

**Audited  
Statement of Accounts  
2012/13**



## TABLE OF CONTENTS

FOREWORD BY CHIEF FINANCE OFFICER.....	2
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS .....	8
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL .....	9
MOVEMENT IN RESERVES STATEMENT .....	12
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT .....	14
BALANCE SHEET .....	15
CASH FLOW STATEMENT .....	16
NOTES TO THE ACCOUNTING STATEMENTS .....	17
HOUSING REVENUE ACCOUNT (HRA) .....	65
COLLECTION FUND REVENUE ACCOUNT .....	70
GROUP ACCOUNTS .....	73
GROUP MOVEMENT IN RESERVES STATEMENT .....	74
GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT .....	75
GROUP BALANCE SHEET .....	76
GROUP CASH FLOW STATEMENT .....	77
NOTES TO THE GROUP ACCOUNTING STATEMENTS .....	78
GLOSSARY .....	83

**FOREWORD BY CHIEF FINANCE OFFICER****INTRODUCTION**

The foreword explains the key components of the Statement of Accounts 2012/13 and provides a guide to the financial activities of the Council during the year 1 April 2012 to 31 March 2013.

**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 2012/13, based on International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP), 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 Auditor's 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 2013. 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 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 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 (now known as non current assets). 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 surplus for 2012/13 of £5.4m. 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 surplus together with other reserve transfers into a net decrease in the General Fund Balance of £744,000. 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 outturn is prepared on the basis of how the Council sets its revenue budget rather than the accounting provisions of the Code, and therefore is not presented on the same basis 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 £15.7m (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 2012/13 of £224.19, being a zero percent increase over 2011/12.

The General Fund Balance at the beginning of the year stood at £4.7m. The final outturn delivered a variance of £53,000 before net interest, capital financing and transfers to reserves. The transfer from the General Fund Reserve of £449,000 represents this under spend less the amount that was budgeted to be taken from reserves to support the 2012/13 budget. As a result of this movement the General Fund Balance as at 31 March 2013 was £3.9m.

The following table compares the major elements of the budget and actual for General Fund services in 2012/13:

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000	£000	£000	£000
Net Service Expenditure	15,589	16,295	16,254	(41)
Net Interest and Capital Financing	745	769	769	-
Transfer to (from) Reserves	-	(856)	(868)	(12)
<b>Net Expenditure</b>	<b>16,334</b>	<b>16,208</b>	<b>16,155</b>	<b>(53)</b>
Transfer to (from) General Fund Balance	(628)	(502)	(449)	53
<b>Budget Requirement</b>	<b>15,706</b>	<b>15,706</b>	<b>15,706</b>	<b>-</b>
Financed by				
Formula Grant and NNDR Redistribution Grant	7,405	7,405	7,405	-
Council Taxpayers	8,301	8,301	8,301	-
<b>Total Financing</b>	<b>15,706</b>	<b>15,706</b>	<b>15,706</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 (£396,000);
- Government Grant New Homes Bonus (£161,000)
- Government Grant to support weekly waste collection (£60,000).

These were partially offset by overspends on:

- Redundancy costs £198,000
- Catering set up costs £138,000
- Theatres show account £125,000
- Redoubt Museum overspending and loss of income £105,000.

## 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 2013 3,558 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 2012/13 the Housing Revenue Account net position after adjustments required by statute shows an overall surplus of £178,000 for the year against an expected budgeted surplus of £16,000 resulting in a variance of £162,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2012/13:

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	£000	£000	£000	£000
Total Expenditure	12,241	12,302	12,263	(39)
Total Income	(14,224)	(14,099)	(14,240)	(141)
<b>Net cost of Service</b>	<b>(1,983)</b>	<b>(1,797)</b>	<b>(1,977)</b>	<b>(180)</b>
Capital Financing less interest receivable	2,044	1,781	1,799	18
Appropriations	-	-	-	-
<b>Housing Revenue Account (Surplus) / Deficit</b>	<b>61</b>	<b>(16)</b>	<b>(178)</b>	<b>(162)</b>
Opening Balance 1 April 2012	(2,010)	(2,001)	(2,001)	-
Closing Balance 31 March 2013	(1,949)	(2,017)	(2,179)	(162)

There has been no impairment loss for Council Dwellings in 2012/13. In 2011/12 there was a net impairment loss of £13,916,000 for Council Dwellings.

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.

## 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 £169,000 as at 31 March 2013 (compared to a surplus of £55,000 as at 31 March 2012). The January 2013 forecast surplus of £159,000 will be distributed to the precepting bodies pro rata to their Band D Council Tax during 2013/14 leaving a balance of £10,000 to be collected in 2014/15. The Council share as at 31 March 2013 was £24,000.

#### 4 Capital Spending

The Council's capital spending in the year was £12.3m compared with a revised budget of £12.4m. Capital expenditure has been financed as follows:

	£000
Capital Receipts	2,450
Earmarked Reserves	326
Government Grants & Contributions	4,445
Major Repairs Reserve	2,010
Revenue Financing	85
Financed from borrowing	2,960
<b>Total</b>	<b>12,276</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	7,388	7,367	(21)
Solar Panel Installations	85	85	0
Grants to Provide Disabled Facilities & Private Sector Renewal Grants	690	727	37
Asset Improvements	875	854	(21)
Playground & Sports Facilities Improvements	211	208	(3)
Cremator Replacement	1,428	1,391	(37)
Future Model & Agile Working	1,263	1,264	1
Other Schemes	463	380	(83)
<b>Total Capital Expenditure</b>	<b>12,403</b>	<b>12,276</b>	<b>(127)</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 2013/14 – 2015/16 totalling £50.6m to be funded as follows:

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	£000	£000	£000
Capital Receipts	4,508	216	66
Grants and Contributions	8,263	7,978	6,978
Major Repairs Reserve	6,581	4,043	4,138
Revenue Contribution to Capital	1,303	371	523
Section 106 Contributions	1,863	0	0
Borrowing	2,418	661	661
<b>Total</b>	<b>24,936</b>	<b>13,269</b>	<b>12,366</b>

#### 6 Pensions

The Council's liability for future pension payments has increased from £24.7m to £28.8m. This was mainly as a result of falling real bond yields which have been partially offset by strong asset returns, the projected pension expense for next year has risen due to falling bond yields and the expected return on assets assumption for 2013/14 has reduced due to the changes to IAS19 that come into effect next year. A change of the discount rate used from 4.8% to 4.5% has also contributed to an increase of Defined Benefit Obligations from £103m to £117m. The net asset value has increased by £9.2m. 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 2013, comprising long and short-term borrowing stood at £39.5m. This is made up of £34.7m repayable in more than one year and £4.8m repayable in less than one year. This is a net increase of £5.0m over the previous year, mainly as a result of additional borrowing.

Short-term investments of £0.1m were held at 31 March 2013 compared with £2.0m in the previous year. The Council held cash balances as at 31 March 2013 of £7.2m, which includes call deposit accounts and investments with maturity of up to one month, compared to £2.1m as at 31 March 2012. The increase in cash balances was mainly due to new borrowing taken to replace the use of internal cash balances being used to internally finance capital expenditure. This new borrowing was taken when borrowing rates were at a low level as part of the Council's Treasury Management Strategy.

## **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 2013/14 budget has been set against an uncertain economic background. The Council's medium term financial strategy sets out its spending plans for the period 2013/14 to 2015/16. 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.

## **FUTURE DEVELOPMENTS**

### **Council Tax Localisation**

The Comprehensive Spending Review (CSR) 2010 included proposals to localise support for Council Tax from the beginning of the financial year 2013/14. The scheme for Eastbourne was adopted by Council by the statutory deadline of 31 January 2013, with new processes ready to operate from the implementation date of 1 April 2013. Council Tax bills have now been sent to residents based on the agreed Local Scheme. The main change for the Council is that a grant will be paid to the General Fund to replace the current Council Tax Benefit paid into the Collection Fund.

### **Non-Domestic Rate Income**

From 1 April 2013 the regime around the income that Local Authorities collect from National Non Domestic or Business Rates (NNDR) changes from one where the Authority collects purely on behalf of Central Government to one where this income is shared between Central Government (50%), this Council (40%) and major precepting bodies (East Sussex County Council (9%) and East Sussex Fire Authority (1%)). Some of the key changes are:

- Abolition of the current system, whereby Government allocates resources via Total Formula Grant (TFG) from the NNDR national pool;
- Establishment by Government of a baseline from which a future level of funding via the new system will be calculated; this was clarified in the Final Local Government Settlement in January 2013;
- Continued collection of Business Rates by Councils in their respective areas but this will be subject to either a top up if this sum is below the calculated baseline or a tariff if it is above the baseline.
- Establishment of a safety net to protect authorities where there are substantial downward movements in the Business Rate base due to changes in the local economy (set at 7.5% of the baseline figure); and
- Imposition of levies on "disproportionate" gains which will be specific to each Authority and will fund the safety net.

This change affects the retention of that income collected and also carries a risk to the Council for failure to collect rates in comparison to baseline funding level. Risks of non-collection includes rates billed from 1 April, but also those not yet collected from prior years and appeals that were not resolved before that date.

**Universal Credit**

Universal Credit is one of the key benefit changes introduced by the Welfare Reform Act 2012. This will see the introduction of a single benefit to replace six benefits currently paid by Department of Works and Pensions, HM Revenue and Customs and local authorities. This includes Housing Benefit currently paid by local authorities. Universal Credit will have an impact on the Council as it will no longer be responsible for the payment of Housing Benefit.

**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 2012/13 was approved at the meeting of the Audit Committee held on 25<sup>th</sup> September 2013.

Signed

Councillor John Ungar  
Chair, Audit Committee  
Date 25<sup>th</sup> September 2013



**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 as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013.

Alan Osborne  
Chief Finance Officer  
Statutory Section 151 Officer  
Date 27 June 2013

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL****Opinion on the Council's and Group financial statements**

We have audited the financial statements of Eastbourne Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Council Housing Revenue Account Income and Expenditure Statement, the Council Movement on the Housing Revenue Account Statement, the Council Collection Fund and the related Council and Group 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 2012/13.

This report is made solely to the members of Eastbourne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Chief Finance Officer and auditors**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the 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 Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword by the Chief Finance Officer 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Eastbourne Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 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 2012/13.

**Opinion on other matters**

In our opinion, the information given in the Foreword by the Chief Finance Officer 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 have nothing to report in respect of the following other matters which the Code of audit practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the annual governance statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- 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 Council 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.

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

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, 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 2013.

**Certification of completion of the audit**

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.

Leigh Lloyd-Thomas  
For and on behalf of BDO LLP, Appointed Auditor  
London, UK

27 September 2013

**MOVEMENT IN RESERVES STATEMENT**

	General Fund	HRA Balance	Earmarked Reserves (note 18)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (note 33)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2011</b>	(5,267)	(1,750)	(3,321)	(1,564)	(1,226)	(5,085)	(18,213)	(166,649)	(184,862)
<b>Movement in Reserves 2011/12</b>									
(Surplus) or deficit on provision of services (accounting basis)	15,939	(17,855)	0	0	0	0	(1,916)	0	(1,916)
Revaluation gains on non current assets added to the Revaluation Reserve	0	0	0	0	0	0	0	(14,736)	(14,736)
Actuarial losses on share of Pension Fund	0	0	0	0	0	0	0	8,255	8,255
<b>Total Comprehensive Expenditure and Income</b>	15,939	(17,855)	0	0	0	0	(1,916)	(6,481)	(8,397)
Adjustments between accounting basis & funding basis under regulations (Note 7)	(15,888)	17,631	0	487	(1,027)	61	1,264	(1,264)	0
<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 (Note 18)	553	(27)	(526)	0	0	0	0	0	0
<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>	<b>(4,663)</b>	<b>(2,001)</b>	<b>(3,847)</b>	<b>(1,077)</b>	<b>(2,253)</b>	<b>(5,024)</b>	<b>(18,865)</b>	<b>(174,394)</b>	<b>(193,259)</b>

	General Fund	HRA Balance	Earmarked Reserves (note 18)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (note 33)	Total Reserves
<b>Balance as at 31 March 2012 brought forward</b>	<b>(4,663)</b>	<b>(2,001)</b>	<b>(3,847)</b>	<b>(1,077)</b>	<b>(2,253)</b>	<b>(5,024)</b>	<b>(18,865)</b>	<b>(174,394)</b>	<b>(193,259)</b>
<b>Movement in Reserves 2012/13</b>									
(Surplus) or deficit on provision of services (accounting basis)	3,966	(1,512)	0	0	0	0	2,454	0	2,454
Revaluation gains on non current assets added to the Revaluation Reserve	0	0	0	0	0	0	0	(1,307)	(1,307)
Actuarial losses on share of Pension Fund	0	0	0	0	0	0	0	4,204	4,204
<b>Total Comprehensive Expenditure and Income</b>	<b>3,966</b>	<b>(1,512)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,454</b>	<b>2,897</b>	<b>5,351</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(2,506)	1,021	0	(1,594)	(1,198)	23	(4,254)	4,254	0
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>1,460</b>	<b>(491)</b>	<b>0</b>	<b>(1,594)</b>	<b>(1,198)</b>	<b>23</b>	<b>(1,800)</b>	<b>7,151</b>	<b>5,351</b>
Transfers (to) / from Earmarked Reserves (Note 18)	(716)	313	403	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>744</b>	<b>(178)</b>	<b>403</b>	<b>(1,594)</b>	<b>(1,198)</b>	<b>23</b>	<b>(1,800)</b>	<b>7,151</b>	<b>5,351</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(3,919)</b>	<b>(2,179)</b>	<b>(3,444)</b>	<b>(2,671)</b>	<b>(3,451)</b>	<b>(5,001)</b>	<b>(20,665)</b>	<b>(167,243)</b>	<b>(187,908)</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 Notes 18 and 33 respectively. 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**

