

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 2002-2003 and comprise:

CONSOLIDATED REVENUE ACCOUNT (page 11) - 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 17) - 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 22) - 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 37) - 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 40) - This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

COLLECTION FUND REVENUE ACCOUNT (page 44) – 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 47) - 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 2002-2003 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 2002-2003

For 2002-2003 actual net General Fund expenditure amounted to £14.288m. This was funded by Government Grants and the precept on the Collection Fund which together totalled £14.275m. The additional expenditure of £13,000 was financed by a planned withdrawal from the Council's General Fund working balance.

Services	Budget £'000	Actual £'000	Difference £'000
Central Services to the Public	1,035	863	(172)
Cultural & Related Services	7,813	7,120	(693)
Environmental Services	5,557	5,584	27
Planning & Development Services	1,239	1,352	113
Highways, Roads & Transport Services	492	401	(91)
Housing Services	2,086	2,417	331
Council Housing	0	6,674	6,674
Corporate & Democratic Core	1,215	1,346	131
Unapportionable Central Overheads	325	274	(51)
Net Cost of Services	19,762	26,031	6,269
Corporate Operating Expenditure	(5,487)	(11,545)	(6,058)
Appropriations	0	(198)	(198)
Total Net Expenditure	14,275	14,288	13
Funded by:			
Council Tax Precept	(4,335)	(4,335)	0
Council Tax Surplus	(63)	(63)	0
Revenue Support Grant	(5,983)	(5,983)	0
Contribution from non-domestic rate pool	(3,894)	(3,894)	0
Deficit for the year	NIL	13	13

The actual figures within Net Cost of Services include Council Housing. This is separately accounted for within the Housing Revenue Account (page 17) but included within the Consolidated Revenue Account (page 11) from which the above figures are taken. Excluding Council Housing, the Net Cost of Services was underspent by £405,000 compared with the original budget. This was offset by overspends totalling £418,000 on Corporate Operating Expenditure, from additional costs of treasury management and increased deficits on trading undertakings.

After withdrawing £13,000 to finance planned expenditure over and above the original budget for this year the actual deficit for the year the General Fund working balance stands at £1,000,000 at 31st March 2003. This sum is held as uncommitted and as a contingency against unforeseen occurrences.

HOUSING

The Council continues to be the major provider of rented accommodation in the town. At 31st March 2003 it provided 3,968 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 2002-2003 the Housing Revenue Account (HRA) budgeted for income and expenditure of £18.787m. In the event actual income fell to £18.291m, principally due to a reduction of £488,000 in HRA subsidy receivable. Actual expenditure rose to £19.450m including a transfer to reserve of £1.731m which was agreed after the original budget was set. This was part of the Council's planned use of the accumulated HRA balance to finance future capital investment in the housing stock.

Other major variations in expenditure include a reduction of £342,000 in repairs and maintenance, and reductions of £150,000 in rent rebates and £742,000 in capital charges that together contributed to the reduced entitlement to HRA subsidy.

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

	£'000
Opening balance at 1 st April 2002	(1,888)
Deficit in 2002-2003	1,159
Closing balance at 31 st March 2003	(729)

CAPITAL SPENDING IN 2002-2003

The Council's capital spending in the year was £9.420m. This compares with an original budget of £6.649m that was increased up to £9.335m by the addition of schemes totalling £2.686m brought forward from the previous year (2001-2002). An equal amount of capital resources was also brought forward.

The main items of capital expenditure are set out below:

	£'000
Housing Capital Expenditure	
• stock improvement	5,031
• private sector housing grants	1,124
• grants to housing associations	673
• cash incentive scheme	125
• other housing schemes	132
	7,085
Non-Housing Capital Expenditure	
• conservation area partnership and heritage economic regeneration	380
• theatres and the cultural centre	377
• eastbourne park deep water lake	371
• tourism sports and leisure facilities	292
• office accommodation strategy	225
• implementing electronic government	197
• coast protection	149
• shinewater skate park	118
• other non-housing schemes	226
	2,335
Total Capital Expenditure	9,420

Capital expenditure has been financed as follows:

	£'000
• major repairs reserve	2,773
• capital contributions from partners and developers	1,549
• government borrowing permissions (credit approvals)	1,258
• capital receipts	1,176
• capital reserve	1,157
• government grants	544
• consolidated revenue account	68

Total Capital Financing	9,420
-------------------------	--------------

RESERVES

The Council's total reserves at 31st March 2003 amounted to £7.902m, a decrease of £2.371m over the previous year. These are analysed within the Consolidated Balance Sheet (page 22) as earmarked reserves £5.723m and revenue balances £2.179m.

Earmarked reserves include £2.428m that is specifically available to finance future capital spending. It also includes revenue reserves of £1.545m which are 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 its size.

It also includes £450,000 held by the Collection Fund that was redistributed to local taxpayers in their 2003-2004 Council Tax bills.

Finally, it includes £729,000 held by the Housing Revenue Account. This is in excess of the recommended balance of £500,000 needed to finance cashflow and unforeseen circumstances. Decisions on how the Council will apply the excess have yet to be taken.

LOANS AND INVESTMENTS

The Council's external loan debt at 31st March 2003, comprising long-term borrowing, short-term borrowing and deferred liabilities stood at £36.591m. This is a net decrease of £3.688m 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 33).

Short-term investments were £4.400m at 31st March 2003 compared with £10.250m the previous year. This is a decrease of £5.850m and primarily reflects the use of resources held as Provision for Credit Liabilities to repay debt and to finance capital expenditure supported by Government credit approvals (Note 16 page 33).

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 31st March 2003 but ended the year with a deficit of £27,000. However, a cumulative surplus of £450,000 remained at 31st March 2003 which was shared with East Sussex County Council and Sussex Police in the setting of Council Tax for 2003-2004.

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 11 to 52 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 47 to 52.

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 2002: 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 2002: 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 financial 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 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 31st March 2003 and its income and expenditure for the year then ended.

Certificate

The audit of the Council's 2002-2003 accounts cannot be formally concluded and a certificate issued until electors have had the opportunity to exercise their rights under section 15 of the Audit Commission Act 1998 and a legal case in relation to a previous year has been settled. I am satisfied that the legal case is not material to the Council's accounts.

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 31st March 2003 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 THE SYSTEM OF INTERNAL FINANCIAL CONTROL

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.

