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## FOREWORD BY CHIEF FINANCE OFFICER

### INTRODUCTION

The Statement of Accounts details the Council's financial activities for the year 1 April 2008 to 31 March 2009 and comprises:

**A Statement of Responsibilities** - This statement defines the roles and responsibilities for preparing the accounts.

### Independent Auditors Report

**The Statement of Accounting Policies** - This statement describes the underlying accounting principles and concepts used in producing the figures in the accounts.

**The Annual Governance Statement** - This statement sets out the framework within which the Council's control systems are managed and reviewed and any resulting actions proposed.

### The Accounting Statements:

- **Income and Expenditure Account** - This account shows the operating income and expenditure for the Council's services compared to the income from government grants and local taxpayers.
- **Statement of Movement on the General Fund Balance** - this statement shows the adjustments required to reconcile accounting practice with legislative requirements, for example removing charges for depreciation and similar costs that are not borne directly by Taxpayers.
- **Statement of Total Recognised Gains and Losses** - This statement brings together all the recognised gains and losses of the Council during the financial year.
- **Balance Sheet** - This statement sets out the overall financial position of the Council as at 31 March 2009. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **Cash Flow Statement** - This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year.
- **Notes to the core accounting statements** - required to provide more detail, in line with accounting and statutory requirements.
- **Housing Revenue Account** - This account reflects the statutory obligation to account separately for council housing provision. It shows the main elements of housing revenue expenditure - maintenance, administration and capital financing costs and how these are met by rents, subsidy and other income.
- **Collection Fund** - This account reflects the statutory requirement to maintain a separate record of transactions in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to precepting authorities, the National Non-Domestic Rates Pool and the Council.
- **Group Accounts** - These accounts show the material interests that the Council has in subsidiary and associated companies. The group accounts are structured in line with the Council's core accounting statements, and are accompanied by notes in the same way.

### FINANCIAL OUTTURN FOR THE YEAR COMPARED TO THE BUDGET

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

For 2008/09 actual net expenditure amounted to £55.4m (including an impairment of £37.4m), which was mainly funded by Government Grants and the precept on the Collection Fund. The surplus of £1.2m has increased the Council's General Fund working balance from £1.5m to £2.7m.

	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
	£000	£000	£000
Central Services to the Public	1,200	1,318	118
Cultural & Related Services	5,984	6,904	920
Environmental Services	5,463	5,813	350
Planning and Development Services	1,600	1,122	(478)
Highways, Road and Transport Services	1,791	2,281	490
Housing Services	1,600	1,476	(124)
Council Housing	(1,101)	31,513	32,614
Corporate & Democratic Core	1,934	2,303	369
Non Distributed Costs	399	2,390	1,991
Exceptional Item	-	(1,559)	(1,559)
<b>Net Cost of Services</b>	<b>18,870</b>	<b>53,561</b>	<b>34,691</b>
Corporate Operating Expenditure	(957)	1,844	2,801
<b>Net Operating Expenditure</b>	<b>17,913</b>	<b>55,405</b>	<b>37,492</b>
Demand on the Collection Fund	(7,626)	(7,626)	-
General Government Grants	(1,257)	(1,331)	(74)
Non-Domestic Rates Distribution	(9,030)	(9,030)	-
<b>(Surplus) / Deficit for the year</b>	<b>-</b>	<b>37,418</b>	<b>37,418</b>

The variance of £32.6m for Council Houses relates mainly to an impairment of £34.3m on the value of council dwellings due to the general fall in house prices. This has no impact on Council Tax Payer or Rent Payers

There is an unusual credit of £2.6m to Non-Distributed Costs. This is the income received from Stagecoach as a one-off payment settling the pension liabilities of the Council's holding in Eastbourne Buses Ltd as a result of the sale of Eastbourne Buses Ltd on 18 December 2008. See Note 2 to the accounts for further details.

The Exceptional Item relates to a claim for refund of accounted for VAT on cultural services in the early 1990s. See Note 2 to the accounts for further details.

### **Housing Revenue Account**

The Council continues to be the major provider of rented accommodation in the town and it transferred responsibility for the management of the housing stock to Eastbourne Homes Ltd, an arms length management organisation on 1 April 2005.

At 31 March 2009 it provided 3,759 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 2008/09 the Housing Revenue Account (HRA) income was £13.6m compared to the budget of £13.7m. Actual expenditure shows as £45.1m, however this includes an item relating to the impairment of council dwellings. The net position after adjustments required by statute shows an overall deficit of £75,000 for the year.

The HRA working balance was decreased as follows:

	£000
Opening balance at 1 April 2008	(1,280)
Deficit in 2008/09	75
Closing balance at 31 March 2009	(1,205)

### 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 and National Non-Domestic Rates.

The deficit of £1.35m at 31 March 2008 was collected during 2008/09. A deficit of £797,000 has been identified for 2008/09 which will be collected during 2010/11. The Council share of the deficit is £112,000.

### Capital Spending

The Council's capital spending in the year was £21.3m compared with a revised budget of £20.4m. Capital expenditure has been financed as follows:

	£000
Loans	11,974
Capital Receipts	1,888
Grants	2,362
Other Contributions	869
Major Repairs Reserve	2,617
Revenue Financing	927
Internal Borrowing	682
<b>Total</b>	<b>21,319</b>

The main items of capital expenditure are set out below:

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Difference to Revised Budget</b>
	£000	£000	£000	£000
HRA	15,655	15,655	16,272	617
Social Housing	3,147	229	210	(19)
Public Sector Renewal Grants	1,641	1,000	1,324	324
Disabled Facilities Grants	702	645	609	(36)
Towner	652	652	987	335
Coastal Defences	407	360	447	87
Recycling Initiatives	344	344	314	(30)
Theatre Improvements	391	404	447	43
Other Schemes	2,503	1,071	709	(362)
<b>Total Capital Expenditure</b>	<b>25,442</b>	<b>20,360</b>	<b>21,319</b>	<b>959</b>

### CHANGE IN TOTAL NET WORTH OF THE COUNCIL

The Statement of Total Recognised Gains and Losses (page 18) show that the Total Net Worth of the Council, as measured in the Balance Sheet, has reduced by £54.1m, from £247.3m to £193.2m. The table below shows how this reduction is split between two different types of reserves: those which represent resources available for future revenue and capital spending, and others of a technical accounting nature.

<b>2007/08</b>		<b>2008/09</b>	<b>Movement in Year</b>
£000		£000	£000
5,722	Usable Capital Receipts	3,962	1,760
7,627	Earmarked Reserves	6,389	1,238
1,280	Housing Revenue Account	1,205	75
(1,352)	Collection Fund	(797)	(555)
1,479	General Fund	2,717	(1,238)
<b>14,756</b>	<b>Resources available for future revenue and capital spending</b>	<b>13,476</b>	<b>1,280</b>
£000		£000	£000
9,039	Revaluation Reserve	168	8,871
240,071	Capital Adjustment Account	203,891	36,180
(1,352)	Financial Instruments Adjustment	(1,051)	(301)
(15,251)	Pensions Reserve	(23,270)	8,019
<b>232,507</b>	<b>Resources of a technical nature</b>	<b>179,738</b>	<b>52,769</b>
<b>247,263</b>	<b>Total Resources</b>	<b>193,214</b>	<b>54,049</b>

The reduction in the second category of reserves has been mainly triggered by the effects of the economic downturn, particularly:

- The reduction in fixed asset values, reflected partly in impairments initially charged to the Income and Expenditure Account, but then adjusted to the Capital Adjustment Account, and partly in the reduction in the balance of the Revaluation Reserve. Most of the reduction in value relates to council housing, which is not held for investment, and does not therefore impact on the Council's budgetary position. The reduction in value of the Council's investment properties does, however, mean that there is less immediate scope for raising finance for capital investment from the disposal of fixed assets.
- The net increase in the Council's liability for future pension payments, which has increased by over 50%, from £15.2m to £23.3m. The analysis in Note 12 to the accounting statements shows that the main reason is the shortfall in the return on investments, of almost £15m, around 25% of the Council's share of the assets in the pension fund. It is important to realise that this accounting reduction does not trigger an immediate increase in contribution rates, as these are assessed with a longer term view of investment performance. Contribution rates are also based on calculations of future liabilities. Note 12 shows this element increasing, but there is actually a reduction once the affect of the Eastbourne Buses Ltd is adjusted for. This is mainly the result of lowered expectations of inflation, and of rises in pay and pensions.

### **CHANGES IN ACCOUNTING POLICIES**

The accounts are prepared in line with the Code of Practice on Local Authority Accounting (the SORP), issued annually, by the Chartered Institute of Public Finance and Accounting (CIPFA).

In the past few years there have been major changes to the presentation of accounts, but in 2008/09 the only significant changes are:

- Pension assets are now valued at mid-market price rather than at bid price. There have also been substantial changes to the disclosures on pensions, principally in separating the annual movements in the assets and liabilities.
- In a number of cases legislation enables local authorities to charge to capital resources expenditure resources expenditure which is revenue in nature. This covers, for example, enhancements to assets that are not owned by the Council, where the Council obtains the benefit. Such expenditure is charged to the Income and Expenditure Account, but this charge is reversed through the Statement of Movement on the General Fund Balance. Prior to 2008/09 the expenditure was termed "deferred charges", but from 2008/09 it has been reclassified as "Revenue Expenditure Financed from Capital under Statute". In the Cash Flow Statement the expenditure now counts as "Other Revenue Payments" rather than "Other Capital Payments", and the 2007/08 comparative figures have been re-stated accordingly.

## **CHANGES IN FUNCTIONS**

There have been no significant changes in the functions of the Council for 2008/09.

## **LOANS AND INVESTMENTS**

The Council's external loan debt at 31 March 2009, comprising long-term borrowing stood at £51m. This is a net increase of £12.3m over the previous year, as a result of £12m new Government supported borrowing, together with £0.3m interest due as at 31 March 2009.

Short-term investments of £15.7m were held at 31 March 2009 compared with £13m the previous year. This increase was mainly due to the remaining balance of the new borrowing for capital works, which were undertaken, but not paid until April 2009.

## **PENSIONS**

The Council's share of the East Sussex Pension Scheme, as assessed by the actuary's valuation, shows a net liability of £23.3m. Further information is disclosed within the notes to the Income and Expenditure Account and Balance Sheet.

## **RESERVES**

The Council's total reserves at 31 March 2009 amounted to £193.2m, a decrease of £54.1m over the previous year, mainly due to impairments of fixed assets and increase in Pension Reserve. These are analysed within the Balance Sheet (page 19), they include the following usable reserves :

- Usable Capital Receipts Reserve            £4.0m,
- Earmarked Reserves                            £6.4m
- Housing Revenue Account Balance        £1.2m
- General Fund Balance                        £2.7m.

Usable capital receipts reserve is available solely to finance future capital spending. Revenue balances include £2.7m held by the General Fund for cash flow purposes and as a contingency against unforeseen circumstances. It also includes a surplus of £1.2m held by the Housing Revenue Account. This is in excess of the recommended minimum HRA balance of £0.5m needed to finance cashflow and unforeseen circumstances. The balance will be available to support the Council's Arms Length Management Organisation (Eastbourne Homes Ltd) in its delivery of an investment programme to meet Decent Homes Standards.

## **PLANNED FUTURE DEVELOPMENT**

### **Capital**

The Council continues to invest in assets to support the local community and economy. The most significant planned capital schemes are improvements to the Council's housing stock.

## **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 2008/09 has been formally completed.*

Signed    Councillor Neil Stanley  
Chair, Audit Committee

Date    24 September 2009

Alan Osborne  
Chief Finance Officer  
Statutory Section 151 Officer

## **FURTHER INFORMATION**

Summary financial information is published annually on the Council's website ([eastbourne.gov.uk](http://eastbourne.gov.uk)). Further information on any of the financial statements may be obtained from the Chief Finance Officer, 1 Grove Road, Eastbourne, BN21 4TW.

## 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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

#### **In preparing this Statement of Accounts, the Chief Finance Officer:**

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

#### **The Chief Finance Officer has also:**

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

The Statement of Accounts presents fairly the financial position of the Authority at the 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Alan Osborne  
Chief Finance Officer  
Statutory Section 151 Officer

Signature

Date 24 September 2009



## **Scope of responsibility**

Eastbourne Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Eastbourne Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is available on the website ([www.eastbourne.gov.uk](http://www.eastbourne.gov.uk))

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the Annual Reports on financial Outturn and performance and Statement of Accounts.

