

CONTENTS

	Page
Foreword by the Director of Financial Services.....	2
Independent Auditors Report.....	8
Statement of Accounting Policies.....	9
Statement of Responsibilities for the Statement of Accounts.....	15
Statement on Internal Control.....	16
The Accounting Statements	
Consolidated Revenue Account.....	21
Housing Revenue Account.....	27
Consolidated Balance Sheet.....	33
Statement of Total Movements in Reserves.....	50
Cash Flow Statement.....	54
Collection Fund.....	58
Group Accounts.....	61

INTRODUCTION

The Statement of Accounts details the Council's financial activities for the year 1st April 2005 to 31st March 2006 and comprises:

- **Independent Auditors Report**
- **A statement of accounting policies** - This statement describes the underlying accounting principals and concepts used in producing the figures in the accounts.
- **A Statement of Responsibilities** - This statement defines the roles and responsibilities for preparing the accounts.
- **A Statement on Internal Control** - This statement sets out the framework within which the Council's control systems are managed and reviewed.
- **The accounting statements:**
 - **Consolidated Revenue Account** - This account shows the operating income and expenditure for the Council's main services. It shows how the net cost of these services has been financed from government grants and income from local taxpayers.
 - **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.
 - **Consolidated Balance Sheet** - This statement sets out the overall financial position of the Council as at 31st March 2006. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
 - **Statement of Total Movements in Reserves** - This statement brings together all the recognised gains and losses of the Council during the financial year. The statement separates the movements between revenue and capital reserves.
 - **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.
 - **Collection Fund** - This account reflects the statutory requirement to maintain a separate record of transactions in relation to non-domestic rates and the 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 any material interests that the Council has in subsidiary and associated companies.
- **Notes to the accounts** - The notes to the accounts add to and interpret the content of the individual accounting statements. They provide more explanation and analysis where matters of financial significance cannot adequately be shown in the statements themselves.

SUMMARY OF THE 2005-2006 FINANCIAL YEAR

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

General Fund

For 2005-06 actual net General Fund expenditure amounted to £15.8m which was fully funded by Government Grants and the precept on the Collection Fund. The surplus of £103,000 has increased the Council's General Fund working balance.

Services	Budget £'000	Actual £'000	Difference £'000
Central Services to the Public	1,103	1,544	441
Cultural & Related Services	6,714	7,382	668
Environmental Services	7,169	7,840	671
Planning & Development Services	1,080	505	(575)
Highways, Roads & Transport Services	528	502	(26)
Housing Services	894	2,340	1,446
Council Housing	3,969	3,794	(175)
Corporate & Democratic Core	1,672	1,893	221
Non Distributed Costs	267	654	387
Net Cost of Services	23,396	26,454	3,058
Corporate Operating Expenditure	(8,203)	(6,649)	1,554
Appropriations	710	(4,005)	(4,715)
Total Net Expenditure	15,903	15,800	(103)
Funded by:			
Council Tax Precept	6,916	6,916	0
Revenue Support Grant	6,347	6,347	0
Contribution from non-domestic rate pool	2,640	2,640	0
(Surplus) / Deficit for the year	15,903	15,903	(103)

The actual figures within Net Cost of Services include Council Housing. This is separately accounted for within the Housing Revenue Account (page 27) but included within the Consolidated Revenue Account (page 21) from which the above figures are taken.

The General Fund working balance stands at £1,336,000 at 31st March 2006. This sum is held as uncommitted and as a contingency against unforeseen occurrences.

N.B. The accounting disclosures required by the introduction of FRS17 accounting for pensions have been included within the actual figures for 2005-2006. This will account for some of the difference when compared with 2005-2006 budget figures that were not prepared on this basis.

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 1st April 2005.

At 31st March 2006 it provided 3,800 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 2005-2006 the Housing Revenue Account (HRA) budgeted for income and expenditure of £13,623m. In the event actual income rose to £13,863m, principally due to a prior year adjustment of £211,000 in HRA subsidy receivable. Actual expenditure rose to £13,645m.

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

	£'000
Opening balance at 1 st April 2005	(1,780)
Surplus in 2005-2006	(218)
Closing balance at 31 st March 2006	(1,998)

Collection Fund

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

The Council budgeted for a nil balance on the Fund at 31st March 2006 but ended the year with a deficit of £456,000. The cumulative deficit of £812,000 at 31st March 2006 will be taken into account when estimating the balance at 31st March 2007. Any estimated surplus or deficit will be shared with East Sussex County Council, Sussex Police and the Fire Service in the setting of Council Tax for 2007-2008.

Capital Spending

The Council's capital spending in the year was £8.804m compared with an original budget of £11.843m that was revised to £13.112m to reflect third party contributions. Resources totalling £9.4m were actually received in 2005-06 so after financing this allows a balance to be carried forward to support 2006-07 plans.

The main items of capital expenditure are set out below:

	£'000
Housing Capital Expenditure	
• stock improvement	3,723
• private sector housing grants	590
• grants to housing associations	959
• cash incentive scheme	25
• other housing schemes	78
Non-Housing Capital Expenditure	
• Theatres and the cultural centre	1,925
• Eastbourne Park deep water lake	26

• Tourism Sports and Leisure facilities	118
• Office accommodation strategy	528
• IT systems including Implementing Electronic Government	577
• Other non-housing schemes	237
• Heritage Economic regeneration scheme	18

Total Capital Expenditure	8,804
----------------------------------	--------------

Capital expenditure has been financed as follows:

	£'000
• major repairs reserve	2,467
• government borrowing permissions (supported capital expenditure)	1,470
• capital contributions from partners and developers	1,824
• capital receipts	2,347
• government grants	562
• consolidated revenue account	9
• capital reserves	125

Total Capital Financing	8,804
--------------------------------	--------------

UNUSUAL CHARGES & MATERIAL CHANGES TO ASSETS/LIABILITIES ARISING DURING THE YEAR

There have been no unusual charges or material changes to assets or liabilities arising during 2005-06.

CHANGES IN POLICY

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). The 2005 SORP introduced a number of minor changes that have been reflected in the accounts.

CHANGES IN FUNCTIONS

In addition to the Council setting up Eastbourne Homes Ltd, an arms length management organisation on 1st April 2005 – see Housing above, the joint venture company, Wealden and Eastbourne Lifeline, was created from 1 October 2005 to deliver 'lifeline' services previously provided by Eastbourne and Wealden Councils.

LOANS AND INVESTMENTS

The Council's external loan debt at 31st March 2006, comprising long-term borrowing and short-term borrowing stood at £31.315m. This is a net increase of £1.434m over the previous year, principally as a result of increased long-term borrowing to finance capital investment.

Short-term investments were nil at 31st March 2006 compared with £4m the previous year. The £4m was utilised in the management of the Council's cash flow during 2005-06. The main reasons for this requirement were the effect on cashflow of significant increases in debtors mainly as a result of an overpayment of NNDR by the Council of approximately £2.5m. This was due to an overestimate of NNDR collection level for 2005-06. This will be recouped in 2006-07. Other increases in debtors included Council tax (£328,000) and sundry debtors (£646,000).

PENSIONS

The Council's share of the East Sussex Pension Scheme, as assessed by the actuary's valuation, shows a net liability of £24.7m. Further information is disclosed within the notes to the Consolidated Revenue Account and Consolidated Balance Sheet.

RESERVES

The Council's total usable reserves at 31st March 2006 amounted to £11.687m, an increase of £1.071m over the previous year. These are analysed within the Consolidated Balance Sheet (page 33) as usable capital receipts reserve £1.590m, capital grants and contributions unapplied £2.582m, earmarked reserves £4.993m and balances £2.522m. Usable capital receipts reserve is available solely to finance future capital spending.

Revenue balances includes £1.336m held by the General Fund for cash flow purposes and as a contingency against unforeseen circumstances. It also includes a £812,000 deficit held in the Collection Fund that will be taken into account in setting Council Tax for 2007-2008, and a surplus of £1.998m held by the Housing Revenue Account. This is in excess of the recommended HRA balance of £500,000 needed to finance cashflow and unforeseen circumstances. The balance will be available to support the Council's new Arms Length Management Organisation (Eastbourne Homes Ltd) in its delivery of an investment programme to meet Decent Homes Standards.

PLANNED FUTURE DEVELOPMENT

Capital

Within the Council's capital strategy, the main scheme is the construction of a new Cultural Centre which is due for completion during the summer of 2007.

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 2005-2006 has been formally completed.

Signed Councillor Chris Williams
Chair, Annual Accounts Committee

Date

FURTHER INFORMATION

Summary financial information is published annually in the Council's Eastbourne Review. This is distributed with the local free newspaper, the Eastbourne Advertiser. This summary information will also be published on the Council's website (eastbourne.gov.uk). Further information on any of the financial statements published either here, or in the Eastbourne Review, may be obtained from the Assistant Director - Financial Management, 68 Grove Road, Eastbourne, BN21 4UH.

INDEPENDENT AUDITOR'S REPORT TO EASTBOURNE BOROUGH COUNCIL

Audit Report to follow

STATEMENT OF ACCOUNTING POLICIES

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

1. GENERAL PRINCIPLES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with guidance notes issued by CIPFA on the application of the SORP.

2. RESERVES AND PROVISIONS

The Council is able to set aside resources to cover future payments through the use of reserves and/or provisions.

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

Separate reserves are held for:

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

Details of these are given in Notes 15 and 16 to the Consolidated Balance Sheet, on page 47.

The Council also maintains certain provisions whereby sums are set aside to meet specific liabilities. Details can be found in Note 8 to the Consolidated Balance Sheet on page 43.

3. FIXED ASSETS

Recognition

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

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

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

Local authorities are required to distinguish between "intangible" and "tangible" fixed assets. Intangible fixed assets are defined in FRS 10, Goodwill and Intangible Assets, as "non financial fixed assets that do not have a physical substance but are identifiable and are controlled by the entity through custody or legal rights". This could include software licences or patents. Tangible fixed assets are further distinguished between "operational" and "non-operational" fixed assets which determine the method of valuation.

Measurement

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

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

Operational assets

- Council dwellings are valued at either existing use value or existing use value for social housing.
- Other land and buildings are valued at the lower of net current replacement cost or net realisable value in existing use.
- Vehicles, plant, furniture and equipment are valued at the lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets are valued at cost.
- Community assets are valued at cost.

Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets held for disposal

The SORP requires non-operational assets to be valued at the lower of net current replacement cost or net realisable value for alternative use for which there is an existing planning consent.

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

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

Impairment

Impairment is caused either by a consumption of economic benefits or by a general fall in prices. The SORP requires authorities to undertake a review of the balance sheet value of each category of assets at the end of each reporting period. In accordance with Financial Reporting Standard 11 (FRS 11), should an asset be economically impaired then this would have to be reflected in the accounts with a charge to the Consolidated Revenue Account representing the change in value.

Disposals

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

Where the Government requires, a proportion of the receipt is reserved for payment to the national pool of capital receipts.

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

Depreciation

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

Depreciation is being provided on the following basis:

- depreciation is calculated using the straight-line method, so as to write off the cost or valuation of the relevant assets in equal annual instalments over their useful lives.
- newly acquired assets are depreciated from the mid-point of the year. Assets in the course of construction are not depreciated until they are brought into use
- depreciation is calculated over the following periods:
 - Council Dwellings 60 years
 - Other Land and Buildings 35 years
 - Vehicles, Plant, and Equipment 3-10 years
 - Community Assets 5-20 years
 - Infrastructure assets 10-40 years
- amortisation of intangible assets is made over a period not exceeding 21 years.

