BALANCE SHEET

1 April 2012 Restated	31 March 2013 Restated		Notes	31 March 2014	
£000	£000			£000	£000
224,188	215,774	Property, Plant & Equipment	21	215,881	
12,209	13,044	Heritage Assets	22	13,114	
1,626	1,626	Investment Property	23	1,626	
866	1,902	Intangible Assets	24	3,098	
0	0	Long Term Investments	13.5	1,150	
303	421	Long Term Debtors	29	2,261	
239,192	**232,767**	**Long Term Assets**			**237,130**
2,373	606	Assets Held for Sale	25	606	
2,000	100	Short Term Investments	26	100	
143	179	Inventories	28	211	
7,266	7,537	Short Term Debtors	29	10,385	
2,112	7,157	Cash and Cash Equivalents		1,125	
13,894	**15,579**	**Current Assets**			**12,427**
(8,273)	(4,799)	Short Term Borrowing	26	(5,466)	
(9,389)	(8,293)	Short Term Creditors	30	(8,696)	
(101)	(193)	Short Term Provisions	31	(654)	
(96)	(161)	Revenue Grants Receipts in Advance	17	(121)	
(17,859)	**(13,446)**	**Current Liabilities**			**(14,937)**
(2,757)	(2,321)	Long Term Creditors	30	(1,904)	
(26,212)	(34,691)	Long Term Borrowing	26	(36,028)	
(24,721)	(28,845)	Other Long Term Liabilities	34	(36,349)	
(53,690)	**(65,857)**	**Long Term Liabilities**			**(74,281)**
181,537	**169,043**	**NET ASSETS**			**160,339**
(18,865)	(20,665)	Usable Reserves			(22,747)
(162,672)	(148,378)	Unusable Reserves	33		(137,592)
(181,537)	**(169,043)**	**TOTAL RESERVES**			**(160,339)**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The Council’s net assets (assets less liabilities) are matched by the reserves that it holds. Reserves are reported in two categories: usable and unusable. Usable reserves are those that the Council may use to provide services, subject to the need to keep a prudent level of reserves and to any statutory limits on their use, such as the Capital Receipts Reserve only being used to fund capital expenditure or to repay debt. Unusable reserves are those that the Council is not able to use to provide services. This category includes reserves to hold unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available to provide services if the asset was sold, and reserves that hold timing differences shown in the section in the Movement in Reserves Statement labelled “Adjustments between accounting basis and funding basis under regulation.”

Alan Osborne
Chief Finance Officer

CASH FLOW STATEMENT

2012/13 £000		2013/14 £000	2013/14 £000
(8,316)	Taxation	(10,161)	
(67,905)	Government grants	(57,204)	
(4,848)	Housing rents	(5,179)	
(8,436)	Goods sold and services rendered	(11,094)	
(155)	Interest received	(73)	
(9,614)	Other receipts	(9,864)	
(99,274)	**Cash inflows from operating activities**		**(93,575)**
10,637	Employees	10,619	
41,667	Housing Benefit paid	42,020	
213	Capital Receipts Pool	242	
28,075	Payments for goods and services	29,297	
2,007	Interest paid	2,043	
13,712	Other operating costs	4,551	
96,311	**Cash outflows from operating activities**		**88,772**
(2,963)	**Net Cash Flows from operating activities**		**(4,803)**
11,842	Purchase property, plant & equipment, Investment property and intangible assets	12,252	
2,100	Purchase of short and long term investments	16,000	
164	Other investing activities	1,850	
(3,842)	Sales of property, plant & equipment, Investment property and intangible assets	(1,949)	
(4,000)	Sale of short and long term investments	(16,000)	
(4,284)	Other investing receipts	(991)	
1,980	**Net cash outflows from investing activities**		**11,162**
(19,500)	Cash receipts of borrowing	(8,250)	
14,500	Repayments of borrowing	6,272	
938	Other financing activities	1,651	
(4,062)	**Net cash inflows from financing activities**		**(327)**
(5,045)	**Net (increase) / decrease in cash and cash equivalents**		**6,032**

The balances of cash and cash equivalents are shown below:

