Eastbourne Borough Council
Statement of Accounts
2018/19

TABLE OF CONTENTS

I am very pleased to welcome you to Eastbourne Borough Council's Statement of Accounts for 2018/19, which gives me the opportunity to set the accounts in the context of the financial challenges being faced by the Council.

As ever, the Council is committed to delivering its key services and providing an environment where everyone works to create a confident and ambitious Borough.

The Authority approved its 2018/19 net revenue budget on 20 February 2018. However, once the financial year was underway Eastbourne, like many other councils, experienced considerable difficulty in managing a number of pressures, particularly within temporary housing services and those services, which are directly influenced by wider economic factors. This was despite the allocation of considerable additional Council resources within the budget.
The accounts show that despite these pressures, through careful cost control and additional income and funding opportunities elsewhere, the financial challenges have been managed and a balanced outturn position has been delivered. This allowed the Council's balances to be increased and financial resilience to be maintained.

The Council recognises that the financial work undertaken throughout 2018/19 focused primarily on delivering a balanced budget for 2019/20 and Members were advised of the budget gaps for each of the three years 2020/21 to 2022/23. Clearly, given the current operating climate, particularly with the uncertainty around the future funding for the Local Government sector, coupled with Brexit, there remains much work to do.

The Joint Transformation Programme has created the operational framework to facilitate change and support our efforts to balance the budget. The Council is committed to the regeneration of Eastbourne Town Centre and the wider Borough and this remains a key Council priority. A number of major schemes such as reopening of the Congress Theatre, as part of the Devonshire Quarter have been completed or are currently underway together with exciting longer-term proposals, which are at the development stage. This is aimed at revitalising the Eastbourne offer and the prosperity of the Borough.

I want to thank all of our Finance staff who have once again worked hard to close the accounts to a very high standard.

I also want to acknowledge the excellent work done to balance the 2018/19 and 2019/20 budgets, and to monitor and manage the financial position of the Council throughout the financial year. Careful financial administration allows fully informed decision making when determining the best use of Council resources so that services of the best possible quality can be delivered.

Homira Javadi CPFA, FCCA, ACCA
Chief Finance Officer (S151 Officer)

NARRATIVE REPORT BY CHIEF FINANCE OFFICER

INTRODUCTION

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP), together with guidance notes and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Eastbourne, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the outturn for 2018/19;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The Narrative Report provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2019 and is structured as below:

- About Eastbourne
- Governance
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2018/19
- Staffing
- Future Plans
- Explanation of Financial Statements
- Further Information.

ABOUT EASTBOURNE

The Council

Eastbourne Borough Council is one of five district and borough councils in East Sussex, each providing key services to their residents. These services include waste collection and recycling, environmental health, tourism, leisure and amenities, planning and collection of council tax.

East Sussex County Council serves this entire part of South East England. It provides services including education, social services, roads and transport, waste disposal and libraries.

Our Environment

Eastbourne is a large town in East Sussex and is a gateway to the eastern end of the South Downs National Park, with approximately 7km (over 4 miles) of outstanding coastline. For an urban borough it has significant natural environment, a high proportion of which is downland. This natural environment with its panoramic views, areas of outstanding natural beauty and sites of special scientific interest, has 485 hectares (1,200 acres) of open access land and is highly valued by our residents and visitors. Eastbourne is primarily a seaside resort with natural shelter provided by Beachy Head.

Within its built environment, Eastbourne has a wide range of parks and gardens and significant areas of historic interest, including 250 listed buildings and almost 10 per cent of the built-up area protected with Conservation Area status. Eastbourne also has a range of sport and leisure facilities including: an international, high quality tennis centre developed in partnership with the Lawn Tennis Association; a number of community and borough sporting facilities; theatres; a modern art gallery; and a number of smaller venues act as centres of local memory and heritage.

It has an outstanding seafront destination offering miles of unspoilt coast, with a preserved Victorian promenade, extending to a modern, high quality marina and berthing facility at Sovereign Harbour. The borough has a diverse range of restaurants, retail and hospitality accommodation adding to the visitor and community offer.

The Community

Eastbourne has an estimated population of 103,745. Historically, it has attracted older people to come and live in the town. Compared to the county, region and nation as a whole, Eastbourne has a higher percentage of the population of pensionable age, 25.1% aged over 65 years old against a national average of 18.4%. However, this is changing and although Eastbourne still provides an attractive location for retirement, the town has also experienced considerable housing and economic development that has attracted a younger age group, leading to an increasingly more balanced community. We now have 32.2% of our population below the age of 30.

Eastbourne has a high proportion of people with a long-term health problem or disability at 20.9%. The national average is 17.9%. Two areas of Eastbourne fall within the most 10% deprived in England. These are found within the Devonshire and Hampden Park wards.

The Economy

Public administration, education and health are the largest employers in Eastbourne at 37.5% followed by wholesale and retail trade at 20%. Both sectors have greater concentrations in Eastbourne than East Sussex, the South East and Great Britain.

Compared to the South East and Great Britain, Eastbourne has a lower proportion of individuals employed in managerial and senior officials, professional, associate professional and technical, administrative and secretarial, skilled trades and process, plant and machine occupations but a higher concentration of caring, leisure and other service, sales and customer service and elementary occupations.

Average earnings for Eastbourne are £403 per week, which is lower than the national average of £466, but comparable with the rest of East Sussex. The local unemployment rate in Eastbourne (4.1%) is higher than in East Sussex (3.6%) and the South East (3.4%) and nationally is (4.4%).

The financial impact of Brexit is as yet uncertain. It could be positive or negative, but is likely to affect interest and inflation rates, labour costs and property and rental values as well as the business and tourist economies.

HOW THE COUNCIL OPERATES

Eastbourne Borough Council is a complex organisation. Elected councillors direct our policies, which the Corporate Management Team (shared with Lewes District Council) then implements through the officers of the Council. There are 27 councillors representing 9 wards within the borough. Full Council elections take place every four years, most recently in May 2015. At 31 March 2019, composition of the Council was:

Liberal Democrat Party (controlling political group)	16 Councillors
Conservative Party	7 Councillors
Independent Individuals	3 Councillors
Vacancy	1 Councillor

All councillors meet together as the Council. Meetings of the Council are normally open to the public. Here councillors decide the Council's overall policies and set the budget each year. The Council appoints the members of the Scrutiny Committee and all other council committees – for example, the Audit and Standards Committee and the Planning Applications Committee. The Council considers recommendations made to it by the Cabinet and the Scrutiny Committee as to any changes in policy, which might need to be made.

The Executive is made up of the Leader, appointed by the full Council, together with a Cabinet of councillors who the Leader appoints. Each member of the Cabinet has a portfolio of the areas for which they are responsible. Cabinet normally meets seven times in a municipal year.

At 31 March 2019, Cabinet members were:

Councillor David Tutt	Leader of the Council and Chair of Cabinet, and Cabinet Member for responsibilities aligned with the Chief Executive
Councillor Alan Shuttleworth	Deputy Leader Cabinet Member for Direct Assistance Services
Councillor Stephen Holt	Cabinet Member for Finance
Councillor Colin Swansborough	Cabinet Member for Core Support and Strategic Services
Councillor Margaret Bannister	Cabinet Member for Tourism and Leisure Services
Councillor Jonathan Dow	Cabinet Member for Place Services
Councillor John Ungar	Cabinet Member for Community Safety

The Leader of the Council is responsible for discharging most day-to-day decisions, although the Leader may decide to delegate his/her powers to the Cabinet as a whole, or to an officer.

The Scrutiny Committee is in place to ensure that the Council's policies, plans, decisions and actions are being made in the community's best interest. It consists of eleven Councillors who are not on Cabinet. This enables non-executive members to influence decisions and ensure the views and needs of local people are taken into account. It is about being a 'critical friend'. A member of the Minority Group chairs the Scrutiny Committee.

Supporting the work of councillors is the organisational structure of the Council headed by the Corporate Management Team (CMT). CMT is comprised of our most senior staff (officers) as follows:

Robert Cottrill	Chief Executive (Statutory Head of Paid Service)
Ian Fitzpatrick	Director of Regeneration and Planning
Tim Whelan	Director of Service Delivery
Phil Evans	Director of Tourism and Enterprise
Homira Javadi	Chief Finance Officer (Statutory Section 151 Officer)
Catherine Knight	Assistant Director of Legal and Democratic Services
Becky Cooke	Assistant Director of Human Resources and Transformation
Peter Finnis	Assistant Director of Corporate Governance (Statutory Monitoring Officer)

The Council appoints the three statutory posts of Head of Paid Service, Section 151 Officer and Monitoring Officer as required by law. These officers have responsibility to take action if the Council has, or is about to, break the law or if the Council is about to set an unbalanced budget.

Eastbourne Borough Council is supported by a workforce fully shared and integrated with Lewes District Council to provide more flexible, customer-focussed and cost-effective services. This was achieved via the phased Joint Transformation Programme (JTP) which has now concluded.

The JTP has delivered considerable changes in technology that has enabled the scale of transformation needed by the councils. The two Councils share a joint website (www.lewes-eastbourne.gov.uk) which continues to develop and become the main point of contact for many customers. An ongoing increase in the number of online transactions being completed demonstrates a positive direction of travel towards channel shift and the aspiration to be digital by default.

However, local democratic accountability is maintained with both Councils remaining separate sovereign entities with their own distinct priorities.

CORPORATE RISK

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The following strategic risks are reviewed by the Corporate Management team quarterly:

Title	Description	Internal Controls
No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	**Reduces Likelihood** 1. Create inclusive governance structures which rely on sound evidence for decision making. **Reduces Impact** 2. Annual review of corporate plan and Medium Term Financial Strategy 3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.
Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers. 2. Council objectives cannot be met.	**Reduces Impact** 1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.
Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	**Reduces Impact** 1. Grounding significant corporate decisions based on up to date, robust, evidence base. (E.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)
The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	**Reduces Likelihood** 1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. **Reduces Likelihood and Impact** 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.
Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism.	**Reduces Likelihood** 1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our performance management capability to ensure early

Title	Description	Internal Controls
	5. Service failure 6. Increased possibility of fraud.	intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.
Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	**Reduces Likelihood** 1. Adoption of best practice IT and Asset Management policies and procedures. **Reduces Likelihood and Impact** 2. Joint Transformation programme has created more flexible, less locationally dependent service architecture. **Reduces Impact** 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.
Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Service profile of the Council changes materially as a result of the impact of the event. 2. Cost profile of the Council changes materially as a result of the impact of the event.	**Reduces Likelihood and Impact** 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. **Reduces Impact** 2. Ongoing and robust risk profiling of local area (demographic and geographic). 3. Review budget and reserves in light of risk profile.
Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory activity/penalties. 3. Deterioration of service performance as a result of regulatory activity/penalties. 4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties. 5. Possibility of fraud and bribery. 6. Ensure compliance with legislation such as Data Protection and Safeguarding.	**Reduces Likelihood** 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation. 6. All managers are required to abide by the Council's procurement rules. 7. JTP Board considers activity mapping, ensuring that it covers regulatory/legal and main financial matters.

Title	Description	Internal Controls
	7. Entering into contracts etc. without having adequate finance in place.	8. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.
Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law.	**Reduces Likelihood** 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Appoint Head of Commercial Activities. 3. Ensure that projects meet core principles. 4. Up or re-skill staff to maximise commercial opportunities. 5. Ensure governance processes are set up and adhered to.

SUMMARY OF ACHIEVEMENTS

Performance against our priorities in 18/19

In the 2018/19 financial year, the following key successes were delivered from the plan;

- Completion of the Joint Transformation Programme; establishing a single staff team for Lewes and Eastbourne Councils, delivering new ways of working and associated technology improvements and making savings of £3.2m
- Re-opening of the Congress Theatre following significant restoration and refurbishment. This is a major milestone in our programme to make Devonshire Park a premier conference and cultural destination including: a new welcome building: restoration of the Winter Garden and Devonshire Park Theatres: improving accessibility: improving tennis facilities: new conference/exhibition space & café and public realm improvements
- Opening of the new extended shopping centre, The Beacon and significant improvements to 'public realm', to improve the shopper experience and revitalise the town centre
- Construction of a new restaurant, the Wish Tower, in an iconic seafront location, to be occupied by Bistro Pierre
- Significant reduction of single use plastics by the council as a result of a council-wide campaign
- Creation of a new council controlled company – South East Environmental Services Limited – which will deliver waste and recycling services for Eastbourne from July 2019
- Implementation of an innovative project to tackle rough sleeping in Eastbourne, funded through a significant grant award from MHCLG
- A new community centre has been built to serve the Sovereign Harbour community

Key Performance Indicators

The following performance indicators (non-financial) have been used to track performance in the past year and progress has been reported through our Scrutiny Committee and Cabinet on a quarterly basis.

2018/19 has been a challenging year for the council with a considerable amount of organisational change which has had an impact on performance. However, positive management action is being taken in all cases and improvement plans have been established to address these issues. Performance will continue to be closely monitored in the coming year and improvements have already been seen in many areas through the year.

Performance indicator	Target for 2018/19	Performance in 2018/19	
Percentage of Major Planning Applications processed within 13 weeks	65%	82%	
Percentage of minor planning applications processed within 8 weeks	75%	71%	
Percentage of household waste sent for reuse, recycling and composting	36%	35.35%	
Number of households living in emergency (nightly paid) accommodation	80	179	
Average void relet time (key to key)	24	24.8	
Revs and Bens: Average days to process new claims	23	22	
Phone calls: average speed of answer	1 min	3 mins 29 secs	
Percentage of Council Tax collected during the year	97.06%	96.63%	
Percentage of Business Rates collected during the year	98.5%	97.07%	
Average days lost per FTE employee due to sickness	8 days	8.96 days	

The key financial metrics are referenced in areas of the financial performance below.

FINANCIAL PERFORMANCE OF THE COUNCIL IN 2018/19

The Council incurs both revenue and capital expenditure during the financial year. Revenue spending is generally on items that are consumed within a year and is financed from Council Tax, Government Grants and other income. Capital expenditure is on items which have a life beyond one year and which also add value to a fixed asset (known as non-current assets). This is financed largely by capital grants, loans and other capital contributions.

1. Comprehensive Income and Expenditure Account

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 'defcit' for 2018/19 of £4.224m. (Split between General Fund deficit £6.088m and HRA surplus £1.864m). The Movement in Reserves Statement reconciles this IFRS 'surplus' together with other reserve transfers into a net increase in the general fund balance of £1.349m and an HRA surplus of £0.759m.

The General Fund and Housing Revenue outturn detailed below does not reconcile with the statutory presentation of the Comprehensive Income and Expenditure Statement as 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 as the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis at note 7, identifies the adjustments between the management and the financial accounts. The Council's underlying financial position, including usable Reserves, is identical in both its management and financial accounts.

2. General Fund

The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £13.5m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2018/19 of £239.67, being a 2.9% percent increase over 2017/18.

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year:

General Fund	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Corporate Services	5,330	3,398	2,518	(880)
Service Delivery	5,621	4,828	5,074	246
Regeneration and Planning	(622)	412	946	534
Tourism and Enterprise	3,597	3,627	3,752	125
Other Operating Income and Expenditure	(1,342)	(336)	-	336
Service Total	12,584	11,929	12,290	361
Capital Financing Costs	2,025	2,063	1,692	(371)
Total Expenditure	**14,609**	**13,992**	**13,982**	**(10)**
Transfer from General Fund Balance	(1,562)	(883)	(1,226)	(343)
Budget Requirement	**13,047**	**13,109**	**12,756**	**(353)**
Council Tax	(8,413)	(8,413)	(8,413)	-
Business Rates	(3,654)	(3,654)	(3,321)	333
Government Grants	(980)	(1,042)	(1,022)	20
Total Funding	**(13,047)**	**(13,109)**	**(12,756)**	**353**

The actual in the table above is the revenue outturn position reported to Cabinet and is based on funding before any accounting adjustments under government regulations.

The General Fund Revenue outturn is a surplus of £353,000 against the revised budget. When the budget was originally set in February 2018 the Council estimated it would need to make a contribution of £1,562,000 from the General Fund Reserve in order to balance the budget. The actual contribution was £1,226,000.

As a result of this movement the General Fund Balance as at 31 March 2019 was £4.382m.

The main variances between the revised budget and the actual net expenditure are detailed below:

Analysis of Major Variances	£000
Increase in homelessness demand costs	663
Corporate landlord expenditure on necessary works to properties	359
Re-profiling of the in-year savings and some transitional costs	336
Business Rates section 31 grant income lower than estimated	333
Pensions costs for transferred staff	163
Contribution form Reserves	300
Contribution received from grant reallocation	(1,100)
Interest payments lower than budget due to continued low interest rates, together with additional interest earnings on advances made	(371)
Recovery of associated costs with WEL	(250)
Additional income from Solarbourne	(81)

The 2018/19 accounts include a disclosure note – the Expenditure and Funding Analysis (EFA) (note 7a to the Accounting Statements) – which sets out the net amounts chargeable to the General Fund, HRA and Earmarked reserves balances for the year as compared to the amounts accounted for under generally accepted accounting practices shown in the Comprehensive Income and Expenditure Statement. These amounts are analysed across the directorates of the Council on the same basis as shown in the outturn summary table above.

3. 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 (EHL), an arm's length management organisation, on 1 April 2005. At 31 March 2019 there were 3,403 dwellings provided for rent. Housing Associations are the second major provider, and the Council continues its work with them in order to meet new affordable housing requirements for Eastbourne.

For 2018/19 the Housing Revenue Account net position shows an overall surplus of £759,000 for the year against an expected budgeted surplus of £119,000 resulting in a favourable variance of £640,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2018/19:

HRA	**Original Budget** £000	**Revised Budget** £000	**Actual** £000	**Variance** £000
Income	(15,332)	(15,392)	(15,720)	(328)
Expenditure	12,716	12,801	12,605	(196)
Capital Financing & Interest	1,972	1,972	1,856	(116)
Contribution to Reserves	500	500	500	-
Total HRA	**(144)**	**(119)**	**(759)**	**(640)**

The analysis on this table does not agree to HRA statutory accounts due to the different reporting requirements; however, the surplus does reconcile to the movement on the HRA statement

The main variances between the revised budget and the actual net expenditure are detailed below:

	£000
Take up of under occupation scheme	(65)
Average Interest rates lower than budgeted	(66)

4. Collection Fund

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

The overall Collection Fund is showing a deficit of £1.898m (Council tax surplus (£0.360m) and Business Rates deficit £2.258m) as at 31 March 2019 (compared to a deficit of £2.254m as at 31 March 2018).

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2019 forecast surplus for the Council Tax element of the fund of £0.466m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2019/20 leaving a balance of £0.098m, to be recovered in 2020/21. The Council's actual share as at 31 March 2019 was a surplus of £0.046m.

The forecast deficit for the Business Rate element of the fund was £1.827m, which will be collected from preceptors in proportion to their share of the business rate income during 2019/20 leaving a balance of £0.431m to be collected in 2020/21. The Council's actual share as at 31 March 2019 was a deficit of £0.904m.

In 2014/15, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates Tax Base.

During 2018/19 the Council worked within a Business Rate Pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

The government continues to work towards transferring control to local authorities over the locally generation business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020. In order to test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the government invited local authorities in England to apply to become 75% business rates retention pilots in 2019/20. The East Sussex Pool became one of the pilot pools for 2019/20.