Council Dwellings are depreciated following the introduction of Resource Accounting for the Housing Revenue Account from 1st April 2001. Up to 2004-2005 the Major Repairs Allowance was used as proxy to calculate housing stock depreciation. From 2005-2006 depreciation has been calculated using the value of housing stock as at 1st April less disposals of properties during the year.

Charges to revenue

Service revenue accounts and central support services are charged with a capital charge for all fixed assets used in the provision of services.

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

The notional rates of interest used for 2005-2006, which have been prescribed by CIPFA, are 3.5% for assets carried at current value and 4.95% for assets carried at historical cost. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

No capital charges are made for assets under construction.

The capital charges for the Housing Revenue Account (HRA) are the charges for capital financing required by statute.

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

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

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

4. CAPITAL RECEIPTS

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

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

Capital receipts set aside for payment to the national pool are paid over to the ODPM quarterly in arrears.

The set aside for the government's pooling of housing capital receipts is 75% from the sale of council houses, 50% for housing land.

5. DEFERRED CHARGES

Deferred charges represent expenditure which can be treated as capital for financing purposes, but which does not lead to the creation of a tangible fixed asset, for example improvement grants. Deferred charges arising in the year are written off in full to services within the Consolidate Revenue Account and then reversed through the Capital Financing Account.

6. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or

contribution is credited initially to either the Government Grants Deferred Account or to the Capital Contributions Deferred Account.

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

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

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

7. LEASES

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

No values are held in the Balance Sheet for these leases.

8. DEBTORS AND CREDITORS AT THE YEAR END

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

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

Provision has been made for doubtful debts.

9. STOCKS

Stocks are included in the balance sheet according to SSAP 9, at the lower of cost or net realisable value.

10. SUPPORT SERVICE COSTS

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

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

11. PENSIONS

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

More detailed information is contained within Note 9 to the Consolidated Revenue Account on page 25 and Note 20 to the Consolidated Balance Sheet on page 48.

12. RELATED COMPANIES

The Council holds an investment in Eastbourne Buses Limited. Under the new modified group accounting requirements introduced in the 2004 SORP, the accounts of Eastbourne Buses have been consolidated using acquisition accounting. Any deviation from the accounting policies stated here are included in the notes to the group accounts (page 61). In accordance with 2005 SORP it has been determined that both Eastbourne Homes Ltd (ALMO) and Wealden and Eastbourne Lifeline are not required to be included in the Council's group accounts.

13. OTHER INVESTMENTS

Investments are shown in the Consolidated Balance Sheet at cost.

14. DEFERRED PREMIUMS

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

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

15. VALUE ADDED TAX

All expenditure and income is shown net of VAT except where the Council is not able to recover VAT.

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 Assistant Director – Financial Management
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

The Assistant Director – Financial Management's (Statutory Section 151 Officer) Responsibilities

The Assistant Director – Financial Management is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Assistant Director – Financial Management

- 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 Assistant Director – Financial Management 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 31st March 2006 and its income and expenditure for the year ended 31st March 2006.

Lesley Lane
Assistant Director – Financial Management
Statutory Section 151 Officer

Signature

Date

1. Scope of Responsibility

Eastbourne Borough Council (EBC) 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. EBC has a statutory 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, EBC is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It 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 EBC'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 system of internal control has been in place at EBC for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with best practice.

3. The Internal Control Environment

EBC's system of internal control is set out in a Code of Corporate Governance agreed by the Council in April 2004 and updated in December 2005. The code complies with Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The code is split into the five dimensions of the Council's business:

- Community Focus – how the Council works for and with the local community, exercises leadership and undertakes an “ambassadorial” role to promote the well being of the area.
- Service Delivery Arrangements – what the Council does to ensure that continuous improvement is sought, agreed policies are implemented and decisions carried out.
- Structure and Processes – the Council's political and managerial structures and processes established to govern decision-making and the exercise of authority within the organisation.
- Risk Management and Internal Control – the Council's process for establishing and maintaining a systematic strategy, framework and processes for managing risk.
- Standards of Conduct – recognition that the openness, integrity and accountability of individuals within the Council form the cornerstone of effective corporate governance. The reputation of the Council depends on the standards of behaviour of everyone in it, whether Members, Employees or Agents contracted to it.

The key elements of EBC's system of internal control in each of these 5 areas are as follows:

1. Community Focus

- The Eastbourne Community Strategy was initially developed during 2003. This was subsequently revised and relaunched by the Eastbourne Strategic Partnership, which includes stakeholders from public, private and voluntary sectors, to cover the period 2005-2020. It was subject to wide public consultation and was simplified in response to feedback.
- EBC's Performance Plan sets out its contribution to delivery of the Community Strategy. This includes achievements over the past year, plans for the coming year and key performance targets.
- The Performance Plan also sets out the Council's Priorities for Improvement. These reflect public feedback from a number of consultation exercises over recent years.
- A communication strategy sets out arrangements for ensuring this information is disseminated to all sections of the community. This includes development of the Council website and distribution of the Eastbourne Review newsletter to all households.
- The Council Values include a commitment to maintaining high standards of conduct and accountability. The Constitution sets out decision-making processes and a Forward Plan of Key Decisions provides early notification of future Cabinet and Council agenda items. A publication scheme informs the public of where information can be accessed. The Council has provided staff resources and training to ensure it can meet its obligations under the Freedom of Information Act.
- The Council's reporting processes are subject to review by the Audit Commission as part of the annual audit and inspection process and periodic Comprehensive Performance Assessment (CPA).

2. Service Delivery Arrangements

- The Performance Plan sets out standards and targets in relation to delivery of the Community strategy themes, Priorities for Improvement and Council Values.
- Divisional Service and Financial Plans and individual appraisal targets set out more detailed targets in support of the delivery of these.
- A Performance Management Task group was responsible in 2005/2006 for monitoring achievement of the Performance Plan targets. To assist in that process it received quarterly performance reports on Best Value Performance Indicators (BVPIs).
- This information was also made available to Scrutiny Committee which has the right to call for further information on any item.
- The medium term financial strategy and annual service and financial planning processes ensure that targets and priorities for improvement are adequately resourced.
- The Procurement Strategy includes a commitment to working collaboratively to achieve improved outcomes.
- A Procurement Programme and Efficiency Review Programme provide for periodic review of all services on a systematic basis to identify opportunities for improved delivery arrangements.
- Reports of external assessments of service delivery arrangements (e.g. Annual Audit and Inspection Letter, CPA, Housing Inspection) are reported to Cabinet and Council along with Improvement Plans. Implementation of these is monitored via the Performance Plan or separately as appropriate.

3. Structures and Processes

- The roles of the Council and its Committees, Members generally and specific post holders, Officers and working groups are set out in the Constitution. This also contains the rules that must be complied with (Member and Officer Codes of Conduct, Scheme of Delegation to officers, Contract and Financial Procedure Rules).
- Training is provided to Members and Officers to ensure that they are supported in carrying out these roles.
- All officers are provided with Job Descriptions that set out their roles and responsibilities and the framework of rules and policies with which they must comply.
- The Chief Executive is responsible to the Council for all aspects of operational management; the Director of Financial Services is responsible to the Council for ensuring its financial affairs are properly managed; the Assistant Director - Financial Management and the Head of Legal Services are responsible to the Council for ensuring that statutory obligations required under the Local Government Act 1972 are met.

4. Risk Management and Internal Control

- The Council has agreed a risk management strategy and has in place processes for identifying and evaluating strategic and operational risks as part of the annual service and financial planning process. This process engages managers and Members throughout the Council in considering risks.
- Systems for managing risks include:
 - o actions and funding agreed as part of service and financial planning process;
 - o documented procedures in the Constitution and for key processes;
 - o Internal Audit;
 - o Monitoring of risks associated with key priorities (hot targets) via Performance Management Task Group;
 - o The Scrutiny Committee has the role of Audit Committee;
 - o All staff have job descriptions and person specifications, annual appraisals and training plans linked to delivery of objectives. The Council's processes are endorsed by the Investors in People award.
- The Council's systems for risk management and internal control are subject to evaluation via CPA, annual external audit reviews and internal audit reviews.

5. Standards of Conduct

- The Council has Codes of Conduct for Members and Employees. The remit of the Standards Committee and Monitoring Officer includes monitoring compliance with the Members' Code. Members of staff and the public are encouraged to make known concerns about conduct via the corporate complaints scheme and whistle blowing guide.
- The Codes of Conduct include provisions to guard against prejudice and conflicts of interest by Members and Employees.
- The Council has agreed Corporate Values which set out the culture to which the Council aspires and the way in which Members and Employees are expected to carry out their roles.
- All elected and co-opted members are required to complete a publicly available General Notice of Registered Interests and are reminded to review the accuracy of its content on at least an annual basis.

4. Review of Effectiveness

EBC has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive management within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the appointed external auditor in his annual audit letter and by other review agencies and inspectorates as appropriate.

The effectiveness of the system of internal control has been evaluated during the past year in a number of ways:

- The authority has received and considered the Annual Audit and Inspection letter from the Audit Commission. A number of improvement actions were put in place as a consequence e.g. in relation to the production of the Statement of Accounts.
- The Audit Commission carried out an inspection of the Council's Use of Resources and judged that overall the Council was at only minimum requirements and adequate performance.
- In arriving at its Use of Resources judgement the auditor assessed the following individual elements and scored them up to a maximum of 4: Financial Reporting 2, Financial Management 2, Financial Standing 3, Internal Control 1, and Value for Money 2.
- Scrutiny Committee has considered two reports from Internal Audit which summarised its work and key issues.
- The role of Performance Management Task Group in monitoring of key performance indicators (hot targets) and holding officers to account.

5. Significant Internal Control Issues

In carrying out its inspection of the Council's Use of Resources and arriving at its overall assessment, the Audit Commission scored the Council as 1 for Internal Control. A score of 1 is below minimum requirements and represents inadequate performance. The Audit Commission identified two fundamental weaknesses:

- There is no corporate arrangement to identify and assess consistent service level risks documented as part of the service and financial planning process. The Council does not therefore currently have an understanding of its key risks or their potential effect on achievement of council priorities.
- The Council does not have procedure notes covering all business critical systems.

In addition the Council is aware from work undertaken by its own Internal Audit section of some control weaknesses within key financial systems such as Payroll, Sundry Creditors and Housing Benefits. The Council will address all of the weaknesses identified by both external and internal audit through its Improvement Plan set out below.