2012/13				2013/14		
1.4.12	**31.3.13**	**Movement**		**1.4.13**	**31.3.14**	**Movement**
£000	£000	£000		£000	£000	£000
391	433	42	Bank Current Accounts	433	248	(185)
19	24	5	Cash held by the Authority	24	27	3
1,702	6,700	4,998	Short-term deposits with building Societies	6,700	850	(5,850)
2,112	**7,157**	**5,045**	**Total Cash and Cash Equivalents**	**7,157**	**1,125**	**(6,032)**

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

NOTES TO THE ACCOUNTING STATEMENTS

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

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to Pensions. There have been several significant changes to the international accounting standard IAS19 Employee benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet, however the main changes are as follows:

- **Expected Return on Assets** – Advance credit for anticipated out-performance of return on assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate, as opposed to using a figure calculated using expected return on assets assumptions.
- **Asset disclosure** – IAS19 requires a much more detailed breakdown of the pension fund assets. See Note 34.6.
- **Disclosure presentation** – in order to be consistent with the new requirements of IAS19 the disclosures relating to the Council's defined benefit pension scheme have changed from those published in 2012/13, which is intended to make it easier for the user to understand. See Note 34.

2. ACCOUNTING POLICIES

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the end of 31 March 2014, the close of the financial year. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, which is based on International Financial Reporting Standards and the Service Reporting Code of Practice 2013/14. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible non-current assets and financial instruments. They are also prepared on a going concern basis.

2.2 Accruals of Expenditure and Income

We account for activity in the year that it takes place, not simply when cash payments are made or received. In particular:

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

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

The Council collects income from Council Tax and Business Rates payers but only part relates to this Council, the balance being collected on behalf of central government and other major precepting authorities. The amounts of debtors, adjustments for doubtful debts, income in advance and prepayments relating to the precepting authorities are shown as a single net creditor in the balance sheet. The element of the Collection Fund due to or from preceptors is split between payments due to be made in the following financial year, which are held as Short Term Creditors or Short Term Debtors, and any other amounts, due in succeeding financial years, which are shown as Long Term Creditors or Long Term Debtors.

2.3 Cash and Cash Equivalents

The Council treats as "cash and cash equivalents" all money held as cash or in bank accounts (whether in surplus or overdrawn), including cash deposited in interest-bearing call accounts, repayable without penalty. Investments made for a period of less than one month are also accounted for in this category, rather than as investments.

2.4 Comprehensive Income & Expenditure

IAS1 requires transactions that include amounts that are re-classifiable in the Surplus or Deficit on the Provision of Services, the items listed in Other Comprehensive Income and Expenditure must be grouped into those items that:

a) Will not be classified subsequently to the Surplus or Deficit on the Provision of Services, and

b) Will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met.

The Council does not have any such transactions and have not therefore grouped the items in Other Comprehensive Income and Expenditure.

2.5 Contingent Assets

A contingent asset is a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. Typically a contingent asset is related to a legal action by the Council, whose outcome is uncertain when the balance sheet is compiled.

Contingent assets are not recognised in the balance sheet, but their existence is recorded in a note to the accounting statements.

2.6 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

2.7 Employee Benefits

Benefits Payable during Employment

Accounting standards require that accruals for expenditure are made for short-term compensated absences, covering entitlement for annual leave, flexi-time and time in lieu. Short-term employee benefits are those due to be settled within 12 months of the year-end. Where considered material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made using an estimated average salary rate. The accrual is charged to Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits include lump sum payments to departing employees, enhancements to retirement benefits, and salaries paid to the end of a notice period, when the employee ceases to provide services to the Council. We accrue for such payments at the point when a decision is made to terminate employment, rather than when the benefits fall due for payment.

Post-Employment Benefits

The majority of employees of the Council are members of the Local Government Pension Scheme, administered by East Sussex County Council for local authorities within East Sussex. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. We therefore account for this scheme as a defined benefit plan.

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the indicative rate of return on the iboxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 4.8%.
- We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into the following components:
    - current service cost – the increase in liabilities as a result of years of service earned this year;
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid;
    - contributions by scheme participants, which reduce plan liabilities, but correspondingly increase plan assets;
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions;
    - benefits paid which reduce plan assets but correspondingly reduce its liabilities;
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years;
    - curtailments, which are normally linked to an event giving rise to a post employment benefit;
    - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return;
    - contributions paid to the East Sussex County Council Pension Fund – the employer's contributions to the pension fund for the financial year.

