

**Audited
Statement of Accounts
2014/15**



TABLE OF CONTENTS

FOREWORD BY CHIEF FINANCE OFFICER.....	2
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	7
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL.....	8
MOVEMENT IN RESERVES STATEMENT	11
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT.....	13
BALANCE SHEET	14
CASH FLOW STATEMENT	15
NOTES TO THE ACCOUNTING STATEMENTS	16
HOUSING REVENUE ACCOUNT (HRA)	65
COLLECTION FUND REVENUE ACCOUNT	69
GROUP ACCOUNTS	72
GROUP MOVEMENT IN RESERVES STATEMENT	73
GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT	74
GROUP BALANCE SHEET.....	75
GROUP CASH FLOW STATEMENT	76
NOTES TO THE GROUP ACCOUNTING STATEMENTS.....	77
GLOSSARY	83

FOREWORD BY CHIEF FINANCE OFFICER**INTRODUCTION**

The foreword explains the key components of the Statement of Accounts 2014/15 and provides a guide to the financial activities of the Council during the year 1 April 2014 to 31 March 2015.

THE ACCOUNTING STATEMENTS

The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2011. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, based on International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and comprises:

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

Independent Auditor's Report**The Core Accounting Statements:**

- **Movement in Reserves Statement** – this statement shows the movements in the year of the different reserves held by the Council. It also provides the interaction of the economic costs and legislation and their impact on changes in the Council's reserves, showing the true cost of the provision of Council services funded by Council Tax payers.
- **Comprehensive Income and Expenditure Statement** – this statement sets out the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
- **Balance Sheet** - this statement sets out the overall financial position of the Council as at 31 March 2015. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and incorporates the values of all assets and liabilities.
- **Cash Flow Statement** – this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Notes to the accounting statements** - required to provide more detail, in line with accounting and statutory requirements. The statement of accounting policies, which describe the underlying accounting policies and concepts used in producing the figures in the accounts, are included here.

The Supplementary Single Entry Financial Statements:

- **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 and other income.
- **Collection Fund** - this account reflects the statutory requirement to maintain a separate record of transactions in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to local authorities and the Government.

Group Accounts – These accounts show the material interests that the Council has in its subsidiary companies. The group accounts are structured in line with the Council's core accounting statements, and are accompanied by notes in the same way.

FINANCIAL RESULTS AND ACTIVITY FOR THE 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 Council Tax, Government Grants and other income. Capital expenditure is on items which have a life beyond one year and which also add value to a fixed asset (now known as non-current assets). This is financed largely by capital grants, loans and other capital contributions.

1. General Fund

All the services provided by the Council, including council housing, are shown within the Comprehensive Income and Expenditure Statement. This statement shows the equivalent of the trading position of a UK listed company in accordance with IFRS requirements, and discloses a 'surplus' for 2014/15 of £7.1m. The surplus generated by the General Fund is £1m and the HRA surplus is £6.1m. The Movement in Reserves Statement shows the movement in the year on different reserves held by the Council and the true economic cost of providing the Council's services. The entries in this Statement turn the IFRS 'surplus' together with other reserve transfers into a net decrease, over that budgeted for, in the General Fund Balance of £15,000. This is the comparable figure to the Council's stated outturn through its performance monitoring arrangements. The General Fund outturn detailed below excludes the Housing Revenue Account and for this reason does not reconcile with the statutory presentation of the Comprehensive Income and Expenditure Statement. The outturn is prepared on the basis of how the Council sets its revenue budget rather than the accounting provisions of the Code, and therefore is not presented on the same basis of the Comprehensive Income and Expenditure Statement.

The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £16.9m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council, after taking advantage of the Government's special grant to finance the cost of a 2.5% increase in Council Tax, set a Band D Council Tax for 2014/15 of £224.19, being a zero percent increase over 2013/14.

The General Fund Balance at the beginning of the year stood at £4.7m. The transfer to the General Fund Reserve of £207,000 represents the overall underspend of £15,000 plus other planned budget transfers. As a result of this movement the General Fund Balance as at 31 March 2015 was £4.9m.

The following table compares the major elements of the budget and actual for General Fund services in 2014/15. This table is presented in line with the Council's management accounts and note 19 converts it into statutory reporting requirements.

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Net Service Expenditure	14,724	14,686	13,933	(752)
Net Interest and Capital Financing	1,650	1,895	2,097	202
Transfer to (from) Reserves	-	627	425	(202)
Net Expenditure	16,374	17,208	16,455	(753)
Transfer to (from) General Fund Balance	553	222	207	(15)
Budget Requirement	16,927	17,430	16,662	(768)
Financed by				
Government Grants*	6,014	6,517	6,539	22
Council Taxpayers	7,188	7,188	7,188	-
Business Rates	3,725	3,725	2,935	(790)
Total Financing	16,927	17,430	16,662	(768)

*This does not agree to Note 17 due to the different reporting requirements.

The difference between the revised budget and the actual net expenditure were due to the following variances:

	£000
Theatres Show increase income achieved	(175)
CMT Vacancies and shared serves	(144)
Income from Crematorium and Cemeteries	(130)
Housing Benefits and recovery of HB Overpayments	(104)
Additional corporate income	(82)

One off backdated rental income	(67)
Additional net trading surplus form Solorbourne	(30)
These have been offset principally by the following favourable variances:	

Redundancy payments	224
Revenue costs of Devonshire Park project	68
Dotto Train	65
Reduction in income received from council tax costs	62
Legal resources to support new initiatives	59
Net trading loss for catering service	53

The remainder of the favourable variance was due to an accounting adjustment for the provision for bad debts allowed for on Housing Benefit overpayments.

Income from financing decreased due to lower than expected government grants received to support business rates reliefs and government support to compensate below inflation increases charged to business ratepayers.

2. Housing Revenue Account

The Council continues to be the major provider of rented accommodation in the borough and it transferred responsibility for the management of the housing stock to Eastbourne Homes Ltd (EHL), an arm's length management organisation, on 1 April 2005.

At 31 March 2015 there were 3,428 dwellings provided 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 2014/15 the Housing Revenue Account net position shows an overall surplus of £446,000 for the year against an expected budgeted surplus of £308,000 resulting in a favourable variance of £138,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2014/15:

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Total Expenditure	12,596	12,595	11,720	(875)
Total Income	(15,357)	(15,357)	(15,408)	(51)
Net cost of Service	(2,761)	(2,762)	(3,688)	(926)
Capital Financing less interest receivable	1,953	1,954	1,969	15
Transfer to Earmarked Reserves	500	500	1,273	773
Housing Revenue Account Surplus	(308)	(308)	(446)	(138)
Opening Balance 1 April 2014	(2,704)	(2,704)	(2,704)	-
Closing Balance 31 March 2015	(3,012)	(3,012)	(3,150)	(138)

The overall variance was due to savings on voids cost (£88k) and insurance premiums and excess claims (£22k), however there were also the following changes that affect the variance analysis:

- During 2014/15 a budget virement was approved of £433,500 from capital financing from revenue and depreciation to cover the increased costs to EHL following an increase in the value of revenue voids and the revenue overheads from the repairs contract due to a shift from capital following a review of the accounting allocation of actual work flows. This resulted in a reduction of capital expenditure recharged to the Council thus the budgeted funding available for capital was not required.
- Depreciation charged to the HRA is transferred the Major Repairs Reserves to fund the cost of major works capital expenditure, as the actual calculated cost of depreciation produced was lower than the budget by £700,000, this was transferred to the Housing Regeneration and Investment Reserve to support capital expenditure over the life of the HRA 30 year business plan.

3. Collection Fund

The Council has, by law, to maintain a specific account called the Collection Fund which records all income from Council Tax and Non-Domestic Rates and its distribution to the major precepting authorities, being Central Government, East Sussex County Council, Sussex Police, East Sussex Fire Authority and Eastbourne Borough Council.

The overall Collection Fund is showing a deficit of £1.3m as at 31 March 2015 (compared to a deficit of £3.1m as at 31 March 2014). This change in the balance is as a result of the partial recovery of the deficit from major preceptors during 2014/15 and the reduction in the provision required for business rate appeals as the valuation office settle outstanding appeals.

Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2015 forecast surplus for the Council Tax element of the fund of £179,570 will be distributed to precepting bodies pro rata to their Band D Council Tax during 2015/16 leaving a balance of £267,790 to be distributed in 2016/17. This Council's share as at 31 March 2015 was £60,930.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the area. It does however, also increase the financial risk due to non-collection and the volatility of the Business Rates Tax Base.

The scheme allows the Council to retain a proportion of the total business rate income received. The Council's share is 40% with the remainder paid to central government (50%), East Sussex County Council (9%) and East Sussex Fire (1%).

The forecast deficit for the Business Rate element of the fund was £1.3m, which will be collected from preceptors in proportion to their share of the business rate income during 2015/16 leaving a balance of £494,000 to be collected in 2016/17. This Council's share as at 31 March 2015 was £715,800.

4. Capital Spending

The Council's capital spending in the year was £17.6m compared with a revised budget of £19.1m. Capital expenditure has been financed as follows:

	£000
Capital Receipts	1,983
Earmarked Reserves	1,853
Government Grants & Contributions	3,026
Major Repairs Reserve	3,594
Revenue Financing	257
Financed from borrowing	6,871
Total	17,584

The main items of capital expenditure are set out below:

	Budget	Actual	Variance
	£000	£000	£000
Council Dwelling Improvements & Building	11,647	10,463	(1,184)
Solar Panel Installations	250	304	54
Grants to Provide Disabled Facilities & Private Sector Renewal Grants	575	668	93
Asset Improvements	3,091	2,651	(440)
Playground & Sports Facilities Improvements	881	799	(82)
Future Model & Agile Working	1,503	1,451	(52)
Waste Bins & Beach Management	541	426	(115)
Other Schemes	587	822	235
Total Capital Expenditure	19,075	17,584	(1,491)

The Council continues to invest in assets to support the local community and economy. The most significant planned capital schemes are:

- Improvements to the Council's housing stock;
- Economic regeneration;
- Asset improvements.

5. Pensions

The Council's liability for future pension payments has increased from £36.3m to £39.6m. This was mainly as a result of a net reduction in the net discount rate from 4.1% to 3.1%; the negative impact has been partly offset by the positive asset return achieved. The Defined Benefit Obligations have increased by £13.3m from £122m to £135.3m and the net asset value has increased by £10m from £85.7m to £95.7m. It is important to realise that this accounting change does not trigger an immediate change in contribution rates, as these are assessed with a longer term view of liabilities and of investment performance.

6. Loans and Investments

The Council's external loan debt at 31 March 2015, comprising long and short-term borrowing, stood at £48.3m. This is made up of £46.0m repayable in more than one year and £2.3m repayable in less than one year. This is a net increase of £6.8m over the previous year, mainly as a result of additional borrowing.

No short-term investments were held at 31 March 2015 compared with £0.1m in the previous year. The Council held cash balances as at 31 March 2015 of £6.1m, which includes call deposit accounts and investments with maturity of up to one month, compared to £1.1m as at 31 March 2014. The increase in cash balances was mainly due to new borrowing to take advantage of historically low interest rates as part of the Council's Treasury Management Strategy.

7. Current Economic Climate

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The 2015/16 budget has been set against an improving economic background. The Council's medium term financial strategy sets out its spending plans for the period 2015/16 to 2017/18. In common with other local authorities a reduction in funding received from Central Government each year has been built in to future spending plans. The Council continues to set a balanced budget without the need to draw down from reserves to support on going expenditure.

FUTURE DEVELOPMENTS

Universal Credit

Universal Credit is one of the key benefit changes introduced by the Welfare Reform Act 2012. This will see the introduction of a single benefit to replace six benefits currently paid by Department for Work and Pensions, HM Revenue and Customs and local authorities. This includes Housing Benefit currently paid by local authorities. Universal Credit will have an impact on the Council as it will no longer be responsible for the payment of Housing Benefit in the majority of cases.

Universal Credit went live in Eastbourne on 1 June 2015, although in the first year following implementation it will have a minor impact, with no more than 900 residents expected to move onto Universal Credit.