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.

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.

The Council has delegated the responsibility for statutory internal audit arrangements to the Director of Finance and Corporate Services. The Head of Audit has day to day management responsibility in ensuring an effective and adequate internal audit service including the identification and management of risks. 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.

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 Head of Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of Internal Control.

Key actions for the coming year include:

- developing an effective risk management strategy and undertaking a detailed risk assessment within each department and establishing appropriate control monitoring procedures for identified risks
- updating the Council's Contract Procedure Rules and Financial Procedure Rules as part of the review of the Council's Constitution
- developing the Council's corporate governance arrangements consistent with the requirements of the CIPFA/SOLACE framework
- developing the Council's scrutiny function including new Audit Committee arrangements to sit within the existing Committee structure
- developing the new corporate plan and medium-term financial strategy
- developing and implementing an information security policy

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

Councillor Beryl Healy
Leader of the Council

Signature

Date

CONSOLIDATED REVENUE ACCOUNT FOR YEAR ENDED 31st MARCH 2003

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.

2001- 2002 NET £'000	SERVICES	GROSS EXPEN- DITURE £'000	GROSS INCOME £'000	2002- 2003 NET £'000
994	Central Services to the Public	2,504	1,641	863
7,147	Cultural & Related Services	13,584	6,464	7,120
5,381	Environmental Services	7,702	2,118	5,584
1,154	Planning & Development Services	2,292	940	1,352
359	Highways, Roads & Transport Services	1,425	1,024	401
1,868	Housing Services	26,713	24,296	2,417
2,851	Council Housing	24,965	18,291	6,674
1,396	Corporate & Democratic Core	1,519	173	1,346
425	Unapportionable Central Overheads	274	0	274
21,575	Net Cost of Services	80,978	54,947	26,031
198	(Surpluses)/Deficits on Trading Undertakings (Note 1)			280
10	Prior Years Housing Benefits Grant			0
(8,864)	Asset Management Revenue Account (Note 2)			(11,799)
363	Losses/(Gains) on the Repurchase of Borrowing			504
(561)	Interest and Investment Income			(530)
12,721	Net Operating Expenditure			14,486
556	HRA Surplus/(Deficit) transferred to HRA balances			(1,159)
692	Contribution to HRA Capital Reserve			1,556
0	Transfer to Insurance Reserve			12
590	Transfers to Earmarked Reserves			69
(709)	Contribution (from) Capital Financing Reserve (Note 3)			(676)
13,850	Amount to be met from Government Grants and Local Taxation			14,288
(6,212)	Revenue Support Grant			(5,983)
(3,439)	Non-Domestic Rates Distribution			(3,894)
(4,044)	Demand on the Collection Fund			(4,335)
(78)	Surpluses transferred from the Collection Fund			(63)
77	Net General Fund Deficit for the year			13
(1,090)	Balance on General Fund at 1 st April			(1,013)
(1,013)	Balance on General Fund at 31st March			(1,000)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. SURPLUSES/DEFICITS ON TRADING UNDERTAKINGS

2001-2002 Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	2002-2003 Net Expenditure £'000
76	Coastline Caterers	1,796	1,723	73
122	Eastbourne Leisure	1,647	1,440	207
198		3,443	3,163	280

Coastline Caterers budgeted to breakeven after delivering its contracted commission to the Council. In the event it made a deficit of £73,000 due to difficult trading conditions brought about by poor weather and fewer than expected conferences.

Eastbourne Leisure actual net performance was broadly in line both with its own budget and with the level of trading subsidy approved by the Council.

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.

2001-2002 £'000		2002-2003 £'000
	Income	
(6,093)	Capital Charges - General Fund	(5,793)
(10,093)	- Housing Revenue Account	(12,846)
(16,186)		(18,639)
	Expenditure	
4,645	Provision for depreciation	4,428
(553)	Transfer from Government Grants Deferred Account	(595)
(125)	Transfer from Capital Contributions Deferred Account	(125)
3,298	External interest charges	3,070
57	Debt Management Expenses	62
7,322		6,840
(8,864)	Net transfer to Consolidated Revenue Account	(11,799)

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.

2001-2002 £'000		2002-2003 £'000
894	Minimum Revenue Provision	798
(4,645)	Less - depreciation charged	(4,428)
(3,751)		(3,630)
50	Add - Contributions for deferred purchase repayments	50
(50)	Less - Capital Expenditure charged to Revenue	(68)
2,364	Add - Transfer to Major Repairs Reserve	2,427
678	Add - Appropriation from Capital Financing Reserve	545
(709)	Net Contribution to Consolidated Revenue Account	(676)

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:

2001-2002 £'000		2002-2003 £'000
650	Housing Revenue Account - 2% of credit ceiling	607
244	General Fund - 4% of credit ceiling	191
894		798

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:

2001-2002 £'000		2002-2003 £'000
238	Tourism and Economic Development	184
65	Public Relations and Information	91
87	Recreation and Leisure	74
93	Recruitment	107
23	Other	28
506		484

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 2002-2003 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.

2001-2002				2002-2003		
Chargeable	Non-Chargeable	Building Control Total		Chargeable	Non-Chargeable	Building Control Total
£'000	£'000	£'000		£'000	£'000	£'000
109	101	210	Employees	105	111	216
11	9	20	Transport	9	9	18
8	8	16	Supplies/ Services	7	7	14
90	37	127	Charges for Support Services	99	44	143
218	155	373	Total Expenditure	220	171	391
(196)	0	(196)	Building Regulation charges	(232)	0	(232)
0	(5)	(5)	Other income	0	(6)	(6)
(196)	(5)	(201)	Total Income	(232)	(6)	(238)
22	150	172	(Surplus)/ Deficit for the Year	(12)	165	153

8. OPERATING LEASES

The Council uses operating leases to finance 2 Dotto road trains and a tractor mower.

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

	£'000
Total rentals paid in 2002-03	41
Outstanding obligations	

- 2003-2004	50
- 2004-2005	13
- 2005-2006	9
- 2006-2007	9
- 2007-2008	9

9. PENSION COSTS

In 2002-2003 the Council paid an employer's contribution of £1.295m representing 14.9% of employees' pensionable pay into East Sussex County Council's Pension Scheme, which provides members with defined benefits related to pay and service. The contribution rate was determined by the Fund's Actuary based on triennial actuarial valuations.