Statutory provisions require the Council to charge the General Fund Balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and the amounts payable to the fund but unpaid at the year-end.

<u>Discretionary Benefits</u>

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

2.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

2.9 Exceptional Items and Prior-Period Adjustments

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Where the Code specifies a change of accounting policy, it is applied retrospectively to the previous financial year, so that the comparative figures for the opening and closing balance sheets for that year will be changed, along with the other accounting statements and the notes to the accounting statements.

Similar adjustments are made for any changes to accounting policies not directly specified by the code, and to correct material errors in prior periods.

2.10 Financial Instruments

Financial Assets

The term "financial asset" covers cash, equity instruments, and beneficial contractual rights to receive or exchange cash or liabilities. All of the Council's investments come within the category of "loans and receivables". These are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council's balance sheet includes five groups of financial assets:

- Trade debtors are recorded as invoices issued to individuals or other entities, for which immediate payment is required. The balance ("Trade accounts receivable") is included in the balance sheet under "short term debtors".
- Long term debtors represent obligation extending beyond one year.
- Cash held in current or call accounts, together with investments for periods of less than one month, is included in the balance sheet under "cash and cash equivalents".
- Investments taken out for periods of between one month and one year are included in the balance sheet as "short term investments".
- Investments taken out for periods of longer than one year are included in the balance sheet as "long term investments".

Trade debtors are regularly assessed for possible non-payment, and an adjustment is made for possible impairment to the gross balance. Trade debtors do not include Council Tax, Business Rates and other debts receivable under statute.

Loans and receivables are initially measured at fair value, and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council's short-term investments this means that the amount presented in the Balance Sheet is the outstanding principal and interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan instrument. The position is the same for long term investments, except that outstanding interest receivable within the next year is included under "short-term investments".

Financial Liabilities

The term "financial liability" covers contractual obligations to deliver or exchange financial assets to another entity. The Council's balance sheet includes four groups of financial liabilities:

- Amounts payable to suppliers are included in creditors;
- Short-term creditors, comprising interest accrued at the balance sheet date on long term loans or credit sale agreements, but payable within the next financial year, and any principal repayments on these liabilities payable within the next financial year;
- Long term borrowing from various providers of finance;
- Long term liabilities arising from credit sales agreements.

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

All of the Council's financial liabilities come under the grouping of "financial liabilities and amortised cost", as they have fixed or determinable payments and are not quoted in an active market.

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has there is a single rate of interest payable throughout the life of the loan, meaning that the effective rate of the interest is the same as the original repayable rate. This means that the amount presented in the Balance Sheet under "long term borrowing" is the outstanding principal repayable. As the accrued interest at the year end is payable within one year of the balance sheet date, it is included under "short term borrowing". Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

2.11 Government Grants and Other Contributions

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

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

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

2.12 Property Plant and Equipment

Property plant and equipment consists of assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. They exclude assets which are held purely for investment purposes (Investment properties) and assets which the Council is actively seeking to sell (Assets available for sale).

Categories

- Council Dwellings – council houses owned by the Council.
- Land and buildings – properties owned by the Council, other than those in another category shown below, or Investment Properties.
- Vehicles, plant and equipment – individual items or groupings of items which are purchased from capital resources.
- Infrastructure – bus shelters and sea defences.
- Community assets – properties such as parks, which are used for the community as a whole, with no determinable market value in their present use, and which are not likely to be sold.
- Surplus assets – individual properties which the Council has determined to be surplus to operational requirements, but which are not actively being marketed.
- Assets under construction – capital expenditure on an asset before it is brought into use.

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement as it is incurred. Assets valued at less than £10,000 are not included on the balance sheet, provided that the total excluded has no material impact.

