

# **Statement of Accounts 2011/12**



## TABLE OF CONTENTS

TABLE OF CONTENTS .....	1
FOREWORD BY CHIEF FINANCE OFFICER.....	2
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS .....	7
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL .....	8
MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 March 2012 .....	11
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT .....	13
BALANCE SHEET.....	14
CASH FLOW STATEMENT .....	15
NOTES TO THE ACCOUNTING STATEMENTS .....	16
HOUSING REVENUE ACCOUNT (HRA) .....	63
COLLECTION FUND REVENUE ACCOUNT .....	68
GROUP ACCOUNTS .....	71
GROUP MOVEMENT IN RESERVES STATEMENT .....	72
GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT .....	73
GROUP BALANCE SHEET .....	74
GROUP CASH FLOW STATEMENT .....	75
NOTES TO THE GROUP ACCOUNTING STATEMENTS .....	76

## FOREWORD BY CHIEF FINANCE OFFICER

### INTRODUCTION

The foreword explains the key components of the Statement of Accounts 2011/12 and provides a guide to the financial activities of the Council during the year 1 April 2011 to 31 March 2012.

### 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 2011/12, 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 2012. 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 gain for 2011/12 of £8.4m. 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 gain together with a transfer of £500,000 into the creation of a new reserve for regeneration projects and other minor reserve transfers into a net decrease in the General Fund Balance of £604,000. 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 £15.8m (amount to be funded by Government Grant and Council Tax). The Council, after taking advantage of the government's special grant to finance the cost of a 2.5% increase in Council Tax, set a Band D Council Tax for 2011/12 of £224.19, being a zero percent increase over 2010/11.

The General Fund balance at the beginning of the year stood at £5.3m. The final outturn delivered a variance of £127,000 before net interest, capital financing and transfers to reserves. The transfer from the general fund reserve of £158,000 represents this under spend less the amount that was budgeted to be taken from reserves to support the 2011/12 budget. As a result of this movement the General Fund Balance as at 31 March 2012 was £4.7m.

The following table compares the major elements of the budget and actual for general fund services in 2011/12:

	<b>Original Budget £000</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Net Service Expenditure	15,790	15,931	15,804	(127)
Net Interest and Capital Financing	739	723	451	(272)
Transfer to (from) Reserves	-	(117)	155	272
<b>Net Expenditure</b>	<b>16,529</b>	<b>16,537</b>	<b>16,410</b>	<b>(127)</b>
Transfer to (from) General Fund Balance	(497)	(285)	(158)	127
Council Tax Grant	(203)	(206)	(206)	-
<b>Budget Requirement</b>	<b>15,829</b>	<b>16,046</b>	<b>16,046</b>	<b>-</b>
Financed by				
Formula Grant and NNDR Redistribution Grant	(7,580)	(7,797)	(7,797)	-
Council Taxpayers	(8,249)	(8,249)	(8,249)	-
<b>Total Financing</b>	<b>(15,829)</b>	<b>(16,046)</b>	<b>(16,046)</b>	<b>-</b>

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

- an improved performance achieved from the Housing Benefit subsidy and overpayments budget;
- concessionary fares final settlement on the closure of the scheme following transfer of responsibly to the County Council;

These were partially offset by overspends at the Theatres and the Towner Gallery, leading to a final favourable net outturn of £127,000 for the year.

## 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 2012 3,702 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 2011/12 the Housing Revenue Account net position after adjustments required by statute shows an overall surplus of £251,000 for the year against an expected budgeted surplus of £260,000 resulting in a variance of £9,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2011/12:

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Total Expenditure	11,330	11,292	11,385	93
Total Income	(14,846)	(14,862)	(14,854)	8
<b>Net cost of Service</b>	<b>(3,516)</b>	<b>(3,570)</b>	<b>(3,469)</b>	<b>101</b>
Capital Financing less interest receivable	3,317	3,310	3,218	(92)
Appropriations	-	-	-	-
<b>Housing Revenue Account (Surplus) / Deficit</b>	<b>(199)</b>	<b>(260)</b>	<b>(251)</b>	<b>(9)</b>
Opening Balance 1.4.11	(1,536)	(1,750)	(1,750)	-
Closing Balance 31.3.12	(1,735)	(2010)	(2,001)	(9)

There has been a net impairment loss of £13,916,000 for Council Dwellings; an impairment loss of £19,672,000 and an impairment loss of £5,756,000.

On 1 April 2012 the HRA subsidy system came to an end, after which Councils are required to finance their own HRA Businesses from rents and other income in return for a 'one off' settlement from central Government. On 28 March 2012 the Government paid over this settlement grant of £39m for the repayment of long term debt and the related premia payment due on the early debt settlement.

## 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 £54,701 as at 31 March 2012 (compared to a surplus of £77,987 as at 31 March 2011). The January 2012 forecast surplus of £68,350 will be distributed to the precepting bodies pro rata to their Band D Council Tax during 2012/13 leaving a balance of £13,648 to be collected in 2013/14. The Council share as at 31 March 2012 was £7,661.

## 4 Capital Spending

The Council's capital spending in the year was £14.7m compared with a revised budget of £14.5m. Capital expenditure has been financed as follows:

	£000
Capital Receipts	-
Earmarked Reserves	157
Government Grants & Contributions	3,015
Major Repairs Reserve	3,276
Financed from borrowing	8,214
<b>Total</b>	<b>14,662</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 & building	5,324	5,074	(250)
Solar Panel Installations	3,362	3,143	(219)
Private Sector Renewal Grants	244	154	(90)
Grants to Provide Disabled Facilities	582	570	(12)
Coastal Defence	200	396	196
Playground & Sports Facilities Improvements	782	761	(21)
Cremator Replacement	58	427	369
Other Schemes	3,983	4,138	155
<b>Total Capital Expenditure</b>	<b>14,535</b>	<b>14,663</b>	<b>128</b>

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 2012/13 – 2014/15 totalling £15.3m to be funded as follows:

	<b>2012/13</b>	<b>2013/14</b>	<b>2014-15</b>
	£m	£m	£m
Capital Receipts	2,654	-	-
Grants and Contributions	1,853	683	500
Revenue Contributions	549	-	-
Section 106 Contributions	1,036	-	-
Borrowing	7,858	80	80
<b>Total</b>	<b>13,950</b>	<b>763</b>	<b>580</b>

## 6 Pensions

The Council's liability for future pension payments has increased from £17.2m to £24.7m. This was mainly as a result of a change of the discount rate used from 5.5% to 4.8%. This has resulted in an increase of Defined Benefit Obligations from £95m to £103m. The net asset value has increased by £0.4m. 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 2012, comprising long and short-term borrowing stood at £34.5m. This is made up of £26.2m repayable in more than one year and £8.3m repayable in less than one year. This is a net decrease of £29.2m over the previous year, mainly as a result HRA Self Financing Reform. This resulted in Central Government repaying £30m of supported borrowing

Short-term investments of £2.0m were held at 31 March 2012 compared with £2.0m in the previous year. The Council held cash balances as at 31 March 2012 of £2.1m, which includes call deposit accounts and investments with maturity of up to month, compared to £5.7m as at 31 March 2011. The decrease in cash balances was mainly due to the Authority using its own cash balances instead of externally borrowing to finance capital expenditure.

## 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 2012/13 budget has been set against an uncertain economic background. The Council's medium term financial strategy sets out its spending plans for the period 2012/13 to 2014/15. 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

The key accounting changes include :

- **Accounting for Heritage Assets** - This is a new classification of asset on the Balance Sheet and relates to tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. A new disclosure note to the accounts is required which includes information on the nature and scale of heritage assets held, the policy for the acquisition, preservation, management and disposal and a reconciliation of the balance sheet amounts. See Note 22.
- **Componentisation** - This is the first year the Authority has been required to account for major components within its non-current assets. For Other Land and Building these have been identified where the value of an assets is more than 10% of the total of that category of assets. For Council Dwellings the components are identified by reference to the 30 year business plan which identifies the key components to be replaced at regular intervals over the life of the asset, costs all capital works and their projected timing. The major components are identified and depreciation over their useful economic life and any residual is treated as an extended life asset which is depreciated over 60 years
- **Exit Packages Disclose Note** - The 2011/12 Code has introduced a requirement to disclose the number and cost of exit packages and is consistent with the requirement to disclosure similar information elsewhere in the public sector. See Note 12.
- **Trust Funds** - The 2011/12 Code has introduced a requirement to disclose the nature and amount of trust funds . See Note 36.

## FURTHER INFORMATION

Summary financial information is published annually on the Council's website ([www.eastbourne.gov.uk](http://www.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

## 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 2011/12 was approved at the meeting of the Audit Committee held on 26<sup>th</sup> September 2012.

Signed

Councillor John Ungar  
Chair, Audit Committee  
Date 26<sup>th</sup> September 2012.

## **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 2012 and its income and expenditure for the year ended 31 March 2012.

Alan Osborne  
Chief Finance Officer  
Statutory Section 151 Officer  
Date 26<sup>th</sup> September 2012



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

### **Opinion on the Authority and Group financial statements**

We have audited the financial statements of Eastbourne Borough Council and its Group for the year ended 31 March 2012 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 Income and Expenditure Statement; the Movement on the Housing Revenue Account Statement; the Collection Fund and related 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 2011/12.

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.

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

As explained more fully in the Statement of the Chief Finance Officers. Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, 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 financial statements 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 financial statements**

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

### **Opinion on Authority financial statements**

In our opinion the Authority financial statements:

- give a true and fair view of the financial position of Eastbourne Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

### **Opinion on Group financial statements**

In our opinion the Group financial statements:

- give a true and fair view of the financial position of Eastbourne Borough Council's Group affairs as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with .Delivering Good Governance in Local Government: a Framework. published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998. We have nothing to report in these respects.

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

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority 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.

We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority'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 2011, as to whether the Authority 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 Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on my risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant

respects, the Authority 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 2011, we are satisfied that, in all significant respects, Eastbourne Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

### **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.

Signature: **ROBERT GRANT**

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

28 September 2012

**MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 March 2012**

	General Fund	HRA Balance	Earmarked Reserves (note 18)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions	Total Usable Reserves	Unusable Reserves (note 33)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2010 (Restated)</b>	(4,539)	(1,424)	(3,097)	0	(3,329)	(5,162)	<b>(17,551)</b>	<b>(189,443)</b>	<b>(206,994)</b>
<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>	(1,597)	<b>(1,597)</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 Income and Expenditure</b>	(12,139)	55,699	0	0	0	0	<b>43,560</b>	(21,428)	<b>22,132</b>
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	<b>(662)</b>	22,794	<b>22,132</b>
Transfers to / from Earmarked Reserves	(66)	289	(224)	0	0	1	<b>0</b>	0	<b>0</b>
<b>Increase / Decrease in Year</b>	<b>(728)</b>	<b>(326)</b>	<b>(224)</b>	<b>(1,564)</b>	<b>2,103</b>	<b>77</b>	<b>(662)</b>	<b>22,794</b>	<b>22,132</b>
<b>Balance at 31 March 2011 carried forward (Restated)</b>	<b>(5,267)</b>	<b>(1,750)</b>	<b>(3,321)</b>	<b>(1,564)</b>	<b>(1,226)</b>	<b>(5,085)</b>	<b>(18,213)</b>	<b>(166,649)</b>	<b>(184,862)</b>

**Movement in Reserves 2011/12**

Surplus or (deficit) on provision of services (accounting basis)	15,939	(17,855)	0	0	0	0	<b>(1,916)</b>	0	<b>(1,916)</b>
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	0	0	0	0	0	0	<b>0</b>	(14,736)	<b>(14,736)</b>
Actuarial gains (losses) on share of Pension Fund	0	0	0	0	0	0	<b>0</b>	8,255	<b>8,255</b>
<b>Total Comprehensive Income and Expenditure</b>	15,939	(17,855)	0	0	0	0	(1,916)	(6,481)	(8,397)
Adjustments between accounting basis & funding basis under regulations (see note 7)	(15,888)	17,631	0	487	(1,027)	61	<b>1,264</b>	(1,264)	<b>0</b>
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	51	(224)	0	487	(1,027)	61	(652)	(7,745)	(8,397)
Transfers to / from Earmarked Reserves	553	(27)	(526)	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase / Decrease in Year</b>	604	(251)	(526)	487	(1,027)	61	(652)	(7,745)	(8,397)
<b>Balance at 31 March 2012 carried forward</b>	(4,663)	(2,001)	(3,847)	(1,077)	(2,253)	(5,024)	<b>(18,865)</b>	(174,394)	<b>(193,259)</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 2.18, and more details are given for earmarked and unusable reserves in Note 33. 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