FURTHER INFORMATION

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

Alan Osborne
Chief Finance Officer
Statutory Section 151 Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**The Council's Responsibilities****The Council is required to:**

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

The Statement of Accounts presents the true and fair financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Alan Osborne
Chief Finance Officer
Statutory Section 151 Officer

Date 23 September 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL

To follow

MOVEMENT IN RESERVES STATEMENT

	General Fund	HRA Balance	Earmarked Reserves (note 18)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (note 33)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	(3,919)	(2,179)	(3,444)	(2,671)	(3,451)	(5,001)	(20,665)	(148,378)	(169,043)
Movement in Reserves 2013/14									
(Surplus) or deficit on provision of services (accounting basis)	4,615	(2,166)	-	-	-	-	2,449	-	2,449
Revaluation gains on non current assets added to the Revaluation Reserve	-	-	-	-	-	-	-	(249)	(249)
Re-measurement of the net defined benefit liability	-	-	-	-	-	-	-	6,504	6,504
Total Comprehensive Expenditure and Income	4,615	(2,166)	-	-	-	-	2,449	6,255	8,704
Adjustments between accounting basis & funding basis under regulations (note 7)	(7,227)	1,088	-	2,365	(1,558)	801	(4,531)	4,531	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,612)	(1,078)	-	2,365	(1,558)	801	(2,082)	10,786	8,704
Transfers (to)/from Earmarked Reserves (note 18)	1,844	553	(2,397)	-	-	-	-	-	-
(Increase) / Decrease in Year	(768)	(525)	(2,397)	2,365	(1,558)	801	(2,082)	10,786	8,704
Balance at 31 March 2014 carried forward	(4,687)	(2,704)	(5,841)	(306)	(5,009)	(4,200)	(22,747)	(137,592)	(160,339)

	General Fund	HRA Balance	Earmarked Reserves (note 18)	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (note 33)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in Reserves 2014/15									
Surplus on provision of services (accounting basis)	(1,027)	(6,090)	-	-	-	-	(7,117)	-	(7,117)
Revaluation gains on non current assets added to the Revaluation Reserve	-	-	-	-	-	-	-	(4)	(4)
Re-measurement of the net defined benefit liability	-	-	-	-	-	-	-	2,140	2,140
Total Comprehensive Expenditure and Income	(1,027)	(6,090)	-	-	-	-	(7,117)	2,136	(4,981)
Adjustments between accounting basis & funding basis under regulations (note 7)	416	5,533	-	306	(480)	(1,327)	4,448	(4,448)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(611)	(557)	-	306	(480)	(1,327)	(2,669)	(2,312)	(4,981)
Transfers (to)/from Earmarked Reserves (note 18)	399	111	(510)	-	-	-	-	-	-
(Increase) / Decrease in Year	(212)	(446)	(510)	306	(480)	(1,327)	(2,669)	(2,312)	(4,981)
Balance at 31 March 2015 carried forward	(4,899)	(3,150)	(6,351)	-	(5,489)	(5,527)	(25,416)	(139,904)	(165,320)

This statement shows the movements in the year on the different reserves held by the Council, analysed into "usable reserves" (those that can be used immediately to fund expenditure or to reduce local taxation) and other reserves. The purpose of individual reserves is set out in Note 2.19, and more details are given for earmarked and unusable reserves in Notes 18 and 33 respectively. The line entitled "Surplus or (deficit) on provision of services (accounting basis)" shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the amounts required by statute to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The line entitled "Net (Increase) / Decrease before Transfers to Earmarked Reserves" shows the statutory General Fund Balance and the Housing Revenue Account balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14			Note	2014/15		
Exp.	Income	Net		Exp.	Income	Net
£000	£000	£000		£000	£000	£000
2,805	(1,161)	1,644		2,955	(962)	1,993
12,177	(9,142)	3,035		17,023	(9,627)	7,396
8,588	(3,170)	5,418		7,632	(3,302)	4,330
1,991	(504)	1,487		2,128	(535)	1,593
334	(515)	(181)		393	(527)	(134)
4,451	(15,100)	(10,649)		2,485	(15,908)	(13,423)
54,935	(52,558)	2,377		54,911	(53,357)	1,554
2,090	(174)	1,916		1,911	(128)	1,783
1,562	(303)	1,259		734	(340)	394
88,933	(82,627)	6,306		90,172	(84,686)	5,486
193	-	193		193	-	193
250	-	250		250	-	250
10,885	-	10,885		5,276	-	5,276
11,328	-	11,328		5,719	-	5,719
2,066	-	2,066	26	2,253	-	2,253
1,290	-	1,290	34	1,481	-	1,481
-	(80)	(80)	26	-	(207)	(207)
-	(394)	(394)	23	(139)	(420)	(559)
1,343	(1,323)	20	16	1,386	(1,364)	22
4,699	(1,797)	2,902		4,981	(1,991)	2,990
-	(8,223)	(8,223)	17	-	(11,439)	(11,439)
-	(7,267)	(7,267)		-	(7,259)	(7,259)
9,663	(12,260)	(2,597)		10,326	(12,940)	(2,614)
9,663	(27,750)	(18,087)		10,326	(31,638)	(21,312)
		2,449				(7,117)
		(249)	33			(4)
		6,504	34			2,140
		6,255				2,136
		8,704				(4,981)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation in order to cover expenditure in accordance with regulations, and this definition of expenditure may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

BALANCE SHEET

31 March 2014		Notes	31 March 2015	
£000			£000	£000
215,881	Property, Plant & Equipment	21	226,046	
13,114	Heritage Assets	22	13,114	
1,626	Investment Property	23	2,076	
3,098	Intangible Assets	24	3,777	
1,150	Long Term Investments	26	238	
2,261	Long Term Debtors	29	3,297	
237,130	Long Term Assets			248,548
606	Assets Held for Sale	25	-	
100	Short Term Investments	26	-	
211	Inventories	28	145	
10,385	Short Term Debtors	29	10,472	
1,125	Cash and Cash Equivalents	26	6,112	
12,427	Current Assets			16,729
(5,466)	Short Term Borrowing	26	(2,282)	
(8,696)	Short Term Creditors	30	(9,276)	
(654)	Short Term Provisions	31	(418)	
(121)	Revenue Grants Receipts in Advance	17	(602)	
(14,937)	Current Liabilities			(12,578)
(1,904)	Long Term Creditors	15	(1,747)	
(36,028)	Long Term Borrowing	26	(46,050)	
(36,349)	Other Long Term Liabilities	34	(39,582)	
(74,281)	Long Term Liabilities			(87,379)
160,339	NET ASSETS			165,320
(22,747)	Usable Reserves	32	(25,416)	
(137,592)	Unusable Reserves	33	(139,904)	
(160,339)	TOTAL RESERVES			(165,320)

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

Alan Osborne
Chief Finance Officer

CASH FLOW STATEMENT

2013/14		2014/15	
£000		£000	£000
(10,161)	Taxation	(9,776)	
(57,204)	Government grants	(58,479)	
(5,179)	Housing rents	(5,556)	
(11,094)	Goods sold and services rendered	(11,376)	
(73)	Interest received	(88)	
(9,864)	Other receipts	(9,161)	
(93,575)	Cash inflows from operating activities		(94,436)
10,619	Employees	10,723	
42,020	Housing Benefit paid	42,171	
242	Capital Receipts Pool	245	
29,297	Payments for goods and services	26,454	
2,043	Interest paid	2,255	
4,551	Other operating costs	4,657	
88,772	Cash outflows from operating activities		86,505
(4,803)	Net Cash Flows from operating activities		(7,931)
12,252	Purchase property, plant & equipment, Investment property and intangible assets	17,710	
16,000	Purchase of short and long term investments	2,000	
1,850	Other investing activities	-	
(1,949)	Sales of property, plant & equipment, Investment property and intangible assets	(2,713)	
(16,000)	Sale of short and long term investments	(2,100)	
(991)	Other investing receipts	(3,881)	
11,162	Net cash outflows from investing activities		11,016
(8,250)	Cash receipts of borrowing	(15,000)	
6,272	Repayments of borrowing	8,163	
1,651	Other financing activities	(1,235)	
(327)	Net cash inflows from financing activities		(8,072)
6,032	Net (increase) / decrease in cash and cash equivalents		(4,987)

The balances of cash and cash equivalents are shown below:

2013/14			2014/15		
1.4.13	31.3.14	Movement	1.4.14	31.3.15	Movement
£000	£000	£000	£000	£000	£000
433	248	(185)	248	2,087	1,839
24	27	3	27	25	(2)
6,700	850	(5,850)	850	4,000	3,150
7,157	1,125	(6,032)	1,125	6,112	4,987
		Total Cash and Cash Equivalents			

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

NOTES TO THE ACCOUNTING STATEMENTS**1. CHANGES TO ACCOUNTING POLICIES AND TO PREVIOUS YEAR'S FIGURES**

- There have been no changes to accounting policies requiring amendment to previous years figures.

2. ACCOUNTING POLICIES**2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the end of 31 March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, which is based on International Financial Reporting Standards and the Service Reporting Code of Practice 2014/15. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. They are prepared on a going concern basis.

2.2 Accruals of Expenditure and Income

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

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

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

Housing Rents is billed and accounted for on a weekly basis, at the start of each week. No adjustment is made at year end to record income to 31 March.

Housing Benefit Payments are made on a weekly basis. No adjustment is made to the accounts at year end to record payments to 31 March unless the adjustment is material.

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

2.3 Cash and Cash Equivalents

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

2.4 Contingent Assets

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

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

2.5 Contingent Liabilities

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

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

2.6 Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment Benefits

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

- The liabilities of the East Sussex County Council pension scheme attributable to this Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
 - Liabilities are discounted to their value at current prices, using a discount rate of 3.1% (based on the indicative rate of return on the iBoxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 4.1%.
 - We include the assets of the East Sussex County Council Pension Fund attributable to this Council in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
 - The change in the net pensions liability is analysed into the following components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past services costs – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributed Costs;
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurement comprising:
- the return on plan assets – excluding amounts included in net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the East Sussex County Council's Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the Council to charge the General Fund Balance with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant

accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and the amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

2.7 Events after the Reporting Period

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

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

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

2.8 Exceptional Items and Prior-Period Adjustments

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

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

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

2.9 Financial Instruments

Financial Assets

The term "financial asset" covers cash, equity instruments, and beneficial contractual rights to receive or exchange cash or liabilities.

Loans and Receivables

The majority of the Council's investments come within the category of "loans and receivables". These are financial assets that have fixed or determinable payments, and are not quoted in an active market. The Council's balance sheet includes five groups of financial assets:

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

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

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

Available for Sale Assets

The council holds equity investment in the entities Welbeing and CloudConnX. These investments do not have fixed or determinable payments and are accounted for as Available for Sale Assets. These entities have not paid any dividends to date and during their initial start-up phase the valuation cannot be measured reliably. Therefore these investments are carried at cost.

Financial Liabilities

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

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

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

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

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

2.10 Government Grants and Other Contributions

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

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

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

Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.11 Property Plant and Equipment

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

Categories

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

Recognition

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

Measurement

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

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

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

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

Impairment

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

Depreciation

Depreciation is provided for on all assets with a determinable finite life by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a

determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

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

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

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

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

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

Componentisation

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

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

2.12 Heritage Assets

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

Art Collection

The art collection includes paintings and sketches and is reported in the Balance Sheet at insurance value, which was based on the external valuation carried out in 2012/13. The art collection will be revalued every 10 years, with an annual impairment review. The art collection is deemed to have

indeterminate life and a high residual value, hence we do not consider it appropriate to charge depreciation.

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

Local History Collection

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

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 2.12. We will occasionally dispose of Heritage Assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 2.12).

