

## FOREWORD BY THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The pages that follow are the Council's final accounts for 2003-2004 and comprise:

**CONSOLIDATED REVENUE ACCOUNT** (page 12) - This reports the cost for the year of the major functions for which the Council is responsible and the finance provided from charges made by the Council, from the Collection Fund and from Central Government.

**HOUSING REVENUE ACCOUNT** (page 19) - This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs - and how these are met by rents, subsidy and other income.

**CONSOLIDATED BALANCE SHEET** (page 25) - This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the activities of related companies and Trust Funds.

**STATEMENT OF TOTAL MOVEMENTS IN RESERVES** (page 40) - This brings together all the recognised gains and losses of the authority, and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves. The Collection Fund is excluded from this statement.

**CASH FLOW STATEMENT** (page 43) - This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

**COLLECTION FUND REVENUE ACCOUNT** (page 47) - This shows the transactions of the Council as a Charging authority in relation to National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities.

**STATEMENT OF ACCOUNTING POLICIES** (page 50) - This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are explained.

## SUMMARY OF THE 2003-2004 FINANCIAL YEAR

The Council incurs both revenue and capital expenditure during the financial year. Revenue spending is generally on items that are consumed within a year and is financed from the Council Tax, Government Grants and other income. Capital expenditure is on items which must have a life beyond one year and which also add value to the Council's stock of fixed assets. This is financed largely by loans and other capital cash.

### REVENUE SPENDING IN 2003-2004

For 2003-2004 actual net General Fund expenditure amounted to £16.054m which was fully funded by Government Grants and the precept on the Collection Fund. In line with the budget set by Council in February 2003, there was no withdrawal from the Council's General Fund working balance.

Services	Budget £'000	Actual £'000	Difference £'000
Central Services to the Public	732	955	223
Cultural & Related Services	7,386	6,950	(436)
Environmental Services	6,841	6,573	(268)
Planning & Development Services	1,221	1,160	(61)
Highways, Roads & Transport Services	412	392	(20)
Housing Services	2,319	2,562	243
Council Housing	0	3,066	3,066
Corporate & Democratic Core	1,464	1,381	(83)
Unapportionable Central Overheads	320	400	80
<b>Net Cost of Services</b>	<b>20,695</b>	<b>23,439</b>	<b>2,744</b>
Corporate Operating Expenditure	(4,641)	(6,542)	(1,901)
Appropriations	0	(843)	(843)
<b>Total Net Expenditure</b>	<b>16,054</b>	<b>16,054</b>	<b>0</b>
<b>Funded by:</b>			
Council Tax Precept	6,091	6,091	0
Council Tax Surplus	82	82	0
Revenue Support Grant	6,747	6,747	0
Contribution from non-domestic rate pool	3,134	3,134	0
<b>Surplus/ Deficit for the year</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

The actual figures within Net Cost of Services include Council Housing. This is separately accounted for within the Housing Revenue Account (page 19) but included within the Consolidated Revenue Account (page 12) from which the above figures are taken. Excluding Council Housing, the Net Cost of Services was underspent by £322,000 compared with the original budget.

The General Fund working balance stands at £1,000,000 at 31<sup>st</sup> March 2004. This sum is held as uncommitted and as a contingency against unforeseen occurrences.

NB The accounting disclosures required by the introduction of FRS17 accounting for pensions have been included within the actual figures for 2003-2004. This will account for some of the difference when compared with 2003-2004 budget figures that were not prepared on this basis. Within the statement of accounts 2002-2003 comparative figures have been similarly adjusted to reflect the costs of pensions required to be disclosed by the introduction of FRS17 so that like for like comparisons may continue to be made.

## HOUSING

The Council continues to be the major provider of rented accommodation in the town. At 31<sup>st</sup> March 2004 it provided 3,862 dwellings for rent. Housing Associations are the second major provider, and the Council continues its work and investment with them in order to meet new affordable housing requirements for Eastbourne.

For 2003-2004 the Housing Revenue Account (HRA) budgeted for income and expenditure of £18.507m. In the event actual income fell to £18.328m, principally due to a reduction of £270,000 in HRA subsidy receivable. Actual expenditure fell to £18.068m which was largely due to a reduction of £431,000 in the interest charges on outstanding debt.

Other major variations in expenditure include a reduction of £137,000 in repairs and maintenance, and £71,000 in rent rebates that were offset by additional spending of £280,000 on supervision and management.

As a result of these changes the HRA working balance was increased as follows:

	£'000
Opening balance at 1 <sup>st</sup> April 2003	(729)
Surplus in 2003-2004	(260)
Closing balance at 31 <sup>st</sup> March 2004	(989)

## CAPITAL SPENDING IN 2003-2004

The Council's capital spending in the year was £7.506m. This compares with an original budget of £13.395m that was reduced down to £11.059m to reflect the delay in realising capital resources from asset disposals. In the event, resources totalling £12.071m were actually received. After financing this allows the balance of £4.565m to be carried forward to finance slippage of £3.322m and to contribute to new capital expenditure planned in the 2004-2005 budget.

The main items of capital expenditure are set out below:

	£'000
<b>Housing Capital Expenditure</b>	
• stock improvement	4,479
• private sector housing grants	851
• grants to housing associations	447
• cash incentive scheme	144
• other housing schemes	131
	<b>6,052</b>
<b>Non-Housing Capital Expenditure</b>	
• theatres and the cultural centre	528
• eastbourne park deep water lake	106
• tourism sports and leisure facilities	117
• office accommodation strategy	111
• implementing electronic government	247
• other non-housing schemes	345
	<b>1,454</b>
<b>Total Capital Expenditure</b>	<b>7,506</b>

Capital expenditure has been financed as follows:

	£'000
• major repairs reserve	2,472
• government borrowing permissions (credit approvals)	1,761
• capital reserve	1,416
• capital contributions from partners and developers	1,063
• capital receipts	832
• government grants	514
• consolidated revenue account	150
• financing accrued expenditure	(702)
<b>Total Capital Financing</b>	<b>7,506</b>

## RESERVES

The Council's total usable reserves at 31<sup>st</sup> March 2004 amounted to £10.629m, an increase of £2.455m over the previous year. These are analysed within the Consolidated Balance Sheet (page 25) as usable capital receipts reserve £3.697m, earmarked reserves £4.891m and balances £2.041m.

Usable capital receipts reserve is available solely to finance future capital spending.

Earmarked reserves include £1.556m that is specifically available to finance future capital spending, £1.585m which is available to finance specific future revenue spending, and £1.750m which is held against any future realisation of the Council's investment in Eastbourne Buses Limited.

Revenue balances includes £1m held by the General Fund for cashflow purposes and as a contingency against unforeseen circumstances. This is consistent with the Council's plans to remain in line with the recommended level for an authority of its size. It also includes £52,000 held by the Collection Fund that was redistributed to local taxpayers in their 2004-2005 Council Tax bills, and £989,000 held by the Housing Revenue Account. This is in excess of the recommended HRA balance of £500,000 needed to finance cashflow and unforeseen circumstances. The balance will be available to support the Council's plans to establish an Arms Length Management Organisation (ALMO) as the vehicle which will draw down funding from Central Government to meet its decent homes standard for Council housing.

## LOANS AND INVESTMENTS

The Council's external loan debt at 31<sup>st</sup> March 2004, comprising long-term borrowing, short-term borrowing and deferred liabilities stood at £35.475m. This is a net decrease of £1.116m over the previous year principally as a result of repaying long-term borrowing from set aside capital receipts held as Provision for Credit Liabilities (Note 16 page 36).

Short-term investments were £9.000m at 31<sup>st</sup> March 2004 compared with £4.400m the previous year. This is an increase of £4.600m arising from asset sales, some of which will be used early in 2004-05 to repay short-term borrowing.

## COLLECTION FUND

The Council has, by law, to maintain a specific account called the Collection Fund which records all income and expenditure (excluding Administration) on Council Tax, National Non-Domestic Rates and Residual Community Charge.

The Council budgeted for a nil balance on the Fund at 31<sup>st</sup> March 2004 but ended the year with a deficit of £398,000. However, a cumulative surplus of £52,000 remained at 31<sup>st</sup> March 2004 which was shared with East Sussex County Council and Sussex Police in the setting of Council Tax for 2004-2005.

## THE ACCOUNTS AND AUDIT REGULATIONS 2003

In accordance with Regulations 10(3) and 10(4) of the above the Chair of the meeting adopting the Statement of Accounts must sign and date the statement (as below) in order to confirm that the adoption process has been completed.

I confirm that the adoption process for the Statement of Accounts for 2003-2004 has been formally completed.

Signed

Mayor

Date

## FURTHER INFORMATION

Summary financial information is published annually in the Council's Eastbourne Review. This is distributed with the local free newspaper, the **Eastbourne Advertiser**. Further information on any of the financial statements published either here, or in the **Eastbourne Review**, may be obtained from the Director of Finance and Corporate Services, **1 Grove Road, Eastbourne, BN21 4TW**.

## **INDEPENDENT AUDITOR'S REPORT TO EASTBOURNE BOROUGH COUNCIL**

I have audited the financial statements on pages 12 to 55 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 50 to 55.

This report is made solely to Eastbourne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective responsibilities of the Director of Finance and Corporate Services and Auditor**

As described on page 8 the Director of Finance and Corporate Services is responsible for the preparation of the financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on page 9 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. My review is not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

### **Basis of Audit Opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

## **Opinion**

In my opinion the statement of accounts present fairly the financial position of Eastbourne Borough Council as at 31<sup>st</sup> March 2004 and its income and expenditure for the year then ended.

## **Certificate**

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

Audit Commission

Signature

Date

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

#### *The authority is required:*

- to make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Services
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

### The Director of Finance and Corporate Services Responsibilities

The Director of Finance and Corporate Services is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting for the United Kingdom. The Statement of Accounts is required to set out fairly the Authority's financial position as at 31<sup>st</sup> March 2004 and its income and expenditure for the financial year.

#### *In preparing this statement of accounts, the Director of Finance and Corporate Services has:*

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code.