2010/11 Restated				2011/12		
Exp.	Income	Net	Note	Exp.	Income	Net
£000	£000	£000		£000	£000	£000
13,398	(11,101)	2,297	Central Services to the Public	12,351	(10,739)	1,612
16,672	(9,998)	6,674	Cultural and Related Services	30,134	(8,939)	21,195
9,545	(3,357)	6,188	Environmental & Regulatory Services	10,228	(3,422)	6,806
2,125	(625)	1,500	Planning and Development Services	2,121	(1,067)	1,054
908	(1,013)	(105)	Highways and Transport Services	1,535	(529)	1,006
10,457	(14,865)	(4,408)	Local Authority Housing (HRA)	24,907	(14,817)	10,090
49,783	(48,456)	1,327	Other Housing Services	52,462	(51,641)	821
1,708	(33)	1,675	Corporate and Democratic core	2,098	(40)	2,058
5	-	5	Non Distributed Costs	671	(269)	402
2,681	(992)	1,689	Concessionary fares	(71)	(1)	(72)
47,912	-	47,912	Exceptional Items	-	-	-
<b>155,194</b>	<b>(90,440)</b>	<b>64,754</b>	<b>Cost Of Services</b>	<b>136,436</b>	<b>(91,464)</b>	<b>44,972</b>
203	-	203	Levy Payable	177	-	177
252	-	252	Payments to housing capital receipts pool	600	-	600
4	-	4	(Gains) / losses on sale of non-current assets	-	(1,033)	(1,033)
<b>459</b>	<b>-</b>	<b>459</b>	<b>Other Operating Expenditure</b>	<b>777</b>	<b>(1,033)</b>	<b>(256)</b>
3,705	-	3,705	Interest payable & similar charges	12,224	-	12,224
938	-	938	Pensions interest cost and expected return on assets	34	-	(149)
-	(119)	(119)	Interest receivable	-	(123)	(123)
-	(313)	(313)	Trading Operations	16	(1,629)	(2,016)
<b>4,643</b>	<b>(432)</b>	<b>4,211</b>	<b>Financing and Investment Income and Expenditure</b>	<b>10,595</b>	<b>(659)</b>	<b>9,936</b>
-	(8,556)	(8,556)	Non-specific grants and contributions	17	-	(3,509)
-	-	-	HRA Self Financing Settlement	17	-	(39,024)
-	(8,209)	(8,209)	Council Tax income	-	(8,245)	(8,245)
-	(9,099)	(9,099)	National Non-Domestic Rates redistribution	-	(5,790)	(5,790)
<b>-</b>	<b>(25,864)</b>	<b>(25,864)</b>	<b>Taxation and non-specific grant income</b>	<b>-</b>	<b>(56,568)</b>	<b>(56,568)</b>
		<b>43,560</b>	<b>Surplus or Deficit on Provision of Services</b>			<b>(1,916)</b>
		(1,597)	Surplus or deficit on revaluation of non current assets			(14,736)
		(19,831)	Actuarial gains / losses on pension assets / liabilities			8,255
		<b>(21,428)</b>	<b>Other Comprehensive I &amp; E</b>			<b>(6,481)</b>
		<b>22,132</b>	<b>Total Comprehensive I &amp; E</b>			<b>(8,397)</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 2010	31 March 2011		Notes	31 March 2012	
Restated	Restated			£000	£000
£000	£000				
291,898	243,447	Property, Plant & Equipment	21	230,974	
10,192	11,736	Heritage Assets	22	12,209	
4,809	4,809	Investment Property	23	6,562	
607	861	Intangible Assets	24	866	
47	90	Long Term Debtors	29	303	
<b>307,553</b>	<b>260,943</b>	<b>Long Term Assets</b>			<b>250,914</b>
-	-	Assets Held for Sale	25	2,373	
0	2,000	Short Term Investments	26	2,000	
149	122	Inventory	28	143	
16,865	9,183	Short Term Debtors	29	7,266	
1,149	5,729	Cash and Cash Equivalents	26	2,112	
<b>18,163</b>	<b>17,034</b>	<b>Current Assets</b>			<b>13,894</b>
(321)	(4,322)	Short Term Borrowing	26	(8,273)	
(7,545)	(8,899)	Short Term Creditors	30	(9,389)	
(191)	-	Short Term Provisions	31	(101)	
0	(2)	Revenue Grants Receipts in Advance	17	(96)	
<b>(8,057)</b>	<b>(13,223)</b>	<b>Current Liabilities</b>			<b>(17,859)</b>
(1,823)	(2,999)	Long Term Creditors	26	(2,757)	
(61,694)	(59,694)	Long Term Borrowing	26	(26,212)	
(47,147)	(17,199)	Other Long Term Liabilities	34	(24,721)	
<b>(110,664)</b>	<b>(79,892)</b>	<b>Long Term Liabilities</b>			<b>(53,690)</b>
<b>206,995</b>	<b>184,862</b>	<b>NET ASSETS</b>			<b>193,259</b>
(17,551)	(18,213)	Usable Reserves	32	(18,865)	
(189,444)	(166,649)	Unusable Reserves	33	(174,394)	
<b>(206,995)</b>	<b>(184,862)</b>	<b>TOTAL RESERVES</b>			<b>(193,259)</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

<b>2010/11</b>		<b>2011/12</b>	
<b>£000</b>		<b>£000</b>	<b>£000</b>
(8,208)	Taxation	(8,252)	
(73,187)	Government grants	(65,951)	
(4,380)	Housing rents	(4,827)	
(14,077)	Goods sold and services rendered	(9,152)	
(112)	Interest received	(579)	
(4,620)	Other receipts	(9,352)	
<b>(104,584)</b>	<b>Cash inflows from operating activities</b>		<b>(98,113)</b>
10,690	Employees	10,337	
36,520	Housing Benefit paid	39,884	
472	Cap Receipts pool	658	
28,401	Payments for goods and services	27,337	
3,696	Interest paid	3,730	
13,264	Other operating costs	12,956	
<b>93,043</b>	<b>Cash outflows from operating activities</b>		<b>94,902</b>
<b>(11,541)</b>			<b>(3,211)</b>
18,032	Purchase property, plant & equipment, Investment property and intangible assets	13,755	
51,200	Purchase of short and long term investments	17,000	
-	Other investing activities	1,197	
(471)	Sales of property, plant & equipment, Investment property and intangible assets	(1,623)	
(49,200)	Sale of short and long term investments	(17,000)	
(8,792)	Other investing receipts	(2,306)	
<b>10,769</b>	<b>Net cash outflows / (inflows) from investing activities</b>		<b>11,023</b>
(2,000)	Cash receipts of borrowing	(5,000)	
450	Cash payments for reduction of lease liabilities	(1,464)	
23	Repayments of borrowing	4,000	
(2,281)	Other financing activities	(1,731)	
<b>(3,808)</b>	<b>Net cash (inflows) / outflows from financing activities</b>		<b>(4,195)</b>
<b>(4,580)</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>		<b>3,617</b>

The balances of cash and cash equivalents are shown below:

<b>2010/11</b>			<b>2011/12</b>		
<b>1.4.10</b>	<b>31.3.11</b>	<b>Movement</b>	<b>1.4.11</b>	<b>31.3.12</b>	<b>Movement</b>
£000	£000	£000	£000	£000	£000
(720)	202	922	202	391	189
19	18	(1)	18	19	1
1,850	5,509	3,659	5,509	1,702	(3,807)
<b>1,149</b>	<b>5,729</b>	<b>4,580</b>	<b>5,729</b>	<b>2,112</b>	<b>(3,617)</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 the Authority is required to record Heritage Assets separately in the accounts. This has required us to re-state the balance sheets as at 1 April 2010 and 31 March 2011 and to adjust the main accounting statements and notes accordingly. See Note 22 for changes.

### 2. ACCOUNTING POLICIES

#### 2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the end of 31 March 2012, 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 2011/12, 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 entitlement for annual leave, flexi-time and time in lieu. Short-term employee benefits are those due to be settled within 12 months of the year-end. Where considered material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made using an estimated average salary rate. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### 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 4.8% (based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 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 Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in 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 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 is 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.

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.

## Componentisation

Where an asset within Other Land & Buildings 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.

Council Dwellings are componentised by reference to the 30 year business plan which identifies the key components to be replaced at regular intervals over the life of the asset, costs all capital works and their projected timing. The major components are identified and depreciation over their useful economic life and any residual is treated as an extended life asset which is depreciated over 60 years.

### **2.12 Heritage Assets**

The Authority maintains an art collection and a local history collection which are held in support of the Authority's objective to increase the knowledge, understanding and appreciation of the arts and the history of the local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment, except for the frequency of revaluations. Some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Authority's Heritage Assets are accounted for as follows:

## **Art Collection**

The art collection includes paintings and sketches and is reported in the Balance Sheet at insurance value, which was based on the last external valuation carried out and has been uplifted each year for inflation. The collection is due to be valued by an external valuer in 2012-13. The art collection will be revalued every 10 years, with an annual impairment review. The art collection is deemed to have indeterminate life and a high residual value, hence we do not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donations. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information.

## **Local History Collection**

The Local History Museum, which comprises of the Eastbourne Archaeological Collection, The Eastbourne Local History Collection, The Eastbourne Photographic and Postcard Collection and The Eastbourne Local History and Archaeology Library and Research Resource is recognised on the balance sheet at insurance value as cost is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. The collection has been acquired mainly by donation over 100 years ago with some additional items being donated and purchased over the years.

## **Heritage Assets – General**

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note 2.11. We will occasionally dispose of Heritage Assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 2.11).

### **2.13 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 Note 2.11) 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.

### **2.14 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.

## **2.15 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 2.11 above. 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.

## **2.16 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 Service Reporting Code of Practice 2011/12 (SeRCOP). 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 Authority’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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

## 2.17 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.

## 2.18 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.

- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

## **2.19 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.

## **2.20 Value Added Tax**

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

## **2.21 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.

## **2.22 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.

## **2.23 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 adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Authority.

## **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.

- Eastbourne Borough Council and Wealden District Council both appoint Councillors as Directors of Wealden and Eastbourne Lifeline, a company limited by guarantee. It has been determined by both councils that there is no control either separately or jointly to govern the financial and operating policies of the company and therefore no Group accounts are necessary.
- The Authority holds a number of investment properties, the Chief Finance Officer and Financial Services manager, using the criteria set out in IAS 40, decide which properties are deemed as being held for capital appreciation or for rental income.
- The Chief Finance Officer and Financial Services Manager conduct an annual review using the criteria set out in IAS 7, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities).

## **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 2012 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 £80,000 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% decrease in the discount rate assumption would result in an increase in the pension liability of £8.6m and a 1 year increase in member life expectancy would increase the pension liability by £3.1m.

**Arrears** - At 31 March 2012, the Authority had a balance of all debtors for £11,472,000. A review of significant balances suggested that an impairment of doubtful debts of £4,207,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

**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**

There were no events after the balance sheet date as at 26<sup>th</sup> September 2012.

## 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 (note32)	Unusable (Note 33)
<b>2010/11 Transactions:</b>							
<b>ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Charges for depreciation and impairment of non-current assets	(3,662)	(61,267)				(64,929)	64,929
Amortisation of intangible assets	(175)					(175)	175
Capital grants and contributions applied					6,735	6,735	(6,735)
Revenue expenditures funded from capital under statute	(1,876)				1,647	(229)	229
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	(169)	(305)				(474)	474
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the financing of capital investment	534					534	(534)
Capital expenditure charged to the General Fund Balance and HRA Balances	1,590					1,590	(1,590)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED</b>							
Capital grants and contributions received credited to the Comprehensive Income and Expenditure Statement	7,004	1,788			(8,792)	0	0
Capital grants and contributions applied to finance capital expenditure	(277)				277	0	0
Capital grants and contributions received in prior year credited to the Comprehensive Income and Expenditure Statement	(200)				200	0	0
<b>ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	10	460		(470)		0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(252)			252		0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				18		18	(18)

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves (note 32)	Unusable (Note 33)
Use of Capital Receipts to finance new capital expenditure	(1,344)			2,312		968	(968)
Transfer of capital receipt incorrectly classified as a capital grant in prior year				(9)	9	0	0
<b>ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>							
Reversal of the Major Repairs Allowance credited to the HRA		2,754	(2,754)			0	0
Use of Major Repairs Reserve to finance new capital expenditure			1,190			1,190	(1,190)
<b>ADJUSTMENT PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>							
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements						226	(226)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>							
Reversal of items relating to retirement benefits debited ore credited to the Comprehensive Income and Expenditure Statement	12,144	65				12,209	(12,209)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,057)	(35)				(2,092)	2,092
<b>ADJUSTMENT PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements						207	(207)
<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>
<b>2011/12 Transactions:</b>							
<b>ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT</b>							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Charges for depreciation and impairment of non-current assets	(20,245)	(16,721)	0	0	0	(36,966)	36,966
Movements in the fair value of investment properties	1,753	0	0	0	0	1,753	(1,753)