6. Improvement Plan

As a result of the review activity carried out over the past year the following improvement areas and actions have been agreed:

Improvement Area	Action Agreed	Lead Responsibility
1. Risk management	Fully implement the approved Risk Management Strategy and Policy Statement. Specifically, establish a mechanism to ensure that service level risks arising from the service and financial planning framework are considered at a corporate level, paying particular attention to the likely impact of the risks on the achievement of corporate priorities.	Director of Financial Services and the Assistant Director Strategy and Democracy
2. Procedure notes covering all business critical systems	Ensure that procedure notes cover all business critical systems in accordance with the 2004/2005 statement of internal control action plan.	Assistant Director Financial Management and the Chief Internal Auditor
3. Controls assurance	Ensure that timely, accurate, up to date, and relevant reconciliations are performed regularly for all key financial systems.	Assistant Director Financial Management and the Chief Internal Auditor
4. Role and Functioning of Audit Committee	Create an Audit Task Group to report to Scrutiny Committee	Chair of Scrutiny and the Director of Financial Services.
5. Consultation and communications planning	Annual plan to be produced.	Assistant Director Strategy and Democracy.
6. Information Technology Strategy	Develop and agree a strategy to ensure that the information technology requirements needed to support the delivery of the Council Plan and its corporate priorities are considered at a corporate level	Corporate Management Team

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Councillor Ian Lucas
Leader of the Council
Martin Ray
Chief Executive

CONSOLIDATED REVENUE ACCOUNT FOR YEAR ENDED 31st MARCH 2006

This statement reports the net cost for the year of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

2004- 2005	NET SERVICES	GROSS SPENDING £'000	GROSS INCOME £'000	2005- 2006 NET £'000
1,344	Central Services to the Public	3,566	2,022	1,544
7,384	Cultural & Related Services	14,728	7,346	7,382
7,444	Environmental Services	10,820	2,980	7,840
895	Planning & Development Services	2,082	1,577	505
508	Highways, Roads & Transport Services	1,694	1,192	502
1,909	Housing Services	40,657	38,317	2,340
4,587	Council Housing	17,947	14,153	3,794
1,689	Corporate & Democratic Core	3,727	1,834	1,893
145	Non Distributed Costs	654	0	654
25,905	Net Cost of Services	95,875	69,421	26,454
25	(Surpluses)/Deficits on Trading Undertakings (Note 1)			0
(1,964)	Asset Management Revenue Account – General Fund (Note 2)			(3,447)
(7,193)	Asset Management Revenue Account - HRA (Note 2)			(5,361)
2,009	Contribution of housing capital receipts to Government Pool			1,418
679	Losses/(Gains) on the Repurchase or early settlement of Borrowing			665
(477)	Interest and Investment Income			(341)
(149)	Pensions Interest Cost and Expected Return on Pensions Assets			417
18,835	Net Operating Expenditure			19,805
791	HRA Surplus/(Deficit) transferred to HRA balances			218
0	Contribution to HRA Capital Reserve			710
96	Transfer to HRA reserve			10
0	Transfer to/from Major Repairs Reserve			(418)
365	Transfers to Earmarked Revenue Reserves			647
0	Transfers to Earmarked Capital Reserves			125
0	Transfers from Earmarked Capital Reserves			(125)
(2,009)	Transfer from Usable Capital Receipts equal to the contribution to Government Pool for housing capital receipts			(1,418)
(3,147)	Contribution (from) Capital Financing Account (Note 3)			(3,029)
248	Contribution from the Pensions Reserve			(725)
15,179	Amount to be met from Government Grants and Local Taxpayers			15,800
(6,647)	Demand on the Collection Fund			(6,916)
(20)	Surpluses transferred from the Collection Fund			0
(6,273)	Revenue Support Grant			(6,347)
(2,472)	Non-Domestic Rates Distribution			(2,640)
(233)	(Surplus)/Deficit for the year			(103)
(1,000)	Balance on General Fund at 1 st April			(1,233)
(1,233)	Balance on General Fund at 31st March			(1,336)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. SURPLUSES/DEFICITS ON TRADING UNDERTAKINGS

2004-2005 Net Expenditure	Gross Expenditure	Gross Income	2005-2006 Net Expenditure
£'000	£'000	£'000	£'000
25	Coastline Caterers	0	0
25		0	0

All of the services undertaken by Coastline Caterers were contracted out to Red Eventful Cuisine from 12 May 2004.

2. ASSET MANAGEMENT REVENUE ACCOUNT

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

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

2004- 2005 £'000		2005-2006 £'000
	Income	
(5,241)	Capital Charges - General Fund	(5,432)
(10,407)	- Housing Revenue Account	(10,311)
(15,648)		(15,743)
	Expenditure	
4,940	Provision for depreciation	5,510
(732)	Transfer from Government Grants Deferred Account	(807)
(126)	Transfer from Capital Contributions Deferred Account	(129)
2,409	External interest charges	2,361
6,491		6,935
(9,157)	Net transfer to Consolidated Revenue Account	(8,808)
	Net Transfer to CRA comprises :-	
(7,193)	Transfer to Housing Revenue Account	(5,361)
(1,964)	Transfer to General Fund	(3,447)

3. CONTRIBUTION FROM CAPITAL FINANCING ACCOUNT

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

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

2004-2005 £'000		2005-2006 £'000
200	Minimum Revenue Provision	204
(2,407)	Less - depreciation charged	(2,509)
(2,207)		(2,305)
404	Less - Capital Expenditure charged to Revenue	9
(1,344)	Add - Appropriation from Capital Financing Account	(733)
(3,147)	Net Contribution to Consolidated Revenue Account	(3,029)

4. MINIMUM REVENUE PROVISION

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

2004-2005 £'000		2005-2006 £'000
200	General Fund - 4% of Capital Financing Requirement	204
200		204

5. PUBLICITY

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

2004-2005 £'000		2005-2006 £'000
240	Tourism and Economic Development	204
25	Public Relations and Information	34
43	Recreation and Leisure	48
75	Recruitment	112
34	Other	28
417		426

6. BUILDING CONTROL TRADING ACCOUNT

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

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

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

2004-2005		2005-2006		
£'000		Chargeable £'000	Non - Chargeable £'000	Total £'000
243	Employee Expenses	203	68	271
2	Premises	0	2	2
20	Transport	16	5	21
46	Supplies/ Services	30	8	38
106	Charges for Support Services	81	24	105
417	Total Expenditure	330	107	437
(331)	Building Regulation charges	(325)	0	(325)
(14)	Other income	0	(8)	(8)
(345)	Total Income	(325)	(8)	(333)
72	(Surplus)/ Deficit for the Year	5	99	104

7. OPERATING LEASES

The Council uses operating leases to finance 1 Dotto road train, 13 vans, 2 Tractors and 16 Cars.

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

	£'000
Total rentals paid in 2005-06	110
Outstanding obligations	
- 2006-2007	95
- 2007-2008	60
- 2008-2009	33
- 2009-2010	12
- 2010-2011	3

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 2005-2006 the Council received £26,000 in rentals.

8. SECTION 137 EXPENDITURE

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

No expenditure was incurred by the Council in 2005-2006 under the remaining provisions.

9. PENSION COSTS

The Council is a member of the Local Government Pension Scheme Fund, which provides its members with defined benefits related to pay and service. Although these benefits are not actually payable until employees retire, the Council has a commitment to make these payments. Under FRS 17 it is these commitments that are disclosed within the accounts.

The commitments (current service costs) are shown within the Net Cost of Services section and replace the cash payments that were actually made to the fund. However, as the charge to the council tax payer within the CRA must be based on cash payments, a compensatory adjustment is made within the Appropriations section of the CRA. This reverses out the commitments and replaces it with the cash values.

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

	2004-05 £'000	2005-06 £'000
Net Cost of Services		
→ Current Service Cost	1,428	1,330
→ Gains and Losses on Settlements and Curtailments	173	607
→ Past Service Cost	0	47
Net Operating Expenditure		
→ Interest cost	3,528	4,273
→ Expected Return on Assets in the Scheme	(3,677)	(3,856)
Appropriations		
→ Movement on Pensions Reserve	248	(725)
Actual amount charged against council tax for pensions in the year:		
→ Employers contributions payable to scheme	1,700	1,676

Note 20 (page 48) to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movements on Reserves shows the difference between the actual and estimated returns on investments.

10. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard 8 (FRS 8) enquiries have been made to identify material transactions with related parties not disclosed elsewhere in the statement of accounts. No material transactions were identified.

11. OFFICERS EMOLUMENTS

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

Remuneration Band	Number of Employees		Left During the year	
	2004-2005	2005-2006	2004-2005	2005-2006
£50,000-£59,999	0	2	0	0
£60,000-£69,999	3	1	0	1
£70,000-£79,999	0	1	0	0
£80,000-£89,999	1	1	0	0

12. MEMBERS ALLOWANCES

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

2004-2005 £'000		2005-2006 £'000
95	Members Allowances	102
3	Conferences and Travelling Expenses	5
98		107

13. AUDIT COSTS

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

2004-2005 £'000		2005-2006 £'000
77	Fees payable to the Audit Commission in respect of annual audit. 2005-2006 inspection fee included	87
7	Fees payable to the Audit Commission in respect of inspection	-
61	Fees payable to the Audit Commission for the certification of grant claims and returns	53
0	Fees payable in respect of other services provided by the appointed auditor	17
145		157

The fees for other services relate to:

2004-2005 £'000		2005-2006 £'000
0	Additional fee for 2004/2005 audit of accounts	17
0		17

HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

This statement reflects a statutory obligation to account separately for local authority housing provision. 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.

2004- 2005 £'000		2005- 2006 £'000
	Income	
10,464	Dwelling Rents (Gross)	10,776
342	Non-Dwelling Rents (Gross)	345
1,249	Charges for Services and Facilities	1,131
946	Housing Revenue Account Subsidy Note 7 Receivable	1,611
13,001	Total Income	13,863
	Expenditure	
0	Management Fee	6,473
2,578	Repairs and Maintenance	0
3,360	Supervision and Management	724
78	Rents, Rates, Taxes and Other Charges	0
35	Increased Provision for Doubtful Debts	54
7,874	Cost of Capital Charge Note 4	7,310
2,533	Depreciation and Impairment of Fixed Assets Notes 2 & 5	3,001
1,277	Amortisation of Deferred Charges Note 4	25
57	Debt Management Costs	69
502	Statutory Contribution to the General Fund - Rent Rebates Note 11	438
18,294	Total Expenditure	18,094
5,293	Net Cost of Services	4,231
(7,193)	Net HRA Income on the Asset Management Revenue Account Note 4	(5,361)
679	Amortised Premiums and Discounts Investment Income	665
(8)	Mortgage Interest	(7)
(62)	Interest on Cash Balances	(85)
(1,291)	Net Operating Income	(557)
	Appropriations	
0	Contribution to Pension Reserve Note 9	37
404	Revenue Contributions to Capital Reserve Note 8	710
0	Transfer to/from Major Repairs Reserve	(418)
96	Transfer to Reserve	10
(791)	(Surplus)/Deficit for the year	(218)
(989)	Balance at 1 st April	(1,780)
(1,780)	Balance at 31st March	(1,998)

NOTES TO THE 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. 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 £6.473m out of rents, government subsidy and other income in the year. The fee was spent as follows:

	£'000
Supervision and Management	2,877
Repairs	2,970
Rents, Rates, Taxes and Other Charges	73
Deferred Payment	553
Management Fee	6,473

In addition to the management fee Eastbourne Homes Ltd received £30,000 bank interest.

1. HOUSING STOCK

The Council's housing stock consisted of:

31st March		31st March
2005		2006
	Houses and Bungalows	
17	- one bedroom	17
556	- two bedrooms	551
1,222	- three bedrooms	1,213
54	- four or more bedrooms	54
1,849		1,835
	Flats	
1,050	- one bedroom	1,041
501	- two bedrooms	499
8	- three or more bedrooms	8
418	- bed-sits	417
1,977		1,965
3,826		3,800

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (14.5 at 31st March 2005) and has acquired the use of 12 actual properties (12 at 31st March 2005) under short-term property leases.

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

1st April 2005	31st March
	2006
£'000	£'000

Operational Assets - Dwellings	232,230	208,855
- Other Land and Buildings		
Non Operational Assets	1,688	1,688
	233,918	210,543

There has been an adjustment to the dwellings assets as at 1st April 2005 re prior years' depreciation.