## The governance framework

Key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for:

Key Elements	Owner	Confirmation that arrangements are in place	Comments
Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users	Assistant Directors (ADS)&Directors(D)	Yes	Set out in the themed sections of the 2008-2011 Corporate Plan
Reviewing the authority's vision and its implications for the authority's governance arrangements	ADS&D	Yes	Annual review of activity within the priority themes in the Corporate Plan
Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources	ADS&D/ Chief Finance Officer (CFO)	Yes	Collation of performance data in respect of national and local indicators as set out in the Corporate Plan alongside planned activity together with their specific reporting lines and time tables
Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication	AD Human Resources (HR) / ADS&D	Yes	Set out in responsibility for functions and roles section of the Council's Constitution and confirmed by the Council at its annual meeting scheme
Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff	ADS&D	Yes	Set out in relevant sections of the Council's Constitution, reviewed as necessary in accordance with new or changing guidance

<b>Key Elements</b>	<b>Owner</b>	<b>Comments</b>
Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks	CFO/ ADHR/ Monitoring Officer (MO)	Scheme of Delegation, Financial Regulations and procedure notes in place and reviewed regularly. Processes and controls covered by Internal Audit programme.
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities	ADS&D/ CFO	Audit Committee in place with core functions defined in the Council's constitution. The Council also submits items to Cabinet such as external audit reports and the Annual Audit and Inspection letter
Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful	ADS&D/ CFO/ ADHR / MO	Set out in the rules of procedure section of the Council's constitution
Whistle-blowing and for receiving and investigating complaints from the public	Internal Audit Manager (IAM)/ ADS&D/ ADHR	Set out in the codes and protocols section of the Council's constitution and regularly reviewed by Internal Audit
Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	ADHR	Work force development and member development plans are in place. The Council is required as an Investor in People.
Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation	ADS&D	Citizens Panel in place and refreshed each year. Used annually to consult on the budget and service planning process and one use per year made available to Scrutiny Committee at their discretion.
Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships,(ref 7) and reflecting these in the authority's overall governance arrangements.	ADS&D	Review of partnerships report approved by Equality Steering Group in April 2008. Annual Review of Governance of major Strategic Partnership.(ESP)

## Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

- Continual assessment and review by officers of the corporate governance arrangements to ensure 'fit for purpose' in a changing environment
- All reports from Internal Audit work, annual report by the Head of Internal Audit
- External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports
- Risk Management Group – review of report by the head of Internal Audit, Annual Governance Statement and Corporate Risk Register
- Audit Task Group – Review of report by the head of Internal Audit, Annual Governance Statement, Internal Audit provision, all internal audits and Corporate Risk Register (From 2009/10 a function of the Audit Committee)
- Scrutiny – Any item discussed by the Audit Task Group can be escalated to Scrutiny as required
- Accounts Committee – Considers the draft annual financial statements including the Annual Governance Statement in June and then the final statements following audit in September (From 2009/10 a function of the Audit Committee)
- Corporate Management Team - Consideration of Internal Audit Plan, Annual Governance Statement and Corporate Risk Register
- Cabinet – Consideration of External Auditor's Annual Audit and Inspection Letter and other commissioned audit reports

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit Task Group and recommend a plan to address weaknesses identified by processes outlined above. In addition we commit to ensure continuous improvement of the system is in place.

Signed behalf of Eastbourne Borough Council:

.....  
Leading Member

.....  
Chief Executive

Date: 24 September 2009

## **Independent auditors' report to the Members of Eastbourne Borough Council**

### **Opinion on the financial statements**

We have audited the Authority and Group financial statements (the 'financial statements') and related notes of Eastbourne Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheets, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statements, the Authority Housing Revenue Account, the Authority Collection Fund, the Group Reconciliation of the Single Entity Deficit for the Year to the Group Surplus Statement and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Eastbourne Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

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

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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. However, the evidence available to us was limited because the Eastbourne Bus Company Limited, which is identified as a Group interest of the Authority and has been accounted for as a subsidiary in the Group financial statements for the year ended 31 March 2009 has not published audited accounts in the period. There are no other audit procedures we could have adopted to confirm the consolidated balances. As a result of this, we have been unable to obtain sufficient appropriate audit evidence concerning the Group Income and Expenditure account, the Group Reconciliation of the Single Entity Deficit for the Year to the Group Surplus Statement, the Group Statement of Total Recognised Gains and Losses and the Group Cash Flow Statement and the related notes. Because of the significance of this issue, we have been unable to form a view on the Group financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and related notes.

## **Opinion on Authority financial statements**

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

## **Opinion : disclaimer on view given by Group financial statements**

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the Group financial statements present fairly in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

Signature:

Date: 27 November 2009

Name: Robert Grant  
Partner for on behalf of PKF (UK) LLP  
London, UK

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

### **Authority's Responsibilities**

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

### **Auditors' Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Qualified Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Eastbourne Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements for financial reporting that is timely, reliable and meets the needs of internal users, stakeholders and local people.

### **Certificate**

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

Signature:

Date: 27 November 2009

Name: Robert Grant  
Partner for and on behalf of PKF (UK) LLP  
London, UK

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### 4. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

### 5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, Government Grants and third party contributions and donations are recognised as income at the date that the Authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will



be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## **6. Retirement Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by East Sussex County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the East Sussex County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9%.
- The assets of the East Sussex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account;
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account;
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses;
  - contributions paid to the East Sussex Pension Fund – cash paid as employer’s contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

## **Discretionary Benefits**

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

## **7. VAT**

Income and expenditure excludes any amounts related to VAT, except in unusual circumstances where VAT is irrecoverable.

## **8. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## **9. Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## **10. Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement basis:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

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

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

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account;
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following basis:

- dwellings – 60 years
- Other buildings – 35 years
- vehicles, plant and equipment – 3 to 10 years
- infrastructure – straight-line allocation over periods of between 10 and 40 years, as assessed at the time of the capital investment.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **11. Charges to Revenue for Fixed Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;

- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

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

## **12. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

## **13. Leases**

### **Operating Leases**

None of the leases held by the Council fall within the accounting definition of a finance lease, and they are therefore accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## **14. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## **15. Financial Assets**

All of the financial assets held by the Council come within the classification of "loans and receivables". These are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

**16. Stocks and Work in Progress**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

**17. Interests in Companies and Other Entities**

At the start of the financial year the Council had material interests in two companies, and was therefore required to prepare Group Accounts. As the interest in Eastbourne Buses Ltd was disposed of during the year, the group accounts cover only the revenue activities up to the point of disposal.

## INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2009

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2007/08 Net £000		Gross £000	2008/09 Income £000	Net £000
979	Central Services to the Public	2,279	(961)	1,318
5,154	Cultural & Related Services	15,599	(8,695)	6,904
4,453	Environmental Services	10,591	(4,778)	5,813
1,280	Planning and Development Services	2,078	(956)	1,122
1,479	Highways, Road and Transport Services	3,855	(1,574)	2,281
703	Housing Services	47,159	(45,683)	1,476
(3,662)	Council Housing	45,080	(13,567)	31,513
2,459	Corporate & Democratic Core	2,457	(154)	2,303
6,921	Non Distributed Costs	5,029	(2,639)	2,390
-	Exceptional item (Note 2)	356	(1,915)	(1,559)
<b>19,766</b>	<b>Net Cost of Services</b>	<b>134,483</b>	<b>(80,922)</b>	<b>53,561</b>
100	(Gains) / Losses on sale of fixed assets			63
236	Precepts/Levies of local precepting authorities			240
(297)	(Surplus) / deficit of trading operations			(260)
2,452	External Interest payable			3,101
930	Contribution of housing capital receipts to Government Pool			313
(1,050)	Interest and Investment Income			(2,704)
42	Pensions Interest Cost and Expected Return on Pension Assets			1,091
<b>22,179</b>	<b>Net Operating Expenditure</b>			<b>55,405</b>
(7,352)	Demand on the Collection Fund			(7,626)
(1,456)	General Government Grants			(1,331)
(8,678)	Non-Domestic Rates Distribution			(9,030)
<b>4,693</b>	<b>(Surplus) / Deficit for the year</b>			<b>37,418</b>

The large deficit in the Income and Expenditure Account reflects the need to charge £37.4m of reductions in asset values to the Income and Expenditure Account as impairments. These are reversed below in the Statement of Movement on the General Fund Balance, so they do not impact on the transfer to the General Fund or the Council Tax.

## STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months.

This does not, however, correspond completely with the charges made each year against Council Tax, and which are reflected in the annual movement on the balance on the General Fund. The statement below summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	Increase or decrease in the General Fund Balance for the year:	
4,693	(Surplus) / Deficit on the Income and Expenditure Account	37,418
2,006	Write out of PWLB premia not previously charged to Income and Expenditure Account	-
<u>(5,072)</u>	Net additional amount required by statute and other proper practices to be debited or credited to the General Fund	<u>(38,656)</u>
1,627		(1,238)
<u>(3,106)</u>	General Fund balance brought forward	<u>(1,479)</u>
<b><u>(1,479)</u></b>	<b>General Fund balance carried forward</b>	<b><u>(2,717)</u></b>

The details of the net additional amount are shown in the supplementary statement below.

### Amounts included in the Income and Expenditure Account, but legally excluded from the Movement on the General Fund Balance for the year

(9,067)	Depreciation and Impairment of Fixed Assets	(39,430)
(323)	Excess of depreciation charged to Housing Revenue Account over the Major Repairs Allowance element of Housing Subsidy	-
4,662	Release from Government Grants Deferred and Capital Contributions Deferred	686
(1,722)	Revenue Expenditure Financed from Capital under Statute	(215)
(100)	Gain / (loss) on sale of fixed assets	(63)
(1,352)	Premiums and discount balance to Financial Instruments Adjustment A/c	301
365	Difference between pension costs and amounts legally chargeable to General Account	407
<b>(7,537)</b>		<b>(38,314)</b>

### Items not included in Income and Expenditure Account, but legally chargeable to the General Fund

372	Statutory provision for repayment of debt	357
1,475	Capital expenditure charged to revenue account	927
(930)	Transfer from Usable Capital Receipts equal to amount payable to Government Pool	(313)
<b>917</b>		<b>971</b>

### Items not included in Income and Expenditure Account, but also charged to General Fund

494	Transfer surplus/(deficit) on Housing Revenue Account	(75)
1,054	Transfer to or from Earmarked Reserves	(1,238)
<b>1,548</b>		<b>(1,313)</b>
<b>(5,072)</b>		<b>(38,656)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Authority, and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets, the net movement on the Collection Fund, and the re-measurement of the net liability to cover the cost of retirement benefits. The amount charged to this statement in 2007/08 for writing out premia on early loan repayments was a one-off adjustment relating to changes in accounting standard starting from 2007/08.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
(850)	Annual (surplus) / deficit on Collection Fund	(555)
4,693	(Surplus) / deficit on Income and Expenditure Account	37,418
2,006	Write out of premia not previously charged to Income and Expenditure Account	-
(9,133)	(Gain) / loss on revaluation of fixed assets	8,760
(4,093)	Actuarial (Gain) / loss on pension fund assets and liabilities	8,426
<b>(7,377)</b>	<b>Total Recognised Gains and Losses for the Year</b>	<b>54,049</b>



**BALANCE SHEET**

<b>31.3.2008</b>		<b>Note</b>	<b>31.3.2009</b>
<b>£000</b>			<b>£000</b>
387	<b>Intangible Assets</b>	15-18	253
	<b>Tangible Fixed Assets</b>	15-18	
	Operational Assets		
215,784	- Council Dwellings		186,742
37,529	- Other Land & Buildings		37,106
781	- Vehicles, Plant & Equipment		1,258
25,083	- Infrastructure		24,865
1,567	- Community Assets		1,754
	Non-Operational Assets		
8,419	- Assets under Construction		9,296
27,410	- Investment Property		24,152
551	- Surplus Assets		84
<b>317,511</b>	<b>Total Fixed Assets</b>		<b>285,510</b>
1,778	Long Term Investments		-
54	Long Term Debtors		50
<b>319,343</b>	<b>Total Long Term Assets</b>		<b>285,560</b>
	<b>Current Assets</b>		
59	Stocks		101
16,002	Debtors & Prepayments	21	14,029
(4,220)	- less provision for doubtful debts	21	(3,763)
12,975	Investments		15,647
325	Cash & Bank	22	460
<b>344,484</b>	<b>Total Assets</b>		<b>312,034</b>
	<b>Current Liabilities</b>		
(15)	Short term borrowing		(15)
(11,844)	Creditors & Income in Advance	23	(13,801)
<b>332,625</b>	<b>Total Assets less Current Liabilities</b>		<b>298,218</b>
(38,720)	Long Term Borrowing		(50,985)
(556)	Provisions	25	(202)
(16,950)	Government Grants Deferred	26	(18,432)
(9,214)	Capital Contributions Deferred	26	(8,483)
(15,251)	Pensions Liability	12	(23,270)
(46)	Deferred Credits		(42)
(4,625)	Grants and Contributions unapplied	26	(3,590)
<b>247,263</b>	<b>Total Assets less liabilities</b>		<b>193,214</b>
9,039	Revaluation Reserve	30	168
240,071	Capital adjustment account	31	203,891
(1,352)	Financial Instruments Adjustment	32	(1,051)
5,722	Usable Capital Receipts	33	3,962
(15,251)	Pensions Reserve	12	(23,270)
7,627	Earmarked Reserves	34	6,389
1,280	Housing Revenue Account		1,205
(1,352)	Collection Fund		(797)
1,479	General Fund		2,717
<b>247,263</b>	<b>Total Net Worth</b>		<b>193,214</b>

The Balance Sheet shows all of the Council's assets and liabilities at the end of the financial year, and analyses the value of its total net worth.