	<b>General Fund</b>	<b>HRA Balance</b>	<b>Major Repairs Reserve</b>	<b>Capital Receipts</b>	<b>Capital Grants &amp; Contribs.</b>	<b>Total Usable Reserves (note32)</b>	<b>Unusable (Note 33)</b>
Amortisation of intangible assets	(300)	0	0	0	0	(300)	300
Capital grants and contributions applied	266	0	0	0	1,931	2,197	(2,197)
Revenue expenditures funded from capital under statute	(969)	0	0	0	0	(969)	969
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	(237)	(380)	0	26	0	(590)	590
Government Grant received on HRA self financing settlement used to repay long term borrowing	0	0	0	30,482	0	30,482	(30,482)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the financing of capital investment	554	0	0	0	0	554	(554)
Capital expenditure charged to the General Fund Balance and HRA Balances	976	0	0	0	0	976	(976)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED</b>							
Capital grants and contributions received credited to the Comprehensive Income and Expenditure Statement	2,678	378	0	0	(3,056)		0
Capital grants and contributions applied to finance capital expenditure	(139)	0	0	0	139	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,039)	0	0	0	1,039	0	0
Transfer of revenue grant received receipt incorrectly classified as capital grant in prior years	(9)	0	0	0	9	0	0
<b>ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	821	829	0	(1,650)	0		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(600)	0	0	600	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	(3)	0	(3)	3
Government grant received on HRA self financing settlement for the repayment of long term borrowing credited to the Comprehensive Income and Expenditure Statement	0	30,482	0	(30,482)	0	0	0
Government grant received on HRA self financing settlement for payment of premia due on early debt repayment credited to the Comprehensive Income and Expenditure Account	0	8,542	0	(8,542)	0	(0)	0

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contribs.	Total Usable Reserves (note32)	Unusable (Note 33)
Capital Receipts applied to finance payment of premia due on early debt repayment	0	(8,542)	0	8,542	0	0	0
<b>ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>							
Reversal of the Major Repairs Allowance credited to the HRA	0	2,789	(2,789)	0	0	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	3,276	0	0	3,276	(3,276)
<b>ADJUSTMENT PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT</b>							
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	0	226	0	0	0	226	(226)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>							
Reversal of items relating to retirement benefits debited ore credited to the Comprehensive Income and Expenditure Statement	2,678	61	0	0	0	2,739	(2,739)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,973)	(33)	0	0	0	(2,006)	2,006
<b>ADJUSTMENT PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements	(3)	0	0	0	0	(3)	3
<b>ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT</b>							
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(100)	(1)	0	0	0	(101)	101
<b>Total Adjustments 2011/12</b>	<b>(15,888)</b>	<b>17,631</b>	<b>487</b>	<b>(1,027)</b>	<b>61</b>	<b>1,264</b>	<b>(1,264)</b>



## 8. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Interest Payable and Similar Charges within the Comprehensive Income and Expenditure Statement includes a premium of £8.54m payable on the early redemption of debt as a result of HRA Reform Refinancing. This premium was paid by Central Government.

Responsibility for Concessionary Fares (free bus passes) passed to East Sussex County Council from 1 April 2011, which has resulted in a reduction of income and expenditure for Highways and Transport Services in 2011/12. The comparative figures for 2010-11 are provided below.

<b>Highways and Transport Services 2010-11</b>	<b>Expend £000</b>	<b>Income £000</b>	<b>Net £000</b>
Published figures for 2010-11	3,589	(2,005)	1,584
Comparative Figures excluding Concessionary Fares	908	(1,013)	(105)
<b>Difference Relating to Concessionary Fares</b>	<b>2,681</b>	<b>(992)</b>	<b>1,689</b>

## 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>2010/11 £000</b>		<b>2011/12 £000</b>
175	Fees payable with regard to external audit services carried out by the appointed auditor	146
50	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	55
17	Fee payable in respect of other services provided by the appointed auditor	1
<b>242</b>		<b>202</b>

## 11. MEMBERS' ALLOWANCES

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

<b>2010/11 £000</b>		<b>2011/12 £000</b>
120	Members' allowances	119
3	Conference and Travelling Expenses	2
<b>123</b>		<b>121</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	2011/12	109,898	3,850	23,869	137,617
	2010/11	102,767	3,643	21,923	128,333
Deputy Chief Executive	2011/12	89,635	3,400	19,125	112,160
	2010/11	84,233	3,150	18,200	105,583
Chief Finance Officer	2011/12	73,913	250	16,630	90,793
	2010/11	74,163	1,102	16,409	91,674
Senior Head of Community	2011/12	65,500	2,858	14,737	83,095
	2010/11	63,233	2,934	14,038	80,205
Senior Head of Tourism and Leisure	2011/12	64,000	2,832	14,400	81,232
	2010/11	61,845	2,848	13,709	78,402
Senior Head of Environment and Development	2011/12	65,900	-	14,828	80,728
	2010/11	63,674	-	14,136	77,810

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 2011/12 were £10,042 and £4,635 respectively compared to £3,667 and £2,000 in 2010/11.

### • 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>2010/11</b>	<b>2011/12</b>
	Number of Employees	Number of Employees
£50,000 - £54,999	3	2
£55,000 - £59,999	-	2
£60,000 - £64,999	-	2 (2)
£65,000 - £69,999	1	1
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	1 (1)
<b>Total</b>	<b>5</b>	<b>9 (3)</b>

The figures in brackets relate to the number of employees who left during the year.

The number of exit packages with total cost per band of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 -£20,000	5	10		1	5	11	43,357	65,640
£20,001 - £80,000	1	3			1	3	21,056	152,947
<b>Total</b>	<b>6</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>14</b>	<b>64,413</b>	<b>218,587</b>

### 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 17 (grants and contributions), 29 (debtors) and 30 (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 34.

#### 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 2011/12 this fee was £6.864m, covering supervision and management and repairs. This compares with £6.776m paid in 2010/11. 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 £1,728,000 (£1,094,000 at 31 March 2011), while Eastbourne Homes Ltd owed the Council £89,000 (£67,000 at 31 March 2011).

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 2011/12 is shown in Note 11. Seven members are also members of

East Sussex County Council. Grants totalling £19,700 to voluntary organisations in which 2 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 2011/12 works and services to the value of £26,600 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.

#### 13.8 CloudConnX

The Authority is due to become a shareholder in CloudConnX, but as at 31 March the Authority had provided a commercial loan of £193,000. A Member of the Council has been appointed a Director to represent the Council's interest.

### 14. LEASING

#### 14.1 Finance leases – Council acting as lessee

The council held assets valued at £215,000 as at 31 March 2012 under finance leases, all shown under "Vehicles Plant and Equipment" in Note 21.1. The equivalent figure as at 31 March 2011 was £432,000. The lease is due to expire 31 March 2013. Future minimum lease payments under this lease as at 31 March 2012 is £2,690,000. The equivalent figure as at 31 March 2011 was £4,910,000.

#### 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>2010/11 Minimum Lease Payments</b>		<b>2011/12 Minimum Lease Payments</b>
£000		£000
	Leases expiring:	
79	Within one year	73
77	Between two and five years	101
120	Later than five years	110
<b>276</b>	<b>Total</b>	<b>284</b>

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

<b>2010/11</b>		<b>2011/12</b>
£000		£000
301	Minimum lease payments	88
-	- Contingent rents	-
-	- Sublease payments	-
<b>301</b>	<b>Total</b>	<b>88</b>

#### 14.3 Finance leases – Council acting as lessor

The Council had no finance leases as at 31 March 2012 or 31 March 2011.

#### 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>2010/11</b>		<b>2011/12</b>
<b>Minimum Lease</b>		<b>Minimum Lease</b>
<b>Income</b>		<b>Income</b>
£000		£000
	Leases expiring:	
30	Within one year	51
562	Between two and five years	586
37,619	Later than five years	42,297
<b>38,211</b>	<b>Total</b>	<b>42,934</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 2111. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2011/12 was £952,000 (£999,000 in 2010/11).

## 15. OBLIGATIONS UNDER LONG TERM LEISURE CONTRACTS

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 13.6, 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 2011/12, and shows the projected repayments and amounts scheduled to be drawn down for 2012/13.

	<b>Agreement 1</b>	<b>Agreement 2</b>	<b>Agreement 3</b>	<b>Total</b>
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 31 March 2011 restated</b>	<b>(1,396)</b>	<b>(272)</b>	<b>(212)</b>	<b>(1,880)</b>
Drawn down 2011/12	-	(1)	(12)	(13)
Interest charge for 2011/12	(162)	(20)	(17)	(199)
Gross repayments for 2011/12	315	46	38	399
<b>Liability outstanding 31 March 2012</b>	<b>(1,243)</b>	<b>(247)</b>	<b>(203)</b>	<b>(1,693)</b>
<b>Projections for 2012/13</b>				
Liability 1 April	(1,243)	(247)	(203)	(1,693)
Estimated draw-down	(6)	(7)	-	(13)
Interest charge	(143)	(18)	(15)	(176)
Gross repayments for the year	315	46	37	398
<b>Liability 31 March 2013</b>	<b>(1,077)</b>	<b>(226)</b>	<b>(181)</b>	<b>(1,484)</b>
<b>Remaining facility 31 March 2012</b>	<b>336</b>	<b>7</b>	<b>-</b>	<b>343</b>

## 16 TRADING OPERATIONS

The Authority has two trading operations; corporate investment property and solar panel installation programme.

Investment properties are held for the purpose of generating income. The gross value in the table below represents a charge for the revaluation impairment. There are no restrictions on the Authority's ability to realise the value inherent in its investment property or of the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The Authority has invested in the installation of solar panels on council buildings and council dwellings for which future income will be generated through feed in tariffs.

2010/11		2011/12		
Net		Gross	Income	Net
£000		£000	£000	£000
(313)	Corporate Investment Property	(1,753)	(367)	(2,120)
-	Solar Panel Installation	124	(20)	104
<b>(313)</b>	<b>Total</b>	<b>(1,629)</b>	<b>(387)</b>	<b>(2,016)</b>

Negative gross expenditure includes an upward revaluation of £2,518,000 and an impairment of £765,000 for investment properties.

## 17 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.

2010/11			2011/12		
Grants	Contribs.	Total	Grants	Contribs.	Total
£000	£000	£000	£000	£000	£000
<b>Grants and contributions within Cost of Services</b>					
(1,368)	-	(1,368)	(848)	-	(848)
(53,427)	-	(53,427)	(57,070)	-	(57,070)
-	74	74	-	65	65
(991)	-	(991)	-	-	-
(534)	(3,028)	(3,562)	(989)	(3,281)	(4,270)
<b>(56,320)</b>	<b>(2,954)</b>	<b>(59,274)</b>	<b>(58,907)</b>	<b>(3,216)</b>	<b>(62,123)</b>
<b>Grants and contributions within Taxation and non-specific grant income</b>					
(1,321)	-	(1,321)	(1,790)	-	(1,790)
(9,099)	-	(9,099)	(5,790)	-	(5,790)
(8)	-	(8)	-	-	-
-	-	-	-	-	-
32	-	32	-	-	-
(40)	-	(40)	-	-	-
-	-	-	(206)	-	(206)
-	-	-	(218)	-	(218)
(8,390)	(402)	(8,792)	(40,319)	-	(40,319)
<b>(18,826)</b>	<b>(402)</b>	<b>(19,228)</b>	<b>(48,323)</b>	<b>-</b>	<b>(48,323)</b>

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:

2010/11			2011/12		
Grants	Contribs.	Total	Grants	Contribs.	Total
£000	£000	£000	£000	£000	£000
<b>Current Liabilities</b>					
<b>Grants Receipts in Advance (Revenue Grants)</b>					
(2)	-	(2)	-	-	-
-	-	-	(3)	-	(3)
-	-	-	(13)	-	(13)
-	-	-	(62)	-	(62)
-	-	-	(8)	-	(8)
-	-	-	(1)	-	(1)
-	-	-	(1)	-	(1)
-	-	-	(5)	-	(5)
-	-	-	-	(3)	(3)
<b>Total Grants Receipts in Advance (Revenue Grants)</b>			<b>Total Grants Receipts in Advance (Revenue Grants)</b>		
<b>(2)</b>	<b>-</b>	<b>(2)</b>	<b>(93)</b>	<b>(3)</b>	<b>(96)</b>

## 18 TRANSFER TO/ FROM EARMARKED RESERVES

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

Reserve	Bal 1 April 10 £000	Movement 2010/11 £000	Bal 31 March 11 £000	Movement 2011/12 £000	Bal 31 March 12 £000
<b>General Fund:</b>					
General Earmarked Reserve	(1,367)	871	(496)	235	(261)
Strategic Change Reserve	(913)	(86)	(999)	482	(517)
Capital Programme	(430)	(374)	(804)	(135)	(939)
Revenue grants reserve	(312)	(344)	(656)	(584)	(1,240)
Regeneration Reserve	-	-	-	(551)	(551)
	<b>(3,022)</b>	<b>67</b>	<b>(2,955)</b>	<b>(553)</b>	<b>(3,508)</b>
<b>HRA</b>					
HRA Leaseholders Major Works Reserve	-	(309)	(309)	1	(308)
Riverbourne Hse Leaseholders Reserve	(75)	18	(57)	26	(31)
	<b>(75)</b>	<b>(291)</b>	<b>(366)</b>	<b>27</b>	<b>(339)</b>
<b>Total Earmarked Reserves</b>	<b>(3,097)</b>	<b>(224)</b>	<b>(3,321)</b>	<b>(526)</b>	<b>(3,847)</b>

The purpose of the 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.