#### *The Director of Finance and Corporate Services has also:*

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Sue McHugh ACA  
Director of Finance and Corporate Services

Signature

Date



## STATEMENT ON INTERNAL CONTROL

1. The Council accepts its responsibilities for effective internal control and risk management. The Director of Finance and Corporate Services has responsibility for ensuring a sound system of Internal Control is maintained and for reviewing its effectiveness. This is part of good financial governance that supports the achievement of the Council's objectives.
2. The system of Internal Control is designed to manage and control rather than eliminate the risk of failure to achieve these objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
3. The system of internal control is based on a framework of regular management information, financial procedure rules, administrative procedures (including segregation of duties), management supervision, underpinned by a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system including:
  - Comprehensive budget management;
  - Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
  - The preparation of regular financial reports which indicate actual expenditure against forecasts;
  - Clearly defined capital expenditure guidelines;
  - Formal project management disciplines for major areas of service reviews and new spending.
4. The Council has delegated the responsibility for statutory internal audit arrangements to the Director of Finance and Corporate Services. The Chief Internal Auditor has day to day management responsibility in ensuring an effective and adequate internal audit service. The service operates in accordance with proper internal audit practices as defined by the CIPFA Code of Practice for Internal Audit in Local Government and the Institute of Internal Auditor's Standards.
5. Internal Audit has the authority to independently report to the Chief Executive, the Director of Finance and Corporate Services, and to Councillors. As part of the Annual Internal Audit Plan, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of Internal Control.
6. The full Council has responsibility for determining the financial and policy framework. The Cabinet is responsible for the day-to-day running of the authority but must refer any matters outside the policy framework to the Council. The Scrutiny Committee may advise the Cabinet and Council but also has the power to "call-in" certain types of Cabinet decision not yet implemented. It may recommend that the Cabinet reconsider the decision.

7. During 2003-04, the Council completed the following key internal control initiatives:
  - Development of an effective risk management strategy together with detailed risk assessments within each department and the establishment of appropriate control monitoring procedures for identified risks.
  - Council approval of the new Contract Procedure Rules and Financial Procedure Rules as part of the review of the Council's Constitution.
  - Development of the Council's corporate governance arrangements consistent with the requirements of the CIPFA/SOLACE framework, including approval of the new Code of Corporate Governance.
  - Development of the Council's scrutiny function to include Internal Audit functions.
  - Development of the new Corporate Plan and medium-term financial strategy.
  
8. During 2003-04, the Council underwent a Comprehensive Performance Assessment and was rated as "...a good Council that is well run and is developing a track record of improving services in line with local people's priorities." As part of this process external inspectors assessed the Council's financial standing, systems of internal financial control, standards of financial conduct, quality of financial statements and legality of financial transactions. A score 19 out of a possible maximum 20 was awarded.
  
9. The Council has also carried out a review of its senior management structure, in response to the requirement in the medium-term financial strategy. This review has strengthened the arrangements in place for delivering the medium-term financial strategy and provides assurance that the Council is an efficient organisation geared to deal with future challenges.
  
10. Key actions for the coming year include:
  - Developing and implementing the projects set out in the Council's Strategic Change Programme, including a review of benefits performance, a review of procurement, integrated performance management, office modernisation and business continuity planning.
  - Detailed risk assessments within each department.
  - Progressing initiatives that develop and implement policies for the security of information.

11. The Director of Finance and Corporate Services` review of the effectiveness of the system of Internal Control is informed by:
- Work of managers within the Council who have responsibility for the development and maintenance of the internal control framework;
  - Work of internal audit as described above; and
  - Comment made by the Audit Commission as external auditors, principally in their annual audit letter and other reports.

Sue McHugh ACA  
Director of Finance and Corporate Services

Signature

Date

Martin H. Ray  
Chief Executive

Signature

Date

Councillor Graham Marsden  
Leader of the Council

Signature

Date

## CONSOLIDATED REVENUE ACCOUNT FOR YEAR ENDED 31<sup>st</sup> MARCH 2004

This reports the cost for the year of the major functions for which the Council is responsible and the finance provided from charges made by the Council, from the Collection Fund and from Central Government.

NB 2002-2003 comparative figures have been adjusted to reflect the costs of pensions required to be disclosed by the introduction of FRS17 accounting for pensions.

Restated 2002-2003 NET £'000	SERVICES	GROSS SPENDING £'000	GROSS INCOME £'000	2003- 2004 NET £'000
839	Central Services to the Public	2,814	1,859	955
7,070	Cultural & Related Services	13,580	6,630	6,950
5,560	Environmental Services	9,051	2,478	6,573
1,331	Planning & Development Services	3,069	1,909	1,160
394	Highways, Roads & Transport Services	1,441	1,049	392
2,397	Housing Services	30,369	27,807	2,562
6,674	Council Housing	21,356	18,290	3,066
1,298	Corporate & Democratic Core	1,502	121	1,381
279	Unapportionable Central Overheads	400	0	400
<b>25,842</b>	<b>Net Cost of Services</b>	<b>83,582</b>	<b>60,143</b>	<b>23,439</b>
280	(Surpluses)/Deficits on Trading Undertakings (Note 1)			65
(11,799)	Asset Management Revenue Account (Note 2)			(6,998)
504	Losses/(Gains) on the Repurchase of Borrowing			811
(92)	Pensions Interest Cost and Expected Return on Pensions Assets			656
(530)	Interest and Investment Income			(525)
<b>14,205</b>	<b>Net Operating Expenditure</b>			<b>17,448</b>
(1,159)	HRA Surplus/(Deficit) transferred to HRA balances			260
1,556	Contribution to HRA Capital Reserve			150
12	Transfer to Insurance Reserve			(17)
69	Transfers to Earmarked Reserves			57
281	Contribution from the Pensions Reserve			(551)
(676)	Contribution (from) Capital Financing Reserve (Note 3)			(1,293)
<b>14,288</b>	<b>Amount to be met from Government Grants and Local Taxation</b>			<b>16,054</b>
(5,983)	Revenue Support Grant			(6,747)
(3,894)	Non-Domestic Rates Distribution			(3,134)
(4,335)	Demand on the Collection Fund			(6,091)
(63)	Surpluses transferred from the Collection Fund			(82)
<b>13</b>	<b>Net General Fund Deficit for the year</b>			<b>0</b>
(1,013)	Balance on General Fund at 1 <sup>st</sup> April			(1,000)
<b>(1,000)</b>	<b>Balance on General Fund at 31<sup>st</sup> March</b>			<b>(1,000)</b>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. SURPLUSES/DEFICITS ON TRADING UNDERTAKINGS

2002-2003 Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	2003-2004 Net Expenditure £'000
73	Coastline Caterers	1,647	1,859	(212)
207	Eastbourne Leisure	1,661	1,384	277
<b>280</b>		<b>3,308</b>	<b>3,243</b>	<b>65</b>

Coastline Caterers budgeted to make a surplus of about £164,000. This was exceeded by £48,000. Eastbourne Leisure budgeted for a deficit of £185,000. The actual deficit was £277,000

Eastbourne Leisure was contracted out to Eastbourne Leisure Trust from 1 April 2004 and Coastline Caterers was contracted out to Red Eventful Cuisine from 12 May 2004.

### 2. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account reverses out the capital charges made to services under the capital accounting system and replaces them with depreciation (net of government grants and contributions deferred) and real interest charges paid by the Council.

Some of the interest payable relates to borrowing by the Housing Revenue Account (HRA) and this is reflected in the calculation of statutory charges (Item 8 Debit) made to the HRA.

2002-2003 £'000		2003-2004 £'000
	Income	
(5,793)	Capital Charges - General Fund	(4,786)
(12,846)	- Housing Revenue Account	(8,997)
<b>(18,639)</b>		<b>(13,783)</b>
	Expenditure	
4,428	Provision for depreciation	4,629
(595)	Transfer from Government Grants Deferred Account	(663)
(125)	Transfer from Capital Contributions Deferred Account	(123)
3,070	External interest charges	2,884
62	Debt Management Expenses	58
<b>6,840</b>		<b>6,785</b>
<b>(11,799)</b>	<b>Net transfer to Consolidated Revenue Account</b>	<b>(6,998)</b>

### 3. CONTRIBUTION FROM CAPITAL FINANCING RESERVE

This account records amounts set aside from revenue to redeem external debt and to finance capital expenditure.

An appropriation is made from the Capital Financing Reserve to ensure that the capital accounting entries have no net impact on the amount to be raised from local taxation.

2002-2003 £'000		2003-2004 £'000
798	Minimum Revenue Provision	731
(4,428)	Less - depreciation charged	(4,629)
<b>(3,630)</b>		<b>(3,898)</b>
50	Add - Contributions for deferred purchase repayments	50
(68)	Less - Capital Expenditure charged to Revenue	(150)
2,427	Add - Transfer to Major Repairs Reserve	2,472
545	Add - Appropriation from Capital Financing Reserve	233
<b>(676)</b>	<b>Net Contribution to Consolidated Revenue Account</b>	<b>(1,293)</b>

### 4. MINIMUM REVENUE PROVISION

The Council is required by the Local Government and Housing Act 1989, to set aside a minimum revenue provision (MRP) for the redemption of external debt. The method of calculating MRP is prescribed by regulations made under the Act and the effect of these regulations on the Council is as follows:

2002-2003 £'000		2003-2004 £'000
607	Housing Revenue Account - 2% of credit ceiling	550
191	General Fund - 4% of credit ceiling	181
<b>798</b>		<b>731</b>

### 5. PUBLICITY

The Council is required by Section 5 of the Local Government Act 1986, to keep separate accounts of expenditure and income on publicity. The Council's total net expenditure is analysed as:

2002-2003 £'000		2003-2004 £'000
184	Tourism and Economic Development	234
91	Public Relations and Information	56
74	Recreation and Leisure	69
107	Recruitment	67
28	Other	34
<b>484</b>		<b>460</b>

## 6. SECTION 137 EXPENDITURE

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their area. As a consequence, the majority of the provisions of Section 137 were repealed with effect from October 2000.

No expenditure was incurred by the Council in 2003-2004 under the remaining provisions.

## 7. BUILDING CONTROL TRADING ACCOUNT

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function.

However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities.

The statement below shows the total cost of operating building control divided between chargeable and non-chargeable activities.

2002-2003 Building Control Total £'000		Chargeable £'000	Non- Chargeable £'000	2003-2004 Building Control Total £'000
216	Employees	110	120	230
18	Transport	10	8	18
14	Supplies/ Services	11	6	17
143	Charges for Support Services	100	45	145
<b>391</b>	<b>Total Expenditure</b>	<b>231</b>	<b>179</b>	<b>410</b>
(232)	Building Regulation charges	(282)	0	(282)
(6)	Other income	0	(15)	(15)
0	Prior Year Adjustment	8	(8)	0
<b>(238)</b>	<b>Total Income</b>	<b>(274)</b>	<b>(23)</b>	<b>(297)</b>
<b>153</b>	<b>(Surplus)/ Deficit for the Year</b>	<b>(43)</b>	<b>156</b>	<b>113</b>

## 8. OPERATING LEASES

The Council uses operating leases to finance 2 Dotto road trains, 13 vans, 2 Tractors and 26 Cars.

Details of payments and obligations under these leases are set out below:-

	£'000
Total rentals paid in 2003-04	141
Outstanding obligations	133
- 2004-2005	66
- 2005-2006	25
- 2006-2007	2

## 9. PENSION COSTS

The Council is a member of the Local Government Pension Scheme Fund, which provides its members with defined benefits related to pay and service. Although these benefits are not actually payable until employees retire, the Council has a commitment to make the payments, based upon an employees future entitlement. Under Financial Reporting Standard (FRS)17 "Retirement Benefits", which is fully adopted in 2003-2004, these commitments are disclosed within the accounts.

