components of the Statement of Accounts 2010/11 and provides a guide to the financial activities of the Council during the year 1 April 2010 to 31 March 2011.

### THE ACCOUNTING STATEMENTS

The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2011. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, based on International Financial Reporting Standards and the Service Reporting Code of Practice, 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 Core Accounting Statements:

- **Movement in Reserves Statement** – this statement shows the movements in the year of the different reserves held by the Council. It also provides the interaction of the economic costs and legislation and their impact on changes in the Council's reserves, showing the true cost of the provision of Council services funded by Council Tax payers.
- **Comprehensive Income and Expenditure Statement** – this statement sets out the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- **Balance Sheet** - This statement sets out the overall financial position of the Council as at 31 March 2011. 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 statement of accounting principles, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

##### 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 Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements, and discloses a loss for 2010/11 of £32.4m. The Movement in Reserves Statement shows the movement in the year on different reserves held by the Council and shows the true economic cost of providing the Council's services. The entries in this Statement turn the IFRS loss into a net increase in the General Fund Balance of £728,000. The general fund outturn detailed below excludes the Housing Revenue Account and for this reason does not reconcile with the statutory presentation of the Comprehensive Income and Expenditure Statement.

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 £18.42m (amount to be funded by Government Grant and Council Tax). This resulted in a Band D Council Tax for 2010/11 of £224.19, an increase of 2.44% over 2009/10.

The General Fund balance at the beginning of the year stood at £4.5m. The final outturn delivered a variance of £795,000 before net interest, capital financing and transfers to reserves. The transfer to the general fund reserve of £620,000 represents this under spend less the amount that was budgeted to be taken from reserves to support the 2010/11 budget. As a result of this movement the General Fund Balance as at 31.3.2011 was £5.3m.

The following table compares the major elements of the budget and actual for general fund services in 2010/11:

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Net Service Expenditure	17,935	18,785	17,990	(795)
Net Interest and Capital Financing	754	385	309	(76)
Contributions to/from Earmarked Reserves	-	(481)	(481)	-
Transfer to/from General Fund Reserve	(267)	(267)	620	887
<b>Budget Requirement</b>	<b>18,422</b>	<b>18,422</b>	<b>18,438</b>	<b>16</b>
Financed by				
Formula Grant and NNDR Grant	(10,420)	(10,420)	(10,436)	(16)
Council Taxpayers	(8,002)	(8,002)	(8,002)	-
<b>Total Financing</b>	<b>(18,422)</b>	<b>(18,422)</b>	<b>(18,438)</b>	<b>(16)</b>

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

- an improved performance achieved from the Housing Benefit subsidy and overpayments budget, plus a one-off adjustment relating to prior years subsidy claims;
- Savings achieved on Insurance contract;
- Various vacant posts across all services;
- Increase in recycling income;
- Interest earnings above benchmark.

## 2. Housing Revenue Account

The Council continues to be the major provider of rented accommodation in the borough 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 2011 3,716 dwellings were provided 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 2010/11 the Housing Revenue Account net position after adjustments required by statute shows an overall surplus of £326,000 for the year against an expected budgeted surplus of £112,000 resulting in a variance of £214,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2010/11:

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000	£000	£000	£000
Total Expenditure	10,449	10,781	10,643	(138)
Total Income	(14,426)	(14,626)	(14,583)	43
<b>Net cost of Service</b>	<b>(3,977)</b>	<b>(3,845)</b>	<b>(3,940)</b>	<b>(95)</b>
Capital Financing less interest receivable	3,531	3,733	3,614	(119)
Appropriations	220	-	-	-
<b>Housing Revenue Account (Surplus) / Deficit</b>	<b>(226)</b>	<b>(112)</b>	<b>(326)</b>	<b>(214)</b>
Opening Balance 1.4.10	(1,545)	(1,424)	(1,424)	-
Closing Balance 31.3.11	(1,771)	(1,536)	(1,750)	(214)

There has been an impairment loss of £58,551,000 for Council Dwellings. This is following a change in guidance form CLG which has changed in the adjustment factor reducing the market value of council dwellings to Existing Use Value for Social Housing. The discount factor has been reduced from 45% to 32%. This has no effect on the net cost of services.

## 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 surplus of £77,987 as at 31 March 2011 (compared to a deficit of £1,388,417 as at 31 March 2010). The January 2011 forecast surplus of £62,140 will be distributed to the precepting bodies pro rata to their Band D Council Tax during 2011/12 leaving a balance of £15,847 to be distributed in 2012/13. The Council share as at 3.3.2011 was £10,910.

## 4 Capital Spending

The Council's capital spending in the year was £19.13m compared with a revised budget of £20.43m. Capital expenditure has been financed as follows:

	£000
Capital Receipts	2,312
Government Grants & Contributions	8,554
Major Repairs Reserve	1,190
Financed from Loans	7,075
<b>Total</b>	<b>19,131</b>

The main items of capital expenditure are set out below:

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000	£000	£000
Council Dwelling Improvements	7,400	6,686	(714)
Building of new Social Housing	2,777	2,643	(134)
Private Sector Renewal Grants	1,235	1,183	(52)
Grants to Provide Disabled Facilities	640	646	6
Coastal Defence	3,800	3,791	(9)
Playground Improvements	547	518	(29)
Other Schemes	4,033	3,664	(369)
<b>Total Capital Expenditure</b>	<b>20,432</b>	<b>19,131</b>	<b>(1,301)</b>

The main reasons for the variance are as follows:

- The under spend of 9.6% for Council Dwelling Improvements is due to work expected to be completed in 2010/11 which was delayed until early 2011/12.
- The under spend of 4.8% on building of new Social Housing is due to delays as a result of adverse weather conditions.

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 Funds set aside to meet future capital expenditure plans

The Council has approved a capital programme for 2011/12 – 2013/14 totalling £26.9m to be funded as follows:

	2011/12	2012/13	2013/14
	£m	£m	£m
Capital Receipts	2.2	0.4	0.3
Grants and Contributions	1.8	0.7	0.5
Section 106	0.9	-	-
Borrowing	15.0	5.1	-
<b>Total</b>	<b>19.9</b>	<b>6.2</b>	<b>0.8</b>

## 6 Pensions

The Council's liability for future pension payments has decreased from £47.1m to £17.2m. This was mainly as a result of the change in the calculation of Past Service Costs, which is now calculated using CPI instead of RPI following the Chancellor's budget statement on 22 June 2010. This has resulted in a change to past service costs of £10.6m, showing as notional income in the Comprehensive Income and Expenditure Statement. Compared to the previous year there has been a considerable recovery in asset values, which have increased by a net £34.4m to £110.0m. This is partly offset, however, by an increase in liabilities from £122.8m to £127.3m. It is important to realise that this accounting change does not trigger an immediate change in contribution rates, as these are assessed with a longer term view of liabilities and of investment performance.

## 7 Loans and Investments

The Council's external loan debt at 31 March 2011, comprising long and short-term borrowing stood at £63.7m. This is made up of £59.7m repayable in more than one year and £4.0m repayable in less than one year. This is a net increase of £2.0m over the previous year, as a result of Government support of housing borrowing.

Short-term investments of £2.0m were held at 31 March 2011 compared with no short-term investments the previous year. The Council held cash balances as at 31 March 2011 of £5.7m, which includes call deposit accounts, compared to £1.9m as at 31 March 2010. The increase in investments was mainly due to Housing Benefit Grant outstanding at the end of 2009/10 which was then received in 2010/11.

## 8 Current Economic Climate

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The 2011/12 budget has been set against an uncertain economic background. The Council's medium term financial strategy sets out its spending plans for the period 2011/12 to 2013/14. In common with other local authorities a reduction in funding received from Central Government each year has been built in to future spending plans. The Council continues to set a balanced budget without the need to draw down from reserves to support on going expenditure.

### SUMMARY OF ACCOUNTING CHANGES

For the first time this Statement of Accounts has been prepared in accordance with International Financial Reporting Standards (IFRS). This has required the Council to re-state the balance sheets as at 1 April 2009 and 31 March 2010 in line with IFRS, and to adjust all of the main accounting statements and the notes accordingly.

The main changes to the statement of accounts are :

- The Statement of Accounting Policies is removed and replaced by an equivalent note to the accounting statements.
- A new Movement in Reserves Statement replaces the Statement of Movement on the General Fund Balance. The new statement sets out the gains or losses in the Council's total reserves, analysed between the various usable reserves and the total of unusable reserves.
- The Income and Expenditure Account and the Statement of Recognised Gains and Losses are combined within a new Comprehensive Income and Expenditure Statement.
- There is a new note, "Amounts reported for resource allocation decisions", which provides a reconciliation for the net revenue expenditure reported in the Foreword to the Accounts and the revenue figures in the Comprehensive Income and Expenditure Statement.
- Capital grants and contributions are now credited to the Comprehensive Income and Expenditure Statement when they are received, and if there are no repayment conditions, they are then transferred to a new Capital Grants and Contributions Reserve until they are used to finance expenditure. Where there are repayment conditions, such grants and contributions are held in the top half of the balance sheet as capital grants and contributions in advance, until utilised.
- The government grants deferred and the capital contributions deferred accounts have been removed. The balance on these two defunct accounts has been transferred to the capital adjustment account.
- Previously revenue grants and contributions were matched to the corresponding expenditure, which often entailed treating amounts unspent at the end of the year as income in advance. Under IFRS, if there is no requirement to repay such grants, they have to be credited to the year in which they are received. To avoid any impact on the General Fund balance and to allow the carry forward of unspent amounts a new 'Government Grants' earmarked reserve has been created.
- Under IFRS the definitions of finance and operating leases have changed and all leasing arrangements have had to be examined to determine whether accounting treatments of individual leases should be amended. No changes have been required.
- The IFRS Code of Practice requires the examination of contracts to determine whether they contain an "embedded lease" In the case of the Waste Collection contract it has been concluded that the contract contains a finance lease to the Council for the vehicles used in the contract. The accounts have therefore been re-stated in line with the necessary accounting arrangements.
- The Deferred Capital Receipts account which represents the balance due under mortgages, where properties have been disposed of in previous years, but cash not yet received from mortgagors has been reclassified as an unusable reserve.

## **ADOPTION OF THE ACCOUNTS**

In accordance with Accounts and Audit Regulations the Chair of the 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 2010/11 was approved at the meeting of the Audit Committee held on 28 September 2011.

Signed



Councillor John Ungar  
Chair, Audit Committee  
Date 28 September 2011

## **FURTHER INFORMATION**

Summary financial information is published annually on the Council's website ([eastbourne.gov.uk](http://eastbourne.gov.uk)). Further information on any of the financial statements may be obtained from the 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 secure 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 Code).

#### **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 Code.

#### **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 2011 and its income and expenditure for the year ended 31 March 2011.



Alan Osborne  
Chief Finance Officer  
Statutory Section 151 Officer

Date 28 September 2011

### ***Opinion on the Council's statement of accounts***

We have audited the statement of accounts of Eastbourne Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The statement of accounts comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Authority and Group notes to the statement of accounts, the Housing Revenue Account; the Statement of Movement on the Housing Revenue Account; the Collection Fund Statement and supporting notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts, that includes the 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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the statement of accounts**

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the Foreword by the Chief Finance Officer and the Statement of Accounts to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the Council's statement of accounts**

In our opinion the Council's statement of accounts:

- give a true and fair view of the state of Eastbourne Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

### **Opinion on the Group statement of accounts**

In our opinion the Group statement of accounts:

- give a true and fair view of the state of Eastbourne Borough Council's Group affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

### **Opinion on other matter**

In our opinion, the information given in the Foreword by the Chief Finance Officer and the Statement of Accounts for the financial year for which the statement of accounts are prepared is consistent with the statement of accounts.

### **Matters on which we report by exception**

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with *Delivering Good Governance in Local Government: a Framework*, published by CIPFA/SOLACE in June 2007.

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

### **Respective responsibilities of the Council and auditor**

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 to review regularly the adequacy and effectiveness of these arrangements.

Our responsibility requires us to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. It therefore excludes arrangements relating specifically to the delivery of front-line services, unless we have identified a significant risk with implications for corporate arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Eastbourne Borough District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## ***Certificate***

We certify that we have completed the audit of the accounts of Eastbourne Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

ROBERT GRANT

### **Robert Grant**

for and on behalf of PKF (UK) LLP  
London, UK  
30 September 2011

**MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2011**

	General Fund	HRA Balance	Earmarked Reserves (note 17)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves	Unusable Reserves (note 31)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>	(2,717)	(1,205)	(5,718)	0	(3,962)	(5,354)	(18,956)	(205,995)	(224,951)
<b>Movement in Reserves 2009/10:</b>									
Surplus or (deficit) on provision of services (accounting basis)	8,800	(1,058)	0	0	0	0	7,742	0	7,742
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	0	0	0	0	0	0	0	(3,212)	(3,212)
Actuarial gains (losses) on share of Pension Fund	0	0	0	0	0	0	0	22,940	22,940
<b>Total Comprehensive Expenditure and Income</b>	8,800	(1,058)	0	0	0	0	7,742	19,728	27,470
Adjustments between accounting basis & funding basis under regulations	(8,000)	838	0	0	633	192	(6,337)	6,337	0
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	800	(220)	0	0	633	192	1,405	26,065	27,470
Transfers to / from Earmarked Reserves	(2,622)	1	2,621	0	0	0	0	0	0
<b>Increase / Decrease in Year</b>	(1,822)	(219)	2,621	0	633	192	1,405	26,065	27,470
<b>Balance at 31 March 2010 carried forward</b>	(4,539)	(1,424)	(3,097)	0	(3,329)	(5,162)	(17,551)	(179,930)	(197,481)

	General Fund	HRA Balance	Earmarked Reserves (note 17)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves	Unusable Reserves (note 31)	Total Reserves
<b>Movement in Reserves 2010/11:</b>									
Surplus or (deficit) on provision of services (accounting basis)	(12,139)	55,699	0	0	0	0	<b>43,560</b>	0	<b>43,560</b>
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	(85)	<b>(85)</b>
Actuarial gains (losses) on share of Pension Fund	0	0	0	0	0	0	<b>0</b>	(19,831)	<b>(19,831)</b>
<b>Total Comprehensive Expenditure and Income</b>	(12,139)	55,699	0	0	0	0	43,560	(19,916)	23,644
Adjustments between accounting basis & funding basis under regulations	11,477	(56,314)	0	(1,564)	2,103	76	<b>(44,222)</b>	44,222	<b>0</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	(662)	(615)	0	(1,564)	2,103	76	(662)	24,306	23,644
Transfers to / from Earmarked Reserves	(66)	289	(224)	0	0	1	<b>0</b>	0	<b>0</b>
<b>Increase / Decrease in Year</b>	<u>(728)</u>	<u>(326)</u>	<u>(224)</u>	<u>(1,564)</u>	<u>2,103</u>	<u>77</u>	<u>(662)</u>	<u>24,306</u>	<u>23,644</u>
<b>Balance at 31 March 2011 carried forward</b>	<u>(5,267)</u>	<u>(1,750)</u>	<u>(3,321)</u>	<u>(1,564)</u>	<u>(1,226)</u>	<u>(5,085)</u>	<b><u>(18,213)</u></b>	<u>(155,624)</u>	<b><u>(173,837)</u></b>

This statement shows the movements in the year on the different reserves held by the Council, analysed into "usable reserves" (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves. The purpose of individual reserves is set out in Note 2.17, and more details are given for earmarked and unusable reserves in Note 31. The line entitled "Surplus or (deficit) on provision of services (accounting basis)" shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The line entitled "Net Increase / Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund balance and the Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