5. Capital Programme

The Council's capital programme spending in the year was £44.5m compared with a revised budget of £55.9m. Capital programme expenditure has been financed as follows:

	£000
Capital Receipts	7,787
Grants & Contributions	3,795
Major Repairs Reserve	4,162
Revenue Financing	432
Financed from borrowing	27,281
Total	**44,482**

The main items of capital programme expenditure are set out below:

	Budget £000	**Actual £000**	**Variance £000**
Council Dwelling Improvements & building	5,476	4,675	(801)
Investment & Land Acquisition (see note below)	4,000	1,248	(2,752)
Devonshire Park Development (see note below)	31,242	27,464	(3,778)
Asset Improvements & building	4,928	3,124	(1,804)
Loans to Subsidiary Companies	4,480	2,169	(2,311)
IT & JTP	2,177	3,595	1,418
Disabled Facilities & Private Sector Renewal Grants	2,121	782	(1,339)
Playground & Sports Facilities Improvements	177	26	(151)
Beach Management	302	288	(14)
Community Facilities	859	924	65
Other Schemes	112	187	75
Total Capital Programme Expenditure	**55,874**	**44,482**	**(11,392)**

Investment and Land Acquisition – further schemes to be identified, underspend to be carried over into 2019/20.

Devonshire Park Development – major project to include a new Welcome building and the restoration of Congress, Winter Garden and Devonshire Park theatres. Underspend due to phasing of works and underspend will be carried over into 2019/20.

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;
- Economic regeneration;
- Asset improvements.

6. Pensions

The Council's liability for future pension payments has increased from £45.6m to £56.2m. The Defined Benefit Obligations have increased by £21.4m from £199.0m to £221.1m and the net asset value has increased by £11.6m from £153.4m to £165.0m. 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. Treasury Management

The Council's external loan debt at 31 March 2019, comprising long and short-term borrowing, stood at £123.6m excluding accrued interest payable. This is made up of £96.6m repayable in more than one year and £27m repayable in less than one year. This is a net increase of £18.6m over the previous year, mainly as a result of additional borrowing.

No short-term investments were held at 31 March 2019, the same as the previous year. The Council held cash balances as at 31 March 2019 of £2.2m, compared to £3.6m as at 31 March 2018.

STAFFING

A summary of the Council's staffing is shown in the table below:

Employees	**2018/19**
Total number of current permanent full and part time employees	718
Total number of current temporary/fixed term employees	50
Total Number of Employees	**768**
Total number of employees expressed as full-time equivalents	720.1

Posts	**2018/19**
Total number of permanent full and part time posts	753
Total number of temporary/fixed term posts	50
Total number of posts	**803**
Total number of posts expressed as full-time equivalents	753.43

Staff turnover was 16.5% in 2018/19 and 80.3% of this turnover was through voluntary resignation.

Sickness absence for 2018/19:

Number of Hours Lost	**Number of Days Lost**	**Average Number of Days Lost per employee**
43,460	6,182	8.96

FUTURE PLANS

Medium Term Financial Plan

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2018/19 and the Medium Term Financial Strategy for the years through to 2020/21 were set in February 2018 in the context of the multi-year Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2019/20. The council continues to set a balanced budget without the need to draw from reserves to support recurring expenditure.

The Council's philosophy is to maintain and enhance services to the public whilst meeting the financial challenge through efficiencies and income generation.

The current strategy set out a rolling three-year plan to:

- Mitigate the anticipated further reduction in Government support of a further 30% from the 2018/19 level.
- Integrate the service and financial planning process with the main change programmes under the JTP.
- Mitigate the unavoidable growth in service demands.
- Maintain front line services to the public.
- Make further recurring savings of £3m per annum by 2019/20.
- Maintain at least a minimum level of revenue reserves of £2m.
- Use surplus reserves in the medium term for:
  - Invest to save projects
  - Smooth the requirement for savings over the cycle of the MTFS
  - Invest in one off service developments in line with the corporate plan.
- Benchmark fees & charges and increase where possible.
- Reinvest in the capital programme when headroom is created.
- Set council tax rises at or below the Government's level of target inflation (2%).
- Maintain a Strategic Change Fund to finance the transformation programme in order to increase efficiency.
- Maintain an Economic Regeneration Reserve to finance external interventions that promote economic activity.
- Use borrowing to support the capital programme only on a business case basis.
- Continue the process of priority-based budgeting to target investment and differential levels of savings targets at services according to priority.
- Identify new income streams to supplement diminishing resources.

Summary of MTFS 2018-2021 - General Fund

	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s
Adjusted Base Budget	13,509	13,986	13,858	14,455	15,535
Pay and Price Inflation	300	300	300	300	300
Pay Award & Increments	30	30	30	30	30
National Living Wage	20	0	0	0	0
Inflation on Contracts	250	250	250	250	250
Capital Financing	300	400	500	500	500
Recurring Growth	407	22	17		
	14,816	14,988	14,955	15,535	16,615
External Funding					
RSG	0	0	0	0	0
Retained Business Rates	(4,394)	(3,955)	(3,560)	(3,204)	(2,884)
Business Rates Pool	(200)	0	0	0	0
Other Government Grants	(147)	(147)	(147)	(147)	(147)
New Homes Bonus	(187)	(102)	(60)	(60)	(60)
Total External Funding	(4,928)	(4,204)	(3,767)	(3,411)	(3,091)
Council Tax	(8,234)	(8,626)	(8,910)	(9,203)	(9,506)
Council Tax Growth	(392)	(284)	(293)	(303)	(313)
Council Tax Surplus	(152)	0	0	0	0
Total Sources of Funding	(13,706)	(13,114)	(12,970)	(12,917)	(12,910)
Gap if no further action was taken	1,110	1,874	1,985	2,618	3,705
Inflation on Income	(180)	(130)	(100)		
Non-recurring growth	538	25	25		
JTP - Shared Transformation	(200)	(100)			
Service Efficiencies	(350)	(200)	(200)		
VAT Exemption - Cultural Services		(250)			
Devonshire Park	739	575	149		
Procurement Savings - Art		(50)			
Property Management Cost Review		(200)			
Contribution from HRA towards JTP	(250)				
Commercial Income	(100)	(200)	(200)		
Devonshire Park Reserve	(739)	(575)	(149)		
Balance to/from Reserves	(568)				
Cumulative Gap/ (Surplus)	0	769	2,279	TBC	TBC

➢ **Capital Programme**

The Capital Programme has been framed to deliver significant investment in infrastructure in the future. It is funded by Capital Receipts, Grants and Contributions, Reserves and Borrowing.

The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

The Capital Programme for 2019/20 to 2021/22 is as follows:

Capital Programme	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
HRA	4,344	4,399	-
Community Services	1,530	300	-
Tourism & Leisure	15,300	15,165	-
Corporate & Core Services	18,725	11,580	2,500
Asset Management	3,494	821	-
Total Programme	**43,393**	**32,265**	**2,500**
Financed By:-			
Capital Receipts	2,168	-	-
Capital Grants & Contributions	8,253	300	-
Capital Reserves	4,371	4,399	-
Revenue	491	-	-
Total Financing excluding Borrowing	**15,283**	**4,699**	**-**
Borrowing Needed	28,110	27,566	2,500
Total Financing	**43,393**	**32,265**	**2,500**

- **Corporate Plan**

The Corporate Plan sets out our priorities and key projects covering the period 2016 to 2020. Refreshed annually (most recently in 2018) the four-year plan sets out the key outcomes the Council will deliver with its partners for our Borough. The Plan has been informed and developed in consultation with our residents, partners and other stakeholders. We monitor the Plan and report progress to Cabinet each quarter. It is a 'living plan' that responds to changing times, and the financial context within which we operate, whilst keeping a focus on the needs of our local communities. We publish the Plan on our website https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/

- **Key Considerations in relation to COVID-19**

In March 2020, the UK was placed in lock-down in an unprecedented step to limit the spread of the Coronavirus which was sweeping Europe. Many businesses were closed, and the Government provided initial financial support in the order of £123 billion in loans, grants, and business rates relief. In April 2020, the Budget Deficit increased by £62 billion to part fund these initiatives, amid warnings from the Bank of England of the worst recession since the 18th Century.

In response to the COVID-19 outbreak, The Ministry of Housing Communities and Local Government was clear that any council who made an immediate response to the COVID19 outbreak would be financially supported in their decision making by the government. In addition, the government has been making a series of ongoing policy announcements, which has meant that local authorities have had to respond quickly to new announcements and understand the financial implications arising.

The Council has played a significant role in responding to Covid19, in supporting businesses and the most vulnerable in our communities as well as running essential services. The financial impact of Covid19 has been an evolving picture and this will continue into 2021/22. The Council is forecasting additional costs in 2020/21 in the region of £3.7m including homelessness prevention, unachieved savings, redeployment costs, support for the Leisure services, additional PPE, community grants and cleaning costs.

The Council’s income streams have been affected, with projected losses in the region of £10m including admissions, sales, trade waste, car parking, planning income, and rental income. The Government has provided support to local authorities through £4.6bn, new burdens funding, and income compensation support (75p compensation in every 95p of income loss from fees and charges).
There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of Section 151 Officer. The minimum level of General Fund Balance was set at approximately 15% of the net expenditure budget and considered to be within the range that is deemed appropriate to mitigate against the impact of unexpected events and emergencies. An analysis of earmarked reserves held by the Council revealed that the level of individual reserves is appropriate and are adequate to meet the commitments and forecast expenditure facing the Council.

The financial impact of Covid19 continue to be difficult to predict, income streams have been reviewed and revised where appropriate. Conversely, if businesses and households continue to experience lower incomes then lower Council Tax, Business Rates and other income to the Council will remain below those anticipated in the Budget. These longer-term risks emphasise the importance of additional government financial support to local authorities as a consequence of the pandemic and the extra vital work we are carrying out in supporting vulnerable households and local businesses. These matters will be monitored closely and modelled with regular updates to members.

- **MHCLG financial support and capitalisation directive**

In August 2020, it became very clear that a July recovery and bounce back was no longer an option and the Council’s Chief Finance Officer initiated a formal notification process with MHCLG asking for financial support or capitalisation directive.

On 2nd February 2021, Luke Hall, MP and Minister of State for Regional Growth and Local Government in a letter addressed to Cllr Tutt, Leader of the Council, approved a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, for the financial year 2020/21 and up to £6m for 2021/22.

The letter included:
*With respect to the financial year of 2020/21, the Secretary of State is content to approve a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, subject to conditions. The conditions would be set out in the capitalisation direction when issued. With respect to the financial year of 202*1/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £6m. Again, such a direction may be subject to conditions, which would be set out in the capitalisation direction when issued.

EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts 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 Taxpayers.
- **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 2019. 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, 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 local authorities and the Government.

Group Accounts – These accounts show the material interests that the Council has in its subsidiary companies. The group accounts are structured in line with the Council's core accounting statements and are accompanied by notes in the same way.

FURTHER INFORMATION

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

Homira Javadi
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.

The Statement of Account for 2018/19 was approved at the meeting of the Audit and Governance Committee held on 28 July 2021.

Signed

Councillor Robin Maxted
Chair, Audit and Governance Committee

Date: 28 July 2021

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council 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 Council, 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 Council'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 has:

- 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.

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts presents the true and fair financial position of the Council as at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Homira Javadi
Chief Finance Officer
Statutory Section 151 Officer

Date: 28 July 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
In our opinion the financial statements of Eastbourne Borough Council ('the Authority') and its subsidiaries ('the group'):

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's and the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Authority and group Movement in Reserves Statements;
- the Authority and group Comprehensive Income & Expenditure Statements;
- the Authority and group Balance Sheets;
- the Authority and group Cash Flow Statements;
- the Housing Revenue Account;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund Revenue Account; and
- the related notes to the accounting statements 1 to 32, notes to the Housing Revenue Account 1 to 8, notes to the Collection Fund Revenue Account 1 to 4, and notes to the group accounting statements 1 to 8.

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 2018/19.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

The going concern basis of accounting for the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information
The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts and the annual governance statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities
As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of 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 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, 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 2019.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Eastbourne Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Eastbourne Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception
The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE 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 Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT
This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Sheriff (Key Audit Partner)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
30 September 2021

The council is responsible for the maintenance and integrity of the corporate and financial information included on the council's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

MOVEMENT IN RESERVES STATEMENT

	General Fund	HRA Balance	Earmarked Reserves (note 16)	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (note 28)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017 as previously stated	**(2,660)**	**(4,366)**	**(8,976)**	**(514)**	**(5,161)**	**(5,613)**	**(27,290)**	**(215,664)**	**(242,954)**
Restatement (see note 1)	-	-	-	-	-	-	-	4,043	4,043
Restated Balance at 1 April 2017	**(2,660)**	**(4,366)**	**(8,976)**	**(514)**	**(5,161)**	**(5,613)**	**(27,290)**	**(211,621)**	**(238,911)**
Movement in Reserves 2017/18									
Total Comprehensive Expenditure and Income (restated)	4,069	(5,852)	-	-	-	-	**(1,783)**	(1,741)	**(3,524)**
Adjustments between accounting basis & funding basis under regulations (restated) (note 8)	(3,791)	4,654	-	(351)	(2,377)	846	**(1,019)**	1,019	**-**
Transfers (to)/from Earmarked Reserves (note 16)	(651)	376	275	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(373)**	**(822)**	**275**	**(351)**	**(2,377)**	**846**	**(2,802)**	**(722)**	**(3,524)**
Balance at 31 March 2018 as previously stated	**(3,033)**	**(5,188)**	**(8,701)**	**(865)**	**(7,538)**	**(4,767)**	**(30,092)**	**(224,154)**	**(254,246)**
Restatement (see note 1)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,927**	**7,927**
Restated Balance at 1 April 2018	**(3,033)**	**(5,188)**	**(8,701)**	**(865)**	**(7,538)**	**(4,767)**	**(30,092)**	**(216,227)**	**(246,319)**
Movement in Reserves 2018/19									
Total Comprehensive Expenditure and Income	6,088	(1,864)	-	-	-	-	**4,224**	2,704	**6,928**
Adjustments between accounting basis & funding basis under regulations (note 8)	(4,134)	1,210	-	(190)	(7)	2,164	**(957)**	957	**-**
Transfers (to)/from Earmarked Reserves (note 16)	(3,303)	(105)	3,408	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(1,349)**	**(759)**	**3,408**	**(190)**	**(7)**	**2,164**	**3,267**	**3,661**	**6,928**
Balance at 31 March 2019	**(4,382)**	**(5,947)**	**(5,293)**	**(1,055)**	**(7,545)**	**(2,603)**	**(26,825)**	**(212,566)**	**(239,391)**

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 2.19, and more details are given for earmarked and unusable reserves in Notes 16 and 28 respectively. The line entitled "Total Comprehensive Expenditure and Income" shows the true economic cost of providing the Council'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.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2017/18 Restated					2018/19		
Exp.	**Income**	**Net**		**Note**	**Exp.**	**Income**	**Net**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
9,301	(581)	8,720	Corporate Services		7,372	(461)	6,911
63,202	(54,199)	9,003	Service Delivery		59,321	(50,480)	8,841
4,686	(1,575)	3,111	Regeneration and Planning		5,099	(1,705)	3,394
10,338	(5,967)	4,371	Tourism and Enterprise		11,332	(6,129)	5,203
6,684	(16,263)	(9,579)	Housing Revenue Account		8,393	(16,168)	(7,775)
94,211	**(78,585)**	**15,626**	**Cost of Services**		**91,517**	**(74,943)**	**16,574**
216	-	216	Levy Payable		222	-	222
281	-	281	Payments to housing capital receipts pool		281	-	281
3,884	(1,419)	2,465	Loss on sale and de-recognition of non-current assets		11,204	(10,129)	1,075
4,381	**(1,419)**	**2,962**	**Other Operating Expenditure**		**11,707**	**(10,129)**	**1,578**
2,764	-	2,764	Interest payable & similar charges	22	3,022	-	3,022
-	-	-	Fair Value movement in shares		212	-	212
-	-	-	Income from amortisation of Financial Guarantee contract	4,5	-	(496)	(496)
1,150	-	1,150	Net Interest on the Net Defined Benefit Liability	29	1,237	-	1,237
-	(650)	(650)	Interest & other investment income	22	-	(910)	(910)
833	(1,880)	(1,047)	Investment Properties		1,572	(4,177)	(2,605)
1,595	(1,489)	106	Trading Accounts		2,378	(1,455)	923
6,342	**(4,019)**	**2,323**	**Financing and Investment Income and Expenditure**		**8,421**	**(7,038)**	**1,383**
-	(11,467)	(11,467)	Non ring-fenced grants and contributions	15	-	(4,492)	(4,492)
-	(8,007)	(8,007)	Council Tax income		-	(8,294)	(8,294)
10,330	(13,550)	(3,220)	Non Domestic Rates Income and Expenditure		11,044	(13,569)	(2,525)
10,330	**(33,024)**	**(22,694)**	**Taxation and Non-specific Grant Income and Expenditure**		**11,044**	**(26,355)**	**(15,311)**
115,264	**(117,047)**	**(1,783)**	**Surplus on Provision of Services**		**122,689**	**(118,465)**	**4,224**
		(1,757)	Surplus on revaluation of Property, Plant and Equipment Assets	28			(2,563)
		(3,868)	Re-measurement of the net defined benefit liability	29			5,267
		(5,625)	**Other Comprehensive I & E**				**2,704**
		(7,408)	**Total Comprehensive I & E**				**6,928**

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

BALANCE SHEET

1 April 2017 Restated	31 March 2018 Restated		Notes	31 March 2019	
£000	£000			£000	£000
308,598	328,476	Property, Plant & Equipment	18	357,569	
15,034	15,034	Heritage Assets	19	15,034	
5,627	23,893	Investment Property	20	25,656	
4,478	4,995	Intangible Assets	21	6,279	
238	323	Long Term Investments	12	1,030	
-	-	Investment in Joint Venture	4,5	3,500	
10,839	13,668	Long Term Debtors	24	26,895	
344,814	**386,389**	**Long Term Assets**			**435,963**
378	-	Assets Held for Sale		-	
107	139	Inventories		132	
11,515	18,742	Short Term Debtors	24	19,503	
1,857	3,609	Cash and Cash Equivalents	30	2,241	
13,857	**22,490**	**Current Assets**			**21,876**
(10,310)	(23,374)	Short Term Borrowing	22	(27,447)	
(9,578)	(10,870)	Short Term Creditors	25	(20,142)	
(562)	(489)	Short Term Provisions	26	(614)	
(116)	(13)	Revenue Grants Receipts in Advance	15	(13)	
(20,566)	**(34,746)**	**Current Liabilities**			**(48,216)**
(772)	(204)	Long Term Creditors	25	(69)	
(55,050)	(82,050)	Long Term Borrowing	22	(96,617)	
-	-	Other Long Term Liabilities	25	(17,379)	
(43,372)	(45,560)	Long Term Liabilities Pensions	29	(56,167)	
(99,194)	**(127,814)**	**Long Term Liabilities**			**(170,232)**
238,911	**246,319**	**NET ASSETS**			**239,391**
(27,290)	(30,092)	Usable Reserves	27		(26,825)
(211,621)	(216,227)	Unusable Reserves	28		(212,566)
(238,911)	**(246,319)**	**TOTAL RESERVES**			**(239,391)**

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."

I certify that this Statement of Accounts provides a true and fair view of the financial position of the Council as at 31 March 2019 and its Comprehensive Income and Expenditure Statement for the year then ended.