The commitments are shown within the Net Cost of Services section and replace the cash payments that were included within the Consolidated Revenue Account (CRA) prior to the full introduction of FRS 17. However as the charge to the council tax payer within the CRA must be based on cash payments, a compensatory adjustment is made after the Net Operating Expenditure section of the CRA. This reverses out the commitments and replaces it with the cash values.

The entries relating to FRS 17 in the CRA are summarised below;

	2002-03 £'000	2003-04 £'000
<i>Net Cost of Services:</i>		
⇒ current service cost	1,080	1,161
⇒ past service costs	1	-
⇒ gains and losses on any settlements and curtailments	42	179
<i>Net Operating Expenditure:</i>		
⇒ interest cost	(3,611)	(3,747)
⇒ expected return on assets in the scheme	3,703	3,091
<i>Amounts to be met from Government Grants and Local Taxation:</i>		
⇒ movement on pensions reserve	281	5,874
<i>Actual amount charged against council tax for pensions in the year:</i>		
⇒ employers' contributions payable to scheme	1,312	1,449
⇒ retirement benefits payable to pensioners	303	303

The assumptions made in calculating the above figures are included within Note 22 of the Consolidated balance Sheet. Note 1 to the Statement of Total Movement in Reserves shows the difference between the actual and estimated returns on investments.



## 10. OFFICERS EMOLUMENTS

The number of employees whose remuneration, excluding pension contributions, exceeded £50,000 is shown below in bands of £10,000.

Remuneration Band	Number of Employees		Left During the year	
	2002-2003	2003-2004	2002-2003	2003-2004
£50,000-£59,999	3	1	-	1
£60,000-£69,999	2	4	-	1
£70,000-£79,999	-	2	-	1
£80,000-£89,999	-	-	-	-
£90,000-£99,999	-	-	-	-
£100,000-£109,999	-	1	-	1

The Council undertook a major staffing restructuring during 2003-2004 and the resultant redundancy costs and payments in lieu of notice are included within the above note.

## 11. MEMBERS ALLOWANCES

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

2002-2003 £'000		2003-2004 £'000
93	Members Allowances	92
5	Conferences and Travelling Expenses	7
<b>98</b>		<b>99</b>

## 12. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard (FRS) 8 enquiries have been made to identify material transactions with related parties not disclosed elsewhere in the statement of accounts.

Transactions identified were :

	£'000
Care & Repair	92

All other related party transactions are detailed in other sections of the statement of accounts.

## 13. AUDIT COSTS

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

2002-2003 £'000		2003-2004 £'000
81	Fees payable to the Audit Commission in respect of annual audit	86
15	Fees payable to the Audit Commission in respect of inspection	16
52	Fees payable to the Audit Commission for the certification of grant claims and returns	80
18	Fees payable in respect of other services provided by the appointed auditor	19
<b>166</b>		<b>201</b>

The fees for other services relate to:

2002-2003 £'000		2003-2004 £'000
10	Legality Issues	17
0	Objections	2
7	Severance Payments	0
1	Questions	0
<b>18</b>		<b>19</b>

## HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs - and how these are met by rents, subsidy and other income.

2002-2003 £'000			2003-2004 £'000
	<b>Income</b>		
	Gross Rental Income		
10,397	Dwelling Rents		10,434
326	Non-Dwelling Rents		326
1,068	Charges for Services and Facilities		1,188
6,500	Housing Revenue Account Subsidy Receivable	Note 7	6,380
<b>18,291</b>	<b>Total Income</b>		<b>18,328</b>
	<b>Expenditure</b>		
2,212	Repairs and Maintenance		2,628
2,991	Supervision and Management		3,207
182	Rents, Rates, Taxes and Other Charges		83
6,250	Rent Rebates		6,079
135	Increased Provision for Doubtful Debts		38
10,419	Cost of Capital Charge	Note 4	6,525
2,427	Depreciation of Fixed Assets	Note 5	2,472
175	Amortisation of Deferred Charges	Note 4	194
49	Debt Management Expenses		43
125	Provision for Deferred Purchase Repayment	Note 8	125
<b>24,965</b>	<b>Total Expenditure</b>		<b>21,394</b>
<b>6,674</b>	<b>Net Cost of Services</b>		<b>3,066</b>
(8,178)	Net HRA Income on the Asset Management Revenue Account	Note 4	(4,622)
361	Amortised Premiums and Discounts		452
	Investment Income		
(10)	Mortgage Interest		(9)
(76)	Interest on Cash Balances		(31)
<b>(1,229)</b>	<b>Net Operating Income</b>		<b>(1,144)</b>
	<b>Appropriations</b>		
50	Revenue Contributions to Capital Expenditure	Note 9	150
607	HRA Contribution to Minimum Repayment Provision		550
1,731	Transfer to Reserve	Note 10	184
<b>1,159</b>	<b>(Surplus)/Deficit for the year</b>		<b>(260)</b>
(1,888)	Balance at 1 <sup>st</sup> April		(729)
<b>(729)</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>(989)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records revenue income and expenditure relating to the Council's own housing stock. This includes the cost of managing and repairing the dwellings, rent rebates and capital financing costs as well as rental income from tenants and HRA subsidy from central government. 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.

### 1. HOUSING STOCK

The Council's housing stock consisted of:

<b>31<sup>st</sup> March 2003</b>		<b>31<sup>st</sup> March 2004</b>
	Houses and Bungalows	
16	- one bedroom	16
588	- two bedrooms	560
1,294	- three bedrooms	1,246
57	- four or more bedrooms	57
<b>1,955</b>		<b>1,879</b>
	Flats	
1,085	- one bedroom	1,058
513	- two bedrooms	506
8	- three or more bedrooms	8
407	- bed-sits	411
<b>2,013</b>		<b>1,983</b>
<b>3,968</b>		<b>3,862</b>

In addition the Council has shared ownership arrangements covering 16 full property equivalents (17 at 31<sup>st</sup> March 2003) and has acquired the use of 14 actual properties (16 at 31<sup>st</sup> March 2003) under short-term property leases.

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

	<b>1<sup>st</sup> April 2003</b>	<b>31<sup>st</sup> March 2004</b>
	<b>£'000</b>	<b>£'000</b>
Operational Assets	170,689	202,183
Non Operational Assets	1,688	1,688
	<b>172,377</b>	<b>203,871</b>

For resource accounting purposes the housing stock has been valued at either existing use value for social housing where tenants of flats and houses have the right to buy, or at existing use value where they do not.

The Council's valuer, Wilks, Head and Eve, has calculated that the open market vacant possession value of the housing stock at 1<sup>st</sup> April 2003 was £349.434m. 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.

## 2. MAJOR REPAIRS RESERVE (MRA)

Established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 to ensure funds from the MRA are transferred into capital expenditure on HRA properties. During the year all of the funding was utilised.

	<b>£'000</b>
Balance as at 1 <sup>st</sup> April 2003	0
Add - Depreciation of Housing Stock	2,472
Less - Financing of Capital Expenditure	2,472
Balance as at 31 <sup>st</sup> March 2004	<b>0</b>

## 3. HRA CAPITAL EXPENDITURE, FINANCING AND CAPITAL RECEIPTS

Housing Revenue Account capital expenditure incurred in 2003-2004 and how it was financed is summarised as follows:

	Land, Housing and Other Property £'000	Cash Incentive Scheme £'000	Deferred Purchase £'000	Total £'000
Total Capital Expenditure	4,479	144	50	4,673
Less - Accrued Expenditure not financed until 2004-2005	(122)			(122)
Add - 2002-2003 Accrued Expenditure financed in 2003-2004	600			600
<b>Capital Expenditure financed in 2003-2004</b>	<b>4,957</b>	<b>144</b>	<b>50</b>	<b>5,151</b>
Financed by:				
Basic Credit Approval	1,113			1,113
Major Repairs Reserve	2,472			2,472
Capital Reserve	1,272	144		1,416
Direct Revenue Funding	100		50	150
<b>Total Funding</b>	<b>4,957</b>	<b>144</b>	<b>50</b>	<b>5,151</b>

HRA capital receipts from disposals is summarised as follows:

	<b>£'000</b>
Right to Buy Sales of Houses and Flats	6,210
Shared Ownership Property	206
Mortgage Repayments	9
<b>Total</b>	<b>6,425</b>

## 4. COST OF CAPITAL CHARGE

In 2003-2004 the HRA incurred a cost of capital charge of £6.525m representing the cost of capital tied up in council housing. The figure is based on a prescribed interest charge of 3.5% on the balance sheet value of the housing stock.

In addition the HRA incurred a deferred charge of £194,000 in respect of capital expenditure which did not result in the acquisition, creation or enhancement of a tangible fixed asset (Cash Incentive scheme £144,000 and Deferred Purchase arrangement £50,000). In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure has been financed from capital resources.

#### Capital Asset Charges Accounting Adjustment:

The cost of capital and deferred charges are included in the net cost of service in the HRA showing the cost of capital tied up in housing assets. However, they do not impact on tenants' rents as they are reversed out, leaving the HRA continuing to bear its share of the Council's debt financing and management costs. This capital asset charges accounting adjustment is achieved by means of the Asset Management Revenue Account (AMRA), as shown below:

	<b>£'000</b>
Cost of Capital (3.5% Charge)	6,525
Deferred Charges	194
Total Capital Asset Charges	6,719
Less - Transfer from AMRA to the HRA	(4,622)
<b>Actual Interest borne by the HRA</b>	<b>2,097</b>

#### 5. DEPRECIATION

The cost of depreciation of the housing stock has been calculated using the basis of the Major Repairs Allowance (MRA) and is equivalent to that sum for the year.

The depreciation charge is based on the annual cost of replacing individual building components (such as windows, kitchens and heating systems) as they reach the end of their useful life.

The accumulated depreciation on the housing stock is summarised below

	1 <sup>st</sup> April 2003	31 <sup>st</sup> March 2004
	£'000	£'000
Operational Assets	4,791	7,263
Non Operational Assets	0	0
	<b>4,791</b>	<b>7,263</b>

#### 6. IMPAIRMENT

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2003-2004 relating to fixed assets.

## 7. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2003-2004 is made up as follows:

	<b>£'000</b>
Major Repairs Allowance	2,472
Management and Maintenance Allowance	4,373
Capital Charges Allowances	3,457
Rent Rebates Costs	5,661
Other Allowable expenditure	156
	<b>16,119</b>
Less: Notional rent income	9,730
Other income	9
	<b>6,380</b>

## 8. PROVISION FOR DEFERRED PURCHASE REPAYMENTS

In 1992-93, the Council provided an initial lump sum towards the final repayment costs in 2005 of its deferred purchase arrangement relating to the provision of sheltered housing. Equal annual contributions of £125,000 are now made which will fully provide for this arrangement when it falls due.