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

The Council's valuer, Wilks, Head and Eve, has calculated that the open market vacant possession value of the housing stock at 1st April 2005 was £389m. Government considers that the difference between this figure and the balance sheet figure shown above represents the economic cost to Government of providing Council housing at less than open market rents.

2. MAJOR REPAIRS RESERVE (MRR)

Established by the Local Authorities (Capital Finance and Accounts) Regulations 2000 to ensure funds from the MRR are transferred into capital expenditure on HRA properties.

	£'000
Balance as at 1 st April 2005	0
Add - Transfer from Capital Financing Account	3,001
Less - Transfer to the HRA	(418)
- Financing of Capital Expenditure	(2,467)
Balance as at 31 st March 2006	116

3. HRA CAPITAL EXPENDITURE, FINANCING AND CAPITAL RECEIPTS

Housing Revenue Account capital expenditure incurred in 2005-2006 and how it was financed is summarised as follows:

	Land, Housing and Other Property £'000	Cash Incentive Scheme £'000	Total £'000
Total Capital Expenditure	3,723	25	3,748
Capital Expenditure financed in 2005-2006	3,723	25	3,748

Financed by:			
Borrowing	1,281		1,281
Major Repairs Reserve	2,442	25	2,467
Total Funding	3,723	25	3,748

HRA capital receipts from disposals is summarised as follows:

	£'000
--	--------------

Right to Buy Sales of Houses and Flats	1,685
Shared Ownership Property	280
Sale of Land/Other Property	519
Repayment of Right to Buy Discount	64
Mortgage Repayments	4
Total	2,552

4. COST OF CAPITAL CHARGE

In 2005-2006 the HRA incurred a cost of capital charge of £7.310m representing the cost of capital tied up in council housing. The figure is based on a prescribed interest charge of 3.5% on the balance sheet value of the housing stock.

In addition the HRA incurred a deferred charge of £25,000 in respect of a cash incentive scheme. This capital expenditure did not result in the acquisition, creation or enhancement of a tangible fixed asset. In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure has been financed from capital resources.

Capital Asset Charges Accounting Adjustment:

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

	£'000
Cost of Capital (3.5% Charge)	7,310
Deferred Charges	25
Less - Transfer from AMRA to the HRA	(5,361)
Actual Interest borne by the HRA	1,974

5. DEPRECIATION

Depreciation for 2005-2006 has been calculated on the following basis:

	£'000
Value of housing stock at 1 st April 2005	213,105
Less sales during the year	(1,248)
	211,857
Less residual value (15%)	(31,779)
Depreciable amount	180,078
Divided by estimated useful life	60 years
Depreciation charge for the year	3,001

In 2004-2005, the depreciation charge was equal to the Major Repairs Allowance (£2.533m). From 2005-2006 the above methodology has been adopted which

provides a better correlation between the value of the stock and the depreciation charge made.

The accumulated depreciation on the housing stock is summarised below

	Operational Assets £'000	Non Operational Assets £'000	Total £'000
Balance b/f	9,796	0	9,796
Depreciation written out on revaluation of assets*	(9,796)	0	(9,796)
Charge for year	3,001	0	3,001
Balance c/f	3,001	0	3,001

*In each year that the housing stock is revalued, the accumulated depreciation is written down to zero.

6. IMPAIRMENT

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2005-2006 relating to fixed assets.

7. GOVERNMENT GRANT – HOUSING REVENUE ACCOUNT SUBSIDY

The subsidy receivable in 2005-2006 is made up as follows:

	£'000
Major Repairs Allowance	2,584
Management and Maintenance Allowance	5,453
Capital Charges Allowances	3,196
Other Allowable expenditure	66
Prior Year Adjustment - Additional Subsidy	211
	11,510
Less: Notional rent income	(9,891)
Other income	(8)
	1,611

8. REVENUE CONTRIBUTIONS TOWARDS CAPITAL EXPENDITURE

The Council supplements its available capital resources by making revenue contributions available to finance capital expenditure. Unused resources are held in an earmarked capital reserve.

9. CONTRIBUTION TO THE PENSION RESERVE

The HRA has been charged with an attributed share of current service costs. These costs have been reversed out and replaced with employer contributions payable via an appropriation to the pension reserve after net operating expenditure.

10. RENT ARREARS

Rent arrears at 31st March 2006 amounted to £562,000, compared with £557,000 at 31st March 2005. These sums include the overpayment of Housing Benefit prior to 2004/2005 and former tenants' arrears. During 2005-2006 former tenant arrears of £55,000 were written off (£102,000 in 2004-2005).

The Council has a provision for doubtful debts of £380,000 at 31st March 2006 (£381,000 at 31st March 2005).

The increase in rent arrears is possibly due to a change in the treatment of housing benefit overpayments. These are now dealt with by a claw back of housing benefit at a higher minimum level of pay back than in the past. It is considered that there are finite resources available to these debtors and therefore the higher recovery of the benefits debt has infringed on the ability to recover rent arrears.

11. STATUTORY CONTRIBUTION TO THE GENERAL FUND - RENT REBATES

The contribution to the General Fund is made up as follow:

	£'000
Rent Rebate Subsidy Limitation Scheme	342
Rent Rebate Transitional Measures	96
	438

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2006

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

31st March 2005 Restated £'000	Note	31st March 2006 £'000
0	Intangible Assets	404
	Tangible Fixed Assets	
	Operational Assets	
232,230	- Council Dwellings	208,856
45,154	- Other Land and Buildings	41,347
1,036	- Vehicles, Plant and Equipment	815
28,664	- Infrastructure Assets	26,781
490	- Community Assets	1,459
	Non-operational Assets	
0	- Assets Under Construction	1,214
7,442	- Commercial Property	8,243
5,752	- Surplus Assets	5,707
320,768	Total Fixed Assets	294,826
3,326	Deferred Premiums	2,661
1,853	Long Term Investments	1,828
106	Long Term Debtors	105
326,053	Total Long-Term Assets	299,420
70	- Stocks	49
7,357	- Debtors	11,759
4,000	- Investments	0
	- cash in hand	820
11,427		12,628
	Current Liabilities	
81	- Short Term Borrowing	82
9,299	- Creditors	9,177
754	- Bank Overdraft	0
10,134		9,259
1,293	Net Current Assets	3,369
327,346	Total Assets less Current Liabilities	302,789
(29,800)	Long Term Borrowing	(31,233)
(111)	Provisions	(148)
(24,209)	Pensions Liability	(24,720)
(75)	Deferred Credits	(71)
273,151	Total Assets less Liabilities	246,617
18,856	Government Grants Deferred Account	18,332
3,879	Capital Contributions Deferred Account	5,033
216,697	Fixed Asset Restatement Account	189,130
47,312	Capital Financing Account	47,039
2,222	Usable Capital Receipts Reserve	1,590
(24,209)	Pensions Reserve	(24,720)
2,087	Capital Grants and Contributions Unapplied	2,582
0	Major Repairs Reserve	116
3,650	Earmarked Reserves	4,993
2,657	Balances	2,522
273,151	Total Equity	246,617

I certify that the Consolidated Balance Sheet and related accounts represent the true financial position of Eastbourne Borough Council at 31st March 2006 and its income and expenditure for the year 2005-2006.

Lesley Lane, Assistant Director – Financial Management
Statutory Section 151 Officer

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

Valuation

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

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

At 1st April 2005 a revaluation was carried out of the Council's housing portfolio. At the same time a rolling revaluation of assets held within the Other Land and Buildings and Non Operational Assets was undertaken. This resulted in a decrease in the value of the Other Land and Buildings portfolios of £2.5m, and an increase in the Non-Operational portfolio of £0.425m

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

	Council Dwellings £000's	Other Land and Buildings £000's	Vehicles, Plant and Equipment £000's	Non Operational Assets £000's	Total £000's
Valued at Historical Cost	0	0	1,725	0	1,725
Valued at Current Value in:					
1999-2000	0	95	0	0	95
2000-2001	23,201	0	0	2,172	25,373
2001-2002	22,117	(1,648)	0	(1,133)	19,336
2002-2003	34,841	1,159	0	355	36,355
2003-2004	40,149	6,714	0	(150)	46,713
2004-2005	27,535	6,903	0	2,239	36,677
2005-2006	(21,658)*	(2,463)	0	425	(23,696)

* See items of note for 2005-2006 below

The basis of valuation for each type of asset, together with the depreciation methodology is detailed in the Statement of Accounting Policies on page 11.

Items of Note for 2005-2006

i) Revaluation of the Housing Stock

The housing stock is valued at either existing use value (EUV) or existing use value for social housing (EUV-SH). To arrive at the EUV-SH a 'Vacant Possession Adjustment Factor' is applied to the market value. For 2005-2006 this factor was reduced from 54% to 45%. The major effect of this has been to decrease the Council Dwellings valuation by £21.6m and this is reflected within the movements during the year detailed on page 36.

ii) Depreciation – Previous Years' Adjustments

Prior year adjustments to council dwellings (£7.263m) and other land and buildings (£2.950m) depreciation relate to a failure in previous periods to write out accumulated depreciation on the upward revaluation of assets.

Movements in fixed assets during the year were:

OPERATIONAL ASSETS

	Council Dwellings	Other Land and Build- ings	Vehicles Plant and Equip- ment	Intangible Assets	Infra- structure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value as at 31/03/05	234,763	47,059	2,318	0	35,077	834	320,051
Additions	3,723	1,380	277	485	4	26	5,895
Disposals	(1,248)	(353)	(63)	0	0	0	(1,664)
Recategorisation	0	(383)	0	0	(1,148)	1,126	(405)
Revaluations	(25,381)	(3,843)	0	0	0	0	(29,224)
Gross Book Value as at 31/03/06	211,857	43,860	2,532	485	33,933	1,986	294,653
Accumulated Depreciation as at 31/03/05	(9,796)	(4,855)	(1,282)	0	(6,413)	(344)	(22,690)
Previous Years' Adjustments – see items of note above	7,263	2,950	0	0	0	0	10,213
Restated Accumulated Depreciation as at 31/03/05	(2,533)	(1,905)	(1,282)	0	(6,413)	(344)	(12,477)
Depreciation Charge for Year	(3,001)	(986)	(498)	(81)	(865)	(79)	(5,510)
Depreciation Written Out on Asset Movements	2,533	371	63	0	126	(104)	2,989
Depreciation adjustment on reclassification	0	7	0	0	0	0	7
Accumulated Depreciation as at 31/03/06	(3,001)	(2,513)	(1,717)	(81)	(7,152)	(527)	(14,991)
Net book value of assets as at 31/03/06	208,856	41,347	815	404	26,781	1,459	279,662

NON OPERATIONAL ASSETS

	Assets Under Construction	Commercial Properties	Surplus Assets	Total
Gross Book Value as at 31/03/05	0	7,518	5,752	13,270
Previous Years' Adjustments	0	(76)	0	(76)
Restated Gross Book Value as at 31/03/05	0	7,442	5,752	13,194
Additions	1,214	25	0	1,239
Disposals	0	(21)	0	(21)
Recategorisation	0	398	0	398
Revaluations	0	399	(45)	354
Gross Book Value as at 31/03/06	1,214	8,243	5,707	15,164
Accumulated Depreciation and Impairment as at 01/04/05	0	0	0	0
Accumulated Depreciation and Impairment as at 31/03/06	0	0	0	0
Net Book Value as at 31/03/06	1,214	8,243	5,707	15,164