2009/10 Restated				2010/11		
Exp.	Income	Net	Note	Exp.	Income	Net
£000	£000	£000		£000	£000	£000
11,873	(10,698)	1,175		13,398	(11,101)	2,297
15,753	(9,015)	6,738		16,672	(9,998)	6,674
12,747	(5,898)	6,849		9,545	(3,357)	6,188
5,610	(557)	5,053		2,125	(625)	1,500
3,328	(1,553)	1,775		3,589	(2,005)	1,584
11,986	(15,652)	(3,666)		10,457	(14,865)	(4,408)
46,632	(45,689)	943		49,783	(48,456)	1,327
1,728	(14)	1,714		1,708	(33)	1,675
383	(1)	382		5	-	5
-	-	-		47,912	-	47,912
-	-	-	35	-	-	-
<b>110,040</b>	<b>(89,077)</b>	<b>20,963</b>	<b>Cost Of Services</b>	<b>155,194</b>	<b>(90,440)</b>	<b>64,754</b>
242	-	242		203	-	203
611	-	611		252	-	252
595	-	595		4	-	4
<b>1,448</b>	<b>-</b>	<b>1,448</b>	<b>Other Operating Expenditure</b>	<b>459</b>	<b>-</b>	<b>459</b>
3,510	-	3,510		3,705	-	3,705
1,801	-	1,801		938	-	938
-	(337)	(337)		-	(119)	(119)
-	(313)	(313)		-	(313)	(313)
<b>5,311</b>	<b>(650)</b>	<b>4,661</b>	<b>Financing and Investment Income and Expenditure</b>	<b>4,643</b>	<b>(432)</b>	<b>4,211</b>
-	(2,917)	(2,917)		-	(8,556)	(8,556)
-	(8,015)	(8,015)		-	(8,209)	(8,209)
-	(8,399)	(8,399)		-	(9,099)	(9,099)
<b>-</b>	<b>(19,331)</b>	<b>(19,331)</b>	<b>Taxation and non-specific grant income</b>	<b>-</b>	<b>(25,864)</b>	<b>(25,864)</b>
		<b>7,741</b>	<b>Surplus or Deficit on Provision of Services</b>			<b>43,560</b>
		(3,211)				(85)
		22,940				(19,831)
		<b>19,729</b>	<b>Other Comprehensive I &amp; E</b>			<b>(19,916)</b>
		<b>27,470</b>	<b>Total Comprehensive I &amp; E</b>			<b>23,644</b>

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation in order to cover expenditure in accordance with regulations, and this definition of expenditure may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## BALANCE SHEET

1 April 2009 £000 Re-stated	31 March 2010 £000 Re-stated	Notes	31 March 2011 £000                      £000	
281,592	292,576	Property, Plant & Equipment	21	244,158
4,713	4,809	Investment Property	22	4,809
672	607	Intangible Assets	23	861
735	47	Long Term Debtors		90
<b>287,712</b>	<b>298,039</b>	<b>Long Term Assets</b>		<b>249,918</b>
13,647	-	Short Term Investments	24	2,000
101	149	Inventories	27	122
9,251	16,865	Short Term Debtors	26	9,183
2,460	1,149	Cash and Cash Equivalents	24	5,729
<b>25,459</b>	<b>18,163</b>	<b>Current Assets</b>		<b>17,034</b>
(306)	(321)	Short Term Borrowing	24	(4,322)
(12,107)	(7,545)	Short Term Creditors	28	(8,901)
<b>(12,413)</b>	<b>(7,866)</b>	<b>Current Liabilities</b>		<b>(13,223)</b>
(1,647)	(1,823)	Long Term Creditors	24	(2,999)
(201)	(191)	Provisions	29	-
(50,694)	(61,694)	Long Term Borrowing	24	(59,694)
(23,265)	(47,147)	Other Long Term Liabilities	32	(17,199)
<b>(75,807)</b>	<b>(110,855)</b>	<b>Long Term Liabilities</b>		<b>(79,892)</b>
<b>224,951</b>	<b>197,481</b>	<b>NET ASSETS</b>		<b>173,837</b>
18,956	(17,551)	Usable Reserves	30	(18,213)
205,995	(179,930)	Unusable Reserves	31	(155,624)
<b>224,951</b>	<b>(197,481)</b>	<b>TOTAL RESERVES</b>		<b>(173,837)</b>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Council's net assets (assets less liabilities) are matched by the reserves that it holds. Reserves are reported in two categories: usable and unusable. Usable reserves are those that the Council may use to provide services, subject to the need to keep a prudent level of reserves and to any statutory limits on their use, such as the Capital Receipts Reserve only being used to fund capital expenditure or to repay debt. Unusable reserves are those that the Council is not able to use to provide services. This category includes reserves to hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the asset was sold, and reserves that hold timing differences shown in the section in the Movement in Reserves Statement labelled "Amounts included to Comprehensive I&E Statement, but not chargeable to General Fund or HRA Balance"



## CASH FLOW STATEMENT

2009/10		2010/11	
£000		£000	£000
Re-stated			
(8,010)	Taxation	(8,208)	
(63,433)	Government grants	(73,187)	
(4,280)	Housing rents	(4,380)	
(12,827)	Goods sold and services rendered	(14,077)	
(501)	Interest received	(112)	
(7,487)	Other receipts	(4,620)	
<b>(96,538)</b>	<b>Cash inflows from operating activities</b>		<b>(104,584)</b>
11,112	Employees	10,690	
35,255	Housing Benefit paid	36,520	
-	Precepts paid	-	
271	Capital Receipts pool	472	
31,676	Payments for goods and services	28,401	
3,495	Interest paid	3,696	
16,868	Other operating costs	13,264	
<b>98,677</b>	<b>Cash outflows from operating activities</b>		<b>93,043</b>
2,139			<b>(11,541)</b>
	Purchase property, plant & equipment, Investment property and intangible assets	18,032	
21,989	Purchase of short and long term investments	51,200	
60,540	Sales of property, plant & equipment, Investment property and intangible assets	(471)	
(978)	Sale of short and long term investments	(49,200)	
(74,040)	Other investing receipts	(8,792)	
<b>7,511</b>	<b>Net cash outflows / (inflows) from investing activities</b>		<b>10,769</b>
(11,000)	Cash receipts of borrowing	(2,000)	
277	Cash payments for reduction of lease liabilities	450	
-	Repayments of borrowing	23	
2,383	Other financing activities	(2,281)	
<b>(8,340)</b>	<b>Net cash (inflows) / outflows from financing activities</b>		<b>(3,808)</b>
<b>1,310</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>(4,580)</b>

The balances of cash and cash equivalents are shown below:

2009/10			,2010/11		
1.4.11	31.3.12	Movement	1.4.10	31.3.11	Movement
£000	£000	£000	£000	£000	£000
517	(720)	(1,237)	(720)	202	922
(57)	19	76	19	18	(1)
2,000	1,850	(150)	1,850	5,509	3,659
<b>2,460</b>	<b>1,149</b>	<b>(1,311)</b>	<b>1,149</b>	<b>5,729</b>	<b>4,580</b>
		<b>Total Cash and Cash Equivalents</b>			

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the Council's operations are funded from taxation and grant income or from the recipients of the Council's services. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## NOTES TO THE ACCOUNTING STATEMENTS

### 1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES

For the first time this Statement of Accounts has been prepared in accordance with International Financial Reporting Standards (IFRS). This has required the Council to re-state the balance sheets as at 1 April 2009 and 31 March 2010 in line with IFRS, and to adjust all of the main accounting statements and the notes accordingly.

The tables below summarise the differences between the Balance Sheet as at the start and end of the financial year and also for the Comprehensive Income and Expenditure Statement for the year, as published in the Statement of Accounts for 2009/10, and the re-stated figures for those dates in the balance sheet in this Statement of Accounts. It should be noted that the balance sheet for 1 April 2009 had already been re-stated in the published 2009/10 accounts, for accounting changes taking effect from 2009/10.

The 2009/10 figures for the Cash Flow Statement and various notes have been adjusted to match the changes outlined below.

Balance Sheet 1 April 09	Published £000	Grants & Con- ts £000	Adjustments			Re- stated £000
			Re-state in line with 2010 £000	Leases £000	Others £000	
Property, Plant & Equipment	261,644	-	19,439	509	-	<b>281,592</b>
Investment Property	24,152	-	(19,439)	-	-	<b>4,713</b>
Intangible Assets	253	-	419	-	-	<b>672</b>
Long Term Debtors	735	-	-	-	-	<b>735</b>
Short Term Investments	15,647	-	(2,000)	-	-	<b>13,647</b>
Inventories	101	-	-	-	-	<b>101</b>
Short Term Debtors	9,138	-	113	-	-	<b>9,251</b>
Cash and Cash Equivalents	460	-	2,000	-	-	<b>2,460</b>
Short Term Borrowing	(15)	-	(291)	-	-	<b>(306)</b>
Short Term Creditors	(12,845)	738	-	-	-	<b>(12,107)</b>
Long Term Creditors	(1,586)	-	(416)	-	-	<b>(2,002)</b>
Provisions	(202)	-	-	-	1	<b>(201)</b>
Long Term Borrowing	(50,985)	-	291	-	-	<b>(50,694)</b>
Other Long Term Liabilities	(23,312)	-	-	-	47	<b>(23,265)</b>
Grants and Contributions Deferred	(26,915)	26,915	-	-	-	-
Capital grants and contributions unapplied	(3,590)	3,590	-	-	-	-
<b>Net Assets</b>	<b>192,680</b>	<b>31,243</b>	<b>116</b>	<b>509</b>	<b>48</b>	<b>224,596</b>
Usable reserves	14,273	4,286	-	-	42	<b>18,601</b>
Unusable Reserves	178,407	27,928	-	(345)	5	<b>205,995</b>
<b>Total Reserves</b>	<b>192,680</b>	<b>32,214</b>	<b>-</b>	<b>(345)</b>	<b>47</b>	<b>224,596</b>

Balance Sheet 31 March 2010	Adjustments					Re-stated £000
	Published £000	Grants & Conts £000	Re-state in line with 2010 £000	Leases £000	Others £000	
Property, Plant & Equipment	291,686	-	890	-	-	<b>292,576</b>
Investment Property	4,809	-	-	-	-	<b>4,809</b>
Intangible Assets	146	-	461	-	-	<b>607</b>
Long Term Debtors	47	-	-	-	-	<b>47</b>
Short Term Investments	-	-	-	-	-	-
Inventories	149	-	-	-	-	<b>149</b>
Short Term Debtors	16,865	-	-	-	-	<b>16,865</b>
Cash and Cash Equivalents	1,149	-	-	-	-	<b>1,149</b>
Short Term Borrowing	(321)	-	-	-	-	<b>(321)</b>
Short Term Creditors	(10,578)	3,146	(113)	-	-	<b>(7,545)</b>
Long Term Creditors	(1,823)	-	-	-	-	<b>(1,823)</b>
Provisions	(191)	-	-	-	-	<b>(191)</b>
Long Term Borrowing	(61,694)	-	-	-	-	<b>(61,694)</b>
Other Long Term Liabilities	(47,191)	-	-	-	44	<b>(47,147)</b>
Grants and Contributions Deferred	(26,496)	26,496	-	-	-	-
Capital grants and contributions unapplied	(1,992)	1,992	-	-	-	-
<b>Net Assets</b>	<b>164,565</b>	<b>31,634</b>	<b>1,238</b>	-	<b>44</b>	<b>197,481</b>
Usable reserves	12,503	5,009	-	-	39	<b>17,551</b>
Unusable Reserves	152,062	27,863	-	-	5	<b>179,930</b>
<b>Total Reserves</b>	<b>164,565</b>	<b>32,872</b>	-	-	<b>44</b>	<b>197,481</b>

Comprehensive Income and Expenditure Statement	Adjustments					Re- stated £000
	Published £000	Grants £000	Leasing £000	Inv. Props £000	Other £000	
Central services to the public	1,269	2	-	-	(6)	1,265
Cultural and related services	6,701	75	-	-	(38)	6,738
Environmental and regulatory services	6,319	649	-	-	(119)	6,849
Planning and development services	5,047	21	-	-	(15)	5,053
Highways and transport services	2,129	-	(345)	-	(9)	1,775
Local authority housing (HRA)	(3,699)	32	-	-	1	(3,666)
Other housing services	1,031	(80)	-	-	(8)	943
Corporate and democratic core	1,718	-	-	-	(4)	1,714
Non distributed costs	382	-	-	-	-	382
<b>Cost Of Services</b>	<b>20,897</b>	<b>699</b>	<b>(345)</b>	-	<b>(198)</b>	<b>21,053</b>
Precepts payable	242	-	-	-	-	242
Payments to housing capital receipts pool	611	-	-	-	-	611
(Gains) / losses on sale of non- current assets	592	-	-	-	3	595

<b>Other Operating Expenditure</b>	<b>1,445</b>	-	-	-	<b>3</b>	<b>1,448</b>
Interest payable	3,503				7	3,510
Pensions interest cost and expected return on assets	1,801					1,801
Interest receivable	(335)				(2)	(337)
Trading accounts	(306)			(96)	(1)	(403)
<b>Financing and Investment Income and Expenditure</b>	<b>4,663</b>	-	-	<b>(96)</b>	<b>4</b>	<b>4,571</b>
Non-specific grant income	(2,111)	(811)			5	(2,917)
Council Tax income	(8,015)					(8,015)
National Non-Domestic Rates redistribution	(8,399)					(8,399)
<b>Taxation and non-specific grant income</b>	<b>(18,525)</b>	<b>(811)</b>	-	-	<b>5</b>	<b>(19,331)</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>8,480</b>	<b>(112)</b>	<b>(345)</b>	<b>(96)</b>	<b>(186)</b>	<b>7,741</b>
Surplus or deficit on revaluation of fixed assets	(3,305)			96	(2)	(3,211)
Actuarial gains / losses on pension assets / liabilities	22,940					22,940
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>19,635</b>	-	-	<b>96</b>	<b>(2)</b>	<b>19,729</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>28,115</b>	<b>(112)</b>	<b>(345)</b>	-	<b>(188)</b>	<b>27,470</b>

The main adjustments shown in these tables are:

#### Grants and Contributions

There are three changes:

- Under previous accounting rules grants and contributions previously used to finance capital expenditure were held in the Government Grants Deferred Account, and released over a number of years to the Capital Adjustment Account (an unusable reserve). This arrangement has been discontinued, and the entire balance on the Government Grants Deferred and Capital Contributions Deferred Accounts were transferred to the Capital Adjustment Account. £26.9m was transferred as at 1 April 2009 and £26.5m as at 1 April 2010.
- Grants and contributions held to finance future capital expenditure, previously shown as short-term or long-term liabilities (income in advance) are now treated as a usable reserve. At 1 April 2009 there was previously a balance of £4,526,000 of which £1,016,000 was reallocated as a current liability and £3,590,000 as a long term liability. At 1 April 2010 there were balances of £2,834,000 (short term) and £1,992,000 (long term), and both, totalling £4,826,000, were transferred to the new reserve.
- The Government frequently provides grants towards revenue expenditure which can be used either in the year of receipt or in subsequent years. Where the grant was carried forward, the previous practice was to show it on the balance sheet as a current liability (income in advance). Under the new rules, as there is no obligation to repay them as at the balance sheet date, there is no liability, so the entire grant is accounted for as income in the year of receipt. This would increase the General Fund balance, but an equivalent amount is transferred into a new earmarked reserve, and this money can then be made available to budget holders in the next financial year. Transfers have been made of £80,000 as at 1 April 2009 and £312,000 as at 1 April 2010.