Homira Javadi
Chief Finance Officer

CASH FLOW STATEMENT

2017/18 Restated £000	CASH FLOW STATEMENT	2018/19 £000
(1,783)	Net (Surplus) / Deficit on provision of services	4,224
(7,193)	Adjustment to net surplus on the provision of services for non-cash movements	(30,827)
12,445	Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	13,081
3,469	**NET CASH (INFLOWS) / OUTFLOWS FROM OPERATING ACTIVITIES**	**(13,522)**
32,761	Investing Activities	32,617
(37,982)	Financing Activities	(17,727)
(1,752)	**NET (INCREASE) / DECREASE IN CASH AND CASH EQUIVALENTS**	**1,368**
(1,857)	Cash and cash equivalents at the beginning of the reporting period	(3,609)
(3,609)	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIODS**	**(2,241)**

31 March 2018 £000	COMPONENTS OF CASH AND CASH EQUIVALENTS	31 March 2019 £000
577	Bank Current Accounts	2,202
32	Cash held by the Authority	39
3,000	Short-term deposits with banks	-
3,609	**Total Cash and Cash Equivalents**	**2,241**

Included in the inflow and outflow figures are recharges of expenditure incurred on behalf of Lewes DC and Eastbourne Homes Ltd of £14.9m (2017/18 £13.3m) and £2.8m (2017/18 £1.7m) respectively.

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

NOTES TO THE ACCOUNTING STATEMENTS

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

The accounting policies applied in 2018/19 are consistent with those applied in 2017/18 with the exception of policy 2.9 being updated for IFRS 9 Financial Instruments and a new policy 2.25 for IFRS 15 Revenue from Contracts with Customers. Both these new IFRS standards were implemented from 1 April 2018. IFRS 15 incudes additional guidance on the principles of revenue recognition and a revised section on Revenue from Contracts with Service Recipients. IFRS 9 introduced extensive changes to the classification and measurement of financial assets along with relevant disclosure requirements as a consequence of the expected credit loss model for impairment of non-contractual debts.

PRIOR PERIOD ADJUSTMENT

A prior period adjustment had been made to the accounts in relation to the treatment of Housing Revenue Account (HRA) capital expenditure between valuations. Capital additions had been added to gross cost without corresponding disposal entries. The policy has now been revised so that there are corresponding entries. The total adjustment was £7.927m of which £4.043m related to the financial year 2016/17 and £3.884m to 2017/18. The Balance Sheet and Movement of Reserves Statement have been restated at 1 April 2017 for the £4.043m and restated for the £3.884m at 31 March 2018. The 2017/18 comparator figures have also been updated for the impact of this change in the Comprehensive Income and Expenditure Statement), the Cash Flow Statement, Note 8 Adjustments between Accounting Basis and Funding Basis under the Regulations, Note 18 Property, Plant & Equipment, Note 28 Capital Adjustment Account, Note 30 Cash and Cash Equivalents, Housing Revenue Account Income and Expenditure Statement, Movement on the HRA Statement and HRA Note 1 Housing Stock. The Group Accounts have also been updated for these changes.

2. ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the end of 31 March 2019. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are 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.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.
- A de-minimis level of £1,000 has been set for accruals. Income and expenditure below this amount may not be accrued as it is considered trivial.

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 overstate the annual position.

Housing Rents is billed and accounted for on a weekly basis, at the start of each week. No adjustment is made at year end to record income to 31 March unless the adjustment is material.

Housing Benefit Payments are made on a weekly basis. No adjustment is made to the accounts at year end to record payments to 31 March unless the adjustment is material.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

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 are 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 Council, 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 Council 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 Council. 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 are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service cost line in the CI&ES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end

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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 2.6%.
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past services cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement;
  - net interest on the net defined benefit liability , i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurement comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the East Sussex County Council's Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

<u>Discretionary Benefits</u>

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

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 Council'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 Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where loans are replaced through restructuring, there are distinct accounting treatments, as follows:

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

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

- Early repayment of loans - The accounting treatment for premiums and discounts arising on the early repayment of loans is largely dictated by the general principle that financial instruments are derecognised when the contracts that establish them come to an end. The amounts payable or receivable are cleared to the Comprehensive Income and Expenditure Statement upon extinguishment. In line with regulations and statutory guidance, the impact of premiums is spread over future financial years. These provisions are affected in the Movement in Reserves Statement on the General Fund Balance, after debits and credits have been made to the Comprehensive Income and Expenditure Statement. The adjustments made in the Movement in Reserves Statement are managed via the Financial Instruments Adjustment Account.

Financial Assets
Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Where loans are made at less than market rates (soft loans), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- **Level 1 inputs** – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- **Level 2 inputs** – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- **Level 3 inputs** – unobservable inputs for the asset.

For pooled investment funds (i.e. money market fund, collective investment scheme as defined in section 235 (1) of the Financial Services and Markets Act 2000, investment scheme approved by the Treasury under section 11(1) of the Trustee Investments Act 1961 (local authority schemes)) regulations allow a statutory override (for a period of 5 years from 1/4/18) any unrealised gains or losses can be transferred via the Movement in Reserves Statement to a Pooled Investment Funds Adjustment Account in the Balance Sheet.

Any gains and losses that arise on de-recognition of the asset are debited or credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Losses

The Council recognises expected credit losses (impairments) on all of its financial assets held at amortised cost or FVOCI either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. The expected credit loss model applies to financial assets measured at amortised cost and FVOCI, trade receivables, lease debtors, third party loans and financial guarantees.

A simplified approach is applied to trade receivables and lease debtors whereby consideration of changes in credit risk since initial recognition are not required and losses are automatically recognised on a lifetime basis. A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments.

Loans have been grouped into three types for assessing loss allowances:

Group 1 – loans made to individual organisations. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – loans supported by government funding. As the loan repayments are recycled and the contract allows for a level of default then no additional impairment loss is required.

Group 3 - car loans to employees. Loss allowances are based on a collective assessment.

Impairment losses are debited to the Financing and Investment Income and Expenditure line in the CIES. For assets carried at amortised cost, the credit entry is made against the carrying amount in the Balance Sheet. For assets carried at FVOCI, the credit entry is recognised in Other Comprehensive Income against the Financial Instruments Revaluation Reserve. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

Impairment losses are not applicable to FVPL assets as the future contractual cash flows are of lesser significance and instead current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value, including those relating to credit risk, impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise. Impairment losses on loans supporting capital purposes, lease debtors and share capital are not a proper charge to the General Fund balance and any gains or losses can be reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

2.10 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses External Valuers to measure the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council external Valuers takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Valuers uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

2.11 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 Council 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.

2.12 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 – current value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – current 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 – current value, for which depreciated historic cost is normally used as a proxy.
- Infrastructure – depreciated at historic cost.
- Community Assets – historic cost.
- Surplus assets - fair value, based on the highest and best use from a market participant's perspective.
- Assets under construction – historic cost.

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

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

Impairment

The values of each category of assets and of material individual assets 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 there is no balance in the revaluation reserve or insufficient balance the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Account. Where there is a balance of revaluation gains in the revaluation reserve the carrying amount of the asset is written off against that balance (up to the amount of the accumulated gains).

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 previous 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 are properly debited nor 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 to debit the General Fund and credit the Capital Receipts Reserve. A proportion of receipts relating to housing disposals are 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 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.
- 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 – not subject to depreciation.
- Assets under construction – not subject to depreciation.

Depreciation on Council Dwellings is a proper 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 proper 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 of all capital works and their projected timing. The major components are identified and depreciated over their useful economic life and any residual is treated as an extended life asset which is depreciated over 60 years.

2.13 Heritage Assets

The Council maintains an art collection and a local history collection which are held in support of the Council'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 Council'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 Council'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 Council 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 Council's general policies on impairment – see note 2.12. 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 Council'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 2.12).

2.14 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 2.12) and not investment property. Investment properties are initially measured at cost and subsequently at fair value being the price that would be received to sell such an asset in orderly transactions between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. 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 Cost of Services within the Comprehensive Income and Expenditure Statement 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.

2.15 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 proper charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

2.16 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 2.12 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 Council 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.)

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.)

2.17 Overheads

Support service costs (e.g. HR, Accountancy, Property) are included within the Corporate Services Department and are no longer recharged across services.

2.18 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.

2.19 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 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 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.
- 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 Council 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.

2.20 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.

2.21 Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the service.

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

2.22 Value Added Tax

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

2.23 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.

2.24 Interests in Companies and Other Entities

The Council has a material interest in five companies; Eastbourne Homes Ltd (EHL), Eastbourne Housing Investment Company Ltd (EHIC), Investment Company Eastbourne (ICE), Eastbourne Downs Water Company (EDWC) and South East & Environmental Services Ltd (SEESL). These companies are wholly owned subsidiaries of the Council and the Council is therefore required to prepare Group Accounts. EHL is limited by guarantee and therefore no value is recognised for the investment in the Council's own single entity accounts. There have been no transactions for EDWC which was dormant during 2018/19.

Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Eastbourne BC and Lewes DC. It was set up during 2017/18 for the purpose of developing housing.

The Council also holds an immaterial associate interest in CloudConnX with 48% of voting B Shares. As these are not material, they have not been consolidated into the Group Accounts.

2.25 Revenue Recognition

As from January 2018, the Council accounts for revenue recognition in accordance with IFRS 15 - Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). Prior to this revenue was recognised under IAS 18 – Revenue. Under IFRS15, the principles of revenue recognition are determining if the transaction is an exchange or non-exchange transaction. With non-exchange transactions there is no or only nominal consideration in return. The obligating event is often determined by statutory prescription (e.g. council tax, VAT or a fine for breach of law) or may be a donation or bequest. For exchange transactions, assets or services and liabilities of approximately equal value are exchanged. There is a contract which creates right and obligations. Performance obligations in the contract have to be measured and the transaction price allocated to these obligations. Revenue is recognised when the performance obligations are satisfied. Examples include fees and charges for services, sale of goods and services provided by the authority. No adjustments have been required to revenue on transition to the new standard from 1 April 2018.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC has deferred implementation of IFRS16 for local government to 1 April 2022.
- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Council 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 are:

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that as at 31 March 2019 this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. As disclosed in Note 32, subsequent to the year-end, Covid-19 has had a significant impact upon the Council's financial position and provision of services, and the Council is continuing to review the impact on its facilities and services in future periods.

- The Chief Finance Officer conducts 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). Contingent liabilities have been estimated based on past experience and legal advice provided.
- As described in the group accounts, the Council's wholly owned subsidiary Investment Company Eastbourne Limited ('ICE') has the option to acquire 49.5% of the shares of Infrastructure Investments Leicester Limited ('IIL') for £1 at any time, as well as contractual rights over the management of that company and its property, St George's Tower ('the Property'), under a Development and Management Agreement. The Council has assessed that these potential voting rights and contractual rights give it joint control over IIL and has accounted for its interest in that entity as a joint venture in its Group Accounts.
- As described in the group accounts, ICE is the principal guarantor of a £48m loan to IIL and is also principal guarantor of a rental guarantee in respect of shortfalls of rental income in IIL. The Council is the ultimate guarantor for both of these guarantees, and under the arrangement ICE has agreed to pay the Council an initial £2m guarantee fee, the annual guarantee fee received from IIL, and the disposal proceeds received on eventual sale of the Property. The Council has therefore determined it is appropriate to recognise liabilities and related receivables arising from these arrangements in the Council's balance sheet.

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 Council 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 Council's Balance Sheet at 31 March 2019 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 Council 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 £309,000 for every year that useful lives had to be reduced.

Land and buildings are revalued every five years, but a revaluation review is carried out annually which provides an indexation to be applied to some assets. Indexation is applied to a class of assets but does not take into account any individual assets and therefore the net book value at year end for some assets may change when a new professional valuation is carried out.

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 and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £22.9m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £3.4m and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £19.1m. See Note 29.7.

There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly. Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

Arrears - At 31 March 2019, the Council had a balance of all debtors for £46.4m. A review of the arrears balances has resulted in £4.4m being calculated as an appropriate expected credit loss. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Business Rates - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2019. There is a risk that future appeals will exceed the estimation. A 1% increase in successful appeals would result an increase in the provision required of £186,000.

Infrastructure Company Eastbourne Limited and Infrastructure Investments Leicester Limited – As a result of the arrangement with IIL described in the group accounts, the Council has been required to make a number of estimates and judgements in valuing the related loan and rental guarantees (shown in Note 25) and contract receivable (shown in Note 24). The loan guarantee and rental guarantee have been valued on initial recognition based on the amounts received and receivable under the agreement, discounted to present value. In determining these accounting entries, the Council has assumed:

- That the initial values of the guarantee fee (of £5.5m from IIL to ICE and £2m from ICE to the Council) and price paid for the share option over IIL (£3.5m) were at fair value.
- The value of the Property at May 2018, without the benefit of the rental guarantee, was £38.75m, based upon a valuation performed at the time.
- The growth in the value of the property over the 30 year life of the agreement (assumed to be 2% p.a. or less) will mean the value of the property on sale will be greater than £35m and below the £70m level at which the Council would receive an additional share of proceeds, and so the Council will receive £35m from the eventual disposal proceeds.
- Inflation (which affects the guarantee fee received each year, as well as guaranteed amounts) will be 2% p.a. over the life of the agreement.
- The appropriate discount rate for future cashflows is 5.58% p.a.
- Assumptions about the annual probability of default and recovery on default for loans to property companies.

The on-going measurement of these assets and liabilities will require reassessment of these assumptions each year.

The present value of amounts receivable at inception has been recognised as a contract receivable and the discount is being unwound over the life of the agreement, less amounts received and adjustments for expected credit loss. The loan guarantee has been valued at initial recognition based upon the probability of default, recovery on default, and the guaranteed amount over the life of the agreement, with the residual value attributed to the initial value of the rental guarantee. Both the loan guarantee and rental guarantee are being amortised over the 30-year life of the agreement.

Subsequent measurement of the contract receivable is on a fair value basis, as the Council is exposed to risks that are not associated with standard receivable instruments, including fluctuations in property valuations. The Council has concluded that the significant assumptions in valuing the receivable at inception continue to be valid as at 31 March 2019, and hence the receivable has not been revalued at that date except to take into account unwinding of discount and cash flows received.

The Council has concluded that the assumptions used in valuing the guarantees continue to be valid as at 31 March 2019 and hence the liabilities have not been revalued except to take into account the amortisation of the liability and recognition of income to that date.

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

The Devonshire Park redevelopment has continued with capital spend in 2018/19 of £27.5m.

The new Wish Tower Restaurant is under construction with capital spend in 2018/19 of £1.2m.

The Council's revenue accounts include salary costs relating to Lewes District Council (LDC) & Eastbourne Homes Ltd (EHL) which are recharged to them but are shown in the Comprehensive Income and Expenditure Statement (CIES) net. Other costs included in the CIES relating to LDC include costs for JTP amounting to £1.3m which have been recharged to LDC.

On 31st May 2018 the Council sold its share in Greencoat House Ltd (Welbeing) for £8.3m. The Council received £1.3m in shares and £7m in cash. The Council also received repayment of the outstanding Long Term Debt of £1.3m.

In May 2018, the Council's wholly owned investment company, Investment Company Eastbourne Limited (ICE), entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. The Council has received £2.0m as the ultimate guarantor.

7. EXPENDITURE AND FUNDING ANALYSIS

7.a. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2017/18 Adjustments between Funding and Accounting Basis (Restated) £000	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated) £000		2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £000	2018/19 Adjustments between Funding and Accounting Basis £000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £000
4,945	3,775	8,720	Corporate Services	4,299	2,612	6,911
5,722	3,281	9,003	Direct Services	5,444	3,397	8,841
2,436	675	3,111	Regeneration, Planning Policy and Assets	2,576	818	3,394
2,857	1,514	4,371	Tourism and Enterprise	2,734	2,469	5,203
(3,228)	(6,351)	(9,579)	Housing Revenue Account	(2,548)	(5,227)	(7,775)
12,732	**2,894**	**15,626**	**Cost of Services**	**12,505**	**4,069**	**16,574**
(13,652)	(3,757)	(17,409)	Other Income and Expenditure	(11,205)	(1,145)	(12,350)
(920)	**(863)**	**(1,783)**	**(Surplus) or Deficit on the Provision of Services**	**1,300**	**2,924**	**4,224**
(16,002)			**Opening General Fund and HRA Balance at 1 April**	**(16,922)**		
(920)			Less: Surplus on General Fund and HRA for year	1,300		
(16,922)			**Closing General Fund and HRA Balances at 31 March**	**(15,622)**		

Note:

For a split between the balance on the General Fund and Housing Revenue Account see the Movement in Reserves Statement.

7.b Note to the Expenditure and Funding Analysis

2017/18 Adjustment for Capital Purposes (Restated)	2017/18 Net Changes for the Pensions Adjustments	2017/18 Other Differences	2017/18 Total Adjustments (Restated)		2018/19 Adjustment for Capital Purposes	2018/19 Net Changes for the Pensions Adjustments	2018/19 Other Differences	2018/19 Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
702	3,073	-	3,775	Corporate Services	870	1,742	-	2,612
2,303	978	-	3,281	Direct Services	2,034	1,363	-	3,397
283	392	-	675	Regeneration, Planning Policy and Assets	312	506	-	818
1,125	389	-	1,514	Tourism and Enterprise	2,060	409	-	2,469
(6,351)	-	-	(6,351)	Housing Revenue Account	(5,227)	-	-	(5,227)
(1,938)	**4,832**	**-**	**2,894**	**COST OF SERVICES**	**49**	**4,020**	**-**	**4,069**
(5,463)	1,224	482	(3,757)	Other Income and Expenditure	(2,080)	1,321	(386)	(1,145)
(7,401)	**6,056**	**482**	**(863)**	**Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus or Deficit**	**(2,031)**	**5,341**	**(386)**	**2,924**

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
  - **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure –** the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

- **Net change for the Pensions Adjustments** – Net change for the removal of pensions contributions and the addition of IAS 19 employee Benefits pension related expenditure and income.
  - **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
  - **For Financing and Investment income and expenditure** – the net interest on defined benefit liability is charged to the CIES.