Capital Expenditure and Financing

	2004-2005 £'000	2005-2006 £'000
Capital Investment		
Fixed Assets – Operational	6,810	7,112
Fixed Assets - Non Operational	4	23
	6,814	7,135
Deferred Charges	2,202	1,669
	9,016	8,804
Sources of Finance		
RSG Supported Capital Expenditure	1,392	1,470
Major Repairs Reserve	2,533	2,467
Government Grants	447	562
Capital Contributions	751	1,824
Capital Receipts	2,524	2,347
Capital Provision	1,227	0
Consolidated Revenue Account	404	9
Capital Reserves	0	125
Financing of accrued expenditure	(262)	0
	9,016	8,804

The main items of capital expenditure during the year 2005-2006 were:

Fixed Assets	£'000
Council Housing Developments/Major Improvements	3,723
Eastbourne Park - Deep Water Lake	26
Theatres	711
Office Accommodation Strategy	528
IT Systems including Implementing Electronic Government	577
The Cultural Centre	1,214
Other Tourism Sports and Leisure Facilities	118
Other Schemes and Projects	237
	7,134
Deferred Charges (see below for further detail)	
Private Sector Housing Grants	619
Grants to Housing Associations	959
Cash Incentive Scheme	25
Heritage Economic Regeneration Scheme	18
Other Schemes and Projects	49
	1,670
	8,804

Deferred Charges

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

2004-2005 £'000	2005-2006 £'000
Capital Expenditure in year:	
150 Grants to Housing Associations	959
599 Private Sector Housing Grants	619
50 Cash Incentive Scheme	25
107 Heritage Economic Regeneration Scheme	18
1227 Deferred Purchase Arrangement	0
69 Other	49
2,202	1,670
(1,277) Amounts written off to the Housing Revenue Account	(25)
(925) Amounts written off to the CRA	(1,645)
(2,202)	(1,670)

Capital Commitments

The Council had a direct capital commitment at 31st March 2006 of £2.4 million to complete the construction of the Cultural Centre. This commitment is expected to be met from capital receipts of £800,000 and fund raising of £1.6m. The overall scheme is budgeted at £8.645m with the remaining £6.245m being met from various funding bodies.

Information on Assets Held

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

	Number as at 31 st March 2005	Number as at 31 st March 2006
Council Dwellings		
Houses	1,849	1,835
Flats	1,977	1,965
Operational Buildings		
Cemeteries	2	2
Crematorium	1	1
Town Hall	1	1
Other Offices	3	1
Public Conveniences	23	23
Coach and Lorry Park	1	1
Off-Street Car Parks	8	8
Theatres	3	3
Devonshire Park International Tennis Centre	1	1
Dual Use Sports Centres	2	2
Swimming Pools	2	2
Art Gallery	1	1
Museums	2	2
Tourist Information Centre	1	1
Bandstand	1	1
Sports Park	1	1
Operational Equipment		
Lifeline Units	1,213	0
Community Assets		
Parks and Open Spaces (hectares)	278	279
Allotments (acres)	39	42
Downland (acres)	4,100	4,100
Infrastructure Assets		
Seafront Groynes	94	94
Promenade (miles)	4.3	4.3
Non-Operational Assets		
Royal Hippodrome Theatre	1	1
Seafront Chalets (at Holywell)	69	69
Farms	4	4
Cafes	4	4
Community Centres	5	5
Treasure Island	1	1
Other Offices	0	1
Non-Operational Equipment		
Dotto Road Train	1	1

Assets Held under Finance Leases

No assets were held under finance leases at 31st March 2006.

2. DEFERRED PREMIUMS

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

2004-2005		2005-2006
£'000		£'000
4,005	Balance at the beginning of the year	3,326
0	Premiums paid	0
	Amounts written back to the Consolidated Revenue Account:	
0	General Fund	0
(679)	Housing Revenue Account	(665)
(679)		(665)
3,326	Balance at the end of the year	2,661

3. LONG TERM INVESTMENTS

31.3.2005		31.3.2006
£'000		£'000
1,528	Eastbourne Buses Ltd – shares	1,528
275	Eastbourne Buses Ltd – debenture	250
1,803		1,778
50	Local Government Association - debenture	50
1,853		1,828

The Eastbourne Buses Limited debenture is repayable by 26th October 2011.

RELATED COMPANIES

Eastbourne Buses Ltd

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

At 31st March 2006 the Council was the majority (80%) shareholder in the company. The other shareholder is the Keolis Group who acquired a 20% shareholding under an agreement made in June 2001. The agreement provides for further tranches of shares to be issued at market value to a maximum shareholding by Keolis of 49% providing certain performance targets are achieved.

The Company's key financial results are:

	Period ended 31.12.2004 Restated £'000	Period ended 31.12.2005 £'000
Net Assets	389	197
Profit/(Loss) before taxation	(1,716)	(234)
Profit/(Loss) after taxation	(1,389)	(192)
Dividends declared	NIL	NIL

The value of the Council's shareholding at 31st March 2006 is stated at the net cost incorporated in the Transfer Scheme. On the basis of the Company's latest trading statement to 31 December 2005, this valuation is reasonable when compared to the value of the Company's assets excluding the adjustment for the longer term pension liability which will be met from future years improved performance. The Company contributes to two pension schemes; one is a defined contribution scheme whereas the other is a defined benefit scheme (also known as a final salary scheme). The company's latest accounts to 31 December 2005 recognise the full cost in that period of providing for retirement benefits to its staff. They also include the related gains, losses, assets and liabilities of the company's defined benefit pension scheme which has a direct impact on the value of its net assets.

If unsustainable losses are incurred by the Company, the Council has an obligation to meet them. Financial support was not required for the period ended 31 December 2005. Copies of the Company's audited accounts may be obtained from the Chief Executive, Town Hall, Eastbourne, BN21 4UG.

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 1st 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:

	Period ended 31.03.2006 £'000
Net Assets	336
Surplus on ordinary activities before tax	302
Surplus on ordinary activities after tax	298

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 following balances relating to these transactions are as follows:

	£'000
Debtors	
Amounts due from Eastbourne Homes Ltd	710
Creditors	
Amounts due to Eastbourne Homes Ltd	651

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.

4. LONG TERM DEBTORS

	31.3.2005 £'000	Additions £'000	Repayments £'000	31.3.2006 £'000
Advances to Housing Associations and Private Mortgagors	31	0	1	30
Council House Mortgagors	75	0	4	71
Charge on Property	0	4	0	4
	106	4	5	105

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

5. DEBTORS

31.3.2005 £'000		31.3.2006 £'000
662	National Non-Domestic Ratepayers	467
3,766	Council Taxpayers	4,094
557	Council House Tenants	562
913	Government Departments	3,497
3	Inland Revenue	0
800	Customs and Excise	1,417
87	Assisted Car Purchase Loans	95
160	Payments in Advance	599
3,219	Sundry Debtors	3,865
10,167		14,596
	Less: Provision for Doubtful Debts	
(1,619)	- Collection Fund	(1,672)
(381)	- Council House Tenants	(380)
(810)	- General	(785)
7,357		11,759

Movements on Provision for Doubtful Debts:

	Opening balance	Reduce: amounts written off	Increase: ageing and new debt	Net in-year movement	Closing balance
Non-Domestic Ratepayers	(362)	(2)	75	73	(289)
Council Taxpayers	(1,257)	363	(489)	(126)	(1,383)
Collection Fund	(1,619)	361	(414)	(53)	(1,672)
Council House Tenants	(381)	55	(54)	1	(380)
General	(810)	14	11	25	(785)

6. CREDITORS

31.3.2005		31.3.2006
£'000		£'000
121	Business Ratepayers	615
742	Council Taxpayers	1,244
2,198	Government Departments	591
273	Inland Revenue	279
183	East Sussex County Council	196
1,181	Income Received in Advance	1,052
273	Loan Interest	274
168	Capital Creditors	0
4,160	Sundry Creditors	4,926
9,299		9,177

7. LONG TERM BORROWING

31.3.2005		31.3.2006
£'000		£'000
22,300	Public Works Loan Board	23,733
7,500	Loan Stock	7,500
29,800		31,233

Analysis of borrowings by maturity :-

31.3.2005		31.3.2006
£'000		£'000
567	Within 2 years	533
33	Between 2 and 5 years	0
7,000	Between 5 and 10 years	12,200
22,200	More than 10 years	18,500
29,800		31,233

8. PROVISIONS

	31.3.2005	Contributions	Utilised	31.3.2006
	£'000	£'000	£'000	£'000
Other	111	38	(1)	148
	111	38	(1)	148

This provision was established to provide funding for the painting of sold Council flats.

9. DEFERRED CREDITS

	31.3.2005	Received	31.3.2006
	£'000	£'000	£'000
Council House Sales	75	(4)	71
	75	(4)	71

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

10. GOVERNMENT GRANTS DEFERRED ACCOUNT

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

2004-2005		2005-2006
£'000		£'000
19,401	Balance at the beginning of the year	18,856
447	Grants applied during the year	283
(732)	Less - Amount written off to the Asset Management Revenue Account	(807)
(260)	Less - Amount written off to the Capital Financing Account	0
18,856	Balance at the end of the year	18,332

11. CAPITAL CONTRIBUTIONS DEFERRED ACCOUNT

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

2004-2005		2005-2006
£'000		£'000
3,944	Balance at the beginning of the year	3,879
751	Contributions applied during the year	1,283

0	Less – Transfer to Capital Financing Account in respect of fully financed assets not subject to a depreciation charge	0
(126)	Less - Amount written off to the Asset Management Revenue Account	(129)
(690)	Less – Amount written off to the Capital Financing Account	0

3,879	Balance at the end of the year	5,033
--------------	---------------------------------------	--------------

12. FIXED ASSET RESTATEMENT ACCOUNT

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

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

The revaluation of council dwellings this year was greatly affected by the reduction in the vacant possession adjustment factor used to value social housing.

Depreciation written down relates to fixed assets that have been revalued. The accumulated depreciation is brought to zero upon revaluation and a new charge is made based on the assets new book value and estimated useful life.

2004-2005		2005-2006
Restated		
£'000		£'000
178,102	Balance at the beginning of the year	216,697
30,600	Revaluation of fixed assets	(28,870)
(2,218)	Disposal of fixed assets	(1,685)
10,213	Depreciation Written Down	2,989
216,697	Balance at the end of the year	189,131

13. CAPITAL FINANCING ACCOUNT

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

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

2004-2005		2005-2006	2005-2006
£'000		£'000	£'000
44,604	Balance at the beginning of the year		47,313
0	Capital receipts set aside in year		0
	Capital financing in year:		
2,533	- Major Repairs Reserve	2,467	
260	- Specified Capital Grant	279	
2,524	- Capital Receipts	2,347	
690	- Third Party Contributions	540	
1,227	- Capital Reserve	125	
404	- Consolidated Revenue Account	9	
7,638			5,767
0	Previous Years Depreciation Adjustment		(1)
	Sums set aside from revenue for repayment of debt:		
	(less depreciation provision)		
(2,207)	- Depreciation reversed net of MRP charged		(2,305)
1,227	- Deferred Purchase arrangements		0
(72)	Less - Long Term Debtors written down		(1)
(2,533)	- HRA depreciation transferred to MRR		(3,001)
	Appropriations		
(925)	- Deferred Charges written down – General Fund	(1,645)	
858	- Government Grants and Capital Contributions Deferred	937	
(1,277)	- Deferred Charges written down - HRA	(25)	
(1,344)			(733)
47,313	Balance at the end of the year		47,039

14. USABLE CAPITAL RECEIPTS

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

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

The reserved part is paid over to the national pool.