### Balances at 1 April 2009 re-stated in line with balances at 31 March 2010

In three cases changes were made to the treatment of balances for 2009/10. In re-stating the full 2009/10 accounts the opening balances have been adjusted in line with the closing balances:

- Properties totalling £19.4m were re-classified from “investment properties” to “other land and buildings”.
- Bank call accounts now form part of the “cash and cash equivalents” balance instead of being counted as short term investments.
- Accrued interest on long term loans is payable within one year, so is included in the “short term loans” balance.

### Leases

A more comprehensive note is now required in relation to leases where the Authority is both lessor and lessee. The note includes future minimum income and payments due during the term of the leases. See Note 14.

## **2. ACCOUNTING POLICIES**

### **2.1 General Principles**

The Statement of Accounts summarises the Council’s transactions for the 2010/11 financial year and its position at the end of 31 March 2011, the close of the financial year. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which is based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible non-current assets and financial instruments. They are also prepared on a going concern basis.

### **2.2 Accruals of expenditure and income**

We account for activity 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, and where the amounts are significant, they are carried as inventories 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.

The Council collects income from payers of Non-Domestic Rates on behalf of the Government. As this is categorised as an agency service, the Council does not account for the income or the payment over of business rates within its Comprehensive Income and Expenditure Statement, and includes a single creditor or debtor in its balance sheet, representing the net amount of Non-Domestic Rate debtors, adjustments for doubtful debts, income in advance, prepayments and amounts due to or from the Government.

Similarly the Council collects income from Council Tax payers, but only part relates to this Council, the balance being on behalf of other major precepting authorities. The amounts of debtors, adjustments for doubtful debts, income in advance and prepayments relating to the precepting authorities are shown as a single net creditor in the balance sheet. The element of the Collection Fund due to or from preceptors is split between payments due to be made in the following financial year, which are held as Short Term Creditors or Short Term Debtors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors or Long Term Debtors.

### **2.3 Cash and cash equivalents**

The Council treats as “cash and cash equivalents” all money held as cash or in bank accounts (whether in surplus or overdrawn), including cash deposited in interest-bearing call accounts. Investments made for a period of less than one month is also accounted for in this category, rather than as investments.

### **2.4 Contingent assets**

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

### **2.5 Contingent liabilities**

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent liability is related to a legal action against the authority, whose outcome is uncertain when the balance sheet is compiled.

Contingent liabilities are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

### **2.6 Employee benefits**

#### Benefits Payable during Employment

Accounting standards require that accruals for expenditure are made for short-term compensated absences, covering entitlements for annual leave, flexi-time and time in lieu. The Council has determined that the net value of the accumulated leave, etc in previous years is immaterial, and therefore makes no adjustment for these amounts. At the end of each financial year an assessment is made to ensure that the amounts involved remain immaterial.

#### Termination Benefits

Termination benefits include lump sum payments to departing employees, enhancements to retirement benefits, and salaries paid to the end of a notice period, but when the employee ceases to provide services to the Council. We accrue for such payments at the point when a decision is made to terminate employment, rather than when the benefits fall due for payment.

#### Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this 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% (based on the indicative rate of return on the iBoxx Sterling Corporates Index, AA over 15 years).
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as a result of years of service earned this year
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid
  - contributions by scheme participants, which reduce plan liabilities, but correspondingly increase plan assets
  - 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
  - benefits paid, which reduce plan assets, but correspondingly reduce its liabilities
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years
  - curtailments, which are normally linked to an event giving rise to a post employment benefit
  - 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
  - contributions paid to the East Sussex County Council Pension Fund – the employer's contributions to the pension fund for the financial year.

Statutory provisions require the Council to charge the General Fund balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. 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 the amounts payable to the fund but unpaid at the year-end.

#### Discretionary Benefits

The Authority 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.

### **2.7 Events after the Balance Sheet date**

Under the Accounts and Audit Regulations (2011), the Chief Finance Officer certifies that the Statement of Accounts give a true and fair view of the Council's position at the close of the financial year, before the Statement of Accounts is approved by the Audit Committee.

Events that take place between 31 March and the date of certification are examined, and, if they materially effect the financial position reported in the Statement of Accounts, a note is added to explain the event and its financial effect.

If information about conditions at 31 March comes to light before the accounts are issued following the audit, the disclosures in the accounts are amended accordingly and a note added to the Statement of Accounts.

At the end of the audit the Chief Finance Officer re-certifies the Statement of Accounts, and, at this point, any events between the two certifications are examined and a note is added to the Statement of Accounts.

### **2.8 Exceptional items and prior-period adjustments**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance

Where the Code specifies a change of accounting policy, it is applied retrospectively to the previous financial year, so that the comparative figures for the opening and closing balance sheets for that year will be changed, along with the other accounting statements and the notes to the accounting statements.

Similar adjustments are made for any changes to accounting policies not directly specified by the code, and to correct material errors in prior periods.

## **2.9 Financial instruments**

### Financial Assets

The term “financial asset” covers cash, equity instruments, and beneficial contractual rights to receive or exchange cash or liabilities. All of the Council’s investments come within the category of “loans and receivables”. These are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council’s balance sheet includes four groups of financial assets:

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance (“Trade accounts receivable”) is included in the balance sheet under “short term debtors”.
- Cash held in current or call accounts, together with investments for periods of less than one month, is included in the balance sheet under “cash and cash equivalents”.
- Investments taken out for periods of between one month and one year are included in the balance sheet as “short term investments”.
- Investments taken out for periods of longer than one year are included in the balance sheet as “long term investments”.

Trade debtors are regularly assessed for possible non-payment, and an adjustment is made for possible impairment to the gross balance.

Loans and receivables are initially measured at fair value, and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council’s short-term investments this means that the amount presented in the Balance Sheet is the outstanding principal and interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan instrument. The position is the same for long term investments, except that outstanding interest receivable within the next year is included under “short-term investments”.

### Financial Liabilities

The term “financial liability” covers contractual obligations to deliver or exchange financial assets to another entity. The Council’s balance sheet includes three groups of financial liabilities:

- Short-term creditors, comprising interest accrued at the balance sheet date on long term loans or credit sale agreements, but payable within the next financial year, and any principal repayments on these liabilities payable within the next financial year.
- Long term borrowing from various providers of finance
- Long term liabilities arising from credit sales agreements

All of the Council’s financial liabilities come under the grouping of “loans and receivables”, as they have fixed or determinable payments and are not quoted in an active market.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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. This means that the amount presented in the Balance Sheet under “long term borrowing” is the outstanding principal repayable. As the accrued interest at the year end is payable within one year of the balance sheet date, it is included under “short term borrowing”. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

## **2.10 Government grants and other contributions**

Whether paid on account, by instalments or in arrears, we recognise government grants and third party contributions and donations as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received.

Grants and contributions towards specific services for revenue purposes are credited against the appropriate line in the Cost of Services, but, if grants and contributions are not related to specific



services, they are credited as Taxation and Non-Specific Grant Income, along with all grants and contributions receivable towards investment in Property Plant and Equipment.

As such grants and contributions in support of capital are not legally a credit to the General Fund, an equivalent appropriation is made from the General Fund into the Capital Grants and Contributions Reserve, which is set aside for the financing of capital investment.

### **2.11 Intangible assets**

Intangible assets are identifiable non-monetary assets without physical substance, normally comprising computer software. Internal costs incurred in developing such software are capitalised if they meet criteria to establish that these costs are an essential element of preparing the asset for use.

The initial value of intangible assets is amortised to the Comprehensive Income and Expenditure Statement over the estimated period of their useful life. This is normally taken as a period of 3-10 years, but an annual review is undertaken and the life is amended where necessary. The value of intangible assets is also reviewed on an annual basis, and an additional adjustment is made for impairment where necessary.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but they are not legal charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

### **2.12 Investment property**

Investment properties are those assets that are held solely to earn rentals or for capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support council policy objectives fall under the category of property, plant and equipment (see below) and not investment property. Investment property is held at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

### **2.13 Leases**

#### Definition of a lease

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time. A finance lease is a lease that transfers substantially all of the risk and rewards incidental to ownership to the lessee. Any lease that does not come within this definition of a finance lease is accounted for as an operating lease.

The Council may also enter into an agreement which, while not itself a lease, nevertheless contains a right to use an asset in the same way as a lease. Such agreements are treated as either finance leases or operating leases as set out below.

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, however, the Council operates a de minimis level, so that all leases with a term of less than 10 years, or for assets valued at less than £10,000 are treated within the accounts as an operating lease.

#### Finance leases – Council acting as lessee

Where the council uses or occupies an asset held under a finance lease, the asset is recognised as such in the appropriate line in the balance sheet, subject to the de minimis limit noted in 2.15 below. The value recognised is the fair value, or (if lower) the present value of the minimum lease payments. This value is offset on the balance sheet by a creditor or long term liability for the leasing charge.

Minimum lease payments are apportioned between interest payable as the finance charge and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

#### Operating leases – Council acting as a lessee

Lease payments for operating leases are recognised as an expense on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with benefits received.

#### Finance leases – Council acting as lessor

Where the council acts as lessor for an asset held under a finance lease, a receivable (long term debtor or short term debtor) is recognised as at an amount equal to the net investment in the lease. The lease payment receivable is apportioned between the repayment of principle and interest, the interest being calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

#### Operating leases – Council acting as a lessor

Income from operating leases is recognised on a straight-line basis over the lease term, unless they can be otherwise apportioned in line with the benefits provided.

### **2.14 Overheads**

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (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 Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

### **2.15 Property plant and equipment**

Property plant and equipment consists of assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale).

#### Categories

- Council Dwellings – council houses owned by the Council.
- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure – bus shelters and sea defences
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements, but which are not actively being marketed.
- Assets under construction – capital expenditure on an asset before it is brought into use.

#### Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred. Assets valued at less than

£10,000 are not included on the balance sheet, provided that the total excluded has no material impact.

#### 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 bases:

- Council dwellings – fair value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – fair value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – fair value, for which historic cost is normally used as a proxy.
- Infrastructure – historic cost
- Community Assets – historic cost
- Surplus assets - fair value, based on the market value for the existing use (EUV).
- Assets under construction – historic cost

We revalue assets included in the Balance Sheet at current value when 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. Gains are credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the Comprehensive Income and Expenditure Statement is debited or credited with the net loss or gain on disposal. This net sum consists of two elements: the net book value written out of the balance sheet, and the sale proceeds. Although these amounts appear in the Comprehensive Income and Expenditure Statement, neither of them can be legally debited or credited to the General Fund or to the Housing Revenue Account. Further adjustments are therefore made through the Movement in Reserves statement to reverse the effect on the General Fund and the Housing Revenue Account:

- Net book value written out – a transfer to credit the General Fund or the Housing Revenue Account and to debit the Capital Adjustment Account.
- Sale proceeds - a transfer is made from a transfer to debit the General Fund and credit the Capital Receipts Reserve. 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, and a transfer is made from the Capital Receipts Reserve to the General Fund to allow for this. The remainder of the proceeds remain in the Capital Receipts Reserve, and can legally only be used to reduce debt or to finance capital expenditure.

Any balance relating to the asset held in the Revaluation Reserve is also transferred to the Capital Adjustment Account.

Disposals for less than £10,000 are treated as revenue income within the Cost of Services in the Comprehensive Income and Expenditure Statement.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the Capital Receipts Reserve, matched by a long-term or short term debtor. The income from these disposals cannot be used for debt reduction or capital investment until it is actually received.

#### Depreciation

Depreciation is provided for on all assets with a determinable finite life by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Depreciation is based on the opening net book value, as adjusted by gains or losses arising from revaluations at 1 April each year.

Depreciation is calculated on the following bases:

- Land – not subject to depreciation
- Council dwellings – initially calculated as a straight-line allocation over the life of the property as estimated by the valuer. However the Major Repairs Allowance (MRA) element of the Housing Subsidy is considered as a reasonable proxy for depreciation of this class of assets, and, if there is no material difference between this and the calculated depreciation, the amount of the MRA is used instead.
- Buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment depreciated over the life of the type of asset, normally between 3 and 10 years.
- Infrastructure –straight-line depreciation over periods of time between 10 and 40 years, as assessed at the time of the capital investment.
- Community assets – not subject to depreciation.
- Surplus assets - straight-line allocation over the life of the property as estimated by the valuer.
- Assets under construction – not subject to depreciation.

Depreciation on Council Dwellings is a legal charge to the Housing Revenue Account balance, but a corresponding transfer is made from the Capital Adjustment Account to the Major Repairs Reserve to finance capital investment.

Depreciation on other assets is charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but a not a legal charge against the General Fund or to the Housing Revenue Account. A transfer is therefore made from the Capital Adjustment Account to the General Fund or the Housing Revenue Account to reverse the impact.

Where new assets are acquired or brought into use, depreciation is charged from the start of the following year. Depreciation is charged for the full final year when assets are sold.

Where an asset is valued at more than 10% of the total value of that category of assets, major components with different estimated useful lives, are depreciated separately. This will commence prospectively following revaluation due 1 April 2011.

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.

## **2.16 Provisions**

The Council recognises provisions to represent liabilities of uncertain timings or amounts. Provisions in the balance sheet represent cases where:

- The Council has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

## **2.17 Reserves**

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement, but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support capital expenditure.
- Capital Grants and Contributions Reserve: similarly the Council receives grants and contributions towards capital expenditure, and, if there are no conditions preventing their use, these are also credited to the Comprehensive Income and Expenditure Statement and immediately transferred into the Capital Grants and Contributions Reserve until required to finance capital investment.
- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund or the Housing Revenue Account, and amounts are withdrawn as required to finance such expenditure. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- Housing Revenue Account: this is required to be maintained separately by legislation, to ensure that the provision of council housing is financed primarily from rental income or from subsidy, and not from Council Tax.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Collection Fund Adjustment Account: the net amount of the Council's share of Council Tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account, and cannot be used until the following financial year.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.

- Capital Adjustment Account: this receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund.
- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Financial instruments Adjustment Account: this represents the difference between the accounting and legislative charges for finance costs.
- Deferred Capital Receipts Reserve: this holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve

## **2.18 Revenue expenditure financed 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, is 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, a transfer to the Capital Adjustment Account then reverses out the amounts charged, so there is no impact on the level of Council Tax.

## **2.19 Value Added Tax**

Value Added Tax (VAT) has not been included in the income and expenditure of the accounts unless it is irrecoverable.

## **2.20 Inventories and Long term Contracts**

Where the value is significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **2.21 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.

## **2.22 Foreign Currency Transactions**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **3. ACCOUNTING POLICIES ISSUED BUT NOT YET ADOPTED**

The 2011/12 accounting Code of Practice includes changes relating to Heritage Assets, which may require some additional assets to be brought on to the balance sheet. Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical association. Depreciation will not be charged on Heritage Assets which have indefinite lives. The areas most likely to be involved relate to :

- the Redoubt Museum, which is currently held in the balance sheet as Other Land and Buildings with a carrying value of £783,000; depreciation of £6,000 per annum will no longer be charged
- Towner Works of Art and Mayor's Regalia which are currently held as Community Assets with no value. The change of classification may result in revaluations gains of £10,436,000 and £162,000 respectively.

#### 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Property, Plant and Equipment** - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £78,000 for every year that useful lives had to be reduced.

**Pensions Liability** - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £7.9m.

**Arrears** - At 31 March 2011, the Authority had a balance of all trade debtors for £847,000. A review of significant balances suggested that an impairment of doubtful debts of £109,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £109,000 to set aside as an allowance.