The Fund's Actuary has advised that the pension cost that it would have been necessary to provide for in the year, in accordance with SSAP24 "Accounting for Pension Costs", is 14.7% of pensionable pay. This is 0.2% below the total contribution rate paid in 2002-2003.

The most recent actuarial valuation was carried out as at 31st March 2001. The results show a funding level of 102% but reveal that the cost of providing pensions is rising as a result of the abolition of tax credits and the level of early and ill health retirements. As a result employers contributions for the Council will increase by 0.3% from 1st April 2003, with further successive increases of at least 0.3% each year for the two years 1st April 2004 to 31st March 2006.

The Council is also responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2002-2003 these amounted to £303,000 representing 3.5% of pensionable pay.

The capital cost of discretionary increases in pension payments agreed by the Council in relation to the early retirement of employees is as follows:

	£'000
a) in the year of account	1
b) in earlier years for which payments are still being made	3,833

Further information can be found in the East Sussex County Council Pension Scheme Fund Annual Report which is available upon request from the Director of Corporate Resources, County Hall, Lewes, East Sussex BN7 1SF.

Note - Transitional pension disclosures as required by Financial Reporting Standard 17 (FRS 17) can be found at Note 22 to the Consolidated Balance Sheet on page 35

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	
	2001-2002	2002-2003	2001-2002	2002-2003
£50,000-£59,999	4	3	1	-
£60,000-£69,999	1	2	-	-

NB The threshold was raised from £40,000 up to £50,000 with effect from 1st April 2002 by the Accounts and Audit Regulations 2003.

11. MEMBERS ALLOWANCES

Allowances and expenses paid to Eastbourne’s 27 Councillors during the year (30 Councillors in 2001-2002) amounted to:

2001-2002		2002-2003
£’000		£’000
95	Members Allowances	93
4	Conferences and Travelling Expenses	5
99		98

12. RELATED PARTY TRANSACTIONS

There were no material transactions with related parties not disclosed elsewhere in the accounts during 2002-2003.

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2003

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.

2001- 2002 £'000			2002- 2003 £'000
	Income		
	Gross Rental Income		
10,494	Dwelling Rents		10,397
303	Non-Dwelling Rents		326
1,034	Charges for Services and Facilities		1,068
7,309	Housing Revenue Account Subsidy Receivable	Note 7	6,500
43	Reduced Provision for Doubtful Debts		0
19,183	Total Income		18,291
	Expenditure		
2,314	Repairs and Maintenance		2,212
2,820	Supervision and Management		2,991
123	Rents, Rates, Taxes and Other Charges		182
6,345	Rent Rebates		6,250
0	Increased Provision for Doubtful Debts		135
7,729	Cost of Capital Charge	Note 4	10,419
2,364	Depreciation of Fixed Assets	Note 5	2,427
168	Amortisation of Deferred Charges	Note 4	175
46	Debt Management Expenses		49
125	Provision for Deferred Purchase Repayment	Note 8	125
22,034	Total Expenditure		24,965
2,851	Net Cost of Services		6,674
(4,709)	Net HRA Income on the Asset Management Revenue Account	Note 4	(8,178)
0	Amortised Premiums and Discounts		361
	Investment Income		
(11)	Mortgage Interest		(10)
(79)	Interest on Cash Balances		(76)
(1,948)	Net Operating Income		(1,229)
	Appropriations		
50	Revenue Contributions to Capital Expenditure	Note 9	50
650	HRA Contribution to Minimum Repayment Provision		607
692	Transfer to Reserve	Note 10	1,731
(556)	(Surplus)/Deficit for the year		1,159
(1,332)	Balance at 1 st April		(1,888)
(1,888)	Balance at 31st March		(729)

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:

31 st March 2002		31 st March 2003
	Houses and Bungalows	
17	- one bedroom	16
606	- two bedrooms	588
1,333	- three bedrooms	1,294
60	- four or more bedrooms	57
2,016		1,955
	Flats	
1,091	- one bedroom	1,085
517	- two bedrooms	513
8	- three or more bedrooms	8
431	- bed-sits	407
2,047		2,013
4,063		3,968

In addition the Council has shared ownership arrangements covering 17 full property equivalents (21 at 31st March 2002) and has acquired the use of 16 actual properties (22 at 31st March 2002) under short-term property leases.

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

	1 st April 2002 £'000	31 st March 2003 £'000
Operational Assets	138,700	170,689
Non Operational Assets	1,621	1,688
	140,321	172,377

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 1st April 2002 was £279.662m. 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.

Balance as at 1 st April 2002	£'000 346
--	---------------------

Add - Depreciation of Housing Stock	2,427
Less - Financing of Capital Expenditure	2,773
Balance as at 31 st March 2003	0

3. HRA CAPITAL EXPENDITURE, FINANCING AND CAPITAL RECEIPTS

Housing Revenue Account capital expenditure incurred in 2002-2003 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	5,031	125	50	5,206
Less - Accrued Expenditure not financed until 2003-2004	(601)	0	0	(601)
Add - 2001-2002 Accrued Expenditure financed in 2002-2003	15	0	0	15
Capital Expenditure financed in 2002-2003	4,445	125	50	4,620
Financed by:				
Basic Credit Approval	640	0	0	640
Major Repairs Reserve	2,773	0	0	2,773
Capital Reserve	1,032	125	0	1,157
Direct Revenue Funding	0	0	50	50
Total Funding	4,445	125	50	4,620

HRA capital receipts from disposals is summarised as follows:

	£'000
Right to Buy Sales of Houses and Flats	3,664
Shared Ownership Property	387
Mortgage Repayments	19
Total	4,070

4. COST OF CAPITAL CHARGE

In 2002-2003 the HRA incurred a cost of capital charge of £10.419m representing the cost of capital tied up in council housing. The figure is based on a prescribed interest charge of 6% on the balance sheet value of the housing stock.

In addition the HRA incurred a deferred charge of £175,000 in respect of capital expenditure which did not result in the acquisition, creation or enhancement of a tangible fixed asset (Cash Incentive scheme £125,000 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:

	£'000
Cost of Capital (6% Charge)	10,419
Deferred Charges	175
Total Capital Asset Charges	10,594
Less - Transfer from AMRA to the HRA	(8,178)
Actual Interest borne by the HRA	2,416

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.