	31.3.2005	New Receipts	Payment to Gov.	Transfers	Capital Financing	31.3.2006
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	2,222	581	0	497	(1,710)	1,590
Housing Revenue Account	0	2,552	(1,418)	(497)	(637)	0
	2,222	3,133	(1,418)	0	(2,347)	1,590

15. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

Capital Grants and Contributions	31.3.2005 £'000	Added £'000	Withdrawn £'000	Transfer to Reserves £'000	31.3.2006 £'000
General Fund	231	2,219	(1,558)	(20)	872
Housing Revenue Account	763	49	0		812
Eastbourne Park	460	58	(26)		492
Social Housing Development	633	295	(522)		406
	2,087	2,621	(2,106)	(20)	2,582
Major Repairs Reserve	0	2,583	(2,467)	0	116

16. EARMARKED RESERVES

	31.3.2005 £'000	Added £'000	Withdrawn £'000	Transfer to Reserves £'000	31.3.2006 £'000
Upkeep of Graves and Memorials	85	0	0		85
Earmarked Revenue Reserves	1,252	981	(305)	(105)	1,823
Earmarked Capital Reserves-HRA	0	710	0		710
Earmarked Capital Reserves - General Fund	0	0	(125)	125	0
Insurance	116	0	0		116
Other	497	119	(32)		584
	1,950	1,810	(462)	20	3,318
Eastbourne Buses Realisation	1,700	0	(25)		1,675
	3,650	1,810	(487)	20	4,993

The Eastbourne Buses Realisation Account represents the surplus on the book value of net assets transferred to Eastbourne Buses Limited at 26th October 1986. This surplus will only be realised if the Council disposes of the shares and debenture held as Long Term Investments (Note 3 on page 40).

17. BALANCES

	31.3.2005 £'000	Added £'000	Withdrawn £'000	31.3.2006 £'000
General Fund	1,233	103		1,336
Housing Revenue Account	1,780	218	0	1,998
Collection Fund	(356)	0	(456)	(812)
	2,657	321	(456)	2,522

18. ANALYSIS OF NET ASSETS EMPLOYED

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

31.3.2005		31.3.2006	
£'000		£'000	
62,546	General Fund	61,576	
210,605	Housing Revenue Account	185,041	
273,151		246,617	

19. TRUST FUNDS

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

The total amount held at 31st March 2006 was £35,027 (£21,145 at 31st March 2005). The largest of these is the Langney Cemetery Maintenance Fund which amounted to £20,750 in both years.

20. DISCLOSURE OF NET PENSION LIABILITY

Note 9 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pensions Scheme (administered by East Sussex County Council).

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

	31st March 2005	31st March 2006
	£'000	£'000
Present value of scheme liabilities	(74,696)	(86,940)
Present value of unfunded liabilities	(4,869)	(5,370)
Total value of liabilities	(79,565)	(92,310)
Estimated Employer Assets	55,356	67,590
Net asset/(liability)	(24,209)	(24,720)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. They have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The East Sussex Pension Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and are based on the latest full valuation of the scheme as at 1st April 2004.

The main assumptions used in their calculations have been:

	As at 31st March 2005	As at 31st March 2006
Rate of inflation	2.9%	3.1%
Rate of increase in salaries	4.4%	4.6%
Rate of increase in pensions	2.9%	3.1%
Rate for discounting scheme liabilities	5.4%	4.9%

The revenue figures for the year to 31st March 2006 are calculated based on a discount rate derived from corporate bond yields as at 31st March 2005 as required by CIPFA.

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

	Long Term Return	31st March 2005	31st March 2006
	%	%	%
Equity Investments	7.4	74	68
Bonds	4.6	11	12
Property	5.5	11	10
Cash	4.6	4	10
Total Assets		100	100

21. CONTINGENT LIABILITIES

Municipal Mutual Insurance Limited

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

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

22. EURO

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

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

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

2004- 2005 Restated £'000		2005- 2006 £'000
	Surplus/(Deficit) for the year :	
233	- General Fund	103
791	- Housing Revenue Account	218
(408)	- Collection Fund	(456)
365	Movements on specific revenue reserves*	1368
(50)	Movements on Eastbourne Buses Realisation Reserve	(25)
248	Appropriation from pensions reserve	(726)
0	Unfunded Pension	(3)
(12,042)	Actuarial gains and (losses) relating to pensions	218
(10,863)	Total increase/(decrease) in specific revenue reserves (note 1)	697
(1,475)	Increase/(decrease) in usable capital receipts	(632)
531	Increase/(decrease) in unapplied capital grants and contributions	612
(944)	Total increase/(decrease) in realised capital resources (note 2)	(20)
40,812	Gains/(losses) on revaluation of fixed assets	(25,882)
0	Impairment losses on fixed assets	0
40,812	Total increase/(decrease) in unrealised value of fixed assets (note 3)	(25,882)
(2,218)	Value of assets, sold disposed of or decommissioned (note 4)	(1,684)
2,524	Capital receipts set aside	2,347
184	Revenue resources set aside	(2,621)
(545)	Movement on Government Grants Deferred	(524)
(65)	Movement on Capital Contributions Deferred	1,154
2,098	Total increase/(decrease) in amounts set aside to finance capital investment (note 5)	356
28,885	Total recognised gains and losses	(26,533)

* See note 16 to the Consolidated Balance Sheet for details.

Notes to the Statement of Total Movements on Reserves

	General Fund Balance	HRA Balance	Collection Fund	Earmarked Revenue Reserves	Eastbourne Buses Realisation Reserve	Pension Reserve
	£'000	£'000	£'000	£'000	£'000	£'000
1. Movements in revenue reserves						
Surplus/(deficit) for 2005/06	103	218	(456)			
Appropriations to/from revenue				1368	(25)	(726)
Actuarial gains and losses relating to pensions						218
Unfunded Pensions						(3)
Balance brought forward at 1 April 2005	1,233	1,780	(356)	1,950	1,700	(24,209)
Balance carried forward at 31 March 2006	1,336	1,998	(812)	3,318	1,675	(24,720)

	£'000	%
Actuarial gains and losses relating to pensions		
Differences between the expected and actual return on assets	9,582	14.2
Differences between actuarial assumptions about liabilities and actual experience	67	0.1
Changes in demographic and financial assumptions used to estimate liabilities	(9,431)	(10.2)
Net gain/loss	218	
Comparative totals for 2004-2005	(12,042)	

	Unapplied capital receipts	Unapplied capital grants and contributions
	£,000	£,000
2. Movements in realised capital resources for 2005-2006		
Amounts receivable	1,716	5,624
Amounts applied to finance new capital investment	(2,348)	(5,012)
Total increase/(decrease) in realised capital resources	(632)	612

Balance brought forward at 1 st April 2005	2,222	2,087
Balance carried forward at 31 st March 2006	1,590	2,699
		Fixed Asset Restatement Reserve
3. Movements in unrealised value of fixed assets		£'000
Gains/(losses) on revaluation of fixed assets		(25,882)
Impairment losses on fixed assets		0
Total increase/(decrease) in unrealised value of fixed assets		(25,882)

4. Value of assets, sold disposed of or decommissioned		
Total increase/(decrease) in unrealised value of fixed assets		(25,882)
Amounts written off fixed asset balances for disposals		(1,685)
Total movement on reserve		(27,567)
Balance brought forward at 1 st April 2005		216,697
Balance carried forward at 31 st March 2006		189,130

	Capital Financing Account	Government Grants and Capital Contributions Deferred	Total
	£'000	£'000	£'000
5. Movements in amounts set aside to finance capital investment			
Capital receipts set aside			
- reserved receipts	0		
- usable receipts applied	2,347		
Total capital receipts set aside	2,347		2,347
Revenue resources set aside	3,420		
- capital expenditure financed from revenue			
-reconciling amount for provisions for loan repayment	(6,041)		
Total revenue resources set aside	(2,621)		(2,621)
Grants applied to capital investment		283	
Contributions applied to capital investment		1,283	
Amounts credited to Asset Management a/c		(936)	
Movement on Government Grants and Capital Contributions Deferred Accounts		630	630
Total increase/(decrease) in amounts set aside to finance capital investment			356
Total movement in reserve	(274)	630	
Balances brought forward at 1 st April 2005	47,313	22,735	
Balances carried forward at 31st March 2006	47,039	23,365	

NOTES

- 1) The balances held on the Government Grant Deferred Account and the Capital Contributions Deferred Account are not available for new investment. Rather they have already been invested and are held to assist with the presentation of depreciation within the Asset Management Revenue Account. Details of the movements on these two accounts can be found in Notes 10 and 11 to the Consolidated Balance Sheet on page 44.
- 2) The Fixed Asset Restatement Account and the Capital Financing Account have been established for statutory and regulatory purposes and are not available to support Council spending. Details of the movements on these two accounts can be found in Notes 12 and 13 to the Consolidated Balance Sheet on page 45.
- 3) Usable Capital Receipts can be used to finance expenditure designated for capital purposes. Details of the movements for the year can be found in Note 14 to the Consolidated Balance Sheet on page 46.
- 4) Earmarked Reserves are held for a variety of purposes and are available to support both Capital and Revenue spending once realised. Details of the movements for the year can be found in Note 16 to the Consolidated Balance Sheet on page 47.
- 5) General Fund and Housing Revenue Account balances represent the accumulated surplus on each of these accounts and are available to support revenue spending. Details of the movements for the year can be found in Note 17 to the Consolidated Balance Sheet on page 47.

6) The actuarial losses identified as movements on the Pensions Reserve in 2005-2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2006:

	2002-2003		2003-2004		2004-2005		2005-2006	
	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(12,157)	(27.8)	6,324	12.1	2,200	4.0	9,582	14.2
Differences between actuarial assumptions about liabilities and actual experience	359	0.6	(215)	(0.3)	(2,339)	(2.9)	67	0.1
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-	(11,903)	(15.0)	(9,431)	(10.2)
Actuarial Gain/(Loss)	(11,798)		6109		(12,042)		218	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006

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

2004- 2005 £'000		£'000	2005- 2006 £'000
REVENUE ACTIVITIES			
Cash Outflows			
15,064	Cash paid to and on behalf of employees	14,296	
24,658	Other operating cash payments	27,030	
20,963	Housing Benefits paid out	22,864	
20,985	NNDR payments to national pool	26,253	
32,252	Precept paid to East Sussex County Council	34,188	
2,230	Precept paid to East Sussex Fire Authority	2,387	
3,685	Precept paid to Sussex Police Authority	3,930	
1,575	Payments to the Capital Receipts Pool	1,563	
121,412			132,511
Cash Inflows			
(5,185)	Housing Rents (after rebates)	(5,155)	
(37,563)	Council Tax receipts	(40,571)	
(22,557)	Non-Domestic rate receipts	(23,402)	
(6,273)	Revenue Support Grant	(6,347)	
(2,472)	NNDR receipts from national pool	(2,640)	
(34,281)	DWP grants for benefits	(35,093)	
(3,961)	Other government grants (note 4)	(3,756)	
(14,730)	Cash received for goods and services	(16,554)	
0	Other operating cash receipts	0	
(127,022)			(133,518)
(5,610)	Revenue Activities Net Cash (Inflow)/Outflow		(1,007)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash Outflows			
2,407	Interest paid	2,360	
Cash Inflows			
(528)	Interest received	(375)	
1,879			1,985