Revenue 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.

Regeneration: this reserve was set up to support initiatives for growth

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

## 19 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 2011/12</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	(1,430)	(16,898)	(2,638)	(6,791)	(27,757)
Interest					
Government Grants and Contributions	(520)	(61,139)	(684)	(1,394)	(63,737)
<b>Total Income</b>	<b>(1,950)</b>	<b>(78,037)</b>	<b>(3,322)</b>	<b>(8,185)</b>	<b>(91,494)</b>
Employee expenses	4,468	2,618	2,226	3,844	13,156
Other Service Expenses	3,194	71,090	8,175	8,022	90,481
<b>Total Expenditure</b>	<b>7,662</b>	<b>73,708</b>	<b>10,401</b>	<b>11,866</b>	<b>103,637</b>
<b>Net Expenditure</b>	<b>5,712</b>	<b>(4,329)</b>	<b>7,079</b>	<b>3,681</b>	<b>12,143</b>

### 2010-11 Comparative figures

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>

### 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>2010/11</b>	<b>2011/12</b>
	£'000	£'000
Net expenditure in the directorate analysis	17,454	12,143
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	50,970	30,990
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	(3,670)	1,839
Cost of services in Comprehensive Income and Expenditure Statement	64,754	44,972



## 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.

	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
	£	£	£	£	£	£	£
<b>2011/12 - General Fund and HRA</b>							
Fees, charges and other service income	(27,757)	(15,570)	1	387	(42,939)	(387)	(43,326)
Interest and investment income	0	0	0	0	0	(122)	(122)
Income from Council Tax	0	0	0	0	0	(8,246)	(8,246)
National Non-Domestic Rates redistribution	0	0	0	0	0	(5,790)	(5,790)
Government grants and contributions	(63,737)	0	(742)	0	(64,479)	(42,533)	(107,012)
<b>Total Income</b>	<b>(91,494)</b>	<b>(15,570)</b>	<b>(741)</b>	<b>387</b>	<b>(107,418)</b>	<b>(57,078)</b>	<b>(164,496)</b>
Employee expenses	13,156	0	(483)	0	12,673	(149)	12,524
Other Service Expenses	86,416	0	(2,943)	1,703	85,176	(1,703)	83,473
Support Service Recharges	1,099	15,570	(85)	(74)	16,510	74	16,584
Depreciation, amortisation and impairment	2,789	0	35,242	0	38,031	0	38,031
Interest payments	0	0	0	0	0	12,224	12,224
Precepts and Levies	177	0	0	(177)	0	177	177
Payments to Housing Capital Receipts Pool	0	0	0	0	0	600	600
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	(1,033)	(1,033)
<b>Total Expenditure</b>	<b>103,637</b>	<b>15,570</b>	<b>31,731</b>	<b>1,452</b>	<b>152,390</b>	<b>10,190</b>	<b>162,580</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,143</b>	<b>0</b>	<b>30,990</b>	<b>1,839</b>	<b>44,972</b>	<b>(46,888)</b>	<b>(1,916)</b>

<b>2010/11 Comparative figures</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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(32,646)	(12,983)	7	313	(45,309)	(313)	(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>432</b>	<b>(103,201)</b>	<b>(26,297)</b>	<b>(129,498)</b>
Employee expenses	13,746	0	(11,055)	0	2,691	938	3,629
Other Service Expenditure	88,704	0	1,434	(1)	90,137	1	90,138
Support Service Recharges	(206)	12,983	0	0	12,777	0	12,777
Depreciation, amortisation and impairment	0	0	62,350	0	62,350	0	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>(4,102)</b>	<b>167,955</b>	<b>5,103</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>(3,670)</b>	<b>64,754</b>	<b>(21,194)</b>	<b>43,560</b>

## 20 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.

<b>2010/11</b>			<b>2011/12</b>	
£000	£000		£000	£000
	<b>69,932</b>	<b>Opening Capital Financing Requirement</b>		<b>76,472</b>
		Capital Expenditure:		
6,686		Council dwellings	5,074	
1,929		Other land and buildings	3,479	
1,797		Vehicles plant furniture and equipment	3,966	
3,791		Infrastructure	440	
52		Community assets	237	
2,616		Assets under construction	-	
29		Surplus assets	-	
<hr/>			<hr/>	
16,900		Total Property plant and equipment	13,196	
-		Heritage Assets	188	
-		Investment property	-	
429		Intangible assets	116	
1,802		Revenue expenditure financed from capital under statute (REFFCUS)	969	
		Long Term Debtors	193	
<hr/>			<hr/>	
<b>19,131</b>		<b>Total capital investment</b>	<b>14,662</b>	
		Sources of finance:		
(2,312)		Capital receipts	-	
(1,665)		Grants and contributions towards REFFCUS	(1,011)	
(6,889)		Other grants and contributions	(2,161)	
(1,190)		Major repairs reserve	(3,276)	
-		Revenue financing	-	
<hr/>			<hr/>	
<b>(12,056)</b>		<b>Capital financing other than from loan</b>	<b>(6,448)</b>	
	7,075	Net capital expenditure financed from loan		8,214
	-	HRA Re-financing		(30,482)
	(535)	Revenue provision for repayment of debt		(555)
	<hr/>			<hr/>
	<b>76,472</b>	<b>Closing Capital Financing Requirement</b>		<b>53,649</b>

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

<b>31 March 2011</b>		<b>31 March 2012</b>
£000		£000
Restated		
147,378	Council dwellings	134,187
63,392	Other land and buildings	61,560
3,734	Vehicles plant furniture and equipment	6,613
26,862	Infrastructure	26,352
1,970	Community assets	2,207
-	Assets under construction	-
111	Surplus assets for Disposal	55
<hr/>		
243,447	Total Property plant and equipment	230,974
11,736	Heritage Assets	12,209
4,809	Investment property	6,562
861	Intangible assets	866
-	Assets Held For Sale	2,373
	Long Term Debtor	194
(14,379)	Revaluation reserve	(27,500)
(170,002)	Capital adjustment account	(172,029)
<hr/>		
<b>76,472</b>	<b>Capital Financing Requirement</b>	<b>53,649</b>

## 21 PROPERTY PLANT AND EQUIPMENT

### 21.1 Analysis of carrying amounts

The following table shows the net carrying amounts of the categories of property, plant and equipment, as at 31 March 2012, split between the gross carrying amount and the accumulated depreciation and impairment:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equip.</b>	<b>Infra-structure</b>	<b>Commun.</b>	<b>Surplus Props.</b>	<b>Assets under Const.</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000
Gross carrying amount	261,736	97,805	10,253	38,494	2,706	55	-	<b>411,049</b>
Cumulative depreciation & impairment	(127,549)	(36,246)	(3,639)	(12,142)	(499)	-	-	<b>(180,075)</b>
<b>Balance at 31 March 2012</b>	<b>134,187</b>	<b>61,559</b>	<b>6,614</b>	<b>26,352</b>	<b>2,207</b>	<b>55</b>	<b>-</b>	<b>230,974</b>

The equivalent figures for 31 March 2011 are shown below:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equip.</b>	<b>Infra-structure</b>	<b>Commun.</b>	<b>Surplus Props.</b>	<b>Assets under Const.</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000
Gross carrying amount	258,870	81,887	6,577	38,053	2,469	111	-	<b>387,967</b>
Cumulative depreciation & impairment	(111,492)	(18,494)	(2,843)	(11,192)	(499)	-	-	<b>(144,520)</b>
<b>Balance at 1 April 2011</b>	<b>147,378</b>	<b>63,393</b>	<b>3,734</b>	<b>26,861</b>	<b>1,970</b>	<b>111</b>	<b>-</b>	<b>243,447</b>

## 21.2 Reconciliation of opening and closing balances

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

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equip.</b>	<b>Infra-structure</b>	<b>Commun.</b>	<b>Surplus Props.</b>	<b>Assets under Const.</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
Balance at 1 April 2011	258,920	69,255	6,567	38,054	2,533	111	-	<b>375,440</b>
Additions	5,074	3,368	3,966	440	237	111	-	<b>13,196</b>
Donations	-	-	-	-	-	-	-	<b>-</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	966	13,414	-	-	-	70	-	<b>14,450</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,915)	(17,173)	-	-	-	-	-	<b>(31,088)</b>
Derecognition - Disposals	(357)	-	-	-	-	(237)	-	<b>(594)</b>
Assets Reclassified (to)/from Held for Sale	(2,173)	(153)	(236)	-	-	-	-	<b>(2,562)</b>
<b>At 31 March 2012</b>	<b>248,515</b>	<b>68,711</b>	<b>10,297</b>	<b>38,494</b>	<b>2,770</b>	<b>55</b>	<b>-</b>	<b>368,842</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	(111,542)	(5,862)	(2,833)	(11,192)	(564)	-	-	<b>(131,993)</b>
Depreciation Charge	(2,789)	(1,739)	(851)	(949)	-	-	-	<b>(6,328)</b>
Depreciation written out to the Revaluation Reserve	-	450	-	-	-	-	-	<b>450</b>
Derecognition - disposal	4	-	-	-	-	-	-	<b>4</b>

<b>At 31 March 2012</b>	<b>(114,327)</b>	<b>(7,151)</b>	<b>(3,684)</b>	<b>(12,141)</b>	<b>(564)</b>	<b>-</b>	<b>-</b>	<b>(137,867)</b>
-------------------------	------------------	----------------	----------------	-----------------	--------------	----------	----------	------------------

**Net Book Value**

At 31 March 2012	134,188	61,560	6,613	26,353	2,206	55	-	<b>230,975</b>
At 31 March 2011	147,378	63,393	3,734	26,861	1,970	111	-	<b>243,447</b>

The equivalent figures for 2010/11 are shown below:

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equip.</b>	<b>Infra-structure</b>	<b>Commun.</b>	<b>Surplus Props.</b>	<b>Assets under Const.</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	199,181	63,961	2,556	23,919	1,918	82	281	<b>291,898</b>
Additions	6,686	1,896	1,797	3,791	52	29	2,616	<b>16,867</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>63,393</b>	<b>3,734</b>	<b>26,861</b>	<b>1,970</b>	<b>111</b>	<b>-</b>	<b>243,447</b>

### 21.3 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. These were last valued as at 1 April 2011 by the Wilkes, Head & Eve which resulted in a total impairment of £31.1 m (Council Dwellings £13.9m and Other Land and Buildings £17.2m).

The next full revaluation, for all three categories of assets, is due to be carried out as at 1 April 2016.

### 21.4 Depreciation

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

Council dwellings – 60 years

Other land and buildings – 20 – 60 years

Vehicles plant and Equipment – 5 – 20 years

Infrastructure – 10 – 40 years.

### 21.5 Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 to cost £1,422,000. Similar commitments at 31 March 2011 were £384,000. The major commitment is for the cremator replacement works.

### 21.6 Revaluations

The Authority carries out a revaluation of all land and buildings at least every five years; the next revaluation is due 1 April 2016. 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.

## 22 HERITAGE ASSETS

Reconciliation of the carrying Value of Heritage Assets Held by the Authority.

	Historical Collection	Art Collection	Other	Buildings	Total
Cost or Valuation	£000	£000	£000	£000	£000
Balance at 1 April 2011	342	10,527	157	710	<b>11,736</b>
Additions	-	185	-	3	<b>188</b>
Disposals	-	-	-	-	-
Revaluations	3	316	5	(39)	<b>285</b>
Impairment losses/(reversals) recognised in the Revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>Balance at 31 March 2012</b>	<b>345</b>	<b>11,028</b>	<b>162</b>	<b>674</b>	<b>12,209</b>

The equivalent figures for 2010/11 are shown below:

	Historical Collection	Art Collection	Other	Buildings	Total
Cost or Valuation	£000	£000	£000	£000	£000
Balance at 1 April 2010	339	9,023	152	678	<b>10,192</b>
Additions	-	18	-	32	<b>50</b>
Disposals	-	-	-	-	-
Revaluations	3	1,486	5	-	<b>1,494</b>
Impairment losses/(reversals) recognised in the Revaluation reserve	-	-	-	-	-
Impairment losses/(reversals) recognised Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
Reclassifications	-	-	-	-	-
<b>Balance at 31 March 2011</b>	<b>342</b>	<b>10,527</b>	<b>157</b>	<b>710</b>	<b>11,736</b>

The Art Collection was valued by a professional external valuer some years ago and the value has been increased annually by RPI and new acquisitions. A new valuation is due in 2012/13. Buildings were valued as at 1 April 2011 by external professional valuer and will be revalued every 5 years. The historical collection has been valued with reference to the insurance value.