- **Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.
    - **The charge under Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7.c Expenditure and Income analysed by Nature

The authority's expenditure and income is analysed as follows:

2017/18 Restated £000		2018/19 £000
	Expenditure	
17,868	Employees benefits expenses	17,663
86,461	Other services expenses	83,538
3,790	Depreciation, amortisation, impairment losses and reversals	6,759
2,764	Interest payments	3,022
216	Precepts and levies	222
281	Payments to the Housing Capital Receipts Pool	281
3,884	Loss on the disposal of assets	11,204
115,264	**Total expenditure**	**122,689**
	Income	
(32,108)	Fees, charges and other service income	(36,108)
(650)	Interest and investment income	(910)
(21,557)	Income from Council Tax and non-domestic rates	(21,863)
(61,313)	Government Grants and Contributions	(49,455)
(1,419)	Gain on the disposal of assets	(10,129)
(117,047)	**Total income**	**(118,465)**
(1,783)	**(Surplus) or Deficit on the Provision of Services**	**4,224**

7.d Segmental Income

Fees, Charges and other Service Income received is analysed below:

2017/18		2018/19	
£000		£000	£000
(34)	**Corporate Services**		(21)
	Service Delivery		
(177)	Local Land Charges	(155)	
(500)	Recycling Credits	(518)	
(517)	Car Parks	(500)	
-	Green Waste	(685)	
(1,246)	Recovery of Housing Benefit Overpayments	(1,115)	
(318)	Summons and Liability Orders	(376)	
(963)	Bed and Breakfast charges	(1,822)	
(2,027)	Crematorium and Cemetery fees	(2,006)	
(747)	Other Service Income	(911)	
(6,495)			(8,088)
	Regeneration and Planning		
(252)	Development Control	(331)	
(2,952)	Other Service Income	(921)	
(3,204)			(1,252)
	Tourism and Enterprise		
(432)	Seafront	(1,066)	
(406)	Tourism	(486)	
(662)	Events	(593)	
(3,160)	Theatres	(2,721)	
(589)	Sports	(459)	
(16)	Other Service Income	-	
(5,265)			(5,325)
(15,683)	**Housing Revenue Account**		(15,791)
(1,427)	**Trading Accounts and Investment Properties**		(5,631)
(32,108)	**Total**		**(36,108)**

8. 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	Unusable Reserves (Note 28)
	£000	£000	£000	£000	£000	£000	£000
Restated 2017/18 Transactions:							
ADJUSTMENT TO THE REVENUE RESOURCES							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements							
• Pensions costs (transferred to/from the Pensions Reserve	(6,056)	-	-	-	-	(6,056)	6,056
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	(482)	-	-	-	-	(482)	482
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(4)	-	-	-	-	(4)	4
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):							
- Charges for depreciation and credits for impairment reversals of non-current assets	(2,974)	2,556	-	-	-	(418)	418
- Movements in the fair value of investment properties	(792)	-	-	-	-	(792)	792
- Amortisation of intangible assets	(606)	(26)	-	-	-	(632)	632
- Revaluation losses on Property, Plant & Equipment	-	-	-	-	-	-	-
- Revenue expenditure funded from capital under statute	(1,007)	(353)	-	-	1,023	(337)	337
- Capital Grants and Contributions Received	8,099	236	-	-	(8,335)	-	-
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(3,822)**	**2,413**	**-**	**-**	**(7,312)**	**(8,721)**	**8,721**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	14	4,072	-	(4,086)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(281)	-	-	281	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,174	(4,174)	-	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	1,279	-	-	-	-	1,279	(1,279)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	86	134	-	-	-	220	(220)

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(413)	(6,138)	-	-	-	(6,551)	6,551
Contributions transferred to Revenue	(654)	-	-	-	654	-	-
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**31**	**2,242**	**(4,174)**	**(3,805)**	**654**	**(5,052)**	**5,052**
ADJUSTMENTS TO CAPITAL RESOURCES							
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	1,432	-	1,432	(1,432)
Use of Major Repairs Reserve to finance capital expenditure	-	-	3,823	-	-	3,823	(3,823)
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	7,504	7,504	(7,504)
Cash payments in relation to deferred capital receipts	-	-	-	(5)	-	(5)	5
Change in prior years financing	-	-	-	-	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**-**	**3,823**	**1,427**	**7,504**	**12,754**	**(12,754)**
Total Adjustments 2017/18	**(3,791)**	**4,655**	**(351)**	**(2,378)**	**846**	**(1,019)**	**1,019**
2018/19 Transactions:							
ADJUSTMENT TO THE REVENUE RESOURCES							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements							
• Pensions costs (transferred to/from the Pensions Reserve	(5,340)	-	-	-	-	(5,340)	5,340
• Council tax and NDR (transferred to/from Collection Fund Adjustment Account)	386	-	-	-	-	386	(386)
• Holiday Pay (transferred to/from the Accumulated Absences Reserve)	6	-	-	-	-	6	(6)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account):							
- Charges for depreciation and credits for impairment reversals of non-current assets	(3,981)	900	-	-	-	(3,081)	3,081
- Movements in the fair value of investment properties	1,067	-	-	-	-	1,067	(1,067)
- Amortisation of intangible assets	(707)	(26)	-	-	-	(733)	733
- Revenue expenditure funded from capital under statute	(787)	(315)	-	-	783	(319)	319
- Capital Grants and Contributions Received	2,157	13	-	-	(2,170)	-	-
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	**(7,199)**	**572**	**-**	**-**	**(1,387)**	**(8,014)**	**8,014**

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)
	£000	£000	£000	£000	£000	£000	£000
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6,998	1,076	-	(8,074)	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(281)	-	-	281	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,352	(4,352)	-	-	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	925	-	-	-	-	925	(925)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	178	354	-	-	-	532	(532)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(4,005)	(5,144)	-	-	-	(9,149)	9,149
Contributions transferred to Revenue	(538)	-	-	-	538	-	-
Revaluation of Share holdings	(212)	-	-	-	-	(212)	212
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	**3,065**	**638**	**(4,352)**	**(7,793)**	**538**	**(7,904)**	**7,904**
ADJUSTMENTS TO CAPITAL RESOURCES							
Use of Capital Receipts Reserve to finance capital expenditure	-	-	-	7,787	-	7,787	(7,787)
Use of Major Repairs Reserve to finance capital expenditure	-	-	4,162	-	-	4,162	(4,162)
Use of Grants and Contribution to finance capital expenditure	-	-	-	-	3,013	3,013	(3,013)
Cash payments in relation to deferred capital receipts	-	-	-	(1)	-	(1)	1
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	**-**	**-**	**4,162**	**7,786**	**3,013**	**14,961**	**(14,961)**
Total Adjustments 2018/19	**(4,134)**	**1,210**	**(190)**	**(7)**	**2,164**	**(957)**	**957**

9. AUDIT FEES

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2017/18 £000		2018/19 £000
68	Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year	(2)
13	Fees payable in respect of other services provided by BDO LLP during the year	22
-	Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	52
81		**72**

The fees for other services payable in both 2017/18 and 2018/19 related to the certification of grant claims and returns.

10. MEMBERS' ALLOWANCES

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

2017/18 £000		2018/19 £000
136	Members' Allowances	133
2	Conference and Travelling Expenses	3
138		**136**

11. OFFICERS' REMUNERATION

Senior Management Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Shared Chief Executive	2018/19	136,306	3,354	24,120	**163,780**
	2017/18	137,645	3,850	22,928	**164,423**
Deputy Chief Executive (to 11th November 2018)	2018/19	65,375	-	11,539	**76,913**
	2017/18	101,396	-	17,897	**119,293**
Chief Finance Officer (from 1st October 2018)	2018/19	43,784	-	7,728	**51,511**
	2017/18	-	-	-	**-**
Director of Service Delivery	2018/19	78,747	-	13,899	**92,646**
	2017/18	95,950	-	16,935	**112,885**
Director of Regeneration and Planning	2018/19	97,869	2,187	17,660	**117,716**
	2017/18	95,950	-	16,935	**112,885**
Director of Tourism and Enterprise	2018/19	91,173	-	16,092	**107,265**
	2017/18	87,256	-	15,401	**102,657**
Assistant Director of HR and Transformation	2018/19	82,365	-	14,537	**96,902**
	2017/18	78,250	-	13,811	**92,061**
Assistant Director of Corporate Governance	2018/19	75,978	-	13,410	**89,388**
	2017/18	73,423	-	12,959	**86,382**

The Assistant Director of Legal and Democratic Services is also a member of the Corporate Management Team but is not included in the above table as she is an employee of Lewes District Council. The above figures are gross of any recharges to LDC and EHL.

Senior Management costs are apportioned between the two Councils as follows:

	Eastbourne Borough Council	**Lewes District Council**	**Eastbourne Homes Ltd**
Shared Chief Executive	50%	50%	
Deputy Chief Executive	40%	40%	20%
Chief Finance Officer	40%	40%	20%
Director of Service Delivery	50%	50%	
Director of Regeneration and Planning	25%	50%	25%
Director of Tourism and Enterprise	80%	20%	
Assistant Director of Corporate Governance	90%	10%	

The Assistant Director of Human Resources and Transformation is included in the SLA for Human Resources between the Council and Lewes District Council.

Remuneration Bands

The Council's other employees (excluding those in the Corporate Management table above) include employees from Lewes District Council who transferred to Eastbourne Borough Council from February 2018. Other employees who received more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	**2017/18** Number of Employees	**2018/19** Number of Employees
£50,000 - £54,999	15 (4)	18 (5)
£55,000 - £59,999	8 (2)	9
£60,000 - £64,999	6 (2)	3 (1)
£65,000 - £69,999	1	2
£70,000 - £74,999	2 (2)	-
£80,000 - £84,999	-	2 (1)
£90,000 - £94,999	2 (2)	-
£110,000 - £114,999	-	1 (1)
Total	**34 (12)**	**35 (8)**

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

	Number of compulsory redundancies		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
							£	**£**
Exit package cost band (including special payments)	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 -£20,000	12	6	45	17	57	23	537,410	228,966
£20,001 - £40,000	2	1	15	8	17	9	440,945	262,242
£40,001 - £80,000	-	-	4	3	4	3	212,338	190,348
Total cost included in bandings	**14**	**7**	**64**	**28**	**78**	**35**	**1,190,693**	**681,556**

Included in the table above are exit payments made to employees which were either fully or partly recharged to Lewes District Council and Eastbourne Homes Ltd. In 2018/19 Lewes District Council were recharged £359,946 (£583,065 2017/18) for their share of exit packages and Eastbourne Homes Ltd were recharged £36,034 (£47,507 2017/18).

12. RELATED PARTIES

12.1 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.

12.2 Central Government

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 15 (grants and contributions), 24 (debtors) and 25 (creditors).

12.3 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 29. One Member is on the Pension Fund Investment Panel.

12.4 Eastbourne Homes Limited

The responsibility for the management of Eastbourne's council housing stock was transferred to Eastbourne Homes Ltd, an arm's 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 2018/19 this fee was £7.261m, covering supervision and management and repairs. This compares with £7.261m paid in 2017/18. 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 £889,000 (£1,550,000 at 31 March 2018), while Eastbourne Homes Ltd owed the Council £482,000 (£942,000 at 31 March 2018).

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 Town Hall, Grove Road, Eastbourne, BN21 4UG.

The Director of Regeneration & Planning for the Council also acts as Managing Director at Eastbourne Homes Ltd.

12.5 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 £83,000 (2017/18 £83,000).

12.6 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 2018/19 is shown in Note 10. Nine members are also members of East Sussex County Council. Grants totalling £205,000 (£67,000 in 2017/18) were paid to voluntary organisations in which 8 Members (7 Members in 2017/18) had positions on the governing body.

	2017/18 £000	**2018/19 £000**
3VA Voluntary Action Eastbourne	-	34
Age Concern Eastbourne	5	5
Citizens Advice Bureau	-	115
Eastbourne & Wealden YMCA	-	10
Eastbourne Old Town Community Association	2	-
Eastbourne Sea Cadets	9	-
Eastbourne Seniors Forum	-	1
Hampden Park Bowling Club	2	-
Hampden Park Community Association	5	5
Langney Community Centre	10	-
Memory Lane Eastbourne	-	2
Old Town Library	12	-
Salvation Army	-	30
The Trees Community Association	22	3
Total	**67**	**205**

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' Interests, open to public inspection at the Town Hall during office hours and also on the Council's website http://democracy.eastbourne.gov.uk/mgMemberIndexGroup.aspx?bcr=1&g=EastbourneCllrs&m=EastbourneCllrs

During 2018/19 works and services to the value of £87,000 (£74,000 in 2017/18) 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 10 and 11.

12.7 CloudConnX

The Council is a minority (48% B class) shareholder in CloudConnX. The shares had only nominal value at the balance sheet date. In addition, as at 31 March 2019 the Council has provided a commercial loan of £357,000 (£357,000 in 2017/18). Interest is charged on the loan at 1.5% above base rate. The Council's Chief Executive has been appointed a Director of the company.

12.8 Eastbourne Housing Investment Company Ltd (EHIC)

EHIC is a wholly owned subsidiary of the Council. EHIC has been set up to acquire, improve and let residential property at market rents. The Council has provided 34 (16 in 2017/18) commercial loans to EHIC totalling £12,269,150 (£9,522,150 in 2017/18) of which £10,052,100 (£8,299,300 in 2017/18) has been drawn down, for the purchase of various properties, at an interest rate of 4.5%. A working capital facility loan of £250,000 (£250,000 in 2017/18) has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2019 £250,000 (£160,000 in 2017/18) of the working capital facility loan had been drawn down. At the end of the year the Council owed nothing to EHIC (£9,900 in 2017/18), while EHIC owed the Council £127,200 (£6,600 in 2017/18).

The company's accounts are consolidated into the Group Accounts. Copies of Eastbourne Housing Investment Co Ltd.'s annual report and accounts can be obtained from their registered office at 1 Grove Road, Eastbourne, BN21 4TW.

The Director of Regeneration & Planning and the Director of Service Delivery for the Council also act as Directors at Eastbourne Housing Investment Co Ltd.

12.9 Lewes District Council

The Council is engaging in a Joint Transformation Programme (JTP) with Lewes DC under which staff and services are being integrated. The Council now employs all of CMT and the majority of Lewes DC staff who were TUPE'd to the Council during 2017/18 and costs are recharged to Lewes DC. Staff within Legal services remain employees of Lewes DC and services are provided to both Councils and costs recharged.

12.10 Aspiration Homes LLP

Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Eastbourne BC and Lewes DC. It was set up during 2016/17 for the purpose of developing housing. The Council has provided three commercial loans to AH totalling £4,001,000 (£1,700,000 2017/18) of which £965,000 (£15,961 2017/18) has been drawn down, for the purchase of property for development, at an interest rate of 4.5%. A working capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2019 £10,000 of the working capital facility loan had been drawn down.

The company's accounts are consolidated into the Group Accounts. Copies of Aspiration Homes LLP's annual report and accounts can be obtained from their registered office at 1 Grove Road, Eastbourne, BN21 4TW.

12.11 South East Environmental Services Limited

South East Environmental Services Limited (SEESL) is a wholly owned subsidiary of the Council. SEESL has been set up to provide waste and recycling services. At the end of the year the SEESL owed the Council £98,800.

12.12 Investment Company Eastbourne Limited

Investment Company Eastbourne Limited (ICE) is a wholly owned subsidiary of the Council. It was set up to enter into a deal with a private company in respect of a property in Leicester. There are no outstanding inter-company debts. See Group Accounts for further details.

13. LEASING

Operating leases – Council acting as lessor

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

2017/18 Minimum Lease Income £000		2018/19 Minimum Lease Income £000
2,471	Within one year	2,543
8,371	Between two and five years	8,067
42,260	Later than five years	40,749
53,102	**Total**	**51,359**

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 2018/19 was £3,068,000 (£3,368,000 in 2017/18). The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

14. OBLIGATIONS UNDER LONG TERM LEASES

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 12.5, 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 2018/19.

	Agreement 1	**Agreement 2**	**Agreement 3**	**Total**
Starting Date	October 2004	June 2008	June 2009	
Completion Date	May 2019	April 2019	April 2019	
	£000	**£000**	**£000**	**£000**
Total credit sales facility	**2,614**	**350**	**250**	**3,214**
Liability outstanding 31 March 2018	**(341)**	**(48)**	**(39)**	**(428)**
Interest charge for 2018/19	(26)	(2)	(2)	**(30)**
Gross repayments for 2018/19	315	46	38	**399**
Liability outstanding 31 March 2019	**(52)**	**(4)**	**(3)**	**(59)**

2017/18 Future Minimum Payments	**2017/18 Future Lease Liabilities**		**2018/19 Future Minimum Payments**	**2018/19 Future Lease Liabilities**
£000	**£000**		**£000**	**£000**
399	(370)	Within one year	60	(59)
60	(58)	Between two and five years	-	-
459	**(428)**	**Total**	**60**	**(59)**

The Council has a long-term credit agreement with Sopra Steria, for the implementation of a programme of projects, including the Council's Agile and Future Model projects. The agreement started 1 January 2007 and expires 31 December 2021. Sopra Steria provide services and equipment which is being repaid over 15 years.

Starting Date	1 January 2007
Completion Date	31 December 2021
	£000
Total credit sales facility	**2,651**
Liability outstanding 31 March 2018	**(342)**
Drawn down 2018/19	(128)
Gross repayments for 2018/19	198
Liability outstanding 31 March 2019	**(272)**
Remaining facility 31 March 2019	**285**

2017/18 Future Minimum Payments	**2017/18 Future Lease Liability**		**2018/19 Future Minimum Payments**	**2018/19 Future Lease Liability**
£000	**£000**		**£000**	**£000**
198	(197)	Within one year	204	(203)
577	(145)	Between two and five years	373	(69)
775	**(342)**	**Total**	**577**	**(272)**

Amounts payable within one year are included in short term creditors and amounts payable in more than one year are included in long term creditors.

15. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

2017/18 Grants £000	2017/18 Contribs. £000	2017/18 Total £000		2018/19 Grants £000	2018/19 Contribs. £000	2018/19 Total £000
			Grants and contributions within Cost of Services			
(46,275)	-	**(46,275)**	DWP Benefits grants	(38,785)	-	**(38,785)**
(788)	(2,783)	**(3,571)**	Other grants and contributions	(1,674)	(4,007)	**(5,681)**
(47,063)	**(2,783)**	**(49,846)**	**Total within Cost of Services**	**(40,459)**	**(4,007)**	**(44,466)**
			Grants and contributions within Taxation and non-specific grant income			
(944)	-	**(944)**	Revenue Support Grant	(446)	-	**(446)**
(1,030)	-	**(1,030)**	Section 31 Grant Small Business Rate Relief	(1,299)	-	**(1,299)**
(852)	-	**(852)**	New Homes Bonus	(340)	-	**(340)**
(147)	-	**(147)**	Localising C Tax Support Admin Subsidy	(140)	-	**(140)**
(1,860)	(6,475)	**(8,335)**	Grants and contributions towards capital expenditure	49	(2,703)	**(2,654)**
(159)	-	**(159)**	Other Grants	(110)	-	**(110)**
(4,992)	**(6,475)**	**(11,467)**	**Total within Taxation and non-specific grant income**	**(2,286)**	**(2,703)**	**(4,989)**
(52,055)	**(9,258)**	**(61,313)**	**Total Grants & Contributions**	**(42,745)**	**(6,710)**	**(49,455)**

The Council 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, if not spent. The balances at year end were £13,000 (£13,000 in 2017/18).

16. TRANSFER TO/ FROM EARMARKED RESERVES

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

Reserve	Balance 1 April 2017	Movement 2017/18	Balance 31 March 2018	Movement 2018/19	Balance 31 March 2019
	£000	£000	£000	£000	£000
General Fund					
General Earmarked Reserve	(455)	(17)	(472)	(34)	(506)
Strategic Change Reserve	(7)	-	(7)	(191)	(198)
Capital Programme Reserve	(2,573)	1,267	(1,306)	961	(345)
Revenue Grants Reserve	(1,419)	(80)	(1,499)	547	(952)
Regeneration Reserve	(542)	10	(532)	532	-
Devonshire Park Review Reserve	(960)	(528)	(1,488)	1,488	-
SHEP GF Properties Major Works Reserve	-	(1)	(1)	-	(1)
Total	**(5,956)**	**651**	**(5,305)**	**3,303**	**(2,002)**
HRA					
HRA Leaseholders Major Works Reserve	(490)	(20)	(510)	(237)	(747)
Riverbourne House Leaseholders Reserve	(13)	10	(3)	(12)	(15)
Housing Regeneration and Investment	(2,517)	(366)	(2,883)	354	(2,529)
Total	**(3,020)**	**(376)**	**(3,396)**	**105**	**(3,291)**
Total Earmarked Reserves	**(8,976)**	**275**	**(8,701)**	**3,408**	**(5,293)**

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 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.

Devonshire Park Review Reserve: this reserve has been set up to cover any revenue short falls for venues and services affected by the Devonshire Park Redevelopment Project.

SHEP GF Properties Major Works Reserve: this reserve was set up to create a Major Works Fund for Investment properties 51-53 Seaside.

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

Housing Regeneration and Investment Reserve: this reserve has been set up to receive any surpluses achieved over those required for the sustainability of the HRA Business Plan to be used for future investment in strategic housing related outcomes.

17. 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.