2011/12				2012/13			
Exp.	Income	Net	Note	Exp.	Income	Net	
£000	£000	£000		£000	£000	£000	
12,351	(10,739)	1,612	Central Services to the Public	12,316	(11,098)	1,218	
30,134	(8,939)	21,195	Cultural and Related Services	15,979	(8,913)	7,066	
10,228	(3,422)	6,806	Environmental & Regulatory Services	9,783	(3,269)	6,514	
2,121	(1,067)	1,054	Planning Services	1,891	(392)	1,499	
1,464	(530)	934	Highways and Transport Services	358	(477)	(119)	
24,907	(14,817)	10,090	Local Authority Housing (HRA)	11,833	(14,469)	(2,636)	
52,462	(51,641)	821	Other Housing Services	53,478	(51,950)	1,528	
2,098	(40)	2,058	Corporate and Democratic core	1,802	(83)	1,719	
671	(269)	402	Non Distributed Costs	1,396	(338)	1,058	
<b>136,436</b>	<b>(91,464)</b>	<b>44,972</b>	<b>Cost of Services</b>	<b>108,836</b>	<b>(90,989)</b>	<b>17,847</b>	
177	-	177	Levy Payable	185	-	185	
600	-	600	Payments to housing capital receipts pool	198	-	198	
-	(1,033)	(1,033)	(Gains) / losses on sale of non-current assets	2,664	-	2,664	
<b>777</b>	<b>(1,033)</b>	<b>(256)</b>	<b>Other Operating Expenditure</b>	<b>3,047</b>	<b>-</b>	<b>3,047</b>	
12,224	-	12,224	Interest payable & similar charges	26	1,982	-	1,982
-	(149)	(149)	Pensions interest cost and expected return on assets	34	-	325	325
-	(123)	(123)	Interest receivable	26	-	(127)	(127)
(1,629)	(387)	(2,016)	Trading Operations	16	931	(1,280)	(349)
<b>10,595</b>	<b>(659)</b>	<b>9,936</b>	<b>Financing and Investment Income and Expenditure</b>	<b>2,913</b>	<b>(1,082)</b>	<b>1,831</b>	
-	(3,509)	(3,509)	Non-specific grants and contributions	17	-	(5,075)	(5,075)
-	(39,024)	(39,024)	HRA Self Financing Settlement	-	-	-	-
-	(8,245)	(8,245)	Council Tax income	-	(8,317)	(8,317)	
-	(5,790)	(5,790)	National Non-Domestic Rates redistribution	-	(6,879)	(6,879)	
<b>-</b>	<b>(56,568)</b>	<b>(56,568)</b>	<b>Taxation and non-specific grant income</b>	<b>-</b>	<b>(20,271)</b>	<b>(20,271)</b>	
		<b>(1,916)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>2,454</b>	
		(14,736)	Surplus on revaluation of non current assets	33		(1,307)	
		8,255	Actuarial losses on pension assets / liabilities	34		4,204	
		<b>(6,481)</b>	<b>Other Comprehensive I &amp; E</b>			<b>2,897</b>	
		<b>(8,397)</b>	<b>Total Comprehensive I &amp; E</b>			<b>5,351</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**

<b>31 March 2012</b>		<b>Notes</b>	<b>31 March 2013</b>
£000			£000
230,974	Property, Plant & Equipment	21	229,703
12,209	Heritage Assets	22	13,044
6,562	Investment Property	23	6,562
866	Intangible Assets	24	1,902
303	Long Term Debtors	29	421
<b>250,914</b>	<b>Long Term Assets</b>		<b>251,632</b>
2,373	Assets Held for Sale	25	606
2,000	Short Term Investments	26	100
143	Inventories	28	179
7,266	Short Term Debtors	29	7,537
2,112	Cash and Cash Equivalents	26	7,157
<b>13,894</b>	<b>Current Assets</b>		<b>15,579</b>
(8,273)	Short Term Borrowing	26	(4,799)
(9,389)	Short Term Creditors	30	(8,293)
(101)	Short Term Provisions	31	(193)
(96)	Revenue Grants Receipts in Advance	17	(161)
<b>(17,859)</b>	<b>Current Liabilities</b>		<b>(13,446)</b>
(2,757)	Long Term Creditors	26	(2,321)
(26,212)	Long Term Borrowing	26	(34,691)
(24,721)	Other Long Term Liabilities	34	(28,845)
<b>(53,690)</b>	<b>Long Term Liabilities</b>		<b>(65,857)</b>
<b>193,259</b>	<b>NET ASSETS</b>		<b>187,908</b>
(18,865)	Usable Reserves	32	(20,665)
(174,394)	Unusable Reserves	33	(167,243)
<b>(193,259)</b>	<b>TOTAL RESERVES</b>		<b>(187,908)</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 "Adjustments between accounting basis and funding basis under regulation."

Alan Osborne 27 June 2013  
Chief Finance Officer





**NOTES TO THE ACCOUNTING STATEMENTS****1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES**

There have been no changes to accounting policies or previous years figures.

**2. ACCOUNTING POLICIES****2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the end of 31 March 2013, 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 2012/13, which is based on International Financial Reporting Standards and the Service Reporting Code of Practice 2012/13. 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.

In cases where a full year's income & expenditure is shown in the accounts, for example utility bills and annual contracts, no accrual is made in the accounts as this would over state the annual position.

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, repayable without penalty. 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 arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## 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, 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 4.5% (based on the indicative rate of return on the iBoxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 4.8%.
- 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
  - unlisted 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 expenditure 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 five 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".
- Long term debtors represent obligation extending beyond one year.
- 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. Trade debtors do not include Council Tax, Business Rates and other debts receivable under statute.

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 four groups of financial liabilities:

- Amounts payable to suppliers are included in creditors;
- 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.

Short term creditors do not include non trade creditors, for example, HM Revenue & Customs, Government departments and the East Sussex Pension Scheme.

All of the Council's financial liabilities come under the grouping of "financial liabilities and amortised cost", 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, Government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied the grant or contribution is credited to the relevant service line or taxation and non specific grant income on the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 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 – depreciated at historic cost
- Community Assets – depreciated at 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 fair 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 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 Deferred 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 the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- 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 until 31 March 2018, if the Major Repairs Allowance (MRA) as calculated by the Housing Self Finance Settlement, is lower, then this is used as a reasonable proxy for depreciation.
- 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 25 years.
- Infrastructure – straight-line depreciation over periods of time between 10 and 40 years, as assessed at the time of the capital investment.
- Community assets – not subject to depreciation.
- Surplus assets - straight-line allocation over the life of the property as estimated by the valuer.
- Assets under construction – not subject to depreciation.

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

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

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

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 item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components 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 external valuation carried out 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.

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.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 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, even if this does not match the pattern of payments. (e.g. if there is a rent free period at the commencement of the lease.)

### 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, even if this does not match the pattern of payments. (E.g. if there is a premium paid at the commencement of the lease.)

### **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 2012/13 (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 Unapplied 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 Unapplied 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.
- Major Repairs Reserve: this 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 can be used to finance capital investment.

- 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 non current 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. This company is limited by guarantee and therefore no value is recognised for the investment in the Authority's own single entity 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 Code of Practice for 2013/14 adopts the following changes to accounting standards:

- IAS 19 Employee Benefits;
- IAS 1 Presentation of Financial Statements;
- IFRS 7 Financial Instruments: Disclosures;
- IAS12 Deferred tax; recovery of underlying assets;
- IFRS13 Fair Value Measurement.

In addition the 2013/14 Code augments its provisions on service concession arrangements.

Only the change to IAS 19, which takes effect from 1 April 2013, has any impact on this Council. At present the "Financing and Investment Income and Expenditure" section of the Comprehensive Income and Expenditure Statement includes both the interest cost on the liability and the expected return on assets. This is to be replaced with a net interest cost, calculated through the discount rate. In addition the current service cost is combined with the cost of curtailments to form a single "net service cost", and administration expenses are accounted for within the Cost of Services, rather than being contained within the actual and expected return on assets. The result of the changes will be to increase the charge to Financing and Investment Income and Expenditure, but this is offset by an actuarial gain in the value of the scheme assets, so there is no impact on the liability for pensions as shown in the balance sheet.

The figures shown in Note 34 are based on the current version of IAS19. Changes to IAS19 come into affect for the financial year to 31 March 2014. The changes will be adopted retrospectively for the prior year, in accordance with IAS8. The effect of the change to IAS19 on the income statement to 31 March 2013 will be an increase of £852,000. This will be disclosed in the report covering the year to 31 March 2014.

### **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 amounts have been included in the Group accounts.
- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.
- The Chief Finance Officer and Financial Services Manager conduct an annual review using the criteria set out in IAS 37, 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). The Council has estimated its MMI provision based on professional advice and represents the amount expected to be paid within the next 12 months. Contingent liabilities have been estimated based on past experience and legal advice provided.

## 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 2013 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 £87,000 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 £10.m, a 1 year increase in member life expectancy would increase the pension liability by £3.5m, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £2.0m and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £8.0m.

**Arrears** - At 31 March 2013, the Authority had a balance of all debtors for £12,328,000. A review of significant balances suggested that an impairment of doubtful debts of £4,613,000 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. E.g. no allowance has been made for any inflationary uplift.

## 6. EVENTS AFTER THE BALANCE SHEET DATE

When the new arrangement for the retention of Business Rates came into effect on 1 April 2013, local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties.

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

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves (note32)	Unusable (Note 33)
<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)	-	-	-	(36,966)	36,966
Movements in the fair value of investment properties	1,753	-	-	-	-	1,753	(1,753)
Amortisation of intangible assets	(300)	-	-	-	-	(300)	300
Capital Grants and contributions applied	266	-	-	-	1,931	2,197	(2,197)
Revenue expenditures funded from capital under statute	(969)	-	-	-	-	(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)	-	26	-	(591)	591
Government Grant received on HRA self financing settlement used to repay long term borrowing	-	-	-	30,482	-	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	-	-	-	-	554	(554)
Capital expenditure charged to the General Fund Balance and HRA Balances	976	-	-	-	-	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	379	-	-	(3,057)	-	-
Capital grants and contributions applied to finance capital expenditure	(139)	-	-	-	139	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,039)	-	-	-	1,039	-	-
Transfer of revenue grant received incorrectly classified as a capital grant in prior years	(9)	-	-	-	9	-	-

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves (note32)	Unusable (Note 33)
<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	-	(1,650)	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(600)	-	-	600	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(3)	-	(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	-	30,482	-	(30,482)	-	-	-
Government Grant received on HRA self financing settlement for the payment of premia due on early debt repayment credited to the Comprehensive Income and Expenditure Statement	-	8,542	-	(8,542)	-	-	-
Capital Receipts applied to finance payment of premia due on early debt repayment	-	(8,542)	-	8,542	-	-	-
<b>ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>							
Reversal of the Major Repairs Allowance credited to the HRA	-	2,789	(2,789)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	3,276	-	-	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	-	226	-	-	-	226	(226)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,349)	61	-	-	-	(1,288)	1,288
Employer's pensions contributions and direct payments to pensioners payable in the year	2,054	(33)	-	-	-	2,021	(2,021)



	<b>General Fund</b>	<b>HRA Balance</b>	<b>Major Repairs Reserve</b>	<b>Capital Receipts</b>	<b>Capital Grants &amp; Contributions Unapplied</b>	<b>Total Usable Reserves (note32)</b>	<b>Unusable (Note 33)</b>
<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)	-	-	-	-	(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)	-	-	-	(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>

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves (note32)	Unusable (Note 33)
<b>2012/13 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	(3,276)	(3,604)	-	-	-	(6,880)	6,880
Amortisation of intangible assets	(228)	(13)	-	-	-	(241)	241
Grants and contributions applied	340	-	-	-	3,555	3,895	(3,895)
Revenue expenditure funded from capital under statute	(737)	-	-	-	737	-	-
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	(847)	(5,658)	-	-	-	(6,505)	6,505
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the financing of capital investment	713	-	-	-	-	713	(713)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED</b>							
Capital grants and contributions received credited to the Comprehensive Income and Expenditure Statement	1,334	2,967	-	-	(4,301)	-	-
Capital grants and contributions applied to finance expenditure charged to the Comprehensive Income and Expenditure Statement	(32)	-	-	-	32	-	-
<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	345	3,497	-	(3,842)	-	-	-
Use of Capital Receipts to finance new capital expenditure	-	-	-	2,450	-	2,450	(2,450)
Contribution from the Capital Receipts Reserve towards the administrative costs of non-current asset disposals	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(198)	-	-	198	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(4)	-	(4)	4

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves (note32)	Unusable (Note 33)
<b>ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE</b>							
Reversal of the Depreciation credited to the HRA	-	3,604	(3,604)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	2,010	-	-	2,010	(2,010)
<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	(226)
<b>ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(1,973)	8	-	-	-	(1,965)	1,965
Employer's pensions contributions and direct payments to pensioners payable in the year	2,051	(6)	-	-	-	2,045	(2,045)
<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	16	-	-	-	-	16	(16)
<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	(14)		-	-	-	(14)	14
<b>Total Adjustments 2012/13</b>	<b>(2,506)</b>	<b>1,021</b>	<b>(1,594)</b>	<b>(1,198)</b>	<b>23</b>	<b>(4,254)</b>	<b>4,254</b>

**8. MATERIAL ITEMS OF INCOME AND EXPENDITURE**

There were no material items of income and expenditure during 2012/13.