**Estimation** – future minimum lease income has been estimated assuming current terms and conditions continue for the life of the lease.

#### 6. EVENTS AFTER THE BALANCE SHEET DATE

This draft Statement of Accounts was certified as a true and fair statement of the financial position, and authorised for issue on 30 June 2011. There have been no post balance sheet events that have a bearing on the financial results or the position presented in the balance sheet.

## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves (note30)	Unusable (Note 31)
<b>2010/11 Transactions:</b>							
<b>Amounts included in comprehensive income and expenditure statement, but not chargeable to the general fund or housing revenue account</b>							
Charges for depreciation and impairment of non-current assets	(3,662)	(58,513)	(2,754)	0	0	(64,929)	64,929
Amortisation of intangible assets	(175)	0	0	0	0	(175)	175
Movement in market values of Investment properties	0	0	0	0	0	0	0
Capital grants and contributions applied to finance capital expenditure	0	0	0	0	6,735	6,735	(6,735)
Capital grants and contributions applied to finance revenue expenditure	(277)	0	0	0	277	0	0
Capital grants and contributions received	7,004	1,788	0	0	(8,792)	0	0
Revenue expenditure funded from capital under statute	(1,876)	0	0	0	1,647	(229)	229
Sales proceeds of non-current assets	10	460	0	(470)	0	0	0
Value of non-current assets written off on disposal	(169)	(305)	0	0	0	(474)	474
Revaluation of non-current assets	0	0	0	0	0	0	0
Amounts by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	226	0	0	0	226	(226)
Reversal of items relating to retirement benefits	10,087	30	0	0	0	10,117	(10,117)
Difference in council tax income calculated for the year in accordance with statutory requirements	207	0	0	0	0	207	(207)
<b>Amounts excluded from comprehensive income and expenditure accounts but chargeable to the general fund or housing revenue account</b>							
Statutory provision for the financing of capital investment	534	0	0	0	0	534	(534)
Capital expenditure charged against the General Fund and HRA balances	1,590	0	0	0	0	1,590	(1,590)



	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves (note30)	Unusable (Note 31)
Contribution from the Capital Receipts to finance the payments to the Government capital receipts pool	(252)	0	0	252	0	0	0
<b>Other Amounts</b>							
Transfer of Revenue grant received in prior year	(200)	0	0	0	200	0	0
Use of Capital Receipts to finance new capital expenditure	(1,344)	0	0	2,312	0	968	(968)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0	0
Transfer from the deferred capital receipts reserve upon receipt of cash	0	0	0	18	0	18	(18)
Transfer of capital receipt incorrectly classified as grant in prior years	0	0	0	(9)	9	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	1,190	0	0	1,190	(1,190)
<b>Total Adjustments 2010/11</b>	<b>11,477</b>	<b>(56,314)</b>	<b>(1,564)</b>	<b>2,103</b>	<b>76</b>	<b>(44,222)</b>	<b>44,222</b>

**2009/10 Transactions:**

**Amounts included in comprehensive income and expenditure statement, but not chargeable to the general fund or housing revenue account**

Charges for depreciation and impairment of non-current assets	(6,663)	(10)	(2,712)			(9,385)	9,385
Amortisation of intangible assets	(158)					(158)	158
Movement in market values of Investment properties	96					96	(96)
Capital grants and contributions applied to finance capital expenditure	654				(654)	0	0
Capital grants and contributions received						0	0
Revenue expenditure funded from capital under statute	(365)					(365)	365
Sales proceeds of non-current assets	(1)	980		(981)		(2)	2
Value of non-current assets written off on disposal	(1,186)	(387)				(1,573)	1,573
Revaluation of non-current assets						0	0
Difference between accounting and statutory costs of finance	(1)	226				225	(225)
Reversal of items relating to retirement benefits	(971)	29				(942)	942

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves (note30)	Unusable (Note 31)
Difference in council tax income calculated for the year in accordance with statutory requirements	(84)					(84)	84
<b>Amounts excluded from comprehensive income and expenditure accounts but chargeable to the general fund or housing revenue account</b>							
Statutory provision for the financing of capital investment	786					786	(786)
Capital expenditure charged against the General Fund and HRA balances	504					504	(504)
Contribution from the Capital Receipts to finance the payments to the Government capital receipts pool	(611)			611		0	0
<b>Adjustment primarily involving the Grants and Contributions Account</b>							
<b>Other Amounts</b>						0	0
Financing new capital expenditure from capital receipts				1,003		1,003	(1,003)
Transfer from the deferred capital receipts reserve upon receipt of cash						0	0
Financing new capital expenditure from major repairs reserve			2,712			2,712	(2,712)
Financing new capital expenditure from grants and contributions					846	846	(846)
<b>Total Adjustments 2010/11</b>	<b>(8,000)</b>	<b>838</b>	<b>0</b>	<b>633</b>	<b>192</b>	<b>(6,337)</b>	<b>6,337</b>

## 8. MATERIAL ITEMS OF INCOME AND EXPENDITURE

There has been an impairment loss of £58,551,000 for Council Dwellings. This is following a change in guidance form CLG which has changed in the adjustment factor reducing the market value of council dwellings to Existing Use Value for Social Housing. The discount factor has been reduced from 45% to 32%.

The Government changed the way funding obligations are estimated from using RPI to CPI. This has resulted in notional income of £10.6m which is shown in the Comprehensive Income & Expenditure Statement under Non Distributed Costs.

## 9. AGENCY ARRANGEMENTS

The Council acts as an agent for central government in the collection of National Non-Domestic Rates (NDR). In a similar way the Council collects Council Tax on behalf of all the major precepting authorities in the county: East Sussex County Council, Sussex Police Authority, East Sussex Fire and Rescue Service and Eastbourne Borough Council. The element of the collection function carried out for the other authorities is treated as an agency arrangement. The amounts collected and paid over for both of these functions is shown in the Collection Fund Statement.

## 10. AUDIT FEES

The Council incurred the following fees relating to statutory external audit and inspection, together with other payments to the auditors:

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
	Fees payable to PKF (UK) LLP with regard to external audit services carried out by	
141	the appointed auditor	175
9	Fees payable to Audit Commission in respect of statutory inspection	-
61	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	50
3	Fee payable in respect of other services provided by the appointed auditor	17
<b>214</b>		<b>242</b>

## 11. MEMBERS' ALLOWANCES

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
115	Members' allowances	120
4	Conference and Travelling Expenses	3
<b>119</b>		<b>123</b>

## 12. OFFICERS' REMUNERATION

- **Senior Management Remuneration**

The table below sets out the remuneration paid to the Authority's senior officers.

		<b>Salary, Fees and Allowances £</b>	<b>Expenses Allowances £</b>	<b>Pension Contribution £</b>	<b>Total £</b>
Chief Executive	2010/11	102,767	3,643	21,923	128,333
	2009/10	103,181	3,718	22,891	129,790
Deputy Chief Executive from 5 October 2009	2010/11	84,233	3,150	18,200	105,583
	2009/10	39,017	1,541	8,518	49,076
Chief Finance Officer from 18 May 2009	2010/11	74,163	1,102	16,409	91,674
	2009/10	63,656	344	13,818	77,818
Senior Head of Community from 5th October 2009	2010/11	63,233	2,934	14,038	80,205
	2009/10	25,417	1,223	5,566	32,206
Senior Head of Tourism and Leisure from 15 March 2010	2010/11	61,845	2,848	13,709	78,402
	2009/10	2,788	129	610	3,527
Senior Head of Environment and Development from 29th March 2009	2010/11	63,674	-	14,136	77,810
	2009/10	492	-	108	600
Director of Economy, Tourism & Environment (to October 2009)	2010/11	-	-	-	-
	2009/10	61,717	-	8,929	70,646
Director of Housing Health Community Services (to December 2009)	2010/11	-	-	-	-
	2009/10	65,303	-	13,251	78,554

It should be noted that the figures for the Chief Executive and Deputy Chief Executive include fees payable for the role of Returning Officer and Deputy Returning Officer for electoral purposes. The amounts fluctuate between years, depending on what elections fall due during the financial year. The amounts paid in 2010/11 were £3,667 and £2,000 respectively compared to £2,887 for the Chief Executive in 2009/10.

- **Remuneration Bands**

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

<b>Remuneration Band</b>	<b>2009/10</b>	<b>2010/11</b>
	Number of Employees	Number of Employees
£50,000 - £54,999	3	3
£55,000 - £59,999	3 (1)	-
£60,000 - £64,999	2	-
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	1	-
£95,000 - £99,999	1 (1)	-

£100,000 - £104,999	-	1
£105,000 - £109,000	-	
£110,000 - £114,999	-	
£115,000 - £119,999		
£120,000 - £124,999	1 (1)	
£125,000 - £129,999	1 (1)	
£130,000 - £134,999	1 (1)	
<b>Total</b>	<b>13</b>	<b>5</b>

The figure in brackets relates to the number of employees who left during the year.

### 13. RELATED PARTIES

#### 13.1 Definition

The term "related party" covers relationships between the Council and body or individual where one of the parties can exercise significant influence over the policies and decisions of the other.

#### 13.2 Central Government

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 Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 16 (grants and contributions), 26 (debtors) and 28 (liabilities).

#### 13.3 East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 32.

#### 13.4 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 Council pays Eastbourne Homes Ltd a fee in accordance with the management agreement. In 2010/11 this fee was £6.776m, covering supervision and management and repairs. This compares with £6.733m paid in 2009/10. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £1,094,000 (£1,007,000 at 31 March 2010), while Eastbourne Homes Ltd owed the Council £67,000 (£60,000 at 31 March 2010).

The company's accounts are consolidated into the Group Accounts.

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.

#### 13.5 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.

#### 13.6 Eastbourne Leisure Trust

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. The Trust is set up as an Independent Provident Society, without any local authority members. Members of staff at these centres are jointly employed by the trust and the contractor, Serco.

#### 13.7 Members and senior officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 11. Seven members are also members of East Sussex County Council. Grants totalling £16,000 to voluntary organisations in which 4 members had positions on the governing body. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision

relating to the grants. Details of Members interests are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

During 2010/11 works and services to the value of £74,000 were commissioned from a company in which one officer had an interest.

Details of payments to members and officers are shown in notes 11 and 12.

## 14. LEASING

### 14.1 Finance leases – Council acting as lessee

The council held assets valued at £432,000 as at 31 March 2011 under finance leases, all shown under "Vehicles Plant and Equipment" in Note 20.1. The equivalent figure as at 31 March 2010 was £654,000. The lease is due to expire 31 March 2013. Future minimum lease payments under this lease as at 31 March 2011 is £4,910,000. The equivalent figure as at 31 March 2010 was £7,255,000.

### 14.2 Operating leases – Council acting as lessee

The table below analyses future minimum lease payments and the equivalent present values between leases expiring during the periods shown below:

<b>2009/10</b>		<b>2010/11</b>
<b>Minimum Lease Payments</b>		<b>Minimum Lease Payments</b>
£000		£000
	Leases expiring:	
301	Within one year	79
145	Between two and five years	77
131	Later than five years	120
<b>577</b>	<b>Total</b>	<b>276</b>

The table below shows the total payments recognised as an expense during the financial year.

<b>2009/10</b>		<b>2010/11</b>
£000		£000
303	Minimum lease payments	301
-	- Contingent rents	-
-	- Sublease payments	-
<b>303</b>	<b>Total</b>	<b>301</b>

### 14.3 Finance leases – Council acting as lessor

The Council had no finance leases as at 31 March 2011 or 31 March 2010.

### 14.4 Operating leases – Council acting as lessor

The table below analyses future minimum lease income and the equivalent present values between leases expiring during the periods shown below:

<b>2009/10</b>		<b>2010/11</b>
<b>Minimum Lease Income</b>		<b>Minimum Lease Income</b>
£000		£000
	Leases expiring:	
50	Within one year	30
213	Between two and five years	562
38,122	Later than five years	37,619
<b>38,385</b>	<b>Total</b>	<b>38,211</b>

The lease income relates to various land and buildings owned by the Council and leased out on varying terms and conditions. The longest lease expires in 2116. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2010/11 was £999,000 (£934,000 in 2009/10).

## 15. OBLIGATIONS UNDER LONG TERM LEISURE CONTRACTS

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 13, 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 2010/11, and shows the projected repayments and amounts scheduled to be drawn down for 2011/12.

	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
<b>Total credit sales facility</b>	<b>2,614</b>	<b>350</b>	<b>250</b>	<b>3,214</b>
<b>Liability outstanding 1 April 2009</b>	<b>(1,344)</b>	<b>(277)</b>	<b>(137)</b>	<b>(1,758)</b>
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
<b>Liability outstanding 31 March 2010</b>	<b>(1,475)</b>	<b>(296)</b>	<b>(232)</b>	<b>(2,003)</b>
Drawn down 2010/11	(57)	-	-	(57)
Interest charge for 2010/11	(178)	(22)	(17)	(217)
Gross repayments for 2010/11	315	47	37	399
<b>Liability outstanding 31 March 2011</b>	<b>(1,395)</b>	<b>(271)</b>	<b>(212)</b>	<b>(1,878)</b>
<b>Projections for 2011/12</b>				
Liability 1 April	(1,395)	(271)	(212)	(1,878)
Estimated draw-down	(6)	(8)	(12)	(26)
Interest charge	(163)	(20)	(16)	(199)
Gross repayments for the year	315	46	37	398
<b>Liability 31 March 2012</b>	<b>(1,249)</b>	<b>(253)</b>	<b>(203)</b>	<b>(1,705)</b>
<b>Remaining facility 31 March 2012</b>	<b>330</b>	<b>-</b>	<b>-</b>	<b>330</b>

## 16. GRANTS AND CONTRIBUTIONS RECEIVABLE

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

2009/10			2010/11		
Grants	Contribs.	Total	Grants	Contribs.	Total
£000	£000	£000	£000	£000	£000
<b>Grants and contributions within Cost of Services</b>					
(1,245)	-	(1,245)	(1,368)	-	(1,368)
(51,598)	-	(51,598)	(53,427)	-	(53,427)
(2,911)	(1,477)	(4,388)	-	74	74
(493)	-	(493)	(991)	-	(991)
(442)	(3,374)	(3,816)	(534)	(3,028)	(3,562)
<b>(56,689)</b>	<b>(4,851)</b>	<b>(61,540)</b>	<b>(56,320)</b>	<b>(2,954)</b>	<b>(59,274)</b>
<b>Grants and contributions within Taxation and non-specific grant income</b>					
(1,939)	-	(1,939)	(1,321)	-	(1,321)
(8,399)	-	(8,399)	(9,099)	-	(9,099)
(5)	-	(5)	(8)	-	(8)
(87)	-	(87)	-	-	-
(41)	-	(41)	32	-	32
(17)	-	(17)	-	-	-
(23)	-	(23)	(40)	-	(40)
(152)	-	(152)	-	-	-
(422)	(232)	(654)	(8,390)	(402)	(8,792)
<b>(11,085)</b>	<b>(232)</b>	<b>(11,317)</b>	<b>(18,826)</b>	<b>(402)</b>	<b>(19,228)</b>

The Authority has no grants or contributions that have yet to be recognised as income.