Measurement

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

- Council dwellings – fair value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – fair value, usually based on the market value for the existing use (EUV). Some specialised properties, where the valuer cannot identify a market for the asset, are instead valued on the basis of depreciated replacement cost (DRC).
- Vehicles, plant and equipment – fair value, for which historic cost is normally used as a proxy.
- Infrastructure – depreciated at historic cost
- Community Assets – depreciated at historic cost
- Surplus assets - fair value, based on the market value for the existing use (EUV).
- Assets under construction – historic cost

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

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

Impairment

The values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

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

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the Comprehensive Income and Expenditure Statement is debited or credited with the net loss or gain on disposal. This net sum consists of two elements: the net book value written out of the balance sheet, and the sale proceeds. Although these amounts appear in the Comprehensive Income and Expenditure Statement, neither of them can be legally debited or credited to the General Fund or to the Housing Revenue Account. Further adjustments are therefore made through the Movement in Reserves statement to reverse the effect on the General Fund and the Housing Revenue Account:

- Net book value written out – a transfer to credit the General Fund or the Housing Revenue Account and to debit the Capital Adjustment Account.
- Sale proceeds - a transfer is made to debit the General Fund and credit the Capital Receipts Reserve. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government, and a transfer is made from the Capital Receipts Reserve to the General Fund to allow for this. The remainder of the proceeds remain in the Capital Receipts Reserve, and can legally only be used to reduce debt or to finance capital expenditure.

Any balance relating to the asset held in the Revaluation Reserve is also transferred to the Capital Adjustment Account.

Disposals for less than £10,000 are treated as revenue income within the Cost of Services in the Comprehensive Income and Expenditure Statement.

In some cases the receipt of income from asset disposals is delayed until a future financial year. In such cases a credit is made to the Deferred Capital Receipts Reserve, matched by a long-term or short term debtor. The income from these disposals cannot be used for debt reduction or capital investment until it is actually received.

Depreciation

Depreciation is provided for on all assets with a determinable finite life by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- Land – not subject to depreciation
- Council dwellings – initially calculated as a straight-line allocation over the life of the property as estimated by the valuer. However until 31 March 2018, if the Major Repairs Allowance (MRA) as calculated by the Housing Self Finance Settlement, is lower, then this is used as a reasonable proxy for depreciation.
- Buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment depreciated over the life of the type of asset, normally between 3 and 25 years.
- Infrastructure –straight-line depreciation over periods of time between 10 and 40 years, as assessed at the time of the capital investment.
- Community assets – not subject to depreciation.
- Surplus assets - straight-line allocation over the life of the property as estimated by the valuer.
- Assets under construction – not subject to depreciation.

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

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

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

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Council Dwellings are componentised by reference to the 30 year business plan which identifies the key components to be replaced at regular intervals over the life of the asset, costs all capital works and their projected timing. The major components are identified and depreciated over their useful economic life and any residual is treated as an extended life asset which is depreciated over 60 years.

2.13 Heritage Assets

The Council maintains an art collection and a local history collection which are held in support of the Council's objective to increase the knowledge, understanding and appreciation of the arts and the history of the local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment, except for the frequency of revaluations. Some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Council's Heritage Assets are accounted for as follows:

Art Collection

The art collection includes paintings and sketches and is reported in the Balance Sheet at insurance value, which was based on the external valuation carried out in 2012/13. The art collection will be revalued every 10 years, with an annual impairment review. The art collection is deemed to have indeterminate life and a high residual value, hence we do not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donations. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information.

Local History Collection

The Local History Museum, which comprises of the Eastbourne Archaeological Collection, The Eastbourne Local History Collection, The Eastbourne Photographic and Postcard Collection and The Eastbourne Local History and Archaeology Library and Research Resource is recognised on the balance sheet at insurance value as cost is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. The collection has been acquired mainly by donation over 100 years ago with some additional items being donated and purchased over the years.

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 2.11. We will occasionally dispose of Heritage Assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 2.11).

2.14 Investment Property

Investment properties are those assets that are held solely to earn rentals or for capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support Council policy objectives fall under the category of property, plant and equipment (see Note 2.12) and not investment property. Investment property is held at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.15 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, normally comprising computer software. Internal costs incurred in developing such software are capitalised if they meet criteria to establish that these costs are an essential element of preparing the asset for use.

The initial value of intangible assets is amortised to the Comprehensive Income and Expenditure Statement over the estimated period of their useful life. This is normally taken as a period of 3-10 years, but an annual review is undertaken and the life is amended where necessary. The value of intangible assets is also reviewed on an annual basis, and an additional adjustment is made for impairment where necessary.

The calculated amounts for amortisation and impairment are charged to the Cost of Services in the Comprehensive Income and Expenditure Statement, but they are not legal charges against the General Fund. A transfer is therefore made from the Capital Adjustment Account to the General Fund to reverse the impact.