In 2011/12 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 £30.4m debt as a result of HRA Reform Refinancing. This premium was paid by Central Government.

**9. AGENCY ARRANGEMENTS**

The Council acts as an agent for Central Government in the collection of National Non-Domestic Rates (NNDR). 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 Authority 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>2011/12</b> <b>£000</b>		<b>2012/13</b> <b>£000</b>
146	Fees payable with regard to external audit services carried out by the appointed auditor	82
55	Fees payable to the appointed auditor for the certification of grant claims and returns	35
1	Fee payable in respect of other services* provided by the appointed auditor	2
<b>202</b>		<b>119</b>

\* Other services relate the National Fraud Initiative fee paid to the Audit Commission

**11. MEMBERS' ALLOWANCES**

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

<b>2011/12</b> <b>£000</b>		<b>2012/13</b> <b>£000</b>
119	Members' allowances	125
2	Conference and Travelling Expenses	3
<b>121</b>		<b>128</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	2012/13	105,077	3,850	23,263	132,190
	2011/12	109,898	3,850	23,869	137,617
Deputy Chief Executive	2012/13	86,840	3,400	19,465	109,705
	2011/12	89,635	3,400	19,125	112,160
Chief Finance Officer	2012/13	73,913	250	16,926	91,089
	2011/12	73,913	250	16,630	90,793

		<b>Salary, Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Pension Contribution</b>	<b>Total</b>
Senior Head of Community	2012/13	65,500	2,832	15,000	83,332
	2011/12	65,500	2,858	14,737	83,095
Senior Head of Tourism and Leisure	2012/13	65,500	2,832	15,000	83,332
	2011/12	64,000	2,832	14,400	81,232
Senior Head of Environment and Development	2012/13	67,400	-	15,435	82,835
	2011/12	65,900	-	14,828	80,728

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 2012/13 were £4,211 and £1,840 respectively compared to £10,042 and £4,635 in 2011/12.

- **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>2011/12</b>	<b>2012/13</b>
	Number of Employees	Number of Employees
£50,000 - £54,999	2	3
£55,000 - £59,999	2	3 (1)
£60,000 - £64,999	2 (2)	-
£65,000 - £69,999	1	1 (1)
£70,000 - £74,999	-	1 (1)
£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)	-
<b>Total</b>	<b>9 (3)</b>	<b>8 (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 and total cost of the compulsory and other redundancies are set out in the table below.

<b>Exit package cost band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2012/13</b>
£0 -£20,000	10	22	1	4	11	26	65,640	170,831
£20,001 - £80,000	3	3			3	3	152,947	88,731
Total cost included in bandings	<b>13</b>	<b>25</b>	<b>1</b>	<b>4</b>	<b>14</b>	<b>29</b>	<b>218,587</b>	<b>259,562</b>
Add: Amounts provided for in CIES not included in bandings								153,107
<b>Total</b>	<b>13</b>	<b>25</b>	<b>1</b>	<b>4</b>	<b>14</b>	<b>29</b>	<b>218,587</b>	<b>412,669</b>

The Authority's Comprehensive Income and Expenditure Statement includes an amount of £153,000 which has been agreed and is payable to 10 officers. These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

### **13. RELATED PARTIES**

#### **13.1 Definition**

The term "related party" covers relationships between the Council and body or individual where one of the parties has the potential to control or influence the Council or be controlled or influenced by the Council.

#### **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 (creditors).

#### **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. One Member is on the Pension Fund Investment Panel.

#### **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 2012/13 this fee was £6.945m, covering supervision and management and repairs. This compares with £6.864m paid in 2011/12. 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 £1,726,000 (£1,728,000 at 31 March 2012), while Eastbourne Homes Ltd owed the Council £37,000 (£89,000 at 31 March 2012).

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 (WEL)**

This company works to support vulnerable people in their own homes. It is a company limited by guarantee, Eastbourne and Wealden Councils each holding 24% of the voting rights. The Council provides services to WEL for Finance (£39,000) and IT (£48,000) under service level agreements, which are included in the total due from WEL during the year of £110,000. The Council procured services from WEL amounting to £8,000 during the year.

#### **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. During the year Eastbourne Leisure Trust paid the Council £101,000.

#### **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 2012/13 is shown in Note 11. Seven members are also members of East Sussex County Council. Grants totalling £104,000 (£20,000 in 2011/12) to voluntary organisations in which 4 Members (2 Members in 2011/12) had positions on the governing body.

	<b>2011/12</b> <b>£000</b>	<b>2012/13</b> <b>£000</b>
3VA Voluntary Action Eastbourne	13	31
Age Concern Eastbourne	7	11
Eastbourne & Wealden YMCA	0	52
Hampden Park Community Association	0	10
<b>Total</b>	<b>20</b>	<b>104</b>

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 2012/13 works and services to the value of £41,000 (£26,600 in 2011/12) were commissioned from Jordan's Productions, 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 2013 the Authority had provided a commercial loan of £357,000 (£193,000 in 2011/12). A Member of the Council has been appointed a Director to represent the Council's interest. Interest will be charged on the loan at 1.5% above base rate and it is intended that the loan will be converted to shares in CloudConnX over a 5 year period provided there is sufficient net worth in the company.

## 14. LEASING

### 14.1 Finance leases – Council acting as lessee

The Council held no finance leases as at 31 March 2013. However as at 31 March 2012 the council held assets valued at £215,000 under finance leases, all shown under "Vehicles Plant and Equipment" in Note 21.1. This lease expired 31 March 2013.

<b>2011/12</b> <b>£000</b>		<b>2012/13</b> <b>£000</b>
215	Vehicle, Plant and Equipment	-

### 14.2 Operating leases – Council acting as lessee

The table below analyses future minimum lease payments during the periods shown below:

<b>2011/12</b> <b>Minimum</b> <b>Lease</b> <b>Payments</b> £000		<b>2012/13</b> <b>Minimum</b> <b>Lease</b> <b>Payments</b> £000
	Leases expiring:	
73	Within one year	75
101	Between two and five years	115
110	Later than five years	100
<b>284</b>	<b>Total</b>	<b>290</b>

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

<b>2011/12</b> £000		<b>2012/13</b> £000
88	Minimum lease payments	89
<b>88</b>	<b>Total</b>	<b>89</b>

14.3 Operating leases – Council acting as lessor

The table below analyses future minimum lease income expiring during the periods shown below:

<b>2011/12</b>		<b>2012/13</b>
<b>Minimum Lease</b>		<b>Minimum Lease</b>
<b>Income</b>		<b>Income</b>
£000		£000
Restated		
	Leases expiring:	
814	Within one year	917
2,921	Between two and five years	3,117
39,199	Later than five years	40,518
<b>42,934</b>	<b>Total</b>	<b>44,552</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 2012/13 was £1,162,000 (£952,000 in 2011/12). The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**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 2012/13, and shows the projected repayments and amounts scheduled to be drawn down for 2013/14.

	<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 2012</b>	<b>(1,243)</b>	<b>(247)</b>	<b>(203)</b>	<b>(1,693)</b>
Drawn down 2012/13	(6)	(7)	-	(13)
Interest charge for 2012/13	(143)	(18)	(15)	(176)
Gross repayments for 2012/13	315	46	37	398
<b>Liability outstanding 31 March 2013</b>	<b>(1,077)</b>	<b>(226)</b>	<b>(181)</b>	<b>(1,484)</b>
<b>Projections for 2013/14</b>				
Liability 1 April	(1,077)	(226)	(181)	(1,484)
Estimated draw-down	(10)	-	-	(10)
Interest charge	(122)	(16)	(13)	(151)
Gross repayments for the year	315	46	37	398
<b>Liability 31 March 2014</b>	<b>(894)</b>	<b>(196)</b>	<b>(157)</b>	<b>(1,247)</b>
<b>Remaining facility 31 March 2013</b>	<b>330</b>	<b>-</b>	<b>-</b>	<b>330</b>



**16 TRADING OPERATIONS**

The Authority has three trading operations; corporate investment property, solar panel installation programme and catering. Trading operation is incorporated into the Comprehensive Income and Expenditure Statement as Financing and Investments Operations.

Investment properties are held for the purpose of generating income. 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.

Catering is the provision of meals and refreshment facilities at Council venues and includes catering for functions, weddings and conferences etc.

2011/12		2012/13		
Net Expenditure		Expenditure	Income	Net Expenditure
£000		£000	£000	£000
(2,120)	Corporate Investment Property	0	(392)	(392)
104	Solar Panel Installation	167	(338)	(171)
-	Catering	765	(551)	214
<b>(2,016)</b>	<b>Total</b>	<b>932</b>	<b>(1,281)</b>	<b>(349)</b>

**17 GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

2011/12			2012/13		
Grants	Contribs.	Total	Grants	Contribs.	Total
£000	£000	£000	£000	£000	£000
<b>Grants and contributions within Cost of Services</b>					
(848)	-	(848)	(7)	-	(7)
(57,070)	-	(57,070)	(58,656)	-	(58,656)
-	65	65	-	-	-
(989)	(3,281)	(4,270)	(568)	(2,602)	(3,170)
<b>(58,907)</b>	<b>(3,216)</b>	<b>(62,123)</b>	<b>(59,231)</b>	<b>(2,602)</b>	<b>(61,833)</b>
<b>Grants and contributions within Taxation and non-specific grant income</b>					
(1,790)	-	(1,790)	(133)	-	(133)
(5,790)	-	(5,790)	(6,879)	-	(6,879)
(206)	-	(206)	(207)	-	(207)
(218)	-	(218)	(347)	-	(347)
-	-	-	(14)	-	(14)
-	-	-	(60)	-	(60)
(1,295)	-	(1,295)	(3,732)	(582)	(4,314)
(39,024)	-	(39,024)	-	-	-
<b>(48,323)</b>	<b>-</b>	<b>(48,323)</b>	<b>(11,372)</b>	<b>(582)</b>	<b>(11,954)</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:

2011/12			2012/13		
Grants	Contribs.	Total	Grants	Contribs.	Total
£000	£000	£000	£000	£000	£000
<b>Grants Receipts in Advance (Revenue Grants)</b>					
(3)	-	(3)			
(13)	-	(13)			
(62)	-	(62)	(129)	-	(129)
(8)	-	(8)	(6)	-	(6)
(1)	-	(1)	(17)	-	(17)
(1)	-	(1)	-	-	-
(5)	-	(5)	-	-	-
-	(3)	(3)	-	-	-
-	-	-	(9)	-	(9)
<b>(93)</b>	<b>(3)</b>	<b>(96)</b>	<b>(161)</b>	<b>-</b>	<b>(161)</b>

## 18 TRANSFER TO/ FROM EARMARKED RESERVES

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

Reserve	Bal 31 March 11 £000	Movement 2011/12 £000	Bal 31 March 12 £000	Movement 2012/13 £000	Bal 31 March 13 £000
<b>General Fund:</b>					
General Earmarked Reserve	(496)	235	(261)	(168)	(429)
Strategic Change Reserve	(999)	482	(517)	208	(309)
Capital Programme	(804)	(135)	(939)	295	(644)
Revenue Grants Reserve	(656)	(584)	(1,240)	219	(1,021)
Regeneration Reserve	-	(551)	(551)	162	(389)
	<b>(2,955)</b>	<b>(553)</b>	<b>(3,508)</b>	<b>716</b>	<b>(2,792)</b>
<b>HRA</b>					
HRA Leaseholders Major Works Reserve	(309)	1	(308)	(33)	(341)
Riverbourne Hse Leaseholders Reserve	(57)	26	(31)	18	(13)
Housing Regeneration and Investment	-	-	-	(298)	(298)
	<b>(366)</b>	<b>27</b>	<b>(339)</b>	<b>(313)</b>	<b>(652)</b>
<b>Total Earmarked Reserves</b>	<b>(3,321)</b>	<b>(526)</b>	<b>(3,847)</b>	<b>403</b>	<b>(3,444)</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 analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular;