2017/18 £000	£000		2018/19 £000	£000
	88,878	**Opening Capital Financing Requirement**		**122,636**
		Capital Investment:		
3,952		Council dwellings	4,675	
1,855		Other land and buildings	1,213	
825		Vehicles plant furniture and equipment	1,144	
315		Infrastructure	288	
111		Community assets	-	
17,653		Assets under construction	30,632	
24,711		Total Property plant and equipment	37,952	
-		Heritage Assets	-	
19,058		Investment property	695	
1,149		Intangible assets	2,825	
1,360		Revenue expenditure financed from capital under statute (REFCUS)	785	
2,676		Loans and Advances	1,900	
-		Grants of 1-4-1 Right to Buy Receipts	315	
85		Investment in shares and loans to Welbeing	7	
49,039		**Total capital investment**	**44,482**	
		Sources of finance:		
(1,432)		Capital receipts	(7,787)	
(1,023)		Grants and contributions towards REFCUS	(782)	
(7,504)		Other grants and contributions	(3,013)	
		Sums set aside from Revenue:		
(3,823)		Major repairs reserve	(4,162)	
(1,279)		Revenue provision for repayment of debt	(925)	
(220)		Revenue Contribution to capital	(532)	
(15,281)		**Capital financing**	**(17,201)**	
	122,636	**Closing Capital Financing Requirement**		**149,917**
		Explanation of movements in year		
	33,758	Increase in underlying need to borrowing (unsupported by government financial assistance)		27,281
	33,758	**Increase in Capital Financing Requirement**		**27,281**

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

31 March 2018 £000		31 March 2019 £000
190,383	Council Dwellings	182,902
94,465	Other Land and Buildings	92,896
6,717	Vehicles Plant Furniture and Equipment	7,138
16,782	Infrastructure	15,945
3,568	Community Assets	3,568
24,364	Assets Under Construction	54,996
124	Surplus Assets for Disposal	124
336,403	**Total Property Plant and Equipment**	**357,569**
15,034	Heritage Assets	15,034
23,893	Investment Property	25,656
4,995	Intangible Assets	6,279

31 March 2018		31 March 2019
£000		£000
323	Long Term Investments	1,030
12,994	Loans and Advances to Third Parties	13,982
(50,621)	Revaluation Reserve	(49,872)
(220,385)	Capital Adjustment Account	(219,761)
122,636	**Capital Financing Requirement**	**149,917**

18. PROPERTY PLANT AND EQUIPMENT

18.1 Movements in 2018/19

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 31 March 2018 as previously stated	**198,444**	**97,947**	**10,286**	**33,820**	**4,131**	**24,364**	**124**	**369,116**
Restatement (see Note 1)	(8,137)	-	-	-	-	-	-	**(8,137)**
Restated Cost or Valuation at 1 April 2018	**190,307**	**97,947**	**10,286**	**33,820**	**4,131**	**24,364**	**124**	**360,979**
Additions	4,675	1,213	1,144	288	-	30,632	-	**37,952**
Revaluation increases recognised in the Revaluation Reserve	-	2,563	-	-	-	-	-	**2,563**
Revaluation increases recognised in the Surplus on the Provision of Services	5,253	(530)	-	-	-	-	-	**4,723**
De-recognition - Disposals	(5,384)	(3,274)	(493)	(300)	-	-	-	**(9,452)**
At 31 March 2019	**194,581**	**97,919**	**10,937**	**33,807**	**4,131**	**54,996**	**124**	**396,765**
Accumulated Depreciation and Impairment								
At 31 March 2018 as previously stated	(8,061)	(3,482)	(3,569)	(17,038)	(563)	-	-	**(32,713)**
Restatement	210	-	-	-	-	-	-	**210**
Restated at 1 April 2018	**(7,851)**	**(3,482)**	**(3,569)**	**(17,038)**	**(563)**	**-**	**-**	**(32,503)**
Depreciation Charge	(4,337)	(2,781)	(723)	(837)	-	-	-	**(8,678)**
Depreciation written out to the Revaluation Reserve	-	875	-	-	-	-	-	**875**
De-recognition - disposal	239	365	493	13	-		-	**1,110**
At 31 March 2019	**(11,949)**	**(5,023)**	**(3,799)**	**(17,862)**	**(563)**	**-**	**-**	**(39,196)**
Net Book Value								
At 31 March 2019	182,902	92,896	7,138	15,945	3,568	54,996	124	**357,569**
At 31 March 2018 Restated	182,456	94,465	6,717	16,782	3,568	24,364	124	**328,476**

Movements in 2017/18:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation at 31 March 2017 as previously stated	**187,155**	**91,386**	**11,080**	**33,819**	**4,020**	**11,945**	**118**	**339,523**
Restatement (see Note 1)	(4,185)	-	-	-	-	-	-	**(4,185)**
Restated Cost or Valuation at 1 April 2017	**182,970**	**91,386**	**11,080**	**33,819**	**4,020**	**11,945**	**118**	**335,338**
Additions	3,952	1,855	825	315	111	17,653	-	**24,711**
Revaluation increases recognised in the Revaluation Reserve	-	1,755	-	-	-	-	3	**1,758**
Revaluation increases recognised in the Surplus on the Provision of Services	6,730	344	-	-	-	-	3	**7,077**
De-recognition - Disposals	(5,801)	(103)	(1,619)	(314)	-	-	-	**(7,837)**
Assets reclassified	2,524	2,710	-	-	-	(5,234)	-	**-**
At 31 March 2018	**190,375**	**97,947**	**10,286**	**33,820**	**4,131**	**24,364**	**124**	**361,047**
Accumulated Depreciation and Impairment								
As at 31 March 2017 as previously stated	**(3,944)**	**(1,707)**	**(4,468)**	**(16,200)**	**(563)**	**-**	**-**	**(26,882)**
Restatement	142	-	-	-	-	-	-	**142**
Restated at 1 April 2017	**(3,802)**	**(1,707)**	**(4,468)**	**(16,200)**	**(563)**	**-**	**-**	**(26,740)**
Depreciation Charge	(4,158)	(2,622)	(720)	(838)	-	-	-	**(8,338)**
Depreciation written out to the surplus on the Provision of Services	-	842	-	-	-	-	-	**842**
De-recognition - disposal	41	5	1,619	-	-	-	-	**1,665**
At 31 March 2018	**(7,919)**	**(3,482)**	**(3,569)**	**(17,038)**	**(563)**	**-**	**-**	**(32,571)**
Net Book Value								
At 31 March 2018	182,456	94,465	6,717	16,782	3,568	24,364	124	**328,476**
At 31 March 2017	179,168	89,679	6,612	17,619	3,457	11,945	118	**308,598**

18.2 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 2016 by the Wilkes, Head & Eve. The next full revaluation, for all three categories of assets, is due to be carried out as at 1 April 2021.

An annual desk top revaluation review is carried out for all property to identify any material changes in value. As at 31 March 2019 the valuers advised an increase of 4% for council dwellings during 2018/19, excluding any consideration of capital expenditure. This has resulted in an upward revaluation of £5.3 million.

Following a review of capital expenditure to improve council dwellings, expenditure is now de-recognised in the year that it is incurred. De-recognition for expenditure in 2016-17, 2017-18 and 2018-19 totalling £12.54m has been shown in the accounts for 2018-19.

The valuers also advised the following changes which have resulted in a net increase of £2.0m:

- an increase of 4% for Other Land & Buildings valued at Depreciated Replacement Cost;

- an increase of 1.5% to 2.5% for Industrial Existing Use Value assets;
- a decrease of 0% to 1% for Office Existing Use Value;
- a decrease of 1.5% to 2.5% for Retail Existing Use Value.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra structure	Commun.	Assets Under Construction	Surplus Props.	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at Historical Cost	-	-	7,138	15,945	3,568	54,996	-	81,647
Values at current value as at:								-
31 March 2018	-	-	-	-	-	-	124	124
31 March 2019	182,902	92,896	-	-	-	-	-	275,798
Net Book Value	**182,902**	**92,896**	**7,138**	**15,945**	**3,568**	**54,996**	**124**	**357,569**

18.3 Depreciation

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

Council dwellings: 60 years
Other land and buildings: 15 to 60 years
Vehicles Plant and Equipment: 3 to 25 years
Infrastructure: 10 to 40 years.

18.4 Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £14,164,000 as detailed in the table below. Similar commitments at 31 March 2018 were £34,818,000.

	2019/20
	£000
JTP / IT	740
Devonshire Park Project	11,726
Improvement of Council Dwellings	587
New Build & Asset Improvements	1,111
Total	**14,164**

Approximately £370,000 (£803,000 2017/18) of the cost of JTP/IT will be recharged to Lewes DC.

Loan drawdown facilities to the Council's subsidiary companies at 31 March 2019 total £6,156,000 (£2,997,000 2017/18).

19. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

	Historical Collection	**Art Collection**	**Other**	**Buildings**	**Total**
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2018	345	11,906	162	2,621	**15,034**
Balance at 31 March 2019	**345**	**11,906**	**162**	**2,621**	**15,034**

The equivalent figures for 2017/18 were the same.
The Art Collection was valued by professional external valuers in 2012/13. The Collection will be valued every 10 years and an annual review is carried out to ensure the value is not materially mis-stated. Heritage buildings were valued as at 1 April 2016 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 19th and 20th century British art.
- Victorian Art: to complement the Towner Bequest.
- Works by important 20th century British artists, to enhance the exiting collection.
- Works and material by and relating to Eric Ravilious (1903-42).
- Works by South East regional artists.
- Topographical pictures relating to East Sussex and the Eastbourne area.
- European Art: to complement the existing collections, for example the Irene Law Bequest of 17th and 18th century Dutch and Flemish paintings and 18th century British art, The Lucy Carrington Wertheim Bequest of 20th 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 Council 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

There have been no transactions during the past 5 years.

20. INVESTMENT PROPERTIES

In 2018/19 the Council received £1,736,000 as rental income from investment properties, compared to £1,873,000 received in 2017/18. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2017/18 £000		**2018/19 £000**
5,627	Balance at 1 April	23,893
19,067	Additions	695
(9)	Expenditure on existing properties	-
(792)	Net gains/losses from fair value adjustments	1,068
23,893	**Balance at 31 March**	**25,656**

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 2.10 Accounting Policy for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property
The current value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

Highest and Best Use
In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties
The Council's investment property has been valued as at 31 March 2019 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

21 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:

2017/18 Gross	2017/18 Amortised	2017/18 Net Total		2018/19 Gross	2018/19 Amortised	2018/19 Net Total
£000	£000	£000		£000	£000	£000
7,264	(2,786)	4,478	**Balance 1 April**	8,413	(3,418)	**4,995**
			Written down to services:			
-	(604)	(604)	Corporate Services	-	(707)	**(707)**
-	(2)	(2)	Direct Services	-	-	**-**
-	(26)	(26)	Housing Revenue Account	-	(26)	**(26)**
-	(632)	(632)		-	(733)	**(733)**
1,149	-	1,149	Added during year	2,825	-	**2,825**
-	-	-	Written out on completion of expected life	(2,238)	1,430	**(808)**
1,149	(632)	517	Net transactions during the year	587	697	**1,284**
8,413	**(3,418)**	**4,995**	**Balance at 31 March**	**9,000**	**(2,721)**	**6,279**

22. FINANCIAL INSTRUMENTS

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cash flow characteristics.

Financial Liabilities
Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets
To meet new Code requirements, financial assets are now classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- Fair Value Through Other Comprehensive Income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

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

	Long-term		Current	
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000
Cash & Cash Equivalents				
Amortised Cost	-	-	3,609	2,242
Debtors				
Amortised Cost	13,668	14,296	7,380	10,505
Fair Value	-	12,599	-	109
Total Financial Assets	**13,668**	**26,895**	**10,989**	**12,856**
Borrowings				
Financial liabilities at amortised cost	(82,050)	(96,617)	(23,374)	(27,447)
Creditors				
Financial liabilities at amortised cost	(204)	(69)	(6,934)	(12,091)
Fair Value	-	(17,379)	-	-
Total Financial Liabilities	**(82,254)**	**(114,065)**	**(30,308)**	**(39,538)**

22.2 Income, expense, gains and losses

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.

2017/18 £000		2018/19 £000
(583)	Interest on financial assets: loans and receivables	(542)
(67)	Other interest	(35)
(650)	**Total Interest Receivable**	**(577)**
2,739	Interest on financial liabilities measured at amortised cost	3,172
25	Other interest payable	62
2,764	**Total Interest Payable**	**3,234**

22.3 Fair Value of financial assets and liabilities that are not measured at fair value for which fair value disclosures are required:

	Book Value	Quoted prices in active markets for identical assets (Level1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cash in bank call accounts	2,242	2,242	-	-	2,242
Trade accounts receivable	10,505	10,505	-	-	10,505
Other Debtors	109		109		109
Long Term Debtors	26,895	14,296	12,599	-	26,895
Total Financial Assets	**39,751**	**27,043**	**27,708**	**-**	**39,751**
Public Works Loan Board	(87,117)	-	(122,560)	-	(122,560)
Loan Stock	(7,500)	-	(8,440)	-	(8,440)
Market Debt	(2,000)	-	(2,036)	-	(2,036)
Long Term Borrowing	**(96,617)**	**-**	**(133,036)**	**-**	**(133,036)**
Long Term Creditors	**(69)**	**(69)**	**-**	**-**	**(69)**
Other Long Term Liabilities	**(17,379)**	**-**	**(17,379)**	**-**	**(17,379)**
Market Debt	(27,000)	-	(27,133)	-	(27,133)
Add accrued interest	(432)	(432)	-	-	(432)
Mayor's Poor Fund	(15)	(15)	-	-	(15)
Short Term Borrowing	**(27,447)**	**(447)**	**(27,133)**	**-**	**(27,580)**
Credit sales agreement	(59)	-	(59)	-	(59)
Other Trade Creditors	(12,032)	(12,032)	-	-	(12,032)
Short Term Creditors	**(12,091)**	**(12,032)**	**(59)**	**-**	**(12,091)**
Total Financial Liabilities	**(153,603)**	**(12,548)**	**(177,607)**	**-**	**(190,155)**

The comparative figures for 31 March 2018 are in the table below.

	Book Value	Quoted prices in active markets for identical assets (Level1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cash in bank call accounts	3,609	3,609	-	-	3,609
Trade accounts receivable	7,380	7,380	-	-	7,380
Long Term Debtors	13,668	13,668	-	-	13,668
Total Financial Assets	**24,657**	**24,657**	**-**	**-**	**24,657**
Public Works Loan Board	(67,550)	-	(99,059)	-	(99,059)
Loan Stock	(7,500)	-	(9,033)	-	(9,033)
Market Debt	(7,000)	-	(7,065)	-	(7,065)
Long Term Borrowing	**(82,050)**	**-**	**(115,157)**	**-**	**(115,157)**
Credit Sales Agreement	(59)	-	(264)	-	(264)
Other Long Term Creditors	(145)	(145)	-	-	(145)
Long Term Creditors	**(204)**	**(145)**	**(264)**	**-**	**(409)**
Market Debt	(23,000)	-	(23,075)	-	(23,075)
Add accrued interest	(359)	(359)	-	-	(359)
Mayor's Poor Fund	(15)	(15)	-	-	(15)
Short Term Borrowing	**(23,374)**	**(374)**	**(23,075)**	**-**	**(23,449)**
Credit sales agreement	(370)	-	(370)	-	(370)
Other Trade Creditors	(6,564)	(6,564)	-	-	(6,564)
Short Term Creditors	**(6,934)**	**(6,564)**	**(370)**	**-**	**(6,934)**
Total Financial Liabilities	**(112,562)**	**(7,083)**	**(138,866)**	**-**	**(145,949)**

The fair value of Public Works Loan Board (PWLB) 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 2019) arising from a commitment to pay interest to the PWLB above current market rates. The outstanding loans were taken at various dates between April 1995 and March 2019 at varying fixed interest rates between 1.70% and 8.875% (average rate 3.02%) for various terms. At the time some of the loans were arranged, interest rates were much higher, and these loans were taken to lock into a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference of £35,443,000 between the book value and market value for PWLB.

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 2019) 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 into a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference £940,000 between the book value and market value for loan stock.

22.4 Valuation techniques applied to obtain fair value

All financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2 Inputs), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;

- For financial assets, trade accounts receivable and long-term debtors are reviewed to estimate the value at Level 1 based on past experience of bad debts. Cash in call accounts is held at book value.

The fair values valuations have been provided by the Council's Treasury Management advisors, Capita. 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, Capita 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 Capita from the market on 31 March, using bid prices where applicable.

23. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council'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 Council'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 (Capita) 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 £5 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 has invested funds in, CloudConnX (£357,000) and Sea Change Sussex (£2,521,000) totalling £2,878,000. The risk of these companies failing to meet their commitments is minimised by maintaining representation on the board of Welbeing and CloudConnX. The loan to CloudConnX is supported by a fixed and floating charge over the assets. The loan to Sea Change Sussex loan is fully secured by a charge over land.

The Council has provided various commercial loan facilities to Eastbourne Housing Investment Company Ltd (EHIC) a wholly owned subsidiary of the Council, totalling £12,519,150:

- £12,269,150 of which £10,052,100 has been drawn down, for the purchase and refurbishment of properties, at an interest rate of 4.5%. The loans are secured by a first charge on the properties purchased;

- £250,000 working capital facility, unsecured at an interest rate of 2% above Base Rate, of which £250,000 was drawn down as at 31 March 2019.

The Council has provided various commercial loan facilities to Aspiration Homes Ltd, a partnership jointly owned by the Council and Lewes District Council, totalling £4,101,000:

- £4,001,000 of which £965,000 has been drawn down, for the development of new properties, at an interest rate of 4.5%. The loans are secured by a first charge on the properties purchased;
- £100,000 working capital facility, unsecured at an interest rate of 2% above Base Rate, of which £10,000 was drawn down as at 31 March 2019.

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

	Amount as at 31 March 2019	**Historic experience of default**	**Estimated maximum exposure to default at 31 March 2019**	**Estimated maximum exposure to default 31 March 2018**
	£000		**£000**	**£000**
	A	**B**	**(AxB)**	
Customers	11,524	1%	115	80

The council does not generally allow credit for customers, such that the balance of debts past due but not impaired can be analysed by date as follows:

Aged debt analysis	**31 March 2018**	**31 March 2019**
	£000	£000
Less than three months	6,641	9,273
Three to four months	129	162
Four months to one year	419	999
More than one year	788	1,089
Total	**7,977**	**11,524**

<u>Liquidity risk</u>

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council 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 2018**		**31 March 2019**		**Limits in each banding**
	£000	**%**	**£000**	**%**	
Less than one year	23,058	22%	28,074	23%	75%
Between one and two years	5,145	5%	9,404	8%	75%
Between two and five years	14,022	13%	8,981	7%	75%
Five to ten years	1,522	1%	6,889	6%	100%
More than ten years	61,507	58%	70,338	57%	100%
Total	**105,254**	**100%**	**123,686**	**100%**	

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council 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 Council. 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 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 Council 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.

According to this assessment strategy, at 31 March 2019, 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	161
Increase in interest receivable on variable rate investments	(64)
Impact on Surplus or Deficit on the Provision of Services	**97**
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)	(24,716)

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

Price risk

The Council does not generally invest in equity shares but during 2018/19 did have shareholdings to the value of £323,000 (£323,000 in 2017/18) in Greencoat House Ltd (Welbeing). The shareholding was sold on 31 May 2018 and the settlement included a capital receipt (£8.6m) and shares in Doro valued at £1.24m which were impaired to £1.03m as at 31 March 2019. The Council is consequently exposed to losses arising from movements in the prices of the shares.

Foreign exchange risk

The Council has a shareholding in Doro in Swedish Krona as part of the settlement in the sale of Greencoat House Ltd (Welbeing). There is exposure to loss and gain arising from movements in exchange rates.

24. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2018		**31 March 2019**
£000		**£000**
927	Trade Receivables	867
520	Prepayments	428
3,759	Debtors for Local Taxation	5,135
13,536	Other Receivable Amounts	13,073
18,742	**Total**	**19,503**

Long-term debtors outstanding as at 31 March are:

31 March 2018 £000		31 March 2019 £000
13,668	Other Receivable Amounts	26,895
13,668	**Total**	**26,895**

Under long term debtors for public corporations and other trading organisation the Council has investment of:

- £357,000 (2017/18 £357,000) in a 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.
- £850,000 loan funding in 2014/15 provided in partnership with East Sussex County Council to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the purchase of a site at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added to this loan bringing the total outstanding to £961,007.
- £1,400,000 loan funding in 2015/16 to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the development of the Innovation Mall (Pacific House) at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added bringing the total outstanding to £1,559,869.
- £12,519,150 loan facility was agreed with Eastbourne Housing Investment Company, a wholly owned subsidiary of the council for the purchase and redevelopment of various properties. As at 31 March 2019 a sum of £10,302,100 was drawn down. These loans are due for repayment on a variety of dates, the last due date being in 2059.
- £4,101,000 loan facility was agreed with Aspiration Homes LLP, a partnership wholly owned by The Council and Lewes District Council for the purchase and redevelopment of various properties. As at 31 March 2019 a sum of £975,000 was drawn down. This loan is due for repayment in 2058. These loans are due for repayment on a variety of dates, the last due date being in 2059.
- £12,599,007 long term contract receivable (plus £109,167 short term receivable) relating to a guarantee arrangement provided to IIL Ltd in respect of an investment property in Leicester as detailed in Notes 4 and 5.

25. CREDITORS

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

31 March 2018 £000		31 March 2019 £000
(5,089)	Trade payables	(10,641)
(5,781)	Other payables	(9,501)
(10,870)	**Total**	**(20,142)**

Public corporations and trading organisations include all commercial trading organisations in both the public and private sectors

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

31 March 2018 £000		31 March 2019 £000
(204)	Other payables	(69)
(204)	**Total**	**(69)**

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 14), 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.

Other Long-Term Liabilities

- £16,211,076 liability for a rental guarantee and £1,167,873 liability for a loan guarantee provided to IIL Ltd, a total of £17,378,949, in respect of an investment property in Leicester as detailed in Notes 4 and 5.

26. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2019 are:

	Balance 1 April 18 £000	Additions £000	Amounts used £000	Balance 31 March 19 £000
Business Rate Appeals	(489)	(341)	216	(614)
Total	**(489)**	**(341)**	**216**	**(614)**

Business Rates Appeals is to provide for the settlement of rateable value appeals made to the valuation office.

27. USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.19, and the annual movements for usable reserves are shown in the Movement in Reserves Statement. Details of Earmarked Reserves are shown at note 16.

28. 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.

1 April 2017 Restated £000	31 March 2018 Restated £000		31 March 2019 £000
7	2	Deferred Capital Receipts Reserve	2
(761)	(1,244)	Collection Fund Adjustment Account	(858)
49,721	50,620	Revaluation Reserve	49,872
210,115	212,459	Capital Adjustment Account	219,761
(43,372)	(45,560)	Pension Reserve	(56,167)
(46)	(50)	Accumulated Absence Account	(44)
215,664	**216,227**	**Total Unusable reserves**	**212,566**

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 Council 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.

2017/18 £000		2018/19 £000
7	**Balance at 1 April**	**2**
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	-
2	**Balance at 31 March**	**2**

Collection Fund Adjustment Account

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

2017/18 £000		2018/19 £000
(761)	**Balance at 1 April**	**(1,244)**
(483)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	386
(1,244)	**Balance at 31 March**	**(858)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage 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.

2017/18 £000		2018/19 £000	2018/19 £000
49,721	**Balance at 1 April**		**50,620**
1,758	Upward revaluation of assets	2,563	
1,758	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**2,563**
(842)	Difference between fair value depreciation and historical cost depreciation	(875)	
(17)	Accumulated gains on assets sold or scrapped	(2,436)	
(859)	Amount written off to the Capital Adjustment Account		**(3,311)**
50,620	**Balance at 31 March**		**49,872**

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 current value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council 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 Council.

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.

2017/18 £000		2018/19 £000	2018/19 £000
210,155	**Balance at 31 March as previously stated**		
(4,083)	Restatement (see Note 1)		
206,072	**Restated Balance at 1 April**		**212,459**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(418)	Charges for depreciation and impairment of non-current assets	(3,081)	
(632)	Amortisation of intangible assets	(733)	
(1,360)	Revenue expenditure funded from capital under statute	(1,102)	
(6,534)	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	(11,204)	
(8,944)			**(16,120)**
842	Adjusting amounts written out of the Revaluation Reserve		3,311
(8,102)	**Net written out amount of the cost of non-current assets consumed in the year**		**(12,809)**
	Capital financing applied in the year:		
1,432	Use of the Capital Receipts Reserve to finance new capital expenditure	9,842	
3,823	Use of the Major Repairs Reserve to finance new capital expenditure	4,162	
1,023	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	782	
7,504	Application of grants to capital financing from the Capital Grants Unapplied Account	3,013	
1,279	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	925	
220	Capital expenditure charged against the General Fund and HRA balances	532	
15,281			**19,256**
(792)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		1,067
-	Movements in the market value of Investments debited or credited to the Comprehensive Income and Expenditure Statement		(212)
212,459	**Balance at 31 March**		**219,761**

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 Council 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 Council 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 Council 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.

2017/18 £000		2018/19 £000
(43,372)	**Balance at 1 April**	**(45,560)**
3,868	Re-measurement of the net defined benefit liability/(asset)	(5,267)
(8,669)	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	(9,480)
2,613	Employer's pensions contributions and direct payments to pensioners payable in the year	4,140
(45,560)	**Balance at 31 March**	**(56,167)**

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.

2017/18 £000		2018/19 £000
(46)	**Balance at 1 April**	**(50)**
46	Settlement or cancellation of accrual made at the end of the preceding year	50
(50)	Amounts accrued at the end of the current year	(44)
(50)	**Balance at 31 March**	**(44)**

29. POST EMPLOYMENT BENEFITS

29.1 Participation in defined benefit pension plan

As part of the terms and conditions of employment of its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The Council also has liabilities for discretionary payments for added years, etc. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

The East Sussex Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of East Sussex County Council. Policy is determined in accordance with the Pensions Funds Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note 2.6.

29.2 Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council Tax is based on the contributions payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2017/18 £000		2018/19 £000
	Service Cost comprising:	
6,939	Current Service Costs	7,235
580	Past Service Costs	1,008
	Financing & Investment Income & Expenditure	
1,150	Net Interest Expense	1,237
8,669	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**9,480**
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
129	Return on Plan Assets (excluding the amount included in the net interest expense)	(7,264)
(3,728)	Actuarial (Gains) and losses arising on changes in financial assumptions	12,498
(269)	Other	33
(3,868)	**Other Comprehensive Income & Expenditure**	**5,267**
4,801	**Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement**	**14,747**
	Movement in Reserves Statement	
8,669	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,480
(2,613)	Actual amount charged to the General Fund Balance for pensions in the year	(4,140)
6,056	**Net adjustment in Movement in Reserves Statement**	**5,340**

29.3 Pensions Assets and Liabilities recognised in the balance Sheet

The amount included in the Balance Sheet for the Council's obligation in respect of its defined plans is as follows:

31 March 2018 £000		31 March 2019 £000
153,411	Fair value of employer assets	164,979
(194,186)	Present value of funded liabilities	(216,499)
(4,785)	Present value of unfunded liabilities	(4,647)
(45,560)	**Net liability arising from defined benefit obligation**	**(56,167)**

29.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

2017/18 £000		2018/19 £000
142,465	Opening fair value of assets	153,411
3,681	Interest income	3,990
	Re-measurement gain/(loss):	
(129)	The return on plan assets, excluding the amount included in the net interest expense	7,264
3,579	Contributions from employer - Funded	3,808
342	Contributions from employer - Unfunded	332
1,146	Contributions from employees into the scheme	1,211
(4,587)	Benefits paid - Funded	(4,705)
(342)	Benefits paid - Unfunded	(332)
7,256	Effect of business combinations and disposals	-
153,411	**Closing fair value of scheme assets**	**164,979**

29.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2017/18 £000		2018/19 £000
(185,837)	Opening balance at 1 April	(198,971)
(6,939)	Current service costs	(7,235)
(4,831)	Interest costs	(5,227)
(1,146)	Contributions from scheme participants	(1,211)
(8,564)	Effect of business combinations and disposals	-
	Re-measurement (gains) and losses:	
3,728	Actuarial gains/(losses) arising from changes in financial assumptions	(12,498)
269	Other	(33)
(580)	Past service costs	(1,008)
4,587	Benefits paid - funded	4,705
342	Benefits paid - unfunded	332
(198,971)	**Closing Balance at 31 March**	**(221,146)**

29.6 Local Government Pension Scheme Assets comprised:

31 March 2018 Quoted prices in active markets	31 March 2018 Quoted prices not in active markets	31 March 2018 Total	31 March 2018 % of Total Assets		31 March 2019 Quoted prices in active markets	31 March 2019 Quoted prices not in active markets	31 March 2019 Total	31 March 2019 % of Total Assets
£000	£000	£000			£000	£000	£000	
				Equity Securities:				
2,858	-	2,858	2%	Consumer	1,963	-	1,963	1%
1,513	-	1,513	1%	Manufacturing	1,350	-	1,350	1%
258	-	258	0%	Energy and utilities	390	-	390	0%
4,640	-	4,640	3%	Financial Institutions	1,839	-	1,839	1%
2,627	-	2,627	2%	Health and care	299	-	299	0%
2,186	-	2,186	1%	Information technology	-	-	-	0%
306	520	826	1%	Other	322	-	322	0%
14,388	**520**	**14,908**	**10%**	**Sub-total equity**	**6,163**	**-**	**6,163**	**3%**
				Debt Securities:				
-	4,251	4,251	3%	UK Government	-	3,993	3,993	3%
274	-	274	0%	Other	-	3,055	3,055	2%
274	**4,251**	**4,525**	**3%**	**Sub-total Debt Securities**	**-**	**7,048**	**7,048**	**5%**
				Private equity:				
-	**8,779**	**8,779**	**6%**	All	**-**	**10,146**	**10,146**	**6%**
				Real Estate:				
-	14,711	14,711	10%	UK Property	-	15,453	15,453	9%
-	**14,711**	**14,711**	**10%**	**Sub-total Real Estate**	**-**	**15,453**	**15,453**	**9%**
				Investment Funds & Unit Trusts:				
19	84,473	84,492	54%	Equities	-	91,069	91,069	55%
-	17,698	17,698	12%	Bonds	-	27,148	27,148	17%
-	154	154	0%	Hedge Funds	-	107	107	0%
227	-	227	0%	Commodities	279	-	279	0%
-	1,696	1,696	1%	Infrastructure	-	978	978	1%
-	167	167	0%	Other	-	34	34	0%
246	**104,188**	**104,434**	**67%**	**Sub-total Investment Funds & Unit Trusts**	**279**	**119,336**	**119,615**	**73%**
				Derivatives:				
-	32	32	0%	Foreign Exchange	-	(19)	(19)	0%
-	**32**	**32**	**0%**	**Sub-total Derivatives**	**-**	**(19)**	**(19)**	**0%**
				Cash & Cash Equivalents				
3,869	**2,153**	**6,023**	**4%**	All	**6,579**	**(5)**	**6,574**	**4%**
18,777	**134,634**	**153,411**	**100%**	**Total**	**13,020**	**151,959**	**164,979**	**100%**

The breakdown of assets in monetary terms in the table above have been shown to the nearest £1,000. The additional precision in the presentation of the figures has been included, but the sum of the values rounded to the nearest £1,000 (or 1%) may not equal the total value due to rounding.

29.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2016. The main assumptions used in their calculations are:

The significant assumptions used by the actuary have been:

2017/18		2018/19
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.1	Men	22.1
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
23.8	Men	23.8
26.3	Women	26.3
2.4%	Rate of inflation	2.5%
2.8%	Rate of increase in salaries	2.9%
2.4%	Rate of Increase in Pensions	2.5%
2.6%	Rate for discounting scheme liabilities	2.4%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumption set out in the table above. (See also Note 5) The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate % Increase to Employer Liability	**Approximate monetary amount (£000)**
0.5% decrease in Real Discount Rate	10%	22,923
1 year increase in member life expectancy	3-5%	6,877 – 11,462
0.5% increase in the Salary Increase Rate	2%	3,398
0.5% Increase in the Pension Increase Rate	9%	19,133

29.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The triennial valuation due at 31 March 2019 has been completed.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2017. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £3,724,000 expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2016.

	Liability Split (£000) as at 31 March 2019	**Liability Split (%) as at 31 March 2019**	**Weighted Average Duration**
Active Members	108,974	50.3%	24.2
Deferred Members	40,780	18.8%	21.5
Pensioner Members	66,745	30.8%	10.7
Total	**216,499**	**100%**	**16.0**

30. CASH AND CASH EQUIVALENTS

The surplus on the provision of services has been adjusted for the following noncash movements:

2017/18 Restated £000		**2018/19 £000**
(7,496)	Depreciation	(7,804)
8,624	Impairment and (reversal) of impairment and valuation movements	4,723
(632)	Amortisation	(733)
(24)	Increase in impairment for bad debts	-
(51)	Increase / (Decrease) in creditors	(6,333)
5,191	(Increase) / Decrease in Debtors	12,520
32	(Increase) / Decrease in Inventories	(7)
(6,056)	Movement in pension liability	(5,340)
(3,884)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(11,204)
(2,897)	Other non-cash items charged to the net surplus or deficit on the provision of services (including Financial Guarantee)	(16,649)
(7,193)	**Adjustment for Non-Cash Movements included in the provision of services**	**(30,827)**

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

£000		**£000**
-	Proceeds from short and long term investments	8,651
1,418	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,478
11,027	Other items for which the cash effects are investing or financing activities	2,952
12,445	**Adjustment for items that are investing and financing activities**	**13,081**

£000	**Investing Activities**	**£000**
44,093	Purchase of property, plant and equipment, investment property and intangible assets	38,595
-	Purchase of short-term and long-term investments	4,742
2,861	Other payments for investing activities	3,397
(4,085)	Proceeds from sales of property, plant and equipment, investment property and intangible assets	(1,478)
-	Proceeds from short and long term investments	(8,651)
(10,108)	Other receipts from investing activities	(3,988)
32,761	**Net cash flows from investing activities**	**32,617**

£000	**Financing Activities**	**£000**
(74,890)	Cash receipts of short and long-term borrowing	(63,000)
2,018	Other receipts from financing activities	840
34,890	Repayment of short and long-term borrowing	44,433
(37,982)	**Net cash flows from financing activities**	**(17,727)**

Reconciliation of Liabilities arising from Financing Activities	1 April 2018	Financing Cash Flows	Non-Cash Changes	31 March 2019
	£000	£000	£000	£000
Long Term Borrowings	(82,050)	(14,567)	-	(96,617)
Short Term Borrowings	(23,374)	(4,000)	(73)	(27,447)
Net cash outflow from financing activities	**(105,424)**	**(18,567)**	**(73)**	**(124,064)**

31. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

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 was set at £470,000. 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. A payment of £70,437 was made during 2013/14 and £46,958 during 2015/16 by the Council and the balance of £353,000 will continue to be a contingent liability.

Towner Trust

On 1st July 2014, 16 staff employed by the council who were members of the LGPS were TUPEd to the Towner Trust. The council retains a liability of any deficit that may arise in the future from the pension liability of the Towner Trust. The value of any future liability cannot be accurately determined.

Eastbourne Borough Football Club (EBFC)

As freeholder of the EBFC football pitch, the Council has provided a guarantee for EBFC in respect of a finance agreement to improve the football pitch. The maximum liability is £500,000.

Bedfordwell Road

The Council purchased land at Bedfordwell Road on 24 March 2018. Overage, capped at £1m, may be payable under certain circumstances.

Contingent Assets

Overpaid VAT

A number of Councils are in the process of legal action against Royal Mail and HM Revenue and Customs to recover VAT on postal services. The Council has claims amounting to £804,000 for VAT on Postal Services. The case is currently subject to legal decision.

32. POST BALANCE SHEET EVENTS

Key Considerations in relation to COVID-19

In March 2020, the UK was placed in lock-down in an unprecedented step to limit the spread of the Coronavirus which was sweeping Europe. Many businesses were closed, and the Government provided initial financial support in the order of £123 billion in loans, grants, and business rates relief. In April 2020, the Budget Deficit increased by £62 billion to part fund these initiatives, amid warnings from the Bank of England of the worst recession since the 18th Century.
In response to the COVID-19 outbreak, The Ministry of Housing Communities and Local Government was clear that any council who made an immediate response to the COVID19 outbreak would be financially supported in their decision making by the government. In addition, the government has been making a series of ongoing policy announcements, which has meant that local authorities have had to respond quickly to new announcements and understand the financial implications arising.

The Council has played a significant role in responding to Covid19, in supporting businesses and the most vulnerable in our communities as well as running essential services. The financial impact of Covid19 has been an evolving picture and this will continue into 2021/22. The Council is forecasting additional costs in 2020/21 in the region of £3.7m including homelessness prevention, unachieved savings, redeployment costs, support for the Leisure services, additional PPE, community grants and cleaning costs.

The Council's income streams have been affected, with projected losses in the region of £10m including admissions, sales, trade waste, car parking, planning income, and rental income. The Government has provided support to local authorities through £4.6bn, new burdens funding, and income compensation support (75p compensation in every 95p of income loss from fees and charges).

The financial impact of Covid19 continue to be difficult to predict, income streams have been reviewed and revised where appropriate. Conversely, if businesses and households continue to experience lower incomes then lower Council Tax, Business Rates and other income to the Council will remain below those anticipated in the Budget. These longer-term risks emphasise the importance of additional government financial support to local authorities as a consequence of the pandemic and the extra vital work we are carrying out in supporting vulnerable households and local businesses. These matters will be monitored closely and modelled with regular updates to members.

MHCLG financial support and capitalisation directive

In August 2020, it became very clear that a July recovery and bounce back was no longer an option and the Council's Chief Finance Officer initiated a formal notification process with MHCLG asking for financial support or capitalisation directive.

On 2nd February 2021, Luke Hall, MP and Minister of State for Regional Growth and Local Government in a letter addressed to Cllr Tutt, Leader of the Council, approved a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, for the financial year 2020/21 and up to £6m for 2021/22.

The letter included:
*With respect to the financial year of 2020/21, the Secretary of State is content to approve a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, subject to conditions. The conditions would be set out in the capitalisation direction when issued. With respect to the financial year of 202*1/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £6m. Again, such a direction may be subject to conditions, which would be set out in the capitalisation direction when issued.