## 9. REVENUE CONTRIBUTIONS TOWARDS CAPITAL EXPENDITURE

The Council supplements its available capital resources by making revenue contributions available to finance capital expenditure.

## 10. TRANSFER TO RESERVE

The Council transferred £184,000 to reserve to finance expenditure in 2004-2005. This reflects its commitment to invest in the modernisation and improvement of its stock in an effort to achieve Government decent homes standards

## 11. RENT ARREARS

Rent arrears at 31<sup>st</sup> March 2004 amounted to £630,000, compared with £758,000 at 31<sup>st</sup> March 2003. These sums include the overpayment of Housing Benefit and former tenants' arrears. During 2003-2004 former tenant arrears of £122,000 were written off (£38,000 in 2002-2003).

The Council has a provision for doubtful debts of £448,000 at 31<sup>st</sup> March 2004 (£532,000 at 31<sup>st</sup> March 2003).

The decrease in rent arrears and the provision for doubtful debts is largely as a result of the write off of former tenants arrears deemed to be irrecoverable.



## CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2004

This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the activities of related companies and Trust Funds.

NB 2002-2003 comparative figures have been adjusted to include the Pensions Liability and Pensions Reserve introduced by the disclosure requirements of FRS17 accounting for pensions.

Restated 31 <sup>st</sup> March 2003 £'000	Note	31 <sup>st</sup> March 2004 £'000
<b>Fixed Assets</b>		
Operational Assets		
170,689	- Council Dwellings	202,183
31,171	- Other Land and Buildings	37,207
537	- Vehicles, Plant and Equipment	807
30,272	- Infrastructure Assets	29,464
737	- Community Assets	564
10,225	Non-operational Assets	10,076
<b>243,631</b>	<b>Total Fixed Assets</b>	<b>280,301</b>
0	Deferred Charges	0
2,278	Deferred Premiums	4,005
1,903	Long Term Investments	1,903
223	Long Term Debtors	213
<b>248,035</b>	<b>Total Long-Term Assets</b>	<b>286,422</b>
188	- Stocks	150
6,052	- Debtors	7,401
4,400	- Investments	9,000
<b>10,640</b>		<b>16,551</b>
Current Liabilities		
81	- Short Term Borrowing	5,881
7,145	- Creditors	8,670
85	- Bank Overdraft	724
<b>7,311</b>		<b>15,275</b>
<b>3,329</b>	<b>Net Current Assets</b>	<b>1,276</b>
<b>251,364</b>	<b>Total Assets less Current Liabilities</b>	<b>287,698</b>
(35,233)	Long Term Borrowing	(28,367)
(1,277)	Deferred Liabilities	(1,227)
(19,840)	Government Grants Deferred Account	(19,401)
(10,252)	Capital Contributions Deferred Account	(3,944)
(1,210)	Provisions	(1,337)
(18,289)	Pensions Liability	(12,415)
(95)	Deferred Credits	(87)
<b>165,168</b>	<b>Total Assets less Liabilities</b>	<b>220,920</b>
142,709	Fixed Asset Restatement Reserve	178,102
32,574	Capital Financing Reserve	44,604
272	Usable Capital Receipts Reserve	3,697
0	Major Repairs Reserve	0
(18,289)	Pensions Reserve	(12,415)
5,723	Earmarked Reserves	4,891
2,179	Balances	2,041
<b>165,168</b>	<b>Total Equity</b>	<b>220,920</b>

I certify that the Consolidated Balance Sheet and related accounts represent the true financial position of Eastbourne Borough Council at 31<sup>st</sup> March 2004 and its income and expenditure for the year 2003-2004.

Sue McHugh ACA, Director of Finance and Corporate Services

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. FIXED ASSETS

#### Valuation

The freehold and leasehold properties which comprise the Council's property portfolio have been valued by Wilks, Head and Eve, Chartered Surveyors of Harley Street, London. Valuations have been carried out in accordance with the Statements of Asset Valuation Practice Guidance Notes of the Royal Institution of Chartered Surveyors except that:

- (i) Not all properties were inspected,
- (ii) Certain valuations, based upon depreciating the asset, the valuers have commented in their valuation where they believe the probable realisable value is significantly below the depreciated replacement cost value reported.

At 1<sup>st</sup> April 2003 a revaluation was carried out of the Council's housing portfolio. The major effect of the revaluation has been to increase the Council Dwellings valuation by £40.149m and this is reflected within the movements during the year detailed on page 27.

At the same time a rolling revaluation of assets held within the Other Land and Buildings and Non Operational Assets was undertaken. This resulted in an increase in the value of the Other Land and Buildings portfolios of £6.714m, and a reduction in the Non-Operational portfolio of £150,000.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Non Operational Assets	Total
	£000's	£000's	£000's	£000's	£000's
Valued at Historical Cost	0	0	1,725	0	1,725
Valued at Current Value in:					
1999-2000	0	95	0	0	95
2000-2001	23,201	0	0	2,172	25,373
2001-2002	22,117	(1,648)	0	(1,133)	19,336
2002-2003	34,841	1,159	0	355	36,355
2003-2004	40,149	6,714	0	(150)	46,713

The basis of valuation for each type of asset, together with the depreciation methodology are detailed in the Statement of Accounting Policies on page 50

#### Assets Held under Finance Leases

No assets were held under finance leases at 31<sup>st</sup> March 2004.

**Movements in fixed assets during the year were:**

**OPERATIONAL ASSETS**

	<b>Dwellings £'000</b>	<b>Buildings £'000</b>	<b>Equipment £'000</b>	<b>Assets £'000</b>	<b>Assets £'000</b>	<b>Total £'000</b>
Certified valuation at 31 <sup>st</sup> March 2003	175,480	34,399	1,226	34,901	950	246,956
Accumulated Depreciation and impairment	4,791	3,228	689	4,629	213	13,550
Net book value of assets as at 31 <sup>st</sup> March 2003	170,689	31,171	537	30,272	737	233,406
Movement in 2003-2004						
Additions	4,479	803	499	97	0	5,878
Disposals	(6,252)	0	0	0	0	(6,252)
Revaluations	35,739	6,196	0	(14)	(99)	41,822
Depreciation	(2,472)	(963)	(229)	(891)	(74)	(4,629)
Impairments	0	0	0	0	0	0
<b>Net book value of assets as at 31<sup>st</sup> March 2004</b>	<b>202,183</b>	<b>37,207</b>	<b>807</b>	<b>29,464</b>	<b>564</b>	<b>270,225</b>

**NON OPERATIONAL ASSETS**

	<b>Total £'000</b>
Certified valuation at 31 <sup>st</sup> March 2003	10,225
Accumulated depreciation and impairment	0
Net book value of assets at 31 <sup>st</sup> March 2003	10,225
Movement in 2003-2004	
Additions	28
Disposals	(14)
Revaluations	(163)
Impairments	0
<b>Net book value of assets at 31<sup>st</sup> March 2004</b>	<b>10,076</b>

## Capital Expenditure and Financing

	2002-2003 £'000	2003-2004 £'000
<b>Capital Investment</b>		
Fixed Assets – Operational	6,960	5,878
Fixed Assets - Non Operational	26	28
	6,986	5,906
Deferred Charges	2,434	1,600
	<b>9,420</b>	<b>7,506</b>
<b>Sources of Finance</b>		
Government Borrowing Permissions (Basic & Supplementary Credit Approvals)	1,258	1,761
Major Repairs Reserve	2,773	2,472
Government Grants	544	514
Capital Contributions	1,549	1,063
Capital Receipts	1,176	832
Capital Reserve	1,157	1,416
Consolidated Revenue Account	68	150
Financing of accrued expenditure	895	(702)
	<b>9,420</b>	<b>7,506</b>

The main items of capital expenditure during the year 2003-2004 were:

	£'000
<b>Fixed Assets</b>	
Council Housing Developments/Major Improvements	4,479
Eastbourne Park - Deep Water Lake	106
Theatres	100
Office Accommodation Strategy	111
Implementing Electronic Government	247
The Cultural Centre	428
Other Tourism Sports and Leisure Facilities	117
Other Schemes and Projects	318
	<b>5,906</b>
<b>Deferred Charges</b>	
Private Sector Housing Grants	851
Grants to Housing Associations	447
Cash Incentive Scheme	144
Heritage Economic Regeneration Scheme	39
Deferred Purchase Arrangement	50
Other Schemes and Projects	69
	<b>1,600</b>
	<b>7,506</b>

## Capital Commitments

The Council had a significant capital commitment at 31<sup>st</sup> March 2004 to re-roof the Winter Garden Theatre at a cost of £1 million.

## Information on Assets Held

Fixed assets held by the Council in its balance sheet include:

	Number as at 31 <sup>st</sup> March 2003	Number as at 31 <sup>st</sup> March 2004
<b>Council Dwellings</b>		
Houses	1,955	1,879
Flats	2,013	1,983
<b>Operational Buildings</b>		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	3	3
Public Conveniences	25	23
Coach and Lorry Park	1	1
Off-Street Car Parks	8	8
Theatres	3	3
Devonshire Park International Tennis Centre	1	1
Dual Use Sports Centres	2	2
Swimming Pools	2	2
Art Gallery	1	1
Museums	2	2
Tourist Information Centre	1	1
Bandstand	1	1
Sports Park	1	1
<b>Operational Equipment</b>		
Dotto Road Train	1	1
Lifeline Units	1,213	1,213
<b>Community Assets</b>		
Parks and Open Spaces (hectares)	270	270
Allotments (acres)	39	39
Downland (acres)	4,100	4,100
<b>Infrastructure Assets</b>		
Seafront Groynes	94	94
Promenade (miles)	4.3	4.3
<b>Non-Operational Assets</b>		
Royal Hippodrome Theatre	1	1
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	4	4
Community Centres	5	5
Treasure Island	1	1

## 2. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Unless their useful life to the Council extends beyond one year, deferred charges are written off through the Consolidated Revenue Account and financed from the Capital Financing Reserve.

2002-2003 £'000		2003-2004 £'000
0	Balance at the beginning of the year	0
	Capital Expenditure in year:	
1,124	Grants to Housing Associations	447
673	Private Sector Housing Grants	851
268	Conservation Area Partnership Scheme	0
125	Cash Incentive Scheme	144
112	Heritage Economic Regeneration Scheme	39
50	Deferred Purchase Arrangement	50
82	Other	69
<b>2,434</b>		<b>1,600</b>
(175)	Amounts written off to the Housing Revenue Account	(194)
(2,259)	Amounts written off to the Capital Financing Reserve	(1,406)
<b>0</b>	<b>Balance at the end of the year</b>	<b>0</b>

## 3. DEFERRED PREMIUMS

Deferred premiums represent the share of losses on the early repayment of borrowing which are written back to the Consolidated Revenue Account over a timescale prescribed by statute.