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

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 2012/13</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	(1,441)	(17,236)	(2,559)	(7,183)	(28,419)
Interest		(33)			(33)
Government Grants and Contributions	(877)	(61,936)	(641)	(1,367)	(64,821)
<b>Total Income</b>	<b>(2,318)</b>	<b>(79,205)</b>	<b>(3,200)</b>	<b>(8,550)</b>	<b>(93,273)</b>
Employee expenses	4,404	2,565	2,434	4,174	13,577
Other Service Expenses	3,478	75,727	7,975	8,313	95,493
<b>Total Expenditure</b>	<b>7,882</b>	<b>78,292</b>	<b>10,409</b>	<b>12,487</b>	<b>109,070</b>
<b>Net Expenditure</b>	<b>5,564</b>	<b>(913)</b>	<b>7,209</b>	<b>3,937</b>	<b>15,797</b>
<b>2011/12 Comparative figures</b>					
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>

### 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>2011/12</b>	<b>2012/13</b>
	£000	£000
Net expenditure in the directorate analysis	12,143	15,797
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	30,990	3,731
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	1,839	(1,681)
<b>Cost of services in Comprehensive Income and Expenditure Statement</b>	<b>44,972</b>	<b>17,847</b>

**Reconciliation to Subjective Analysis**

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

<b>2012/13 - General Fund and HRA</b>	<b>Directorate Analysis</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts not included in I&amp;E</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	£	£	£	£	£	£
Fees, charges and other service income	(27,495)	15	1,278	(26,202)	(1,278)	<b>(27,480)</b>
Interest and investment income	(33)	(1)	34	0	(127)	<b>(127)</b>
Income from Council Tax	0	0	0	0	(8,317)	<b>(8,317)</b>
National Non-Domestic Rates redistribution	0	0	0	0	(6,879)	<b>(6,879)</b>
Government grants and contributions	(64,822)	(202)	237	(64,787)	(5,077)	<b>(69,864)</b>
<b>Total Income</b>	<b>(92,350)</b>	<b>(188)</b>	<b>1,549</b>	<b>(90,989)</b>	<b>(21,678)</b>	<b>(112,667)</b>
Employee expenses	13,577	(403)	(105)	13,069	428	<b>13,497</b>
Other Service Expenses	89,053	817	(837)	89,033	559	<b>89,592</b>
Support Service Recharges	(105)	0	(269)	(374)	269	<b>(105)</b>
Depreciation, amortisation and impairment	3,603	3,505	0	7,108	0	<b>7,108</b>
Interest payments	1,834	0	(1,834)	0	1,982	<b>1,982</b>
Precepts and Levies	185	0	(185)	0	185	<b>185</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	198	<b>198</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	2,664	<b>2,664</b>
<b>Total Expenditure</b>	<b>108,147</b>	<b>3,919</b>	<b>(3,230)</b>	<b>108,836</b>	<b>6,285</b>	<b>115,121</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>15,797</b>	<b>3,731</b>	<b>(1,681)</b>	<b>17,847</b>	<b>(15,393)</b>	<b>2,454</b>

<b>2011/12 - General Fund and HRA</b>	<b>Directorate Analysis</b>	<b>Amounts not reported to management for decision making</b>	<b>Amounts not included in I&amp;E</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	£	£	£	£	£	£
Fees, charges and other service income	(27,757)	1	387	(27,369)	(387)	<b>(27,756)</b>
Interest and investment income	0	0	0	0	(123)	<b>(123)</b>
Income from Council Tax	0	0	0	0	(8,245)	<b>(8,245)</b>
National Non-Domestic Rates redistribution	0	0	0	0	(5,790)	<b>(5,790)</b>
Government grants and contributions	(63,737)	(742)	0	(64,479)	(42,533)	<b>(107,012)</b>
<b>Total Income</b>	<b>(91,494)</b>	<b>(741)</b>	<b>387</b>	<b>(91,848)</b>	<b>(57,078)</b>	<b>(148,926)</b>
Employee expenses	13,156	(483)	0	12,673	(149)	<b>12,524</b>
Other Service Expenses	86,416	(2,943)	1,703	85,176	(1,703)	<b>83,473</b>
Support Service Recharges	1,099	(85)	(74)	940	74	<b>1,014</b>
Depreciation, amortisation and impairment	2,789	35,242	0	38,031	0	<b>38,031</b>
Interest payments	0	0	0	0	12,224	<b>12,224</b>
Precepts and Levies	177	0	(177)	0	177	<b>177</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	600	<b>600</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(1,033)	<b>(1,033)</b>
<b>Total Expenditure</b>	<b>103,637</b>	<b>31,731</b>	<b>1,452</b>	<b>136,820</b>	<b>10,190</b>	<b>147,010</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,143</b>	<b>30,990</b>	<b>1,839</b>	<b>44,972</b>	<b>(46,888)</b>	<b>(1,916)</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 loans in previous years, less amounts set aside each year for the redemption of debt.

<b>2011/12</b>			<b>2012/13</b>	
£000	£000		£000	£000
	<b>76,472</b>	<b>Opening Capital Financing Requirement</b>		<b>53,649</b>
		Capital Investment:		
5,074		Council dwellings	7,144	
3,479		Other land and buildings	1,027	
3,966		Vehicles plant furniture and equipment	1,396	
440		Infrastructure	38	
237		Community assets	111	
<hr/>			<hr/>	
13,196		Total Property plant and equipment	9,716	
188		Heritage Assets	134	
116		Intangible assets	1,302	
		Revenue expenditure financed from capital under statute (REFFCUS)	960	
969		Loans and Advances	164	
193				
<hr/>			<hr/>	
<b>14,662</b>		<b>Total capital investment</b>	<b>12,276</b>	
		Sources of finance:		
-		Capital receipts	(2,450)	
(1,011)		Grants and contributions towards REFFCUS	(737)	
(2,161)		Other grants and contributions	(3,895)	
		Sums set aside from Revenue:		
(3,276)		Major repairs reserve	(2,010)	
-		Leaseholders	(223)	
(555)		Revenue provision for repayment of debt	(714)	
(30,482)		HRA Re-financing	-	
<hr/>			<hr/>	
<b>(37,485)</b>		<b>Capital financing</b>	<b>(10,029)</b>	
<hr/>			<hr/>	
<b>53,649</b>		<b>Closing Capital Financing Requirement</b>	<b>55,896</b>	
		<b>Explanation of movements in year</b>		
		Increase in underlying need to borrowing (unsupported by government financial assistance)	2,247	
7,659		HRA Self Financing Debt Repayment	-	
(30,482)				
<hr/>			<hr/>	
<b>(22,823)</b>		<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>2,247</b>	

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

<b>31 March 2012</b>		<b>31 March 2013</b>	
£000		£000	
134,187	Council dwellings	134,260	
61,559	Other land and buildings	60,639	
6,614	Vehicles plant furniture and equipment	7,002	
26,352	Infrastructure	25,429	
2,207	Community assets	2,318	
55	Surplus assets for Disposal	55	
<hr/>		<hr/>	
230,974	Total Property plant and equipment	229,703	
12,209	Heritage Assets	13,044	
6,562	Investment property	6,562	
866	Intangible assets	1,902	
2,373	Assets Held For Sale	606	
194	Loans and Advances	357	
(27,500)	Revaluation reserve	(27,709)	
(172,029)	Capital adjustment account	(168,569)	
<hr/>		<hr/>	
<b>53,649</b>	<b>Capital Financing Requirement</b>	<b>55,896</b>	

## 21 PROPERTY PLANT AND EQUIPMENT

### 21.1 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>Total</b>
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
Balance at 1 April 2012	136,957	62,995	10,253	38,494	2,771	55	<b>251,525</b>
Additions	7,144	1,027	1,396	38	111	-	<b>9,716</b>
Donations	-	-	-	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	606	31	-	-	-	-	<b>637</b>
De-recognition - Disposals	(3,652)	(678)	(1,745)	-	-	-	<b>(6,075)</b>
Assets Reclassified to Held for Sale	(606)	-	-	-	-	-	<b>(606)</b>
Other movements in cost, valuation or reclassification	-	-	25	-	-	-	<b>25</b>
<b>At 31 March 2013</b>	<b>140,449</b>	<b>63,375</b>	<b>9,929</b>	<b>38,532</b>	<b>2,882</b>	<b>55</b>	<b>255,222</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2012	(2,770)	(1,436)	(3,639)	(12,142)	(564)	-	<b>(20,551)</b>
Depreciation Charge	(3,586)	(1,300)	(1,033)	(961)	-	-	<b>(6,880)</b>
De-recognition - disposal	167	-	1,745	-	-	-	<b>1,912</b>
<b>At 31 March 2013</b>	<b>(6,189)</b>	<b>(2,736)</b>	<b>(2,927)</b>	<b>(13,103)</b>	<b>(564)</b>	<b>-</b>	<b>(25,519)</b>

	<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>Total</b>
<b>Net Book Value</b>							
At 31 March 2013	134,260	60,639	7,001	25,429	2,319	55	<b>229,703</b>
At 31 March 2012	134,187	61,559	6,614	26,352	2,207	55	<b>230,974</b>

The equivalent figures for 2011/12 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>Total</b>
Restated	£000	£000	£000	£000	£000	£000	£000
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	-	-	-	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	966	13,414	-	-	-	70	<b>14,450</b>
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(13,915)	(17,173)	-	-	-	-	<b>(31,088)</b>
De-recognition - Disposal	(357)	-	(44)	-	-	(237)	<b>(638)</b>
Assets Reclassified to Held for Sale	(2,173)	(153)	(47)	-	-	-	<b>(2,373)</b>
Other movements in cost, valuation or reclassification	(111,558)	(5,716)	(189)	-	1	-	<b>(117,462)</b>
<b>Balance at 31 March 2012</b>	<b>136,957</b>	<b>62,995</b>	<b>10,253</b>	<b>38,494</b>	<b>2,771</b>	<b>55</b>	<b>251,525</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>
De-recognition - disposal	4	-	44	-	-	-	<b>48</b>
De-recognition - other	111,557	5,715	1	(1)	-	-	<b>117,272</b>
<b>At 31 March 2012</b>	<b>(2,770)</b>	<b>(1,436)</b>	<b>(3,639)</b>	<b>(12,142)</b>	<b>(564)</b>	<b>-</b>	<b>(20,551)</b>
<b>Net Book Value</b>							
At 31 March 2012	134,187	61,559	6,614	26,352	2,207	55	<b>230,974</b>
At 31 March 2011	147,378	63,393	3,734	26,861	1,970	111	<b>243,447</b>

The restated figures in 2011/12 include the writing out of accumulated depreciation on the revaluation of assets.



### 21.2 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. 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. The revaluation in 2012/13 relates to the revaluation of assets held for sale as required by the Code.

### 21.3 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 – 3 – 25 years  
 Infrastructure – 10 – 40 years.

### 21.4 Capital Commitments

At 31 March 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 to cost £1,480,000 as detailed in the table below. Similar commitments at 31 March 2012 were £1,422,000.

	£000
3-17 Jevington Gardens	435
6 Saffrons Road Renovations	35
Town Hall Roof	356
Coast Defences Beach Management Strategy	295
Future Model	359
<b>Total</b>	<b>1,480</b>

## 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 2012	345	11,028	162	674	<b>12,209</b>
Additions	-	132	-	2	<b>134</b>
Revaluations	-	701	-	-	<b>701</b>
<b>Balance at 31 March 2013</b>	<b>345</b>	<b>11,861</b>	<b>162</b>	<b>676</b>	<b>13,044</b>

The equivalent figures for 2011/12 are shown below:

	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>
Revaluations	3	316	5	(39)	<b>285</b>
<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 Art Collection was valued by professional external valuers in 2012/13. The Collection will be valued every 10 years. Heritage buildings were valued as at 1 April 2011 by an 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, Eastbourne's contemporary art museum and centre for the visual arts in the South East, 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 existing 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

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
<b>Cost of Acquisition of Heritage Assets</b>					
Art Collection	36	8	0	185	119
Buildings					2
<b>Total Cost of Purchases</b>	<b>36</b>	<b>8</b>	<b>0</b>	<b>185</b>	<b>121</b>
<b>Value of Heritage Assets Acquired by Donation</b>					
Art Collection	262	7	12	18	13
<b>Total Donations</b>	<b>262</b>	<b>7</b>	<b>12</b>	<b>18</b>	<b>13</b>

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

### 23 INVESTMENT PROPERTIES

In 2012/13 the Council received £392,000 as rental income from investment properties, compared to £367,000 received in 2011/12. See Note 16 on trading operations.

The table below shows movements in the fair value for Investment Properties.