2.16 Leases

<u>Definition of a Lease</u>

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a number of payments, the right to use an asset (property, plant and equipment, investment properties, non-current assets available for sale or intangible assets) for an agreed period of time. A finance lease is a lease that transfers substantially all of the risk and rewards incidental to ownership to the lessee. Any lease that does not come within this definition of a finance lease is accounted for as an operating lease.

The Council may also enter into an agreement which, while not itself a lease, nevertheless contains a right to use an asset in the same way as a lease. Such agreements are treated as either finance leases or operating leases as set out below.

The Council reviews all of its leases to determine how they stand against various criteria which distinguish between finance and operating leases. In undertaking this review, however, the Council operates a de minimis level, so that all leases with a term of less than 10 years, or for assets valued at less than £10,000 are treated within the accounts as an operating lease.

<u>Finance Leases – Council Acting as Lessee</u>

Where the Council uses or occupies an asset held under a finance lease, the asset is recognised as such in the appropriate line in the balance sheet, subject to the de minimis limit noted in 2.12 above. The value recognised is the fair value, or (if lower) the present value of the minimum lease payments. This value is offset on the balance sheet by a creditor or long term liability for the leasing charge.

Lease payments are apportioned between interest payable as the finance charge and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Operating Leases – Council Acting as a Lessee

Lease payments for operating leases are recognised as an expense on a straight-line basis over the lease term, even if this does not match the pattern of payments. (e.g. if there is a rent free period at the commencement of the lease.)

Finance Leases – Council Acting as Lessor

Where the Council acts as lessor for an asset held under a finance lease, a receivable (long term debtor or short term debtor) is recognised as at an amount equal to the net investment in the lease. The lease payment receivable is apportioned between the repayment of principal and interest, the interest being calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases – Council acting as a lessor

Income from operating leases is recognised on a straight-line basis over the lease term, even if this does not match the pattern of payments. (E.g. if there is a premium paid at the commencement of the lease.)

2.17 Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

2.18 Provisions

The Council recognises provisions to represent liabilities of uncertain timings or amounts. Provisions in the balance sheet represent cases where:

- The Council has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

2.19 Reserves

The Council maintains two groups of reserves, usable and unusable.

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement, but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support capital expenditure.
- Capital Grants and Contributions Unapplied Reserve: similarly the Council receives grants and contributions towards capital expenditure, and, if there are no conditions preventing their use, these are also credited to the Comprehensive Income and Expenditure Statement and immediately transferred into the Capital Grants and Contributions Unapplied Reserve until required to finance capital investment.

- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund or the Housing Revenue Account, and amounts are withdrawn as required to finance such expenditure. There are no legal restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- Housing Revenue Account: this is required to be maintained separately by legislation, to ensure that the provision of council housing is financed primarily from rental income or from subsidy, and not from Council Tax.
- Major Repairs Reserve: this was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance can be used to finance capital investment.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

Unusable Reserves consist of those which cannot be used to finance capital or revenue expenditure:

- Collection Fund Adjustment Account: the net amount of the Council's share of Council Tax collectable for the year is credited to the Comprehensive Income and Expenditure Statement, but only the amount previously estimated and formally notified can be added to the General Fund. The difference between the two amounts is credited or debited to the Collection Fund adjustment account, and cannot be used until the following financial year.
- Revaluation Reserve: this consists of accumulated gains on individual items of Property, Plant and Equipment. Any subsequent losses on valuation can be set against previous gains on the same asset.
- Capital Adjustment Account: this receives credits when capital is financed from revenue resources or other usable reserves, and receives debits to offset depreciation and other charges relating to capital which are not chargeable against the General Fund.
- Pensions Reserve: this is a statutory reserve to offset the Pension Liability assessed on an accounting and actuarial basis, and to ensure that variations in this liability do not affect the General Fund.
- Financial Instruments Adjustment Account: this represents the difference between the accounting and legislative charges for finance costs.
- Deferred Capital Receipts Reserve: this holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

2.20 Revenue Expenditure Financed From Capital Under Statute

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

2.21 Value Added Tax

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

2.22 Inventories and Long Term Contracts

Where the value is significant to an operation, inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

2.23 Interests in Companies and Other Entities

The Council has a material interest in one company, Eastbourne Homes Ltd, a wholly owned subsidiary of the Council, and is therefore required to prepare Group Accounts. This company is limited by guarantee and therefore no value is recognised for the investment in the Council's own single entity accounts.