2.13 Investment Property

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

2.14 Intangible assets

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

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

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

2.15 Leases

Definition of a Lease

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

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

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

Finance Leases – Council Acting as Lessee

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

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

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

Operating Leases – Council Acting as a Lessee

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

Operating leases – Council acting as a lessor

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

2.16 Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

2.17 Provisions

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

- The Council has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

2.18 Reserves

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

Usable reserves comprise the following:

- Capital Receipts Reserve: proceeds from the sales of Property, Plant and Equipment are initially credited to the Comprehensive Income and Expenditure Statement, but are transferred to this reserve. The Council is obliged to pay over a proportion of proceeds received from the sale of Housing Revenue Account assets: this is paid from the Comprehensive Income and Expenditure Statement, but a corresponding transfer is made from the Capital Receipts Reserve to ensure that this liability does not fall upon the General Fund. The remaining amounts in this reserve can then only be used to support capital expenditure.
- Capital Grants and Contributions Unapplied Reserve: similarly the Council receives grants and contributions towards capital expenditure, and, if there are no conditions preventing their use, these are also credited to the Comprehensive Income and Expenditure Statement and immediately transferred into the Capital Grants and Contributions Unapplied Reserve until required to finance capital investment.
- Earmarked Reserves: the Council may set aside earmarked reserves to cover specific projects or contingencies. These are transferred from the General Fund or the Housing Revenue Account, and amounts are withdrawn as required to finance such expenditure. There are no restrictions on the use of earmarked reserves, and unspent balances can be taken back to the General Fund in the same way.
- Housing Revenue Account: this is required to be maintained separately by legislation, to ensure that the provision of council housing is financed primarily from rental income and not from Council Tax.
- Major Repairs Reserve: this was established by the Local Authorities (Capital Finance and Accounts) Regulations 2000. An amount equal to the total depreciation for the year for HRA properties is transferred to the reserve from the Capital Adjustment Account, and an amount equal to the Major Repairs Allowance can be used to finance capital investment.
- General Fund: this represents all other usable reserves, without legal restrictions on spending, which arise from annual surpluses or deficits.

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

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

- Accumulated Absence Account: this represents the estimated value of annual leave accrued but not taken by staff as at 31 March.

2.19 Revenue Expenditure Financed From Capital Under Statute

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

2.20 Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the service.

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

2.21 Value Added Tax

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

2.22 Inventories and Long Term Contracts

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

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

2.23 Interests in Companies and Other Entities

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

The council also holds immaterial interests in two associated entities:

- Welbeing - 49% voting rights and 21% non-voting rights;
- CloudConnX – 25% of voting B Shares.

As these are not material they have not been consolidated into the Group Accounts and have been included as Available for Sale Financial Assets in the council's single entity accounts.

3. ACCOUNTING POLICIES ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services,

but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Welbeing has been deemed an associate rather than a subsidiary following an assessment under the determination of control as set out in IFRS 10.
- The Chief Finance Officer and Financial Services Manager conduct an annual review using the criteria set out in IAS 37, to decide what, if any, provision should be included in the accounts for: liabilities of uncertain timing or amount (provisions); or liabilities whose occurrence will only be confirmed by one or more uncertain future events (contingent liabilities). Contingent liabilities have been estimated based on past experience and legal advice provided.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment - Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £180,000 for every year that useful lives had to be reduced.

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the

real discount rate assumption would result in an increase in the pension liability of £12.8m, a 1 year increase in member life expectancy would increase the pension liability by £4.1m, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £3.2m and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £9.4m.

Arrears - At 31 March 2015, the Council had a balance of all debtors for £18,553,000. A review of significant balances suggested that an impairment of doubtful debts of £4,784,000 was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Business Rates - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2015. There is a risk that future appeals will exceed the estimation. A 1% increase in successful appeals would result an increase in the provision required of £194,000.

6. EVENTS AFTER THE BALANCE SHEET DATE

On 8 July 2015 the UK chancellor announced a number of proposals that will impact on housing authorities including a change to the convergent rents formula that will be replaced with a formula that requires a 1% decrease in rents each year, for four years, commencing from 1 April 2016. This event occurred after the balance sheet date and does not provide additional information about, nor represent a change in, conditions that existed at that date. Therefore, in accordance with International Accounting Standard 10 "Events after the reporting period", the Government's budget statement is a non-adjusting post balance sheet event.

The financial statements do not reflect the possible financial consequences of the matters described below.

As per accounting policy 2.12, the Council carries its social housing properties at valuation. This valuation is determined as the Existing Use Value – Social Housing (EUV-SH). EUV-SH takes into account that the Council has committed to use the housing assets for social housing purposes and so represents a lower value than would be applied to comparable housing in the private sector. Overall it is expected that Government's intentions will lead to a revaluation loss to be recognised in the 2015/16 financial statements, however, until further details of the intentions are made available the Council has been unable to determine the specific details of the financial impact.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

	General Fund £000	HRA Balance £000	Major Repairs Reserve £000	Capital Receipts £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Note 33) £000
2013/14 Transactions:							
ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Charges for depreciation and impairment of non-current assets	1,573	3,673	-	-	-	5,246	(5,246)
Revaluation losses on Property Plant and Equipment	(2,475)	(113)	-	-	-	(2,588)	2,588
Amortisation of intangible assets	(444)	(13)	-	-	-	(457)	457
Capital Grants and contributions applied	-	-	-	-	663	663	(663)
Revenue expenditures funded from capital under statute	(1,069)	-	-	-	641	(428)	428
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,663)	(8,169)	-	-	-	(12,832)	12,832
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the financing of capital investment	1,058	-	-	-	-	1,058	(1,058)
Capital expenditure charged to the General Fund Balance and HRA Balances	27	468	-	-	-	495	(495)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED							
Capital grants and contributions received credited to the Comprehensive Income and Expenditure Statement	935	37	-	-	(972)	-	-
Capital grants and contributions applied to finance capital expenditure charged to the Comprehensive Income and Expenditure Statement	-	-	-	-	469	469	(469)
ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	285	1,663	-	(1,948)	-	-	-
Use of Capital Receipts to finance new capital expenditure	-	-	-	144	-	144	(144)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(250)	-	-	250	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(2)	-	(2)	2

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 33)
ADJUSTMENT PRIMARILY INVOLVING THE DEFERRED CAPITAL RECEIPTS RESERVE							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	-	-	-	(2)	-	(2)	2
ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE							
Reversal of the Major Repairs Allowance credited to the HRA	-	3,392	(3,392)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	5,757	-	-	5,757	(5,757)
ADJUSTMENT PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT							
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	149	-	-	-	149	(149)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,055)	(6)	-	-	-	(3,061)	3,061
Employer's pensions contributions and direct payments to pensioners payable in the year	2,054	7	-	-	-	2,061	(2,061)
ADJUSTMENT PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements	(1,254)	-	-	-	-	(1,254)	1,254
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT							
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	51	-	-	-	-	51	(51)
Total Adjustments 2013/14	(7,227)	1,088	2,365	(1,558)	801	(4,531)	4,531

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 33)
2014/15 Transactions:							
ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Charges for depreciation and impairment of non-current assets	(2,758)	10,029	-	-	-	7,271	(7,271)
Revaluation losses on Property Plant and Equipment	(922)	(3,755)	-	-	-	(4,677)	4,677
Movements in the fair value of investment properties	139	-	-	-	-	139	(139)
Amortisation of intangible assets	(614)	(13)	-	-	-	(627)	627
Grants and contributions applied	-	-	-	-	1,037	1,037	(1,037)
Revenue expenditure funded from capital under statute	(705)	-	-	-	668	(37)	37
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(279)	(7,710)	-	-	-	(7,989)	7,989
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the financing of capital investment	1,131	-	-	-	-	1,131	(1,131)
Capital expenditure charged against the General Fund and HRA balances	880	1,222	-	-	-	2,102	(2,102)
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL GRANTS UNAPPLIED							
Capital grants and contributions applied to finance expenditure charged to the Comprehensive Income and Expenditure Statement	3,643	405	-	-	(4,048)	-	-
Capital grants and contributions applied to finance capital expenditure	-	-	-	-	1,016	1,016	(1,016)
ADJUSTMENT PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	648	2,065	-	(2,713)	-	-	-
Use of Capital Receipts to finance new capital expenditure	-	-	-	1,983	-	1,983	(1,983)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(250)	-	-	250	-	-	-

	General Fund	HRA Balance	Major Repairs Reserve	Capital Receipts	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves (Note 33)
ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE							
Reversal of the Depreciation credited to the HRA	-	3,288	(3,288)	-	-	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	3,594	-	-	3,594	(3,594)
ADJUSTMENTS PRIMARILY INVOLVING THE PENSIONS RESERVE							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,248)	(8)	-	-	-	(3,256)	3,256
Employer's pensions contributions and direct payments to pensioners payable in the year	2,155	9	-	-	-	2,164	(2,164)
ADJUSTMENT PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with statutory requirements	575	-	-	-	-	575	(575)
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT							
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	21	1	-	-	-	22	(22)
Total Adjustments 2014/15	416	5,533	306	(480)	(1,327)	4,448	(4,448)

8. PRIOR PERIOD ADJUSTMENTS

There are no prior period adjustments.

9. AGENCY ARRANGEMENTS

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

10. AUDIT FEES

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

2013/14		2014/15
£000		£000
90	Fees payable with regard to external audit services carried out by the appointed auditor	90
13	Fees payable to the appointed auditor for the certification of grant claims and returns	11
2	Fee payable in respect of other services provided by the appointed auditor*	2
-	Fees payable to the Audit Commission*	2
(12)	Audit Commission Rebate	(9)
103		96

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

11. MEMBERS' ALLOWANCES

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

2013/14		2014/15
£000		£000
130	Members' Allowances	135
3	Conference and Travelling Expenses	2
133		137

12. OFFICERS' REMUNERATION**Senior Management Remuneration**

		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	2014/15	113,330	3,850	22,849	140,029
	2013/14	107,125	3,850	24,853	135,828
Deputy Chief Executive (to June 2014)	2014/15	27,720	850	4,973	33,543
	2013/14	94,019	3,400	21,535	118,954
Chief Finance Officer - now Deputy Chief Executive from December 2014	2014/15	91,464	707	18,434	110,605
	2013/14	83,362	250	19,340	102,952
Senior Head of Community	2014/15	72,688	6,082	14,611	93,381
	2013/14	66,155	2,832	15,348	84,335
Senior Head of Tourism and Leisure (to August 2014)	2014/15	25,609	1,096	5,147	31,852
	2013/14	66,155	2,832	15,348	84,335
Senior Head of Tourism and Enterprise (from February 2015)	2014/15	8,712	346	1,751	10,809
	2013/14	-	-	-	-
Senior Head of Environment and Development	2014/15	71,201	-	14,312	85,513
	2013/14	68,074	-	15,793	83,867
Senior Head of Projects, Performance and	2014/15	64,035	2,832	12,871	79,738
	2013/14	-	-	-	-

Technology*					
Senior Head of Corporate Development and Governance*	2014/15	56,620	2,832	11,381	70,833
	2013/14	-	-	-	-

* Existing posts became part of Senior Management structure from December 2014; salary given relates to full year.

It should be noted that the figures for the Chief Executive include fees payable for the role of Returning Officer for electoral purposes. The amounts fluctuate between years, depending on what elections fall due during the financial year. The amount paid in 2014/15 was £4,205 compared to £6,301 in 2013/14.

The Deputy Chief Executive provides services for the council, Lewes District Council and Eastbourne Homes Ltd. He is formally employed by the council. Lewes District Council and Eastbourne Homes Ltd are recharged 40% and 20% respectively of his salary and on costs.

With effect from 21st July 2014 the Senior Head of Community Services took on the role of Managing Director for Eastbourne Homes. He is formally employed by the council and Eastbourne Homes Ltd is recharged 50% of his salary and on costs.

The Senior Head of Regeneration, Planning and Assets (part of the senior management team) is employed by Lewes District Council and a recharge is made to the council for their time. Their remuneration has been excluded from the table above.