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006

2004- 2005 £'000	£'000	2005- 2006 £'000
CAPITAL ACTIVITIES		
Cash Outflows		
6,672	Purchase of fixed assets	7,207
1,211	Other capital cash payments	1,756
7,883		8,963
Cash Inflows		
(3,053)	Sale of fixed assets	(3,148)
(1,302)	Capital grants received	(2,368)
(360)	Other capital cash receipts	(566)
(4,715)		(6,082)
(563)	Net Cash (Inflow)/Outflow before Financing	3,859
MANAGEMENT OF LIQUID RESOURCES		
(5,000)	Net increase/(decrease) in Short Term Deposits	(4,000)
FINANCING		
Cash Outflows		
7,093	Repayments of amounts borrowed	67
Cash Inflows		
(1,500)	New loans raised	(1,500)
30	Net (Increase)/Decrease in Cash	(1,574)

NOTES TO THE CASH FLOW STATEMENT

1. REVENUE ACTIVITIES NET CASH FLOW

2004- 2005 £'000		2005- 2006 £'000
(233)	(Surplus) per Consolidated Revenue Account (page 21)	(103)
(233)	Revenue (Surplus)/Deficit	(103)
(4,634)	Add/(Less) – Non Cash transactions re capital Financing, reserves and provisions	(5,409)
(743)	Add/(Less) – Revenue items accrued in the accounts	4,505
(5,610)	Revenue Activities Net Cash Flow	(1,007)

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

	£'000
Increase in cash in the year	1,574
Less - Cash Inflow from new debt	(1,501)
Add – Cash Outflow from redemption of debt	67
Changes in net debt	140
Net debt at start of the year	(30,635)
Net debt at end of the year	(30,495)

Analysis of Net Debt	Balance 31.3.2005 £'000	Balance 31.3.2006 £'000	Movement in the year £'000
Bank Overdraft	(754)		(754)
Cash in hand		820	820
Long Term Borrowing	(29,800)	(31,233)	(1,433)
Deferred Liabilities	0	0	0
Short Term Borrowing	(81)	(82)	(1)
	(30,635)	(30,495)	140

3. MOVEMENTS IN FINANCING AND MANAGEMENT OF LIQUID RESOURCES

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

Movement in 2004-2005 £'000		Balance 31.3.2005 £'000	Balance 31.3.2006 £'000	Movement in the year £'000
	Long Term Borrowing:			
1,433	Public Works Loan Board	22,300	23,733	1,433
0	Stock	7,500	7,500	0
1,433		29,800	31,233	1,433
	Deferred Liabilities:			
(1,227)	Deferred Purchase Agreements	0	0	0
(5,800)	Short Term Borrowing	81	82	1
(5,594)	Movements in Financing	29,881	31,315	1,434
5,000	Short Term Investments	(4,000)	0	4,000
(5,000)	Movements in Management of Liquid Resources	(4,000)	0	4,000

4. ANALYSIS OF OTHER GOVERNMENT GRANTS

2004-2005 £'000		2005-2006 £'000
1,094	Housing Revenue Account Subsidy	1,592
849	Single Regeneration Budget	29
0	Housing Benefit Performance Standard	144
729	Benefits Administration	764
23	Housing Benefit Anti Fraud Incentive	132
102	Countryside Commission	102
160	Housing Benefits Verification Framework	160
53	Housing Benefits Other Grants	166
195	Housing -Other	58
220	Home Office Grants	75
403	Planning Delivery	459
78	Voluntary Sector Projects	62
37	European Elections Grant	0
18	Recycling Initiatives	13
3,961		3,756

COLLECTION FUND REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006
--

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, residual community charges, and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is prepared and consolidated on the accrual basis.

2004- 2005 £'000		2005- 2006 £'000
Income		
38,489	Income from Council Tax (Note 1)	40,546
6,419	Transfers from General Fund - Council Tax Benefits	6,907
22,981	Income collectable from Business Ratepayers (Note 3)	22,740
67,889	Total Fund Income	70,193
Expenditure		
32,149	Precepts and Demands East Sussex County Council	34,188
6,647	Eastbourne Borough Council	6,916
3,674	Sussex Police Authority	3,930
2,230	East Sussex Fire Authority	2,387
44,700		47,421
22,849	Business Rates Payment to National Pool	22,610
132	Costs of Collection	130
22,981		22,740
482	Bad and Doubtful Debts/Appeals Provisions - Council Tax	488
103	Contributions towards previous years' estimated Council Tax Surplus East Sussex County Council	0
20	Eastbourne Borough Council	0
11	Sussex Police Authority	0
134		0
68,297	Total Fund Expenditure	70,649
408	Movement on Fund Balance	456
COLLECTION FUND BALANCE		
(52)	Balance at 1 st April	356
408	(Surplus)/Deficit for the year	456
356	Balance as at 31st March (Note 4)	812

NOTES TO THE COLLECTION FUND REVENUE ACCOUNT

1. INCOME FROM COUNCIL TAX

Amounts receivable from Council Taxpayers is determined at as follows:

	£,000
Gross amount of Council Tax	55,559
Less Discounts	(5,438)
-	
Exemptions	(2,596)
Disabled relief	(72)
Amounts collectable from Council Taxpayers	47,453
Less Council Tax Benefits	(6,907)
-	

Amounts receivable from Council Taxpayers 40,546

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	7208	6176	6/9	4,117
B	11762	10624	7/9	8,263
C	10116	9210	8/9	8,187
D	7618	7114	9/9	7,114
E	3871	3584	11/9	4,380
F	1869	1757	13/9	2,538
G	968	909	15/9	1,515
H	35	35	18/9	70
	43,467	39,427		36,194

Less average 1.5% reduction to allow for collection losses (543)

Council Tax Base 35,651

The estimated gross yield for Council Tax amounted to £48.1m, based on 36,194 dwellings multiplied by the Band D tax of £1,330.15. The actual gross yield of £47.4m is equivalent to a reduction in Band D equivalent dwellings for the year of 519.

The estimated and actual tax base figures will vary due to the various effects of banding appeals, new properties, demolished properties and entitlements to discounts. The net reduction of 519 Band D equivalent dwellings in 2005-2006 compares with a net reduction of 551 in 2004-2005.

2. DOUBTFUL DEBTS

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

	31.3.2005	31.3.2006
	£'000	£'000
Arrears Outstanding	3,766	4,094
Provision for non-collection	1,257	1,383

3. INCOME FROM BUSINESS RATEPAYERS

Under the Government's arrangements for uniform business rates, the Council is responsible for collecting non-domestic rates for Eastbourne, on the basis of assessed rateable values multiplied by a standard national rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. In 2005-2006 this amounted to £2.64m for Eastbourne Borough Council (£2.472m in 2004-2005).

The total non-domestic rateable value at 31st March 2006 was £65.8m and the 2005-2006 multiplier was 42.2p. The product of this is £27.8m. 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.

4. COLLECTION FUND BALANCE

The Council was owed £4.094m by Council Taxpayers at 31st March 2006, (£3.766m at 31st March 2005). All arrears continue to be actively pursued by the authority. The Council has, as a matter of prudence, made a provision of £1.383m against these arrears.

The Collection Fund Balance comprises:

31.3.2005		31.3.2006
£'000		£'000
356	Council Tax Deficit	812
356		812

Introduction

The 2005 SORP requires the following approach to group accounts:

- Identifying whether the Council has group interests.
- Deciding whether the omission of group accounts would make a material difference to the principal users of the Statement of Accounts taking into account both quantitative measures and qualitative factors.
- Deciding on the relationship as subsidiary, associate or joint venture.
- Aligning accounting policies.
- Making consolidation adjustments.
- Compiling group financial statements and related notes.

Group interests identified

New for 2005-2006 was the identification of Eastbourne Homes Ltd as a group interest. Further assessment was made as to whether the inclusion of Eastbourne Homes in the group accounts would make a material difference to the understanding of users of the accounts. As the activities of Eastbourne Homes Ltd are already incorporated within the Housing Revenue Account (page 27) it has been determined that further consolidation in the group accounts would not be required.

In discussion with the Council's auditors, the Eastbourne Bus Company Limited (Eastbourne Buses) has been identified as the only group interest for 2005-2006 and is to be accounted for as a subsidiary.

Eastbourne Buses was formed under the provisions of the Transport Act 1985. Its principle activities are the operation of bus and coach services and the provision of garage and parking facilities. At 31st March 2006, with a shareholding of 80%, the Council was the majority shareholder in the company. The other shareholder is Keolis Group who acquired a 20% shareholding under an agreement made in June 2001.

Basis of consolidation

The accounts have been consolidated using acquisition accounting on a line by line basis.

Differing Year-ends

Eastbourne Buses has prepared its accounts for the period ending 31st December 2005. As this is within three months of the Council's year-end date the SORP allows these accounts to be used.

Any changes in respect of Eastbourne Buses' undertakings in the period from 31st December 2005 to 31st March 2006 that materially effect the view given by the group accounts have been disclosed in the notes to the accounts.

Intra-group Transactions

All transactions between the Council and Eastbourne Buses that might have a material effect on the group accounts have been identified and eliminated.

Alignment of Policies

An important principle of consolidated financial statements is that they are prepared on the basis of a single set of consistent accounting policies. The 2005 SORP identifies the adjustments required to align both the Council's and Eastbourne Buses' policies.

The following adjustments in the Council's accounts are required:

- **Incorporation of profits/losses on disposal of fixed assets into Net Operating Expenditure.** For 2005-2006 a profit of £1,623,000 has been calculated on the disposal of fixed assets and incorporated within Housing and Central Services net cost of services.
- **The writing out of notional interest charges on fixed assets from the Net Cost of Services.** Notional interest charges for 2005-2006 amounted to £10,233,000 and have been removed from the net cost of services.
- **Capital contributions and government grants deferred amortisation to be posted direct to service revenue accounts.** Capital contributions of £129,000 and government grants deferred of £807,000 have been posted direct to the relevant services instead of the Asset Management Revenue Account.
- **Removal of the Asset Management Revenue Account (AMRA).** The above entries remove the need for the AMRA adjustment in the accounts. All that remains is the charge for external interest, shown as a separate item.

The following adjustments to the company's accounts are required:

- **Alignment of the company's segmental analysis to the service expenditure analysis of the Council.** Eastbourne Buses net operating loss of £86,000 for 2005 has been included with the net cost of services for Highways, Road and Transport.
- **Bringing the valuation of company assets in line with the valuation of the Council's assets.** No adjustment has been made for 2005-2006.
- **Adoption of FRS 17 – Retirement Benefits.** No adjustment required for 2005 as FRS 17 has been fully adopted. However, there are no comparison figures given for 2004.