2.24 Foreign Currency Transactions

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

3. ACCOUNTING POLICIES ISSUED BUT NOT YET ADOPTED

The Code of Practice for 2014/15 adopts the following changes to accounting standards which will be required from 1 April 2014.

A number of new revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvement in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts.
- **IFRS 11 Joint Arrangements** –This standard addresses the accounting for a joint arrangement, which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structure entities'.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12.

IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

IAS 1 Presentation of the Financial Statements –This clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have material impact on the Statement of Accounts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.
- The Chief Finance Officer and Financial Services Manager conduct an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts

8. PRIOR PERIOD ADJUSTMENTS

There has been an adjustment relating to the valuation of non current assets. The tables below show the effect of these adjustments for the selected lines.

	As Reported	Adjustment	Restated
	£000	£000	£000
Comprehensive Income and Expenditure and Income Account 2012/13			
Adjustments:			
Losses on sale and de-recognition of non-current assets	2,664	7,144	9,808
Deficit on the provision of services	3,306	7,144	10,450
Movement in Reserves Statement 2012/13			
Adjustments:			
Adjustments between accounts basis and funding basis	5,106	7,144	12,250

	Property, Plant and Equipment	Investment Properties	Unusable Reserves
	£000	£000	£000
Balance Sheet 31 March 12 as reported	230,974	6,562	(174,394)
Adjustments:			
Capital Expenditure de-recognised as not adding any enhanced value to the assets	(4,002)		4,002
Write out of property incorrectly included in valuation but not owned by the Council		(4,936)	4,936
Correction of 2011 valuations prepared on incorrect basis	(2,784)		2,784
Restated Balance Sheet 1 April 12	**224,188**	**1,626**	**(162,672)**
Balance Sheet 31 March 2013 as reported	229,703	6,562	(167,243)
Adjustments:			
Capital Expenditure de-recognised as not adding any enhanced value to the assets	(11,146)		11,146
Write out of property incorrectly included in valuation but not owned by the Council		(4,936)	4,936
Correction of 2011 valuations prepared on incorrect basis	(2,783)		2,783
Restated Balance Sheet 1 April 13	**215,774**	**1,626**	**(148,378)**

9. AGENCY ARRANGEMENTS

The Council collects Council Tax and Business Rates on behalf of all the major precepting authorities: Central Government, East Sussex County Council, The Police and Crime Commissioner for Sussex, East Sussex Fire and Rescue Service and Eastbourne Borough Council. The element of the collection function carried out for the other authorities is treated as an agency arrangement. The amounts collected and paid over for both of these functions are shown in the Collection Fund Statement.

10. AUDIT FEES

The Council incurred the following fees relating to statutory external audit and inspection, together with other payments to the auditors:

2012/13 £000		2013/14 £000
82	Fees payable with regard to external audit services carried out by the appointed auditor	89
35	Fees payable to the appointed auditor for the certification of grant claims and returns	24
2	Fee payable in respect of other services* provided by the appointed auditor	2
-	Audit Commission Rebate	(12)
2	Fee payable in respect of other services* paid to Audit Commission	-
121		**103**

* Other services relate to the BDO Tax Advisory Services and the Audit Commission National Fraud Initiative fee

11. MEMBERS' ALLOWANCES

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

2012/13		2013/14
£000		£000
125	Members' Allowances	130
3	Conference and Travelling Expenses	3
128		**133**

12. OFFICERS' REMUNERATION

Senior Management Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive	2013/14	107,125	3,850	24,853	**135,828**
	2012/13	105,077	3,850	23,263	**132,190**
Deputy Chief Executive	2013/14	94,019	3,400	21,535	**118,954**
	2012/13	86,840	3,400	19,465	**109,705**
Chief Finance Officer	2013/14	83,362	250	19,340	**102,952**
	2012/13	73,913	250	16,926	**91,089**
Senior Head of Community	2013/14	66,155	2,832	15,348	**84,335**
	2012/13	65,500	2,832	15,000	**83,332**
Senior Head of Tourism and Leisure	2013/14	66,155	2,832	15,348	**84,335**
	2012/13	65,500	2,832	15,000	**83,332**
Senior Head of Environment and Development	2013/14	68,074	-	15,793	**83,867**
	2012/13	67,400	-	15,435	**82,835**

It should be noted that the figures for the Chief Executive and Deputy Chief Executive include fees payable for the role of Returning Officer and Deputy Returning Officer for electoral purposes. The amounts fluctuate between years, depending on what elections fall due during the financial year. The amounts paid in 2013/14 were £6,301 and £1,194 respectively (£4,211 and £1,840 in 2012/13).