Remuneration Bands

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

Remuneration Band	2013/14	2014/15
	Number of Employees	Number of Employees
£50,000 - £54,999	5	3
£55,000 - £59,999	1	4 (1)
£60,000 - £64,999	2	-
£65,000 - £69,999	1 (1)	-
£70,000 - £74,999	1 (1)	-
Total	10 (2)	7 (1)

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

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £	2014/15 £
£0 - £20,000	11	3	-	6	11	9	74,785	67,797
£20,001 - £40,000	2	-	-	-	2	-	61,932	-
£40,001 - £60,000	1	-	-	-	1	-	41,813	-
Total cost included in bandings							178,530	67,797
Add: Amounts provided for in CIES not included in bandings							45,325	238,307
Total	14	3	-	6	14	9	223,855	306,104

The Comprehensive Income and Expenditure Statement includes a sum of £238,307 which has been agreed and is payable to 15 members of staff, where the decision has been taken to make the posts redundant but who have not yet left the council (£45,325 for 2 members of staff in 2013/14). These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

13. RELATED PARTIES

13.1 Definition

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

13.2 Central Government

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

13.3 East Sussex Pension Scheme

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

13.4 Eastbourne Homes Limited

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

The Council pays Eastbourne Homes Ltd a fee in accordance with the management agreement. In 2014/15 this fee was £7.148m, covering supervision and management and repairs. This compares with £6.815m paid in 2013/14. In addition, Eastbourne Homes Ltd obtains services from the Council under various Service Level Agreements. At the end of the year the Council owed Eastbourne Homes Ltd £1,247,000 (£2,536,000 at 31 March 2014), while Eastbourne Homes Ltd owed the Council £435,000 (£50,000 at 31 March 2014).

The company's accounts are consolidated into the Group Accounts. Copies of Eastbourne Homes Ltd's annual report and accounts can be obtained from their registered office at 1 Grove Road, Eastbourne, BN21 4TW.

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

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

The Council is an investor in Welbeing Ltd, a company limited by shares. The Council has a minority voting interest following the purchase of 49% of voting shares on 19 December 2013 at par value of £238,000. The Council also loaned the company £912,000 (at an initial coupon rate of 8% increasing by 0.5% annually until 1 January 18). This instrument in shares and loans totals £1,269,000 which includes capitalised interest of £119,000.

13.6 Eastbourne Leisure Trust

The Eastbourne Leisure Trust was set up to oversee the management and operation of the Sovereign Centre and Motcombe Pool, on which it holds a 15-year lease starting in 2004. The Trust is set up as an Independent Provident Society, without any local authority members. Members of staff at these centres are jointly employed by the Trust and the contractor, Serco. During the year Eastbourne Leisure Trust paid the Council £83,000 (2013/14 £83,000).

13.7 Members and senior officers

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 11. Seven members are also members

of East Sussex County Council. Grants totalling £73,000 (£76,000 in 2013/14) were paid to voluntary organisations in which 4 Members (4 Members in 2013/14) had positions on the governing body.

	2013/14	2014/15
	£000	£000
3VA Voluntary Action Eastbourne	31	31
Age Concern Eastbourne	-	8
Eastbourne & Wealden YMCA	40	-
Hampden Park Community Association	5	5
Langney Community Centre	-	10
Salvation Army	-	19
Total	76	73

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

During 2014/15 works and services to the value of £56,000 (£45,000 in 2013/14) were commissioned from Jordan's Productions, a company in which one officer had an interest.

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

13.8 CloudConnX

The Council is a minority (25% B class) shareholder in CloudConnX. The shares had only nominal value at the balance sheet date. In addition as at 31 March 2015 the Council has provided a commercial loan of £357,000 (£357,000 in 2013/14). Interest is charged on the loan at 1.5% above base rate for the loan period 2013-18. The Council's Chief Executive has been appointed a Director of the company.

14. LEASING

14.1 Operating leases – Council acting as lessor

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

2013/14		2014/15
Minimum Lease		Minimum Lease
Income		Income
£000		£000
951	Within one year	899
3,077	Between two and five years	2,821
39,795	Later than five years	38,279
43,823	Total	41,999

The lease income relates to various land and buildings owned by the Council and leased out on varying terms and conditions. The longest lease expires in 2111. The total rental income recognised in the Comprehensive Income and Expenditure Statement for 2014/15 was £1,387,000 (£1,249,000 in 2013/14). The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

15. OBLIGATIONS UNDER LONG TERM LEASES

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 13.6, to Eastbourne Leisure Trust for a period of 15 years from 2004. The Leisure Trust employs SERCO Leisure to manage the centres on a day to day basis. The Council retains the ownership of the centres, and also retains responsibility for their maintenance and improvement. These functions are also contracted to SERCO Leisure under contracts expiring in 2019/20. The Council has entered into three long term credit sale agreements with SERCO to renovate and improve the centres and to purchase items of capital equipment. The table below sets out the movements in the Council's obligations up to the end of 2014/15, and shows the projected repayments and amounts scheduled to be drawn down for 2015/16.

	Agreement 1	Agreement 2	Agreement 3	Total
Starting Date	October 2004	June 2008	June 2009	
Completion Date	May 2019	April 2019	April 2019	
	£000	£000	£000	£000
Total credit sales facility	2,614	350	250	3,214
Liability outstanding 31 March 2014	(894)	(195)	(157)	(1,246)
Drawn down 2014/15	(288)	-	-	(288)
Interest charge for 2014/15	(128)	(14)	(11)	(153)
Gross repayments for 2014/15	315	47	38	400
Liability outstanding 31 March 2015	(995)	(162)	(130)	(1,287)
Remaining facility 31 March 2015	32	-	-	32

2013/14		2014/15		
Future Minimum Payments	Future Lease Liabilities	Future Minimum Payments	Future Lease Liabilities	
£000		£000		
399	(249)	399	(265)	Within one year
1,597	(938)	1,257	(1022)	Between two and five years
60	(59)	-	-	Later than five years
2,056	(1,246)	1,656	(1,287)	Total

The Council has a long term credit agreement with Steria, for the implementation of a programme of projects, including the Council's Agile project. The agreement started 1 January 2007 and expires 31 December 2021. Steria provide services and equipment which is being repaid over 15 years.

	£000
Total credit sales facility	2,710
Liability outstanding 31 March 2014	(1,085)
Drawn down 2014/15	-
Interest charge for 2014/15	-
Gross repayments for 2014/15	180
Liability outstanding 31 March 2015	(905)
Remaining facility 31 March 2015	473

2013/14		2014/15		
Future Minimum Payments	Future Lease Liability	Future Minimum Payments	Future Lease Liability	
£000		£000	£000	
181	(126)	187	(123)	Within one year
782	(545)	806	(530)	Between two and five years
595	(414)	384	(252)	Later than five years
1,558	(1,085)	1,377	(905)	Total

Amounts payable within one year are included in short term creditors and amounts payable in more than one year are included in long term creditors.

16. TRADING OPERATIONS

The Council has two trading operations; solar panel installation programme and catering. Trading operation results are incorporated into the Comprehensive Income and Expenditure Statement as Financing and Investment Income and Expenditure.

The Council has invested in the installation of solar panels on council buildings and council dwellings for which future income will be generated through feed in tariffs.

Catering is the provision of meals and refreshment facilities at Council venues and includes catering for functions, weddings and conferences etc.

2013/14		2014/15		
Net		Expenditure	Income	Net
£000		£000	£000	£000
(199)	Solar Panel Installation	189	(364)	(175)
219	Catering	1,197	(1,000)	197
20	Total	1,386	(1,364)	22

17. GRANTS AND CONTRIBUTIONS RECEIVABLE

The table below outlines Government grants and other external contributions accounted for within the Comprehensive Income and Expenditure Statement.

2013/14			2014/15		
Grants	Contribs.	Total	Grants	Contribs.	Total
£000	£000	£000	£000	£000	£000
Grants and contributions within Cost of Services					
(49,614)	-	(49,614)	(50,410)	-	(50,410)
(283)	(3,135)	(3,418)	(807)	(3,044)	(3,851)
(49,897)	(3,135)	(53,032)	(51,217)	(3,044)	(54,261)
Grants and contributions within Taxation and non-specific grant income					
(4,796)	-	(4,796)	(3,736)	-	(3,736)
(376)	-	(376)	(825)	-	(825)
(584)	-	(584)	(908)	-	(908)
(1,297)	-	(1,297)	(1,300)	-	(1,300)
-	-	-	(133)	-	(133)
-	-	-	(153)	-	(153)
(982)	(16)	(998)	(3,091)	(957)	(4,048)
(172)	-	(172)	(336)	-	(336)
(8,207)	(16)	(8,223)	(10,482)	(957)	(11,439)

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end were £602,000 (£121,000 in 2013/14).

18. TRANSFER TO/ FROM EARMARKED RESERVES

Transfers from and to the General Fund and HRA to earmarked reserves are as follows:

Reserve	Bal 31 March 13	Movement 2013/14	Bal 31 March 14	Movement 2014/15	Bal 31 March 15
	£000	£000	£000	£000	£000
General Fund:					
General Earmarked Reserve	(429)	(190)	(619)	307	(312)
Strategic Change Reserve	(309)	(903)	(1,212)	193	(1,019)
Capital Programme	(644)	(468)	(1,112)	(471)	(1,583)
Revenue Grants Reserve	(1,021)	89	(932)	(59)	(991)
Regeneration Reserve	(389)	(372)	(761)	(369)	(1,130)
	(2,792)	(1,844)	(4,636)	(399)	(5,035)
HRA					
HRA Leaseholders Major Works Reserve	(341)	(18)	(359)	(70)	(429)
Riverbourne Hse Leaseholders Reserve	(13)	(3)	(16)	(3)	(19)
Housing Regeneration and Investment	(298)	(532)	(830)	(38)	(868)
	(652)	(553)	(1,205)	(111)	(1,316)
Total Earmarked Reserves	(3,444)	(2,397)	(5,841)	(510)	(6,351)

The purpose of the reserves is set out below:

General Reserve: this reserve is used where the Council carries forward under spent departmental budgets to the new financial year. This reserve will be reviewed and distributed between General Fund and Strategic Change Fund as appropriate, as part of the budget setting process.

Strategic Change: this reserve was set up to finance one off investments under the Council's DRIVE programme that are required for development or the release of ongoing efficiencies.

Capital Programme: this reserve is intended to be used for financing of one-off capital schemes.

Revenue Grants: this reserve is used to enable grants received in one financial year to be carried forward and used to finance revenue spending in future years.

Regeneration: this reserve was set up to support initiatives for growth

HRA Leaseholders Major Works and Riverbourne House leaseholders: these reserves are for future maintenance.

Housing Regeneration and Investment Reserve: this reserves has been set up to receive any surpluses achieved over those required for the sustainability of the HRA Business Plan to be used for future investment in strategic housing related outcomes.

19. AMOUNT REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular;

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payments of employer's pension contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on some support services is budgeted for centrally and not charged to directorates;
- Some grants and contributions receivable, in particular capital grants and contributions, are included in the Comprehensive Income and Expenditure Statement but not credited to directorates.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2014/15	Corporate Services	Community Services	Tourism and Leisure	Total
	£000	£000	£000	£000
Customer & Client Receipts	(3,189)	(20,377)	(8,638)	(32,204)
Government Grants and Contributions	(1,843)	(51,016)	(1,129)	(53,988)
Total Income	(5,032)	(71,393)	(9,767)	(86,192)
Employee expenses	6,681	2,956	4,006	13,643
Other Service Expenses	9,493	65,124	8,725	83,342
Total Expenditure	16,174	68,080	12,731	96,985
Net (Income)/Expenditure	11,142	(3,313)	2,964	10,793
2013/14 Comparative figures				
Customer & Client Receipts	(3,131)	(17,851)	(7,847)	(28,829)
Interest	-	(5)	-	(5)
Government Grants and Contributions	(1,612)	(51,043)	(1,414)	(54,069)
Total Income	(4,743)	(68,899)	(9,261)	(82,903)
Employee expenses	6,314	2,716	4,506	13,536
Other Service Expenses	9,733	65,242	8,172	83,147
Total Expenditure	16,047	67,958	12,678	96,683
Net (Income)/Expenditure	11,304	(941)	3,417	13,780

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

	2013/14	2014/15
	£000	£000
Net expenditure in the directorate analysis	13,780	10,793
Amounts not included in the analysis but included in the Comprehensive Income and Expenditure Statement	(5,185)	(1,161)
Amounts included in the analysis but not included in the Comprehensive Income and Expenditure Statement	(2,289)	245
Cost of services in Comprehensive Income and Expenditure Statement	6,306	9,877