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 2002-2003 relating to fixed assets.

7. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2002-2003 is made up as follows:

	£'000
Major Repairs Allowance	2,427
Management and Maintenance Allowance	4,165
Capital Charges Allowances	3,520
Rent Rebates Costs	5,904
Other Allowable expenditure	169
	16,185
Less: Notional rent income	9,675
Other income	10

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 £1.731m to reserve to finance expenditure in 2003-2004. This reflects its commitment to invest in the modernisation and improvement of its stock in an effort to achieve Government decent homes standards. The Council will use £206,000 towards financing accrued capital expenditure incurred in 2002-2003 but not paid for until 2003-2004, and £1.350m to finance further improvement works included in its capital strategy expenditure programme for 2003-2004, (both of these amounts are included within Capital Grants and Contributions - Housing Revenue Account at Note 18 on page 34), and £175,000 to meet revenue costs associated with developing and implementing its stock options (included within General Reserve at Note 18 on page 34).

11. RENT ARREARS

Rent arrears at 31st March 2003 amounted to £758,000, compared with £570,000 at 31st March 2002. These sums include the overpayment of Housing Benefit and former tenants' arrears. During 2002-2003 former tenant arrears of £38,000 were written off (£93,000 in 2001-2002).

The Council has made a provision for doubtful debts of £532,000 at 31st March 2003 (£397,000 at 31st March 2002).

The year on year increases in rent arrears and the provision for doubtful debts is largely as a result of increasing Housing Benefit overpayments together with a reduction in the value of former tenants' arrears written off.

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2003

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.

31 st March 2002 £'000	Note	31 st March 2003 £'000
Fixed Assets		
Operational Assets		
138,700	- Council Dwellings	170,689
31,214	- Other Land and Buildings	31,171
223	- Vehicles, Plant and Equipment	537
30,663	- Infrastructure Assets	30,272
816	- Community Assets	737
9,576	Non-operational Assets	10,225
211,192	Total Fixed Assets	243,631
0	Deferred Charges	0
1,736	Deferred Premiums	2,278
1,953	Long Term Investments	1,903
369	Long Term Debtors	223
215,250	Total Long-Term Assets	248,035
194	- Stocks	188
3,983	- Debtors	6,052
10,250	- Investments	4,400
14,427		10,640
Current Liabilities		
152	- Short Term Borrowing	81
6,331	- Creditors	7,145
770	- Bank Overdraft	85
7,253		7,311
7,174	Net Current Assets	3,329
222,424	Total Assets less Current Liabilities	251,364
(38,800)	Long Term Borrowing	(35,233)
(1,327)	Deferred Liabilities	(1,277)
(20,162)	Government Grants Deferred Account	(19,840)
(8,828)	Capital Contributions Deferred Account	(10,252)
(1,090)	Provisions	(1,210)
(224)	Deferred Credits	(95)
151,993	Total Assets less Liabilities	183,457
112,828	Fixed Asset Restatement Reserve	142,709
28,892	Capital Financing Reserve	32,574
0	Usable Capital Receipts Reserve	272
6,895	Earmarked Reserves	5,723
3,378	Balances	2,179
151,993	Total Equity	183,457

I certify that the Consolidated Balance Sheet and related accounts represent the true financial position of Eastbourne Borough Council at 31st March 2003 and its income and expenditure for the year 2002-2003.

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 1st April 2002 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 £34.841m and this is reflected within the movements during the year detailed on page 24.

At the same time a rolling revaluation of assets held within the Other Land and Buildings and Non Operational Assets was undertaken which resulted in increases in the values of both portfolios of £1.159m and £355,000 respectively. This is reflected within the movements during the year detailed on page 24.

Assets Held under Finance Leases

No assets were held under finance leases at 31st March 2003.

Movements in fixed assets during the year were:

OPERATIONAL ASSETS

	Dwellings	Buildings	Equipment	Assets	Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Certified valuation at 31 st March 2002	141,064	33,561	956	34,427	974	210,982
Accumulated Depreciation and impairment	(2,364)	(2,347)	(733)	(3,764)	(158)	(9,366)
Net book value of assets as at 31 st March 2002	138,700	31,214	223	30,663	816	201,616
Movement in 2002-2003						
Additions	5,031	950	447	521	11	6,960
Disposals	(3,494)	0	0	0	0	(3,494)
Revaluations	32,879	(86)	(3)	(28)	(10)	32,752
Depreciation	(2,427)	(907)	(130)	(884)	(80)	(4,428)
Impairments	0	0	0	0	0	0
Net book value of assets as at 31st March 2003	170,689	31,171	537	30,272	737	233,406

NON OPERATIONAL ASSETS

	Total
	£'000
Certified valuation at 31 st March 2002	9,576
Accumulated depreciation and impairment	0
Net book value of assets at 31 st March 2002	9,576
Movement in 2002-2003	
Additions	26
Disposals	0
Revaluations	733
Impairments	(110)
Net book value of assets at 31st March 2003	10,225

Capital Expenditure and Financing

2001-2002	2002-2003
£'000	£'000

Capital Investment		
Fixed Assets - Operational	4,344	6,960
Fixed Assets - Non Operational	414	26
	4,758	6,986
Deferred Charges	2,579	2,434
	7,337	9,420
Sources of Finance		
Government Borrowing Permissions (Basic & Supplementary Credit Approvals)	1,311	1,258
Major Repairs Reserve	2,018	2,773
Government Grants	1,156	544
Capital Contributions	433	1,549
Capital Receipts	2,391	1,176
Capital Reserve	0	1,157
Consolidated Revenue Account	50	68
Financing of accrued expenditure	(22)	895
	7,337	9,420

The main items of capital expenditure during the year 2002-2003 were:

	£'000
Fixed Assets	
Council Housing Developments/Major Improvements	5,031
Eastbourne Park - Deep Water Lake	371
Theatres	272
Office Accommodation Strategy	225
Implementing Electronic Government	197
Coast Protection	149
Shinewater Skate Park	118
The Cultural Centre	105
Other Tourism Sports and Leisure Facilities	292
Other Schemes and Projects	226
	6,986
Deferred Charges	
Private Sector Housing Grants	1,124
Grants to Housing Associations	673
Conservation Area Partnership Scheme	268
Cash Incentive Scheme	125
Heritage Economic Regeneration Scheme	112
Deferred Purchase Arrangement	50
Other Schemes and Projects	82
	2,434
	9,420

Capital Commitments

The Council had no significant capital commitments at 31st March 2003.