The Deputy Chief Executive provided services for both this Council and East Sussex County Council. He was formally employed by this Council and the County Council was recharged 40% of his salary and other remuneration. This arrangement continued until 31st May 2013. From the 16th September 2013 he started to provide a service to Lewes District Council and 50% of his salary and on costs are recharged.

With effect from 1st September 2013 the Chief Finance Officer provides services for both this Council and Eastbourne Homes Ltd. He is formally employed by this Council and Eastbourne Homes Ltd are recharged an agreed fixed sum per annum.

Remuneration Bands

The Council's other employees (excluding those in the Senior Management table above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2012/13 Number of Employees	2013/14 Number of Employees
£50,000 - £54,999	3	5
£55,000 - £59,999	3 (1)	1
£60,000 - £64,999	-	2
£65,000 - £69,999	1 (1)	1 (1)
£70,000 - £74,999	1 (1)	1 (1)
Total	**8 (3)**	**10 (2)**

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

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0 -£20,000	22	11	4	-	26	11	170,831	74,785
£20,001 - £80,000	3	3	-	-	3	3	88,731	103,745
Total cost included in bandings	**25**	**14**	**4**	**-**	**29**	**14**	**259,562**	**178,530**
Add: Amounts provided for in CIES not included in bandings	-	-	-	-	-	-	153,107	45,325
Total	**25**	**14**	**4**	**-**	**29**	**14**	**412,669**	**223,855**

The Comprehensive Income and Expenditure Statement includes a sum of £45,325 which has been agreed and is payable to 2 officers, where the decision has been taken to make the posts redundant but who have not yet left the authority. (£153,107 for 10 officers in 2012/13). These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

13. RELATED PARTIES

13.1 Definition

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

13.2 Central Government

Central Government provides much of the Council's funding and determines its statutory framework. Details of transactions with Central Government are shown in the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, and notes 17 (grants and contributions), 29 (debtors) and 30 (creditors).

13.3 East Sussex Pension Scheme

The Council participates in the East Sussex Pension Scheme, making annual contributions to the East Sussex Pension Fund as set out in Note 34. One Member is on the Pension Fund Investment Panel.

13.4 Eastbourne Homes Limited

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

The Council pays Eastbourne Homes Ltd a fee in accordance with the management agreement. In 2013/14 this fee was £6.815m, covering supervision and management and repairs. This compares with £6.945m paid in 2012/13. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £2,536,000 (£1,726,000 at 31 March 2013), while Eastbourne Homes Ltd owed the Council £50,000 (£37,000 at 31 March 2013).

The company's accounts are consolidated into the Group Accounts. Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at Ivy House, Ivy Terrace, Eastbourne, BN21 4QU.

The Chief Finance Officer for the Council also acts as Director of Corporate Services at Eastbourne Homes Ltd.

13.5 Welbeing previously known as Wealden and Eastbourne Lifeline (WEL)

The Council is an investor in Welbeing Ltd, a company limited by shares (2012/13 by guarantee). The Council has a minority voting interest following the purchase of 49% of voting shares on 19 December 2013 at par value of £238,000. The Council also loaned the company £912,000 (at an initial coupon rate of 8% increasing by 0.5% annually until 1 January 18). This instrument in shares and loans totals £1,150,000.

13.6 Eastbourne Leisure Trust

The Eastbourne Leisure Trust was set up to oversee the management and operation of the Sovereign Centre and Motcombe Pool, on which it holds a 15-year lease starting in 2004. The Trust is set up as an Independent Provident Society, without any local authority members. Members of staff at these centres are jointly employed by the Trust and the contractor, Serco. During the year Eastbourne Leisure Trust paid the Council £83,000 (2012-13 £101,000).