The Group Financial Statements

The group accounts presented on the following pages show the consolidated financial position of the Council and Eastbourne Buses and comprise:

- Group Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement
- Group Statement of Total Movements on Reserves

**Group Income and Expenditure Account for the year ended
31st March 2006**

2004- 2005 Restated £'000		Gross Expenditure (Note 1) £'000	Gross Income (Note 2) £'000	2005-2006 Net Expenditure £'000
6,206	Cultural and Related Services	13,530	7,393	6,137
5,369	Environmental Services	9,376	3,618	5,758
1877	Highways, Roads and Transport (Note 3)	8,660	8,258	402
895	Planning and Development	2,082	1,577	505
1,900	Housing Services	40,657	38,317	2,340
(4,038)	Council Housing	10,637	15,240	(4,603)
1,446	Corporate and Democratic Core	3,724	2,074	1,650
145	Non Distributed Costs	654	0	654
1,342	Central Services to the Public	3,463	2,558	905
15,142	Net Cost of Services (Note 4)	92,783	79,035	13,748
25	Surplus/deficit of trading undertakings			0
2,546	Interest payable (Note 5)			2,488
2,009	Contribution of housing capital receipts to Government pool			1,418
679	Gains/losses on the repurchase or early settlement of borrowing			665
(452)	Interest and investment income (Note 5)			(320)
(149)	Pensions interest cost and expected return on pensions assets			417
(327)	Taxation of group entities			(42)
(278)	Minority Interest share of profits of subsidiary			(37)
19,195	Net expenditure before reserves movements			18,337
791	Surplus/deficit for the year transferred to/from HRA balances			218
96	Contribution to HRA Reserve			710
0	Transfer from HRA Reserve			10
0	Contribution to Major Repairs Reserve			(418)
365	Transfer to Earmarked Reserve			647
248	Contributions to/from pensions reserve			(725)
751	Reversal of Profits/losses on disposal of fixed assets			1,623
(2,009)	Transfer from Usable Capital Receipts equal to the contribution to the Government pool for housing capital receipts			(1,418)
(3,147)	Contributions to/from the capital financing reserve			(3,029)
(1,111)	Contributions in respect of subsidiary entities (Note 6)			(155)
15,179	Amount to be met from Government Grant and Local Taxes (Note 7)			15,800
(6,647)	Demands on the collection fund			(6,916)
(20)	Surpluses from Collection Fund			
(6,273)	Government grants			(6,347)
(2,472)	Distribution from the Non-domestic rate pool			(2,640)
(233)	(Surplus)/Deficit for the year			(103)
(1,000)	General fund balance b/f			(1,233)
(1,233)	General fund balance c/f			(1,336)

Notes to the Group Income and Expenditure Account:

1. Gross Expenditure

The gross expenditure of all services has been effected by the removal of notional interest which would have been within the gross expenditure in the Council's consolidated revenue account.

2. Gross Income

Government grants and capital contributions amortised have been included in the income of the relevant individual services.

3. Segmental Analysis

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

4. Disposal of Fixed Assets

Profits/losses on disposal of fixed assets have been calculated and included within net cost of services.

5. Intra-group Transactions

Interest payable by Eastbourne Buses to the Council has been treated as an intra-group transaction and eliminated from Interest Payable and Interest Receivable.

6. Appropriations

In order to reconcile the amount to be met from Government Grants and Local Taxpayers, an appropriation equal to the net consolidation adjustments is required. It reverses Eastbourne Buses' net loss after tax of £192,000 less minority interest share of £37,000.

7. Amounts to be met from Government Grants and Local Taxation

This is the same amount as that disclosed in the single entity consolidated revenue account of the Council (page 21).

Group Balance Sheet as at 31st March 2006

2004- 2005 Restated £'000		£'000	2005- 2006 £'000
	Fixed Assets		
	Intangible Assets		
219	Goodwill (Note 1)		187
0	Other Intangible Assets		404
	Operational Assets (Note 2)		
232,230	Council Dwellings		208,856
45,871	Other Land and Buildings		42,052
4,407	Vehicles, Plant, Furniture and Equipment		3,756
28,664	Infrastructure Assets		26,781
490	Community Assets		1,459
13,194	Non-operational assets		15,164
3,326	Deferred Premiums		2,661
50	Other Long Term Investments (Note 3)		50
106	Long Term Debtors		105
328,557	Total Fixed Assets		301,475
	Current Assets		
231	Stock	232	
8,033	Debtors (Note 4)	12,652	
4,000	Investments	0	
226	Cash	822	
12,490		13,706	
	Current Liabilities		
(81)	Borrowing repayable on demand or within 12 months	(82)	
(10,404)	Creditors (Note 5)	(10,459)	
(754)	Bank Overdraft	(63)	
(11,239)		(10,604)	
1,251	Net Current Liabilities		3,102
329,808	Total Assets Less Current Liabilities		304,577
(31,656)	Long Term Loans (Note 3)		(32,593)
(111)	Provisions for Liabilities and Charges		(148)
298,041	Net Assets Before Pensions Asset or Liability		271,836
(26,029)	Pensions Liability (Note 6)		(26,550)
272,012	Net Assets		245,286
	Share Premium		64
18,856	Government Grants Deferred		18,332
3,879	Capital Contributions Deferred		5,033
216,697	Fixed Asset Restatement Account		189,130
47,312	Capital Financing Account		47,039
2,222	Useable Capital Receipts		1,590
7,113	Income and Expenditure Reserve		8,779
(24,209)	Pensions Reserve		(24,720)
271,934	Group Balances and Reserves		245,247
78	Minority Interest (Note 7)		39
272,012	Total Balances and Reserves		245,286

Notes to the Group Balance Sheet:

1. Intangible Fixed Assets - Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. The goodwill shown here relates to the purchase of certain bus routes by Eastbourne Buses and is being amortised over a period of 10 years.

2. Operational Assets

Details about the fixed assets held by Eastbourne Borough Council can be found within note 1 to the Consolidated Balance Sheet (page 34). The following notes apply to the assets held by Eastbourne Buses.

Operational assets include tangible fixed assets held by Eastbourne Buses as follows:

	Leasehold Property	Plant & Machinery	Motor Vehicles	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Gross Book Value as at 01/01/05	807	524	5,128	150	6,609
Additions	0	17	108	2	127
Disposals	0	(2)	(200)	(1)	(203)
Gross Book Value as at 31/12/05	807	539	5,036	151	6,533
Depreciation					
As at 01/01/05	90	422	1,919	90	2,521
Charge for the year	12	25	454	17	508
On disposals	0	(1)	(141)	0	(142)
As at 31/12/05	102	446	2,232	107	2,887
Net Book Value As at 31/12/05	705	93	2,804	44	3,646

Finance lease agreements

Included within the net book value of £3,646,441 is £2,650,377 (2004 - £2,651,427) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £430,128 (2004 - £381,196).

3. Intra-group Balances

The Council made a debenture loan to Eastbourne Buses which shows as a long-term investment in the Council's accounts and a long-term liability in Eastbourne Buses accounts. This balance has been treated as an intra-group balance and eliminated from the group accounts.

4. Debtors

Debtors relating to Eastbourne Buses are as follows:

2004 (restated) £'000		2005 £'000
64	Trade debtors	120
93	Other debtors	216
269	Prepayments and accrued income	266
249	Deferred taxation	291
675		893

5. Creditors

Creditors relating to Eastbourne Buses are as follows:

2004 (restated) £'000		2005 £'000
0	Bank loans and overdrafts	63
469	Trade creditors	624
84	Other taxation and social security	86
449	Finance lease agreements	490
21	Other creditors	21
82	Accruals and deferred income	61
1,105		1,345

6. Pension Schemes

Eastbourne Buses operates two types of pension scheme:

1. East Sussex County Council - a final salary or defined benefit scheme.

A minority of staff, those employed prior to the company's formation in 1986, are members of the East Sussex County Council Superannuation scheme. The latest Actuarial Valuation is dated 31 March 2004. The employer's contributions to the scheme after the latest actuarial valuation are set at 19.5% of pensionable earnings of the payroll relating to scheme members for 2005/2006 to achieve a 100% funding level. This will increase to 27.1% and 34.6% for 2006/07 and 2007/08 respectively. Contributions for the year amounted to £78,623 (2004 £54,454).

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are:

	2005		2004	
	Long-term rate of return expected	Value	Long-term rate of return expected	Value
	%	£'000	%	£
Equities	7.2	5,229	7.5	4,652
Bonds	4.4	809	4.9	706
Property	5.3	760	5.5	676
Others	4.3	472	4.5	236
Total market value of assets		7,270		6,270
Present value of scheme liabilities		(9,100)		(8,090)
Net pension liability		(1,830)		(1,820)

2. Standard Life- a defined contribution pension scheme.

The company operates a defined contribution scheme. Employees contribute at 3% of salary, the employer at 4%. Contributions made by the company in the period amounted to £42,328. At 31 December 2005 an amount of £9,286 was payable in respect of this scheme

7. Minority Interest

Eastbourne Buses' financial results and balances have been consolidated in full into the group accounts to reflect the fact that the Council has 100% control over the financial and operating policies of the company. However, the ultimate rights to economic benefits for the Council are limited to those attributable to its shareholding (80%) and a proportion (20%) of the capital and reserves of the company have been identified in the accounts as attributable to the minority interest.

For further details on the accounts of Eastbourne Buses, please refer to note 3 of the Consolidated Balance Sheet on page 40 of the main accounts.

Formatted: Bullets and Numbering

Group Cash Flow Statement for the Year Ended 31st March 2006

NB: Inflows show as negative figures ()

2004-2005 £'000		2005-2006 £'000
(6,463)	Net Cash Inflow from Revenue Activities	(1,404)
	Returns on Investments and Servicing of Finance	
2,545	Interest Paid	2,487
(503)	Interest Received	(354)
2,042		2,133
NIL	Taxation	NIL
	Capital Expenditure and Financial Investment	
6,889	Purchase of Fixed Assets	7,281
1,211	Other Capital Cash Payments	1,756
(3,159)	Sale of Fixed Assets	(3,215)
(1,302)	Capital Grants Received	(2,368)
(310)	Other Capital Cash Received	(541)
3,329		2,913
(1,092)	Net Cash Inflow before Financing	3,642
	Management of Liquid Resources	
(5,000)	Net Increase/(Decrease) in Short Term Deposits	(4,000)
	Financing	
7,099	Repayments of Amounts Borrowed	82
410	Capital Element of Finance Lease	489
(1,500)	New Loans Raised	(1,500)
6,009		(929)
(83) Net (Increase)/Decrease in Cash		(1,287)

Notes:

1. Reconciliation between the net surplus/deficit on the group income and expenditure account to the revenue/operating activities net cash flow:

	2005-2006 £'000
Group (surplus)/deficit	(17)
Adjusted for:	
Non Cash Items	(5,953)
Working Capital Movements	75
Items shown elsewhere within the Cash Flow Statement	4,491
Net Cash Inflow from Revenue Activities	(1,404)

Group Statement of Total Movement on Reserves

	Fixed Asset Re-statement Account	Useable Capital Receipts	Capital Financing Account	Capital Earmarked Reserve	General Fund & Collection Fund Balance	Revenue Earmarked Reserves	Pensions Reserve	Major Repairs	HRA Balance	Gvnt Grants Deferred	Capital Contr. Deferred	Group Profit and Loss	Other Group Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance B/F	216,697	2,222	47,312	3,787	877	1,950	(24,209)	0	1,780	18,856	3,879	(1,281)	142	272,012
Net Surplus/ Deficit for Year	0	(632)	(6,040)	470	(353)	1,368	(729)	116	218	(524)	1,154	(154)	(39)	(5,145)
Unrealised Gains/ Losses on Re-valuation of Fixed Assets	(25,882)	0	0	0	0	0	218	0	0	0	0	0	0	(25,664)
Effects of Disposal of Fixed Assets	(1,685)	0	0	0	0	0	0	0	0	0	0	0	0	(1,685)
Financing of Fixed Assets	0	0	5,767	0	0	0	0	0	0	0	0	0	0	5,767
Balance C/F	189,130	1,590	47,039	4,257	524	3,318	(24,720)	116	1,998	18,332	5,033	(1,435)	103	245,285