The Council prematurely repaid 6 loans totalling £6.8m to the Public Works Loan Board in 2003-2004 that incurred a premium of £2.538m

2002-2003 £'000		2003-2004 £'000
1,736	Balance at the beginning of the year	2,278
1,046	Premiums paid	2,538
	Amounts written back to the Consolidated Revenue Account:	
(143)	General Fund	(359)
(361)	Housing Revenue Account	(452)
(504)		(811)
<b>2,278</b>	<b>Balance at the end of the year</b>	<b>4,005</b>

#### 4. LONG TERM INVESTMENTS

31.3.2003		31.3.2004
£'000		£'000
1,528	Eastbourne Buses Ltd – shares	1,528
325	Eastbourne Buses Ltd – debenture	325
<b>1,853</b>		<b>1,853</b>
50	Local Government Association - debenture	50
<b>1,903</b>		<b>1,903</b>

The Eastbourne Buses Limited debenture is repayable by 26<sup>th</sup> October 2011.

#### RELATED COMPANY

Eastbourne Buses Limited is a company formed under the provisions of the Transport Act 1985. Its principal activities are the operation of bus and coach services, and the provision of garage and parking services.

At 31<sup>st</sup> March 2004, with a shareholding of 80%, the Council was the majority shareholder in the company. The other shareholder is the Keolis Group who acquired a 20% shareholding under an agreement made in June 2001. The agreement provides for further tranches of shares to be issued at market value to a maximum shareholding by Keolis of 49% providing certain performance targets are achieved.

The Company's key financial results are:

	Year ended 30.9.2002	Period ended 31.12.2003
	£'000	£'000
Net Assets	1,941	1,778
Profit/(Loss) before taxation	(179)	(198)
Profit/(Loss) after taxation	(115)	(162)
Dividends declared	NIL	NIL

The value of the Council's shareholding at 31<sup>st</sup> March 2004 is stated at the net cost incorporated in the Transfer Scheme. On the basis of the Company's latest trading statement to 30<sup>th</sup> December 2003, this valuation is reasonable when compared with the value of the Company's net assets. However, future valuations are uncertain due to the effect on the Company of implementing the full provisions of Financial Reporting Standard 17 on Retirement Benefits. The Company contributes to two pension schemes; one is a defined contribution scheme whereas the other is a defined benefit scheme (also known as a final salary scheme). The next set of Company accounts, which will be for the 12 months to 31<sup>st</sup> December 2004, will recognise the full cost in that period of providing for retirement benefits to its staff. It will also include the related gains, losses, assets and liabilities of its defined benefit pension scheme, and this will have a direct impact on the value of the Company's net assets. As a consequence, this will also have a direct bearing on the value of the Council's shareholding but this will not be recognised until the Council produces its accounts for the year ended 31<sup>st</sup> March 2005.

If unsustainable losses are incurred by the Company, the Council has an obligation to meet them. Financial support was not required in 2003-2004.

Copies of the Company's audited accounts may be obtained from the Chief Executive, Town Hall, Eastbourne, BN21 4UG.

## 5. LONG TERM DEBTORS

	31.3.2003 £'000	Additions £'000	Repayments £'000	31.3.2004 £'000
Advances to Housing Associations and Private Mortgagors	104	0	2	102
Council House Mortgagors	95	0	8	87
Other loans and advances	24	0	0	24
	<b>223</b>	<b>0</b>	<b>10</b>	<b>213</b>

Long Term Debtors include housing associations and individual mortgagors with outstanding advances in respect of loans for house purchases. The account is written down by principal repayments received during the year.

## 6. DEBTORS

31.3.2003 £'000		31.3.2004 £'000
741	National Non-Domestic Ratepayers	549
3,001	Council Taxpayers	3,835
758	Council House Tenants	630
1,066	Government Departments	2,206
0	Inland Revenue	6
446	Customs and Excise	449
149	Assisted Car Purchase Loans	105
219	Payments in Advance	213
2,222	Sundry Debtors	2,280
<b>8,602</b>		<b>10,273</b>
	Less: Provision for Doubtful Debts	
(1,661)	- Collection Fund	(1,764)
(532)	- Council House Tenants	(448)
(357)	- General	(660)
<b>6,052</b>		<b>7,401</b>

Movements on Provision for Doubtful Debts:

	Opening balance	Reduce for amounts written off	Increase for ageing and new debt	Net in-year movement	Closing balance
Non-Domestic Ratepayers	(425)	194	(87)	107	(318)
Council Taxpayers	(1,236)	153	(363)	(210)	(1,446)
Collection Fund	(1,661)	347	(450)	(103)	(1,764)
Council House Tenants	(532)	122	(38)	84	(448)
General	(357)	42	(345)	(303)	(660)



## 7. CREDITORS

31.3.2003 £'000		31.3.2004 £'000
578	Business Ratepayers	577
849	Council Taxpayers	1,226
328	Government Departments	0
257	Inland Revenue	279
184	East Sussex County Council	195
770	Income Received in Advance	946
282	Loan Interest	271
963	Capital Creditors	261
2,934	Sundry Creditors	4,915
<b>7,145</b>		<b>8,670</b>

## 8. LONG TERM BORROWING

31.3.2003 £'000		31.3.2004 £'000
27,733	Public Works Loan Board	20,867
7,500	Loan Stock	7,500
<b>35,233</b>		<b>28,367</b>

Analysis of borrowings by maturity:-

31.3.2003 £'000		31.3.2004 £'000
67	Between 1 and 2 years	67
666	Between 2 and 5 years	600
2,000	Between 5 and 10 years	0
32,500	More than 10 years	27,700
<b>35,233</b>		<b>28,367</b>

## 9. DEFERRED LIABILITIES

31.3.2003 £'000		31.3.2004 £'000
<b>1,277</b>	<b>Deferred Purchase Agreement</b>	<b>1,227</b>

## 10. GOVERNMENT GRANTS DEFERRED ACCOUNT

Government grants applied in the financing of fixed assets are held here. They are written off over the useful life of the asset to match the depreciation of the asset to which the grant relates. Thus the balance held on this account is not available for new investment, but rather it has already been invested and is held to assist with the presentation of depreciation within the Asset Management Revenue Account.

2002-2003 £'000		2003-2004 £'000
20,162	Balance at the beginning of the year	19,840
273	Grants applied during the year	224
(595)	Less - Amount written off to the Asset Management Revenue Account	(663)
<b>19,840</b>	<b>Balance at the end of the year</b>	<b>19,401</b>

## 11. CAPITAL CONTRIBUTIONS DEFERRED ACCOUNT

This account operates in a similar way to the Government Grants Deferred Account, except that it records the transactions relating to the application of Third Party Capital Contributions. Thus the balance held on this account is not available for new investment, but rather it has already been invested and is held to assist with the presentation of depreciation within the Asset Management Revenue Account.

2002-2003 £'000		2003-2004 £'000
8,828	Balance at the beginning of the year	10,252
	Contributions applied during the year:	
668	- Sport England	0
487	- Developer's Contributions	0
394	- Other	210
<b>1,549</b>		<b>210</b>
0	Less - Transfer to Capital Financing Reserve in respect of fully financed assets which are not subject to a depreciation charge	(6,395)
(125)	Less - Amount written off to the Asset Management Revenue Account	(123)
<b>10,252</b>	<b>Balance at the end of the year</b>	<b>3,944</b>

## 12. PROVISIONS

	31.3.2003 £'000	Contributions £'000	Utilised £'000	31.3.2004 £'000
Deferred Purchase	1,102	125	0	1,227
Other	108	31	29	110
	<b>1,210</b>	<b>156</b>	<b>29</b>	<b>1,337</b>

A Deferred Purchase provision has been created to meet the final lump sum repayment of an arrangement entered into by the Council for the provision of sheltered housing. This falls due in 2005. Equal annual contributions of £125,000 are made from the Housing Revenue Account to meet this obligation.

### 13. DEFERRED CREDITS

	31.3.2003 £'000	Received £'000	31.3.2004 £'000
Council House Sales	95	8	87
	<b>95</b>	<b>8</b>	<b>87</b>

Deferred Credits represents mortgages outstanding in relation to dwellings sold to former Council housing tenants. The account is written down by the amount of principal repayments received during the year.

### 14. FIXED ASSET RESTATEMENT RESERVE

The balance on the Fixed Asset Restatement Reserve primarily represents the difference between the valuation of assets under the previous system of capital accounting, and the revaluations that have taken place since the new system was introduced from 1<sup>st</sup> April 1994.

In addition, the reserve is written down by the net book value of assets as they are disposed of, and any impairments which lead to permanent reductions in asset values.

2002-2003 £'000		2003-2004 £'000
112,828	Balance at the beginning of the year	142,709
33,485	Revaluation of fixed assets	41,659
(3,494)	Disposal of fixed assets	(6,266)
(110)	Impairment losses	0
<b>142,709</b>	<b>Balance at the end of the year</b>	<b>178,102</b>

### 15. CAPITAL FINANCING RESERVE

The Capital Financing Reserve contains amounts required by law to be set aside from capital receipts for repayment of external loans, and the amount of capital expenditure financed from revenue and from capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal of external loans. Thus the balance on this account is reserved to meet predetermined liabilities rather than being available for new investment.

The appropriation to the Consolidated Revenue Account reconciles the debits for impairment and depreciation (net of government grants and capital contributions deferred) to the Minimum Revenue Provision.

2002-2003 £'000		2003-2004 £'000
28,892	Balance at the beginning of the year	32,574
2,876	Capital receipts set aside in year	4,645
672	Housing Corporation grants set aside in year	0
	Capital financing in year	
2,773	- Major Repairs Reserve	2,472
272	- Specified Capital Grant	289
1,176	- Capital Receipts	832
0	- Third Party Contributions	853
1,157	- Capital Reserve	1,416
68	- Consolidated Revenue Account	150
0	Transfer from Capital Contributions Deferred	6,395
	Sums set aside from revenue for repayment of debt: (less depreciation provision)	
(3,630)	- Long Term Borrowing	(3,898)
50	- Deferred Purchase arrangements	50
(18)	Less - Long Term Debtors written down	(1)
(2,259)	- Deferred Charges written down	(1,406)
545	- Appropriation to Consolidated Revenue Account	233
<b>32,574</b>	<b>Balance at the end of the year</b>	<b>44,604</b>

## 16. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT)

In accordance with statutory requirements the Council must set aside certain sums as a provision to repay external loans. These transactions are incorporated within the Capital Financing Reserve (Note 15), but are shown separately in this memorandum account for record purposes.