Information on Assets Held

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

Number as at 31 st March 2002	Number as at 31 st March 2003
---	---

Council Dwellings		
Houses	2,016	1,955
Flats	2,047	2,013
Operational Buildings		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	3	3
Public Conveniences	27	27
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
Treasure Island – NB: let to a private sector partner in June 2002 on a long lease	1	0
Sports Park	1	1
Operational Equipment		
Dotto Road Train	1	1
Lifeline Units	1,213	1,213
Community Assets		
Parks and Open Spaces (hectares)	270	270
Allotments (acres)	39	39
Downland (acres)	4,100	4,100
Infrastructure Assets		
Seafront Groynes	94	94
Promenade (miles)	4.3	4.3
Non-Operational Assets		
Royal Hippodrome Theatre	1	1
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	4	4
Community Centres	5	5
Treasure Island - see Operational Assets above	0	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 in the year they are incurred to the Capital Financing Reserve.

2001-2002
£'000

2002-2003
£'000

0	Balance at the beginning of the year	0
	Capital Expenditure in year:	
1,092	Grants to Housing Associations	1,124
836	Private Sector Housing Grants	673
98	Conservation Area Partnership Scheme	268
118	Cash Incentive Scheme	125
52	Heritage Economic Regeneration Scheme	112
50	Deferred Purchase Arrangement	50
309	Clifton Nursery	0
24	Other	82
2,579		2,434
0	Amounts written off to the Housing Revenue Account	(175)
(2,579)	Amounts written off to the Capital Financing Reserve	(2,259)
0	Balance at the end of the year	0

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 a loan of £3.5m to the Public Works Loan Board in 2002-2003 that incurred a premium of £1.046m

2001-2002		2002-2003
£'000		£'000
2,099	Balance at the beginning of the year	1,736
0	Premiums paid	1,046
(363)	Amounts written back to the Consolidated Revenue Account	(504)
1,736	Balance at the end of the year	2,278

4. LONG TERM INVESTMENTS

31.3.2002		31.3.2003
£'000		£'000
1,528	Eastbourne Buses Ltd - shares	1,528
375	Eastbourne Buses Ltd - debenture	325
1,903		1,853
50	Local Government Association - debenture	50
1,953		1,903

The Eastbourne Buses Limited debenture is repayable by 26th October 2011.
During 2002-2003 Eastbourne Buses Limited made a capital repayment of £50,000.

RELATED COMPANIES

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 31st March 2003, 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 30.9.2001	Year ended 30.9.2002
	£'000	£'000
Net Assets	Restated 2,056	1,941
Profit/(Loss) before taxation	(73)	(179)
Profit/(Loss) after taxation	Restated (86)	(115)
Dividends declared	NIL	NIL

The value of the Council's shareholding at 31st March 2003 is stated at the net cost incorporated in the Transfer Scheme. On the basis of the Company's latest trading statement to 30th September 2002, 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 15 months to 31st December 2003, 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 31st March 2004.

If unsustainable losses are incurred by the Company, the Council has an obligation to meet them. Financial support was not required in 2002-2003.

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

5. LONG TERM DEBTORS

	31.3.2002	Additions	Repayments	31.3.2003
	£'000	£'000	£'000	£'000
Assets transferred to East Sussex County Council	123	0	(123)	0
Advances to Housing Associations and Private Mortgagors	108	0	(4)	104
Council House Mortgagors	114	0	(19)	95
Other loans and advances	24	0	0	24
	369	0	(146)	223

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.

The balance of debt outstanding on fixed assets that have been transferred to East Sussex County Council was repaid in the year.

6. DEBTORS

31.3.2002		31.3.2003
£'000		£'000
764	National Non-Domestic Ratepayers	741
2,743	Council Taxpayers	3,001
570	Council House Tenants	758
456	Government Departments	1,066
8	Inland Revenue	0
247	Customs and Excise	446
154	Assisted Car Purchase Loans	149
233	Payments in Advance	219
1,675	Sundry Debtors	2,222
6,850		8,602
	Less: Provision for Doubtful Debts	
(2,110)	- Collection Fund	(1,661)
(397)	- Council House Tenants	(532)
(360)	- General	(357)
3,983		6,052

7. CREDITORS

31.3.2002		31.3.2003
£'000		£'000
241	Business Ratepayers	578
309	Council Taxpayers	849
1,523	Government Departments	328
251	Inland Revenue	257
168	East Sussex County Council	184
703	Income Received in Advance	770
291	Loan Interest	282
68	Capital Creditors	963
2,777	Sundry Creditors	2,934
6,331		7,145

8. LONG TERM BORROWING

31.3.2002		31.3.2003
£'000		£'000
31,300	Public Works Loan Board	27,733
7,500	Loan Stock	7,500

38,800**35,233**

Analysis of borrowings by maturity:-

31.3.2002		31.3.2003
£'000		£'000
67	Between 1 and 2 years	67
700	Between 2 and 5 years	666
3,533	Between 5 and 10 years	2,000
34,500	More than 10 years	32,500
38,800		35,233

9. DEFERRED LIABILITIES

31.3.2002		31.3.2003
£'000		£'000
1,327	Deferred Purchase Agreement	1,277

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.

2001-2002		2002-2003
£'000		£'000
19,803	Balance at the beginning of the year	20,162
912	Grants applied during the year - Coastal Protection grant	273
(553)	Less - Amount written off to the Asset Management Revenue Account	(595)
20,162	Balance at the end of the year	19,840

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.

2001-2002		2002-2003
£'000		£'000
8,520	Balance at the beginning of the year	8,828
	Contributions applied during the year:	
20	- Sport England	668
24	- Developer's Contributions	487
266	- Insurance Claims	0
123	- Other	394
433		1,549
(125)	Less - Amount written off to the Asset Management Revenue Account	(125)
8,828	Balance at the end of the year	10,252

12. PROVISIONS

	31.3.2002	Contributions	Utilised	31.3.2003
	£'000	£'000	£'000	£'000
Deferred Purchase	977	125	0	1,102
Other	113	30	35	108
	1,090	155	35	1,210

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

	31.3.2002	Received	31.3.2003
	£'000	£'000	£'000
Council House Sales	114	(19)	95
East Sussex County Council	110	(110)	0
	224	(129)	95

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.