Alan Osborne – Chief Finance Officer  
Statutory Section 151 Officer

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

2007/08 Re-stated			2008/09		
£000	£000	£000	£000	£000	£000
			<b>Revenue Activities</b>		
			Cash outflows		
13,981			Cash paid to and on behalf of employees	17,098	
28,537			Other operating cash payments	32,983	
26,093			Housing Benefits paid out	28,485	
24,842			NNDR payments to national pool	25,957	
37,802			Precepts paid to East Sussex County Council	39,276	
2,659			Precepts paid to East Sussex Fire Authority	2,780	
4,427			Precepts paid to Sussex Police Authority	4,645	
<u>279</u>	138,620		Payments to the Capital Receipts Pool	<u>320</u>	151,544
			Cash inflows		
(4,201)			Housing rents (after rebates)	(4,716)	
(44,360)			Council Tax receipts	(47,058)	
(25,028)			Non-Domestic Rate income	(26,388)	
(1,456)			Revenue Support Grant	(1,257)	
(8,678)			NNDR receipts from national pool	(9,030)	
(39,307)			DWP grants for benefits	(43,498)	
(3,711)			Other Government Grants	(5,559)	
(15,175)			Cash received for goods and services	(13,594)	
<u>(4,594)</u>	<u>(146,510)</u>		Other revenue cash receipts	<u>(7,373)</u>	<u>(158,473)</u>
		(7,890)	Net revenue activities cashflow		(6,929)
			<b>Returns on Investments and Servicing of Finance</b>		
	2,471		Cash outflows		
			Interest paid	2,897	
	(1,071)		Cash inflows		
			Interest received	<u>(2,935)</u>	
		<u>1,400</u>			<u>(38)</u>
		(6,490)			(6,967)
			<b>Capital Activities</b>		
	16,246		Cash outflows		
			Purchase of fixed assets	18,502	
			Cash inflows		
(1,362)			Sale of fixed assets	(402)	
(1,985)			Capital grants received	(412)	
<u>(3,678)</u>	<u>(7,025)</u>		Other capital cash receipts	<u>(206)</u>	<u>(1,020)</u>
		<u>9,221</u>			<u>17,482</u>
		2,731	Net cash (inflow) / outflow before financing		10,515
			<b>Management of Liquid Resources</b>		
5,400		<u>5,400</u>	Net increase / (decrease) in short term deposits		<u>2,525</u>
		8,131			13,040
			<b>Financing</b>		
			Cash outflows		
-			Repayments of amounts borrowed	-	
<u>33</u>	33		Reduction in short term loans	<u>-</u>	-
			Cash inflows		
-			New loans raised	(11,974)	
(7,520)	<u>(7,520)</u>		Disposal of investment	(1,201)	
			Increase in short term loans	<u>-</u>	<u>(13,175)</u>
		<u>(7,487)</u>			<u>(13,175)</u>
		644	Net (increase) / decrease in cash		<u>(135)</u>

This statement summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties. The 2007/08 figures have been restated to take account of a change in accounting policy described in the Explanatory Foreword, entailing the movement of £1,722,000 from "Other Capital Payments" to "Other Operating Costs".

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## NOTES TO THE ACCOUNTING STATEMENTS

### 1. APPROVAL OF THE STATEMENT OF ACCOUNTS

The Accounts were approved by the Chief Finance Officer on 22nd June 2009

### 2. EXCEPTIONAL ITEMS

The Exceptional Item in the Income and Expenditure Account relates to a claim for VAT charged on ticket admissions at the council's theatres in the early 1990s. At that time the council charged VAT on such income in line with the requirements of HM Revenues and Customs, but subsequently, in line with a number of other councils, it successfully challenged this interpretation of the law. During 2008/09 the Council was able to recover £1.9m in overcharged VAT, offset by £356,000 in consulting fees, making up the net £1,559,000 shown as an Exceptional Item. The Council also recovered accumulated £1,424,000 in interest on these amounts (shown under Interest and Investment Income), offset by £285,000 in fees, which is charged as a treasury management cost to the Corporate and Democratic Core.

There is also an unusual credit of £2,639,000 to Non-Distributed Costs. This is the income received from Stagecoach as a one-off payment settling the pension liabilities of the council's holding in Eastbourne Buses Ltd. As mentioned below in Note 12, there is a corresponding charge to Non-Distributed Costs of £1,566,000 as a Past Service Cost relating to the same transaction (this amount is reversed in the Statement of Movement and replaced by the payment of employer's contributions, including the amount of £2,639,000 paid to the Pension Fund).

### 3. FINANCIAL INSTRUMENTS

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's or Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

#### Liquidity risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All trade and other payables are due to be paid in less than one year.

#### Market risk

##### Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL.

#### **Price risk**

The Authority does not invest in equity shares, and disposed of its shareholding in Eastbourne Buses Ltd during the year (see Note 20). It is consequently no longer exposed to losses arising from movements in the prices of the shares.

#### **Foreign exchange risk**

The Authority has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

### **4. TRADING OPERATIONS**

The Council maintains trading accounts for the following:

- Corporate Property – the costs and income relating to the Council’s holdings of investment property, not related to the provision of services.
- Printing Services – these costs are charged to internal users and some external customers on a trading basis.

<b>2007/08</b>		<b>2008/09</b>			
<b>Net</b>		<b>Gross</b>	<b>Internal</b>	<b>External</b>	<b>Net</b>
£'000		£'000	Income	Income	£'000
(323)	Corporate Property	284	(571)	(3)	(290)
26	Printing Services	220	(121)	(69)	30
<b>(297)</b>	<b>Total</b>	<b>504</b>	<b>(692)</b>	<b>(72)</b>	<b>(260)</b>

### **5. EXPENDITURE UNDER SECTION 137 OF THE LOCAL GOVERNMENT ACT, 1972**

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council’s expenditure under this power was £208,000, mainly on donations to voluntary bodies working in the local area (£204,000 in 2007/08).

### **6. PUBLICITY**

The Council is required by Section 5 of the Local Government Act 1986, to record and disclose its expenditure on publicity. The Council's total spend is analysed as:

<b>2007/08</b>		<b>2008/09</b>
£000		£000
111	Tourism and Economic Development	59
77	Public Relations and Information	73
33	Recreation and Leisure	52
65	Recruitment Advertising	87
102	Other	61
<b>388</b>	<b>Total</b>	<b>332</b>

## 7. BUILDING CONTROL

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.

<b>Total Building Control 2007/08 £000</b>		<b>Non-chargeable 2008/09 £000</b>	<b>Chargeable 2008/09 £000</b>	<b>Total Building Control 2008/09 £000</b>
	<b>Expenditure</b>			
312	Employee Expenses	94	233	327
0	Premises	0	0	0
19	Transport	5	14	19
21	Supplies and Services	4	10	14
91	Central and Support Service Charges	26	61	87
<b>443</b>	<b>TOTAL EXPENDITURE</b>	<b>129</b>	<b>318</b>	<b>447</b>
	<b>Income</b>			
(304)	Building Regulations Charges	0	(210)	(210)
(12)	Miscellaneous Income	(5)	0	(5)
<b>(316)</b>	<b>TOTAL INCOME</b>	<b>(5)</b>	<b>(210)</b>	<b>(215)</b>
<b>127</b>	<b>(Surplus)/Deficit for year</b>	<b>124</b>	<b>108</b>	<b>232</b>

## 8. MEMBERS' ALLOWANCES

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

<b>2007/08 £000</b>		<b>2008/09 £000</b>
111	Members' allowances	112
2	Conference and Travelling Expenses	2
<b>113</b>		<b>114</b>

## 9. OFFICERS' REMUNERATION

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

<b>2007/08</b>	<b>Remuneration Band</b>	<b>2008/09</b>
Number of Employees		Number of Employees
8	£50,000 - £59,999	6
1	£60,000 - £69,999	3
2	£70,000 - £79,999	0
0	£80,000 - £89,999	2
1	£90,000 - £99,999	1
0	£100,000 - £109,999	1
<b>12</b>	<b>Total</b>	<b>13</b>

## 10. RELATED PARTIES

The Council is obliged to disclose material transactions with related parties, a term which includes central government, authorities for whom the Council collects and distributes Council Tax and related companies, as well as any financial relationships with members and chief officers other than payments of salaries, expenses, etc. We disclose these transactions to indicate the extent to which the Council might have been constrained in its ability to operate independently, or to have secured the ability to limit another party's ability to bargain freely with the Council.

The central government provides much of the Council's funding and determines its statutory framework. Details of transactions with central government are shown in the Income and Expenditure Account, the Cash Flow Statement, the Collection Fund, and Notes 26 and 36.

The Council's investments in Eastbourne Buses Ltd and Eastbourne Homes Ltd are outlined in Note 20 below, and both companies are included in the Group Accounts (Eastbourne Buses Ltd up to the point when the Council disposed of its interest).

Members of the Council have direct control over the Council's financial and operating policies. None of the members or chief officers had any interests in any related party transactions during the year. The Register of Members' Interests is held at the Town Hall and is open to public inspection.

## 11. AUDIT FEES

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

2007/08		2008/09
£000		£000
120	Fees payable to PKF (UK) LLP with regard to external audit services carried out by the appointed auditor	125
7	Fees payable to Audit Commission in respect of statutory inspection	8
51	Fees payable to PKF (UK) LLP for the certification of grant claims and returns	45
18	Fee payable in respect of other services provided by the appointed auditor	-
50	Additional fees payable to PKF (UK) LLP to complete the audit of accounts	-
21	Additional fees payable to PKF (UK) LLP to respond to questions asked by local electors under Section 15 of the Audit Commission Act 1998	-
<b>267</b>		<b>178</b>

## 12. RETIREMENT BENEFITS

### Participation in pension scheme

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

The Council participates in the Local Government Pension Scheme, and therefore in the East Sussex Pension Scheme, which is administered by East Sussex County Council. The Council also has liabilities for discretionary payments for added years, etc. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

### Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17 (Retirement Benefits). As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than at mid-market value.

### Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council Tax is based on the contributions payable in the year. To adjust for this statutory requirement, the estimated cost of retirement benefits arising during the year is included in the Income and Expenditure Account, but the net effect is removed through the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and in the Statement of Movement on the General Fund Balance:

**2007/08    2008/09**



	£000	£000
Income and Expenditure Account:		
Net cost of Services:		
Current Service Cost	1,501	1,019
Past Service Cost	99	2,012
Settlements and Curtailments	13	135
Net Operating Expenditure:		
Interest Cost	4,727	5,265
Expected Return on Assets	(4,685)	(4,174)
<b>Net Charge to Income and Expenditure Account</b>	<b>1,655</b>	<b>4,257</b>
Statement of Movement on the General Fund Balance:		
Reversal of net charges made in Income and Expenditure Account in accordance with FRS 17		
	(1,655)	(4,257)
Actual amount charged to General Fund Balance for pensions in the year:		
Employer's contributions	2,021	(4,664)
<b>Net Charge to General Fund Balance</b>	<b>2,021</b>	<b>(4,664)</b>

The Past Service Cost for 2008/09 comprises £8,000 for early retirements, £438,000 for retrospective changes to employee benefits and £1,566,000 for the additional liability arising as a result of the sale of the Council's share in Eastbourne Buses Ltd (see below).

In addition to the gains and losses recognised in the Income and Expenditure Account, a net actuarial loss of £4,252,000 is included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses since 2004/05 recognised in this statement is £11,007,000.

#### Assets and Liabilities in relation to retirement benefits

The table below shows separately the movements in scheme assets and liabilities.

Liabilities	2007/08		Net	Asset / Liability at 1 April	2008/09		
	£000	Assets £000			£000	£000	£000
<b>(88,306)</b>		<b>68,591</b>	<b>(19,715)</b>		<b>(76,348)</b>	<b>61,097</b>	<b>(15,251)</b>
(1,501)	-	(1,501)	(1,501)	Current Service Cost	(1,019)	-	(1,019)
(99)	-	(99)	(99)	Past Service Cost	(2,012)	-	(2,012)
(13)	-	(13)	(13)	Settlements and Curtailments	(135)	-	(135)
(4,727)	-	(4,727)	(4,727)	Interest Cost	(5,265)	-	(5,265)
-	4,685	4,685	4,685	Expected Return on Assets	-	4,174	4,174
15,127	(11,034)	4,093	4,093	Actuarial gains and losses	6,530	(14,956)	(8,426)
-	2,026	2,026	2,026	Employer contributions	-	4,664	4,664
(479)	479	-	-	Contributions by scheme participants	(509)	509	-
3,650	(3,650)	-	-	Benefits paid	3,766	(3,766)	-
-	-	-	-	Adjustment for Eastbourne Buses Ltd	(5,278)	5,278	-
<b>(76,348)</b>	<b>61,097</b>	<b>(15,251)</b>		<b>Asset / Liability at 31 March</b>	<b>(80,270)</b>	<b>57,000</b>	<b>(23,270)</b>

The figures for 2008/09 contain several adjustments relating to the sale of the Council's share of Eastbourne Buses Ltd:

- The share of the Pension Fund assets, totalling £5,278,000 has been transferred to the Council.
- Corresponding liabilities of £6,844,000 were also transferred, the shortfall of £1,566,000 being shown above as part of the Past Service Cost.
- As part of the sale conditions, Stagecoach paid the Council £2,639,000, which was then paid to the Pension Fund as part of the employer's contribution of £4,664,000. This payment was based on an "ongoing basis" calculation, which results in a lower figure than the FRS 17 figures.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £10,509,000, compared with a loss of £2,466,000 in 2007/08).

### Scheme History

	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Present value of liabilities	(92,310)	(89,790)	(76,348)	(80,270)
Fair value of assets	67,590	65,440	61,097	57,000
<b>Surplus / (Deficit) in the scheme</b>	<b>(24,720)</b>	<b>(24,350)</b>	<b>(15,251)</b>	<b>(23,270)</b>

The net liabilities show the underlying commitments that the Authority has in the long term to pay retirement benefits. The net liability of £23.27m at 31 March 2009 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However there are several other points which mitigate the effect of this deficit:

- The figures above represent a snapshot of the position at 31 March 2009, at a time when stock market values were particularly low. Employer's contributions are based on an actuarial assessment comparing liabilities and returns on assets over a long period, and not upon an immediate response to the Balance Sheet figures.
- The interest rate used for discounting the liabilities for future pensions is related to bond yields, and is specified as such for the purposes of this statement. However, this is lower than the expected long term returns from the actual investments that we manage, and that the actuaries estimate when assessing contributions to the Pension Fund.
- The deficit on the funded element of the scheme will be made good by increased employer's contributions over the remaining working life of the employees, as assessed by the scheme actuary.
- Provision is made within the Council's budget for the annual payment of all unfunded pension liabilities.