## 17. TRANSFER TO/ FROM EARMARKED RESERVES

Transfers from and to the General Fund and HRA to earmarked reserves are as follows:

Reserve	Bal 1 April 09	Movement 2009/10	Bal 31 March 10	Movement 2010/11	Bal 31 March 11
Eastbourne Buses Realisation	(1,097)	(1,097)	-	-	-
Upkeep of Graves & Memorials	(76)	(76)	-	-	-
Upkeep of Graves & Memorials Revenue	(8)	(8)	-	-	-
General Earmarked Reserve	(1,861)	(494)	(1,367)	871	(496)
General Fund Insurance Reserve	(78)	(78)	-	-	-
Maintenance of Grassed Areas	(25)	(25)	-	-	-
Benefit and CT Review Reserve	(704)	(704)	-	-	-
Strategic Change Reserve	(1,540)	(627)	(913)	(86)	(999)
Capital Programme	-	430	(430)	(373)	(803)
Government grants reserve	(124)	188	(312)	(344)	(657)
HRA Leaseholders Major Works Reserve	-	-	-	(309)	(309)
Riverbourne Hse Leaseholders Reserve	(74)	1	(75)	18	(57)
	<b>(5,587)</b>	<b>(2,490)</b>	<b>(3,097)</b>	<b>(223)</b>	<b>(3,321)</b>



A number of earmarked reserves were indentified as part of the 2010/11 budget strategy to be used or consolidated into the General Fund reserve to allow for greater flexible for usage, this was done as at 31.3.2010. The purpose of the remaining reserves is set out below:

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.

Strategic Change: this reserve was set up to finance one off investments under the Council's DRIVE programme that are required for development or the release of ongoing efficiencies.

Capital Programme: this reserve is intended to be used for financing of one-off capital schemes.

Government grants: this reserve is used to enable grants received in one financial year to be carried forward and used to finance revenue spending in future years.

HRA Leaseholders Major Works and Riverbourne House leaseholders: these reserve are for future maintenance.

## 18. AMOUNT REPORTED FOR RESOURCE ALLOCATION DECISIONS

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

<b>Directorate Income and Expenditure 2010-11</b>	<b>Corporate Services</b>	<b>Community Services</b>	<b>Environmental Services</b>	<b>Tourism and Leisure</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
Customer & Client Receipts	(814)	(15,756)	(2,686)	(7,809)	(27,065)
Interest	(115)	(4)	0	0	(119)
Government Grants and Contributions	(1,629)	(57,679)	(1,025)	(1,374)	(61,707)
<b>Total Income</b>	<b>(2,558)</b>	<b>(73,439)</b>	<b>(3,711)</b>	<b>(9,183)</b>	<b>(88,891)</b>
Employee expenses	3,762	3,017	3,080	3,886	13,745
Other Service Expenses	5,745	70,415	7,816	8,624	92,600
<b>Total Expenditure</b>	<b>9,507</b>	<b>73,432</b>	<b>10,896</b>	<b>12,510</b>	<b>106,345</b>
<b>Net Expenditure</b>	<b>6,949</b>	<b>(7)</b>	<b>7,185</b>	<b>3,327</b>	<b>17,454</b>

### 2009-10 Comparative figures

Customer & Client Receipts	(1,181)	(17,543)	(2,439)	(6,887)	(28,050)
Interest	(331)	(5)	0	0	(336)
Government Grants and Contributions	(1,151)	(57,952)	(836)	(1,401)	(61,340)
<b>Total Income</b>	<b>(2,663)</b>	<b>(75,500)</b>	<b>(3,275)</b>	<b>(8,288)</b>	<b>(89,726)</b>
Employee expenses	5,300	3,131	2,931	3,728	15,090
Other Service Expenses	9,582	73,502	8,723	8,695	100,502
<b>Total Expenditure</b>	<b>14,882</b>	<b>76,633</b>	<b>11,654</b>	<b>12,423</b>	<b>115,592</b>
<b>Net Expenditure</b>	<b>12,219</b>	<b>1,133</b>	<b>8,379</b>	<b>4,135</b>	<b>25,866</b>

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

	<b>2009-10</b>	<b>2010-11</b>
	<b>£'000</b>	<b>£'000</b>
Net expenditure in the directorate analysis	25,866	17,454
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement		50,970
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	(4,813)	(4,612)
Cost of services in Comprehensive Income and Expenditure Statement	21,053	63,812

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

<b>2010-2011 - General Fund and HRA</b>	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£	£	£	£	£	£	£
Fees, charges and other service income	(32,646)	(12,983)	7	641	(44,981)	(641)	(45,622)
Interest and investment income	(119)	0	0	119	0	(119)	(119)
Income from Council Tax	0	0	0	0	0	(8,209)	(8,209)
National Non-Domestic Rates redistribution	0	0	0	0	0	(9,099)	(9,099)
Government grants and contributions	(56,126)	0	(1,766)	0	(57,892)	(8,557)	(66,449)
<b>Total Income</b>	<b>(88,891)</b>	<b>(12,983)</b>	<b>(1,759)</b>	<b>760</b>	<b>(102,873)</b>	<b>(26,625)</b>	<b>(129,498)</b>
Employee expenses	13,746	0	(11,055)	0	2,691	938	3,629
Other Service Expenses	88,704	0	1,434	(136)	90,002	136	90,138
Support Service Recharges	(206)	12,983	0	(194)	12,583	194	12,777
Depreciation, amortisation and impairment	0	0	62,350	(941)	61,409	941	62,350
Interest payments	3,898	0	0	(3,898)	0	3,705	3,705
Precepts and Levies	203	0	0	(203)	0	203	203
Payments to Housing Capital Receipts Pool	0	0	0	0	0	252	252
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	4	4
<b>Total Expenditure</b>	<b>106,345</b>	<b>12,983</b>	<b>52,729</b>	<b>(5,372)</b>	<b>166,685</b>	<b>6,373</b>	<b>173,058</b>
<b>Surplus or deficit on the provision of services</b>	<b>17,454</b>	<b>0</b>	<b>50,970</b>	<b>(4,612)</b>	<b>63,812</b>	<b>(20,252)</b>	<b>43,560</b>

2009-2010 Comparative figures	Directorate	Services and	Amounts not	Amounts not	Cost of	Corporate	Total
	Analysis	Services not in Analysis	reported to management for decision making	included in I&E	Services	Amounts	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(28,050)	0	0	378	(27,672)	(378)	(28,050)
Interest and investment income	(336)	0	0	337	1	(337)	(336)
Income from Council Tax	0	0	0	0	0	(8,015)	(8,015)
National Non-Domestic Rates redistribution	0	0	0	0	0	(8,399)	(8,399)
Government grants and contributions	(61,340)	0	0	0	(61,340)	(2,951)	(64,291)
<b>Total Income</b>	<b>(89,726)</b>	<b>0</b>	<b>0</b>	<b>715</b>	<b>(89,011)</b>	<b>(20,080)</b>	<b>(109,091)</b>
Employee expenses	15,090	0	0	(1,867)	13,223	1,866	15,089
Other Service Expenditure	87,499	0	0	(5)	87,494	7	87,501
Support Service Recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	9,251	0	0	96	9,347	(96)	9,251
Interest payments	3,510	0	0	(3,510)	0	3,510	3,510
Precepts and Levies	242	0	0	(242)	0	242	242
Payments to Housing Capital Receipts Pool	0	0	0	0	0	611	611
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	595	595
<b>Total Expenditure</b>	<b>115,592</b>	<b>0</b>	<b>0</b>	<b>(5,528)</b>	<b>110,064</b>	<b>6,735</b>	<b>116,799</b>
<b>Surplus or deficit on the provision of services</b>	<b>25,866</b>	<b>0</b>	<b>0</b>	<b>(4,813)</b>	<b>21,053</b>	<b>(13,345)</b>	<b>7,708</b>

## 19. SUMMARY OF CAPITAL EXPENDITURE 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.

2009/10			2010/11	
£000	£000		£000	£000
	<b>56,595</b>	<b>Opening Capital Financing Requirement</b>		<b>69,932</b>
		Capital Expenditure:		
16,723		Council dwellings	6,686	
702		Other land and buildings	1,929	
855		Vehicles plant furniture and equipment	1,797	
6		Infrastructure	3,791	
163		Community assets	52	
281		Assets under construction	2,616	
-		Surplus assets	29	
<hr/>			<hr/>	
18,730		Total Property plant and equipment	16,900	
-		Investment property	-	
93		Intangible assets	429	
4,753		Revenue expenditure financed from capital under statute (REFFCUS)	1,802	
<hr/>			<hr/>	
<b>23,576</b>		<b>Total capital investment</b>	<b>19,131</b>	
		Sources of finance:		
(1,003)		Capital receipts	(2,312)	
(4,388)		Grants and contributions towards REFFCUS	(1,665)	
(846)		Other grants and contributions	(6,889)	
(2,712)		Major repairs reserve	(1,190)	
(504)		Revenue financing	-	
<hr/>			<hr/>	
<b>(9,453)</b>		<b>Capital financing other than from loan</b>	<b>(12,056)</b>	
	14,123	Net capital expenditure financed from loan		7,075
	(786)	Revenue provision for repayment of debt		(535)
	<hr/>			<hr/>
	<b>69,932</b>	<b>Closing Capital Financing Requirement</b>		<b>76,472</b>

The Capital Financing Requirement reflects various items in the Balance Sheet, as shown below:

<b>31 March 2010</b>		<b>31 March 2011</b>
£000		£000
199,181	Council dwellings	147,378
64,638	Other land and buildings	64,103
2,556	Vehicles plant furniture and equipment	3,734
23,920	Infrastructure	26,862
1,918	Community assets	1,970
280	Assets under construction	-
83	Surplus assets	111
<hr/>		<hr/>
292,576	Total Property plant and equipment	244,158
4,809	Investment property	4,809
607	Intangible assets	861
(3,323)	Revaluation reserve	(3,353)
(224,737)	Capital adjustment account	(170,003)
<hr/>		<hr/>
<b>69,932</b>	<b>Capital Financing Requirement</b>	<b>76,472</b>

## 20. PROPERTY PLANT AND EQUIPMENT

### 20.1 Analysis of carrying amounts

The following table shows the net carrying amounts of the categories of property, plant and equipment, as at 31 March 2011, split between the gross carrying amount and the accumulated depreciation and impairment:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra- structure	Commun.	Surplus Props.	Assets under Const.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross carrying amount	258,920	82,597	6,577	38,054	2,469	111	-	<b>388,728</b>
Cumulative depreciation & impairment	(111,542)	(18,494)	(2,843)	(11,192)	(499)	-	-	<b>(144,570)</b>
<b>Balance at 31 March 2011</b>	<hr/> <b>147,378</b>	<hr/> <b>64,103</b>	<hr/> <b>3,734</b>	<hr/> <b>26,862</b>	<hr/> <b>1,970</b>	<hr/> <b>111</b>	<hr/> <b>-</b>	<hr/> <b>244,158</b>

The equivalent figures for 31 March 2010 are shown below:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Surplus Props.	Assets under Const.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross carrying amount	249,500	82,262	4,816	34,262	2,482	82	281	<b>373,685</b>
Cumulative depreciation & impairment	(50,319)	(17,624)	(2,260)	(10,342)	(564)	-	-	<b>(81,109)</b>
<b>Balance at 1 April 2010</b>	<b>199,181</b>	<b>64,638</b>	<b>2,556</b>	<b>23,920</b>	<b>1,918</b>	<b>82</b>	<b>281</b>	<b>292,576</b>

## 20.2 Reconciliation of opening and closing balances

The table below shows the movements in the various categories for the year:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Surplus Props.	Assets under Const.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	199,181	64,638	2,556	23,920	1,918	82	281	<b>292,576</b>
Additions	6,686	1,929	1,797	3,791	52	29	2,616	<b>16,900</b>
Disposals	(304)	(170)	-	-	-	-	-	<b>(474)</b>
Revaluations	-	85	-	-	-	-	-	<b>85</b>
Impairment losses	(58,551)	(1,337)	(11)	-	-	-	-	<b>(59,899)</b>
Reversals of impairments	49	117	-	-	-	-	-	<b>166</b>
Depreciation	(2,754)	(985)	(608)	(849)	-	-	-	<b>(5,196)</b>
Reclassifications	3,071	(174)	-	-	-	-	(2,897)	<b>-</b>
<b>Balance at 31 March 2011</b>	<b>147,378</b>	<b>64,103</b>	<b>3,734</b>	<b>26,862</b>	<b>1,970</b>	<b>111</b>	<b>-</b>	<b>244,158</b>

The equivalent figures for 2009/10 are shown below:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Surplus Props.	Assets under Const.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	186,743	56,693	2,155	24,865	1,755	85	9,296	<b>281,592</b>
Additions	16,723	702	855	6	163	-	281	<b>18,730</b>
Disposals	(1,573)	-	-	-	-	-	-	<b>(1,573)</b>
Revaluations	-	3,213	-	-	-	(3)	-	<b>3,210</b>
Impairment losses	-	(4,431)	-	-	-	-	-	<b>(4,431)</b>
Reversals of impairments	-	57	-	-	-	-	-	<b>57</b>
Depreciation	(2,712)	(968)	(480)	(849)	-	-	-	<b>(5,009)</b>
Reclassifications	-	9,372	26	(102)	-	-	(9,296)	<b>-</b>
<b>Balance at 31 March 2010</b>	<b>199,181</b>	<b>64,638</b>	<b>2,556</b>	<b>23,920</b>	<b>1,918</b>	<b>82</b>	<b>281</b>	<b>292,576</b>

### 20.3 Valuation of Property

Three of the categories shown in the tables above (council dwellings, other land and buildings and surplus properties) are subject to periodic revaluation: all such assets are revalued at 5-year intervals.

Council dwellings were last valued as at 1 April 2006 by the District Valuer, and the values are reviewed annually using local indices by the Council's surveyor, a member of the Royal Institute of Chartered Surveyors. This annual review resulted in a major impairment before 31 March 2009, but there were no such changes in 2009/10 or 2010/11, except for the impairment relating to change in adjustment factor mentioned above.

The next full revaluation, for all three categories of assets, is due to be carried out as at 1 April 2011.

### 20.4 Depreciation

The following useful lives have been used in the calculation of depreciation:

Council dwellings – 60 years  
Other land and buildings – 10 – 75 years  
Vehicles plant and Equipment – 5 – 20 years  
Infrastructure – 10 – 40 years.

### 20.5 Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 to cost £384,000. Similar commitments at 31 March 2010 were £3,558,000. The major commitments are:

Social Housing New Build	£163,000
Compulsory Purchase	£131,000
Parks and Playgrounds	£ 90,000

### 20.6 Revaluations

The Authority carries out a revaluation of all land and buildings at least every five years; the next revaluation is due 1 April 2011. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

## 21. **IMPAIRMENTS**

There has been an impairment loss of £58,551,000 for Council Dwellings. This is following a change in guidance from CLG which has changed the adjustment factor reducing the market value of council dwellings to Existing Use Value for Social Housing. The discount factor has been reduced from 45% to 32%.

The majority of impairment adjustments for Other Land and Buildings results from revaluations. The impairment £1,337,000 in 2010/11 (£4,431,000 in 2009/10) mainly reflects a reassessment of the values of :

- 1 Grove Road following major works completed during 2010/11 costing £1,303,000. The property was subsequently revalued from £3,293,000 to £2,640,000 a reduction of £653,000.
- three pieces of land earmarked for future housing development: because of their low-lying geographical position and the possibility of flood, it is becoming less likely that they will be usable for this purpose. Their value was reduced by £393,000 during 2010/11, from £648,000 to £255,000.
- 2 properties were demolished in 2010/11; this was a reduction in value of £121,000. 16 social housing units were built in their place and added to Council Dwellings.

## 22. INVESTMENT PROPERTIES

In 2010/11 the Council received £328,000 as rental income from investment properties, compared to £313,000 received in 2009/10.

The table below shows movements in the balances for Investment Properties.