### Acquisitions Policy

Towner will continue to acquire objects in the following categories:

- Fine Art: paintings, watercolours, drawings, mixed media, photographs, prints and sculpture representative of the main developments in 19<sup>th</sup> and 20<sup>th</sup> century British art.
- Victorian Art: to complement the Towner Bequest.
- Works by important 20<sup>th</sup> century British artists, to enhance the exiting collection.

- Works and material by and relating to Eric Ravilious (1903-42).
- Works by South East regional artists.
- Topographical pictures relating to East Sussex and the Eastbourne area.
- European Art: to complement the existing collections, for example the Irene Law Bequest of 17<sup>th</sup> and 18<sup>th</sup> century Dutch and Flemish paintings and 18<sup>th</sup> century British art, The Lucy Carrington Wertheim Bequest of 20<sup>th</sup> century European paintings.
- Contemporary art by British and International artists complementing the existing collections.

Towner recognises its responsibility, in acquiring material, to ensure adequate conservation, documentation and proper use of such material and takes into account limitations on collecting imposed by such factors as inadequate staffing, storage and conservation resources. Acquisitions outside the current stated policy will only be made in very exceptional circumstances, and then only after proper consideration by the governing body of the museum itself, having regard to the interests of other museums.

### Disposals Policy

The governing body accepts the principle that there is a strong presumption against the disposal of any items in the Towner's collections. In those cases where Towner is free to dispose of an item it is agreed that any decision to sell or dispose of material from the collections should be taken only after due consideration. Once a decision to dispose of an item has been taken, priority will be given to retaining the item within the public domain and with this in view it will be offered first, by exchange, gift or sale to Registered museums before disposal to other interested individuals or organisations is considered.

Further information is available in Eastbourne Local History Museum and Towner's Acquisitions and Disposals Policy available from Towner.

### HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
<b>Cost of Acquisition of Heritage Assets</b>					
Art Collection	-	36	8	-	185
Local History Collection	-	-	-	-	-
<b>Total Cost of Purchases</b>	-	<b>36</b>	<b>8</b>	-	<b>185</b>
<b>Value of Heritage Assets Acquired by Donation</b>					
Art Collection	-	262	7	12	18
Local History Collection	-	-	-	-	-
<b>Total Donations</b>	-	<b>262</b>	<b>7</b>	<b>12</b>	<b>18</b>

There were no disposals or impairments during the past 5 years.

### HERITAGE ASSETS : CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UK

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for Heritage Assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires Heritage Assets to be carried in the balance sheet at valuation.

For 2011/12 the Authority is required to change its accounting policy for Heritage Assets and recognise them at valuation. Previously, Heritage Assets were either recognised as Community Assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage Assets) that were donated to the Authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of Heritage Assets are set out in the Authority's summary of significant accounting policies (see Note 2.12)

In applying the new accounting policy, the Authority has identified that the assets that were previously held as Other Land and Buildings and Community Assets within property, plant and equipment at £0.7 million should now be recognised as Heritage Assets and measured at £0.7 million. This relates to the Redoubt Fortress which was recognised in the Other Land and Buildings classification of the property,



plant and equipment. The Authority will also recognise an additional £11 million for the recognition of Heritage Assets that were not previously recognised in the Balance Sheet; these relate to the Art Collection and Local History Collection. Again, this increase is recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its insurance valuation at £10.2 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.7 million. The Revaluation Reserve has increased by £9.5 million.

The restatement of 1 April 2010 Balance Sheet is provided on page 14. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	<b>Opening Balances as at 1 April 2010</b>	<b>Restatement</b>	<b>Restatements required to opening balances as at 1 April 2010</b>
	£000	£000	£000
Property, Plant & Equipment	292,576	(678)	291,898
Heritage Assets	-	10,192	10,192
<b>Long term Assets</b>	<b>298,039</b>	<b>9,514</b>	<b>307,553</b>
<b>Total Net Assets</b>	<b>197,481</b>	<b>9,514</b>	<b>206,995</b>
Unusable Reserves	(179,930)	(9,514)	(189,444)
<b>Net Worth/Total Reserves</b>	<b>(197,481)</b>	<b>(9,514)</b>	<b>(206,995)</b>

### **Comprehensive Income and Expenditure Statement**

There has been no effect of the Comprehensive Income and expenditure Statement.

### **Movement in Reserves Statement – Unusable Reserve 2010/11**

The relevant lines of the Movement in reserves Statement, as at 31 March 2011, as a result of the application of this new accounting policy have been restated.

The resulting restated Balance Sheet for 31 March 2011 is provided on page 14. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	<b>As previously Stated 31 March 2011</b>	<b>As restated 31 March 2011</b>	<b>Restatement 2011</b>
	£000	£000	£000
Property, Plant & Equipment	244,158	243,447	(711)
Heritage Assets	-	11,736	11,736
<b>Long term Assets</b>	<b>249,918</b>	<b>260,943</b>	<b>11,025</b>
<b>Total Net Assets</b>	<b>173,837</b>	<b>184,862</b>	<b>11,025</b>
Unusable Reserves	(155,624)	(166,649)	(11,025)
<b>Net Worth/Total Reserves</b>	<b>(173,837)</b>	<b>(184,862)</b>	<b>(11,025)</b>

The effect of the change in accounting policy on 2010/11 has been that Heritage Assets are recognised at £11.7 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £11 million and property, plant and equipment being restated by the amount of Heritage Assets previously recognised in Other Land and Building and Community Assets (sub-classifications of property, plant and equipment) of £0.7 million.

### 23 INVESTMENT PROPERTIES

In 2011/12 the Council received £367,000 as rental income from investment properties, compared to £328,000 received in 2010/11. See Note 16 on trading operations.

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

2010/11 £000		2011/12 £000
4,809	Balance at 1 April	4,809
-	Additions	-
-	Disposals	-
-	Expenditure on existing properties	-
-	Net gains/losses from fair value adjustments	1,753
-	Transfers	-
<b>4,809</b>	<b>Balance at 31 March</b>	<b>6,562</b>

### 24 INTANGIBLE ASSETS

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

2010/11 Net Total £000		2011/12 Gross £000	Amortised £000	Impairment £000	Net Total £000
607	Balance 1 April	1,534	(673)	-	<b>861</b>
	Written down to services:				
(4)	Central services to the public	-	(4)	-	<b>(4)</b>
(16)	Cultural and related services	-	(16)	-	<b>(16)</b>
(2)	Planning and development services	-	(2)	-	<b>(2)</b>
(153)	Support Services	-	(278)	-	<b>(278)</b>
(175)		-	(300)	-	(300)
429	Added during year	305	-	-	<b>305</b>
-	Impairments	-	-	-	-
-	Written out on completion of expected life	(466)	466	-	-
254	Net transactions during the year	(161)	166	-	5
<b>861</b>	<b>Balance at 31 March</b>	<b>1,373</b>	<b>(507)</b>	-	<b>866</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 2.16 above).

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

### 25 ASSETS HELD FOR SALE

	2010/11 £000	2011/12 £000
Balance at 1 April	-	-
<b>Assets newly classified as held for sale:</b>		
Property, Plant & Equipment	-	2,373
<b>Balance at 31 March</b>	<b>-</b>	<b>2,373</b>

## 26 FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
<b>Investments</b>				
Loans and receivables	-	-	2,000	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>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>
<b>Debtors</b>				
Loans and receivables	90	303		
Financial assets carried at contract amounts			1,527	2,120
<b>Total Debtors</b>	<b>90</b>	<b>303</b>	<b>1,527</b>	<b>2,120</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(59,694)	(26,212)	(4,322)	(8,273)
Financial liabilities at fair value through profit and loss				
<b>Total borrowings</b>	<b>(59,694)</b>	<b>(26,212)</b>	<b>(4,322)</b>	<b>(8,273)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	-	-		
<b>Total other long term liabilities</b>	<b>-</b>	<b>-</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	(2,999)	(2,757)	(200)	(200)
Financial liabilities carried at contract amount			(6,161)	(6,123)
<b>Total creditors</b>	<b>(2,999)</b>	<b>(2,757)</b>	<b>(6,361)</b>	<b>(6,323)</b>

26.2 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.

2010/11		2011/12
£000		£000
(112)	Interest on financial assets	(120)
(7)	Other interest	(3)
(313)	Trading Operations	(387)
<b>(432)</b>	<b>Total Interest Receivable</b>	<b>(510)</b>
3,696	Interest on financial liabilities	3,662
9	Other interest payable	20
-	HRA Self Financing Premia	8,542
<b>3,705</b>	<b>Total Interest Payable</b>	<b>12,224</b>

### 26.3 Fair Value

31 March 2011			31 March 2012	
Book Value	Fair Value		Book Value	Fair Value
£000	£000		£000	£000
-	-	Investments over one year	-	-
2,000	2,005	Investments less than one year	2,000	2,034
5,729	5,729	Cash in bank call accounts	2,112	2,112
1,527	1,418	Trade accounts receivable	2,120	1,957
90	90	Long Term Debtors	303	303
<b>9,346</b>	<b>9,242</b>	<b>Total Financial Assets</b>	<b>6,535</b>	<b>6,406</b>
(49,194)	(49,771)	Public Works Loan Board	(18,712)	(20,882)
(7,500)	(10,534)	Loan Stock	(7,500)	(11,112)
(3,000)	(3,026)	Market Debt	-	-
<b>(59,694)</b>	<b>(63,331)</b>	<b>Long Term Borrowing</b>	<b>(26,212)</b>	<b>(31,994)</b>
(1,679)	(2,883)	Credit sales agreement	(1,493)	(2,498)
(1,320)	(1,480)	Other Long Term Creditors	(1,264)	(1,264)
<b>(2,999)</b>	<b>(4,363)</b>	<b>Long Term Creditor</b>	<b>(2,757)</b>	<b>(3,762)</b>
(4,000)	(4,000)	Public Works Loan Board	-	-
-	-	Market Debt	(8,000)	(7,996)
(307)	(307)	Add accrued interest	(258)	(258)
(15)	(15)	Mayor's Poor Fund	(15)	(15)
<b>(4,322)</b>	<b>(4,322)</b>	<b>Short Term Borrowing</b>	<b>(8,273)</b>	<b>(8,269)</b>
(200)	(200)	Credit sales agreement	(200)	(200)
(6,161)	(6,161)	Other Trade Creditors	(6,123)	(6,123)
<b>(6,361)</b>	<b>(6,361)</b>	<b>Short Term Creditor</b>	<b>(6,323)</b>	<b>(6,323)</b>
<b>(73,376)</b>	<b>(78,377)</b>	<b>Total Financial Liabilities</b>	<b>(43,565)</b>	<b>(50,348)</b>

### 26.4 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.

## **27 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.

## 28 INVENTORIES

	Printing Stocks		Downland Stocks		Tourism and Leisure Stocks		Sundry Stocks	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	12	13	1	1	125	102	12	6
Purchases	35	33	6	7	909	997	5	10
Consumed in year	(34)	(33)	(6)	(7)	(932)	(977)	(11)	(9)
Balance outstanding at year end	13	13	1	1	102	122	6	7

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.

## 29 DEBTORS

Short Term debtors outstanding as at 31 March are:

<b>31 March 2011</b>		<b>31 March 2012</b>	
£000		£000	
3,606	Central government	2,051	
1,965	Other local authorities	1,858	
1	NHS	3	
	Public corporations and other trading organisations	823	
870			
<u>2,741</u>	Other entities and individuals	<u>2,531</u>	
<b>9,183</b>	<b>Total</b>	<b>7,266</b>	

Long-term debtors outstanding as at 31 March are:

<b>31 March 2011</b>		<b>31 March 2012</b>	
£000		£000	
-	Public corporations and other trading organisations	194	
90	Other entities and individuals	109	
<u>90</u>	<b>Total</b>	<u>303</u>	

The Council has a charge over the assets of a newly formed company that will be providing telecommunication services primarily to the business sector in the locality. Shares will be allocated at the company's year ends and the Council will be a 25% share holder at the end of five years.

### 30 CREDITORS

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

<b>31 March 2011</b>		<b>31 March 2012</b>
£000		£000
(875)	Central government	(1,434)
(66)	Other local authorities	(446)
	Public Corporations and other trading	
(6,045)	organisations	(3,029)
(1,913)	All other bodies	(4,480)
<b>(8,899)</b>	<b>Total</b>	<b>(9,389)</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.

### 31 PROVISIONS

The only provision at 31 March 2012 was for staff accumulated absences which was established to provide funding for untaken leave.

	<b>Balance 1 April</b>	<b>Additions</b>	<b>Reductions</b>	<b>Spent</b>	<b>Balance 31 March</b>
	£000	£000	£000	£000	£000
Accumulated Absences	-	(101)	-	-	(101)
<b>Total</b>	<b>-</b>	<b>(101)</b>	<b>-</b>	<b>-</b>	<b>(101)</b>

### 32 USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.18, and the annual movements for usable reserves are shown in the Movement in Reserves Statement. Details of Earmarked Reserves are shown at note 18.