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15 - General Fund and HRA	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(32,204)	(2)	1,781	(30,425)	(1,782)	(32,207)
Interest and investment income	-	-	-	-	(207)	(207)
Income from Council Tax Business Rates Retention	-	-	-	-	(7,259)	(7,259)
Government grants and contributions	(53,988)	(301)	28	(54,261)	(11,441)	(65,702)
Total Income	(86,192)	(303)	1,809	(84,686)	(33,629)	(118,315)
Employee expenses	13,643	(388)	(284)	12,971	1,765	14,736
Other Service Expenses	79,815	458	(523)	79,750	537	80,287
Support Service Recharges	43	(61)	(425)	(443)	426	(17)
Depreciation, amortisation and impairment	3,291	(867)	(139)	2,285	-	2,285
Interest payments	-	-	-	-	2,253	2,253
Precepts and Levies	193	-	(193)	-	193	193
Payments to Housing Capital Receipts Pool	-	-	-	-	250	250
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	885	885
Business Rates Retention	-	-	-	-	10,326	10,326
Total Expenditure	96,985	(858)	(1,564)	94,563	16,635	111,198
(Surplus) or deficit on the provision of services	10,793	(1,161)	245	9,877	(16,994)	7,117

2013/14 - General Fund and HRA	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(28,829)	(61)	1,714	(27,176)	(1,715)	(28,891)
Interest and investment	(5)	2	3	-	(80)	(80)
Income from Council Tax	-	-	-	-	(7,267)	(7,267)
Business Rates Retention	-	-	-	-	(12,260)	(12,260)
Government grants and contributions	(54,069)	(1,400)	18	(55,451)	(8,225)	(63,676)
Total Income	(82,903)	(1,459)	1,735	(82,627)	(29,547)	(112,174)
Employee expenses	13,536	(341)	(522)	12,673	1,812	14,485
Other Service Expenses	77,656	2,244	(1,303)	78,597	686	79,283
Support Service Recharges	8	(8)	(135)	(135)	135	-
Depreciation, amortisation and impairment	3,392	(5,607)	13	(2,202)	-	(2,202)
Interest payments	1,898	(14)	(1,884)	-	2,066	2,066
Precepts and Levies	193	-	(193)	-	193	193
Payments to Housing Capital Receipts Pool	-	-	-	-	250	250
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	10,885	10,885
Business Rates Retention	-	-	-	-	9,663	9,663
Total	96,683	(3,726)	(4,024)	88,933	25,690	114,623
Surplus or deficit on the provision of services	13,780	(5,185)	(2,289)	6,306	(3,857)	2,449

20. SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

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

2013/14			2014/15	
£000	£000		£000	£000
	55,896	Opening Capital Financing Requirement		62,492
		Capital Investment:		
7,037		Council dwellings	7,662	
1,759		Other land and buildings	3,443	
857		Vehicles plant furniture and equipment	1,199	
317		Infrastructure	279	
54		Community assets	132	
-		Assets under construction	2,541	
<hr/>			<hr/>	
10,024		Total Property plant and equipment	15,256	
70		Heritage Assets	-	
-		Investment property	5	
1,660		Intangible assets	1,305	
		Revenue expenditure financed from capital under statute (REFFCUS)	705	
1,069		Local Authority Mortgage Scheme	-	
1,000		Loan Facility to Sea Change Sussex	-	
850		Loan Facility to Sea Change Sussex	-	
1,150		Investment in shares and loans to Welbeing	-	
<hr/>			<hr/>	
15,823		Total capital investment	17,271	
		Sources of finance:		
(144)		Capital receipts	(1,983)	
(641)		Grants and contributions towards REFFCUS	(668)	
(1,132)		Other grants and contributions	(2,053)	
		Sums set aside from Revenue:		
(5,757)		Major repairs reserve	(3,594)	
(1,058)		Revenue provision for repayment of debt	(1,131)	
(495)		Revenue Contribution to capital	(2,102)	
<hr/>			<hr/>	
(9,227)		Capital financing	(11,531)	
	<hr/>		<hr/>	
	62,492	Closing Capital Financing Requirement		68,232
		Explanation of movements in year		
	6,596	Increase in underlying need to borrowing (unsupported by government financial assistance)		5,739
	6,596	Increase in Capital Financing Requirement		5,739

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

31 March 2014			31 March 2015	
£000			£000	
125,716	Council Dwellings		131,856	
60,713	Other Land and Buildings		62,472	
6,889	Vehicles Plant Furniture and Equipment		7,247	
20,135	Infrastructure		19,297	
2,373	Community Assets		2,505	
-	Assets Under Construction		2,614	
55	Surplus Assets for Disposal		55	
<hr/>			<hr/>	
215,881	Total Property plant and equipment		226,046	

13,114	Heritage Assets	13,114
1,626	Investment Property	2,076
3,098	Intangible Assets	3,777
606	Assets Held For Sale	-
3,357	Loans and Advances	3,357
(26,385)	Revaluation Reserve	(26,014)
(148,805)	Capital Adjustment Account	(154,124)
62,492	Capital Financing Requirement	68,232

21. PROPERTY PLANT AND EQUIPMENT

21.1 Movements in 2014/15

The table below shows the movements in the various categories for the year:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2014	135,188	64,285	10,785	33,818	2,936	-	55	247,067
Additions	7,662	3,443	1,199	279	132	2,541	-	15,256
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(637)	640	-	-	-	-	-	3
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,562	(680)	-	-	-	-	-	8,882
De-recognition - Disposals	(7,451)	-	(2,013)	(279)	-	-	-	(9,743)
Assets reclassified as Investment Assets	-	(306)	-	1	-	-	-	(305)
Assets reclassified	(73)	-	-	-	-	73	-	-
At 31 March 2015	144,251	67,382	9,971	33,819	3,068	2,614	55	261,160
Accumulated Depreciation and Impairment								
At 1 April 2014	(9,472)	(3,572)	(3,896)	(13,683)	(563)	-	-	(31,186)
Depreciation Charge	(3,270)	(1,338)	(841)	(839)	-	-	-	(6,288)
De-recognition - disposal	347	-	2,013	-	-	-	-	2,360
At 31 March 2015	(12,395)	(4,910)	(2,724)	(14,522)	(563)	-	-	(35,114)
Net Book Value								
At 31 March 2015	131,856	62,472	7,247	19,297	2,505	2,614	55	226,046
At 31 March 2014	125,716	60,713	6,889	20,135	2,373	-	55	215,881

Movements in 2013/14:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2013	129,311	60,440	9,929	38,532	2,882	-	55	241,149
Additions	7,037	1,759	857	317	54	-	-	10,024
Revaluation increases recognised in the Revaluation Reserve	-	249	-	-	-	-	-	249
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	6,952	2,004	-	-	-	-	-	8,956
De-recognition - Disposal	(8,272)	(7)	-	(5,031)	-	-	-	(13,310)
Assets Reclassified	160	(160)	-	-	-	-	-	-
Other movements in cost, valuation or reclassification	-	-	(1)	-	-	-	-	(1)
Balance at 31 March 2013	135,188	64,285	10,785	33,818	2,936	-	55	247,067
Accumulated Depreciation and Impairment								
At 1 April 2013	(6,197)	(2,584)	(2,927)	(13,103)	(564)	-	-	(25,375)
Depreciation Charge	(3,374)	(1,313)	(970)	(962)	-	-	-	(6,619)
Depreciation written out to the Revaluation Reserve	-	322	-	-	-	-	-	322
De-recognition - disposal	102	-	-	382	-	-	-	484
De-recognition - other	(3)	3	1	-	1	-	-	2
At 31 March 2014	(9,472)	(3,572)	(3,896)	(13,683)	(563)	-	-	(31,186)
Net Book Value								
At 31 March 2014	125,716	60,713	6,889	20,135	2,373	-	55	215,881
At 31 March 2013	123,114	57,856	7,002	25,429	2,318	-	55	215,774

21.2 Valuation of Property

Three of the categories shown in the tables above (council dwellings, other land and buildings and surplus properties) are subject to periodic revaluation: all such assets are revalued at 5-year intervals. These were last valued as at 1 April 2011 by the Wilkes, Head & Eve. The next full revaluation, for all three categories of assets, is due to be carried out as at 1 April 2016.

An annual desk top revaluation review is carried out for all property to identify any material changes in value. As at 31 March 2015 the valuers advised an increase of 7.3% for council dwellings during 2014-15, excluding any consideration of capital expenditure. This has resulted in an upward revaluation of £5.2 million and a disposal relating to replaced components of £3.1 million.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra structure	Commun.	Assets Under Construction	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	3,413	306	7,247	19,297	2,505	2,614		35,382
Values at fair value as at:								
31 March 2012		10,408					55	10,463
31 March 2015	128,443	51,758						180,201
Net Book Value	131,856	62,472	7,247	19,297	2,505	2,614	55	226,046

21.3 Depreciation

The following useful lives have been used in the calculation of depreciation:

Council dwellings – 60 years
 Other land and buildings – 20 – 60 years
 Vehicles Plant and Equipment – 3 – 25 years
 Infrastructure – 10 – 40 years.

21.4 Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £6,239,000 as detailed in the table below. Similar commitments at 31 March 2014 were £4,640,000.

	2015/16 £000	2016/17 £000	Total £000
Improvement of Council Dwellings	521	-	521
Provision of new social housing	2,257	-	2,257
Coast Defences Beach Management Strategy	181	-	181
Asset Improvements	2,080	-	2,080
Future Model	547	550	1,097
Solar Panels	103	-	103
	5,689	550	6,239

22. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Council:

	Historical Collection	Art Collection	Other	Buildings	Total
	£000	£000	£000	£000	£000
Cost or Valuation	£000	£000	£000	£000	£000
Balance at 1 April 2014	345	11,906	162	701	13,114
Balance at 31 March 2015	345	11,906	162	701	13,114

The equivalent figures for 2013/14 are shown below:

	Historical Collection	Art Collection	Other	Buildings	Total
	£000	£000	£000	£000	£000
Cost or Valuation	£000	£000	£000	£000	£000
Balance at 1 April 2013	345	11,861	162	676	13,044
Additions	-	45	-	25	70
Balance at 31 March 2014	345	11,906	162	701	13,114

The Art Collection was valued by professional external valuers in 2012/13. The Collection will be valued every 10 years and an annual review will be carried out to ensure the value is not materially mis-stated. Heritage buildings were valued as at 1 April 2011 by an external professional valuer and will be revalued every 5 years. The historical collection has been valued with reference to the insurance value.

Acquisitions Policy

Towner, Eastbourne's contemporary art museum and centre for the visual arts in the South East, will continue to acquire objects in the following categories:

- Fine Art: paintings, watercolours, drawings, mixed media, photographs, prints and sculpture representative of the main developments in 19th and 20th century British art.
- Victorian Art: to complement the Towner Bequest.
- Works by important 20th century British artists, to enhance the existing collection.
- Works and material by and relating to Eric Ravillious (1903-42).
- Works by South East regional artists.
- Topographical pictures relating to East Sussex and the Eastbourne area.
- European Art: to complement the existing collections, for example the Irene Law Bequest of 17th and 18th century Dutch and Flemish paintings and 18th century British art, The Lucy Carrington Wertheim Bequest of 20th century European paintings.
- Contemporary art by British and International artists complementing the existing collections.

Towner recognises its responsibility, in acquiring material, to ensure adequate conservation, documentation and proper use of such material and takes into account limitations on collecting imposed by such factors as inadequate staffing, storage and conservation resources. Acquisitions outside the current stated policy will only be made in very exceptional circumstances, and then only after proper consideration by the governing body of the museum itself, having regard to the interests of other museums.

Disposals Policy

The Council accepts the principle that there is a strong presumption against the disposal of any items in the Towner's collections. In those cases where Towner is free to dispose of an item it is agreed that any decision to sell or dispose of material from the collections should be taken only after due consideration. Once a decision to dispose of an item has been taken, priority will be given to retaining the item within the public domain and with this in view it will be offered first, by exchange, gift or sale to Registered museums before disposal to other interested individuals or organisations is considered.

Further information is available in Eastbourne Local History Museum and Towner's Acquisitions and Disposals Policy available from Towner.

HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Cost of Acquisition of Heritage Assets					
Art Collection	-	185	119	29	-
Buildings	-	-	2	-	-
Total Cost of Purchases	-	185	121	29	-
Value of Heritage Assets Acquired by Donation					
Art Collection	12	18	13	16	-
Total Donations	12	18	13	16	-

There were no disposals or impairments during the past 5 years.