The debt outstanding from East Sussex County Council in respect of transferred land was repaid 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 1st 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.

2001-2002 £'000		2002-2003 £'000
96,743	Balance at the beginning of the year	112,828
18,612	Revaluation of fixed assets	33,485
(2,527)	Disposal of fixed assets	(3,494)
0	Impairment losses	(110)
112,828	Balance at the end of the year	142,709

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.

2001-2002 £'000		2002-2003 £'000
25,898	Balance at the beginning of the year	28,892
2,818	Capital receipts set aside in year	2,876
1,658	Housing Corporation grants set aside in year	672
	Capital financing in year	
2,018	- Major Repairs Reserve	2,773
244	- Specified Capital Grant	272
2,391	- Capital Receipts	1,176
0	- Capital Reserve	1,157
50	- Consolidated Revenue Account	68
	Sums set aside from revenue for repayment of debt: (less depreciation provision)	
(3,751)	- Long Term Borrowing	(3,630)
50	- Deferred Purchase arrangements	50

(583)	Less - Long Term Debtors written down	(18)
(2,579)	- Deferred Charges written down	(2,259)
678	- Appropriation to Consolidated Revenue Account	545

28,892	Balance at the end of the year	32,574
---------------	---------------------------------------	---------------

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.

31.3.2002		31.3.2003
£'000		£'000
668	Capital Receipts set aside at 1 st April	4,527
2,818	Capital Receipts set aside in year	2,876
1,658	Capital Grants set aside in year	672
894	Sums set aside from revenue (MRP)	798
6,038		8,873
(200)	Less – used to redeem debt	(3,637)
(1,311)	Less – used to finance credit approvals	(1,258)
4,527	Capital Receipts set aside at 31st March	3,978

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).

	31.3.2002	Receipts	Aside	Expenditure	31.3.2003
	£'000	£'000	£'000	£'000	£'000
General Fund	0	254	(13)	(241)	0
Housing Revenue Account	0	4,070	(2,863)	(935)	272
	0	4,324	(2,876)	(1,176)	272

18. EARMARKED RESERVES

	31.3.2002	Added	Withdrawn	31.3.2003
	£'000	£'000	£'000	£'000
Capital Grants and Contributions				
- General Fund	668	1,170	(1,813)	25
- Housing Revenue Account	1,682	1,670	(1,401)	1,951
- Eastbourne Park	765	3	(316)	452
- Social Housing Development	170	0	(170)	0
- Major Repairs Reserve	346	2,427	(2,773)	0
	3,631	5,270	(6,473)	2,428
Eastbourne Buses Realisation	1,800	0	(50)	1,750
Revenue Grants and Contributions				
Upkeep of Graves and Memorials	85	0	0	85

General Reserve	933	263	(203)	993
Insurance	121	12	0	133
Other	325	34	(25)	334
	1,464	309	(228)	1,545
	6,895	5,579	(6,751)	5,723

The Eastbourne Buses Realisation Account represents the surplus on the book value of net assets transferred to Eastbourne Buses Limited at 26th 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 28).

19. BALANCES

	31.3.2002	Added	Withdrawn	31.3.2003
	£'000	£'000	£'000	£'000
General Fund	1,013	0	(13)	1,000
Housing Revenue Account	1,888	0	(1,159)	729
Collection Fund	477	0	(27)	450
	3,378	0	(1,199)	2,179

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:

31.3.2002		31.3.2003
£'000		£'000
148,039	General Fund	180,739
3,954	Housing Revenue Account	2,718
151,993		183,457

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 31st March 2003 was **£22,000** (£24,000 31st March 2002). The largest of these is the Langney Cemetery Maintenance Fund which amounted to £21,000 in both years.

22. DISCLOSURE OF NET PENSION LIABILITY

As part of the terms and conditions of employment of its staff, Eastbourne Borough Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by East Sussex County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level estimated to meet the pensions liabilities with investment assets.

In 2002-2003 pension costs have been charged to the Consolidated Revenue Account on the basis of contributions payable for the year to the East Sussex Pension Fund (based on a formal actuarial valuation as at 31st March 2001). However, at 31st March 2003 the Council had the following overall assets and liabilities for pensions that have not been included in the balance sheet:

	31 st March 2002 £'000	31 st March 2003 £'000
Estimated present value of scheme liabilities	56,424	58,199
Estimated present value of unfunded liabilities	3,957	3,833
Total value of liabilities	60,381	62,032
Less - Share of assets in East Sussex County Council Fund	53,302	43,743
Net Pensions Deficit	7,079	18,289

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 main assumptions used in Hymans Robertson's calculations at 31st March 2003 are:

	2001-2002	2002-2003
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	4.3%	4.0%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	6.4%	6.1%

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:

	Long Term Return %	31 st March 2002 %	31 st March 2003 %
Equities	8.0	72	69.7
Bonds	4.8	14	11.7
Property	6.0	11	12.5
Cash	4.0	3	6.1
Total Assets	7.1	100	100

The movement in the net pension liability for the year to 31st March 2003 is as follows:

	£'000
Net pensions liability at 1 st April 2002	7,079
Movements in year	
◆ current service cost	1,080
◆ employer contributions	(1,619)
◆ past service costs	1
◆ impact of settlements and curtailments	42
◆ net return on assets	(92)
◆ actuarial losses	11,798
Net pensions liability at 31st March 2003	18,289

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.

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.