2009/10		2010/11
£000		£000
4,713	Balance at 1 April	4,809
-	Acquisitions	-
-	Expenditure on existing properties	-
96	Net gains / (losses) from fair value adjustments	-
<b>4,809</b>	<b>Balance at 31 March</b>	<b>4,809</b>

## 23. INTANGIBLE ASSETS

The annual movements in the balance sheet figures for intangible assets are shown below:

	Gross £000	Amortised £000	Impairment £000	Net Total £000
Balance 1 April	1,105	(498)	-	<b>607</b>
Written down to services:				
Central services to the public	-	(4)	-	<b>(4)</b>
Cultural and related services	-	(16)	-	<b>(16)</b>
Planning and development services	-	(2)	-	<b>(2)</b>
Support Services	-	(153)	-	<b>(153)</b>
	-	(175)	-	<b>(175)</b>
Added during year	429	-	-	<b>429</b>
Impairments	-	-	-	-
Written out on completion of expected life	-	-	-	-
Net transactions during the year	429	(175)	-	<b>254</b>
<b>Balance at 31 March</b>	<b>1,534</b>	<b>(673)</b>	-	<b>861</b>

The equivalent figures for 2009/10 are shown below:

	Gross £000	Amortised £000	Impairment £000	Net Total £000
Balance 1 April	1,016	(344)	-	<b>672</b>
Written down to services:				
Central services to the public	-	(7)	-	<b>(7)</b>
Cultural and related services	-	(23)	-	<b>(23)</b>
Planning and development services	-	(5)	-	<b>(5)</b>
Support Services	-	(123)	-	<b>(123)</b>
	-	(158)	-	<b>(158)</b>
Added during year	93	-	-	<b>93</b>
Impairments	-	-	-	-
Written out on completion of expected life	(5)	5	-	-
Net transactions during the year	88	(153)	-	<b>(65)</b>
<b>Balance at 31 March</b>	<b>1,104</b>	<b>(497)</b>	-	<b>607</b>

The total shown in the tables above for "Support Services" is recharged to other headings within the Comprehensive Income and Expenditure Statement through the overall recharges for overheads (see Note 2.14 above).

Intangible assets are depreciated over their useful economic lives, which are reviewed annually and generally deemed to be between 3 and 10 years.



## 24. FINANCIAL INSTRUMENTS

24.1 The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
<b>Investments</b>				
Loans and receivables	-	-	-	2,000
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
<b>Total investments</b>	-	-	-	<b>2,000</b>
<b>Debtors</b>				
Loans and receivables	47	90		
Financial assets carried at contract amounts			16,628	9,061
<b>Total Debtors</b>	<b>47</b>	<b>90</b>	<b>16,628</b>	<b>9,061</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(61,694)	(59,694)	(321)	(4,322)
Financial liabilities at fair value through profit and loss				
<b>Total borrowings</b>	<b>(61,694)</b>	<b>(59,694)</b>	<b>(321)</b>	<b>(4,322)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	-	-		
<b>Total other long term liabilities</b>	-	-		
<b>Creditors</b>				
Financial liabilities at amortised cost	(1,823)	(2,999)		
Financial liabilities carried at contract amount			(7,545)	(8,901)
<b>Total creditors</b>	<b>(1,823)</b>	<b>(2,999)</b>	<b>(7,545)</b>	<b>(8,901)</b>

### 24.2 Interest and Investment receivable and payable

The table below sets out the interest and investment receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £000		2010/11 £000
(177)	Interest on financial assets	(112)
(148)	Interest on backdated VAT claim	-
(12)	Other interest	(7)
(313)	Investment Properties	(313)
<b>(650)</b>	<b>Total Interest Receivable</b>	<b>(432)</b>
3,498	Interest on financial liabilities	3,696
12	Other interest payable	9
<b>3,510</b>	<b>Total Interest Payable</b>	<b>3,705</b>

### 24.3 Fair Value

31 March 2010			31 March 2011	
Book Value	Fair Value		Book Value	Fair Value
£000	£000		£000	£000
-	-	Investments over one year	-	-
-	-	Investments less than one year	2,000	2,005
1,149	1,149	Cash in bank call accounts	5,729	5,729
19,717	16,628	Trade accounts receivable	12,724	9,061
<b>20,866</b>	<b>17,777</b>	<b>Total Financial Assets</b>	<b>20,453</b>	<b>16,795</b>
(51,194)	(55,529)	Public Works Loan Board	(49,194)	(49,771)
(7,500)	(10,487)	Loan Stock	(7,500)	(10,534)
(3,000)	(3,021)	Lancashire County Council	(3,000)	(3,026)
<b>(61,694)</b>	<b>(69,037)</b>	<b>Long Term Borrowing</b>	<b>(59,694)</b>	<b>(63,331)</b>
(1,823)	(2,525)	Credit sales agreement	(1,679)	(2,883)
-	-	Other Long Term Creditors	(1,320)	(1,480)
<b>(1,823)</b>	<b>(2,525)</b>	<b>Long Term Creditor</b>	<b>(2,999)</b>	<b>(4,363)</b>
-	-	Public Works Loan Board	(4,000)	(4,000)
-	-	Add accrued interest	(307)	(307)
(15)	(15)	Mayor's Poor Fund	(15)	(15)
<b>(15)</b>	<b>(15)</b>	<b>Short Term Borrowing</b>	<b>(4,322)</b>	<b>(4,322)</b>
(180)	(180)	Credit sales agreement	(200)	(200)
(5,933)	(5,933)	Other Creditors	(7,563)	(7,563)
<b>(6,113)</b>	<b>(6,113)</b>	<b>Short Term Creditor</b>	<b>(7,763)</b>	<b>(7,763)</b>
<b>(69,645)</b>	<b>(77,690)</b>	<b>Total Financial Liabilities</b>	<b>(74,778)</b>	<b>(79,779)</b>

### 24.4 Valuation techniques applied to obtain fair value

The fair values valuations have been provided by the Council's Treasury Management advisors, Sector. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, Sector has used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date.

The rates quoted in this valuation were obtained by Sector from the market on 31 March, using bid prices where applicable.

## 25. NATURE AND EXTENT OF RISKS 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 provided by the Council's Treasury Management advisors, which are prepared with reference to credit ratings supplied by Fitch, Moody's or Standard and Poor's Ratings Services and credit default swaps. 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement.

##### Price risk

The Authority does not invest in equity shares, and disposed of its shareholding in Eastbourne Buses during 2008/09. 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.

## 26. DEBTORS

The table below analyses the balance sheet figures for short-term debt between different types of debt.

31 March 2010				31 March 2011		
Debt	Impair. allowance	Net		Debt	Impair. allowance	Net
£000	£000	£000		£000	£000	£000
1,308	(74)	1,234	Trade accounts receivable	847	(109)	738
728	-	728	Other trade debtors	680	-	680
12,121	-	12,121	Related parties	5,357	-	5,357
237	-	237	Prepayments	122	-	122
5,560	(3,015)	2,545	Other debtors	5,840	(3,554)	2,286
<b>19,954</b>	<b>(3,089)</b>	<b>16,865</b>	<b>Total</b>	<b>12,846</b>	<b>(3,663)</b>	<b>9,183</b>

As explained in Note 2.9 above, the grouping of "Trade accounts receivable" comes within the definition of Financial Instruments. Invoices are sent to individuals and other entities, where money cannot be obtained in advance of the service being rendered, and where payment is required on the receipt of the invoice.

The Council gives priority to collecting this debt, taking action through collection agencies or legal processes where appropriate, but has to make a prudent provision for impairment for doubtful debts, based on previous experience of default and on assessment of individual outstanding balances..

The table below analyses the balance sheet total for short-term debtors into different groups of debtor. Long-term debtors all come within the heading of "all other entities and individuals".

31 March 2010			31 March 2011	
£000			£000	
9,312	Central government		3,793	
2,809	Other local authorities		1,562	
-	NHS		1	
4,744	Other entities and individuals		3,827	
<b>16,865</b>	<b>Total</b>		<b>9,183</b>	

Long-term debtors of £89,924.91 outstanding as at 31 March 2011 (£47,458.46 31 March 2010) all come within the heading of "other entities and individuals"

## 27. INVENTORIES

	Printing Inventories		Downland Inventories		Tourism and Leisure Inventories		Sundry Inventories	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance outstanding at start of year	12	12	0	1	79	124	9	12
Purchases	29	34	7	6	786	909	13	5
Consumed in year	(29)	(34)	(6)	(6)	(741)	(930)	(10)	(11)
Balance outstanding at year end	12	12	1	1	124	103	12	6

Inventories held relate to the following items:

- Printing – Paper and other materials pending usage
- Downland Inventories – Fuel purchased in advance.
- Tourism and Leisure – Products for resale at tourism and leisure outlets
- Sundry inventories - Miscellaneous products for resale including dog bins, pest control boxes, cremation boxes and vending supplies.

## 28. CREDITORS

The table below analyses short-term creditors between different types of liability.

31 March 2010		31 March 2011	
£000		£000	
(4,360)	Trade creditors	(6,045)	
(1,153)	Related parties	(940)	
(1,612)	Income in advance	(1,338)	
(420)	Other creditors	(578)	
<b>(7,545)</b>	<b>Total</b>	<b>(8,901)</b>	

The table below analyses short-term liabilities between different groupings of creditor.

31 March 2010		31 March 2011	
£000		£000	
(969)	Central government	(875)	
(224)	Other local authorities	(66)	
(6,352)	Other entities and individuals	(7,960)	
<b>(7,545)</b>	<b>Total</b>	<b>(8,901)</b>	

Long Term Creditors in the balance sheet represent obligations extending beyond one year including:

- Three agreements between the Council and SERCO to renovate and improve two leisure centres (the Sovereign Centre and Motcombe Pool) and to purchase items of capital equipment. These two centres are leased to Eastbourne Leisure Trust (see Note 15), who employ SERCO to run the centres, while the Council, which retains the responsibility to maintain and improve the centres, employs SERCO to carry out these functions on its behalf.
- An agreement between the Council and Steria to provide IT services and purchase items of capital equipment.

## 29. PROVISIONS

The only provision at 1 April 2010 was for former council flat redecoration which was established to provide funding for the painting of sold council flats. The provision was reviewed during the year and reclassified as an Earmarked Reserves.

	Balance 1 April	Additions	Reductions	Spent	Balance 31 March
	£000	£000	£000	£000	£000
Painting of sold council houses	(191)	-	191	-	-
<b>Total</b>	<b>(191)</b>	<b>-</b>	<b>191</b>	<b>-</b>	<b>-</b>

## 30. USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.17, and the annual movements for usable reserves are shown in the Movement in Reserves Statement. Details of Earmarked reserves are shown at note 17.

## UNUSABLE RESERVES

The table below sets out details of the movements and balances on individual unusable reserves: the "Total" figures are those included in the "Unusable Reserves" column of the Movement in Reserves Statement.

2009/10		2010/11
£000		£000
39	Deferred Capital Receipts Reserve	57
(196)	Collection Fund Adjustment Account	11
3,323	Revaluation Reserve	3,353
224,737	Capital Adjustment Account	170,002
(826)	Financial Instruments Reserve	(600)
(47,147)	Pension Reserve	(17,199)
<hr/>		<hr/>
<b>179,930</b>	<b>Total Unusable reserves</b>	<b>155,624</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10		2010/11
£000		£000
<b>42</b>	<b>Balances at 1 April</b>	<b>39</b>
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21
(3)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3)
<hr/>		<hr/>
<b>39</b>	<b>Balance at 31 March</b>	<b>57</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£000		£000
<b>(112)</b>	<b>Balances at 1 April</b>	<b>(196)</b>
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	207
(84)		
<hr/>		<hr/>
<b>(196)</b>	<b>Balance at 31 March</b>	<b>11</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost

- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10		2010/11
£000		£000
<b>168</b>	<b>Balances at 1 April</b>	<b>3,323</b>
3,210	Upward revaluation of assets	85
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
<b>3,210</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>85</b>
-	Difference between fair value depreciation and historical cost depreciation	-
(55)	Accumulated gains on assets sold or scrapped	(55)
<b>(55)</b>	Amount written off to the Capital Adjustment Account	<b>(55)</b>
<b>3,323</b>	<b>Balance at 31 March</b>	<b>3,353</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10		2010/11
£000		£000
<b>230,214</b>	<b>Balances at 1 April</b>	<b>224,737</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(5,009)	Charges for depreciation and impairment of noncurrent assets	(64,928)
(4,375)	Revaluation losses on Property, Plant and Equipment	
(158)	Amortisation of intangible assets	(175)
(365)	Revenue expenditure funded from capital under statute	(230)
(1,573)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(474)
<b>(11,480)</b>		<b>(65,807)</b>
56	Adjusting amounts written out of the Revaluation Reserve	55

	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(65,752)</b>
	<b>Capital financing applied in the year:</b>	
1,003	Use of the Capital Receipts Reserve to finance new capital expenditure	2,312
2,712	Use of the Major Repairs Reserve to finance new capital expenditure	1,190
846	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	6,981
	Application of grants to capital financing from the Capital Grants Unapplied Account	
786	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	534
504	Capital expenditure charged against the General Fund and HRA balances	-
<b>5,851</b>		<b>11,017</b>
96	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>224,737</b>	<b>Balance at 31 March</b>	<b>170,002</b>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 3 years

2009/10		2010/11
£000		£000
<b>(1,052)</b>	<b>Balances at 1 April</b>	<b>(826)</b>
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
<b>226</b>	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	<b>226</b>
<b>(826)</b>	<b>Balance at 31 March</b>	<b>(600)</b>

#### Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any



resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2009/10</b>		<b>2010/11</b>
£000		£000
<b>(23,265)</b>	<b>Balances at 1 April</b>	<b>(47,147)</b>
(22,940)	Actuarial gains or losses on pensions assets and liabilities	19,831
(3,040)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	8,044
2,098	Employer's pensions contributions and direct payments to pensioners payable in the year	2,073
<b>(47,147)</b>	<b>Balance at 31 March</b>	<b>(17,199)</b>

### 31. POST EMPLOYMENT BENEFITS

#### 32.1 Participation in defined benefit pension plan

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.

Under the Local Government Pension Scheme retirement benefits are based on the employee's final salary, and are increased each year in line with the Consumer Price Index (previously the Retail Price Index).

The accounting policy for this pension plan, including the recognition of actuarial gains and losses, is set out under Note 2.6 (Accounting Policies).