The total contribution expected to be made by the Council to the East Sussex Pension Fund in the year to 31 March 2010 is £1,608,000. At 31 March 2009 the Council owed £223,000 in respect of employer's and employees' contributions for March 2009.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations are:

2007/08		2008/09
£000		£000
	Long term expected rate of return on scheme assets:	
7.7%	Equity Investments	7.0%
5.7%	Bonds	5.4%
5.7%	Property	4.9%
4.8%	Cash	4.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
19.6	Men	19.6
22.5	Women	22.5
	Longevity at 65 for future pensioners:	
20.7	Men	20.7
23.6	Women	23.6
3.6%	Rate of inflation	3.1%
5.1%	Rate of increase in salaries	4.6%
3.6%	Rate of increase in pensions	6.5%

6.9%	Rate for discounting scheme liabilities	6.9%
50.0%	Take-up of option to convert annual pension into retirement lump sum	50.0%

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

2008		2009
%		%
65	Equities	76
13	Bonds	10
11	Property	8
11	Cash	6

### History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
			restated	restated	
Differences between the expected and actual return on assets	4.00%	14.20%	0.00%	-11.70%	-26.20%
Experience gains and losses on liabilities	-2.90%	0.10%	0.10%	-9.30%	-8.10%

### 13. INTANGIBLE ASSETS

In the context of local authority accounting, Intangible Assets represent software licences; these are valued at acquisition cost and written off over the period of the licence.

### 14. CAPITAL INVESTMENT AND FINANCING

The Capital Financing Requirement represents the Council's net need to borrow to finance its capital investment, made up of all funding of capital from loan in previous years, less amounts set aside each year for the redemption of debt.

	2007/08		2008/09	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		35,089		42,237
Intangible assets	78		72	
Operational assets	12,875		18,352	
Non-operational assets	3,293		886	
Revenue Expenditure Financed from Capital under Statute	1,722		215	
<b>Total capital investment</b>	<u>17,968</u>		<u>19,525</u>	
Capital receipts	(3,027)		(1,888)	
Government grants	(1,438)		(568)	
Other contributions	(1,892)		(869)	
Major Repairs Reserve	(2,616)		(2,617)	
Revenue financing	<u>(1,475)</u>		<u>(927)</u>	
Total financing other than from loan	<u>(10,448)</u>		<u>(6,869)</u>	
<b>Net investment financed from loan</b>		7,520		12,656
Revenue provision for repayment of loans		<u>(372)</u>		<u>(357)</u>
<b>Closing Capital Financing Requirement</b>		<u>42,237</u>		<u>54,536</u>

For both years shown above the capital investment financed from loan relate entirely to borrowing categorised as being supported by Government financial assistance, through Revenue Support Grant.

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

	<b>2007/08</b>	<b>2008/09</b>
	£000	£000
Intangible Assets	387	253
Fixed Assets	317,124	285,257
Government Grants Deferred	(16,950)	(16,930)
Capital Contributions Deferred	(9,214)	(9,985)
Revaluation Reserve	(9,039)	(168)
Capital Adjustment Account	(240,071)	(203,891)
	<b>42,237</b>	<b>54,536</b>

The Council accounts fully for depreciation of assets in line with accounting standards, but it is legally obliged to provide for the repayment of a proportion of its outstanding loan debt (the Minimum Repayment Provision). As the provision for repayment of debt is less than the amount of depreciation, an adjustment is made by a transfer from revenue to the Capital Adjustment Account. The Council's provision for repayment of loans was £357,000, compared with £372,000 in 2007/08.

## 15. MOVEMENTS IN ASSET BALANCES

### Summary - all capital investment

	<b>Operational Assets</b>	<b>Non- Operational Assets</b>	<b>Intangible Assets</b>	<b>Revenue Expenditure Capitalised under Statute</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Balance at 1 April 2008	280,744	36,380	387	-	<b>317,511</b>
Additions	18,352	886	72	215	<b>19,525</b>
Depreciation for the year	(4,480)	-	-	-	<b>(4,480)</b>
Write-down intangible assets	-	-	(206)	-	<b>(206)</b>
Revenue expenditure capitalised under statute:					
Net direct charge to I&E account	-	-	-	(215)	<b>(215)</b>
Disposals	(243)	(261)	-	-	<b>(504)</b>
Impairments	(34,479)	(2,882)	-	-	<b>(37,361)</b>
Reclassifications	-	-	-	-	-
Revaluations	(8,169)	(591)	-	-	<b>(8,760)</b>
<b>Balance at 31 March 2009</b>	<b>251,725</b>	<b>33,532</b>	<b>253</b>	<b>-</b>	<b>285,510</b>

Revenue Expenditure Financed from Capital under Statute is defined in the Statement of Accounting Policies. For the management of the capital programme all such expenditure is treated as capital, even when it is financed by grants and contributions, although this is treated as revenue expenditure and income in the Statement of Accounts. For this reason the total capital investment outlined in the Foreword and in reports to Cabinet was £1,794,000 higher than the total "additions" shown above.

### Operational Assets

	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra-structure</b>	<b>Community Assets</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
Balance at 1 April 2008	218,701	39,253	3,058	33,966	2,131	<b>297,109</b>
Additions	16,272	631	622	640	187	<b>18,352</b>
Disposals	(198)	(56)	(1,499)	(247)	-	<b>(2,000)</b>
Impairments	(34,336)	(143)	-	-	-	<b>(34,479)</b>
Reclassifications	-	-	-	-	-	-
Revaluations	(8,169)	-	-	-	-	<b>(8,169)</b>
<b>Balance at 31 March 2009</b>	<b>192,270</b>	<b>39,685</b>	<b>2,181</b>	<b>34,359</b>	<b>2,318</b>	<b>270,813</b>
<b>Depreciation</b>						
Balance at 1 April 2008	(2,917)	(1,724)	(2,277)	(8,883)	(564)	<b>(16,365)</b>
Charge for the year	(2,617)	(859)	(145)	(859)	-	<b>(4,480)</b>
Disposals	6	4	1,499	248	-	<b>1,757</b>
Reclassifications	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
<b>Balance at 31 March 2009</b>	<b>(5,528)</b>	<b>(2,579)</b>	<b>(923)</b>	<b>(9,494)</b>	<b>(564)</b>	<b>(19,088)</b>
Net Balance Sheet at 1 April	215,784	37,529	781	25,083	1,567	280,744
Net Balance Sheet at 31 March	186,742	37,106	1,258	24,865	1,754	251,725

### Non-Operational Assets

	<b>Assets under Construction</b>	<b>Investment Properties</b>	<b>Surplus Assets</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
Balance at 1 April 2008	8,419	27,410	555	<b>36,384</b>
Additions	877	9	-	<b>886</b>
Disposals	-	-	(265)	<b>(265)</b>
Impairments	-	(2,882)	-	<b>(2,882)</b>
Reclassifications	-	-	-	-
Revaluations	-	(385)	-	<b>(385)</b>
<b>Balance at 31 March 2009</b>	<b>9,296</b>	<b>24,152</b>	<b>290</b>	<b>33,738</b>
<b>Depreciation</b>				
Balance at 1 April 2008	-	-	(4)	<b>(4)</b>
Charge for the year	-	-	-	-
Disposals	-	-	4	<b>4</b>
Reclassifications	-	-	-	-
Revaluations	-	-	(206)	<b>(206)</b>
<b>Balance at 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>(206)</b>	<b>(206)</b>
Net Balance Sheet at 1 April	8,419	27,410	551	<b>36,380</b>
Net Balance Sheet at 31 March	9,296	24,152	84	<b>33,532</b>

None of the operational, non-operational or intangible assets analysed above are held under finance leases, or under the Private Finance Initiative.

As set out in the note below, a review of the value of all fixed assets was carried out as at 31 March 2009. The general economic downturn and the fall in asset prices had triggered large amounts of impairments to asset values, as shown in the table above.

The SORP (2008) leaves it open to local authorities to write off accumulated impairment and depreciation when a revaluation takes place. In 2008-09 the Council decided to impair the value of council dwellings because of a reduction in price caused by the economic downturn in the year. The impairment was not made in the light of a certified valuation or consumption of economic benefit but is based on a desk-top review of price.

The Council's review of its fixed asset register found several assets with a gross book value of £1.5 million which had been fully written down (the book value is Nil) but were no longer owned by the Council. However, the assets and the accumulated depreciation had continued to be included in the balance sheet. The Council has written these assets out of the balance sheet as a disposal.

## **16. VALUATION OF FIXED ASSETS**

The freehold and leasehold properties which comprise the Council's property portfolio (excluding Council Dwellings) were valued by the Council's own qualified surveyor as at 1 April 2006. The valuation provided a comprehensive review of all assets which resulted in re-categorisation of some assets. Valuations have been carried out in accordance with the Statements of Asset Valuation Practice Guidance Notes of the Royal Institution of Chartered Surveyors. The following basis of valuations are used:

- Operational Land and Buildings: Depreciated Replacement Cost is used for specialised buildings if there is insufficient evidence of market values; Existing Use Value in all other cases.
- Non-Operational Investment properties and Surplus Properties – Market Value.

The Council's stock of council dwellings was re-valued by the District Valuer as at 1 April 2006. The valuation was carried out by inspection using beacon properties on which to base the valuation. A desktop revaluation was carried out as at 31 March 2009.

An annual exercise is carried out at the end of each financial year to determine whether any additional adjustment is needed to account for impairments to asset values, either from the consumption of economic benefits (e.g. physical damage) or a general fall in prices. This has resulted in general impairments to several categories of fixed assets, as shown in the previous note. A complete review is scheduled to take place every 5 years in accordance with the SORP.

## **17. DEPRECIATION**

Depreciation is calculated on a straight-line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all classes of assets, with the exception of land and Community Assets. The life expectancies for various classes of assets are shown in paragraphs 9 and 10 of the Statement of Accounting Policies above.

## 18. OUTLINE OF ASSETS HELD BY THE COUNCIL

Fixed assets held by the Council in its Balance Sheet include:

	Number as at 31 March 2008	Number as at 31 March 2009
<b>Council Dwellings</b>	Re-stated	
Houses	1,814	1,812
Flats	1,950	1,947
<b>Operational Buildings</b>		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	1	1
Public Conveniences	29	29
Off-Street Car Parks	14	14
Theatres	4	4
Devonshire Park International Tennis Centre	1	1
Dual Use Sports Centres	2	2
Swimming Pools	2	2
Museums	1	1
Tourist Information Centre	1	1
Bandstand	1	1
Sports Park	1	1
<b>Community Assets</b>		
Parks and Open Spaces (hectares)	279	279
Allotments (acres)	42	42
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>		
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	8	8
Community Centres	5	5
Treasure Island	1	1
Other Offices	1	1
Factories	6	6
Hotels	13	13
Shops	15	15
Sports Facilities	12	12
Public Conveniences	4	3
<b>Vehicles Plant &amp; Equipment</b>		
Dotto Road Trains	3	3

## 19. LEASING

The Council uses operating leases to finance 13 vans, 3 tractors, 20 cars, a mower and photocopiers.

Payments during 2008/09 amounted to £84,000 and details of future obligations under these leases are set out below:-

	Vehicles Plant and Equipment £'000
Leases expiring in 2009/10	23
Leases expiring between 2010/11 and 2014/15	216
Leases expiring after 2014/15	-

The Council also acts as lessor to Eastbourne Homes Ltd. for their use of office accommodation (3rd Floor, 1 Grove Road) and office equipment. During 2008-2009 the Council received £60,000 in rentals (£54,000 in 2007-08).

The Council leases 66-68 Grove Road on a fully repairing lease for which it paid £188,000 in rentals in 2008/09 (£188,000 in 2007-08).

## 20. LONG TERM INVESTMENTS AND RELATED COMPANIES

### Eastbourne Buses Ltd

Eastbourne Buses Ltd 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 1 April 2008 the Council was the majority (80%) shareholder in the company. The other shareholder was the Keolis Group who acquired a 20% shareholding under an agreement made in June 2001. On 18 December 2008 the Council disposed of its 80% interest to Stagecoach. The Council received a gross £4m, of which £1.0m was the sale price of the Council's share, £75,000 was to buy out the share held by Keolis, £200,000 was to repay the debenture, £2.6m was for estimated future pension liabilities, and the remaining amount was to pay miscellaneous costs and debts. The amount relating to pension liabilities was then paid over to the County Council's Pension Fund.

The previous book value of the investment was £1,527,000, so the accounts show a loss on sale of £527,000, which has been charged to the Income and Expenditure Account for 2008/09. However the investment had originally been established in the Council's accounts without any cash payment, by creating both the investment and a matching Earmarked Realisation Reserve. The notional loss has therefore been matched by a withdrawal from the reserve, which now stands at £1,097,000. This reserve will be maintained for the time being to finance any further deficit in the pension liability.