### 33 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.

<b>2010/11</b>		<b>2011/12</b>
£000		£000
Restated		
57	Deferred Capital Receipts Reserve	53
11	Collection Fund Adjustment Account	8
14,378	Revaluation Reserve	27,500
170,002	Capital Adjustment Account	172,029
(600)	Financial Instruments Reserve	(374)
(17,199)	Pension Reserve	(24,721)
-	Accumulated Absence Account	(101)
<b>166,649</b>	<b>Total Unusable reserves</b>	<b>174,394</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.

2010/11 £000		2011/12 £000
<b>39</b>	<b>Balances at 1 April</b>	<b>57</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	(4)
<b>57</b>	<b>Balance at 31 March</b>	<b>53</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.

2010/11 £000		2011/12 £000
<b>(196)</b>	<b>Balances at 1 April</b>	<b>11</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		(3)
<b>11</b>	<b>Balance at 31 March</b>	<b>8</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.

2010/11 £000 Restated		2011/12 £000
<b>12,837</b>	<b>Balances at 1 April</b>	<b>14,378</b>
1,596	Upward revaluation of assets	14,737
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,165)s
<b>1,596</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>13,572</b>
-	Difference between fair value depreciation and historical cost depreciation	-
(55)	Accumulated gains on assets sold or scrapped	(450)
<b>(55)</b>	Amount written off to the Capital Adjustment Account	<b>(450)</b>
<b>14,378</b>	<b>Balance at 31 March</b>	<b>27,500</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.

<b>2010/11</b>		<b>2011/12</b>
£000		£000
<b>224,737</b>	<b>Balances at 1 April</b>	<b>170,002</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(64,928)	Charges for depreciation and impairment of noncurrent assets	(5,878)
-	Revaluation losses on Property, Plant and Equipment	(31,088)
(175)	Amortisation of intangible assets	(300)
(230)	Revenue expenditure funded from capital under statute	(969)
	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)		574
<b>(65,807)</b>		<b>(37,661)</b>
55	Adjusting amounts written out of the Revaluation Reserve	450
<b>(65,752)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(37,211)</b>
	<b>Capital financing applied in the year:</b>	
2,312	Use of the Capital Receipts Reserve to finance new capital expenditure	-
1,190	Use of the Major Repairs Reserve to finance new capital expenditure	3,276
6,981	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,197
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-
534	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	31,036
-	Capital expenditure charged against the General Fund and HRA balances	976
<b>11,017</b>		<b>37,485</b>
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	<b>1,753</b>
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>170,002</b>	<b>Balance at 31 March</b>	<b>172,029</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 2012 will be charged to the General Fund over the next 3 years

<b>2010/11</b>		<b>2011/12</b>
£000		£000
<b>(826)</b>	<b>Balances at 1 April</b>	<b>(600)</b>
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the	-
-	Surplus/Deficit on the Provision of Services	-
		-
	Accumulated gains on assets sold and maturing assets written out to	
	the Comprehensive Income and Expenditure Statement as part of	
226	Other Investment Income	226
<b>(600)</b>	<b>Balance at 31 March</b>	<b>(374)</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>2010/11</b>		<b>2011/12</b>
£000		£000
<b>(47,147)</b>	<b>Balances at 1 April</b>	<b>(17,199)</b>
19,831	Actuarial gains or losses on pensions assets and liabilities	(8,255)
8,044	Reversal of items relating to retirement benefits debited or credited	(1,288)
	to the Surplus or Deficit on the Provision of Services in the	
	Comprehensive Income and Expenditure Statement	
2,073	Employer's pensions contributions and direct payments to pensioners	2,021
	payable in the year	
<b>(17,199)</b>	<b>Balance at 31 March</b>	<b>(24,721)</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Accounts.

2010/11 £000	2011/12 £000
- <b>Balances at 1 April</b>	-
- Settlement or cancellation of accrual made at the end of the preceding year	
- Amounts accrued at the end of the current year	(101)
- Amounts by which officers remuneration charged to the Comprehensive Income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
- <b>Balance at 31 March</b>	<b>(101)</b>

## 34 POST EMPLOYMENT BENEFITS

### 34.1 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).

### 34.2 Annual movement in plan obligations and assets

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

2010/11			2011/12			
Obligation	Asset	Net		Obligation	Asset	Net
£000	£000	£000		£000	£000	£000
<b>(122,804)</b>	<b>75,657</b>	<b>(47,147)</b>	<b>Asset / Liability at 1 April</b>	<b>(95,336)</b>	<b>78,137</b>	<b>(17,199)</b>
		-				-
(1,652)	-	<b>(1,652)</b>	Current Service Cost	(1,344)	-	<b>(1,344)</b>
(6,233)	-	<b>(6,233)</b>	Interest Cost	(5,172)	-	<b>(5,172)</b>
-	5,295	<b>5,295</b>	Expected return on plan assets	-	5,321	<b>5,321</b>
(502)	502	-	Contributions by scheme participants	(476)	476	-
			Actuarial gains and losses:	-	-	
-	(730)	<b>(730)</b>	Difference between expected and actual returns	-	(2,852)	<b>(2,852)</b>
20,561	-	<b>20,561</b>	Movement in actuarial assumptions for liability	(5,403)	-	<b>(5,403)</b>
4,660	(4,660)	-	Benefits paid	4,562	(4,562)	-
10,639	-	<b>10,639</b>	Past Service Cost	-	-	-
(5)	-	<b>(5)</b>	Curtailments	(93)	-	<b>(93)</b>
-	-	-	Settlements	-	-	-
-	2,073	<b>2,073</b>	Contributions by employer	-	2,021	<b>2,021</b>
<b>(95,336)</b>	<b>78,137</b>	<b>(17,199)</b>	<b>Asset / Liability at 31 March</b>	<b>(103,262)</b>	<b>78,541</b>	<b>(24,721)</b>

### 34.3 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):

<b>2010/11</b> £000		<b>2011/12</b> £000
	Current Service Cost	
89	Central services to the public	79
389	Cultural and related services	331
274	Environmental and regulatory services	153
163	Planning and development services	111
61	Highways and transport services	9
7	Local authority housing (HRA)	5
199	Other housing services	165
35	Corporate and democratic core	50
12	Trading accounts	-
423	Support services	441
<b>1,652</b>	<b>Total Current Service Cost</b>	<b>1,344</b>
	Past Service Cost	
(10,639)	Non-Distributed Costs	-
<b>(10,639)</b>	<b>Total Past Service Cost</b>	<b>-</b>
	Curtailments	
5	Non-Distributed Costs	93
<b>5</b>	<b>Total Curtailments</b>	<b>93</b>
<b>(8,982)</b>	<b>Cost of Services</b>	<b>1,437</b>
6,233	<b>Interest Cost</b>	5,172
(5,295)	<b>Expected Return on Assets</b>	(5,321)
<b>938</b>	<b>Financing and Investment Income and Expenditure</b>	<b>(149)</b>
<b>(8,044)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,288</b>
<b>(19,831)</b>	<b>Actuarial Gains and Losses</b>	<b>8,255</b>
<b>(19,831)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>8,255</b>
<b>(27,875)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>9,543</b>

### 34.4 Cumulative Actuarial Gains and Losses

The cumulative amount of actuarial gains and losses since 2004/05 recognised in this statement is £22,373,000. The equivalent figure for 2010/11 was £14,116,000.

### 34.5 Plan Assets

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

<b>2011</b> %		<b>2012</b> %
78	Equities	80
8	Bonds	9
8	Property	9
6	Cash	2

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 £2,480,000, compared with a gain of £5,161,000 in 2010/11.

#### 34.6 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 2010. The main assumptions used in their calculations are:

<b>2010/11</b>		<b>2011/12</b>
	Long term expected rate of return on scheme assets:	
7.5%	Equity Investments	6.3%
4.9%	Bonds	4.4%
5.5%	Property	4.4%
4.6%	Cash	3.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.3	Men	21.3
23.4	Women	23.4
	Longevity at 65 for future pensioners:	
23.3	Men	23.3
25.7	Women	25.7
2.8%	Rate of inflation	2.5%
5.1%	Rate of increase in salaries	4.8%
6.9%	Expected Return on Assets	5.9%
5.5%	Rate for discounting scheme liabilities	4.8%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

#### 34.7 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2012:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	£000	£000	£000	£000	£000
Present value of liabilities	(76,343)	(80,265)	(122,804)	(95,336)	(103,262)
Fair value of assets	61,097	57,000	75,657	78,137	78,541
<b>Surplus / (Deficit) in the scheme</b>	<b>(15,246)</b>	<b>(23,265)</b>	<b>(47,147)</b>	<b>(17,199)</b>	<b>(24,721)</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:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Differences between the expected and actual return on assets	-11.70%	-26.20%	21.97%	-0.93%	-3.63%
Experience gains and losses on liabilities	-9.30%	-8.10%	32.22%	-21.57%	5.23%

#### 34.8 Annual Contributions to fund

The estimated contribution for 2011/12 is £1,782,000, compared with the actual contribution of £1,647,000 for 2011/12.

### **35 CONTINGENT ASSETS AND LIABILITIES**

#### **Contingent Liabilities**

##### **Local Land Charges**

The Council along with others is the subject to a claim for reimbursement of Local Land Charges levied for information that the claimant(s) contest should have been made available free under the Environmental Information Regulations. The Local Government Association is representing this and other Councils in defending the case. The Council ceased charging for the service in July 2010 and no provision has been made as to the likely financial implication of the litigation should it be successful.

##### **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 £520,000. MMI's Directors have stated that they still foresee a fully solvent run-off of the Company's business. Following the judgement reached by the supreme court in the Employers' Liability Policy Trigger Litigation relating to mesothelioma claims, MMI are reviewing the likely impact on the scheme as the previously foreseen surplus at the conclusion of the run off period may not materialise. Until the scheme administrators have taken professional and legal advice the situation remains uncertain. 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. The Board of WEL is currently reviewing its governance structures and this contingent liability will be quantified and potentially eliminated as part of that review.

#### **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.

##### **Underpayment of interest by HMRC on VAT refunds**

In 2008/9 the Council received interest on overpaid VAT of £1.4m largely in relation to its cultural and leisure services. The interest was calculated by HMRC on a simple (non compound) basis. The Council along with others has instructed lawyers to claim that compound interest should have been paid in respect of this refund.

### 36 TRUST FUNDS

The Authority acts as custodian trustee for the Mayor's Poor Fund and the Mayor's Charity account. As custodian trustee the Authority holds funds but takes no decision on its use. In neither case do the funds represent assets of the Authority and therefore they have not been included in the Balance Sheet, except to the extent where funds are deposited with the Authority but these are shown in the Balance Sheet as short term liabilities as amounts owing.

Funds for which the Authority acts as custodian trustee:

<b>2011/12</b>	<b>Income</b>	<b>Expenditure</b>	<b>Assets</b>	<b>Liabilities</b>
	£000	£000	£000	£000
<b>Mayor's Poor Fund</b>				
Established in 1934 to bring relief to those in poverty in Eastbourne	(4)	1	25	-
<b>Mayor's Charity Account</b>				
Created to support the Mayor's chosen charity each year	(16)	16	5	(5)
<b>Total</b>	<b>(20)</b>	<b>17</b>	<b>30</b>	<b>(5)</b>
<b>2010/11</b>	<b>Income</b>	<b>Expenditure</b>	<b>Assets</b>	<b>Liabilities</b>
	£000	£000	£000	£000
<b>Mayor's Poor Fund</b>				
Established in 1934 to bring relief to those in poverty in Eastbourne	-	1	22	-
<b>Mayor's Charity Account</b>				
Created to support the Mayor's chosen charity each year	(29)	29	21	(21)
<b>Total</b>	<b>(29)</b>	<b>30</b>	<b>43</b>	<b>(21)</b>

## HOUSING REVENUE ACCOUNT (HRA)

<b>2010/11</b>		<b>2011/12</b>
£000		£000
	<b>Income</b>	
(11,981)	Dwelling Rents	(12,711)
(396)	Non-Dwelling Rents	(392)
(1,133)	Charges for Services and Facilities	(883)
(57)	Contributions Towards Expenditure	52
(1,368)	Housing Revenue Account Subsidy Receivable	(848)
<b>(14,935)</b>	<b>Total Income</b>	<b>(14,782)</b>
	<b>Expenditure</b>	
-	Repairs and Maintenance	(36)
7,449	Supervision and Management	7,573
233	Rents, rates, taxes and other charges	386
128	Subsidy Limitation Transfer to the General Fund	227
61,267	Depreciation and Impairment of Fixed Assets	16,721
52	Debt Management Costs	54
<b>69,129</b>	<b>Total Expenditure</b>	<b>24,925</b>
<b>54,194</b>	<b>Net cost of HRA Services as included in the whole authority Income and Expenditure Account</b>	<b>10,143</b>
59	HRA services share of Corporate and Democratic Core	46
(1,788)	Capital Grants and Contributions Received	(39,402)
<b>52,465</b>	<b>Net Cost of HRA services</b>	<b>(29,213)</b>
(156)	Gain or loss on sale of HRA assets	(449)
3,393	Interest Payable and Similar Charges	11,830
(4)	Interest and Investment Income	(23)
<b>55,698</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(17,855)</b>



## MOVEMENT ON THE HRA STATEMENT

2010/11			2011/12	
£000	£000		£000	£000
	(1,424)	Housing Revenue Account balance brought forward		(1,750)
55,698		(Surplus) / Deficit on HRA Income and Expenditure Statement	(17,855)	
		Adjustments between accounting and funding basis:		
1,788		Capital Grants and Contributions received	39,402	
226		Finance cost adjustment re. premiums and discounts	(8,316)	
156		Reverse gain or loss on non-current assets	450	
30		Transfer to / from Pension Reserve	28	
-		Transfer to / from Accumulated Absence Reserve	(1)	
<u>(58,513)</u>		Transfer from Capital Adjustment Account re. depreciation	<u>(13,932)</u>	
(615)			(224)	
289		Transfers to earmarked reserves	(27)	
	(326)	(Increase) or decrease in year on HRA		(251)
	<u>(1,750)</u>	<b>Housing Revenue Account balance carried forward</b>		<u>(2,001)</u>

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 2011		31 March 2012	
	Houses and Bungalows		
16	- one bedroom	16	
537	- two bedrooms	535	
1,195	- three bedrooms	1,190	
55	- four or more bedrooms	55	
<b>1,803</b>	<b>Total Houses and Bungalows</b>	<b>1,796</b>	
	Flats		
1,044	- one bedroom	1,041	
516	- two bedrooms	524	
9	- three or more bedrooms	9	
344	- bed-sits	332	
<b>1,913</b>	<b>Total Flats</b>	<b>1,906</b>	
<b>3,716</b>	<b>All Dwellings</b>	<b>3,702</b>	

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2011) and has acquired the use of 6 actual properties (8 at 31 March 2011) under short-term property leases.