#### 32.2 Annual movement in plan obligations and assets

The table below shows separately the movements in the obligations and assets relating to the accounting group:

<b>2009/10</b>				<b>2010/11</b>		
Obligation	Asset	Net		Obligation	Asset	Net
£000	£000	£000		£000	£000	£000
<b>(80,265)</b>	<b>57,000</b>	<b>(23,265)</b>	<b>Asset / Liability at 1 April</b>	<b>(122,804)</b>	<b>75,657</b>	<b>(47,147)</b>
		-				-
(864)	-	<b>(864)</b>	Current Service Cost	(1,652)	-	<b>(1,652)</b>
(5,454)	-	<b>(5,454)</b>	Interest Cost	(6,233)	-	<b>(6,233)</b>
-	3,653	<b>3,653</b>	Expected return on plan assets	-	5,295	<b>5,295</b>
(516)	516	-	Contributions by scheme participants	(502)	502	-
			Actuarial gains and losses:			
			Difference between expected and actual returns	(730)	-	<b>(730)</b>
(39,563)	-	<b>(39,563)</b>	Movement in actuarial assumptions for liability	20,561		<b>20,561</b>
4,233	(4,233)	-	Benefits paid	4,660	(4,660)	-
(36)	-	<b>(36)</b>	Past Service Cost	10,639		<b>10,639</b>

(339)	-	<b>(339)</b>	Curtailments	(5)	-	<b>(5)</b>
-	-	-	Settlements	-	-	-
-	2,098	<b>2,098</b>	Contributions by employer	-	2,073	<b>2,073</b>
<b>(122,804)</b>	<b>75,657</b>	<b>(47,147)</b>	<b>Asset / Liability at 31 March</b>	<b>(96,066)</b>	<b>78,867</b>	<b>(17,199)</b>

### 32.3 Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, but the net effect is removed, as shown in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement (the charges to Support Services are included within the overall support service recharge to the other services):

2009/10		2010/11
£000		£000
	Current Service Cost	
45	Central services to the public	89
202	Cultural and related services	389
151	Environmental and regulatory services	274
89	Planning and development services	163
33	Highways and transport services	61
3	Local authority housing (HRA)	7
115	Other housing services	199
21	Corporate and democratic core	35
6	Trading accounts	12
199	Support services	423
<b>864</b>	<b>Total Current Service Cost</b>	<b>1,652</b>
	Past Service Cost	
36	Non-Distributed Costs	(10,639)
<b>36</b>	<b>Total Past Service Cost</b>	<b>(10,639)</b>
	Curtailments	
339	Non-Distributed Costs	5
<b>339</b>	<b>Total Curtailments</b>	<b>5</b>
<b>1,239</b>	<b>Cost of Services</b>	<b>(8,982)</b>
5,454	<b>Interest Cost</b>	6,233
(3,653)	<b>Expected Return on Assets</b>	(5,295)
<b>1,801</b>	<b>Financing and Investment Income and Expenditure</b>	<b>938</b>
<b>3,040</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(8,044)</b>
<b>22,940</b>	<b>Actuarial Gains and Losses</b>	<b>(19,831)</b>
<b>22,940</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(19,831)</b>
<b>25,980</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(27,875)</b>

### 32.4 Cumulative Actuarial Gains and Losses

The cumulative amount of actuarial gains and losses since 2004/05 recognised in this statement is £14,116,000. The equivalent figure for 2009/10 was £33,947,000.

### 32.5 Plan Assets

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

2010		2011
%		%
74	Equities	78
5	Bonds	8
7	Property	8
14	Cash	6

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 £5,161,000, compared with a gain of £20,276,000 in 2009/10.

### 32.6 Actuarial Assumptions

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:

2009/10		2010/11
£000		£000
	Long term expected rate of return on scheme assets:	
7.8%	Equity Investments	7.5%
5.0%	Bonds	4.9%
5.8%	Property	5.5%
4.8%	Cash	4.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
20.8	Men	21.3
24.1	Women	23.4
	Longevity at 65 for future pensioners:	
22.3	Men	23.3
25.7	Women	25.7
3.8%	Rate of inflation	2.8%
5.3%	Rate of increase in salaries	5.1%
3.8%	Rate of increase in pensions	2.8%
5.5%	Rate for discounting scheme liabilities	5.5%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

### 32.7 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present value of liabilities	(88,301)	(76,343)	(80,265)	(122,804)	(96,066)
Fair value of assets	68,591	61,097	57,000	75,657	78,867
<b>Surplus / (Deficit) in the scheme</b>	<b>(19,710)</b>	<b>(15,246)</b>	<b>(23,265)</b>	<b>(47,147)</b>	<b>(17,199)</b>

The table below shows the experience adjustments arising over the past five years, on plan liabilities as a percentage of plan liabilities at the balance sheet date, and on plan assets as a percentage of plan assets at the balance sheet date:

	2006/07	2007/08	2008/09	2009/10	2010/11
Differences between the expected and actual return on assets	0.00%	-11.70%	-26.20%	21.97%	0.57%
Experience gains and losses on liabilities	0.10%	-9.30%	-8.10%	32.22%	18.68%

### 32.8 Annual Contributions to fund

The estimated contribution for 2010/11 is £1,915,000, compared with the actual contribution of £1,713,000 for 2010/11.

## 32. TERMINATION BENEFITS

The Authority terminated the contracts of six employees in 2010/11, incurring liabilities of £51,000. In 2009/10 the Authority terminated the contracts of 12 employees incurring liabilities of £350,000.

## 33. CONTINGENT ASSETS AND LIABILITIES

### Contingent Liabilities

#### **Towner Capital Scheme**

Towner is a recently 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.

#### **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.

#### **Wealden and Eastbourne Lifeline Limited**

The Council is acting as a guarantor for the Pension Liability of Wealden and Eastbourne Lifeline Limited (WEL) to permit their entry into the Superannuation Fund. In the event that WEL fails to meet their obligations to the Fund the Council will be called upon to cover these liabilities. This cannot be quantified as they will depend on the strength of the Fund at the time and the actuarial assumptions for the valuation of future liabilities.

#### **Land Charges Fees**

In July 2010 the Government revoked the statutory fee for a personal search of the Local Land Charges Register. There is the potential for individuals and property search companies to seek refunds from local authorities for past fees on the basis that such charges were not compatible with the Environmental Information Regulations introduced in 2005. The Local Government Association is seeking a commitment from Government to compensate local authorities for the financial impact of this change and as a result it is not currently possible for the Council to quantify the costs, if any, which it might incur.

## **Contingent Assets**

### **Overpaid VAT**

A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. The Council has claims amounting to £1.3m for VAT on Off Street Parking. The case is currently subject to an appeal by HM Revenue and Customs.

In 2008/09 the Council recovered VAT incorrectly charged in the early 1990s, together with accumulated interest. There is still an outstanding possible claim for compound interest on these amounts, but this is not yet quantifiable.

### **35 EXCEPTIONAL ITEMS**

There has been an impairment loss of £58,551,000 for Council Dwellings. This is following a change in guidance form CLG which has changed in the adjustment factor reducing the market value of council dwellings to Existing Use Value for Social Housing. The discount factor has been reduced from 45% to 32%.

The Council's liability for future pension payments has decreased from £47.1m to £17.2m. This was mainly as a result of the change in the calculation of Past Service Costs, which is now calculated using CPI instead of RPI following the Chancellor's budget statement on 22 June 2010. This has resulted in a change to past service costs of £10,639,000, showing as notional income in the Comprehensive Income and Expenditure Statement.

Council Dwellings Impairment	£58,551,000
Past Service Costs	(£10,639,000)
<b>Total</b>	<b>£47,912,000</b>

## HOUSING REVENUE ACCOUNT (HRA)

2009/10		2010/11
£000		£000
	<b>Income</b>	
(11,924)	Dwelling Rents	(11,981)
(373)	Non-Dwelling Rents	(396)
(726)	Charges for Services and Facilities	(1,133)
(1,384)	Contributions Towards Expenditure	(57)
(1,245)	Housing Revenue Account Subsidy Receivable	(1,368)
<b>(15,652)</b>	<b>Total Income</b>	<b>(14,935)</b>
	<b>Expenditure</b>	
1,317	Repairs and Maintenance	-
7,538	Supervision and Management	7,449
245	Subsidy Limitation Transfer to the General Fund	233
90	Increased Provision for Doubtful Debts	128
2,722	Depreciation and Impairment of Fixed Assets	61,267
74	Debt Management Costs	52
<b>11,986</b>	<b>Total Expenditure</b>	<b>69,129</b>
<b>(3,666)</b>	<b>Net cost of HRA Services as included in the Comprehensive Income and Expenditure Account</b>	<b>54,194</b>
49	HRA services share of Corporate and Democratic Core	59
-	Capital Grants and Contributions Received	(1,788)
<b>(3,617)</b>	<b>Net Cost of HRA services</b>	<b>52,465</b>
(593)	Gain or loss on sale of HRA assets	(156)
3,156	Interest Payable and Similar Charges	3,393
(4)	Interest and Investment Income	(4)
<b>(1,058)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>55,698</b>

## MOVEMENT ON THE HRA STATEMENT

2009/10		2010/11	
£000		£000	£000
(1,205)	Housing Revenue Account balance brought forward		(1,424)
(1,058)	(Surplus) / Deficit on HRA Income and Expenditure Statement	55,698	
	Adjustments between accounting and funding basis:		
-	Capital Grants and Contributions received	1,788	
226	Finance cost adjustment re. premiums and discounts	226	
593	Reverse gain or loss on non-current assets	156	
29	Transfer to / from Pension Reserve	30	
(10)	Transfer from Capital Adjustment Account re. depreciation	(58,513)	
(220)	Net (increase)/decrease before transfer to reserves	(615)	
1	Transfers to earmarked reserves	289	
	Increase or (decrease) in year on HRA		(326)
<b>(1,424)</b>	<b>Housing Revenue Account balance carried forward</b>		<b>(1,750)</b>

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, as outlined in Note 13.4 above.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2010		31 March 2011
	Houses and Bungalows	
17	- one bedroom	16
539	- two bedrooms	537
1,194	- three bedrooms	1,195
53	- four or more bedrooms	55
<b>1,803</b>	<b>Total Houses and Bungalows</b>	<b>1,803</b>
	Flats	
1,026	- one bedroom	1,044
493	- two bedrooms	516
8	- three or more bedrooms	9
373	- bed-sits	344
<b>1,900</b>	<b>Total Flats</b>	<b>1,913</b>
<b>3,703</b>	<b>All Dwellings</b>	<b>3,716</b>

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2010) and has acquired the use of 8 actual properties (10 at 31 March 2010) under short-term property leases.

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

	1 April 2010 £000	31 March 2011 £000
Dwellings	199,181	147,378
Other Land and Buildings	830	817
<b>Total</b>	<b>200,011</b>	<b>148,195</b>

### 2. VACANT POSSESSION VALUE OF DWELLINGS

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 2010. 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 2010 was £439m.

### 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 can be used to finance capital investment, the balance being transferred to the Housing Revenue Account.



2009/10		2010/11
£000		£000
-	Balance as at 1 April	-
2,712	Transfer from Capital Adjustment Account	1,190
(2,712)	Financing of Capital Expenditure	(2,754)
-	<b>Balance as at 31 March</b>	<b>(1,564)</b>

#### 4. CAPITAL EXPENDITURE AND FINANCING

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

2009/10		2010/11
£000		£000
<b>18,040</b>	<b>Total Capital Expenditure</b>	<b>6,686</b>
	Funding:	
13,711	Borrowing	5,196
2,712	Major Repairs Reserve	1,190
300	Revenue Contributions	300
1,317	Other Contributions	-
<b>18,040</b>	<b>Total Funding</b>	<b>6,686</b>

#### 5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2009/10		2010/11
£000		£000
945	Right to Buy Sales of Houses and Flats	401
12	Repayment of Right to Buy Discount	-
3	Mortgage Repayments	3
960		404

#### 6. DEPRECIATION

2009/10		2010/11
£000		£000
2,872	Dwellings	2,754
10	Other Land and Buildings	10
<b>2,882</b>	<b>Total Operational Assets</b>	<b>2,764</b>
-	Non-Operational Assets	-
<b>2,882</b>	<b>Total HRA Assets</b>	<b>2,764</b>

#### 7. IMPAIRMENT

There has been an impairment loss of £58,551,000 for Council Dwellings. This is following a change in guidance form CLG which has changed in the adjustment factor reducing the market value of council dwellings to Existing Use Value for Social Housing. The discount factor has been reduced from 45% to 32%.

## 8. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

The Council made no contributions towards works on former council dwellings within blocks of council-owned flats, compared to £1.3m in 2009/10. The payment in 2009/10 was offset by income from leaseholders.

## 9. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable was made up as follows:

2009/10		2010/11
£000		£000
2,164	Management Allowance	2,190
4,306	Maintenance Allowance	4,361
2,712	Major Repairs Allowance	2,754
3,821	Capital Charges Allowances	3,976
-	Rental Constraint Allowance	-
68	Other Allowable Expenditure	70
-	Prior Year Adjustment	-
<b>13,071</b>	<b>Gross</b>	<b>13,351</b>
(11,821)	Less: Notional Rent Income	(11,979)
(5)	Interest on Receipts	(4)
<b>1,245</b>	<b>Total Subsidy Receivable</b>	<b>1,368</b>

## 10. CONTRIBUTION TO THE PENSION RESERVE

Note 32 to the core financial statements sets out the accounting arrangements for the Local Government Pension Scheme, and explains that the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 £30,000 (£29,000 in 2009/10) has been charged to the Housing Revenue Account via the Movement on the HRA statement.

## 9. RENT ARREARS

Rent arrears at 31 March 2011 amounted to £605,000 compared with £637,000 at 31 March 2010. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2010/11 former tenant arrears of £98,000 were written off (£86,000 in 2009/10).

The Council has a provision for doubtful debts of £305,000 at 31 March 2011 (£354,000 at 31 March 2010)

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

A contribution of £128,000 was made in 2010/11 for the Rent Rebate Subsidy Limitation Scheme (£90,000 in 2009/10).

COLLECTION FUND REVENUE ACCOUNT		
---------------------------------	--	--

2009/10		2010/11	
£000		£000	£000
	<b>Income</b>		
48,536	Income from Council Tax		49,921
	Transfers from General Fund		
9,209	Council Tax Benefits		9,671
26,743	Income collectable from Business Ratepayers		27,733
	Contributions towards previous year's Collection Fund deficit		
-	East Sussex County Council	1,007	
-	Eastbourne Borough Council	197	
-	Sussex Police Authority	120	
-	East Sussex Fire Authority	71	
		1,395	
<b>84,488</b>	<b>Total Fund Income</b>		<b>88,720</b>
	<b>Expenditure</b>		
	Precepts and Demands		
41,727	East Sussex County Council	42,361	
8,099	Eastbourne Borough Council	8,199	
4,986	Sussex Police Authority	5,062	
2,964	East Sussex Fire Authority	2,994	
			58,616
	Business Rates		
26,613	Payment to National Pool	27,602	
130	Costs of Collection	131	
			27,733
	Bad and Doubtful Debts/Appeals		
172	Write-offs	218	
388	Provisions	687	
			905
<b>85,079</b>	<b>Total Fund Expenditure</b>		<b>87,254</b>
<b>591</b>	<b>Movement on Fund Balance</b>		<b>(1,466)</b>
	<b>COLLECTION FUND BALANCE</b>		
797	Balance at 1st April		1,388
591	(Surplus)/Deficit for the year		(1,466)
<b>1,388</b>	<b>Balance as at 31st March</b>		<b>(78)</b>

## NOTES TO THE COLLECTION FUND

### 1 INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:

	£000
Gross amount of Council Tax	(69,498)
Less Discounts	6,949
Exemptions	2,866
Disabled Relief	91
Impairment and write off of bad debts	905
Net Yield from Council Tax	<u>(58,687)</u>
Reconciliation to Collection Fund	
Income form Council Tax	(49,921)
Council Tax Benefits granted	(9,671)
Write offs	218
Provision for Doubtful Debts	687
	<u>(58,687)</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	Yield £000
A Dis Red	15	13	5/9	7	12
A	7,670	6,288	6/9	4,192	6,719
B	12,184	10,824	7/9	8,419	13,493
C	10,183	9,216	8/9	8,192	13,130
D	8,170	7,562	9/9	7,562	12,120
E	4,267	3,900	11/9	4,767	7,640
F	1,996	1,870	13/9	2,701	4,329
G	1,085	1,004	15/9	1,673	2,682
H	54	47	18/9	94	150
	<b>45,624</b>	<b>40,724</b>		<b>37,607</b>	<b>60,275</b>
Less average 2.75% reduction to allow for collection losses etc.				<b>(1,035)</b>	(1,658)
Council Tax Base				<b>36,572</b>	<b>58,617</b>

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.