<b>2011/12</b> £000		<b>2012/13</b> £000
4,809	Balance at 1 April	6,562
1,753	Net gains/losses from fair value adjustments	-
<b>6,562</b>	<b>Balance at 31 March</b>	<b>6,562</b>

## 24 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets also cover the initial purchased licences on implementation.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range between three and ten years.

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

<b>2011/12</b> <b>Net Total</b> £000		<b>2012/13</b>	<b>Net Total</b> £000
		<b>Gross</b> £000	<b>Amortised</b> £000
861	Balance 1 April	1,373	(507)
	Written down to services:		
(4)	Central services to the public	-	(4)
(16)	Cultural and related services	-	(15)
(2)	Planning and development services	-	(2)
-	Local Authority Housing (HRA)	-	(13)
(278)	Support Services	-	(207)
(300)		-	(241)
116	Added during year	1,302	-
-	- Impairments	-	-
-	- Written out on completion of expected life	(174)	174
189	Other changes	(25)	-
5	Net transactions during the year	1,103	(67)
<b>866</b>	<b>Balance at 31 March</b>	<b>2,476</b>	<b>(574)</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

	<b>2011/12</b> £000	<b>2012/13</b> £000
Balance at 1 April	-	2,373
<b>Assets newly classified as held for sale:</b>		
Property, Plant & Equipment	2,373	606
<b>Assets Sold</b>	-	(2,373)
<b>Balance at 31 March</b>	<b>2,373</b>	<b>606</b>

**26 FINANCIAL INSTRUMENTS**26.1 The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
<b>Investments</b>				
Loans and receivables	-	-	2,000	100
<b>Total investments</b>	-	-	<b>2,000</b>	<b>100</b>
<b>Debtors</b>				
Loans and receivables	303	421	2,120	3,064
<b>Total Debtors</b>	<b>303</b>	<b>421</b>	<b>2,120</b>	<b>3,064</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(26,212)	(34,691)	(8,273)	(4,799)
<b>Total borrowings</b>	<b>(26,212)</b>	<b>(34,691)</b>	<b>(8,273)</b>	<b>(4,799)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	(2,757)	(2,321)	(6,323)	(6,165)
<b>Total creditors</b>	<b>(2,757)</b>	<b>(2,321)</b>	<b>(6,323)</b>	<b>(6,165)</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.

2011/12		2012/13	
£000		£000	
(120)	Interest on financial assets	(123)	
(3)	Other interest	(4)	
(387)	Trading Operations	(1,280)	
<b>(510)</b>	<b>Total Interest &amp; Investment Receivable</b>	<b>(1,407)</b>	
3,662	Interest on financial liabilities	1,980	
20	Other interest payable	2	
8,542	HRA Self Financing Premia	-	
<b>12,224</b>	<b>Total Interest Payable</b>	<b>1,982</b>	

26.3 Fair Value

31 March 2012		31 March 2013	
Book Value	Fair Value	Book Value	Fair Value
£000	£000	£000	£000
2,000	2,034	100	100
2,112	2,112	7,157	7,159
2,120	2,120	3,064	3,064
303	303	421	421
<b>6,535</b>	<b>6,569</b>	<b>10,742</b>	<b>10,744</b>
(18,712)	(20,882)	(27,191)	(30,111)
(7,500)	(11,112)	(7,500)	(11,124)
<b>(26,212)</b>	<b>(31,994)</b>	<b>(34,691)</b>	<b>(41,235)</b>

<b>31 March 2012</b>			<b>31 March 2013</b>	
<b>Book Value</b>	<b>Fair Value</b>		<b>Book Value</b>	<b>Fair Value</b>
(1,493)	(2,498)	Credit sales agreement	(1,236)	(2,076)
(1,264)	(1,264)	Other Long Term Creditors	(1,085)	(1,085)
<b>(2,757)</b>	<b>(3,762)</b>	<b>Long Term Creditor</b>	<b>(2,321)</b>	<b>(3,161)</b>
-	-	Public Works Loan Board	(1,521)	(1,534)
(8,000)	(7,996)	Market Debt	(3,000)	(3,001)
(258)	(258)	Add accrued interest	(262)	(262)
(15)	(15)	Mayor's Poor Fund	(15)	(15)
<b>(8,273)</b>	<b>(8,269)</b>	<b>Short Term Borrowing</b>	<b>(4,798)</b>	<b>(4,812)</b>
(200)	(200)	Credit sales agreement	(248)	(248)
(6,123)	(6,123)	Other Trade Creditors	(5,918)	(5,918)
<b>(6,323)</b>	<b>(6,323)</b>	<b>Short Term Creditor</b>	<b>(6,166)</b>	<b>(6,166)</b>
<b>(43,565)</b>	<b>(50,348)</b>	<b>Total Financial Liabilities</b>	<b>(47,976)</b>	<b>(55,374)</b>

The fair value of loan stock is higher than the book value because it is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2013) arising from a commitment to pay interest to the lender above current market rates. The loan was originally arranged in 1995 at a fixed interest rate of 8.75% for 25 years. At the time the loan was arranged interest rates were much higher and this loan was taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference £3,624,000 between the book value and market value for loan stock

The credit sales agreement relates obligations under a long term leisure contract; see Note 15 for further details. There is a difference of £840,000 between the book value of the debt and the fair value. The book value represents the value of cash transactions only between the Council and SERCO which equate to an interest rate of 11%, but this does not reflect any added value received from SERCO within the contract as a whole, such as procurement and management of the capital projects including business continuity.

#### 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 (Sector) creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. The Annual Investment Strategy also imposes a maximum sum of £4 million to be invested with any financial institution located within each category.

A copy of the Annual Investment Strategy is available on the Eastbourne Borough Council website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7,257,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay principal sums will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits but there is no evidence at the 31 March 2013 that this is likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to risk on other financial assets:

	<b>Amount as at 31 March 2013</b>	<b>Historic experience of default</b>	<b>Estimated maximum exposure to default at 31 March 2013</b>	<b>Estimated maximum exposure to default 31 March 2012</b>
	<b>£000</b>		<b>£000</b>	<b>£000</b>
	A	B	(AxB)	
Customers	7,287	1%	73	67
<b>Aged debt analysis</b>			<b>31 March 2012</b>	<b>31 March 2013</b>
			£000	£000
Less than three months			1,456	1,431
Three to four months			219	169
Four months to one year			1,117	1,055
More than one year			3,890	4,632
<b>Total</b>			<b>6,682</b>	<b>7,287</b>

### 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. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of

unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods, shown in the table below, together with the maturity analysis of financial liabilities.

Banding	31 March	%	31 March	%	Limits in each banding
	2012		2013		
	£000		£000		
Less than one year	8,649	23%	5,211	12%	25%
Between one and two years	1,934	5%	4,750	11%	50%
Between two and five years	5,653	15%	8,408	20%	75%
Five to ten years	10,344	28%	12,834	30%	100%
More than ten years	11,028	29%	11,029	26%	100%
<b>Total</b>	<b>37,608</b>	<b>100%</b>	<b>42,232</b>	<b>100%</b>	

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.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	32
Increase in interest receivable on variable rate investments	(33)
Impact on Surplus or Deficit on the Provision of Services	<u>(1)</u>
Share of overall impact debited to the HRA	<u>(1)</u>
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b><u>(1)</u></b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(3,386)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### Price risk

The Authority does not invest in equity 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		Total	
	11/12 £000	12/13 £000	11/12 £000	12/13 £000	11/12 £000	12/13 £000	11/12 £000	12/13 £000	11/12 £000	12/13 £000
Balance 1 April	13	13	1	1	102	122	6	7	122	143
Transfer from Catering contractor						34			0	34
Purchases	33	19	6	6	997	1,199	10	14	1,046	1,238
Consumed in year	(33)	(20)	(6)	(6)	(977)	(1,193)	(9)	(17)	(1,025)	(1,236)
<b>Balance 31 March</b>	<b>13</b>	<b>12</b>	<b>1</b>	<b>1</b>	<b>122</b>	<b>162</b>	<b>7</b>	<b>4</b>	<b>143</b>	<b>179</b>

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:

31 March 2012		31 March 2013	
£000		£000	
2,051	Central Government	2,060	
1,858	Other local authorities	1,854	
3	NHS	2	
823	Public corporations and other trading organisations	1,285	
2,531	Other entities and individuals	2,336	
<b>7,266</b>	<b>Total</b>	<b>7,537</b>	

Long-term debtors outstanding as at 31 March are:

31 March 2012		31 March 2013	
£000		£000	
194	Public corporations and other trading organisations	357	
109	Other entities and individuals	64	
<b>303</b>	<b>Total</b>	<b>421</b>	

Under long term debtors for public corporations and other trading organisation the Council has an investment of £357,000 (2011/12 £194,000) in a newly formed company that will be providing telecommunication services primarily to the business sector in the locality. The Council currently has a charge over the assets of the company. Shares will be allocated at the company's year ends and the Council will be a 25% share holder by 2017.



**30 CREDITORS**

Short term creditors between different groupings of creditor as at 31 March are:

<b>31 March 2012</b>		<b>31 March 2013</b>
£000		£000
(1,434)	Central Government	(280)
(446)	Other local authorities	(486)
	Public Corporations and other trading	
(3,029)	organisations	(5,054)
(4,480)	All other bodies	(2,473)
<b>(9,389)</b>	<b>Total</b>	<b>(8,293)</b>

Long term creditors between different groupings of creditor as at 31 March are:

31 March 2012		31 March 2013
£000		£000
	Public Corporations and other trading	
(2,757)	organisations	(2,321)
<b>(2,757)</b>	<b>Total</b>	<b>(2,321)</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**

There are 2 provisions as at 31 March 2013. The first, which was established in 2011/12, is for staff accumulated absences to provide funding for untaken leave.

The other one, created in 2012/13, is a provision to cover estimated liability of the MMI Insurance scheme. 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. The Directors of MMI 'triggered' the Scheme of Arrangement under Section 425 of the Companies Act 1985 (now Section 899 of the Companies Act 2006) on 13 November 2012. Ernst & Young have carried out a review of MMI assets and liabilities and concluded that a levy of 15% should be made. We have therefore made a provision for £78,000 and the remaining balance will continue to be shown as a contingent liability (note 35).

	<b>Balance 1 April 2012</b>	<b>Additions</b>	<b>Amounts Used</b>	<b>Balance 31 March 2013</b>
	£000	£000	£000	£000
Accumulated Absences	(101)	(115)	101	(115)
MMI Insurance	-	(78)	-	(78)
<b>Total</b>	<b>(101)</b>	<b>(193)</b>	<b>101</b>	<b>(193)</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>2011/12</b> £000		<b>2012/13</b> £000
53	Deferred Capital Receipts Reserve	50
8	Collection Fund Adjustment Account	24
27,500	Revaluation Reserve	28,346
172,029	Capital Adjustment Account	167,932
(374)	Financial Instruments Reserve	(149)
(24,721)	Pension Reserve	(28,845)
(101)	Accumulated Absence Account	(115)
<b>174,394</b>	<b>Total Unusable reserves</b>	<b>167,243</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.

<b>2011/12</b> £000		<b>2012/13</b> £000
<b>57</b>	<b>Balances at 1 April</b>	<b>53</b>
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(4)	Transfer to the Capital receipts Reserve upon receipt of cash	(3)
<b>53</b>	<b>Balance at 31 March</b>	<b>50</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.

<b>2011/12</b> £000		<b>2012/13</b> £000
<b>11</b>	<b>Balances at 1 April</b>	<b>8</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	
(3)		16
<b>8</b>	<b>Balance at 31 March</b>	<b>24</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.

2011/12		2012/13	
£000		£000	
Restated			
<b>14,378</b>	<b>Balances at 1 April</b>		<b>27,500</b>
14,737	Upward revaluation of assets	1,307	
(1,165)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
<b>13,572</b>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<b>1,307</b>
-	Difference between fair value depreciation and historical cost depreciation	(461)	
(450)	Accumulated gains on assets sold or scrapped	-	
<b>(450)</b>	Amount written off to the Capital Adjustment Account		<b>(461)</b>
<b>27,500</b>	<b>Balance at 31 March</b>		<b>28,346</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.

2011/12		2012/13	
£000		£000	
<b>170,002</b>	<b>Balances at 1 April</b>		<b>172,029</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
(5,878)	Charges for depreciation and impairment of noncurrent assets	(6,880)	
(31,088)	Revaluation losses on Property, Plant and Equipment	-	
(300)	Amortisation of intangible assets	(241)	
(969)	Revenue expenditure funded from capital under statute	(737)	

574	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	(6,506)	
<b>(37,661)</b>			<b>(14,364)</b>
450	Adjusting amounts written out of the Revaluation Reserve		461
<b>(37,211)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(13,903)</b>
<b>Capital financing applied in the year:</b>			
-	Use of the Capital Receipts Reserve to finance new capital expenditure	2,450	
3,276	Use of the Major Repairs Reserve to finance new capital expenditure	2,010	
2,197	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,895	
31,036	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	714	
976	Capital expenditure charged against the General Fund and HRA balances	737	
<b>37,485</b>			<b>9,806</b>
1,753	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
<b>172,029</b>	<b>Balance at 31 March</b>		<b>167,932</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 and the balance on the Account will be charged to the General Fund over 3 years to 2014/15.