The Company's key financial results to 18 December are:

	£000
Turnover	(5,828)
Cost of sales	4,958
<b>Gross Profit</b>	<b>(870)</b>
Admin Expenses	1,206
<b>Operating Loss</b>	<b>336</b>
Interest payable	125
<b>Net loss for the period ended 18 December 2008</b>	<b>461</b>

The company maintains a defined contribution pension scheme, and the Council, through its shareholding, had a liability for this scheme in so far as future benefits may be greater than the company's share of the Pension Fund. The terms of the disposal of the Council's shareholding included a lump sum payment by Keolis towards this liability, but the Council retains a residual liability, and has created an Earmarked Reserve towards it.

The Council's group accounts include those of the company up to the point of the disposal of the Council's shareholding.

### Eastbourne Homes Limited

The responsibility for the management of Eastbourne's council housing stock was transferred to Eastbourne Homes Ltd, an arms length management company, on 1 April 2005. Eastbourne Homes Ltd is a company limited by guarantee without a share capital and is wholly owned by Eastbourne Borough Council. Its principal activities are to manage, maintain and improve the Council's housing stock.

The Company's key financial results are:

<b>2007/08</b>		<b>2008/09</b>
£000		£000
(6,881)	Turnover	(6,988)
6,537	Operating Costs	6,968
<b>(344)</b>	<b>Operating (surplus)/deficit</b>	<b>(20)</b>
(64)	Interest Receivable	(37)
(29)	Other Finance (Income)/Expenditure	56
<b>(437)</b>	<b>(Surplus)/deficit on ordinary activities before tax</b>	<b>(1)</b>
15	Tax on ordinary activities	10
<b>(422)</b>	<b>(Surplus)/deficit on ordinary activities after tax</b>	<b>9</b>



Throughout the year, the Council paid Eastbourne Homes Ltd a fee in accordance with the management agreement. In addition, Eastbourne Homes Ltd obtained services from the Council under various Service Level Agreements. At the end of the year the balances relating to these transactions are as follows:

Due to Eastbourne Homes Ltd	£13,000
Due from Eastbourne Homes Ltd	£564,000

The Council's group accounts include those of the company.

Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at 3rd Floor, 1 Grove Road, Eastbourne BN21 4TW.

## 21. DEBTORS

<b>31 March 2008</b>		<b>31 March 2009</b>
£000		£000
407	Non-Domestic Ratepayers	412
4,403	Council Taxpayers	3,989
543	Council House Tenants	657
4,418	Government Departments including HM Revenue & Customs	2,985
195	Payments in Advance	194
6,036	Sundry Debtors	5,792
<b>16,002</b>		<b>14,029</b>
	Less: Provision for impairment of Debts	
(2,024)	Collection Fund (including NNDR)	(1,338)
(396)	Council House Tenants	(419)
(1,800)	General (including Housing Benefit)	(2,006)
<b>(4,220)</b>		<b>(3,763)</b>
<b>11,782</b>		<b>10,266</b>

## 22. CASH AND BANK BALANCES

The table below shows the movement in the Council's liquid resources, represented by the cash in hand and at the bank, and agrees with the movement in the Cash Flow Statement.

	<b>Balance 1 April 2008</b>	<b>Balance 31 March 2009</b>	<b>Movement in year</b>
	£000	£000	£000
Cash at bank	325	460	135
<b>Total</b>	<b>325</b>	<b>460</b>	<b>135</b>

## 23. CREDITORS

<b>31 March 2008</b>		<b>31 March 2009</b>
£000		£000
(336)	Government Departments, including Tax & VAT	(899)
(204)	East Sussex County Council	(223)
(347)	Income Received in Advance	(2,673)
(4,293)	Capital Creditors	(5,102)
(6,664)	Sundry Creditors	(3,968)
-	Grants and Contributions Unapplied	(936)
<b>(11,844)</b>		<b>(13,801)</b>

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

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

<b>Movement 2007/08</b>		<b>Balance 1 April 2008</b>	<b>Balance 31 March 2009</b>	<b>Movement in the Year</b>
£000		£000	£000	£000
5,400	Short Term Investments	12,975	15,647	2,672
	Adjust for accrued interest	-	(147)	(147)
<b>5,400</b>	<b>Movements in Management of Liquid Resources</b>	<b>12,975</b>	<b>15,500</b>	<b>2,525</b>
	Long Term Borrowing:			
(7,520)	Public Works Loan Board	(31,220)	(43,250)	(12,030)
-	Loan Stock	(7,500)	(7,735)	(235)
(7,520)		(38,720)	(50,985)	(12,265)
	Adjust for accrued interest	-	291	291
<b>(7,520)</b>		<b>(38,720)</b>	<b>(50,694)</b>	<b>(11,974)</b>
33	Short Term Borrowing	(15)	(15)	-
<b>(7,487)</b>		<b>(38,735)</b>	<b>(50,709)</b>	<b>(11,974)</b>
	Add disposal of investment			(1,201)
	<b>Movements in Financing</b>			<b>(13,175)</b>

All loans and investments are included in the accounts at amortised cost, however the SORP 2008 requires the fair value of each class of financial asset to be disclosed as well. The fair value of the Council's holding as at 31 March 2009 is:

	<b>Amortised Cost</b>	<b>Fair Value</b>
	£000	£000
Cash	2,000	2,000
Fixed Term Deposits	13,647	13,702
<b>Total Assets</b>	<b>15,647</b>	<b>15,702</b>
	<b>Amortised Cost</b>	<b>Fair Value</b>
	£000	£000
Public Works Loan Board	43,250	49,512
Loan Stock	7,735	11,246
<b>Total Liabilities</b>	<b>50,985</b>	<b>60,758</b>

The fair value has been determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The Council monitors its cash flow and, where possible, lends out its surplus cash, which arises mainly from the maintenance of reserves. All investments have a maturity of less than one year. All of the Council's investments fall within the category of "loans and receivables", in that they have fixed or determinate payments and are not quoted in an active market.

The Authority bears a credit risk relating to its investment holdings and its income from these investments. This risk is minimised through the annual Treasury Management Policy and Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as set out in the ratings services of Fitch IBCA. The Policy and Strategy also imposes a maximum sum to be invested with a financial institution located within each category, and a maximum term for which investments can be made.

The Council complies with the ODPM's Guidance on Local Government Investments and CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes. Although return on investment is an important consideration, the main principle governing the

Council's investment criteria is the security and liquidity of its investments over what those investments will yield.

The Council will ensure that it maintains a policy for Specified Investments which details the criteria for choosing investment counterparties with adequate security, and the monitoring of their security. The Chief Finance Officer maintains a counterparty list in compliance with the criteria set out below. The criteria is revised and submitted to Council for approval as necessary.

The following is a list of authorised counterparties:

**UK Banks** – the Council will use banks which have at least the following Fitch (or equivalent) ratings:

- Short Term = F1
- Long Term = A
- Individual / Financial Strength = C/3 (Fitch/Moody's Support only)
- Support Rating = 3

**Foreign Banks** – the Council will use foreign banks whose country has a Sovereign Rating of AAA and the bank itself, the following minimum Fitch ratings:

- Short Term = F1+
- Long Term = AA-
- Individual = A/B
- Support = B/2

**Building Societies** – the Council will use these if they have the minimum ratings as detailed above for UK Banks.

Government Debt Management Agency Deposit Facility

Nationalised UK Banks (who meet the short term F1 rating and a support rating of at least A/1)

Money Market Funds Rated AAA

The Council has not specifically ruled out lending to foreign banks, but in practice some banks no longer meet the lending criteria. At 31 March 2009 there was only a single short term loan of £1m, maturing in September 2009, to an Irish bank, but this loan was repaid early in April 2009: all other loans are to British institutions.

There were no losses in either 2007/08 or 2008/09 due to either derecognition or impairment of its investments, and there was an overall gain of £202,000 arising from its investment activity during the year, compared to £62,000 in 2007/08.

Because of the deterioration of the economic climate during 2008/09, a number of the ratings for counterparties were reduced after loans had already been taken out. This meant that, at its peak, the council had £8m of investments in financial institutions that breached the limits as set out above. All repayments scheduled for 2008/09 were in fact received, and the figure had reduced to £2m at the end of the financial year; these deposits have subsequently been repaid. The council does not anticipate any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council's limit on variable and fixed interest rate exposures for borrowing is 25% and 100% respectively. This means that fixed interest rate exposures will be managed within a range of 75% and 100% and variable interest rate exposures will be managed within a range of 0% and 25%.

Upper limits for the maturity structure of the Council's borrowings is as follows:

Under 12 months	30%
12 months to 2 years	30%
2 years to 5 years	50%
5 years to 10 years	75%
10 years and above	95%

Customer payments, due to the Council within one year amount to £14.03m, are recorded at amortised cost which is the same as fair value. Creditors, due to be paid by the Council within one year amount to £11.57m, are recorded at amortised cost which is the same as fair value.

## 25. PROVISIONS

The provision for former council flat redecoration was established to provide funding for the painting of sold council flats.

The Housing Benefit provision was created to cover an expected repayment to the Department of Work and Pensions relating to overpayment of subsidy. This account was closed in 2008/09, and adjustments for this purpose are now made through the debtor account for the subsidy.

	<b>Balance 1 April</b>	<b>Additions</b>	<b>Reductions</b>	<b>Spent</b>	<b>Balance 31 March</b>
	£000	£000	£000	£000	£000
	Re-stated				
Painting of sold council houses	(184)	(18)	-	-	(202)
Housing Benefits	(372)	-	372	-	-
<b>Total</b>	<b>(556)</b>	<b>(18)</b>	<b>372</b>	<b>-</b>	<b>(202)</b>

## 26. GRANTS AND CONTRIBUTIONS TOWARDS CAPITAL INVESTMENT

The Council frequently receives grants and contributions towards capital investment some time before it is actually spent, particularly in the case of planning contributions. These are held in the "Long Term Liabilities" section of the Balance Sheet until they are used for financing capital schemes, at which point they are transferred to the Government Grants Deferred or Capital Contributions Deferred accounts. The table below shows the movement in unapplied grants and contributions.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Grants</b>	
(904)	Balance in hand, 1 April	(1,451)
(1,985)	Receivable during year	(473)
1,438	Applied to finance capital investment	568
<b>(1,451)</b>	<b>Balance in hand, 31 March</b>	<b>(1,356)</b>
	<b>Contributions</b>	
(1,388)	Balance in hand, 1 April	(3,174)
(3,678)	Receivable during year	(865)
1,892	Applied to finance capital investment	869
-	Transfer to short term creditors	936
<b>(3,174)</b>	<b>Balance in hand, 31 March</b>	<b>(2,234)</b>
<b>(4,625)</b>	<b>Total Grants and Contributions</b>	<b>(3,590)</b>

As noted above, grants and contributions used for financing capital are transferred to the Government Grants Deferred or Capital Contributions Deferred account. These accounts form part of the Capital Financing Requirement (note 14 above) and are not available for either revenue or capital spending. Individual grants and contributions are released annually to the Income and Expenditure Account, on the same basis as depreciation, but this credit to Income and Expenditure is reversed by a transfer from the Statement of Movement on the General Fund Balance to the Capital Adjustment Account. The table below shows the movement in grants and contributions deferred.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Grants</b>	
(18,673)	Balance in hand, 1 April	(16,950)
(1,438)	Applied to finance capital investment	(568)
3,161	Released to Income and Expenditure Account	588
-	Movement between Grants & Contributions	(1,502)
<b>(16,950)</b>	<b>Balance in hand, 31 March</b>	<b>(18,432)</b>
	<b>Contributions</b>	
	<b>Contributions</b>	
(8,823)	Balance in hand, 1 April	(9,214)
(1,892)	Applied to finance capital investment	(869)
1,501	Released to Income and Expenditure Account	98
-	Movement between Grants & Contributions	1,502
<b>(9,214)</b>	<b>Balance in hand, 31 March</b>	<b>(8,483)</b>
<b>(26,164)</b>	<b>Total Grants and Contributions Deferred</b>	<b>(26,915)</b>

## 27. CONTINGENT LIABILITIES AND ASSETS

### Towner capital scheme

Towner is a newly constructed art gallery and the leading centre for visual arts in the South East. The doors opened to the public on Saturday 4 April 2009. There is a possible claim, not yet quantifiable, for additional costs to the contractor arising from the construction of the new gallery.

### Eastbourne Buses Ltd

As explained in note 20 above, the Council retains a liability of any deficit that may arise in the future from the defined contribution pension liability of this company.

### Outstanding Civil Case

There is an outstanding civil case against the Council, which could result in potential costs of up to £110,000.

### Overpaid VAT

As explained in Note 2 above, the Council has been able to recover VAT incorrectly charged in the early 1990s, together with accumulated interest. There is still an outstanding possible claim for compound interest on these amounts.

## 28. ANALYSIS OF NET ASSETS

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

<b>2007/08</b>		<b>2008/09</b>
Restated		£000
£000		£000
59,009	General Fund	51,682
188,254	Housing Revenue Account	141,532
<b>247,263</b>	<b>Total</b>	<b>193,214</b>

## 29. SUMMARY OF MOVEMENTS IN NET WORTH

This note summarises the movements in each of the classes of reserves set out in the "Net Worth" section of the Balance Sheet. The "Gains and Losses" column equals the Statement of Recognised Gains and Losses.