23. INVESTMENT PROPERTIES

In 2014/15 the Council received £420,000 as rental income from investment properties, compared to £394,000 received in 2013/14. Investment properties are held for the purpose of generating income. There are no restrictions on the Council's ability to realise the value inherent in its investment property or of the Council's right to the remittance of income and the proceeds of disposal. The

Council has no contractual obligation to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The table below shows movements in the fair value for Investment Properties.

2013/14		2014/15
£000		£000
1,626	Balance at 1 April	1,626
-	Expenditure on existing properties	5
-	Net gains/losses from fair value adjustments	139
-	Transfers from Property Plant & Equipment	306
1,626	Balance at 31 March	2,076

24. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets also cover the initial purchased licences on implementation.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range between three and ten years.

The annual movements in the balance sheet figures for intangible assets are shown below:

2013/14		2014/15		
Net Total		Gross	Amortised	Net Total
£000		£000	£000	£000
<u>1,902</u>	Balance 1 April	<u>3,961</u>	<u>(863)</u>	<u>3,098</u>
	Written down to services:			
(6)	Central services to the public	-	-	-
(2)	Cultural and related services	-	(4)	(4)
(2)	Planning and development services	-	-	-
(13)	Local Authority Housing (HRA)	-	(12)	(12)
(434)	Support Services	-	(610)	(610)
<u>(457)</u>		<u>-</u>	<u>(626)</u>	<u>(626)</u>
1,660	Added during year	1,305	-	1,305
(7)	Assets reclassified as held for sale	-	-	-
-	Written out on completion of expected life	(82)	82	-
<u>1,196</u>	Net transactions during the year	<u>1,201</u>	<u>(522)</u>	<u>679</u>
3,098	Balance at 31 March	5,184	(1,407)	3,777

The total shown in the tables above for "Support Services" is recharged to other headings within the Comprehensive Income and Expenditure Statement through the overall recharges for overheads (see Note 2.17 above).

25. ASSETS HELD FOR SALE

	2013/14	2013/14
	£000	£000
Balance at 1 April	606	606
Assets newly classified as held for sale:		
Property, Plant & Equipment	-	-
Assets declassified as held for sale		
Assets Sold	-	(606)
Balance at 31 March	606	-

26. FINANCIAL INSTRUMENTS

26.1 The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
Investments				
Loans and receivables	912	-	100	-
Unquoted equity investment at cost	238	238	-	-
Total investments	1,150	238	100	-
Debtors				
Loans and receivables	2,261	3,297	3,588	3,129
Borrowings				
Financial liabilities at amortised cost	(36,028)	(46,050)	(5,466)	(2,282)
Total borrowings	(36,028)	(46,050)	(5,466)	(2,282)
Creditors				
Financial liabilities at amortised cost	(1,904)	(1,747)	(5,065)	(5,862)
Total creditors	(1,904)	(1,747)	(5,065)	(5,862)

See Note 13.5 for further details relating to Long Term Investments.

26.2 Interest and Investment receivable and payable

The table below sets out the interest and investment receivable and payable for the year related to financial assets and liabilities, reconciled to the amounts included in the Comprehensive Income and Expenditure Statement.

2013/14		2014/15	
£000		£000	
(77)	Interest on financial assets	(204)	
(3)	Other interest	(3)	
(80)	Total Interest Receivable	(207)	
2,052	Interest on financial liabilities	2,235	
14	Other interest payable	18	
2,066	Total Interest Payable	2,253	

26.3 Fair Value

31 March 2014		31 March 2015		
Book Value	Fair Value	Book Value	Fair Value	
£000	£000	£000	£000	
1,150	1,150	238	238	Investments over one year
100	100	-	-	Investments less than one year
1,125	1,125	6,112	6,112	Cash in bank call accounts
3,588	3,588	3,129	3,129	Trade accounts receivable
2,261	2,261	3,297	3,297	Long Term Debtors
8,224	8,224	12,776	12,776	Total Financial Assets
(24,528)	(25,622)	(34,550)	(39,545)	Public Works Loan Board
(7,500)	(10,195)	(7,500)	(10,248)	Loan Stock
(4,000)	(4,001)	(4,000)	(4,116)	Market Debt
(36,028)	(39,818)	(46,050)	(53,909)	Long Term Borrowing
(999)	(1,524)	(1,022)	(1,632)	Credit Sales Agreement
(905)	(905)	(725)	(725)	Other Long Term Creditors

31 March 2014			31 March 2015	
Book Value	Fair Value		Book Value	Fair Value
£000	£000		£000	£000
(1,904)	(2,429)	Long Term Creditor	(1,747)	(2,357)
(2,663)	(2,891)	Public Works Loan Board	(1,978)	(2,041)
(2,500)	(2,500)	Market Debt	-	-
(288)	(288)	Add accrued interest	(289)	(289)
(15)	(15)	Mayor's Poor Fund	(15)	(15)
(5,466)	(5,694)	Short Term Borrowing	(2,282)	(2,345)
(247)	(247)	Credit sales agreement	(265)	(265)
(4,818)	(4,818)	Other Trade Creditors	(5,597)	(5,597)
(5,065)	(5,065)	Short Term Creditor	(5,862)	(5,862)
(48,463)	(53,006)	Total Financial Liabilities	(55,941)	(64,473)

The fair value of loan stock is higher than the book value because it is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to the lender above current market rates. The loan was originally arranged in 1995 at a fixed interest rate of 8.75% for 25 years. At the time the loan was arranged interest rates were much higher and this loan was taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference £2,748,000 between the book value and market value for loan stock

The credit sales agreement relates to obligations under a long term leisure contract; see Note 15 for further details. There is a difference of £610,000 between the book value of the debt and the fair value. The book value represents the value of cash transactions only between the Council and SERCO which equate to an interest rate of 11%, but this does not reflect any added value received from SERCO within the contract as a whole, such as procurement and management of the capital projects including business continuity.

The fair value of Public Works Loan Board (PWLB) is higher than the book value because it is at an interest rate which is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to the PWLB above current market rates. The outstanding loans were taken at various dates between August 1985 and January 2015 at varying fixed interest rates between 1.48% and 10.25% (average rate 4.31%) for various terms. At the time some of the loans were arranged interest rates were much higher and these loans were taken to lock in to a relatively low interest rate. In the current economic climate interest rates are at historically low levels and consequently there is a difference £4,995,000 between the book value and market value for PWLB.

26.4 Valuation techniques applied to obtain fair value

The fair values valuations have been provided by the Council's Treasury Management advisors, Capita. This uses the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. This is a widely accepted valuation technique commonly used by the private sector. The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market. In such cases, Capita has used the prevailing rate of a similar instrument with a published market rate, as the discount factor.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value. Since this will include accrued interest as at the Balance Sheet date, the calculations also include accrued interest in the fair value calculation. This figure is calculated up to and including the valuation date.

The rates quoted in this valuation were obtained by Capita from the market on 31 March, using bid prices where applicable.

27. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria provided by the Council's Treasury Management advisors (Capita) creditworthiness model. The model uses a sophisticated modelling approach which uses credit ratings from all three ratings agencies overlaid with credit watches and outlooks, Credit Default Swap spreads and sovereign ratings. The Annual Investment Strategy also imposes a maximum sum of £5 million to be invested with any financial institution located within each category.

A copy of the Annual Investment Strategy is available on the Eastbourne Borough Council website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £6,087,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay principal sums will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits but there is no evidence at the 31 March 2015 that this is likely to crystallise.

The Council has invested funds in Welbeing (£1,269,000), CloudConnX (£357,000) and Sea Change Sussex (£850,000) totalling £2,476,000. The risk of these companies failing to meet their commitments is minimised by maintaining representation on the board of Welbeing and CloudConnX. The loan to CloudConnX is supported by a fixed and floating charge over the assets. The loan to Sea Change Sussex loan is fully secured by a charge over land.

The Council has deposited £1,000,000 in an interest bearing deposit account with Lloyds Bank in 2013-14 to support the Local Authority Mortgage Scheme. There is small risk that participating borrowers default on their mortgages. The risk to the Council is minimised as all borrowers must meet the Bank's strict lending criteria and all interest earned on the deposit is held in a reserve to cover any losses. As at 31 March 2015 5 loans had been completed; the indemnity limit for the Council was £102,000.

The following analysis summarises the Council's potential maximum exposure to risk on other financial assets:

Amount as at 31 March 2015 £000	Historic experience of default	Estimated maximum exposure to default at 31 March 2015 £000	Estimated maximum exposure to default 31 March 2014 £000
--	--------------------------------------	--	---

	A	B	(AxB)	
Customers	3,507	1%	35	36

The council does not generally allow credit for customers, such that the balance of debts past due but not impaired can be analysed by date as follows:

	31 March 2014	31 March 2015
	£000	£000
Less than three months	2,530	2,125
Three to four months	56	132
Four months to one year	374	799
More than one year	628	451
Total	3,588	3,507

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods, shown in the table below, together with the maturity analysis of financial liabilities.

Banding	31 March 2014		31 March 2015		Limits in each banding
	£000	%	£000	%	
Less than one year	5,277	12%	2,392	5%	25%
Between one and two years	2,415	6%	4,475	9%	50%
Between two and five years	12,535	29%	8,298	17%	75%
Five to ten years	12,265	28%	12,407	25%	100%
More than ten years	11,029	25%	22,649	45%	100%
Total	43,521	100%	50,221	100%	

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	6
Increase in interest receivable on variable rate investments	<u>(72)</u>
Impact on Surplus or Deficit on the Provision of Services	<u>(66)</u>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(2,089)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £238,000 in Welbeing. The Council is consequently exposed to losses arising from movements in the prices of the shares. As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

Foreign exchange risk

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

28. INVENTORIES

	Printing Stocks		Downland Stocks		Tourism and Leisure Stocks		Sundry Stocks		Total	
	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April	12	10	1	1	162	196	4	4	179	211
Purchases	17	20	7	2	1,194	975	12	23	1,230	1,020
Consumed in year	(19)	(20)	(7)	(2)	(1,160)	(1,044)	(12)	(20)	(1,198)	(1,086)
Balance 31 March	10	10	1	1	196	127	4	7	211	145

Inventories held relate to the following items:

- Printing – Paper and other materials pending usage
- Downland Inventories – Fuel purchased in advance.
- Tourism and Leisure – Products for resale at tourism and leisure outlets
- Sundry inventories - Miscellaneous products for resale including dog bins, pest control boxes, cremation boxes and vending supplies.

29. DEBTORS

Short Term debtors outstanding as at 31 March are:

31 March 2014		31 March 2015	
£000		£000	
2,104	Central government	2,198	
3,637	Other local authorities	2,564	
-	NHS	1	
1,719	Public corporations and trading funds	1,496	
2,925	Other entities and individuals	4,213	
10,385	Total	10,472	

Public corporations and trading funds includes all commercial trading organisations in both the public and private sectors.

Long-term debtors outstanding as at 31 March are:

31 March 2014	31 March 2015
£000	£000

2,207	Public corporations and trading funds	2,207
<u>54</u>	Other entities and individuals	<u>1,090</u>
<u>2,261</u>	Total	<u>3,297</u>

Under long term debtors for public corporations and other trading organisation the Council has investment of:

- £357,000 (2013/14 £357,000) in a company that will be providing telecommunication services primarily to the business sector in the locality. The Council currently has a charge over the assets of the company. Shares will be allocated at the company's year ends and the Council will be a 25% shareholder by 2017.
- £1,000,000 interest bearing deposit made to Lloyds Bank in 2013/14 to support the Local Authority Mortgage Scheme (LAMS). This scheme allows first time buyers who meet Lloyds Bank's strict lending criteria but do not have a large deposit, to borrow funds. In the event of a default by a borrower in the first 5 years, the Council may be charged for losses to the Bank. The Council does not anticipate any defaults but interest on the Council's deposit will be used in the event of a claim.
- £850,000 loan funding in 2013/14 provided in partnership with East Sussex County Council to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the purchase of a site at Sovereign Harbour, final repayment is due in 2024.