2001-2002 £'000		2002-2003 £'000
	Surplus/(Deficit) for the year :	
(77)	- General Fund	(13)
556	- Housing Revenue Account	(1,159)
590	Movements on specific revenue reserves	81
1,069	Total increase/(decrease) in specific revenue reserves	(1,091)
(1,434)	Increase/(decrease) in usable capital receipts	272
1,834	Increase/(decrease) in unapplied capital grants and contributions	(1,203)
400	Total increase/(decrease) in realised capital resources (note 1)	(931)
18,612	Gains/(losses) on revaluation of fixed assets	33,485
0	Impairment losses on fixed assets	(110)
18,612	Total increase/(decrease) in unrealised value of fixed assets (note 2)	33,375
(2,527)	Value of assets, sold disposed of or decommissioned (note 3)	(3,494)
6,867	Capital receipts set aside	4,724
(3,873)	Revenue resources set aside	(1,042)
359	Movement on Government Grants Deferred	(322)
308	Movement on Capital Contributions Deferred	1,424
3,661	Total increase/(decrease) in amounts set aside to finance capital investment (note 4)	4,784
21,215	Total recognised gains and losses	32,643

Notes to the Statement of Total Movements on Reserves

	Unapplied capital receipts	Unapplied capital grants and contributions	
	£,000	£,000	
1. Movements in realised capital resources for 2002-2003			
Amounts receivable	1,448	5,270	
Amounts applied to finance new capital investment	(1,176)	(6,473)	
Total increase/(decrease) in realised capital resources	272	(1,203)	
Balance brought forward at 1 st April 2002	0	3,631	
Balance carried forward at 31 st March 2003	272	2,428	
		Fixed Asset Restatement Reserve	
		£'000	
2. Movements in unrealised value of fixed assets			
Gains/(losses) on revaluation of fixed assets		33,485	
Impairment losses on fixed assets		(110)	
Total increase/(decrease) in unrealised value of fixed assets		33,375	
3. Value of assets, sold disposed of or decommissioned			
Amounts written off fixed asset balances for disposals		(3,494)	
Total movement on reserve		29,881	
Balance brought forward at 1 st April 2002		112,828	
Balance carried forward at 31 st March 2003		142,709	
	Capital Financing Reserve	Government Grants and Capital Contributions Deferred	Total
	£'000	£'000	£'000
4. Movements in amounts set aside to finance capital investment			
Capital receipts set aside			
- reserved receipts	3,548		
- usable receipts applied	1,176		
Total capital receipts set aside	4,724		4,724
Revenue resources set aside			
- capital expenditure financed from revenue	4,270		
- reconciling amount for provisions for loan repayment	(5,312)		
Total revenue resources set aside	(1,042)		(1,042)
Grants applied to capital investment		273	
Contributions applied to capital investment		1,549	

Amounts credited to the Asset Management account		(720)	
Movement on Government Grants and Capital Contributions Deferred Accounts		1,102	1,102
Total increase/(decrease) in amounts set aside to finance capital investment			4,784
Total movement in reserve	3,682	1,102	
Balances brought forward at 1 st April 2002	28,892	28,990	
Balances carried forward at 31 st March 2003	32,574	30,092	

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 page 31.
- 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 pages 32 and 33 respectively.
- 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 34.
- 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 34.
- 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 34.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2003

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

2001-2002 £'000		£'000	2002-2003 £'000
REVENUE ACTIVITIES			
Cash Outflows			
13,901	Cash paid to and on behalf of employees	14,209	
18,880	Other operating cash payments	20,215	
18,221	Housing Benefits paid out	20,489	
20,653	NNDR payments to national pool	21,765	
24,157	Precept paid to East Sussex County Council	26,079	
1,927	Precept paid to Sussex Police Authority	2,338	
97,739			105,095
Cash Inflows			
(4,254)	Housing Rents (after rebates)	(3,883)	
(25,688)	Council Tax receipts	(28,533)	
(21,987)	Non-Domestic rate receipts	(22,751)	
(6,212)	Revenue Support Grant	(5,983)	
(3,439)	NNDR receipts from national pool	(3,894)	
(21,599)	DWP grants for benefits	(20,829)	
(8,018)	Other government grants (note 4)	(8,582)	
(14,109)	Cash received for goods and services	(13,930)	
(2,513)	Other operating cash receipts	(1,516)	
(107,819)			(109,901)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash Outflows			
3,300	Interest paid	3,078	
0	Interest Premium Paid	1,046	
3,300			4,124
Cash Inflows			
(735)	Interest received		(555)
(7,515)	Revenue Activities Net Cash (Inflow)/Outflow		(1,237)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2003

2001-2002 £'000		£'000	2002-2003 £'000
CAPITAL ACTIVITIES			
Cash Outflows			
4,752	Purchase of fixed assets	6,214	
2,607	Other capital cash payments	2,311	
7,359			8,525
Cash Inflows			
(3,130)	Sale of fixed assets	(4,131)	
(3,686)	Capital grants received	(1,347)	
(880)	Other capital cash receipts	(333)	
(7,696)			(5,811)
(7,852)	Net Cash (Inflow)/Outflow before Financing		1,477
MANAGEMENT OF LIQUID RESOURCES			
6,250	Net increase/(decrease) in Short Term Investments		(5,850)
FINANCING			
Cash Outflows			
3,749	Repayments of amounts borrowed		3,688
Cash Inflows			
0	New loans raised	0	
(2,500)	New short term loans	0	
(2,500)			0
(353)	Net (Increase)/Decrease in Cash		(685)

NOTES TO THE CASH FLOW STATEMENT

1. REVENUE ACTIVITIES NET CASH FLOW

2001-2002 £'000		2002-2003 £'000
77	Deficit per Consolidated Revenue Account (page 11)	13
(1)	(Surplus)/Deficit per Collection Fund (page 44)	27
76	Revenue (Surplus)/Deficit	40
(6,304)	Add/(Less) – Non Cash transactions re capital Financing, reserves and provisions	(3,083)
(1,287)	Add/(Less) – Revenue items accrued in the accounts	1,806
(7,515)	Revenue Activities Net Cash Flow	(1,237)

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

	£'000
Increase in cash in the year	685
Less - Cash Inflow from new debt	0
Add – Cash Outflow from redemption of debt	3,688
Changes in net debt	4,373
Net debt at start of the year	(41,049)
Net debt at end of the year	(36,676)

Analysis of Net Debt	Balance	Balance	Movement in the year £'000
	31.3.2002 £'000	31.3.2003 £'000	
Bank Overdraft	(770)	(85)	685
Long Term Borrowing	(38,800)	(35,233)	3,567
Deferred Liabilities	(1,327)	(1,277)	50
Short Term Borrowing	(152)	(81)	71
	(41,049)	(36,676)	4,373