31.3.2003 £'000		31.3.2004 £'000
4,527	Capital Receipts set aside at 1 <sup>st</sup> April	3,978
2,876	Capital Receipts set aside in year	4,645
672	Capital Grants set aside in year	0
798	Sums set aside from revenue (MRP)	731
<b>8,873</b>		<b>9,354</b>
(3,637)	Less – used to redeem debt	(6,866)
0	Less – used to redeem premia	(358)
(1,258)	Less – used to finance credit approvals	(1,761)
<b>3,978</b>	<b>Capital Receipts set aside at 31<sup>st</sup> March</b>	<b>369</b>

## 17. USABLE CAPITAL RECEIPTS

Capital receipts received in the year are recorded as usable or reserved.

The usable part is held in this account as being available to finance new capital expenditure.

The reserved part is transferred to the Capital Financing Reserve (see note15).

	31.3.2003 £'000	Receipts £'000	Aside £'000	£'000	Expenditure £'000	31.3.2004 £'000
General Fund	0	2,476	0	1,452	(231)	3,697
Housing Revenue Account	273	6,425	(4,645)	(1,452)	(601)	0
	<b>273</b>	<b>8,901</b>	<b>(4,645)</b>	<b>0</b>	<b>(832)</b>	<b>3,697</b>

## 18. EARMARKED RESERVES

	31.3.2003 £'000	Added £'000	Withdrawn £'000	31.3.2004 £'000
Capital Grants and Contributions				
- General Fund	25	1,020	(1,043)	2
- Housing Revenue Account	1,951	232	(1,648)	535
- Eastbourne Park	452	94	(121)	425
- Social Housing Development	0	636	(42)	594
- Major Repairs Reserve	0	2,472	(2,472)	0
	<b>2,428</b>	<b>4,454</b>	<b>(5,326)</b>	<b>1,556</b>
Eastbourne Buses Realisation	<b>1,750</b>	<b>0</b>	<b>0</b>	<b>1,750</b>
Revenue Grants and Contributions				
Upkeep of Graves and Memorials	85	0	0	85
General Reserve	993	595	(644)	944
Insurance	133	0	(17)	116
Other	334	118	(12)	440
	<b>1,545</b>	<b>713</b>	<b>(673)</b>	<b>1,585</b>
	<b>5,723</b>	<b>5,167</b>	<b>(5,999)</b>	<b>4,891</b>

The Eastbourne Buses Realisation Account represents the surplus on the book value of net assets transferred to Eastbourne Buses Limited at 26<sup>th</sup> October 1986. This surplus will only be realised if the Council disposes of the shares and debenture held as Long Term Investments (Note 4 on page 31).

## 19. BALANCES

	31.3.2003 £'000	Added £'000	Withdrawn £'000	31.3.2004 £'000
General Fund	1,000	0	0	1,000
Housing Revenue Account	729	260	0	989
Collection Fund	450	0	(398)	52
	<b>2,179</b>	<b>260</b>	<b>(398)</b>	<b>2,041</b>

## 20. ANALYSIS OF NET ASSETS EMPLOYED

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

NB 2002-2003 comparative figures have been adjusted to include the Pensions Liability and Pensions Reserve introduced by the disclosure requirements of FRS17 accounting.

Restated 31.3.2003 £'000		31.3.2004 £'000
(4,650)	General Fund	19,462
169,818	Housing Revenue Account	201,458
<b>165,168</b>		<b>220,920</b>

## 21. TRUST FUNDS

The Council acts as trustee for two Funds. These do not represent assets of the Council and are not, therefore, included in the Consolidated Balance Sheet.

The total amount held at 31<sup>st</sup> March 2004 was **£20,985** (£22,000 31<sup>st</sup> March 2003). The largest of these is the Langney Cemetery Maintenance Fund which amounted to £20,750 in both years.

## 22. DISCLOSURE OF NET PENSION LIABILITY

The Councils participation in the Local Government Pension Scheme (administered by East Sussex County Council) is detailed in Note 9 to the Consolidated Revenue Account.

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2004 are as follows:

	31 <sup>st</sup> March 2003 £'000	31 <sup>st</sup> March 2004 £'000
Estimated present value of scheme liabilities	58,199	60,703
Estimated present value of unfunded liabilities	3,833	4,036
Total value of liabilities	62,032	64,739
Less – Share of assets in East Sussex County Council Fund	43,743	52,324
<b>Net Pensions Deficit</b>	<b>18,289</b>	<b>12,415</b>

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 about mortality rates, salary levels, etc. The East Sussex Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The last formal actuarial valuation was as at 31 March 2001, with the next formal valuation due as at 31 March 2004. The results of this formal valuation are still awaited, but for FRS 17 purposes the main assumptions used in Hymans Robertson's calculations at 31<sup>st</sup> March 2004 are:

	2002-2003	2003-2004
Rate of inflation	2.5%	2.9%
Rate of increase in salaries	4.0%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	6.1%	6.5%

Assets in the East Sussex County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	<b>Long Term Return</b>	<b>31<sup>st</sup> March 2003</b>	<b>31<sup>st</sup> March 2004</b>
	%	%	%
Equities	7.7	69.7	74.1
Bonds	5.1	11.7	12.2
Property	6.5	12.5	10.5
Cash	4.0	6.1	3.2
<b>Total Assets</b>	<b>7.1</b>	<b>100</b>	<b>100</b>

## 23. CONTINGENT LIABILITIES

### **Municipal Mutual Insurance Limited**

The Council has a number of outstanding claims with its former insurers. The Company has put arrangements in place to try to ensure an orderly settlement of the sums due, and it believes that it has sufficient assets to meet its liabilities in full.

If ultimately this were not to be the case, then the Council would be liable to a share of the residual liabilities. The value of this is not quantifiable and no provision for this eventuality has been made in the Council's accounts.

## 24. EURO

The Council has currently incurred no expenditure in relation to the introduction of the Euro, but is constantly monitoring the situation with a view to implementation when considered appropriate.

## STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This brings together all the recognised gains and losses of the authority, and identifies those which have and have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves. The Collection Fund is excluded from this statement.

Restated 2002-2003 £'000		2003-2004 £'000
	Surplus/(Deficit) for the year :	
(13)	- General Fund	0
(1,159)	- Housing Revenue Account	260
81	Movements on specific revenue reserves	40
(588)	Appropriation from pensions reserve	235
11,798	Actuarial (gains) and losses relating to pensions	(6,109)
<b>10,119</b>	<b>Total increase/(decrease) in specific revenue reserves</b>	<b>(5,574)</b>
272	Increase/(decrease) in usable capital receipts	3,424
(1,203)	Increase/(decrease) in unapplied capital grants and contributions	(872)
<b>(931)</b>	<b>Total increase/(decrease) in realised capital resources (note 2)</b>	<b>2,552</b>
33,485	Gains/(losses) on revaluation of fixed assets	41,659
(110)	Impairment losses on fixed assets	0
<b>33,375</b>	<b>Total increase/(decrease) in unrealised value of fixed assets (note 3)</b>	<b>41,659</b>
<b>(3,494)</b>	<b>Value of assets, sold disposed of or decommissioned (note 4)</b>	<b>(6,266)</b>
4,724	Capital receipts set aside	4,645
(1,042)	Revenue resources set aside	0
(322)	Movement on Government Grants Deferred	(439)
1,424	Movement on Capital Contributions Deferred	(6,308)
<b>4,784</b>	<b>Total increase/(decrease) in amounts set aside to finance capital investment (note 5)</b>	<b>(2,102)</b>
<b>32,643</b>	<b>Total recognised gains and losses</b>	<b>36,143</b>

### Notes to the Statement of Total Movements on Reserves

	General Fund Balances £'000	HRA Balances £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
<b>1. Movements in revenue resources</b>				
Surplus/(deficit) for 2003/04	0	260		
Appropriations to/from revenue			40	(235)
Actuarial gains and losses relating to pensions				6,109
Balance brought forward at 1 April 2003	1,000	729	1,545	(18,289)
Balance carried forward at 31 March 2004	1,000	989	1,585	(12,415)



The actuarial gains identified as movements on the Pensions Reserve in 2003-04 can be analysed into the following categories, measured as absolute amounts and percentages of assets and liabilities at 31 March 2004:

	£'000	%
<b>Actuarial gains and losses relating to pensions</b>		
Differences between the expected and actual return on assets	6,324	12.1
Differences between actuarial assumptions about liabilities and actual experience	(215)	(0.3)
Changes in demographic and financial assumptions used to estimate liabilities	-	-
	<b>6,109</b>	
Comparative totals for 2002/03	(11,798)	(20.3)

	Unapplied capital receipts	Unapplied capital grants and contributions
	£,000	£,000
<b>2. Movements in realised capital resources for 2003-2004</b>		
Amounts receivable	4,256	4,454
Amounts applied to finance new capital investment	(832)	(5,326)
<b>Total increase/(decrease) in realised capital resources</b>	<b>3,424</b>	<b>(872)</b>
Balance brought forward at 1 <sup>st</sup> April 2003	273	2,428
Balance carried forward at 31 <sup>st</sup> March 2004	3,697	1,556

	Fixed Asset Restatement Reserve
	£'000
<b>3. Movements in unrealised value of fixed assets</b>	
Gains/(losses) on revaluation of fixed assets	41,659
Impairment losses on fixed assets	0
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	<b>41,659</b>

<b>4. Value of assets, sold disposed of or decommissioned</b>	
Amounts written off fixed asset balances for disposals	(6,266)
Total movement on reserve	35,393
Balance brought forward at 1 <sup>st</sup> April 2003	142,709
Balance carried forward at 31 <sup>st</sup> March 2004	178,102

	Capital Financing Reserve	Government Grants/Capital Contributions Deferred	Total
	£'000	£'000	£'000
<b>5. Movements in amounts set aside to finance capital investment</b>			
Capital receipts set aside			
- reserved receipts	4,645		
- usable receipts applied	832		
<b>Total capital receipts set aside</b>	<b>5,477</b>		<b>5,477</b>
Revenue resources set aside			
- capital expenditure financed from revenue	11,575		
-reconciling amount for provisions for loan repayment	(5,022)		
<b>Total revenue resources set aside</b>	<b>6,553</b>		<b>6,553</b>
Grants applied to capital investment		224	
Contributions applied to capital investment		210	
Transfer to CFR		(6,395)	
Amounts credited to Asset Management a/c		(786)	
<b>Movement on Government Grants and Capital Contributions Deferred Accounts</b>		<b>(6,747)</b>	<b>(6,747)</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>			<b>5,283</b>
Total movement in reserve	12,030	(6,747)	
Balances brought forward at 1 <sup>st</sup> April 2003	32,574	30,092	
Balances carried forward at 31 <sup>st</sup> March 2004	44,604	23,345	