2011/12		2012/13
£000		£000
<b>(600)</b>	<b>Balances at 1 April</b>	<b>(374)</b>
226	Premiums incurred in previous years charged to the General Fund	225
<b>(374)</b>	<b>Balance at 31 March</b>	<b>(149)</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>2011/12</b> £000		<b>2012/13</b> £000
<b>(17,199)</b>	<b>Balances at 1 April</b>	<b>(24,721)</b>
(8,255)	Actuarial gains or losses on pensions assets and liabilities	(4,204)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,965)
(1,288)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,045
2,021		
<b>(24,721)</b>	<b>Balance at 31 March</b>	<b>(28,845)</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.

<b>2011/12</b> £000		<b>2012/13</b> £000
-	<b>Balances at 1 April</b>	<b>(101)</b>
	Settlement or cancellation of accrual made at the end of the preceding year	101
(101)	Amounts accrued at the end of the current year	(115)
<b>(101)</b>	<b>Balance at 31 March</b>	<b>(115)</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.

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:

2011/12			2012/13		
Obligation	Asset	Net	Obligation	Asset	Net
£000	£000	£000	£000	£000	£000
<b>(95,336)</b>	<b>78,137</b>	<b>(17,199)</b>	<b>(103,262)</b>	<b>78,541</b>	<b>(24,721)</b>
		-			-
(1,344)	-	<b>(1,344)</b>	(1,381)	-	<b>(1,381)</b>
(5,172)	-	<b>(5,172)</b>	(4,896)	-	<b>(4,896)</b>
-	5,321	<b>5,321</b>	-	4,571	<b>4,571</b>
(476)	476	-	(470)	470	-
-	(2,852)	<b>(2,852)</b>	-	6,777	<b>6,777</b>
(5,403)	-	<b>(5,403)</b>	(10,981)	-	<b>(10,981)</b>
4,562	(4,562)	-	4,684	(4,684)	-
-	-	-	(25)	-	<b>(25)</b>
(93)	-	<b>(93)</b>	(234)	-	<b>(234)</b>
-	2,021	<b>2,021</b>	-	2,045	<b>2,045</b>
<b>(103,262)</b>	<b>78,541</b>	<b>(24,721)</b>	<b>(116,565)</b>	<b>87,720</b>	<b>(28,845)</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):

2011/12		2012/13	
£000		£000	
	Current Service Cost		
79	Central services to the public	74	
331	Cultural and related services	357	
153	Environmental and regulatory services	154	
111	Planning and development services	126	
9	Highways and transport services	10	
5	Local authority housing (HRA)	5	
165	Other housing services	170	
50	Corporate and democratic core	50	
-	Trading accounts	-	
441	Support services	435	
<b>1,344</b>	<b>Total Current Service Cost</b>	<b>1,381</b>	
	Past Service Cost		
-	Non-Distributed Costs	25	
-	<b>Total Past Service Cost</b>	<b>25</b>	
	Curtailments		
93	Non-Distributed Costs	234	
<b>93</b>	<b>Total Curtailments</b>	<b>234</b>	
<b>1,437</b>	<b>Cost of Services</b>	<b>1,640</b>	
5,172	Interest Cost	4,896	
(5,321)	Expected Return on Assets	(4,571)	
<b>(149)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>325</b>	

<b>1,288</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>1,965</b>
<b>8,255</b>	<b>Actuarial Gains and Losses</b>	<b>4,204</b>
<b>8,255</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>4,204</b>
<b>9,543</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>6,169</b>

#### 34.4 Cumulative Actuarial Gains and Losses

The cumulative amount of actuarial gains and losses since 2004/05 recognised in this statement is £26,577,000. The equivalent figure for 2011/12 was £22,373,000.

#### 34.5 Plan Assets

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

<b>2012</b>		<b>2013</b>
%		%
80	Equities	80
9	Bonds	9
9	Property	8
2	Cash	3

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 £11,358,000, compared with a gain of £2,480,000 in 2011/12.

#### 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>2011/12</b>		<b>2012/13</b>
	Long term expected rate of return on scheme assets:	
6.3%	Equity Investments	4.5%
4.4%	Bonds	4.5%
4.4%	Property	4.5%
3.5%	Cash	4.5%
	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
2.5%	Rate of inflation	2.8%
4.8%	Rate of increase in salaries	5.1%
5.9%	Rate of increase in pensions	2.8%
4.8%	Rate for discounting scheme liabilities	4.5%
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 2012/13 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Present value of liabilities	(80,265)	(122,804)	(95,336)	(103,262)	(116,565)
Fair value of assets	57,000	75,657	78,137	78,541	87,720
<b>Deficit in the scheme</b>	<b>(23,265)</b>	<b>(47,147)</b>	<b>(17,199)</b>	<b>(24,721)</b>	<b>(28,845)</b>

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

	2008/09	2009/10	2010/11	2011/12	2012/13
Differences between the expected and actual return on assets	-26.20%	21.97%	-0.93%	-3.63%	7.73%
Experience gains and losses on liabilities	-8.10%	32.22%	-21.57%	-5.23%	-9.42%

### 34.8 Annual Contributions to fund

The estimated contribution for 2012/13 is £1,718,000, compared with the actual contribution of £1,676,000 for 2012/13.

## 35 CONTINGENT ASSETS AND LIABILITIES

### Contingent Liabilities

#### **Local Land Charges**

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £43,000 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £72,000 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

#### **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. The Directors of MMI 'triggered' the Scheme of Arrangement under Section 425 of the Companies Act 1985 (now Section 899 of the Companies Act 2006) on 13 November 2012. Ernst & Young are now responsible for the management of the MMI business, affairs and assets. Ernst & Young have carried out a review of MMI assets and liabilities and concluded that a levy of 15% should be made. A provision of £78,000 has been made for any claw back of payments made to the Council (Note 31). The balance of £442,000 will continue to be a contingent liability.

#### **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.



**Judicial Review of Core Strategy**

There is a current claim against the Authority in respect of the Planning Inspector's decision about designation of shops at the Sovereign Harbour. In the event that the Authority loses the case the Legal costs of up to £100,000 could be payable.

**Contract Dispute**

The Authority is currently in dispute with a contractor, which could result in a liability to the Authority of up to £80,000.

**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.

**Towner**

The Authority is currently pursuing a claim against Rick Mathers, Architects, in respect of the costs relating to the building of Towner. If the action is successful the Authority are likely to be awarded a sum in the region of £2,549,000.

**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>2012/13</b>	<b>Income</b> £000	<b>Expenditure</b> £000	<b>Assets</b> £000	<b>Liabilities</b> £000
<b>Mayor's Poor Fund</b> Established in 1934 to bring relief to those in poverty in Eastbourne	-	1	24	-
<b>Mayor's Charity Account</b> Created to support the Mayor's chosen charity each year	(19)	19	1	(1)
<b>Total</b>	<b>(19)</b>	<b>20</b>	<b>25</b>	<b>(1)</b>
<b>2011/12</b>	<b>Income</b> £000	<b>Expenditure</b> £000	<b>Assets</b> £000	<b>Liabilities</b> £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>HOUSING REVENUE ACCOUNT (HRA)</b>
--------------------------------------

<b>2011/12</b>		<b>2012/13</b>
£000		£000
	<b>Income</b>	
(12,711)	Dwelling Rents	(12,900)
(392)	Non-Dwelling Rents	(375)
(883)	Charges for Services and Facilities	(944)
52	Contributions Towards Expenditure	(243)
(848)	Housing Revenue Account Subsidy Receivable	(7)
<b>(14,782)</b>	<b>Total Income</b>	<b>(14,469)</b>
	<b>Expenditure</b>	
(36)	Repairs and Maintenance	223
7,573	Supervision and Management	7,651
386	Rents, rates, taxes and other charges	343
227	Subsidy Limitation Transfer to the General Fund	-
16,721	Depreciation and Impairment of Fixed Assets	3,616
54	Debt Management Costs	40
<b>24,925</b>	<b>Total Expenditure</b>	<b>11,873</b>
<b>10,143</b>	<b>Net (Income)/ Cost of HRA Services as included in the whole authority Income and Expenditure Statement</b>	<b>(2,596)</b>
46	HRA services share of Corporate and Democratic Core	91
<b>10,189</b>	<b>Net (Income)/ Cost of HRA services</b>	<b>(2,505)</b>
(449)	Gain or loss on sale of HRA assets	2,161
11,830	Interest Payable and Similar Charges	1,834
(23)	Interest and Investment Income	(34)
(39,402)	Capital Grants and Contributions Received	(2,967)
<b>(17,855)</b>	<b>Surplus for the Year</b>	<b>(1,511)</b>

**MOVEMENT ON THE HRA STATEMENT**

<b>2011/12</b>			<b>2012/13</b>	
£000	£000		£000	£000
	(1,750)	Housing Revenue Account balance brought forward		(2,001)
(17,855)		Surplus on HRA Income and Expenditure Statement	(1,511)	
		Adjustments between accounting and funding basis:		
39,402		Capital Grants and Contributions received	2,967	
(8,316)		Finance cost adjustment re: premiums and discounts	225	
450		Reverse gain or loss on non-current assets	(2,160)	
28		Transfer to / from Pension Reserve	2	
(1)		Transfer to / from Accumulated Absence Reserve	(1)	
<u>(13,932)</u>		Transfer from Capital Adjustment Account	<u>(13)</u>	
(224)			(491)	
(27)		Transfers to earmarked reserves	313	
	(251)	Increase decrease in year on HRA		(178)
	<u><b>(2,001)</b></u>	<b>Housing Revenue Account balance carried forward</b>		<u><b>(2,179)</b></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:

<b>31 March 2012</b>		<b>31 March 2013</b>
	Houses and Bungalows	
16	- one bedroom	16
535	- two bedrooms	535
1,190	- three bedrooms	1,183
55	- four or more bedrooms	54
<b>1,796</b>	<b>Total Houses and Bungalows</b>	<b>1,788</b>
	Flats	
1,041	- one bedroom	1,013
524	- two bedrooms	525
9	- three or more bedrooms	9
332	- bed-sits	223
<b>1,906</b>	<b>Total Flats</b>	<b>1,770</b>
<b>3,702</b>	<b>All Dwellings</b>	<b>3,558</b>

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2012) and has acquired the use of 5 actual properties (6 at 31 March 2012) under short-term property leases.

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

	<b>1 April 2012</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Dwellings	134,187	134,260
Other Land and Buildings	944	926
<b>Total</b>	<b>135,131</b>	<b>135,186</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 £397m 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 can be used to finance capital investment.

<b>2011/12</b>		<b>2012/13</b>
£000		£000
(1,564)	Balance as at 1 April	(1,077)
3,276	Financing of Capital Expenditure	2,010
(2,789)	Depreciation	(3,604)
<b>(1,077)</b>	<b>Balance as at 31 March</b>	<b>(2,671)</b>

#### 4. CAPITAL EXPENDITURE AND FINANCING

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

<b>2011/12</b>		<b>2012/13</b>
£000		£000
<b>5,038</b>	<b>Total Capital Expenditure</b>	<b>7,367</b>
	Funding:	
1,376	Borrowing	-
-	Government Grant	2,667
-	Capital Receipts	2,167
3,276	Major Repairs Reserve	2,010
300	Revenue Contributions	300
86	Other Contributions	223
<b>5,038</b>	<b>Total Funding</b>	<b>7,367</b>

#### 5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

<b>2011/12</b>		<b>2012/13</b>
£000		£000
829	Right to Buy Sales of Houses and Flats	779
3	Mortgage Repayments	4
<b>832</b>		<b>783</b>

#### 6. DEPRECIATION

<b>2011/12</b>		<b>2012/13</b>
£000		£000
2,789	Dwellings	3,586
18	Other Land and Buildings	18
<b>2,807</b>	<b>Total HRA Assets</b>	<b>3,604</b>

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

The Council made contributions of £223,000 towards works on former council dwellings within blocks of council-owned flats, compared to £46,000 in 2011/12.

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

On 1 April 2012 the HRA subsidy system came to an end and the HRA became self financing. The £848,000 subsidy shown in 2011/12 was an estimate of the Government Grant due for 2011/12. On completion of the 2011/12 subsidy claim there was an additional £7,000 due to the Council which is shown as a prior year adjustment in 2012/13. The subsidy receivable was made up as follows:

<b>2011/12</b>		<b>2012/13</b>
£000		£000
2,278	Management Allowance	-
4,409	Maintenance Allowance	-
2,789	Major Repairs Allowance	-
3,863	Capital Charges Allowances	-
68	Other Allowable Expenditure	-
7	Prior Year Adjustment	7
<b>13,414</b>	<b>Gross</b>	<b>7</b>
(12,546)	Less: Notional Rent Income	-
(17)	Self Financing Interest Payment	-
(3)	Interest on Receipts	-
<b>848</b>	<b>Total Subsidy Receivable</b>	<b>7</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 £2,000 (£28,000 in 2011/12) has been charged to the Housing Revenue Account via the Movement on the HRA statement.