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 2001-2002 £'000		Balance 31.3.2002 £'000	Balance 31.3.2003 £'000	Movement in the year £'000
	Long Term Borrowing:			
(137)	Public Works Loan Board	31,300	27,733	(3,567)
0	Stock	7,500	7,500	0
(137)		38,800	35,233	(3,567)
	Deferred Liabilities:			
(50)	Deferred Purchase Agreements	1,327	1,277	(50)
(1,062)	Short Term Borrowing	152	81	(71)
(1,249)	Movements in Financing	40,279	36,591	(3,688)
6,250	Short Term Investments	(10,250)	(4,400)	(5,850)
6,250	Movements in Management of Liquid Resources	(10,250)	(4,400)	(5,850)

4. ANALYSIS OF OTHER GOVERNMENT GRANTS

2001-2002 £'000		2002-2003 £'000
6,831	Housing Revenue Account Subsidy	6,502
379	Single Regeneration Budget	695
316	Benefits Administration	375
221	Housing Benefit Anti Fraud Incentive	64
118	Countryside Commission	76
112	Housing Benefits Verification Framework	107
0	Housing Benefits Other Grants	97
22	Civil Defence	25
19	Supporting People	10
0	Housing –Other	251
0	Sport England	303
0	Home Office Grants	77
8,018		8,582

COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2003

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.

2001- 2002 £'000		2002- 2003 £'000
	Council Tax (Note 2)	
26,605	Amounts receivable from Council Taxpayers	28,492
	Transfers from General Fund	
3,680	Council Tax Benefits	4,292
	Council Tax Benefit Limitation Contribution -	
391	ESCC Compensation for Subsidy Loss	0
22,183	Collectable from Business Ratepayers (Note 4)	22,404
	Adjustment of previous years' community charges	
6	(Note 5)	0
52,865	Total Fund Income	55,188
	Precepts and Demands	
23,886	East Sussex County Council	25,709
4,044	Eastbourne Borough Council	4,335
1,905	Sussex Police Authority	2,309
29,835		32,353
	Business Rates	
22,043	Contribution to National Pool	22,267
140	Costs of Collection	137
22,183		22,404
	Bad and Doubtful Debts	
14	Write-offs - Council Tax	56
461	Provisions - Council Tax	(60)
475		(4)
	Contribution towards previous years' estimated	
	Council Tax Surplus	
271	East Sussex County Council	370
48	Eastbourne Borough Council	63
22	Sussex Police Authority	29
341		462
	Contribution - Community Charge adjustment	
30	Eastbourne Borough Council	0
52,864	Total Fund Expenditure	55,215
(1)	(Surplus)/Deficit for the year	27
	COLLECTION FUND BALANCE	
(476)	Balance at 1 st April	(477)
(1)	(Surplus)/Deficit for the year	27
(477)	Balance as at 31st March (Note 6)	(450)

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	38,978
Less - Discounts	4,479
Exemptions	1,660
Disabled relief	55
Amounts collectable from Council Taxpayers	32,784
Less - Council Tax Benefits	4,292
Amounts receivable from Council Taxpayers	28,492

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	14	27	5/9	15
A	7,074	5,798	6/9	3,866
B	11,511	10,138	7/9	7,885
C	10,059	9,011	8/9	8,009
D	6,919	6,271	9/9	6,271
E	3,407	3,161	11/9	3,863
F	1,699	1,574	13/9	2,274
G	967	902	15/9	1,503
H	26	23	18/9	45
	41,676	36,905		33,731

Less average 2% reduction to allow for collection losses (675)

Add Ministry of Defence properties (contributions in lieu) 2

Council Tax Base **33,058**

The estimated gross yield for Council Tax amounted to £33.013m, based on 33,733 dwellings multiplied by the Band D tax of £978.67. The actual gross yield of £32.784m reflects a reduction in Band D equivalent dwellings for the year of 234.

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 234 Band D equivalent dwellings in 2002-2003 compares with a net reduction of 171 in 2001-2002.

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.

	31.3.2002 £'000	31.3.2003 £'000
Arrears Outstanding	2,743	3,001
Provision for non-collection	1,373	1,236

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 reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. In 2002-2003 this amounted to £3.894m for Eastbourne Borough Council (£3.439m in 2001-2002).

The total non-domestic rateable value at 31st March 2003 was £55.081m and 2002-2003 multiplier was 43.7p. The product of this is £24.070m. 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 1st April 1990 to 31st March 1993. At 31st March 2002 the total outstanding had fallen to just a few hundred pounds and this was either collected or written off during 2002-2003. 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 £3.001m by Council taxpayers at 31st March 2003, (£2.743m at 31st March 2002). All arrears continue to be actively pursued by the authority. The Council has, as a matter of prudence, made a provision of £1.236m against these arrears.

The Collection Fund Balance comprises:

31.3.2002 £'000		31.3.2003 £'000
(472)	Council Tax (Surplus)	(445)
(5)	Community Charge Adjustments	(5)
(477)		(450)

The Fund balance is approximately 1.4% of its total income in the year and is held for use against future year's Council Tax setting.

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 2002, and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs).

It is not possible for the Council to comply fully with the requirements of SSAP24 - Accounting for Pension Costs - due to the statutory regulations that governed local authority pension schemes for 2002-2003. However, the accounts do comply with CIPFA guidance on the application of SSAP24 for local authorities.

Further information on the basis and amount of pension contributions in the accounts is shown in Note 14 to these policies on page 52, and in Note 9 to the Consolidated Revenue Account, on page 15.

The accounts also comply with CIPFA guidance on the application of Financial Reporting Standard 17 (FRS 17) for local authorities. Further information is shown in Note 14 to these policies on page 52 and in Note 22 to the Consolidated Balance Sheet on page 35.

2. BASIS OF CONSOLIDATION

The Consolidated Balance Sheet on page 22 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 1st 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.

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 1st 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 2002-2003, which have been prescribed by CIPFA, are 6% for assets carried at current value and 6% 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 31st March 2003 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 34.

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 future liabilities.

Details can be found in Note 12 to the Consolidated Balance Sheet on page 32.

The following principal provision is maintained:

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

14. PENSIONS

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the East Sussex County Council pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

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

The introduction of FRS 17 will take full effect from 2005. However, CIPFA is proposing that the requirements of FRS 17 will be incorporated fully into the SORP for the 2003-2004 financial year, suitably adapted where statutory accounting requirements prevent adoption.

More detailed information is contained within Note 9 to the Consolidated Revenue Account on page 15 and Note 22 to the Consolidated Balance Sheet on page 35.

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 28.

18. VAT

All expenditure and income is shown net of VAT.