	<b>Note</b>	<b>1 April</b>	<b>Gains/Losses</b>	<b>Transfers</b>	<b>31 March</b>
		£000	£000	£000	£000
Revaluation Reserve	30	9,039	(8,760)	(111)	168
Capital Adjustment Account	31	240,071	-	(36,180)	203,891
Financial Instruments Adjustment Account	32	(1,352)	-	301	(1,051)
Usable Capital Receipts	33	5,722	-	(1,760)	3,962
Pensions Reserve	12	(15,251)	(8,426)	407	(23,270)
Earmarked Reserves	34	7,627	-	(1,238)	6,389
Housing Revenue Account		1,280	-	(75)	1,205
Collection Fund (Re-stated)		(1,352)	555	-	(797)
General Fund		1,479	(37,418)	38,656	2,717
<b>Total</b>		<b>247,263</b>	<b>(54,049)</b>	<b>-</b>	<b>193,214</b>

## 30. REVALUATION RESERVE

The Revaluation Reserve was established at 1 April 2007, the net book values of fixed assets at that date being effectively defined as historic cost. Revaluation gains since that date are credited to this reserve, and reductions in asset values on individual assets are debited to the reserve to the extent that it does not take the value below depreciated historic cost. If a downward revaluation takes the value of an asset below depreciated historic cost it is treated as an impairment.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
-	Balance at 1 April	9,039
9,133	Revaluations during the year	(8,760)
(45)	Disposals of fixed assets	(111)
(49)	Adjustment for depreciation on revalued assets	-
<b>9,039</b>	<b>Balance at 31 March</b>	<b>168</b>

## 31. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account contains a number of items as shown in the table below. This account forms part of the Capital Financing Requirement (see Note 14 above), and is therefore not available for further investment by the Council.

<b>2007/08</b>		<b>2008/09</b>
£000		£000
243,028	Balance at 1 April	240,071
	Capital financing	
1,475	Revenue	927
3,028	Usable Capital Receipts	1,888
2,616	Major Repairs Reserve	2,617
4,662	Grants & contributions deferred written off	686
(1,722)	Adjust for Revenue Expenditure Financed from Capital under Statute	(215)
(12,006)	Reversal of Depreciation and Impairments	(42,048)
372	Minimum Revenue Provision	357
(1,431)	Disposal of fixed assets	(392)
49	Adjust depreciation on revalued assets	-
<b>240,071</b>	<b>Balance at 31 March</b>	<b>203,891</b>

### 32. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This account contains the difference between financial instruments measured at fair value and the balances required to comply with legislation. Premiums incurred before 2007/08 when restructuring debt, were previously treated as a long term asset, and charged to the Income and Expenditure Account in line with the length of the replacement loan. From 2007/08 a transfer is made from this account to the General Fund on the same basis.

<b>2007/08</b> £000		<b>2008/09</b> £000
-	Balance at 1 April	(1,352)
(2,006)	Premiums written out	-
654	Release to Housing Revenue Account	301
<b>(1,352)</b>	<b>Balance at 31 March</b>	<b>(1,051)</b>

### 33. USABLE CAPITAL RECEIPTS RESERVE

Proceeds from the sale of fixed assets are credited to the Income and Expenditure Account, but transferred to this reserve through the Statement of Movement on the General Fund Balance. A proportion of the receipts from the sale of council houses is payable to a national pool, and the remainder of the reserve is available for capital investment (it may not be used for revenue purposes).

<b>2007/08</b>				<b>2008/09</b>		
<b>General</b> £000	<b>HRA</b> £000	<b>Total</b> £000		<b>General</b> £000	<b>HRA</b> £000	<b>Total</b> £000
6,867	1,438	8,305	Balance at 1 April	3,950	1,772	5,722
110	1,264	1,374	Proceeds from sale of fixed assets	235	458	693
-	-	-	Transfer to Capital Contributions	(252)	-	(252)
-	(930)	(930)	Payable to national pool	-	(313)	(313)
(3,027)	-	(3,027)	Financing of capital investment	(1,888)	-	(1,888)
<b>3,950</b>	<b>1,772</b>	<b>5,722</b>	<b>Balance at 31 March</b>	<b>2,045</b>	<b>1,917</b>	<b>3,962</b>

### 34. EARMARKED RESERVES

Earmarked Reserves are set aside from the Statement of Movement on the General Fund Balance for estimated future liabilities.

	<b>Balance 1 April</b> £000	<b>Added</b> £000	<b>Withdrawn</b> £000	<b>Balance 31 March</b> £000
Eastbourne Buses Realisation Account	1,625	-	(528)	1,097
Cemeteries and Crematorium	227	-	(142)	85
General Reserve	2,323	978	(1,440)	1,861
Insurance	116	-	(38)	78
Section 106	1,301	-	(264)	1,037
Towner Art Gallery capital	25	-	-	25
HRA Capital	723	-	(723)	-
Benefits and Council Tax Review	1,216	-	(512)	704
Strategic Change Reserve	-	1,427	-	1,427
Riverbourne House Leaseholders	71	4	-	75
<b>Total</b>	<b>7,627</b>	<b>2,409</b>	<b>(3,647)</b>	<b>6,389</b>

Eastbourne Buses Realisation: this reserve was set aside for a possible shortfall on the disposal of the Council's shareholding in Eastbourne Buses Ltd, and has now been closed, following the disposal of the shareholding.

Cemeteries and Crematorium: the interest earned from this reserve is credited to revenue annually to assist with the upkeep of graves and memorial.

General Reserve: this reserve is used where the Council carries forward underspent departmental budgets to the new financial year.

Insurance: this reserve is held to cover any uninsured losses.

Section 106: this represents contributions from developers for expenditure on playgrounds and open spaces.

Housing Revenue Account capital: this reserve is for future work on the Council's housing stock.

Benefits and Council Tax Review: this reserve is for service improvements and contributions towards future adjustments to the Housing Benefit Subsidy Claim.

Riverbourne House leaseholders: this reserve is for future maintenance of Riverbourne House.

### 35. RECONCILIATION OF INCOME AND EXPENDITURE ACCOUNT TO CASH FLOW STATEMENT

2007/08			2008/09	
£000	£000		£000	£000
	4,693	Deficit / (Surplus) for the year		37,418
	(1,400)	Returns on Investment and Servicing of Finance		38
		Non-cash transactions		
(5,229)		Depreciation and write-down of Intangible Assets	(4,686)	
(6,777)		Impairment	(37,361)	
4,662		Revenue Expenditure financed from capital		
(100)		Grants Deferred and Contributions Deferred	686	
366		Gain / (loss) on sale of fixed assets	(63)	
		Pensions Reserve	407	(41,017)
	(7,078)			
	(850)	Gross surplus on Collection Fund for the year		(555)
		- Loss on disposal of share in Eastbourne Buses		(527)
		Changes in revenue accruals		
(253)		Increase / (decrease) in Provisions	355	
-		Increase / (decrease) in Long Term Investments	(50)	
(27)		Increase / (decrease) in Long term debtors	(4)	
2		Increase / (decrease) in Stocks	43	
(1,211)		Increase / (decrease) in Debtors	(2,126)	
-		Increase / (decrease) in Deferred Credits	-	
(1,766)		Increase / (decrease) in Creditors	(504)	
	(3,255)			(2,286)
	<b>(7,890)</b>	<b>Net cash (inflow)/outflow from revenue activities</b>		<b>(6,929)</b>

### 36. GOVERNMENT GRANT INCOME

The total of £1.33m shown as "General Government Grants" in the Income and Expenditure Account consists of £1.28 Revenue Support Grant and £74,000 Local Authority Business Growth Incentive Scheme.

The table below provides further details of the grant income as shown in the Cash Flow Statement:

2007/08			2008/09	
£000			£000	
(1,312)	Housing Revenue Account subsidy		(787)	
(1,086)	Housing Benefit Administration		(1,060)	
(33)	Concessionary Bus Fares		(563)	
-	Capital grants towards revenue expenditure		(1,794)	
(1,280)	Other grants		(1,355)	
<b>(3,711)</b>			<b>(5,559)</b>	
(1,456)	Revenue Support Grant		(1,257)	
(39,307)	DWP grants for benefits		(43,498)	
<b>(44,474)</b>			<b>(50,314)</b>	



## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records revenue income and expenditure relating to the Council's own housing stock. The account is "ring fenced" as there are statutory controls over the transfers which can be made between the HRA and the Council's General Fund. It shows the major elements of housing revenue expenditure - maintenance, administration and capital financing costs - and how these are met by rents, subsidy and other income.

The Authority has transferred responsibility for the management of its housing stock to Eastbourne Homes Ltd, an arms length management organisation. Eastbourne Borough Council paid Eastbourne Homes Ltd £6.6m out of rents, government subsidy and other income in the year. The fee was made up of £3.0m for supervision and management and £3.6m on repairs (£3.6m and £3.2m in 2007/08)

The Income and Expenditure Account, below, is compiled in line with accounting standards and therefore includes full charges for items such as depreciation and pension costs.

### **Housing Revenue Account - Income & Expenditure Account**

<b>2007/08</b>		<b>2008/09</b>
£000		£000
	<b>Income</b>	
(11,442)	Dwelling Rents	(11,575)
(350)	Non-Dwelling Rents	(359)
(584)	Charges for Services and Facilities	(744)
(652)	Contributions Towards Expenditure	(297)
(1,561)	Housing Revenue Account Subsidy Receivable	(592)
<b>(14,589)</b>	<b>Total Income</b>	<b>(13,567)</b>
	<b>Expenditure</b>	
7,745	Supervision and Management	7,797
68	Subsidy Limitation Transfer to the General Fund	167
98	Increased Provision for Doubtful Debts	119
2,947	Depreciation and Impairment of Fixed Assets	36,926
68	Debt Management Costs	71
<b>10,926</b>	<b>Total Expenditure</b>	<b>45,080</b>
<b>(3,663)</b>	<b>Net cost of HRA Services as included in the whole authority Income and Expenditure Account</b>	<b>31,513</b>
29	HRA services share of Corporate and Democratic Core	122
<b>(3,634)</b>	<b>Net Cost of HRA services</b>	<b>31,635</b>
(82)	Gain or loss on sale of HRA assets	(267)
2,192	Interest Payable and Similar Charges	2,563
2,006	Amortisation of Premiums	-
(128)	Interest and Investment Income	(86)
<b>354</b>	<b>(Surplus/Deficit) for the Year</b>	<b>33,845</b>

The figures above have to be modified to ensure that the correct charges are made to the Housing Revenue Account in accordance with legislation. The Statement of Movement below summarises the difference, and it is analysed in detail in the table below.

## **Statement of Movement on the Housing Revenue Account Balance**

Decrease in the Housing Revenue Account Balance comprising:

<b>2007/08</b>		<b>2008/09</b>
£000		£000
354	(Surplus) / Deficit on the HRA Income and Expenditure Account	33,845
(848)	Net additional amount required by statute and other proper practices to be debited or credited to the General Fund	(33,770)
(494)		75
(786)	Housing Revenue Account (surplus) brought forward	(1,280)
<b>(1,280)</b>	<b>Housing Revenue Account (surplus) carried forward</b>	<b>(1,205)</b>

<b>2007/08</b>		<b>2008/09</b>
£000		£000
<b>Amounts included in the HRA Income and Expenditure Account, but excluded from the Movement on the HRA Balance for the year</b>		
(7)	Depreciation and Impairment of Fixed Assets	(34,336)
(323)	Excess of depreciation charged to Housing Revenue Account over the Major Repairs Allowance element of Housing Subsidy	-
18	Release from Government Grants Deferred and Capital Contributions Deferred	27
82	Gain / (loss) on sale of fixed assets	267
(1,352)	Premiums and discount balance to Financial Instruments Adjustment A/c	301
30	Difference between pension costs and amounts legally chargeable to General Account	29
<b>(1,552)</b>		<b>(33,712)</b>
<b>Items not included in HRA Income and Expenditure account, but legally chargeable to the HRA</b>		
1,475	Capital expenditure charged to revenue account	700
<b>1,475</b>		<b>700</b>
<b>Items not included in HRA Income and Expenditure Account, but also charged to the HRA</b>		
(771)	Transfer to or from earmarked reserves	(758)
<b>(771)</b>		<b>(758)</b>
<b>(848)</b>	<b>Total</b>	<b>(33,770)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 HOUSING STOCK

The Council's housing stock consisted of:

<b>31 March 2008</b>		<b>31 March 2009</b>
	Houses and Bungalows	
17	- one bedroom	17
543	- two bedrooms	542
1,200	- three bedrooms	1,199
54	- four or more bedrooms	54
<b>1814</b>	<b>Total Houses and Bungalows</b>	<b>1,812</b>
	Flats	
1,029	- one bedroom	1,028
496	- two bedrooms	495
8	- three or more bedrooms	8
417	- bed-sits	416
<b>1,950</b>	<b>Total Flats</b>	<b>1,947</b>
<b>3,764</b>	<b>All Dwellings</b>	<b>3,759</b>

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2008) and has acquired the use of 10 actual properties (10 at 31 March 2008) under short-term property leases.

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

	<b>1 April 2008</b>	<b>31 March 2009</b>
	£000	£000
Operational Assets:		
Land	31120	28,129
Dwellings	181,112	155,813
Non Operational Assets	3,552	2,800
<b>Total</b>	<b>215,784</b>	<b>186,742</b>

The Council's stock of council dwellings was re-valued by the District Valuer as at 1 April 2006 which resulted in a market vacant possession value of the housing stock at 1 April 2006 of £435m and the value of garages as £3m. The valuation was carried out by inspection using beacon properties on which to base the valuation. A desktop revaluation was carried out as at 1 April 2008. The Government considers that the difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing council housing at less than open market rents. The vacant possession value as at 1 April 2008 was £427m.