#### Comparison of Actual versus Theoretical gross Yields:

Tax base before losses (as above)	A	36,572
Band D Council Tax 2009/10 (Budget report)	B	£1,602.77
Theoretical gross yield	A x B	£58,616,504
Actual gross yield (as above)	C	£58,687,517
Theoretical gross yield - actual gross yield	(A x B) – C	£(71,013)

### 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 2010/11 this amounted to £9.099m for Eastbourne Borough Council (£8.399m in 2009/10).

The table below shows the total rateable value and multipliers.

		<b>2009/10</b>	<b>2010/11</b>
Total non-domestic rateable value	£m	65.2	65.2
Multiplier	Pence	48.5	41.4
Multiplier (Small businesses)	Pence	48.1	40.7
Gross Yield Before Adjustments	£m	31.6	31.8

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 deficit £000	Total £000
Eastbourne Borough Council	8,199	197	8,396
East Sussex County Council	42,361	1,008	43,369
Sussex Police	120	120	240
East Sussex Fire Authority	71	71	142
Total	<u>50,751</u>	<u>1,396</u>	<u>52,147</u>

### **4. COLLECTION FUND BALANCE**

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

	<b>2009/10</b> <b>£000</b>	<b>2010/11</b> <b>£000</b>
East Sussex County Council	1,002	(56)
Eastbourne Borough Council	196	(11)
Sussex Police Authority	119	(7)
East Sussex Fire Authority	71	(4)
Deficit	<u>1,388</u>	<u>(78)</u>

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**

As set out in Note 20.4 above, Eastbourne Homes Ltd is a wholly owned subsidiary of the Council, and group accounts are therefore prepared to combine the accounts of the Council and the Company. Transactions and indebtedness between the Council and the Company have been eliminated in the preparation of these accounts.

The purpose of the main accounting statements is as set out in the accounting statements above for the Council alone.

The accounting code of practice requires the same disclosures to be made for group accounts as for the Council's own accounts. However the impact of the Eastbourne Homes figures on the group totals is generally immaterial, other than on the group liability for post employment benefits. This is therefore the only note to the accounts set out below.

### **Wealden and Eastbourne Lifeline (WEL)**

WEL is a company limited by guarantee. The Council holds 24% of the voting rights on normal matters, and 50% on reserved matters, for example dissolution of the company. The Council has appointed two Councillors to the Board of WEL; they have a fiduciary duty to the company and act independently and not under the direction of the Council. Unlike shares where direct voting rights could be exercised, these Councillors act independently and in the interests of the company and not the Council. WEL has not therefore been included in the Council's group accounts.

<b>GROUP MOVEMENT IN RESERVES STATEMENT</b>
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	Total EBC Usable Reserves	EBC Unusable Reserves	Total EBC Reserves	EHL Reserves	Total Group Reserves
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2009</b>	<b>(18,956)</b>	<b>(205,995)</b>	<b>(224,951)</b>	<b>(468)</b>	<b>(225,419)</b>
<b>Movement in Reserves 2009/10:</b>					
Surplus or (deficit) on provision of services (accounting basis)	7,742	-	7,742	54	7,796
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	-	(3,211)	(3,211)	-	(3,211)
Actuarial gains (losses) on share of Pension Fund	-	22,940	22,940	1,324	24,264
<b>Total Comprehensive Expenditure and Income</b>	<b>7,742</b>	<b>19,729</b>	<b>27,471</b>	<b>1,378</b>	<b>28,849</b>
Adjustments between accounting basis & funding basis under regulations	(6,337)	6,337	-	-	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>1,405</b>	<b>26,066</b>	<b>27,471</b>	<b>1,378</b>	<b>28,849</b>
Transfers to / from Earmarked Reserves	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>1,405</b>	<b>26,066</b>	<b>27,471</b>	<b>1,378</b>	<b>28,849</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(17,551)</b>	<b>(179,929)</b>	<b>(197,480)</b>	<b>910</b>	<b>(196,570)</b>
<b>Movement in Reserves 2010/11:</b>					
Surplus or (deficit) on provision of services (accounting basis)	43,561	-	43,561	(949)	42,612
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	-	(85)	(85)	-	(85)
Actuarial gains (losses) on share of Pension Fund	-	(19,831)	(19,831)	(804)	(20,635)
<b>Total Comprehensive Expenditure and Income</b>	<b>43,561</b>	<b>(19,916)</b>	<b>23,645</b>	<b>(1,753)</b>	<b>21,892</b>
Adjustments between accounting basis & funding basis under regulations	(44,223)	44,221	(2)	-	(2)
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(662)</b>	<b>24,305</b>	<b>23,643</b>	<b>(1,753)</b>	<b>21,890</b>
Transfers to / from Earmarked Reserves	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(662)</b>	<b>24,305</b>	<b>23,643</b>	<b>(1,753)</b>	<b>21,890</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(18,213)</b>	<b>(155,624)</b>	<b>(173,837)</b>	<b>(843)</b>	<b>(174,680)</b>

## GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2009/10 Re-stated				2010/11		
Expend.	Income	Net		Expend.	Income	Net
£000	£000	£000		£000	£000	£000
11,873	(10,698)	1,175	Central services to the public	13,398	(11,101)	2,297
15,757	(9,017)	6,740	Cultural and related services	16,672	(9,998)	6,674
			Environmental and regulatory services	9,545	(3,357)	6,188
12,748	(5,898)	6,850	Planning and development services	2,126	(625)	1,501
5,901	(848)	5,053	Highways and transport services	3,589	(2,005)	1,584
3,324	(1,549)	1,775	Local authority housing (HRA)	15,207	(20,858)	(5,651)
19,104	(22,816)	(3,712)	Other housing services	49,783	(48,456)	1,327
46,633	(45,690)	943	Corporate and democratic core	1,708	(33)	1,675
1,728	(14)	1,714	Non distributed costs	10,644	(10,639)	5
383	(1)	382	Exceptional Items	47,912		47,912
-	-	-				
<b>117,451</b>	<b>(96,531)</b>	<b>20,920</b>	<b>Cost Of Services</b>	<b>170,584</b>	<b>(107,072)</b>	<b>63,512</b>
242	-	242	Precepts payable	203	-	203
611	-	611	Payments to housing capital receipts pool	252	-	252
595	-	595	(Gains) / losses on sale of non-current assets	4	-	4
-	-	-				
<b>1,448</b>	<b>-</b>	<b>1,448</b>	<b>Other Operating Expenditure</b>	<b>459</b>	<b>-</b>	<b>459</b>
3,510	-	3,510	Interest payable	3,705	-	3,705
1,801	-	1,801	Pensions interest cost and expected return on assets	940	-	940
-	(340)	(340)	Interest receivable	(3)	(119)	(122)
-	(313)	(313)	Investment Property	-	(313)	(313)
<b>5,311</b>	<b>(653)</b>	<b>4,658</b>	<b>Financing and Investment Income and Expenditure</b>	<b>4,642</b>	<b>(432)</b>	<b>4,210</b>
-	(2,652)	(2,652)	Non-specific grants and contributions	-	(8,256)	(8,256)
-	(8,015)	(8,015)	Council Tax income	-	(8,209)	(8,209)
-	(8,399)	(8,399)	National Non-Domestic Rates redistribution	-	(9,099)	(9,099)
<b>-</b>	<b>(19,066)</b>	<b>(19,066)</b>	<b>Taxation and non-specific grant income</b>	<b>-</b>	<b>(25,564)</b>	<b>(25,564)</b>
		<b>7,960</b>	<b>Surplus or Deficit on Provision of Services</b>			<b>42,617</b>
		<b>6</b>	<b>Tax Expense</b>			<b>(5)</b>
		<b>7,966</b>	<b>Group Surplus or Deficit</b>			<b>42,612</b>
		(3,211)	Surplus or deficit on revaluation of fixed assets			(85)
		24,264	Actuarial gains / losses on pension assets / liabilities			(20,635)
		<b>21,053</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(20,720)</b>
		<b>29,019</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>21,892</b>



<b>GROUP BALANCE SHEET</b>
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<b>01 April 2009</b>		<b>31 March 2010</b>		<b>31 March 2011</b>	
£000	£000	£000	£000	£000	£000
Re-stated		Re-stated			
281,612		292,647		Property, Plant & Equipment	244,228
4,713		4,809		Investment Property	4,809
672		607		Intangible Assets	861
<u>735</u>		<u>47</u>		Long Term Debtors	<u>90</u>
	<b>287,732</b>		<b>298,110</b>	<b>Long Term Assets</b>	<b>249,988</b>
13,647		-		Short Term Investments	2,000
101		149		Inventories	122
9,109		17,511		Short Term Debtors	9,464
<u>3,162</u>		<u>1,456</u>		Cash and Cash Equivalents	<u>7,508</u>
	<b>26,019</b>		<b>19,116</b>	<b>Current Assets</b>	<b>19,094</b>
(306)		(321)		Short Term Borrowing	(4,322)
<u>(11,905)</u>		<u>(8,101)</u>		Short Term Creditors	<u>(9,894)</u>
	<b>(12,211)</b>		<b>(8,422)</b>	<b>Current Liabilities</b>	<b>(14,216)</b>
(1,610)		(1,823)		Long Term Creditors	(2,999)
(201)		(191)		Provisions	(43)
(50,694)		(61,694)		Long Term Borrowing	(59,694)
<u>(23,579)</u>		<u>(48,760)</u>		Other Long Term Liabilities	(17,450)
	<b>(76,084)</b>		<b>(112,468)</b>	<b>Long Term Liabilities</b>	<b>(80,186)</b>
	<u><b>225,456</b></u>		<u><b>196,336</b></u>	<b>Net Assets</b>	<u><b>174,680</b></u>
19,775		18,020		Usable reserves	19,307
205,681		178,316		Unusable Reserves	155,373
	<u><b>225,456</b></u>		<u><b>196,336</b></u>	<b>Total Reserves</b>	<u><b>174,680</b></u>

<b>GROUP CASH FLOW STATEMENT</b>
----------------------------------

<b>2009/10</b>		<b>2010/11</b>
£000		£000
2,456	Operating Activities	(13,030)
7,583	Investing Activities	10,793
(8,333)	Financing Activities	(3,815)
<b>1,706</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(6,052)</b>

The balances of cash and cash equivalents are shown below:

<b>2009/10</b>				<b>2010/11</b>		
<b>1</b>	<b>31 March</b>	<b>Change</b>		<b>1</b>	<b>31 March</b>	<b>Change</b>
April	£000	£000		April	£000	£000
460	(701)	(1,161)	Cash and Bank	(701)	220	921
2,000	1,850	(150)	Call accounts	1,850	5,509	3,659
702	307	(395)	Eastbourne Homes	307	1,779	1,472
			<b>Total Cash and</b>			
<b>3,162</b>	<b>1,456</b>	<b>(1,706)</b>	<b>Cash Equivalents</b>	<b>1,456</b>	<b>7,508</b>	<b>6,052</b>

## NOTES TO THE GROUP ACCOUNTING STATEMENTS

### 1 Accounting Policies

The accounting policies set out in Note 1 to the Eastbourne Borough Council also apply to the group accounts. Where necessary, the accounts of Eastbourne Homes Ltd have been adapted to align them with this Council's policies.

### 2 Post Employment Benefits

#### 2.1 Participation in defined liability pension plan

Details of the Council's participation in the East Sussex Pension Fund are set out in Note 32, and employees of Eastbourne Homes Ltd have the same access to the benefits of the scheme.

#### 2.2 Annual movement in plan obligations and assets

The table below shows separately the movements in the obligations and assets relating to the accounting group:

2009/10				2010/11		
Obligation	Asset	Net		Obligation	Asset	Net
£000	£000	£000		£000	£000	£000
<b>(83,157)</b>	<b>59,578</b>	<b>(23,579)</b>	<b>Asset / Liability at 1 April</b>	<b>(128,211)</b>	<b>79,451</b>	<b>(48,760)</b>
		-				-
(1,020)	-	<b>(1,020)</b>	Current Service Cost	(1,922)	-	<b>(1,922)</b>
(5,660)	-	<b>(5,660)</b>	Interest Cost	(6,512)	-	<b>(6,512)</b>
-	3,828	<b>3,828</b>	Expected return on plan assets	-	5,572	<b>5,572</b>
(604)	604	-	Contributions by scheme participants	(585)	585	-
-	-	-	Actuarial gains and losses:	-	-	-
-	17,419	<b>17,419</b>	Difference between expected and actual returns	(730)	56	<b>(674)</b>
(41,683)	-	<b>(41,683)</b>	Movement in actuarial assumptions for liability	21,926	-	<b>21,926</b>
4,288	(4,288)	-	Benefits paid	4,720	(4,720)	-
(36)	-	<b>(36)</b>	Past Service Cost	10,639	-	<b>10,639</b>
(339)	-	<b>(339)</b>	Curtailments	(5)	-	<b>(5)</b>
-	-	-	Settlements	-	-	-
-	2,310	<b>2,310</b>	Contributions by employer	-	2,286	<b>2,286</b>
<b>(128,211)</b>	<b>79,451</b>	<b>(48,760)</b>	<b>Asset / Liability at 31 March</b>	<b>(100,680)</b>	<b>83,230</b>	<b>(17,450)</b>

#### 2.3 Transactions relating to post-employment benefits

2009/10		2010/11
£000		£000
	Current Service Cost	
45	Central services to the public	89
202	Cultural and related services	389
151	Environmental and regulatory services	274
89	Planning and development services	163
33	Highways and transport services	61
159	Local authority housing (HRA)	277
115	Other housing services	199
21	Corporate and democratic core	35
6	Trading accounts	12
199	Support services	423
<b>1,020</b>	<b>Total Current Service Cost</b>	<b>1,922</b>
	Past Service Cost	
36	Non-Distributed Costs	(10,639)
<b>36</b>	<b>Total Past Service Cost</b>	<b>(10,639)</b>

	Curtailments	
339	Non-Distributed Costs	5
<b>339</b>	<b>Total Curtailments</b>	<b>5</b>
<b>1,395</b>	<b>Cost of Services</b>	<b>(8,712)</b>
5,660	<b>Interest Cost</b>	6,512
(3,828)	<b>Expected Return on Assets</b>	(5,572)
<b>1,832</b>	<b>Financing and Investment Income and Expenditure</b>	<b>940</b>
<b>3,227</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>(7,772)</b>
<b>24,264</b>	<b>Actuarial Gains and Losses</b>	<b>(21,252)</b>
<b>24,264</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>(21,252)</b>
<b>27,491</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(29,024)</b>

#### 2.4 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present value of liabilities	(91,018)	(79,106)	(83,157)	(128,211)	(100,680)
Fair value of assets	71,152	63,972	59,578	79,451	83,230
<b>Surplus / (Deficit) in the scheme</b>	<b>(19,866)</b>	<b>(15,134)</b>	<b>(23,579)</b>	<b>(48,760)</b>	<b>(17,450)</b>

### 3. 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 and information technology.

	2010	2011
	£000	£000
<b>Income</b>		
Housing Management contract	6,696	6,776
Other contracts	37	45
<b>Expenditure</b>		
Service Level Agreements	256	214
Accommodation costs	60	-
Contribution to Capital Works	300	300
<b>Recharges</b>		
Capital Works at cost	18,040	6,687
Other	76	21
<b>Debtor</b>		
Amount due from Eastbourne Borough Council	916	1,094
<b>Creditor</b>		
Amount due to Eastbourne Borough Council	88	67

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.