HOUSING REVENUE ACCOUNT (HRA)

2017/18 Restated £000		2018/19 £000
	Income	
(14,011)	Dwelling Rents	(14,174)
(378)	Non-Dwelling Rents	(42)
(1,213)	Charges for Services and Facilities	(1,504)
(661)	Contributions Towards Expenditure	(444)
(16,263)	**Total Income**	**(16,164)**
	Expenditure	
941	Repairs and Maintenance	732
7,898	Supervision and Management	7,955
333	Rents, rates, taxes and other charges	422
(2,530)	Depreciation, Amortisation and Impairment Reversals of Non Current Assets	(874)
14	Movement in the allowance for bad debts	66
28	Debt Management Costs	20
6,684	**Total Expenditure**	**8,321**
(9,579)	**Net Income for HRA Services as included in the whole authority Income and Expenditure Statement**	**(7,843)**
65	HRA services share of Corporate and Democratic Core	68
(9,514)	**Net Income for HRA Services**	**(7,775)**
2,067	(Gain)/loss on sale of HRA assets	4,068
1,856	Interest Payable and Similar Charges	1,918
(25)	Interest and Investment Income	(62)
(236)	Capital Grants and Contributions Received	(13)
(5,852)	**Surplus for the Year**	**(1,864)**

MOVEMENT ON THE HRA STATEMENT

2017/18 Re-stated £000	£000		2018/19 £000	£000
	(4,366)	**Housing Revenue Account opening balance**		**(5,188)**
(5,852)		**(Surplus)/Deficit on HRA Income and Expenditure Statement**	**(1,864)**	
		Adjustments between accounting and funding basis:		
134		Capital expenditure financed by the HRA	354	
236		Capital Grants and Contributions received	13	
(6,138)		Reverse non-current assets written off on disposal	(5,144)	
4,071		Proceeds from sales of non-current assets	1,076	
2,177		Transfer from Capital Adjustment Account	4,912	
4,174		Transfer to Major Repairs Reserve	-	
(1,198)			**(653)**	
376		Transfers (to)/from earmarked reserves	(106)	
	(822)	Increase in year on HRA		(759)
	(5,188)	**Housing Revenue Account closing balance**		**(5,947)**

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 and other income.

The Council has transferred responsibility for the management of its housing stock to Eastbourne Homes Ltd, as outlined in Note 12.4 above.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2018		31 March 2019
	Houses and Bungalows	
16	- one bedroom	16
526	- two bedrooms	522
1,116	- three bedrooms	1113
51	- four or more bedrooms	51
1,709	**Total Houses and Bungalows**	**1,702**
	Flats	
1,029	- one bedroom	1,031
538	- two bedrooms	537
5	- three or more bedrooms	4
129	- bed-sits	129
1,701	**Total Flats**	**1,701**
3,410	**All Dwellings**	**3,403**

In addition, the Council has shared ownership arrangements covering 19.5 full property equivalents (19.5 at 31 March 2018). The Council no longer has any properties under short-term property leases.

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

	31 March 2018 £000	31 March 2019 £000
Dwellings	181,319	181,803
Other Land and Buildings	1,137	1,099
Total	**182,456**	**182,902**

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilkes, Head & Eve as at 1 April 2016, which resulted in a market vacant possession value of the housing stock at 1 April 2016 of £537m, and after disposals the value is £523m as at 1 April 2016. The stocks as at 31 March 2019 include 17 new build units which are not included in the valuation as at 1 April 2016 and cost £2.5m to build. The vacant possession of garages is £2.6m (68 garages sold). The 2018/19 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value (68% and 32% in 2015/16).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; where capital expenditure is funded from the MRR the MRR is debited and the Capital Adjustment Account credited.

2017/18		2018/19
£000		£000
(514)	Balance as at 1 April	(865)
3,823	Financing of Capital Expenditure	4,162
(4,174)	Depreciation	(4,352)
(865)	**Balance as at 31 March**	**(1,055)**

4. CAPITAL EXPENDITURE AND FINANCING

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

2017/18		**2018/19**
£000		**£000**
6,627	**Total Capital Expenditure**	**5,099**
	Funding:	
949	Borrowing	-
264	Government Grant	-
784	Capital Receipts	158
3,823	Major Repairs Reserve	4,162
147	Earmarked Reserves	357
85	S106 Contributions	-
575	Other Contributions	422
6,627	**Total Funding**	**5,099**

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2017/18		**2018/19**
£000		**£000**
2,885	Right to Buy Sales of Houses and Flats	1,064
1,160	Other Sales	13
26	Repayment of Right to Buy Discount	-
4,071		**1,077**

6. DEPRECIATION

2017/18		**2018/19**
£000		**£000**
4,158	Dwellings	4,336
16	Other Land and Buildings	16
4,174	**Total HRA Assets**	**4,352**

7. REVALUATION OF HRA STOCK

A full revaluation of HRA stock was carried out by Wilks Head & Eve as at 1 April 2016 which resulted in an increase in value of £36m. Further market changes and investment in council dwellings have occurred since and the current market value of HRA stock is disclosed in Note 1 above. An annual desk top revaluation review is carried out for all property to identify any material changes in value. As at 31 March 2019 the valuers advised an increase of 4% for council dwellings during 2018/19, excluding any consideration of capital expenditure. This has resulted in an upward revaluation of £5.3 million. Following a review of capital expenditure to improve council dwellings, expenditure is now de-recognised in the year that it is incurred. De-recognition for expenditure in 2016-17 and 2017-18 totalling £7.93m has been included as a prior period adjustment to the accounts (see Council Dwellings in Note 18 Property, Plant and Equipment).

8. RENT ARREARS

Rent arrears at 31 March 2019 amounted to £909,000 compared with £553,000 at 31 March 2018. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2018/19 former tenant arrears of £42,000 were written off (£39,000 in 2017/18).

The Council has an impairment allowance for doubtful debts of £209,000 at 31 March 2019 (£144,000 at 31 March 2018).

COLLECTION FUND REVENUE ACCOUNT

2017/18 Total £000		Business Rates £000	2018/19 Council Tax £000	Total £000
	Income			
61,998	Income collectable from Council Tax	-	65,837	65,837
33,321	Income collectable from Non-Domestic Rates	34,526	-	34,526
556	Transitional Relief	574	-	574
	Contribution towards previous year's Collection Fund Deficit			
427	Central Government	1,485	-	1,485
77	East Sussex County Council	267	-	267
341	Eastbourne Borough Council	1,188	-	1,188
9	East Sussex Fire Authority	30	-	30
96,729	**Total Fund Income**	**38,070**	**65,837**	**103,907**
	Expenditure			
	Precepts, Demands and Shares			
17,865	Central Government	18,157	-	18,157
47,804	East Sussex County Council	3,268	47,859	51,127
22,193	Eastbourne Borough Council	14,525	8,234	22,759
5,221	Sussex Police Authority	-	5,700	5,700
3,356	East Sussex Fire Authority	363	3,126	3,489
96,439		**36,313**	**64,919**	**101,232**
126	Business Rates Costs of Collection	129	-	129
	Charges to Collection Fund			
2,624	Allowance for Appeals	853	-	853
(2,807)	Backdated changes in Rateable Values	(540)	-	(540)
359	Write-offs of uncollectable amounts	37	149	186
321	Allowance for impairment of doubtful debts	15	299	314
497		**365**	**448**	**813**
	Apportionment of previous year's Collection Fund Surplus			
713	East Sussex County Council	-	1,012	1,012
130	Eastbourne Borough Council	-	179	179
85	Sussex Police Authority	-	118	118
50	East Sussex Fire Authority	-	68	68
978		**-**	**1,377**	**1,377**
98,040	**Total Fund Expenditure**	**36,807**	**66,744**	**103,551**
1,311	**Movement on Fund Balance**	**(1,263)**	**907**	**(356)**
	COLLECTION FUND BALANCE			
943	**Balance at 1st April**	3,521	(1,267)	2,254
1,311	(Surplus)/Deficit for the year	(1,263)	907	(356)
2,254	**Balance as at 31st March**	**2,258**	**(360)**	**1,898**

NOTES TO THE COLLECTION FUND

1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:

		2018/19 £000
Gross amount of Council Tax		83,686
Less:	Council Tax Support Scheme	(7,679)
	Discounts	(7,831)
	Exemptions	(2,245)
	Disabled Relief	(94)
Net Yield from Council Tax		**65,837**

Council Tax Base

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings), was calculated as follows:

Band	Chargeable Dwellings	Est Taxable Properties	Ratio to Band D	Band D Equiv	Yield £000
A Dis Red	13	7	5/9	4	8
A	8,297	4,926	6/9	3,284	6,206
B	12,816	9,522	7/9	7,406	13,995
C	10,573	8,601	8/9	7,645	14,447
D	8,447	7,367	9/9	7,367	13,921
E	4,455	4,056	11/9	4,957	9,367
F	1,998	1,862	13/9	2,690	5,083
G	1,096	1,016	15/9	1,693	3,199
H	54	50	18/9	100	189
	47,749	**37,407**		**35,146**	**66,415**
Less average 2.5% reduction to allow for collection losses etc.				(879)	(1,662)
Council Tax Base				**34,267**	**64,753**

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 (as above)	A	34,266.6
Band D Council Tax 2018/19 (Budget report)	B	£1,889.69
Theoretical gross yield	A x B	£64,753,195
Actual gross yield (as above)	C	£65,836,949
Theoretical gross yield - actual gross yield	(A x B) – C	(£1,083,754)

2. INCOME FROM BUSINESS RATE PAYERS

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency multiplied by a uniform business rate set nationally by Central Government. The table below shows the total rateable value and multipliers.

		2017/18	2018/19
Total non-domestic rateable value	**£m**	90.4	91.2
Multiplier	**p**	47.9	49.3
Multiplier (Small businesses)	**p**	46.6	48.0
Product	**£m**	60.5	33.3

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.

The business rates share payable in 2018/19 was estimated before the start of the financial year as £36.3m. These sums have been paid into 2018/19 and charged to the collection fund in year. This council's share is £14.5m.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	**Precept**	**COUNCIL TAX Distribution of prior years deficit**	**Total**	**NON-DOMESTIC BUSINESS RATES Share**	**Distribution of prior years surplus**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Eastbourne Borough Council	8,234	179	8,413	14,525	(1,188)	13,337
Central Government	-	-	-	18,157	(1,485)	16,672
East Sussex County Council	47,859	1,012	48,871	3,268	(267)	3,001
Sussex Police	5,700	118	5,818	-	-	-
East Sussex Fire Authority	3,126	68	3,194	363	(30)	333
Total	**64,919**	**1,377**	**66,296**	**36,313**	**(2,970)**	**33,343**

When the retained business rates income scheme was introduced, Central Government set a baseline funding level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive the baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. Any sums above the baseline funding are subject to a levy payment, for this Council this is 50%. The amounts for this Council are as follows:

	2017/18 £000	**2018/19 £000**
Actual Business Rate income due	13,517	14,909
Tariff payment	(10,330)	(10,693)
	3,187	**4,216**
Baseline Funding	(3,419)	(3,513)
Amount above (below) baseline	**(232)**	**703**

4. COLLECTION FUND BALANCE

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

	COUNCIL TAX 31 March 18 £000	**31 March 19 £000**	**BUSINESS RATES 31 March 18 £000**	**31 March 19 £000**
Eastbourne Borough Council	(165)	(46)	1,409	903
Central Government	-	-	1,761	1,129
East Sussex County Council	(930)	(265)	316	202
Sussex Police Authority	(109)	(31)	-	-
East Sussex Fire Authority	(63)	(17)	35	23
Surplus (Deficit)	**(1,267)**	**(359)**	**3,521**	**2,257**

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

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. Where notes have not been included in the group accounts, the impact is not considered to be material.

Eastbourne Homes Ltd and Eastbourne Housing Investment Company Ltd

As set out in Note 12.4 and 12.8 above, Eastbourne Homes Ltd (EHL and Eastbourne Housing Investment Company Ltd (EHIC) are wholly owned subsidiaries of the Council, and group accounts are therefore prepared to combine the accounts of the Council and the two companies. Transactions and indebtedness between the Council and the companies have been eliminated in the preparation of these accounts.

South East Independent Living Ltd

South East Independent Living Ltd (SEILL), is a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL and their accounts have been incorporated with the accounts of EHL. The principal activity of SEILL is the delivery of a short-term housing floating support service for people of 65 and over who live in Eastbourne, Lewes or Wealden district.

South East Environmental Services Limited

South East Environmental Services Limited (SEESL), a private limited company, was incorporated 31st August 2018. It is a wholly owned by the Council and has been set up to provide waste and recycling services. The accounts of SEESL have not been included in the Group accounts as the impact is not considered as material.

Aspiration Homes LLP

Aspiration Homes LLP (AH) is a limited liability partnership incorporated 30 June 2017 and commenced trading 21 December 2017. There is an Executive Committee made up of 6 members (3 EBC and 3 LDC). AH is jointly owned by Eastbourne BC and Lewes DC with joint control. It has therefore been consolidated into the group accounts as a joint venture under the equity method with each authority including their share of rights to the net assets of the company.

Investment Company Eastbourne Ltd and Infrastructure Investments Leicester Ltd

In May 2018, the Council's wholly owned the Investment Company Eastbourne Limited (ICE) entered into a deal with a private company, Infrastructure Investments Leicester Ltd (IIL), in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee.

The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, this supports the Council income generation activities to help provide services and improve their financial position.

IIL owns and operates the Property, known as St George's Tower, which is a large and predominately commercial building in Leicester. IIL also acts as a landlord and leases the building to a number of tenants, which include a hotel, a gym, student facilities and commercial offices. IIL is a privately-owned company, which was incorporated and is registered in England.

IIL refinanced its previous loans from Investec Bank and Leicester City Council with a £48m, 30-year loan provided by Canada Life (the Loan) in respect of the Property (the Scheme). As part of the refinancing arrangements, Eastbourne Borough Council (the Council) was approached by the Shareholders to provide a guarantee in respect of the Loan via a special purpose vehicle, ICE, which is a wholly owned subsidiary of the Council. ICE acts as the principal guarantor, with the Council being the ultimate guarantor (the Guarantee).

In return for providing the Guarantee, ICE received from IIL a £5.5m initial guarantee fee upfront and will receive a £0.3m annual guarantee fee (which is indexed annually on RPI but up to a 4.4% cap). ICE paid a £2m initial guarantee fee to the Council and pays the annual guarantee fee on to the Council. The Council (as ultimate guarantor), ICE and IIL entered into a Development and Asset Management Agreement (DAMA) which outlines the responsibilities of each party with respect to the management of the Property and the guarantee fees attributable to ICE. Under the DAMA, ICE will receive the guarantee fee before any payment of the asset management fee.

As part of the Guarantee arrangement, ICE purchased a share option from the IIL's for a sum of £3.5m, whereby ICE is entitled to acquire, at any time (irrespective of whether the loan is in default), 49.5% of the issued share capital of IIL for £1, and to receive 100% of the shares of the company, or the property, in the event of a default on the loan. At the end of the loan term, and assuming no default event occurs, the property will be jointly marketed and sold. ICE is entitled to a preferential priority waterfall on the sale, after 30 years, i.e., first £35m to go to ICE, the balance up to £70m is to the remaining shareholders of IIL and any amount over £70m will be split equally across all shareholders of IIL.

The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, a default event would also give rise to an entitlement to receive 100% of the shares of IIL or the Property. As at 31st March 2019 there were no conditions or events which would trigger any liability.

IIL is accounted for as a joint venture under the equity method in the Group Accounts. The £3.5m investment in the joint venture was recognised at cost in May 2018. The investment has subsequently been adjusted to £3.436m for the Council's 49.5% share of IIL's post acquisition losses for the period May 2018 to March 2019.

The loan guarantee and rental guarantee are shown as Other Long-Term Liabilities in Note 25. The contract receivable in respect of the transaction is shown in Note 24 within Long-Term Debtors. The first instalment of the annual income fee is due in 2019/20. In accounting for the transaction, the Council has made a number of critical judgements and estimates which are disclosed in Notes 4 and 5.

Greencoat House Ltd

The Council's interest in Greencoat House Ltd were sold during 2018-19.

CloudConnX

The Council owns 48% of the B shares in CloudConnX and has significant influence, but not control. The accounts of CloudConnX have not been included in the Group accounts as the effect is immaterial.

Eastbourne Downs Water Company Ltd

EDWC, a private limited company, was incorporated 24 August 2016. The company is wholly owned by Eastbourne Borough Council. There have been no transactions during the period to 31 March 2019 and the company is currently dormant. The principal activity of EDWC will be to supply water to Downland Farms. The company is exempt from the requirement to prepare individual accounts under section 394A, or to file individual accounts under 448A of the Companies Act 2006.

GROUP MOVEMENT IN RESERVES STATEMENT

	EBC Usable Reserves	EBC Unusable Reserves	Total EBC Reserves	Share of Reserves of Subsidiaries and Joint Ventures	Total Group Reserves
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2017 as previously stated	**(27,290)**	**(215,664)**	**(242,954)**	**(486)**	**(243,440)**
Restatement (see Note)	**-**	4,043	4,043	**-**	**4,043**
Restated Balance at 1 April 2017	**(27,290)**	**(211,621)**	**(238,911)**	**(486)**	**(239,397)**
Movement in Reserves 2017/18					
Total Comprehensive Expenditure and Income	(1,783)	(1,741)	(3,524)	(794)	**(4,318)**
Adjustments between accounting basis & funding basis under regulation (note 8)	(1,019)	1,019	**-**	-	**-**
Transfers (to)/from Earmarked Reserves	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(2,802)**	**(722)**	**(3,524)**	**(794)**	**(4,318)**
Balance at 31 March 2018 as previously stated	**(30,092)**	**(224,154)**	**(254,246)**	**(1,280)**	**(255,526)**
Restatement (see Note)	**-**	7,927	**7,927**	(349)	**7,578**
Restated Balance at 31 March 2018	**(30,092)**	**(216,227)**	**(246,319)**	**(1,629)**	**(247,948)**
Movement in Reserves 2018/19					
Total Comprehensive Expenditure and Income	4,224	2,704	6,928	(1,049)	**5,879**
Adjustments between accounting basis & funding basis under regulation (note 8)	(957)	957	**-**	-	**-**
Transfers (to)/from Earmarked Reserves	**-**	-	**-**	-	**-**
(Increase) / Decrease in Year	**3,267**	**3,661**	**6,928**	**(1,049)**	**5,879**
Balance at 31 March 2019	**(26,825)**	**(212,566)**	**(239,391)**	**(2,678)**	**(242,069)**

Note:

The Council figures have been restated as per Note 1 to the Eastbourne Borough Council (EBC) accounts which is reflected in the Group position.