### 2. MAJOR REPAIRS RESERVE (MRR)

This reserve was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance element of the Housing Subsidy calculation is used to finance capital investment, the balance being transferred to the Housing Revenue Account.

<b>2007/08</b> £000		<b>2008/09</b> £000
-	Balance as at 1 April	-
2,939	Transfer from Capital Adjustment Account	2,617
(323)	Transfer to the Housing Revenue Account	-
(2,616)	Financing of Capital Expenditure	(2,617)
-	<b>Balance as at 31 March</b>	-

### 3 CAPITAL EXPENDITURE, FINANCING AND CAPITAL RECEIPTS

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

<b>2007/08</b> £000		<b>2008/09</b> £000
<b>12,144</b>	<b>Total Capital Expenditure</b>	<b>16,273</b>
	Funding:	
7,520	Borrowing	11,974
2,616	Major Repairs Reserve	2,617
1,475	Revenue Contributions	700
533	Other Contributions	300
-	Internal Borrowing	682
<b>12,144</b>	<b>Total Funding</b>	<b>16,273</b>

Capital receipts from disposals is summarised as follows:

<b>2007/08</b> £000		<b>2008/09</b> £000
1,189	Right to Buy Sales of Houses and Flats	423
62	Repayment of Right to Buy Discount	13
13	Mortgage Repayments	4
-	Disposal of Shared Ownership Properties	18
<b>1,264</b>	<b>Total</b>	<b>458</b>

### 4 DEPRECIATION

The amounts charged for depreciation were as follows:

<b>2007/08</b> £000		<b>2008/09</b> £000
2,888	Dwellings	2,575
-	Other Land and Buildings	-
<b>2,888</b>	<b>Total Operational Assets</b>	<b>2,575</b>
<b>51</b>	<b>Non-Operational Assets</b>	<b>42</b>
<b>2,939</b>	<b>Total HRA Assets</b>	<b>2,617</b>

## 5 IMPAIRMENT

Impairments reflect a reduction in the carrying value of an asset, which cannot be met from existing balances in the Revaluation Reserve. They arise either from a consumption of economic benefits (such as physical damage) or from a general reduction in prices. The total of £34.3m impairment charged to the Housing Revenue Account for 2008/09 represents a reduction in dwelling values to 31 March 2009 in line with general falls in asset prices.

## 6. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable was made up as follows:

2007/08		2008/09
£000		£000
2,003	Management Allowance	2,153
4,136	Maintenance Allowance	4,203
2,616	Major Repairs Allowance	2,617
3,432	Capital Charges Allowances	3,339
152	Rental Constraint Allowance	-
46	Other Allowable Expenditure	66
257	Prior Year Adjustment	(220)
<b>12,642</b>	<b>Gross</b>	<b>12,158</b>
(11,075)	Less: Notional Rent Income	(11,561)
(6)	Interest on Receipts	(5)
<b>1,561</b>	<b>Total Subsidy Receivable</b>	<b>592</b>

## 7 CONTRIBUTION TO THE PENSION RESERVE

Note 12 to the main accounting statements sets out the accounting arrangements for the Local Government Pension Scheme, and explains that the Income and Expenditure Account is compiled on the basis of proper accounting practice, charges being made on the basis of current service cost. The statutory charge against Council Tax, however, is based upon contributions payable in the year, and there is therefore an adjustment in the Statement of Movement on the General Fund Balance to replace current service cost and other charges with the contributions for the year. These arrangements are reflected in the Housing Revenue Account, and an additional amount of £29,000 (£30,000 in 2007/08) has been charged to the Housing Revenue Account via the Statement of Movement on the HRA balance.

## 8 RENT ARREARS

Rent arrears at 31 March 2009 amounted to £657,000 compared with £543,000 at 31 March 2008. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2008/09 former tenant arrears of £96,000 were written off (£70,000 in 2007/08).

The Council has a provision for doubtful debts of £419,000 at 31 March 2009 (£396,000 at 31 March 2008).

## 9 STATUTORY CONTRIBUTION TO THE GENERAL FUND - RENT REBATES

A contribution of £167,000 was made in 2008/09 for the Rent Rebate Subsidy Limitation Scheme (£68,000 in 2007/08).

## COLLECTION FUND REVENUE ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Authority in relation to non-domestic rates, and the Council Tax, and shows how these have been distributed to preceptors and the General Fund. The Collection Fund is prepared and consolidated on the accrual basis.

<b>2007/08</b>			<b>2008/09</b>	
£000	£000		£000	£000
		<b>Income</b>		
	(45,542)	Income from Council Tax		(47,191)
		Transfers from General Fund		
	(7,818)	Council Tax Benefits		(8,266)
	-	Transitional Relief		
	(24,948)	Income collectable from Business Ratepayers		(26,696)
		Contributions towards previous year's Collection Fund Deficit		
(614)		East Sussex County Council	(977)	
(122)		Eastbourne Borough Council	(193)	
(71)		Sussex Police Authority	(113)	
(43)		East Sussex Fire Authority	(68)	
	(850)			(1,351)
	<b>(79,158)</b>	<b>Total Fund Income</b>		<b>(83,504)</b>
		<b>Expenditure</b>		
		Precepts and Demands		
38,417		East Sussex County Council	40,254	
7,474		Eastbourne Borough Council	7,820	
4,498		Sussex Police Authority	4,757	
2,702		East Sussex Fire Authority	2,848	
	53,091			55,679
		Business Rates		
24,819		Payment to National Pool	26,566	
129		Costs of Collection	130	
	24,948			26,696
		Bad and Doubtful Debts/Appeals		
666		Write-offs	577	
(396)		Provisions	(3)	
	270			574
	<b>78,309</b>	<b>Total Fund Expenditure</b>		<b>82,949</b>
	<b>(849)</b>	<b>Movement on Fund Balance</b>		<b>(555)</b>
		<b>COLLECTION FUND BALANCE</b>		
	2,201	Balance at 1 April		1,352
	(849)	(Surplus)/Deficit for the year		(555)
	<b>1,352</b>	<b>Balance as at 31 March</b>		<b>797</b>

## NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

### 1 TAX BASE

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

Band	Chargeable Dwellings	Estimated No. of Taxable Properties (After Discounts)	Ratio to Band	Band D Equivalent Dwellings
A Disabled Reduction	20	18	5/9	10
A	7,628	6,544	6/9	4,363
B	12,067	10,942	7/9	8,510
C	10,236	9,354	8/9	8,315
D	7,953	7,503	9/9	7,503
E	4,310	4,040	11/9	4,938
F	1,962	1,895	13/9	2,737
G	1,041	987	15/9	1,645
H	47	44	18/9	88
<b>Total</b>	<b>45,264</b>	<b>41,327</b>		<b>38,109</b>
Less average 3% reduction to allow for collection losses				(1,145)
<b>Council Tax Base</b>				<b>36,964</b>

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.

### 2. NON-DOMESTIC RATES

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 2008/09 this amounted to £9.03m for Eastbourne Borough Council (£8.68m in 2007/08).

The total non-domestic rateable value at 31 March 2009 was £65.2m (£65.1m in 2007/08) and the 2008/09 multiplier was 46.2p (44.1p in 2007/08). The product of this is £30.1m (28.7m in 2007/08). 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.

3. The format of the Collection Fund has been changed this year to comply with the SORP.

## GROUP ACCOUNTS

### Introduction

The Group Accounts that follow consolidate the accounts of Eastbourne Borough Council with those of the following two companies:

#### Eastbourne Buses Ltd

This 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 1 April 2008 the Council was the majority (80%) shareholder in the company. The other shareholder was the Keolis Group who acquired a 20% shareholding under an agreement made in June 2001. On 18 December 2008 the Council disposed of its 80% interest to Keolis. The Group Accounts therefore show the opening Balance Sheet totals and the company's income and expenditure and cash flows up to the point of the disposal, but the company is not included in the Balance Sheet as at 31 March 2009.

Following the disposal of its interest in this company, the Council has no remaining commitment for any losses, but it retains an obligation to meet a share of future pension liabilities, if a deficit arises. A reserve of £1.1m has been set aside in the Council's Balance Sheet to meet this contingent liability.

The Company's key financial results to 18 December were:

	£000
Turnover	(5,828)
Cost of sales	4,958
<b>Gross Profit</b>	<b>(870)</b>
Admin Expenses	1,206
<b>Operating Loss</b>	<b>336</b>
Interest payable	125
<b>Net loss for the period ended 18 December 2008</b>	<b>461</b>

#### Eastbourne Homes Ltd

This is an arms length company which has had responsibility for the management of Eastbourne's council housing stock since 2005. It is a company limited by guarantee without a share capital and is wholly owned by Eastbourne Borough Council. Its principal activities are to manage, maintain and improve the Council's housing stock. Throughout the year, the Council paid Eastbourne Homes Ltd a fee in accordance with the management agreement. In addition, Eastbourne Homes Ltd obtained services from the Council under various Service Level Agreements.

The Company's key financial results are:

2007/08		2008/09
£000		£000
(6,881)	Turnover	(6,988)
6,537	Operating Costs	7,031
<b>(344)</b>	<b>Operating (surplus)/deficit</b>	<b>43</b>
(64)	Interest Receivable	(37)
(29)	Other Finance (Income)/Expenditure	7
<b>(437)</b>	<b>(Surplus)/deficit on ordinary activities before tax</b>	<b>(1)</b>
15	Tax on ordinary activities	10
<b>(422)</b>	<b>(Surplus)/deficit on ordinary activities after tax</b>	<b>9</b>

Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at 3rd Floor, 1 Grove Road, Eastbourne BN21 4TW.



<b>GROUP INCOME &amp; EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2009</b>
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<b>2007/08</b>		<b>Gross</b>	<b>2008/09</b>	<b>Income</b>	<b>Net</b>
<b>Net Restated</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Continuing Operations</b>				
979	Central Services to the Public	2,279	(961)		1,318
5,154	Cultural & Related Services	15,599	(8,695)		6,904
4,453	Environmental Services	10,591	(4,778)		5,813
1,280	Planning and Development Services	3,855	(1,574)		2,281
1,479	Highways, Road and Transport Services	2,078	(956)		1,122
703	Housing Services	47,159	(45,683)		1,476
(4,006)	Council Housing	52,111	(20,555)		31,556
2,459	Corporate & Democratic Core	2,457	(154)		2,303
6,921	Non Distributed Costs	5,029	(2,639)		2,390
-	Exceptional Item	356	(1,915)		(1,559)
<b>19,422</b>	<b>Total Continuing Operations</b>	<b>141,514</b>	<b>(87,910)</b>		<b>53,604</b>
	<b>Discontinued Services</b>				
272	Highways, Road and Transport Services	6,165	(5,828)		337
<b>19,694</b>	<b>Net Cost of Services</b>	<b>147,679</b>	<b>(93,738)</b>		<b>53,941</b>
144	(Gains) / Losses on sale of fixed assets				63
236	Precepts/Levies of local precepting authorities				240
(297)	(Surplus) / deficit of trading operations				(260)
2,511	External Interest payable				3,215
930	Contribution of housing capital to receipts of Government Pool				313
(1,097)	Interest and Investment Income				(2,730)
(31)	Pensions Interest Cost and Expected Return on Pension Assets				1,084
-	Taxation				10
(67)	Minority Interest share of loss of subsidiary				-
<b>41,717</b>	<b>Net Operating Expenditure</b>				<b>55,876</b>
(7,352)	Demand on the Collection Fund				(7,626)
(1,456)	Revenue Support Grant				(1,331)
(8,678)	Non-Domestic Rates Distribution				(9,030)
<b>24,231</b>	<b>(Surplus) / Deficit for the year</b>				<b>37,889</b>

## RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP SURPLUS

2007/08 Restated £000		2008/09 £000
	(Surplus) / Deficit on Eastbourne Borough Council's Income & Expenditure Account	37,418
4,693	Less any distributions from group entities included in the single entity surplus/deficit on the Income and Expenditure Account	(11)
23	Add surplus or deficit arising from other entities included in the group accounts	482
(179)		482
<b>4,537</b>	<b>Group Account (Surplus) / Deficit for the year</b>	<b>37,889</b>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08 Restated £000		2008/09 £000
(850)	Annual surplus / (deficit) on Collection Fund	(555)
24,231	(Surplus) / Deficit on Income and Expenditure Account	37,889
2,006	Write out of premia not previously charged to Income and Expenditure Account	-
(9,283)	(Gain) / Loss on valuation of fixed assets	8,760
(4,414)	Actuarial (Gain) / loss on net pension fund liabilities	8,835
-	Other gains and losses relating to Eastbourne Buses Ltd	(1,927)
<b>11,690</b>		<b>53,002</b>