## NOTES

- 1) The balances held on the Government Grant Deferred Account and the Capital Contributions Deferred Account are not available for new investment. Rather they have already been invested and are held to assist with the presentation of depreciation within the Asset Management Revenue Account. Details of the movements on these two accounts can be found in Notes 10 and 11 to the Consolidated Balance Sheet on pages 33 and 34.
- 2) The Fixed Asset Restatement Reserve and the Capital Financing Reserve have been established for statutory and regulatory purposes and are not available to support Council spending. Details of the movements on these two accounts can be found in Notes 14 and 15 to the Consolidated Balance Sheet on page 35.
- 3) Usable Capital Receipts can be used to finance expenditure designated for capital purposes. Details of the movements for the year can be found in Note 17 to the Consolidated Balance Sheet on page 37.
- 4) Earmarked Reserves are held for a variety of purposes and are available to support both Capital and Revenue spending once realised. Details of the movements for the year can be found in Note 18 to the Consolidated Balance Sheet on page 37.
- 5) General Fund and Housing Revenue Account balances represent the accumulated surplus on each of these accounts and are available to support revenue spending. Details of the movements for the year can be found in Note 19 to the Consolidated Balance Sheet on page 37.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

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

2002-2003 £'000		£'000	2003-2004 £'000
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
14,209	Cash paid to and on behalf of employees	15,863	
20,215	Other operating cash payments	22,649	
20,489	Housing Benefits paid out	21,033	
21,765	NNDR payments to national pool	21,437	
26,079	Precept paid to East Sussex County Council	31,717	
2,338	Precept paid to Sussex Police Authority	3,325	
<b>105,095</b>			<b>116,024</b>
<b>Cash Inflows</b>			
(3,883)	Housing Rents (after rebates)	(4,361)	
(28,533)	Council Tax receipts	(35,148)	
(22,751)	Non-Domestic rate receipts	(21,059)	
(5,983)	Revenue Support Grant	(6,747)	
(3,894)	NNDR receipts from national pool	(3,134)	
(20,829)	DWP grants for benefits	(24,455)	
(8,582)	Other government grants (note 4)	(8,582)	
(13,930)	Cash received for goods and services	(18,436)	
(1,516)	Other operating cash receipts	(1,359)	
<b>(109,901)</b>			<b>(123,281)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash Outflows</b>			
3,078	Interest paid	2,895	
1,046	Interest Premium Paid	2,538	
<b>4,124</b>			<b>5,433</b>
<b>Cash Inflows</b>			
(555)	Interest received		(439)
<b>(1,237)</b>	<b>Revenue Activities Net Cash (Inflow)/Outflow</b>		<b>(2,263)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

2002-2003 £'000		£'000	2003-2004 £'000
<b>CAPITAL ACTIVITIES</b>			
<b>Cash Outflows</b>			
6,214	Purchase of fixed assets	6,709	
2,311	Other capital cash payments	1,499	
<b>8,525</b>			<b>8,208</b>
<b>Cash Inflows</b>			
(4,131)	Sale of fixed assets	(8,890)	
(1,347)	Capital grants received	(1,288)	
(333)	Other capital cash receipts	(844)	
<b>(5,811)</b>			<b>(11,022)</b>
<b>1,477</b>	<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>(5,077)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
<b>(5,850)</b>	Net increase/(decrease) in Short Term Investments		<b>4,600</b>
<b>FINANCING</b>			
<b>Cash Outflows</b>			
<b>3,688</b>	Repayments of amounts borrowed		<b>6,916</b>
<b>Cash Inflows</b>			
0	New loans raised	0	
0	New short term loans	(5,800)	
0			<b>(5,800)</b>
<b>(685)</b>	<b>Net (Increase)/Decrease in Cash</b>		<b>639</b>

## NOTES TO THE CASH FLOW STATEMENT

### 1. REVENUE ACTIVITIES NET CASH FLOW

<b>2002-2003</b>		<b>2003-2004</b>
<b>£'000</b>		<b>£'000</b>
<b>13</b>	Deficit per Consolidated Revenue Account (page 11)	<b>0</b>
<b>27</b>	(Surplus)/Deficit per Collection Fund (page 44)	<b>398</b>
<b>40</b>	<b>Revenue (Surplus)/Deficit</b>	<b>398</b>
<b>(3,083)</b>	Add/(Less) – Non Cash transactions re capital Financing, reserves and provisions	<b>(2,067)</b>
<b>1,806</b>	Add/(Less) – Revenue items accrued in the accounts	<b>(594)</b>
<b>(1,237)</b>	<b>Revenue Activities Net Cash Flow</b>	<b>(2,263)</b>

### 2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<b>£'000</b>
Increase in cash in the year	<b>(639)</b>
Less - Cash Inflow from new debt	<b>(5,800)</b>
Add – Cash Outflow from redemption of debt	<b>6,916</b>
<b>Changes in net debt</b>	<b>477</b>
Net debt at start of the year	<b>(36,676)</b>
<b>Net debt at end of the year</b>	<b>36,199</b>

Analysis of Net Debt	Balance 31.3.2003 £'000	Balance 31.3.2004 £'000	Movement in the year £'000
Bank Overdraft	<b>(85)</b>	<b>(724)</b>	<b>(639)</b>
Long Term Borrowing	<b>(35,233)</b>	<b>(28,367)</b>	<b>6,866</b>
Deferred Liabilities	<b>(1,277)</b>	<b>(1,227)</b>	<b>50</b>
Short Term Borrowing	<b>(81)</b>	<b>(5,881)</b>	<b>(5,800)</b>
	<b>(36,676)</b>	<b>(36,199)</b>	<b>477</b>

## NOTES TO THE CASH FLOW STATEMENT

### 3. MOVEMENTS IN FINANCING AND MANAGEMENT OF LIQUID RESOURCES

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

Movement in 2002-2003 £'000	Balance 31.3.2003 £'000	Balance 31.3.2004 £'000	Movement in the year £'000
Long Term Borrowing:			
Public Works Loan Board	27,733	20,867	6,866
Stock	7,500	7,500	0
	<b>35,233</b>	<b>28,367</b>	<b>(6,866)</b>
Deferred Liabilities:			
Deferred Purchase Agreements	1,277	1,227	(50)
Short Term Borrowing	81	5,881	5,800
<b>Movements in Financing</b>	<b>36,591</b>	<b>35,475</b>	<b>1,116</b>
Short Term Investments	(4,400)	(9,000)	4,600
<b>Movements in Management of Liquid Resources</b>	<b>(4,400)</b>	<b>(9,000)</b>	<b>4,600</b>

### 4. ANALYSIS OF OTHER GOVERNMENT GRANTS

2002-2003 £'000		2003-2004 £'000
6,502	Housing Revenue Account Subsidy	6,171
695	Single Regeneration Budget	722
375	Benefits Administration	753
64	Housing Benefit Anti Fraud Incentive	35
76	Countryside Commission	134
107	Housing Benefits Verification Framework	183
97	Housing Benefits Other Grants	16
25	Civil Defence	0
10	Supporting People	0
251	Housing –Other	237
303	Sport England	0
77	Home Office Grants	143
0	Planning Delivery	109
0	Voluntary Sector Projects	79
<b>8,582</b>		<b>8,582</b>

## COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

This shows the transactions of the Council as a charging authority in relation to National Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities.

2002- 2003 £'000		2003- 2004 £'000
28,492	Council Tax (Note 2) Amounts receivable from Council Taxpayers	35,521
4,292	Transfers from General Fund Council Tax Benefits	5,659
22,404	Collectable from Business Ratepayers (Note 4)	20,983
<b>55,188</b>	<b>Total Fund Income</b>	<b>62,163</b>
	Precepts and Demands	
25,709	East Sussex County Council	31,259
4,335	Eastbourne Borough Council	6,091
2,309	Sussex Police Authority	3,284
<b>32,353</b>		<b>40,634</b>
	Business Rates	
22,267	Contribution to National Pool	20,850
137	Costs of Collection	133
<b>22,404</b>		<b>20,983</b>
	Bad and Doubtful Debts	
(4)	Provisions - Council Tax	363
	Contribution towards previous years' estimated Council Tax Surplus	
370	East Sussex County Council	458
63	Eastbourne Borough Council	77
29	Sussex Police Authority	41
<b>462</b>		<b>576</b>
	Contribution - Community Charge adjustment	
0	Eastbourne Borough Council (Note 5)	5
<b>55,215</b>	<b>Total Fund Expenditure</b>	<b>62,561</b>
<b>27</b>	<b>(Surplus)/Deficit for the year</b>	<b>398</b>
	<b>COLLECTION FUND BALANCE</b>	
(477)	Balance at 1 <sup>st</sup> April	(450)
27	(Surplus)/Deficit for the year	398
<b>(450)</b>	<b>Balance as at 31<sup>st</sup> March (Note 6)</b>	<b>(52)</b>

## NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

## 1. GENERAL

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates, residual Community Charges, and the Council Tax, and illustrates the way in which these have been distributed to preceptors. The Collection Fund is prepared and consolidated on the accrual basis.

## 2. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers is determined at as follows:

	£,000
Gross amount of Council Tax	48,878
Less - Discounts	5,565
Exemptions	2,069
Disabled relief	64
Amounts collectable from Council Taxpayers	41,180
Less - Council Tax Benefits	5,659
Amounts receivable from Council Taxpayers	35,521

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	Estimated No. of Taxable Properties (after discounts)	Ratio to Band D	Band D Equivalent Dwellings
A Disabled Reduction	10	29	5/9	16
A	7,049	5,778	6/9	3,852
B	11,669	10,213	7/9	7,943
C	10,054	8,953	8/9	7,958
D	7,075	6,447	9/9	6,447
E	3,579	3,362	11/9	4,109
F	1,768	1,672	13/9	2,415
G	965	895	15/9	1,492
H	27	24	18/9	48
	<b>42,196</b>	<b>37,373</b>		<b>34,280</b>

Less average 2% reduction to allow for collection losses (686)

Add Ministry of Defence properties (contributions in lieu) 2

**Council Tax Base** **33,596**

The estimated gross yield for Council Tax amounted to £41.464m, based on 34,282 dwellings multiplied by the Band D tax of £1,209.49. The actual gross yield of £41.180m is equivalent to a reduction in Band D equivalent dwellings for the year of 235.

The estimated and actual tax base figures will vary due to the various effects of banding appeals, new properties, demolished properties and entitlements to discounts. The net reduction of 235 Band D equivalent dwellings in 2003-2004 compares with a net reduction of 234 in 2002-2003.

## 3. DOUBTFUL DEBTS



The Council made provision for the non-collection of Council Tax debts which remain outstanding at the end of the financial year.