#### **9. RENT ARREARS**

Rent arrears at 31 March 2013 amounted to £532,000 compared with £474,000 at 31 March 2012. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2012/13 former tenant arrears of £63,000 were written off (£53,000 in 2011/12).

The Council has a provision for doubtful debts of £362,000 at 31 March 2013 (£335,000 at 31 March 2012)

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

No contribution was made in 2012/13 for the Rent Rebate Subsidy Limitation Scheme (£227,000 in 2011/12).

**COLLECTION FUND REVENUE ACCOUNT**

<b>2011/12</b>		<b>2012/13</b>	
£000		£000	£000
	<b>Income</b>		
50,211	Income from Council Tax		50,631
9,405	Transfers from General Fund Council Tax Benefits		9,711
30,225	Income collectable from Business Ratepayers		31,598
<b>89,841</b>	<b>Total Fund Income</b>		<b>91,940</b>
	<b>Expenditure</b>		
	Precepts and Demands		
42,576	East Sussex County Council	42,841	
8,241	Eastbourne Borough Council	8,292	
5,088	Sussex Police Authority	5,120	
3,009	East Sussex Fire Authority	3,028	
			59,281
	Business Rates		
30,097	Payment to National Pool	31,471	
128	Costs of Collection	127	
			31,598
	Bad and Doubtful Debts/Appeals		
887	Write-offs	132	
(224)	Provisions	747	
			879
	Contributions towards previous year's Collection Fund Surplus		
45	East Sussex County Council	49	
9	Eastbourne Borough Council	10	
5	Sussex Police Authority	6	
3	East Sussex Fire Authority	3	
			68
<b>89,864</b>	<b>Total Fund Expenditure</b>		<b>91,826</b>
<b>23</b>	<b>Movement on Fund Balance</b>		<b>(114)</b>
	<b>COLLECTION FUND BALANCE</b>		
(78)	Balance at 1st April		(55)
23)	(Surplus)/Deficit for the year		(114)
<b>(55)</b>	<b>Balance as at 31st March</b>		<b>(169)</b>

**NOTES TO THE COLLECTION FUND****1 INCOME FROM COUNCIL TAX****Amounts receivable from Council Taxpayers:**

	£000
Gross amount of Council Tax	70,015
Less Discounts	(6,714)
Exemptions	(2,865)
Disabled Relief	(94)
Gross Yield from Council Tax	<u>60,342</u>
Reconciliation to Collection Fund	
Income from Council Tax	50,631
Council Tax Benefits granted	<u>9,711</u>
	<u>60,342</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	12	11	5/9	6	10
A	7,769	6,394	6/9	4,263	6,833
B	12,296	10,962	7/9	8,526	13,665
C	10,250	9,248	8/9	8,220	13,175
D	8,264	7,533	9/9	7,533	12,074
E	4,344	4,109	11/9	5,022	8,049
F	1,959	1,798	13/9	2,597	4,162
G	1,086	947	15/9	1,578	2,529
H	52	46	18/9	93	149
	<b>46,032</b>	<b>41,048</b>		<b>37,838</b>	<b>60,646</b>
				<b>(852)</b>	<b>(1,365)</b>
				<b>36,986</b>	<b>59,281</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	37,837.4
Band D Council Tax 2012/13 (Budget report)	B	£1,602.77
Theoretical gross yield	A x B	£60,644,650
Actual gross yield (as above)	C	£60,341,647
Theoretical gross yield - actual gross yield	(A x B) - C	£303,003

**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 2012/13 this amounted to £6.879m for Eastbourne Borough Council (£5.790m in 2011/12).

The table below shows the total rateable value and multipliers.



		<b>2011/12</b>	<b>2012/13</b>
Total non-domestic rateable value	£m	82.2	82.2
Multiplier	Pence	43.3	45.8
Multiplier (Small businesses)	Pence	42.6	45.0
Gross Yield Before Adjustments	£m	34.6	36.7

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

<b>Authority</b>	<b>Precept</b>	<b>Distribution of</b>		<b>Total</b>
		<b>prior years</b>	<b>deficit</b>	
	£000	£000	£000	£000
Eastbourne Borough Council	8,292	10	8,302	
East Sussex County Council	42,841	49	42,890	
Sussex Police	5,120	6	5,126	
East Sussex Fire Authority	3,028	3	3,031	
<b>Total</b>	<b>59,281</b>	<b>68</b>	<b>59,349</b>	

### 4. COLLECTION FUND BALANCE

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

	<b>2011/12</b>	<b>2012/13</b>
	£000	£000
East Sussex County Council	(39)	(121)
Eastbourne Borough Council	(8)	(24)
Sussex Police Authority	(5)	(15)
East Sussex Fire Authority	(3)	(9)
<b>Deficit</b>	<b>(55)</b>	<b>(169)</b>

The preceptors' share of the deficit on the Collection Fund is shown in the Council's balance sheet as part of the debtor's 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 for those notes included.

**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> £000	<b>EBC Unusable Reserves</b> £000	<b>Total EBC Reserves</b> £000	<b>EHL Reserves</b> £000	<b>Total Group Reserves</b> £000
<b>Balance at 1 April 2011</b>	<b>(18,213)</b>	<b>(166,649)</b>	<b>(184,862)</b>	<b>(842)</b>	<b>(185,704)</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 the Revaluation Reserve	-	(14,736)	<b>(14,736)</b>	-	<b>(14,736)</b>
Actuarial 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	1,264	(1,264)	-	-	-
<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>(174,394)</b>	<b>(193,259)</b>	<b>(661)</b>	<b>(193,920)</b>
<b>Movement in Reserves 2012/13</b>					
(Surplus) or deficit on provision of services (accounting basis)	2,454	-	<b>2,454</b>	(244)	<b>2,210</b>
Revaluation of fixed assets added to the Revaluation Reserve	-	(1,307)	<b>(1,307)</b>	-	<b>(1,307)</b>
Actuarial losses on share of Pension Fund	-	4,204	<b>4,204</b>	429	<b>4,633</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>2,454</b>	<b>2,897</b>	<b>5,351</b>	<b>185</b>	<b>5,536</b>
Adjustments between accounting basis & funding basis under regulations	<b>(4,254)</b>	<b>4,254</b>	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(1,800)</b>	<b>7,151</b>	<b>5,351</b>	<b>185</b>	<b>5,536</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(20,665)</b>	<b>(167,243)</b>	<b>(187,908)</b>	<b>(476)</b>	<b>(188,384)</b>

**GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**

<b>2011/12 Restated</b>			<b>2012/13</b>			
<b>Expend.</b>	<b>Income</b>	<b>Net</b>		<b>Expend.</b>	<b>Income</b>	<b>Net</b>
£000	£000	£000		£000	£000	£000
12,351	(10,739)	1,612	Central services to the public	12,316	(11,098)	1,218
30,134	(8,939)	21,195	Cultural and related services	15,979	(8,913)	7,066
10,228	(3,422)	6,806	Environmental and regulatory services	9,783	(3,269)	6,514
2,121	(1,067)	1,054	Planning and development services	1,891	(392)	1,499
1,464	(530)	934	Highways and transport services	358	(477)	(119)
24,865	(15,238)	9,627	Local authority housing (HRA)	12,306	(15,463)	(3,157)
52,462	(51,641)	821	Other housing services	53,478	(51,950)	1,528
2,098	(40)	2,058	Corporate and democratic core	1,802	(83)	1,719
671	(269)	402	Non distributed costs	1,396	(338)	1,058
-	-	-	Exceptional Items	-	-	-
<b>136,394</b>	<b>(91,885)</b>	<b>44,509</b>	<b>Cost Of Services</b>	<b>109,309</b>	<b>(91,983)</b>	<b>17,326</b>
177	-	177	Levy payable	185	-	185
600	-	600	Payments to housing capital receipts pool	198	-	198
-	(1,033)	(1,033)	(Gains) / losses on sale of non-current assets	-	2,664	2,664
<b>777</b>	<b>(1,033)</b>	<b>(256)</b>	<b>Other Operating Expenditure</b>	<b>383</b>	<b>2,664</b>	<b>3,047</b>
12,224	-	12,224	Interest payable & similar charges	1,982	-	1,982
(48)	(149)	(197)	Pensions interest cost and expected return on assets	(23)	325	302
(8)	(123)	(131)	Interest receivable	(11)	(127)	(138)
(1,629)	(387)	(2,016)	Trading Operations	931	(1,280)	(349)
<b>10,539</b>	<b>(659)</b>	<b>9,880</b>	<b>Financing and Investment Income and Expenditure</b>	<b>2,879</b>	<b>(1,082)</b>	<b>1,797</b>
-	(3,209)	(3,209)	Non-specific grants and contributions	-	(4,775)	(4,775)
-	(39,024)	(39,024)	HRA Self Financing Settlement	-	-	-
-	(8,245)	(8,245)	Council Tax income	-	(8,317)	(8,317)
-	(5,790)	(5,790)	National Non-Domestic Rates redistribution	-	(6,879)	(6,879)
<b>-</b>	<b>(56,268)</b>	<b>(56,268)</b>	<b>Taxation and non-specific grant income</b>	<b>-</b>	<b>(19,971)</b>	<b>(19,971)</b>
		<b>(2,135)</b>	<b>Surplus or Deficit on Provision of Services</b>			<b>2,199</b>
		8	Tax Expense			11
		<b>(2,127)</b>	<b>Group (Surplus) or Deficit on Provision of Services</b>			<b>2,210</b>
		(14,736)	Surplus or deficit on revaluation of fixed assets			(1,307)
		8,647	Actuarial gains / losses on pension assets / liabilities			4,633
		<b>(6,089)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>3,326</b>
		<b>(8,216)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>5,536</b>

The Group Comprehensive Income & Expenditure Statement 2011/12 has been restated, increasing the Group Surplus by £177,000. This reflects the correct consolidated position.

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

<b>31 March 2012</b>		<b>Notes</b>	<b>31 March 2013</b>
£000	£000		£000
231,180	Property, Plant & Equipment	2	229,898
12,209	Heritage Assets		13,044
6,562	Investment Property		6,562
866	Intangible Assets		1,902
<u>303</u>	Long Term Debtors		<u>421</u>
	<b>251,120 Long Term Assets</b>		<b>251,827</b>
2,373	Assets Held for Sale		606
2,000	Short Term Investments		100
143	Inventories		179
7,780	Short Term Debtors	3	8,889
<u>3,497</u>	Cash and Cash Equivalents		<u>8,613</u>
	<b>15,793 Current Assets</b>		<b>18,387</b>
(8,273)	Short Term Borrowing		(4,799)
(10,137)	Short Term Creditors	4	(9,663)
(101)	Short Term Provisions		(193)
<u>(96)</u>	Revenue Grants Receipts in Advance		<u>(161)</u>
	<b>(18,607) Current Liabilities</b>		<b>(14,816)</b>
(2,757)	Long Term Creditors		(2,321)
(85)	Provisions	5	(128)
(26,212)	Long Term Borrowing		(34,691)
(25,331)	Other Long Term Liabilities	6	(29,874)
	<b>(54,385) Long Term Liabilities</b>		<b>(67,014)</b>
<u><b>193,921</b></u>	<b>Net Assets</b>		<u><b>188,384</b></u>
(20,137)	Usable reserves	7	(22,170)
(173,784)	Unusable Reserves		(166,214)
<u><b>(193,921)</b></u>	<b>Total Reserves</b>		<u><b>(188,384)</b></u>

**GROUP CASH FLOW STATEMENT**

<b>2011/12</b> £000		<b>2012/13</b> £000
(2,917)	Operating Activities	(3,108)
11,123	Investing Activities	2,054
(4,195)	Financing Activities	(4,062)
<b>4,011</b>	<b>Net (increase) / decrease in cash and cash equivalents</b>	<b>(5,116)</b>

The balances of cash and cash equivalents are shown below:

<b>1 April</b> £000	<b>2011/12</b>			<b>2012/13</b>		<b>Movement</b>
	<b>31 March</b> £000	<b>Movement</b>		<b>1 April</b> £000	<b>31 March</b> £000	
220	410	190	Cash and Bank	410	457	47
5,509	1,702	(3,807)	Call accounts	1,702	6,700	4,998
1,779	1,385	(394)	Eastbourne Homes	1,385	1,456	71
<b>7,508</b>	<b>3,497</b>	<b>(4,011)</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,497</b>	<b>8,613</b>	<b>5,116</b>

<b>NOTES TO THE GROUP ACCOUNTING STATEMENTS</b>
---

**1 ACCOUNTING POLICIES**

The accounting policies set out in Note 2 to the Eastbourne Borough Council accounts also apply to the group accounts. Where necessary, the accounts of Eastbourne Homes Ltd have been adapted to align them with this Council's policies.