30. CREDITORS

Short term creditors between different groupings of creditor as at 31 March are:

31 March 2014		31 March 2015
£000		£000
(738)	Central government	(1,248)
(954)	Other local authorities	(685)
	Public Corporations and other trading organisations	(4,951)
(5,259)		
<u>(1,745)</u>	All other bodies	<u>(2,392)</u>
<u>(8,696)</u>	Total	<u>(9,276)</u>

Public corporations and trading organisations includes all commercial trading organisations in both the public and private sectors

Long term creditors between different groupings of creditor as at 31 March are:

31 March 2014		31 March 2015
£000		£000
	Public Corporations and other trading organisations	(1,747)
<u>(1,904)</u>		<u>(1,747)</u>
<u>(1,904)</u>	Total	<u>(1,747)</u>

Long Term Creditors in the balance sheet represent obligations extending beyond one year including:

- Three agreements between the Council and SERCO to renovate and improve two leisure centres (the Sovereign Centre and Motcombe Pool) and to purchase items of capital equipment. These two centres are leased to Eastbourne Leisure Trust (see Note 15), who employ SERCO to run the centres, while the Council, which retains the responsibility to maintain and improve the centres, employs SERCO to carry out these functions on its behalf.
- An agreement between the Council and Steria to provide IT services and purchase items of capital equipment.

31. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2015 are:

	Balance 1 April 14	Unused amounts reversed	Amounts used	Balance 31 March 15
	£000	£000	£000	£000
Business Rate Appeals	(654)	(22)	258	(418)
Total	(654)	(22)	258	(418)

Business Rates Appeals is to provide for the settlement of rateable value appeals made to the valuation office.

32. USABLE RESERVES

The reasons for maintaining each reserve are set out in detail in Note 2.19, and the annual movements for usable reserves are shown in the Movement in Reserves Statement. Details of Earmarked Reserves are shown at note 18.

33. UNUSABLE RESERVES

The table below sets out details of the movements and balances on individual unusable reserves: the "Total" figures are those included in the "Unusable Reserves" column of the Movement in Reserves Statement.

31 March 2014		31 March 15
£000		£000
45	Deferred Capital Receipts Reserve	45
(1,230)	Collection Fund Adjustment Account	(655)
26,385	Revaluation Reserve	26,014
148,804	Capital Adjustment Account	154,124
(36,349)	Pension Reserve	(39,582)
(63)	Accumulated Absence Account	(42)
137,592	Total Unusable reserves	139,904

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2013/14		2014/15
£000		£000
50	Balance at 1 April	45
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	-
45	Balance at 31 March	45

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14 £000		2014/15 £000
24	Balance at 1 April	(1,230)
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	575
(1,254)		
(1,230)	Balance at 31 March	(655)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Heritage Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2013/14 £000		2014/15	
£000		£000	£000
26,599	Balance at 1 April		26,385
339	Upward revaluation of assets	4	
(90)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	
249	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4
(461)	Difference between fair value depreciation and historical cost depreciation	(375)	
(2)	Accumulated gains on assets sold or scrapped	-	
(463)	Amount written off to the Capital Adjustment Account		(375)
26,385	Balance at 31 March		26,014

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2013/14		2014/15
£000		£000 £000
150,814	Balance at 1 April	148,804
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
2,658	Charges for depreciation and impairment of non-current assets	2,594
(457)	Amortisation of intangible assets	(627)
(1,069)	Revenue expenditure funded from capital under statute	(705)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
(12,829)		(7,989)
(11,697)		(6,727)
461	Adjusting amounts written out of the Revaluation Reserve	375
(11,236)	Net written out amount of the cost of non-current assets consumed in the year	(6,352)
	Capital financing applied in the year:	
144	Use of the Capital Receipts Reserve to finance new capital expenditure	1,983
5,757	Use of the Major Repairs Reserve to finance new capital expenditure	3,594
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	
1,158	Application of grants to capital financing from the Capital Grants Unapplied Account	1,707
469	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,016
1,058	Capital expenditure charged against the General Fund and HRA balances	1,131
640		2,102
9,226		11,533
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	139
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
148,804	Balance at 31 March	154,124

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14		2014/15
£000		£000
(28,845)	Balance at 1 April	(36,349)
-	Prior Year rounding adjustment	(1)
(6,504)	Re-measurement of the net defined benefit liability	(2,140)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	
(3,061)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,256)
2,061		2,163
(36,349)	Balance at 31 March	(39,582)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Accounts.

2013/14 £000		2014/15 £000
(115)	Balance at 1 April	(63)
	Settlement or cancellation of accrual made at the end of the preceding year	63
115		
(63)	Amounts accrued at the end of the current year	(42)
	Amounts by which officers remuneration charged to the Comprehensive Income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
-		-
<u>(63)</u>	Balance at 31 March	<u>(42)</u>

34. POST EMPLOYMENT BENEFITS**34.1 Participation in defined benefit pension plan**

As part of the terms and conditions of employment of its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by East Sussex County Council. This is a funded defined final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they eventually fall due. The Council also has liabilities for discretionary payments for added years, etc. These are charged directly to the accounts of the Council, as they are not a charge upon the Pension Fund.

The East Sussex Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of East Sussex County Council. Policy is determined in accordance with the Pensions Funds Regulations. The investment managers of the fund are appointed by the committee.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note 2.7.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

34.2 Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against Council Tax is based on the contributions payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2013/14		2014/15
£000		£000
	Service Cost comprising:	
1,729	Current Service Costs	1,775
42	Past Service Costs	-
	Financing & Investment Income & Expenditure	
1,290	Net Interest Expense	1,481
3,061	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	3,256
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
	Return on Plan Assets (excluding the amount included in the net interest expense)	(8,848)
3,595	Actuarial Gains and losses arising on changes in demographic assumptions	-
2,029	Actuarial Gains and losses arising on changes in financial assumptions	11,881
3,003	Other	(893)
(2,123)		
6,504	Other Comprehensive Income & Expenditure	2,140
9,565	Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	5,396
	Movement in Reserves Statement	
	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,256
3,061	Actual amount charged against the General Fund Balance for pensions in the year:	(2,163)
(2,061)		
1,000	Net adjustment in Movement in Reserves Statement	1,093

34.3 Pensions Assets and Liabilities recognised in the balance Sheet

The amount included in the Balance Sheet for the Council's obligation in respect of its defined plans is as follows:

31 March 2014		31 March 2015
£000		£000
85,685	Fair value of employer assets	95,709
(116,710)	Present value of funded liabilities	(129,789)
(5,324)	Present value of unfunded liabilities	(5,502)
(36,349)	Sub-total	(39,582)
-	Other movements in the liability (asset)	-
(36,349)	Net liability arising from defined benefit obligation	(39,582)

34.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

2013/14		2014/15
£000		£000
87,720	Opening fair value of assets	85,685
3,893	Interest income	3,464
	Re-measurement gain/(loss):	
	The return on plan assets, excluding the amount included in the net interest expense	8,848
(3,595)	Contributions from employer - Funded	1,783
1,694	Contributions from employer - Unfunded	380
367	Contributions from employees into the scheme	506
457	Benefits paid - Funded	(4,577)
(4,484)	Benefits paid - Unfunded	(380)
(367)		
85,685	Closing fair value of scheme assets	95,709

34.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2013/14		2014/15
£000		£000
(116,565)	Opening balance at 1 April	(122,034)
(1,729)	Current service costs	(1,775)
(5,183)	Interest costs	(4,945)
(457)	Contributions from scheme participants	(506)
	Re-measurement (gains) and losses:	
(2,029)	Actuarial gains/losses arising from changes in demographic assumptions	-
(3,003)	Actuarial gains/losses arising from changes in financial assumptions	(11,881)
2,123	Other	893
(42)	Past service costs	-
4,484	Benefits paid - funded	4,577
367	Benefits paid - unfunded	380
(122,034)	Closing Balance at 31 March	(135,291)

34.6 Local Government Pension Scheme Assets comprised:

31 March 2014				31 March 2015			
Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
£000	£000	£000		£000	£000	£000	
4,174	-	4,174	5%	3,759	18	3,777	4%
2,122	-	2,122	2%	2,374	149	2,523	3%
2,233	-	2,233	3%	2,525	-	2,525	3%
4,701	-	4,701	5%	5,498	-	5,498	6%
2,535	-	2,535	3%	3,852	-	3,852	4%
2,311	-	2,311	3%	4,103	-	4,103	4%
1,220	140	1,360	2%	13	-	13	0%
19,296	140	19,436	23%	22,124	167	22,290	24%
-	1,205	1,205	1%	-	1,520	1,520	2%
-	1,137	1,137	1%	-	979	979	1%
-	2,342	2,342	2%	-	2,499	2,499	3%
-	6,740	6,740	8%	-	5,290	5,290	6%
474	7,247	7,720	9%	-	9,876	9,876	10%
474	7,247	7,720	9%	-	9,876	9,876	10%
102	40,716	40,818	49%	483	43,004	43,487	45%
3,256	2,306	5,562	6%	3,848	2,386	6,234	7%
169	-	169	0%	71	36	107	0%
252	-	252	0%	234	-	234	0%
-	-	-	0%	-	1,903	1,903	2%
-	-	-	0%	-	375	375	0%
3,779	43,022	46,801	55%	4,636	47,704	52,339	54%
-	49	49	0%	-	(19)	(19)	0%
-	49	49	0%	-	(19)	(19)	0%
-	2,596	2,596	3%	-	3,434	3,434	4%

23,549	62,136	85,685	100%	Total	26,760	68,950	95,709	100%
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The breakdown of assets in monetary terms in the table above have been shown to the nearest £1,000. The additional precision in the presentation of the figures has been included, but the sum of the values rounded to the nearest £1,000 (or 1%) may not equal the total value due to rounding.

34.7 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2013. The main assumptions used in their calculations are:

The significant assumptions used by the actuary have been:

2013/14		2014/15
	Long term expected rate of return on scheme assets:	
4.3%	Equity Investments	3.1%
4.3%	Bonds	3.1%
4.3%	Other	3.1%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.2	Men	22.2
24.4	Women	24.4
	Longevity at 65 for future pensioners:	
24.2	Men	24.2
26.7	Women	26.7
2.6%	Rate of inflation	2.1%
4.4%	Rate of increase in salaries	4.0%
2.6%	Rate of Increase in Pensions	2.1%
4.1%	Rate for discounting scheme liabilities	3.1%
50%	Take-up of option to convert annual pension into retirement lump sum for pre-April 2008 service	50%
75%	Take-up of option to convert annual pension into retirement lump sum for post-April 2008 service	75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumption set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Approximate % Increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	12,814
1 year increase in member life expectancy	3%	4,059
0.5% increase in the Salary Increase Rate	2%	3,215
0.5% Increase in the Pension Increase Rate	7%	9,392

34.8 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipates paying £1,779,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years.

35. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Local Land Charges

The Council is in the process of settling a claim brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data and a claim under the Competition Act. The total claim is estimated to be £45,000.

Municipal Insurance Limited

The Council's former insurers were Municipal Mutual Insurance Limited (MMI) until the company ceased to provide new cover in 1994. A Scheme of Arrangements was set up with the aim of funding any claims that were outstanding at that time. The scheme allows for a claw back of payments already made under the scheme if the outstanding claims cannot be fully funded by the company. The maximum possible claw back for the Council was set at £520,000. The Directors of MMI 'triggered' the Scheme of Arrangement under Section 425 of the Companies Act 1985 (now Section 899 of the Companies Act 2006) on 13 November 2012. Ernst & Young are now responsible for the management of the MMI business, affairs and assets. Ernst & Young have carried out a review of MMI assets and liabilities. A payment of £70,437 was made during 2014/15 by the Council and the balance of £449,000 will continue to be a contingent liability.

Local Authority Mortgage Scheme (LAMS)

The Council has deposited £1m with Lloyds bank to support the Local Authority Mortgage Scheme. This is a cash backed guarantee to cover any claims in the event of default by a mortgagor. Any future claims are not currently quantifiable but as at 31 March 2015 the maximum liability was £102,000. See explanation of credit risk in Note 27.

Towner Trust

On 1st July 2014 16 staff employed by the council who members of the LGPS were TUPEd to the Towner Trust. The council retains a liability of any deficit that may arise in the future from the pension liability of the Towner Trust. The value of any future liability cannot be accurately determined.