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

	1 April 2011 £000	31 March 2012 £000
Dwellings	147,378	134,187
Other Land and Buildings	817	944
<b>Total</b>	<b>148,195</b>	<b>135,131</b>

### 2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilkes, Head & Eve as at 1 April 2011, which resulted in a market vacant possession value of the housing stock at 1 April 2011 of £410m and the value of garages as £2.6m. 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.

### 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.

<b>2010/11</b>		<b>2011/12</b>
£000		£000
-	Balance as at 1 April	(1,564)
1,190	Financing of Capital Expenditure	3,276
(2,754)	Depreciation	(2,789)
<b>(1,564)</b>	<b>Balance as at 31 March</b>	<b>(1,077)</b>

#### 4. CAPITAL EXPENDITURE AND FINANCING

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

<b>2010/11</b>		<b>2011/12</b>
£000		£000
<b>6,686</b>	<b>Total Capital Expenditure</b>	<b>5,038</b>
	Funding:	
5,196	Borrowing	1,376
1,190	Major Repairs Reserve	3,276
300	Revenue Contributions	300
-	Other Contributions	86
<b>6,686</b>	<b>Total Funding</b>	<b>5,038</b>

#### 5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

<b>2010/11</b>		<b>2011/12</b>
£000		£000
401	Right to Buy Sales of Houses and Flats	829
-	Repayment of Right to Buy Discount	-
3	Mortgage Repayments	3
<b>404</b>		<b>832</b>

#### 6. DEPRECIATION

<b>2010/11</b>		<b>2010/11</b>
£000		£000
2,754	Dwellings	2,789
10	Other Land and Buildings	18
<b>2,764</b>	<b>Total Operational Assets</b>	<b>2,807</b>
-	Non-Operational Assets	-
<b>2,764</b>	<b>Total HRA Assets</b>	<b>2,807</b>

#### 7. IMPAIRMENT

There has been a net impairment loss of £13,916,000 for Council Dwellings.

#### 8. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

The Council made contributions of £46,000 towards works on former council dwellings within blocks of council-owned flats, compared to none in 2010/11. Due to an over accrual of £82,000 in prior years this is showing in the accounts as negative expenditure of £36,000.

## 9. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable was made up as follows:

<b>2010/11</b>		<b>2011/12</b>	
£000		£000	
2,190	Management Allowance	2,278	
4,361	Maintenance Allowance	4,409	
2,754	Major Repairs Allowance	2,789	
3,976	Capital Charges Allowances	3,863	
-	Rental Constraint Allowance	-	
70	Other Allowable Expenditure	68	
-	Prior Year Adjustment	7	
<hr/>		<hr/>	
<b>13,351</b>	<b>Gross</b>	<b>13,414</b>	
(11,979)	Less: Notional Rent Income	(12,546)	
-	Self Financing Interest Payment	(17)	
(4)	Interest on Receipts	(3)	
<hr/>		<hr/>	
<b>1,368</b>	<b>Total Subsidy Receivable</b>	<b>848</b>	

## 10. CONTRIBUTION TO THE PENSION RESERVE

Note 34 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 £28,000 (£30,000 in 2010/11) has been charged to the Housing Revenue Account via the Movement on the HRA statement.

## 9. RENT ARREARS

Rent arrears at 31 March 2012 amounted to £474,000 compared with £605,000 at 31 March 2011. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2011/12 former tenant arrears of £53,000 were written off (£98,000 in 2010/11).

The Council has a provision for doubtful debts of £335,000 at 31 March 2012 (£305,000 at 31 March 2011)

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

A contribution of £227,000 was made in 2011/12 for the Rent Rebate Subsidy Limitation Scheme (£128,000 in 2010/11).

## COLLECTION FUND REVENUE ACCOUNT

<b>2010/11</b>		<b>2011/12</b>	
£000		£000	£000
	<b>Income</b>		
49,921	Income from Council Tax		50,211
9,671	Transfers from General Fund Council Tax Benefits		9,405
27,733	Income collectable from Business Ratepayers		30,225
	Contributions towards previous year's Collection Fund deficit		
1,007	East Sussex County Council	-	
197	Eastbourne Borough Council	-	
120	Sussex Police Authority	-	
71	East Sussex Fire Authority	-	
		-	
<b>88,720</b>	<b>Total Fund Income</b>		<b>89,841</b>
	<b>Expenditure</b>		
	Precepts and Demands		
42,361	East Sussex County Council	42,576	
8,199	Eastbourne Borough Council	8,241	
5,062	Sussex Police Authority	5,088	
2,994	East Sussex Fire Authority	3,009	
			58,914
	Business Rates		
27,602	Payment to National Pool	30,097	
131	Costs of Collection	128	
			30,225
	Bad and Doubtful Debts/Appeals		
218	Write-offs	887	
687	Provisions	(224)	
			663
	Contributions towards previous year's Collection Fund Surplus		
-	East Sussex County Council	45	
-	Eastbourne Borough Council	9	
-	Sussex Police Authority	5	
-	East Sussex Fire Authority	3	
			62
<b>87,254</b>	<b>Total Fund Expenditure</b>		<b>89,864</b>
<b>(1,466)</b>	<b>Movement on Fund Balance</b>		<b>23</b>
	<b>COLLECTION FUND BALANCE</b>		
1,388	Balance at 1st April		(78)
(1,466)	(Surplus)/Deficit for the year		23
<b>(78)</b>	<b>Balance as at 31st March</b>		<b>(55)</b>

## NOTES TO THE COLLECTION FUND

### 1 INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:

	£000
Gross amount of Council Tax	69,791
Less Discounts	(7,238)
Exemptions	(2,836)
Disabled Relief	(101)
Gross Yield from Council Tax	<u>59,616</u>
Reconciliation to Collection Fund	
Income form Council Tax	50,211
Council Tax Benefits granted	<u>9,405</u>
	<u>59,616</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:

#### Council Tax Base

Band	Chargeable Dwellings	Est Taxable Properties	Ratio to Band D	Band D Equiv	Yield £000
A Dis Red	14	12	5/9	7	11
A	7,623	6,247	6/9	4,164	6,675
B	12,259	10,889	7/9	8,469	13,574
C	10,243	9,235	8/9	8,209	13,157
D	8,202	7,522	9/9	7,521	12,055
E	4,271	3,964	11/9	4,845	7,765
F	2,006	1,890	13/9	2,730	4,375
G	1,081	997	15/9	1,662	2,663
H	53	46	18/9	93	149
	<b>45,752</b>	<b>40,802</b>		<b>37,700</b>	<b>60,424</b>
				<b>(943)</b>	<b>(1,511)</b>
					Less average 2.50% reduction to allow for collection losses etc.
				<b>36,757</b>	<b>58,913</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	36,757.77
Band D Council Tax 2011/12 (Budget report)	B	£1,602.77
Theoretical gross yield	A x B	£58,914,139
Actual gross yield (as above)	C	£59,615,810
Theoretical gross yield - actual gross yield	(A x B) - C	£(701,671)

### 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 2011/12 this amounted to £5.790m. for Eastbourne Borough Council (£9.099m in 2010/11).

The table below shows the total rateable value and multipliers.

		<b>2010/11</b>	<b>2011/12</b>
Total non-domestic rateable value	£m	65.2	64.6
Multiplier	Pence	41.4	43.3
Multiplier (Small businesses)	Pence	40.7	42.6
Gross Yield Before Adjustments	£m	31.8	34.6

The gross yield before adjustments represents potential income at a point in time, i.e. the financial year end, and differs from bills issued during the year due to relief for empty properties, transitional relief, charity relief, and changes in rateable value and property base movements.

### **3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND**

Authority	Precept £000	Distribution of prior years deficit £000	Total £000
Eastbourne Borough Council	8,241	9	8,250
East Sussex County Council	42,576	45	42,621
Sussex Police	5,088	5	5,093
East Sussex Fire Authority	3,009	3	3,012
<b>Total</b>	<b>58,914</b>	<b>62</b>	<b>58,976</b>

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

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

	2010/11 £000	2011/12 £000
East Sussex County Council	(56)	(39)
Eastbourne Borough Council	(11)	(8)
Sussex Police Authority	(7)	(5)
East Sussex Fire Authority	(4)	(3)
<b>Deficit</b>	<b>(78)</b>	<b>(55)</b>

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 13.4 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 together with a note on transactions between the Authority and Eastbourne Homes Ltd.

### **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>
---

	<b>EBC Usable Reserves</b>	<b>EBC Unusable Reserves</b>	<b>Total EBC Reserves</b>	<b>EHL Reserves</b>	<b>Total Group Reserves</b>
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2010 (Restated)</b>	<b>(17,551)</b>	<b>(189,444)</b>	<b>(206,995)</b>	<b>1,145</b>	<b>(205,850)</b>
<b>Movement in Reserves 2010/11</b>					
Surplus or (deficit) on provision of services (accounting basis)	43,560	-	<b>43,560</b>	(1,183)	<b>42,377</b>
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	-	(1,597)	<b>(1,597)</b>	-	<b>(1,597)</b>
Actuarial gains (losses) on share of Pension Fund	-	(19,831)	<b>(19,831)</b>	(804)	<b>(20,635)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>43,560</b>	<b>(21,428)</b>	<b>22,132</b>	<b>(1,987)</b>	<b>20,145</b>
Adjustments between accounting basis & funding basis under regulations	(44,222)	44,222	-	-	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(662)</b>	<b>22,794</b>	<b>22,132</b>	<b>(1,987)</b>	<b>20,145</b>
Transfers to / from Earmarked Reserves	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(662)</b>	<b>22,794</b>	<b>22,132</b>	<b>(1,987)</b>	<b>20,145</b>
<b>Balance at 31 March 2011 carried forward (Restated)</b>	<b>(18,213)</b>	<b>(166,650)</b>	<b>(184,863)</b>	<b>(842)</b>	<b>(185,705)</b>
<b>Movement in Reserves 2011/12</b>					
Surplus or (deficit) on provision of services (accounting basis)	(1,916)	-	<b>(1,916)</b>	(211)	<b>(2,127)</b>
Revaluation of fixed assets added to or withdrawn from Revaluation Reserve	-	(14,736)	<b>(14,736)</b>	-	<b>(14,736)</b>
Actuarial gains (losses) on share of Pension Fund	-	8,255	<b>8,255</b>	392	<b>8,647</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,916)</b>	<b>(6,481)</b>	<b>(8,397)</b>	<b>181</b>	<b>(8,216)</b>
Adjustments between accounting basis & funding basis under regulations	<b>1,264</b>	<b>(1,264)</b>	-	-	-
<b>Net Increase / Decrease before Transfers to Earmarked Reserves</b>	<b>(652)</b>	<b>(7,745)</b>	<b>(8,397)</b>	<b>181</b>	<b>(8,216)</b>
Transfers to / from Earmarked Reserves	-	-	-	-	-
<b>Increase / Decrease in Year</b>	<b>(652)</b>	<b>(7,745)</b>	<b>(8,397)</b>	<b>181</b>	<b>(8,216)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(18,865)</b>	<b>(174,395)</b>	<b>(193,260)</b>	<b>(661)</b>	<b>(193,921)</b>

## GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010/11 Restated				2011/12		
Expend.	Income	Net		Expend.	Income	Net
£000	£000	£000		£000	£000	£000
13,398	(11,101)	2,297	Central services to the public	12,351	(10,739)	1,612
16,672	(9,998)	6,674	Cultural and related services	30,134	(8,939)	21,195
9,545	(3,357)	6,188	Environmental and regulatory services	10,228	(3,422)	6,806
2,126	(625)	1,501	Planning and development services	2,121	(1,067)	1,054
908	(1,013)	(105)	Highways and transport services	1,535	(529)	1,006
9,608	(15,260)	(5,652)	Local authority housing (HRA)	25,042	(15,238)	9,804
49,783	(48,456)	1,327	Other housing services	52,462	(51,641)	821
1,708	(33)	1,675	Corporate and democratic core	2,098	(40)	2,058
5		5	Non distributed costs	671	(269)	402
2,681	(992)	1,689	Concessionary Fares	(71)	(1)	(72)
47,912		47,912	Exceptional Items	-	-	-
<b>154,346</b>	<b>(90,835)</b>	<b>63,511</b>	<b>Cost Of Services</b>	<b>136,571</b>	<b>(91,885)</b>	<b>44,686</b>
203	-	203	Levy payable	177	-	177
252	-	252	Payments to housing capital receipts pool	600	-	600
4	-	4	(Gains) / losses on sale of non-current assets	-	(1,033)	(1,033)
<b>459</b>	<b>-</b>	<b>459</b>	<b>Other Operating Expenditure</b>	<b>777</b>	<b>(1,033)</b>	<b>(256)</b>
3,705	-	3,705	Interest payable & similar charges	12,224	-	12,224
940	-	940	Pensions interest cost and expected return on assets	(48)	(149)	(197)
(3)	(119)	(122)	Interest receivable	(8)	(123)	(131)
-	(313)	(313)	Trading Operations	(1,629)	(387)	(2,016)
<b>4,642</b>	<b>(432)</b>	<b>4,210</b>	<b>Financing and Investment Income and Expenditure</b>	<b>10,539</b>	<b>(659)</b>	<b>9,880</b>
-	(8,256)	(8,256)	Non-specific grants and contributions	-	(3,209)	(3,209)
-	-	-	HRA Self Financing Settlement	-	(39,024)	(39,024)
-	(8,209)	(8,209)	Council Tax income	-	(8,245)	(8,245)
-	(9,099)	(9,099)	National Non-Domestic Rates redistribution	-	(5,790)	(5,790)
<b>-</b>	<b>(25,564)</b>	<b>(25,564)</b>	<b>Taxation and non-specific grant income</b>	<b>-</b>	<b>(56,268)</b>	<b>(56,268)</b>
		<b>42,616</b>	<b>Surplus or Deficit on Provision of Services</b>			<b>(1,958)</b>
		<b>(5)</b>	<b>Tax Expense</b>			<b>8</b>
		<b>42,611</b>	<b>Group Surplus or Deficit</b>			<b>(1,950)</b>
		(1,597)	Surplus or deficit on revaluation of fixed assets			(14,736)
		(20,635)	Actuarial gains / losses on pension assets / liabilities			8,647
		<b>(22,232)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(6,089)</b>
		<b>20,379</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(8,039)</b>

<b>GROUP BALANCE SHEET</b>
----------------------------

<b>01 April 2010</b>		<b>31 March 2011</b>		<b>31 March 2012</b>	
<b>Re-stated</b>		<b>Re-stated</b>			
£000	£000	£000	£000	£000	£000
291,969		243,517		Property, Plant & Equipment	231,180
10,192		11,736		Heritage Assets	12,209
4,809		4,809		Investment Property	6,562
607		861		Intangible Assets	866
47		90		Long Term Debtors	303
<b>307,624</b>		<b>261,013</b>		<b>Long Term Assets</b>	<b>251,120</b>
-		-		Assets Held for Sale	2,373
-		2,000		Short Term Investments	2,000
149		122		Inventories	143
17,511		9,464		Short Term Debtors	7,780
1,456		7,508		Cash and Cash Equivalents	3,497
<b>19,116</b>		<b>19,094</b>		<b>Current Assets</b>	<b>15,793</b>
(321)		(4,322)		Short Term Borrowing	(8,273)
(8,101)		(9,892)		Short Term Creditors	(10,137)
-		-		Short Term Provisions	(101)
-		(2)		Revenue Grants Receipts in Advance	(96)
<b>(8,422)</b>		<b>(14,216)</b>		<b>Current Liabilities</b>	<b>(18,607)</b>
(1,823)		(2,999)		Long Term Creditors	(2,757)
(191)		(43)		Provisions	(85)
(61,694)		(59,694)		Long Term Borrowing	(26,212)
(48,760)		(17,450)		Other Long Term Liabilities	(25,331)
<b>(112,468)</b>		<b>(80,186)</b>		<b>Long Term Liabilities</b>	<b>(54,385)</b>
<b>205,850</b>		<b>185,705</b>		<b>Net Assets</b>	<b>193,921</b>
(18,020)		(19,307)		Usable reserves	(20,137)
(187,830)		(166,398)		Unusable Reserves	(173,784)
<b>(205,850)</b>		<b>(185,705)</b>		<b>Total Reserves</b>	<b>(193,921)</b>

## GROUP CASH FLOW STATEMENT

<b>2010/11</b>	<b>2011/12</b>
£000	£000
(13,030) Operating Activities	(2,917)
10,793 Investing Activities	11,123
(3,815) Financing Activities	(4,195)
<b>(6,052) Net (increase) / decrease in cash and cash equivalents</b>	<b>4,011</b>

The balances of cash and cash equivalents are shown below:

<b>2010/11</b>			<b>2011/12</b>			
<b>1 April</b>	<b>31 March</b>	<b>Movement</b>	<b>1 April</b>	<b>31 March</b>	<b>Movement</b>	
£000	£000		£000	£000		
(701)	220	921	Cash and Bank	220	410	190
1,850	5,509	3,659	Call accounts	5,509	1,702	(3,807)
307	1,779	1,472	Eastbourne Homes	1,779	1,385	(394)
<b>1,456</b>			<b>Total Cash and</b>			
<b>7,508</b>			<b>Cash Equivalents</b>			
<b>6,052</b>			<b>7,508</b>			
<b>6,052</b>			<b>3,497</b>			
<b>6,052</b>			<b>(4,011)</b>			

## NOTES TO THE GROUP ACCOUNTING STATEMENTS

### 1 Accounting Policies and changes to previous year's figures

The accounting policies set out in Note 2 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.

For the first time the Authority is required to record Heritage Assets separately in the accounts. This has required us to re-state the Group Balance Sheets as at 1 April 2010 and 31 March 2011.

The restatement of 1st April 2010 Group Balance Sheet is provided on page 74. The adjustments that have been made to the group balance sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	Opening Balances as at 1 April 2010	Restatement	Restatements required to opening balances as at 1 April 2010
	£000	£000	£000
Property, Plant & Equipment	292,647	(678)	291,969
Heritage Assets	-	10,192	10,192
<b>Long term Assets</b>	<b>298,110</b>	<b>9,514</b>	<b>307,624</b>
<b>Total Net Assets</b>	<b>196,336</b>	<b>9,514</b>	<b>205,850</b>
Usable Reserves	(18,020)	-	(18,020)
Unusable Reserves	(178,316)	(9,514)	(187,830)
<b>Net Worth/Total Reserves</b>	<b>(196,336)</b>	<b>(9,514)</b>	<b>(205,850)</b>

### Group Movement in Reserves Statement – Unusable Reserve 2010/11

The relevant lines of the Group Movement in Reserves Statement, as at 31 March 2011, as a result of the application of this new accounting policy have been restated.

The resulting restated Group Balance Sheet for 31 March 2011 is provided on page 74. The adjustments that have been made to that Group Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	As previously Stated 31 March 2011	As restated 31 March 2011	Restatement 2011
	£000	£000	£000
Property, Plant & Equipment	244,228	243,517	(711)
Heritage Assets	-	11,736	11,736
<b>Long term Assets</b>	<b>249,988</b>	<b>261,013</b>	<b>11,025</b>
<b>Total Net Assets</b>	<b>174,680</b>	<b>185,705</b>	<b>11,025</b>
Unusable Reserves	(155,373)	(166,398)	(11,025)
<b>Net Worth/Total Reserves</b>	<b>(174,680)</b>	<b>(185,705)</b>	<b>(11,025)</b>

### Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement has been re-stated to reflect the correct treatment of income and expenditure within Local Authority Housing (HRA) and of past service costs included within Non Distributed Costs as follows:

	As previously Stated 31 March 2011			As restated 31 March 2011		
	£000	£000	£000	£000	£000	£000
	Expend	Income	Net	Expend	Income	Net
Local Authority Housing (HRA)	15,207	(20,858)	(5,651)	9,608	(15,260)	(5,652)
Non Distributed Costs	10,644	(10,639)	5	5	-	5
<b>Cost of Services</b>	<b>170,584</b>	<b>(107,072)</b>	<b>63,512</b>	<b>154,346</b>	<b>(90,835)</b>	<b>63,511</b>

## 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 34, 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:

2010/11				2011/12		
Obligation	Asset	Net		Obligation	Asset	Net
£000	£000	£000		£000	£000	£000
<b>(128,211)</b>	<b>79,451</b>	<b>(48,760)</b>	<b>Asset / Liability at 1 April</b>	<b>(99,950)</b>	<b>82,500</b>	<b>(17,450)</b>
		-				-
(1,922)	-	<b>(1,922)</b>	Current Service Cost	(1,559)	-	<b>(1,559)</b>
(6,512)	-	<b>(6,512)</b>	Interest Cost	(5,431)	-	<b>(5,431)</b>
-	5,572	<b>5,572</b>	Expected return on plan assets	-	5,628	<b>5,628</b>
(585)	585	-	Contributions by scheme participants	(554)	554	-
-	-	-	Actuarial gains and losses:	-	-	-
			Difference between expected and actual returns	-	(3,017)	<b>(3,017)</b>
-	(674)	<b>(674)</b>	Movement in actuarial assumptions for liability	(5,631)	-	<b>(5,631)</b>
21,926		<b>21,926</b>	Benefits paid	4,650	(4,650)	-
4,720	(4,720)	-	Past Service Cost	-	-	-
10,639		<b>10,639</b>	Curtailments	(93)	-	<b>(93)</b>
(5)	-	<b>(5)</b>	Settlements	-	-	-
-	-	-	Contributions by employer	-	2,222	<b>2,222</b>
-	2,286	<b>2,286</b>				
<b>(99,950)</b>	<b>82,500</b>	<b>(17,450)</b>	<b>Asset / Liability at 31 March</b>	<b>(108,568)</b>	<b>83,237</b>	<b>(25,331)</b>

### 2.3 Transactions relating to post-employment benefits

2010/11		2011/12	
£000		£000	
	Current Service Cost		
89	Central services to the public	79	
389	Cultural and related services	331	
274	Environmental and regulatory services	153	
163	Planning and development services	111	
61	Highways and transport services	9	
277	Local authority housing (HRA)	220	
199	Other housing services	165	
35	Corporate and democratic core	50	
12	Trading accounts	-	
423	Support services	441	
<b>1,922</b>	<b>Total Current Service Cost</b>	<b>1,559</b>	
	Past Service Cost		
(10,639)	Non-Distributed Costs	-	
<b>(10,639)</b>	<b>Total Past Service Cost</b>	<b>-</b>	

	Curtailments	
5	Non-Distributed Costs	93
<b>5</b>	<b>Total Curtailments</b>	<b>93</b>
<b>(8,712)</b>	<b>Cost of Services</b>	<b>1,652</b>
6,512	<b>Interest Cost</b>	5,431
(5,572)	<b>Expected Return on Assets</b>	(5,628)
<b>940</b>	<b>Financing and Investment Income and Expenditure</b>	<b>(197)</b>
<b>(7,772)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,455</b>
<b>(21,252)</b>	<b>Actuarial Gains and Losses</b>	<b>8,648</b>
<b>(21,252)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>8,648</b>
<b>(29,024)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>10,103</b>

#### 2.4 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities	(79,106)	(83,157)	(128,211)	(99,950)	(108,568)
Fair value of assets	63,972	59,578	79,451	82,500	83,237
<b>Surplus / (Deficit) in the scheme</b>	<b>(15,134)</b>	<b>(23,579)</b>	<b>(48,760)</b>	<b>(17,450)</b>	<b>(25,331)</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.

	2011	2012
	£000	£000
<b>Income</b>		
Housing Management contract	6,776	6,864
Other contracts	45	11
<b>Expenditure</b>		
Service Level Agreements	214	242
Contribution to Capital Works	300	300
<b>Recharges</b>		
Capital Works at cost	6,687	4,869
Other	21	21
<b>Debtor</b>		
Amount due from Eastbourne Borough Council	1094	1,728
<b>Creditor</b>		
Amount due to Eastbourne Borough Council	67	89

Four of the potential 12 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.