**2 PROPERTY PLANT AND EQUIPMENT**

The table below shows the reconciliation of opening and closing balances and the movements in various categories for the year.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
Balance at 1 April 2012	136,957	62,995	10,559	38,494	2,771	55	<b>251,831</b>
Additions	7,144	1,027	1,470	38	111	-	<b>9,790</b>
Revaluation increases recognised in the Revaluation Reserve	606	31	-	-	-	-	<b>637</b>
De-recognition - Disposals	(3,652)	(678)	-	-	-	-	<b>(4,330)</b>
Assets Reclassified to Held for Sale	(606)	-	-	-	-	-	<b>(606)</b>
Other movements in cost, valuation or reclassification	-	-	25	-	-	-	<b>25</b>
<b>At 31 March 2013</b>	<b>140,449</b>	<b>63,375</b>	<b>12,054</b>	<b>38,532</b>	<b>2,882</b>	<b>55</b>	<b>257,347</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2012	(2,770)	(1,436)	(3,739)	(12,142)	(564)	-	<b>(20,651)</b>
Depreciation Charge	(3,586)	(1,300)	(1,118)	(961)	-	-	<b>(6,965)</b>
De-recognition - disposal	167	-	-	-	-	-	<b>167</b>
<b>At 31 March 2013</b>	<b>(6,189)</b>	<b>(2,736)</b>	<b>(4,857)</b>	<b>(13,103)</b>	<b>(564)</b>	<b>-</b>	<b>(27,449)</b>
<b>Net Book Value</b>							
At 31 March 2013	134,260	60,639	7,196	25,429	2,319	55	<b>229,898</b>
At 31 March 2012	134,187	61,559	6,820	26,352	2,207	55	<b>231,180</b>

The equivalent figures for 2011/12 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>Total</b>
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	258,920	69,255	6,773	38,054	2,533	111	<b>375,646</b>
Additions	5,074	3,368	4,161	440	237	111	<b>13,391</b>
Revaluation increases recognised in the Revaluation Reserve	966	13,414	-	-	-	70	<b>14,450</b>
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(13,915)	(17,173)	-	-	-	-	<b>(31,088)</b>
De-recognition - Disposal	(357)	-	(139)	-	-	(237)	<b>(733)</b>
Assets Reclassified to Held for Sale	(2,173)	(153)	(47)	-	-	-	<b>(2,373)</b>
Other movements in cost, valuation or reclassification	(111,558)	(5,716)	(189)	-	1	-	<b>(117,462)</b>
<b>Balance at 31 March 2012</b>	<b>136,957</b>	<b>62,995</b>	<b>10,559</b>	<b>38,494</b>	<b>2,771</b>	<b>55</b>	<b>251,831</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2011	(111,542)	(5,862)	(2,969)	(11,192)	(564)	-	<b>(132,129)</b>
Depreciation Charge	(2,789)	(1,739)	(910)	(949)	-	-	<b>(6,387)</b>
Depreciation written out to the Revaluation Reserve	-	450	-	-	-	-	<b>450</b>
De-recognition - disposal	4	-	139	-	-	-	<b>143</b>
De-recognition - other	111,557	5,715	1	(1)	-	-	<b>117,272</b>
<b>At 31 March 2012</b>	<b>(2,770)</b>	<b>(1,436)</b>	<b>(3,739)</b>	<b>(12,142)</b>	<b>(564)</b>	<b>-</b>	<b>(20,651)</b>
<b>Net Book Value</b>							
At 31 March 2012	134,187	61,559	6,820	26,352	2,207	55	<b>231,180</b>
At 31 March 2011	147,378	63,393	3,804	26,861	1,970	111	<b>243,517</b>



**3 SHORT TERM DEBTORS**

Sort term debtors outstanding as at 31 March are:

<b>31 March 2012</b>		<b>31 March 2013</b>
£000		£000
2,051	Central government	2,060
1,858	Other local authorities	1,854
3	NHS	2
823	Public corporations and trading funds	1,285
3,045	Other entities and individuals	3,688
<b>7,780</b>	<b>Total</b>	<b>8,889</b>

**4 SHORT TERM CREDITORS**

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

<b>31 March 2012</b>		<b>31 March 2013</b>
£000		£000
(1,434)	Central government	(280)
(446)	Other local authorities	(486)
(3,275)	Public Corporations and other trading organisations	(5,194)
(4,982)	All other bodies	(3,703)
<b>(10,137)</b>	<b>Total</b>	<b>(9,663)</b>

**5 PROVISIONS**

	Balance 1 April	Additions	Reductions	Spent	Balance 31 March
Accumulated Absences	(101)	(115)	-	101	(115)
MMI Insurance	-	(78)	-	-	(78)
Ivy House Dilapidations	(85)	(43)			(128)
	(186)	(236)	0	101	(321)

Eastbourne Homes Ltd (EHL) entered into a 10 year lease for Ivy House Head Office premises from 23<sup>rd</sup> December 2009 with a break date of 31<sup>st</sup> March 2015. Prior to occupation EHL undertook decorative and partitioning works to the interior of the premises to make it suitable for purpose. A licence was granted by the landlord under the lease for these works with the licence specifying a reinstatement clause which may be activated in full or in part by the landlord providing six months notice before the end of the term of the lease. The total estimated cost of reinstatement of the offices to their original condition is £213,000. Accordingly full provision will be made for this sum by charging an equal portion of the reinstatement cost to operating expenses over the 5 years from effective occupation of the property, April 2010 to the break date of 31<sup>st</sup> March 2015.

**6 POST EMPLOYMENT BENEFITS****6.1 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.

**6.2 Annual movement in plan obligations and assets**

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

2011/12			2012/13			
Obligation	Asset	Net		Obligation	Asset	Net
£000	£000	£000		£000	£000	£000
<b>(99,950)</b>	<b>82,500</b>	<b>(17,450)</b>	<b>Asset / Liability at 1 April</b>	<b>(108,568)</b>	<b>83,237</b>	<b>(25,331)</b>
(1,559)	-	<b>(1,559)</b>	Current Service Cost	(1,620)	-	<b>(1,620)</b>
(5,431)	-	<b>(5,431)</b>	Interest Cost	(5,156)	-	<b>(5,156)</b>
-	5,628	<b>5,628</b>	Expected return on plan assets	-	4,854	<b>4,854</b>
(554)	554	-	Contributions by scheme participants	(552)	552	-
			Actuarial gains and losses:			
			Difference between expected and actual returns	-	7,195	<b>7,195</b>
	(3,017)	<b>(3,017)</b>	Movement in actuarial assumptions for liability	(11,828)	-	<b>(11,828)</b>
(5,631)	-	<b>(5,631)</b>	Benefits paid	4,799	(4,799)	-
4,650	(4,650)	-	Past Service Cost	(25)	-	<b>(25)</b>
-	-	-	Curtailments	(234)	-	<b>(234)</b>
(93)	-	<b>(93)</b>	Contributions by employer	-	2,271	<b>2,271</b>
-	2,222	<b>2,222</b>				
<b>(108,568)</b>	<b>83,237</b>	<b>(25,331)</b>	<b>Asset / Liability at 31 March</b>	<b>(123,184)</b>	<b>93,310</b>	<b>(29,874)</b>

**6.3 Transactions relating to post-employment benefits**

2011/12		2012/13	
£000		£000	
	<b>Current Service Cost</b>		
79	Central Services to the Public	74	
331	Cultural and Related Services	357	
153	Environmental and Regulatory Services	154	
111	Planning and Development Services	126	
9	Highways and Transport Services	10	
220	Local Authority Housing (HRA)	244	
165	Other Housing Services	170	
50	Corporate and Democratic Core	50	
441	Support Services	435	
<b>1,559</b>	<b>Total Current Service Cost</b>	<b>1,620</b>	
	Past Service Cost		
-	Non-Distributed Costs	25	
-	<b>Total Past Service Cost</b>	<b>25</b>	
	Curtailments		
93	Non-Distributed Costs	234	
<b>93</b>	<b>Total Curtailments</b>	<b>234</b>	
<b>1,652</b>	<b>Cost of Services</b>	<b>1,879</b>	
5,431	Interest Cost	5,156	
(5,628)	Expected Return on Assets	(4,854)	
<b>(197)</b>	<b>Financing and Investment Income and Expenditure</b>	<b>302</b>	
<b>1,455</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>2,181</b>	
<b>8,648</b>	<b>Actuarial Gains and Losses</b>	<b>4,633</b>	
<b>8,648</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>4,633</b>	
<b>10,103</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>6,814</b>	

#### 6.4 History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2013:

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	£000	£000	£000	£000	£000
Present value of liabilities	(83,157)	(128,211)	(99,950)	(108,568)	(123,184)
Fair value of assets	59,578	79,451	82,500	83,237	93,310
<b>Deficit in the scheme</b>	<b>(23,579)</b>	<b>(48,760)</b>	<b>(17,450)</b>	<b>(25,331)</b>	<b>(29,874)</b>

#### 7. **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.

	<b>2012</b>	<b>2013</b>
	£000	£000
<b>Income</b>		
Housing Management contract	6,864	6,945
Other contracts	11	9
<b>Expenditure</b>		
Service Level Agreements	242	252
Contribution to Capital Works	300	300
<b>Recharges</b>		
Capital Works at cost	4,869	7,367
Other	21	4
<b>Debtor</b>		
Amount due from Eastbourne Borough Council	1728	1,726
<b>Creditor</b>		
Amount due to Eastbourne Borough Council	89	37

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. There were two tenant directorship vacancies as at 31 March 2013; appointments have been made subsequently.

**GLOSSARY**

This glossary helps to define some of the terms and phrases found in these accounts.

**Accounting Period**

The length of time covered by the accounts, in the case of these accounts the year from 1 April to 31 March.

**Accrual**

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

**Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

**Balances**

These represent the accumulated surplus of revenue income over expenditure.

**Budget**

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

**Budget Requirement**

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

**Capital Charge**

A charge to service revenue accounts to reflect the cost of non-current assets (previously referred to as fixed assets) used in the provision of services.

**Capital Expenditure**

Expenditure on the acquisition of non-current assets (fixed assets) that will be of use or benefit to the Council in providing its services for more than one year. Capital expenditure also includes Revenue expenditure financing from Capital under Statute.

**Capital Adjustments Account**

The capital adjustments account records the resources set aside to finance capital expenditure and offsets the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or by disposal.

**Capital Receipts**

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

**Cash Equivalents**

Generally short term, highly liquid investments readily convertible into cash.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

**Collection Fund**

A fund administered by the Council as a "Charging Authority". The Council Tax and National Non-Domestic Rates are paid into this fund. National Non-Domestic Rates are paid over in full to the National Pool. The Council Tax demand of the Council and the precepts of other public bodies are paid out of the fund. Any surplus or deficit is shared between the various authorities.

**Corporate and Democratic Core**

These are the activities that a local authority engages in specifically because it is a democratically elected decision making body. These costs are not apportioned to services but are shown here. Examples of costs are Councillors' allowances, Committee support and time spent by professional officers in giving policy advice.

**Council Tax Freeze Grant**

A grant payable to any local authority that contains any increase in net costs in 2010/11 and 2011/12 to the equivalent to a 2.5% increase in council tax.

**Creditors**

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period but not paid for.

**Current Service Cost**

The increase of the present value of a defined benefit scheme's liabilities expected to arise from employee service in the accounting period.

**Debtors**

Amounts owed to the Council but unpaid at the Balance Sheet date.

**Depreciation**

The measure of the cost or revalued amount of the benefit of the fixed asset that have been consumed during the period.

**Expected Rate of Return on Pensions Assets**

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fees and Charges**

The income raised by charging for goods, services or the use of facilities.

**General Fund**

The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

**Housing Revenue Account**

A separate account, maintained by law, that accounts for the income and expenditure related to the Council's housing stock. The General Fund cannot subsidise the Housing Revenue Account and vice versa.

**Intangible Assets**

Expenditure on assets, such as software, which are depreciated over their expected life but are not physically owned.

**Leasing**

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

**Levy**

A contribution payable by law to Internal Drainage Boards for land drainage.

**Minimum Revenue Provision**

An amount to be set aside each year from revenue to repay the principal amounts of external loans outstanding.

**National Non Domestic Rates (NNDR)**

[also known as Business Rates or Uniform Business Rate (UBR)]

Rates from Non Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

**Non Current Asset (previously known as Fixed Asset)**

A tangible item that yields benefit to the Council for a period of more than one year.

**Precept**

The amount that the County Council, Sussex Police Authority and East Sussex Fire Authority require the Collection Fund to pay to meet the costs of their services after Government grant.

**Provisions**

Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

**Public Works Loans Board**

A Government body that provides loans to local authorities.

**Reserves**

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revaluation Reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation adjustments.

**Revenue Expenditure**

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

**Revenue Expenditure financed from Capital under Statute (REFFCUS)**

Expenditure that can be classified as capital expenditure but which does not result in the acquisition of a tangible or physical asset.

**Revenue Support Grant**

Central Government financial support towards the general expenditure of local authorities.

**Specific Government Grants**

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.