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Restated 2017/18				2018/19		
Expend £000	**Income £000**	**Net £000**		**Expend. £000**	**Income £000**	**Net £000**
9,301	(581)	8,720	Corporate Services	7,372	(461)	6,911
63,202	(54,199)	9,003	Service Delivery	59,321	(50,480)	8,841
4,686	(1,575)	3,111	Regeneration and Planning	5,099	(1,705)	3,394
10,338	(5,967)	4,371	Tourism and Enterprise	11,332	(6,129)	5,203
15,490	(26,024)	(10,534)	Housing Revenue Account (incl EHL)	16,810	(24,201)	(7,691)
103,017	**(88,346)**	**14,671**	**Cost of Services**	**99,934**	**(83,276)**	**16,658**
216	-	216	Levy Payable	222	-	222
281	-	281	Payments to housing capital receipts pool	281	-	281
3,884	(1,419)	2,465	(Gains) / Losses on sale and de-recognition of non-current assets	11,204	(10,129)	1,075
4,381	**(1,419)**	**2,962**	**Other Operating Expenditure**	**11,707**	**(10,129)**	**1,578**
2,788	-	2,788	Interest payable & similar charges	3,022	-	3,022
-	-	-	Fair Value movement in shares	212	-	212
-	-	-	Income from amortisation of Financial Guarantee contract	-	(496)	(496)
1,150	-	1,150	Net Interest on the Net Defined Benefit Liability	1,240	-	1,240
-	(352)	(352)	Interest receivable & Other Investment Income	-	(539)	(539)
1,224	(2,359)	(1,135)	Investment Properties	1,713	(5,627)	(3,914)
1,595	(1,489)	106	Trading Accounts	2,378	(1,455)	923
6,747	**(4,200)**	**2,547**	**Financing and Investment Income and Expenditure**	**8,565**	**(8,117)**	**448**
-	(11,467)	(11,467)	Non-specific grants and contributions	-	(4,492)	(4,492)
-	(8,007)	(8,007)	Council Tax income	-	(8,294)	(8,294)
10,330	(13,550)	(3,220)	Business Rates Retention	11,044	(13,569)	(2,525)
10,330	**(33,024)**	**(22,694)**	**Taxation and non-specific grant income**	**11,044**	**(26,355)**	**(15,311)**
		(2,514)	**(Surplus) or Deficit on Provision of Services**			**3,373**
		(349)	Joint Ventures accounted for on an equity basis			(246)
		-	Tax Expenses			14
		(2,863)	**Group (Surplus) or Deficit on Provision of Services**			**3,141**
		(1,757)	Surplus on revaluation of Property, Plant and Equipment Assets			(2,563)
		(3,931)	Re-measurement of the net defined benefit liability			5,301
		(5,688)	**Other Comprehensive Income and Expenditure**			**2,738**
		(8,551)	**Total Comprehensive Income and Expenditure**			**5,879**

GROUP BALANCE SHEET

1 April 2017 Restated £000	31 March 2018 Restated £000		Notes	31 March 2019 £000	£000
308,598	328,476	Property, Plant & Equipment	2	357,569	
15,034	15,034	Heritage Assets		15,034	
11,358	32,166	Investment Property	3	36,754	
4,478	4,995	Intangible Assets		6,279	
238	323	Long Term Investments		1,030	
-	349	Investment in Joint Ventures		4,081	
5,039	5,209	Long Term Debtors	4	16,593	
344,745	**386,552**	**Long Term Assets**			**437,340**
378	-	Assets Held for Sale		-	
107	139	Inventories		132	
12,521	20,403	Short Term Debtors	4	18,241	
4,968	5,707	Cash and Cash Equivalents		6,199	
17,974	**26,249**	**Current Assets**			**24,572**
(10,310)	(23,374)	Short Term Borrowing		(27,447)	
(11,765)	(13,059)	Short Term Creditors	5	(21,365)	
(562)	(489)	Short Term Provisions		(614)	
(116)	(13)	Revenue Grants Receipts in Advance		(13)	
(22,753)	**(36,935)**	**Current Liabilities**			**(49,439)**
(772)	(204)	Long Term Creditors		(69)	
(55,050)	(82,050)	Long Term Borrowing		(96,617)	
-	-	Other Long Term Liabilities		(17,379)	
(44,747)	(45,664)	Long Term Liabilities Pensions	6	(56,339)	
(100,569)	**(127,918)**	**Long Term Liabilities**			**(170,404)**
239,397	**247,948**	**NET ASSETS**			**242,069**
(27,776)	(31,721)	Usable reserves			(29,503)
(211,621)	(216,227)	Unusable Reserves			(212,566)
(239,397)	**(247,948)**	**TOTAL RESERVES**			**(242,069)**

GROUP CASH FLOW STATEMENT

2017/18 Restated £000	GROUP CASH FLOW STATEMENT	2018/19 £000
(2,863)	Net (Surplus) or deficit on provision of services	3,141
(7,814)	Adjustment to net (surplus)/deficit on the provision of services for non-cash movements	(33,375)
12,445	Adjustment for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	13,081
1,768	**NET CASH FLOWS FROM OPERATING ACTIVITIES**	**(17,153)**
35,475	Investing Activities	34,388
(37,982)	Financing Activities	(17,727)
(739)	**NET (INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS**	**(492)**
(4,968)	Cash and cash equivalents at the beginning of the reporting period	(5,707)
(5,707)	**CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD**	**(6,199)**

	COMPONENTS OF CASH AND CASH EQUIVALENTS	
£000		**£000**
2,675	Bank Current Accounts	6,160
32	Cash held by the Authority	39
3,000	Short-term deposits with banks	-
5,707	**TOTAL CASH AND CASH EQUIVALENTS**	**6,199**

NOTES TO THE GROUP ACCOUNTING STATEMENTS

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 the 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.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 31 March 2018 as previously stated	**198,444**	**97,947**	**10,286**	**33,820**	**4,131**	**24,364**	**124**	**369,116**
Restatement	(8,137)	-	-	-	-	-	-	**(8,137)**
Restated Cost or Valuation at 1 April 2018	**190,307**	**97,947**	**10,286**	**33,820**	**4,131**	**24,364**	**124**	**360,979**
Additions	4,675	1,213	1,144	288	-	30,632	-	**37,952**
Donations	-	-	-	-	-	-	-	**-**
Revaluation increases recognised in the Revaluation Reserve	-	2,563	-	-	-	-	-	**2,563**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	5,253	(530)	-	-	-	-	-	**4,723**
De-recognition – Disposals	(5,384)	(3,274)	(493)	(301)	-	-	-	**(9,452)**
At 31 March 2019	**194,851**	**97,919**	**10,937**	**33,807**	**4,131**	**54,996**	**124**	**396,755**
Accumulated Depreciation and Impairment								
At 31 March 2018 as previously stated	**(8,061)**	**(3,482)**	**(3,569)**	**(17,038)**	**(563)**	**-**	**-**	**(32,713)**
Restatement	210	-	-	-	-	-	-	**210**
Restated at 1 April 2018	**(7,851)**	**(3,482)**	**(3,569)**	**(17,038)**	**(563)**	**-**	**-**	**(32,503)**
Depreciation Charge	(4,337)	(2,781)	(723)	(837)	-	-	-	**(8,678)**
Depreciation written out to the Revaluation Reserve	-	875	-	-	-	-	-	**875**
De-recognition - disposal	239	365	493	13	-		-	**1,110**
At 31 March 2019	**(11,949)**	**(5,023)**	**(3,799)**	**(17,862)**	**(563)**	**-**	**-**	**(39,196)**
Net Book Value								
At 31 March 2019	182,902	92,896	7,138	15,945	3,568	54,996	124	**357,569**
At 31 March 2018 as restated	182,456	94,465	6,717	16,782	3,568	24,364	124	**328,476**
At 31 March 2018 as previously stated	190,383	94,465	6,717	16,782	3,568	24,364	124	**336,403**

The equivalent figures re-stated for 2017/18 are shown below:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 31 March 2017 as previously stated	**187,155**	**91,386**	**11,080**	**33,819**	**4,020**	**11,945**	**118**	**339,523**
Restatement	(4,185)	-	-	-	-	-	-	**(4,185)**
Restated Cost or Valuation at 1 April 2017	**182,970**	**91,386**	**11,080**	**33,819**	**4,020**	**11,945**	**118**	**335,338**
Additions	3,952	1,855	825	315	111	17,653	-	**24,711**
Revaluation increases recognised in the Revaluation Reserve	-	1,755	-	-	-	-	3	**1,758**
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	6,730	344	-	-	-	-	3	**7,077**
De-recognition - Disposals	(5,801)	(103)	(1,619)	(314)	-	-	-	**(7,837)**
Assets reclassified	2,524	2,710	-	-		(5,234)	-	**-**
Restated Balance at 31 March 2018	**190,375**	**97,947**	**10,286**	**33,820**	**4,131**	**24,364**	**124**	**361,047**
Accumulated Depreciation and Impairment								
At 1 April 2017	(3,802)	(1,707)	(4,468)	(16,200)	(563)	-	-	**(26,740)**
Depreciation Charge	(4,158)	(2,622)	(720)	(838)	-	-	-	**(8,338)**
Depreciation written out to the Revaluation Reserve	-	842	-	-	-	-	-	**842**
De-recognition - disposal	41	5	1,619	-	-		-	**1,665**
At 31 March 2018	**(7,919)**	**(3,482)**	**(3,569)**	**(17,038)**	**(563)**	**-**	**-**	**(32,571)**
Net Book Value								
At 31 March 2018 as restated	182,456	94,465	6,717	16,782	3,568	24,364	124	**328,476**
At 1 April 2017 as restated	179,168	89,679	6,612	17,619	3,457	11,945	118	**308,598**
At 31 March 2017 as previously restated	183,211	89,679	6,612	17,619	3,457	11,945	118	**312,641**

Note:
The Council figures have been restated as per Note 1 to the Eastbourne Borough Council accounts.

3. INVESTMENT PROPERTIES

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

2017/18 £000		2018/19 £000
11,358	**Balance at 1 April**	**32,166**
21,687	Additions	2,924
95	Disposals / De-recognition	(458)
(9)	Expenditure on existing properties	-
(965)	Net gains/losses from fair value adjustments	2,122
32,166	**Balance at 31 March**	**36,754**

Note

Loan drawdown facilities are available from the Council (parent company) to enable the purchase of assets.

4. SHORT TERM DEBTORS

Short term debtors outstanding as at 31 March are:

31 March 2018 £000		31 March 2019 £000
927	Trade Receivables	867
520	Prepayments	428
3,759	Debtors for Local Taxation	5,135
15,197	Other Receivable Amounts	11,811
20,403	**Total**	**18,241**

Long term debtors outstanding as at 31 March are:

31 March 2018 £000		31 March 2019 £000
5,209	Other Receivable Amounts	16,593
5,209	**Total**	**16,593**

The balance at 31 March 2019 includes receivables in relation to the ICE/IIL guarantees.

5. SHORT TERM CREDITORS

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

31 March 2018 £000		31 March 2019 £000
(5,089)	Trade payables	(10,641)
(7,970)	Other payables	(10,724)
(13,059)	**Total**	**(21,365)**

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 30, and employees of Eastbourne Homes Ltd have the same access to the benefits of the scheme. EHIC has no employees.

6.2 Transactions relating to post-employment benefits

The following transactions have been made in the Group Comprehensive Income and expenditure statement:

2017/18 £000		2018/19 £000
	Service Cost comprising:	
7,087	Current Service Costs	7,303
580	Past Service Costs	1,008
	Financing & Investment Income & Expenditure	
1,164	Net Interest Expense	1,240
8,831	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**9,551**
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
92	Return on Plan Assets (excluding the amount included in the net interest expense)	(7,337)
(3,751)	Actuarial Gains and losses arising on changes in financial assumptions	12,605
(272)	Other	33
(3,931)	**Other Comprehensive Income & Expenditure**	**5,301**
4,900	**Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement**	**14,852**
	Movement in Reserves Statement	
8,831	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	9,551
(2,691)	Actual amount (charged)/ credited to the General Fund Balance for pensions in the year	(4,177)
6,140	**Net adjustment in Movement in Reserves Statement**	**5,374**

6.3 Pensions Assets and Liabilities recognised in the balance sheet

The amount included in the Balance Sheet for the Group obligation in respect of its defined plans is as follows:

31 March 2018 £000		31 March 2019 £000
154,315	Fair value of employer assets	166,022
(195,194)	Present value of funded liabilities	(217,714)
(4,785)	Present value of unfunded liabilities	(4,647)
(45,664)	**Net liability arising from defined benefit obligation**	**(56,339)**

6.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

2017/18 £000		2018/19 £000
143,303	Opening fair value of assets	154,315
3,703	Interest income	4,015
	Re-measurement gain/(loss):	
(130)	The return on plan assets, excluding the amount included in the net interest expense	7,337
	The effect of changes in foreign exchange rates	
3,622	Contributions from employer - Funded	3,845
342	Contributions from employer - Unfunded	332
1,158	Contributions from employees into the scheme	1,220
(4,597)	Benefits paid - Funded	(4,710)
(342)	Benefits paid - Unfunded	(332)
7,256	Effect of business combinations and disposals	-
154,315	**Closing fair value of scheme assets**	**166,022**

6.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2017/18 £000		2018/19 £000
(186,760)	Opening balance at 1 April	(199,979)
(7,020)	Current service costs	(7,303)
(4,856)	Interest costs	(5,255)
(1,158)	Contributions from scheme participants	(1,220)
(8,564)	Effect of business combinations and disposals	-
	Re-measurement (gains) and losses:	
3,751	Actuarial gains/(losses) arising from changes in financial assumptions	(12,605)
269	Other	(33)
(580)	Past service costs	(1,008)
4,597	Benefits paid - Funded	4,710
342	Benefits paid - Unfunded	332
(199,979)	**Closing Balance at 31 March**	**(222,361)**

6.6 Local Government Pension Scheme Assets comprised:

31 March 2018 Quoted prices in active markets	31 March 2018 Quoted prices not in active markets	31 March 2018 Total	31 March 2018 % of Total Assets		31 March 2019 Quoted prices in active markets	31 March 2019 Quoted prices not in active markets	31 March 2019 Total	31 March 2019 % of Total Assets
£000	£000	£000			£000	£000	£000	
				Equity Securities:				
2,875	-	2,875	2%	Consumer	1,995	-	1,995	1%
1,522	-	1,522	1%	Manufacturing	1,364	-	1,364	1%
259	-	259	0%	Energy and utilities	391	-	391	0%
4,667	-	4,667	3%	Financial Institutions	1,867	-	1,867	1%
2,643	-	2,643	2%	Health and care	326	-	326	0%
2,199	-	2,199	1%	Information technology	7	-	7	0%
308	523	831	1%	Other	324	3	327	0%
14,473	**523**	**14,996**	**10%**	**Sub-total equity**	**6,275**	**3**	**6,276**	**3%**
				Debt Securities:				
-	4,276	4,276	3%	UK Government	-	4,021	4,021	3%
275	-	275	0%	Other	-	3,086	3,086	2%
275	**4,276**	**4,551**	**3%**	**Sub-total Debt Securities**	**-**	**7,107**	**7,107**	**5%**
				Private equity:				
-	**8,831**	**8,831**	**6%**	All	**-**	**10,216**	**10,216**	**6%**
				Real Estate:				
-	14,797	14,797	10%	UK Property	-	15,560	15,560	9%
-	**14,797**	**14,797**	**10%**	**Sub-total Real Estate**	**-**	**15,560**	**15,560**	**9%**
				Investment Funds & Unit Trusts:				
19	84,971	84,990	54%	Equities	-	91,548	91,548	55%
-	17,802	17,802	12%	Bonds	-	27,320	27,320	17%
-	155	155	0%	Hedge Funds	-	109	109	0%
227	-	227	0%	Commodities	280	-	280	0%
-	1,706	1,706	1%	Infrastructure	-	985	985	1%
-	168	168	0%	Other	-	34	34	0%
246	**104,802**	**105,048**	**67%**	**Sub-total Investment Funds & Unit Trusts**	**280**	**119,995**	**120,275**	**73%**
				Derivatives:				
-	33	33	0%	Foreign Exchange	-	(19)	(19)	0%
-	**33**	**33**	**0%**	**Sub-total Derivatives**	**-**	**(19)**	**(19)**	**0%**
				Cash & Cash Equivalents				
3,892	**2,166**	**6,058**	**4%**	All	**6,609**	**(3)**	**6,606**	**4%**
18,886	**135,428**	**154,314**	**100%**	**Total**	**13,162**	**152,860**	**166,022**	**100%**

The breakdown of assets in monetary terms in the table above have been shown to the nearest £1,000. The additional precision in the presentation of the figures has been included, but the sum of the values rounded to the nearest £1,000 (or 1%) may not equal the total value due to rounding.

7. CASH AND CASH EQUIVALENTS

The surplus on the provision of services has been adjusted for the following non cash movements:

2017/18 Restated	Adjustment to Net Surplus or Deficit on the provision of services for non-cash movements	2018/19
£000		£000
(7,496)	Depreciation	(7,804)
8,451	Impairment and (reversal) of impairment and valuation movements	5,778
(632)	Amortisation	(733)
(24)	Increase in impairment for bad debts	-
1,949	Increase / (Decrease) in creditors	(7,369)
1,185	(Increase) / Decrease in Debtors	9,756
32	(Increase) / Decrease in Inventories	(7)
(4,848)	Movement in pension liability	(5,374)
349	Share of Joint Ventures	232
(3,884)	Carrying amount of non-current assets sold or de-recognised	(11,204)
(2,897)	Other non-cash items (including Financial Guarantee)	(16,649)
(7,815)	**Adjustment for Non-Cash Movements included in the provision of services**	**(33,374)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

£000		£000
-	Proceeds from short term and long-term investments	8,651
1,418	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,478
11,027	Other items for which the cash effects are investing or financing activities	2,952
12,445	**Adjustment for items that are investing and financing activities**	**13,081**

£000	Investing Activities	£000
47,090	Purchase of property, plant and equipment, investment property and intangible assets	40,824
-	Purchase of short-term and long-term investments	4,742
2,861	Other payments for investing activities	3,397
(4,368)	Proceeds from sales of property, plant and equipment, investment property and intangible assets	(1,936)
-	Proceeds from short term and long-term investments	(8,651)
(10,108)	Other receipts from investing activities	(3,988)
35,475	**Net cash flows from investing activities**	**34,388**

£000	Financing Activities	£000
(74,890)	Cash receipts of short and long-term borrowing	(63,000)
2,018	Other receipts from financing activities	840
34,890	Repayment of short and long-term borrowing	44,433
(37,982)	**Net cash flows from financing activities**	**(17,727)**

8. TRANSACTIONS BETWEEN EASTBOURNE BOROUGH COUNCIL AND EASTBOURNE HOMES LTD, EASTBOURNE HOUSING INVESTMENT COMPANY LTD and ASPIRATION HOMES LLP

Eastbourne Borough Council pay Eastbourne Homes Ltd a fee in accordance with an agreement to manage and maintain the Council's housing stock, including capital works. EHL obtained services from Eastbourne Borough Council under various Service Level Agreements. These include financial ledger systems, parks & gardens, information technology and Chief Finance Officer.

	2017/18 £000	**2018/19 £000**
Income		
Housing Management contract	7,261	7,261
Other contracts	170	142
Expenditure		
Service Level Agreements	794	786
Fees payable by EHL to EBC	1,409	2,251
Recharges		
Capital Works at cost	5,005	4,977
Other	5	-
Debtor		
Amount due from Eastbourne Borough Council	1,550	734
Creditor		
Amount due to Eastbourne Borough Council	942	1,146

One of the seven Board Directors of EHL 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.

South East Independent Living Limited (SEILL), a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL and their accounts have been consolidated within the statement of accounts for EHL. SEILL has net assets of £22,000 and turnover of £963,000 (for the period 1 April 2018 to 31 March 2019).

Eastbourne Housing Investment Company Ltd (EHIC) was incorporated on 1 May 2015 and commenced trading in November 2015. There are five Directors made up of three Members, one senior Council officers and one EHL Director This company is wholly owned by the Council. EHIC has net liabilities of £1,024,000 and turnover of £396,000 (for the period 1 April 2018 to 31 March 2019). EHIC were given loans totalling £12,519,000 as at 31 March 2019 of which £10,302,000 was drawn down and interest of £389,000 was paid in 2018/19 to the Council by EHIC.

Aspiration Homes LLP were given loans totalling £4,101,000 as at 31 March 2019 of which £975,000 was drawn down and interest of £19,000 was payable in 2018/19 to the Council by AH.

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 Statue.

Capital Adjustment 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 Non-Domestic Rates are paid into this fund. The Council Tax and NDR 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.

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.

Heritage Asset
A tangible asset with historical, artistic, scientific, technological or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account
A separate account, maintained by law, which 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
Non-current assets (fixed assets) that do not have physical substance but are identifiable and controlled by the Council. Examples are software and licences.

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.

Non-Current Asset
Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non-Domestic Rates (NDR) (also known as Business Rates)
Non-Domestic Rates are levied on businesses within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

Precept
The amount levied by various Authorities that is collected by the Council on their behalf. The precepting Authorities in Eastbourne are East Sussex County Council, Sussex Police Authority and East Sussex Fire.

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 (Refcus)
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.