13.7 Members and senior officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 11. Seven members are also members of East Sussex County Council. Grants totalling £76,000 (£104,000 in 2012/13) were paid to voluntary organisations in which 4 Members (4 Members in 2012/13) had positions on the governing body.

	2012/13 £000	**2013/14 £000**
3VA Voluntary Action Eastbourne	31	31
Age Concern Eastbourne	11	-
Eastbourne & Wealden YMCA	52	40
Hampden Park Community Association	10	5
Total	**104**	**76**

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of Members interests are recorded in the Register of Members' Interests, open to public inspection at the Town Hall during office hours and also on the Council's website http://democracy.eastbourne.gov.uk/mgMemberIndex.aspx?bcr=1

During 2013/14 works and services to the value of £45,000 (£41,000 in 2012/13) were commissioned from Jordan's Productions, a company in which one officer had an interest.

Details of payments to Members and officers are shown in notes 11 and 12.

13.8 CloudConnX

The Council is a minority (25% B class) shareholder in CloudConnX. The shares had only nominal value at the balance sheet date. In addition as at 31 March 2014 the Council has provided a commercial loan of £357,000 (£357,000 in 2012/13). Interest is charged on the loan at 1.5% above base rate for the loan period 2013-18. The Council's Chief Executive has been appointed a Director of the company.

14. LEASING

14.1 Operating leases – Council acting as lessor

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

2012/13 Minimum Lease Income		**2013/14 Minimum Lease Income**
£000		£000
917	Within one year	951
3,117	Between two and five years	3,077
40,518	Later than five years	39,795
44,552	**Total**	**43,823**

NOTES TO THE COLLECTION FUND

1 ACCOUNTING CHANGES

Council Tax Benefits - From 1st April 2013, Local Council Tax Support Schemes replaced Council Tax Benefit. This has meant that income from Council Taxpayers is no longer shown as a gross figure in the Collection Fund but is now shown net of benefits awarded and the benefits awarded are reflected in the Council Tax Base. This changed has reduced the Council Tax base number of Band D properties by more than 4,500 from that for 2012/13.

Non-Domestic Rates (NDR) – In 2013/14, the administration of National NDR changed following the introduction of a business rates retention scheme. Instead of paying National NDR to the central pool, local authorities now retain a proportion of the total collectable rates due. The scheme allows Eastbourne Council to retain 40% of the total National NDR income received, with the remainder is shared with Central Government (50%), East Sussex County Council (9%) and East Sussex Fire Authority (1%). The accounting entries within the Collection Fund have changed to reflect the new accounting requirements, payments to each authority are set at the beginning of each the financial year and then any surplus or deficit at year end apportioned to the relevant precepting authorities, as per their respective proportions, in the next financial year.

2 INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers:

		£000
Gross amount of Council Tax		70,001
Less	Local Council Tax Support Scheme	(9,442)
	Discounts	(6,991)
	Exemptions	(1,696)
	Disabled Relief	(94)
Council Tax Income		**51,778**

Council Tax Base

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

Band	Chargeable Dwellings	Est Taxable Properties	Ratio to Band D	Band D Equiv	Yield £000
A Dis Red	(12)	(13)	5/9	(7)	(11)
A	7,721	4,185	6/9	2,790	4,472
B	12,531	8,667	7/9	6,741	10,804
C	10,352	8,073	8/9	7,176	11,501
D	8,416	7,190	9/9	7,190	11,524
E	4,440	4,000	11/9	4,889	7,836
F	1,986	1,837	13/9	2,653	4,252
G	1,080	993	15/9	1,655	2,653
H	116	112	18/9	224	359
	46,630	**35,044**		**33,311**	**53,390**
Less average 2.25% reduction to allow for collection losses etc.				(834)	(1,337)
Council Tax Base				**32,477**	**52,053**

The estimated and actual tax base figures can vary due to the various effects of banding appeals, new properties, demolished properties and entitlements to discounts.

Comparison of Actual versus Theoretical gross Yields:

Tax base (as above)	A	32,476.6
Band D Council Tax 2013/14 (Budget report)	B	£1,602.77
Theoretical gross yield	A x B	£52,052,520
Actual gross yield (as above)	C	£51,778,149
Theoretical gross yield - actual gross yield	(A x B) – C	£274,371