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

31 March 2008 Restated £000		31 March 2009 £000
	<b>Intangible Assets</b>	
122	Goodwill	
387	Other Intangible Assets	253
	<b>Tangible Fixed Assets</b>	
	Operational Assets	
215,784	- Council Dwellings	186,742
38,643	- Other Land & Buildings	37,106
2,270	- Vehicles, Plant & Equipment	1,278
25,083	- Infrastructure	24,865
1,567	- Community Assets	1,754
	Non-Operational Assets	
8,419	- Assets under Construction	9,296
27,410	- Investment Property	24,152
551	- Surplus Assets	84
<b>320,236</b>	<b>Total Fixed Assets</b>	<b>285,530</b>
50	Long Term Investments	-
54	Long Term Debtors	50
<b>320,340</b>	<b>Total Long Term Assets</b>	<b>285,580</b>
	<b>Current Assets</b>	
225	Stocks	101
16,092	Debtors	13,887
(4,220)	- less provision for doubtful debts	(3,763)
12,975	Investments	15,647
2,846	Cash	1,162
		27,034
<b>348,258</b>	<b>Total Assets</b>	<b>312,614</b>
	<b>Current Liabilities</b>	
(15)	Short term borrowing	(15)
(14,374)	Creditors	(13,599)
(240)	Bank Overdraft	-
		(13,614)
<b>333,629</b>	<b>Total Assets less Current Liabilities</b>	<b>299,000</b>
(39,420)	Long term borrowing	(50,985)
(656)	Provisions	(202)
(16,950)	Government Grants Deferred	(18,432)
(9,214)	Capital Contributions Deferred	(8,483)
(16,034)	Pensions liability	(23,584)
(46)	Deferred Credits	(42)
(4,625)	Grants and contributions unapplied	(3,590)
<b>246,684</b>	<b>Total Assets less liabilities</b>	<b>193,682</b>
9,159	Revaluation Reserve	168
5,722	Capital Receipts Reserve	3,962
(16,034)	Pensions Reserve	(23,584)
9,034	Fund balances and reserves	9,514
240,071	Capital Adjustment Account	203,891
(1,352)	Financial Instruments Adjustment Account	(1,051)
71	Profit & Loss and other reserves of group entities	782
<b>246,671</b>	<b>Group Balances and Reserves</b>	<b>193,682</b>
13	Minority Interest	-
<b>246,684</b>	<b>Total Net Worth</b>	<b>193,682</b>

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

2007/08			2008/09		
£000	Restated £000	£000	£000	£000	£000
		(7,779)	<b>Net cash inflow / outflow from revenue activities</b>		(4,363)
			<b>Returns on Investments and Servicing of Finance</b>		
			Cash outflows		
2,530			Interest paid	2,897	
-	2,530		Preference dividend paid to minority interest	-	2,897
			Cash inflows		
(1,054)			Interest received	(2,972)	
-	(1,054)		Dividends received from investments	-	(2,972)
		1,476			(75)
		(6,303)			(4,438)
			- <b>Taxation</b>		15
			<b>Capital Activities</b>		
			Cash outflows		
16,271			Purchase of fixed assets	18,516	
	16,271				18,516
			Cash inflows		
(1,538)			Sale of fixed assets	(2,627)	
(1,985)			Capital grants received	(412)	
(3,678)	(7,201)		Other capital income	(206)	(3,245)
		9,070			15,271
		2,767			10,848
			- <b>Equity Dividends Paid</b>		-
		2,767	<b>Net cash (inflow) / outflow before financing</b>		10,848
			<b>Management of Liquid Resources</b>		
		5,400	Net increase / (decrease) in short term deposits		2,525
		8,167			13,373
			<b>Financing</b>		
			Cash outflows		
-			Repayments of amounts borrowed	900	
33			Reduction in short term loans	-	
276			Capital element of finance lease	-	
-	309		Purchase / redemption of share capital	-	900
			Cash inflows		
(7,792)			New loans raised	(11,974)	
-			Disposal of investment	(855)	
-	(7,792)		Increase in short term loans	-	(12,829)
		(7,483)			(11,929)
		684	<b>Net (increase) / decrease in cash</b>		1,444

## NOTES TO THE GROUP ACCOUNTING STATEMENTS

### 1. BASIS FOR CONSOLIDATION

The accounts have been consolidated using acquisition accounting on a line by line basis. All transactions between the Council, Eastbourne Buses Ltd and Eastbourne Homes Ltd that might have a material effect on the group accounts have been identified and eliminated.

The operating expenditure and income of Eastbourne Buses Ltd has been included within Highways, Roads and Transport. The operating expenditure and income of Eastbourne Homes Ltd has been included within Council Housing.

### 2. TURNOVER

Turnover and operating surplus arise almost entirely from Eastbourne Homes Ltd's housing management activities in the Eastbourne Borough.

	<b>2008</b>	<b>2009</b>
	£000	£000
Management Fees	6,833	6,605
Other Income	48	383
<b>Total Income</b>	<b>6,881</b>	<b>6,988</b>

### 3. OPERATING EXPENSES

Operating expenses for Eastbourne Homes Ltd are as follows:

	<b>2008</b>	<b>2009</b>
	£000	£000
Housing Management Services	3,297	3,436
Property repairs	3,240	3,595
<b>Total operating costs</b>	<b>6,537</b>	<b>7,031</b>

Housing Management Services activities include, rents, arrears, housing benefit advice, performance management, finance, information and communications technology, management and administrative support, tenancy services, retirement services, tenant participation, and corporate governance including Board meetings.

Property Repairs includes all responsive, cyclical and planned expenditure on the housing stock. Capital expenditure, while managed by EHL, is paid for directly by Eastbourne Borough Council.

### 4. OFFICERS AND DIRECTORS REMUNERATION

No Directors received any remuneration from Eastbourne Homes Ltd during the period. Expenses paid in the period totalled £4,000 (2008: £8,000).

The total amount of emoluments, including pension, social security contributions, and car allowances, paid to or receivable by the Executive Officers of the Company during the period was £378,000 (2008: £350,000). Four Executive Officers including the Chief Executive, who served in the year, accrued benefits under the defined benefit pension scheme.

The emolument of the highest paid officer, the Chief Executive was:

	<b>2008</b>	<b>2009</b>
	£000	£000
Salary	82	85
Social Security	10	10
Pension	12	13
Car allowance	8	9
	112	117

## 5. RELATED PARTIES

### Transactions and balances of Eastbourne Homes Ltd with Eastbourne Borough Council

Eastbourne Homes Ltd. is a company limited by guarantee from Eastbourne Borough Council. EBC paid the Company a fee in accordance with an agreement to manage and maintain EBC's housing stock, including capital works.

The Company obtained services from EBC under various Service Level Agreements. These include financial ledger systems, human resources, payroll, information technology, communications, office accommodation and reception services.

	<b>2008</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Income</b>		
Housing Management contract	6,795	6,565
<b>Other contracts</b>	37	39
<b>Expenditure</b>		
Service Level Agreements	413	281
Accommodation costs	41	59
Contribution to Capital Works	300	300
<b>Recharges</b>		
Capital Works at cost	8,029	15,102
<b>Debtor</b>		
Amount due from Eastbourne Borough Council	4,301	5,766
<b>Creditor</b>		
Amount due to Eastbourne Borough Council	388	327

A third of the Board Directors of Eastbourne Homes Ltd are residents in properties maintained by Eastbourne Homes Ltd and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne.

## 6. RETIREMENT BENEFITS

### Participation in pension scheme

Eastbourne Homes Ltd participates in the Local Government Pension Scheme, a defined benefit pension scheme administered by East Sussex County Council. Details below are provided only where there is a material difference between the single entity accounts and the group accounts; further explanations are contained in the single entity accounts in note 12.

### Transactions relating to retirement benefits

The following transactions have been made in the Group Income and Expenditure Account and in the Statement of Movement on the General Fund Balance:

	2007/08	2008/09
	£000	£000
Income and Expenditure Account:		
Net cost of Services:		
Current Service Cost	1,748	1,200
Past Service Cost	99	2,055
Settlements and Curtailments	13	155
Net Operating Expenditure:	-	-
Interest Cost	4,881	5,464
Expected Return on Assets	(4,868)	(4,380)
<b>Net Charge to Income and Expenditure Account</b>	<b>1,873</b>	<b>4,494</b>
Statement of Movement on the General Fund Balance:		
Reversal of net charges made in Income and Expenditure account in accordance with FRS 17	(1,873)	(4,494)
Actual amount charges to General Fund Balance for pensions in the year:		
Employer's contributions	2,200	4,882
<b>Net charge to General Fund Balance</b>	<b>2,200</b>	<b>4,882</b>

### Assets and Liabilities in relation to retirement benefits

The table below shows separately the Group movements in scheme assets and liabilities. The 2007/08 comparative figures exclude Eastbourne Buses Ltd, as the detailed analysis is not available. The net liability at the end of the year was £895,000, which, together with the £15,139,000 set out below, makes up the opening balance for 2008/09 of £16,034,000.

	2007/08			2008/09		
	Liabilities	Assets	Net	Liabilities	Assets	Net
	£000	£000	£000	£000	£000	£000
<b>Asset / Liability at 1 April</b>	<b>(91,018)</b>	<b>71,152</b>	<b>(19,866)</b>	<b>(83,228)</b>	<b>67,194</b>	<b>(16,034)</b>
Current Service Cost	(1,748)	-	(1,748)	(1,200)	-	(1,200)
Past Service Cost	(99)	-	(99)	(589)	-	(589)
Settlements and Curtailments	(13)	-	(13)	(155)	-	(155)
Interest Cost	(4,881)	-	(4,881)	(5,464)	-	(5,464)
Expected Return on Assets	-	4,868	4,868	-	4,380	4,380
Actuarial gains and losses	11,623	(7,225)	4,398	6,859	(15,694)	(8,835)
Employer contributions	-	2,202	2,202	-	4,884	4,884
Contributions by scheme participants	(878)	878	-	(591)	591	-
Benefits paid	7,903	(7,903)	-	3,833	(3,833)	-
Adjustment for Eastbourne Buses	-	-	-	(2,627)	2,056	(571)
<b>Asset / Liability at 31 March</b>	<b>(79,111)</b>	<b>63,972</b>	<b>(15,139)</b>	<b>(83,162)</b>	<b>59,578</b>	<b>(23,584)</b>

### Scheme History

	2005/06	2006/07	2007/08	2008/09
	£000	£000	£000	£000
Present value of liabilities	(94,118)	(92,268)	(83,228)	(83,162)
Fair value of assets	69,116	67,638	67,194	59,578
<b>Surplus / (Deficit) in the scheme</b>	<b>(25,002)</b>	<b>(24,630)</b>	<b>(16,034)</b>	<b>(23,584)</b>

## 7. OPERATIONAL ASSETS

Details about the fixed assets held by Eastbourne Borough Council can be found within note 15 to the accounting statements (page 30). The following notes apply to the assets held by Eastbourne Homes Ltd.

Operational assets include tangible fixed assets held by Eastbourne Homes Ltd as follows:

### Operational Assets

	<b>Vehicles, Plant &amp; Equipment</b>
	£000
<b>Cost or Valuation</b>	
Balance at 1 April 2008	89
Additions	14
Disposals	-
Impairments	-
Reclassifications	-
Revaluations	-
<b>Balance at 31 March 2009</b>	<b>103</b>
<b>Depreciation</b>	
Balance at 1 April 2008	(70)
Charge for the year	(13)
Disposals	-
Reclassifications	-
Revaluations	-
<b>Balance at 31 March 2009</b>	<b>(83)</b>
Net Balance Sheet at 1 April 08	19
Net Balance Sheet at 31 March 09	20

## 8. DEBTORS

Debtors relating to Eastbourne Homes Ltd are as follows:

<b>31 March 2008</b>		<b>31 March 2009</b>
£000		£000
902	Amount due from Eastbourne Borough Council	526
3,399	Capital recharges due from Eastbourne Borough Council	5,240
85	Other Debtors	185
<b>4,386</b>		<b>5,951</b>

## 9. GROUP CASH AND BANK BALANCES

	<b>Balance 1 April 2008</b>	<b>Balance 31 March 2009</b>	<b>Movement in year</b>
	£000	£000	£000
Cash at bank	2,606	1,162	1,444
Cash overdrawn	-	-	-
<b>Total</b>	<b>2,606</b>	<b>1,162</b>	<b>1,444</b>



## 10. CREDITORS

Creditors relating to Eastbourne Homes Ltd are as follows:

31 March 2008		31 March 2009	
£000		£000	
388	Amount due to Eastbourne Borough Council	327	
205	Other taxation and social security	113	
15	Corporation Tax	10	
5,544	Other Creditors	5,441	
<b>6,152</b>		<b>5,891</b>	

## 11. RECONCILIATION OF GROUP INCOME AND EXPENDITURE ACCOUNT TO GROUP CASH FLOW STATEMENT

2007/08		2008/09	
£000	£000	£000	£000
4,693	Deficit / (Surplus) for the year		37,889
(1,400)	Returns on Investment and Servicing of Finance		72
	Non-cash transactions		
(5,229)	Depreciation	(5,030)	
(6,777)	Impairment	(37,361)	
4,662	Grants Deferred and Contributions Deferred	686	
(100)	Gain / (loss) on sale of fixed assets	(63)	
<u>366</u>	Pensions Reserve	<u>383</u>	(41,385)
(7,078)			
(850)	Gross surplus on Collection Fund for the year		(555)
	Changes in revenue accruals		
(253)	Increase / (decrease) in Provisions	455	
-	Increase / (decrease) in Long Term Investments	(577)	
(27)	Increase / (decrease) in Long term debtors	(4)	
2	Increase / (decrease) in Stocks	(123)	
(1,211)	Increase / (decrease) in Debtors	(954)	
-	Increase / (decrease) in Deferred Credits	-	
<u>(1,766)</u>	Increase / (decrease) in Creditors	<u>819</u>	
(3,255)			(384)
<u>(7,890)</u>	<b>Net cash (inflow)/outflow from revenue activities</b>		<u>(4,363)</u>