	31.3.2003 £'000	31.3.2004 £'000
Arrears Outstanding	3,001	3,835
Provision for non-collection	1,236	1,446

#### 4. INCOME FROM BUSINESS RATEPAYERS

Under the Government's arrangements for uniform business rates, the Council is responsible for collecting non-domestic rates for Eastbourne, on the basis of assessed rateable values multiplied by a standard national rate. The total amount, less certain relief's and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. In 2003-2004 this amounted to £3.134m for Eastbourne Borough Council (£3.849m in 2002-2003).

The total non-domestic rateable value at 31<sup>st</sup> March 2004 was £54.527m and 2003-2004 multiplier was 44.4p. The product of this is **£24.210m**. This 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.

#### 5. COMMUNITY CHARGE

In 2002-2003 the Council completed its collection of the amounts due in respect of the three years from 1<sup>st</sup> April 1990 to 31<sup>st</sup> March 1993. However, a total of £5,000 had been accumulated for the future **benefit** of Eastbourne's local taxpayers and this was applied when setting the Council Tax for 2003-2004, **exclusively to reduce** the Borough Council's share of the tax.

#### 6. COLLECTION FUND BALANCE

The Council **was owed £3.835m** by Council taxpayers at 31<sup>st</sup> March 2004, (£3.001m at 31<sup>st</sup> March 2003). All arrears continue to be actively pursued by the authority. The Council has, as a matter of prudence, made a provision of £1.446m against these arrears.

The Collection Fund Balance comprises:

31.3.2003 £'000		31.3.2004 £'000
(445)	Council Tax (Surplus)	(52)
(5)	Community Charge Adjustments	0
<b>(450)</b>		<b>(52)</b>

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL PRINCIPLES

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2003, and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs).

### 2. BASIS OF CONSOLIDATION

The Consolidated Balance Sheet on page 25 brings together the activities of the Council's General Fund, Housing Revenue Account, and Collection Fund, and includes all of their respective balances.

It also includes the Council's investments in, though not the assets and liabilities of, the Council's related company, Eastbourne Buses Limited.

Consolidation of related companies assets and liabilities is normally required by the Code of Practice on Local Authority Accounting.

However, the SORP recognises the concept of 'materiality'; this is where departures from the SORP are permitted provided they do not have a significant effect on the fair understanding of an authority's financial performance.

This is the case for the Council's financial relationship with its related company.

### 3. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets above a de minimis level of **£10,000** is capitalised on an accruals basis in the accounts.

Such expenditure on fixed assets is capitalised provided that the fixed asset yields benefits to the authority and the services it provides for a period of more than one year.

This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Fixed assets are classified into the groupings required by the Code of Practice, and are included in the balance sheet on the following basis:

- Council dwellings are valued at either existing use value or existing use value for social housing
- operational assets are valued at either net realisable value for existing use or depreciated replacement cost.
- non-operational assets are valued at net realisable value.
- infrastructure assets and community assets are valued at cost

A full valuation was initially carried out at 1<sup>st</sup> April 1994. Subsequent revaluations of fixed assets are carried out on a rolling five year programme, whereby a percentage of the Council's assets are revalued each year.

In addition, any material changes to asset valuations will be adjusted as they occur.

Assets acquired under finance leases and deferred purchase schemes are capitalised in the authority's accounts, and included in the balance sheet at their fair value.

Income from the disposal of fixed assets is credited to the usable capital receipts reserve and accounted for on an accruals basis.

Where the Government requires that a proportion of the receipt is reserved for repayment of external loans, this is credited to a capital finance reserve.

Upon disposal, the net book value of the asset disposed of is written out against the fixed asset restatement reserve.

#### **4. DEPRECIATION**

For the majority of its operational assets, the Council is making regular repairs and maintenance which extend assets useful life in existing use. However, in accordance with the Code of Practice on Local Authority Accounting and Financial Reporting Standard 15 (FRS15), depreciation is charged on all operational assets with a finite life. The Council does not depreciate for non-depreciable land and non-operational investment properties.

In accordance with Financial Reporting Standard 11 (FRS 11), should an asset be economically impaired, i.e. subject to an external factor that significantly alters the value or use of an asset, then this would have to be reflected in the accounts with a charge to the Consolidated Revenue Account representing the change in value.

Depreciation is being provided on the following basis:

- depreciation is calculated using the straight-line method, so as to write off the cost or valuation of the relevant assets in equal annual instalments over their useful lives.
- newly acquired assets are depreciated from the mid-point of the year. Assets in the course of construction are not depreciated until they are brought into use
- depreciation is calculated over the following periods:
  - Other Land and Buildings 35 years
  - Vehicles, Plant, and Equipment 3-10 years
  - Community Assets 5-20 years
  - Infrastructure assets 10-40 years

Council Dwellings are depreciated following the introduction of Resource Accounting for the Housing Revenue Account from 1<sup>st</sup> April 2001. The Major Repairs Allowance is used as the appropriate methodology to provide for depreciation on the Council's housing stock.

## **5. DEFERRED CHARGES**

Deferred charges represent expenditure which may be properly capitalised, but which does not represent tangible assets. Deferred charges arising in the year are written off in full to services within the Capital Financing Reserve, unless their useful life to the Council extends beyond one year.

## **6. CAPITAL CHARGES TO REVENUE**

General Fund and Housing service revenue accounts are charged with a capital charge for all fixed assets used in the provision of services.

The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values.

The notional rates of interest used for 2003-2004, which have been prescribed by CIPFA, are **3.5%** for assets carried at current value and **4.625%** for assets carried at historical cost. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

No charge is made for assets under construction.

The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges in compliance with item 8 of part II of schedule 4 to the Local Government and Housing Act 1989.

In order to disclose the authority's net operating expenditure, any capital charges to revenue services need to be replaced by depreciation and external interest payments made for financing. These entries are made within the Asset Management Revenue Account.

Net operating expenditure contains accounting entries that are not revenue based and which do not have an impact on the level of Council Tax.

Thus, after the disclosure of net operating expenditure, reconciliation is needed to reverse out non-revenue items (depreciation net of amortised government grants and capital contributions deferred) and to replace them with Minimum Revenue Provision. This is achieved in the entry for 'Contributions from Capital Financing Reserve' within the Consolidated Revenue Account.

## **7. CAPITAL RECEIPTS**

Capital Receipts arise from the disposal of fixed assets, and are apportioned in accordance with prescribed percentages between "usable" capital receipts, and capital receipts set aside for debt redemption.

Usable capital receipts are held in the Usable Capital Receipts account until they are used to finance capital expenditure.

Capital receipts set aside for debt redemption are held in the Capital Financing Reserve where they can be used either for the repayment of outstanding debt, or to finance capital expenditure in lieu of borrowing new money up to the limit of the Government's annual allocation of credit approvals.

The set aside for redemption of debt is 75% from the sale of council houses, 50% for housing land and where grants have been made for Local Authority Social Housing (LASH) the repayment of the LASH grant is 100% set aside.

## **8. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or contribution is credited initially to either the Government Grants Deferred Account or to the Capital Contributions Deferred Account.

Amounts are released to the Asset Management Revenue Account over the useful life of the asset, to match any depreciation charged on the asset to which it relates.

Revenue grants and subsidies are credited direct to the service revenue account to which they relate.

Government grants and other contributions are accounted for on an accruals basis, and are recognised in the statement of accounts when the conditions for their receipt have been complied with, and there is reasonable assurance that they will be received.

## **9. LEASES**

In accordance with the Code of Practice rentals payable under operating leases are charged to revenue accounts on an accruals basis.

No values are held in the Balance Sheet for these leases

## **10. DEBTORS AND CREDITORS AT THE YEAR END**

The Council's revenue accounts are maintained on an accruals basis in accordance with Financial Reporting Standard 18 (FRS 18), and the Code of Practice on Local Authority Accounting.

This means that any sum due to the Council, or owed by the Council, in respect of the financial year, are included whether or not cash actually changed hands during the year. They are included on an actual basis where the amount is known or predictable and are estimated when the exact amount is unknown at the year-end.

Provision has been made for doubtful debts.

## **11. STOCKS**

Stocks at 31<sup>st</sup> March 2004 are included in the balance sheet according to SSAP 9, at the lower of cost or net realisable value.

## **12. SUPPORT SERVICE COSTS**

The costs of central and departmental support services, and the computing services facilities management contract, are recharged to General Fund service accounts, and other relevant accounts in accordance with the Best Value Accounting Code of Practice. The code stipulates that support service costs should be recharged on a total cost concept (based upon usage) and that there should be no material balances held on rechargeable accounts.

The code also clearly defines allowable expenditure that can be charged to the Corporate and Democratic Core and expenditure that can remain as unapportioned.

## **13. RESERVES AND PROVISIONS**

The Council has the power under the Local Government and Housing Act 1989 to keep reserves for certain purposes. Details of these are given in Note 18 to the Consolidated Balance Sheet, on page 37.

Reserves include earmarked reserves set aside for specific policy purposes, balances which represent resources set aside for purposes such as general contingencies and cash flow management, and capital grants and contributions received in advance of capital expenditure taking place.

Separate reserves are held for:

- |                             |  |
|-----------------------------|--|
| Insurance                   | - to reflect the move towards increased self insurance and to meet liabilities arising from it.              |
| Eastbourne Park Development | - to finance future infrastructure development within the park.  |
| General Earmarked Reserves  | - to enhance future revenue spending plans out of accumulated surpluses carried forward from previous years. |

The Council also maintains certain provisions whereby sums are set aside to meet specific liabilities.

Details can be found in Note 12 to the Consolidated Balance Sheet on page 34.

The following principal provision is maintained:

- a provision for the repayment of a Deferred Purchase Loan maturing in 2005.

## **14. PENSIONS**

In accordance with the Code of Practice, the Council has introduced full disclosure of the necessary information required by Financial Reporting Standard 17 (FRS 17) as notes to the Consolidated Revenue Account and the Balance Sheet.

More detailed information is contained within Note 9 to the Consolidated Revenue Account on page 16 and Note 22 to the Consolidated Balance Sheet on page 38.

## **15. DEFERRED PREMIUMS**

The Housing Revenue Account share of premiums paid on the repurchase or early settlement of long term borrowings is written back over a timescale prescribed by statute up to a maximum of ten years.

Any premiums which fall to the General Fund are recognised in full in the year they are paid and are written off to the Consolidated Revenue Account.

## **16. LONG TERM INVESTMENTS AND RELATED COMPANIES**

Investments are shown in the Consolidated Balance Sheet at cost.

The Council's principal investment is with Eastbourne Buses Limited, and in recording the Council's shareholdings in this company, Financial Reporting Standard 2 (FRS 2) – Group Accounts – has been followed in its relevance to local authorities.

Details of the financial relationship and the accounting basis of the investment are shown in Note 4 to the Consolidated Balance Sheet on page 31.

## **17 . VAT**

All expenditure and income is shown net of VAT.