Contingent Assets

Overpaid VAT

A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on car parking income. The Council has claims amounting to £1.6m for VAT on Off Street Parking. The case is currently subject to an appeal by HM Revenue and Customs.

A number of Councils are in the process of legal action against HM Revenue and Customs to recover VAT on postal services. The Council has claims amounting to £804,000 for VAT on Postal Services. The case is currently subject to legal decision.

Underpayment of interest by HMRC on VAT refunds

In 2008/9 the Council received interest on overpaid VAT of £1.4m largely in relation to its cultural and leisure services. The interest was calculated by HMRC on a simple (non compound) basis. The Council along with others has instructed lawyers to claim that compound interest should have been paid in respect of this refund.

36. TRUST FUNDS

The Council acts as custodian trustee for the Mayor's Poor Fund and the Mayor's Charity account. As custodian trustee the Council holds funds but takes no decision on its use. In neither case do the funds represent assets of the Council and therefore they have not been included in the Balance Sheet, except to the extent where funds are deposited with the Council but these are shown in the Balance Sheet as short term liabilities as amounts owing.

Funds for which the Council acts as custodian trustee:

2014/15	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Mayor's Poor Fund				
Established in 1934 to bring relief to those in poverty in Eastbourne	-	1	21	-
Mayor's Charity Account				
Created to support the Mayor's chosen charity each year	(13)	13	8	(8)
Total	(13)	14	29	(8)
2013/14				
	£000	£000	£000	£000
Mayor's Poor Fund				
Established in 1934 to bring relief to those in poverty in Eastbourne	-	1	23	-
Mayor's Charity Account				
Created to support the Mayor's chosen charity each year	(15)	15	7	(7)
Total	(15)	16	30	(7)

HOUSING REVENUE ACCOUNT (HRA)

2013/14 £000		2014/15 £000
	Income	
(13,562)	Dwelling Rents	(13,890)
(419)	Non-Dwelling Rents	(440)
(992)	Charges for Services and Facilities	(1,108)
(71)	Contributions Towards Expenditure	(427)
-	Supervision and Management	(43)
(15,044)	Total Income	(15,908)
	Expenditure	
-	Repairs and Maintenance	305
7,774	Supervision and Management	8,060
168	Rents, rates, taxes and other charges	381
(3,547)	Depreciation, Amortisation and Impairment of Fixed Assets	(6,262)
44	Debt Management Costs	38
4,439	Total Expenditure	2,522
(10,605)	Net Income for HRA Services as included in the whole authority Income and Expenditure Statement	(13,386)
88	HRA services share of Corporate and Democratic Core	87
(10,517)	Net Income for HRA Services	(13,299)
6,507	Gain on sale of HRA assets	5,645
1,901	Interest Payable and Similar Charges	1,992
(20)	Interest and Investment Income	(23)
(37)	Capital Grants and Contributions Received	(405)
(2,166)	Surplus for the Year	(6,090)

MOVEMENT ON THE HRA STATEMENT

2013/14			2014/15	
£000	£000		£000	£000
	(2,179)	Housing Revenue Account balance brought forward		(2,704)
(2,166)		Surplus on HRA Income and Expenditure Statement	(6,090)	
		Adjustments between accounting and funding basis:		
-		Capital expenditure financed by the HRA	60	
37		Capital Grants and Contributions received	405	
149		Finance cost adjustment re. premiums and discounts	-	
(8,168)		Reverse non-current assets written off on disposal	(7,710)	
1,661		Proceeds from sales of non-current assets	2,065	
2		Transfer to / from Pension Reserve	1	
-		Transfer to / from Accumulated Absence Reserve	1	
<u>7,407</u>		Transfer from Capital Adjustment Account	<u>10,711</u>	
(1,078)			(557)	
553		Transfers to earmarked reserves	111	
	(525)	Increase in year on HRA		(446)
(2,704)		Housing Revenue Account balance carried forward		(3,150)

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

The Council has transferred responsibility for the management of its housing stock to Eastbourne Homes Ltd, as outlined in Note 13.4 above.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council's housing stock consisted of:

31 March 2014		31 March 2015	
	Houses and Bungalows		
16	- one bedroom	16	
536	- two bedrooms	531	
1,167	- three bedrooms	1,153	
53	- four or more bedrooms	53	
1,772	Total Houses and Bungalows	1,753	
	Flats		
1,007	- one bedroom	1,012	
523	- two bedrooms	526	
6	- three or more bedrooms	5	
213	- bed-sits	132	
1,749	Total Flats	1,675	
3,521	All Dwellings	3,428	

In addition the Council has shared ownership arrangements covering 13.5 full property equivalents (13.5 at 31 March 2014). The Council no longer has any properties under short-term property leases (4 as at 31 March 2014).

The stock figures above exclude the purchase of 5 properties during 2014-15 which are being renovated and will provide an additional 15 HRA units.

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

	1 April 2014	31 March 2015
	£000	£000
Dwellings	125,716	131,856
Other Land and Buildings	909	891
Total	126,625	132,747

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilkes, Head & Eve as at 1 April 2011, which resulted in a market vacant possession value of the housing stock at 1 April 2011 of £410m, and after disposals the value is £394m as at 1 April 2014. The vacant possession of garages is £2.6m. The Government considers that the difference between this figure and the Balance Sheet figure shown above represents the economic cost to Government of providing council housing at less than open market rents.

3. MAJOR REPAIRS RESERVE (MRR)

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

2013/14		2014/15
£000		£000
(2,671)	Balance as at 1 April	(305)
5,758	Financing of Capital Expenditure	3,593
(3,392)	Depreciation	(3,288)
(305)	Balance as at 31 March	-

4. CAPITAL EXPENDITURE AND FINANCING

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

2013/14		2014/15
£000		£000
7,094	Total Capital Expenditure	10,447
	Funding:	
566	Borrowing	2,807
37	Government Grant	1,719
-	Capital Receipts	44
5,758	Major Repairs Reserve	3,593
-	Earmarked Reserves	1,162
468	Revenue Contributions	60
-	S106 Contributions	757
265	Other Contributions	305
7,094	Total Funding	10,447

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

2013/14		2014/15
£000		£000
1,443	Right to Buy Sales of Houses and Flats	1,014
218	Other Sales	1,051
4	Mortgage Repayments	-
1,665		2,065

6. DEPRECIATION

2013/14		2014/15
£000		£000
3,374	Dwellings	3,270
18	Other Land and Buildings	18
3,392	Total HRA Assets	3,288

7. REVALUATION OF HRA STOCK

A desktop revaluation of the HRA stock was carried out by Wilkes Head & Eve as at 31 March 2015. This resulted in an estimated increase of 7.3% giving a revaluation gain of £8.9m. The revaluation did not take into account any capital expenditure on the stock since the formal valuation as at 1 April 2011 and so the stock was de-recognised by £4.4m for the capital expenditure in 2014-15. The net effect was an increase of £4.5m.

8. CONTRIBUTION TO THE PENSION RESERVE

Note 34 to the core financial statements sets out the accounting arrangements for the Local Government Pension Scheme, and explains that the Comprehensive Income and Expenditure Statement is compiled on the basis of proper accounting practice, charges being made on the basis of current service cost. The statutory charge against Council Tax, however, is based upon contributions payable in the year, and there is therefore an adjustment in the Comprehensive Income and Expenditure Statement to replace current service cost and other charges with the contributions for the year. These arrangements are reflected in the Housing Revenue Account, and a reduction of £1,000 (£2,000 in 2013/14) has been credited to the Housing Revenue Account via the Movement on the HRA statement.

9. RENT ARREARS

Rent arrears at 31 March 2015 amounted to £484,000 compared with £473,000 at 31 March 2014. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2014/15 former tenant arrears of £101,000 were written off (£73,000 in 2013/14).

The Council has a provision for doubtful debts of £125,000 at 31 March 2015 (£88,000 at 31 March 2014)

COLLECTION FUND REVENUE ACCOUNT

2013/14		2014/15		
Total		Business Rates	Council Tax	Total
£000		£000	£000	£000
Income				
51,778	Income collectable from Council Tax	-	53,646	53,646
32,871	Income collectable from Non-Domestic Rates	32,397	-	32,397
77	Transitional Protection payments	-	-	-
Contributions towards previous year's Collection Fund Deficit				
	Central Government	1,032	-	1,032
	East Sussex County Council	186	73	259
	Eastbourne Borough Council	826	14	840
	Sussex Police Authority	-	9	9
	East Sussex Fire Authority	21	5	26
84,726	Total Fund Income	34,462	53,747	88,209
Expenditure				
Precepts, Demands and Shares				
16,849	Central Government	16,578	-	16,578
40,651	East Sussex County Council	2,984	37,938	40,922
20,760	Eastbourne Borough Council	13,262	7,203	20,465
4,495	Sussex Police Authority	-	4,534	4,534
2,995	East Sussex Fire Authority	332	2,681	3,013
85,750		33,156	52,356	85,512
127	Business Rates Costs of Collection	127	-	127
	Transitional Relief	216	-	216
Charges to Collection Fund				
1,636	Allowance for Appeals	54	-	54
	Backdated changes in Rateable Values	(645)	-	(645)
508	Write-offs of uncollectable amounts	236	237	473
(159)	Allowance for impairment of doubtful debts	60	628	688
1,985		(295)	865	570
Apportionment of previous year's Collection Fund Surplus				
115	East Sussex County Council			-
22	Eastbourne Borough Council			-
14	Sussex Police Authority			-
8	East Sussex Fire Authority			-
159				-
88,021	Total Fund Expenditure	33,204	53,221	86,425
3,295	Movement on Fund Balance	(1,258)	(526)	(1,784)
COLLECTION FUND BALANCE				
(169)	Balance at 1st April	3,047	79	3,126
3,295	(Surplus)/Deficit for the year	(1,258)	(526)	(1,784)
3,126	Balance as at 31st March	1,789	(447)	1,342

NOTES TO THE COLLECTION FUND**1. INCOME FROM COUNCIL TAX****Amounts receivable from Council Taxpayers:**

	2014/15
	£000
Gross amount of Council Tax	71,408
Less Council Tax Support Scheme	(9,361)
Discounts	(6,765)
Exemptions	(1,545)
Disabled Relief	(91)
Net Yield from Council Tax	<u>53,646</u>

Council Tax Base

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

Band	Chargeable Dwellings	Est Taxable Properties	Ratio to Band D	Band D Equiv	Yield £000
A Dis Red	(12)	(19)	5/9	(11)	(18)
A	8,065	4,028	6/9	2,685	4,376
B	12,648	8,599	7/9	6,688	10,899
C	10,350	7,901	8/9	7,023	11,445
D	8,471	7,205	9/9	7,205	11,742
E	4,447	3,953	11/9	4,831	7,873
F	1,991	1,845	13/9	2,665	4,343
G	1,080	991	15/9	1,652	2,692
H	112	106	18/9	212	345
	47,152	34,609		32,950	53,697
Less average 2.5% reduction to allow for collection losses etc.				(823)	(1,342)
Council Tax Base				32,127	52,355

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

Comparison of Actual versus Theoretical gross Yields:

Tax base (as above)	A	32,126.5
Band D Council Tax 2014/15 (Budget report)	B	£1,629.65
Theoretical gross yield	A x B	£52,354,951
Actual gross yield (as above)	C	£53,646,100
Theoretical gross yield - actual gross yield	(A x B) – C	(£1,291,149)

2. INCOME FROM BUSINESS RATE PAYERS

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency multiplied by a uniform business rate set nationally by Central Government. The table below shows the total rateable value and multipliers.

		2013/14	2014/15
Total non-domestic rateable value	£m	83.0	82.1
Multiplier	Pence	47.1	48.2
Multiplier (Small businesses)	Pence	46.2	47.1
Gross Yield Before Adjustments	£m	37.8	38.7

The gross yield before adjustments 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.

The business rates share payable in 2014/15 was estimated before the start of the financial year as £33.2m. These sums have been paid into 2014/15 and charged to the collection fund in year. This council's share is £13.3m.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Authority	COUNCIL TAX			NATIONAL NON-DOMESTIC BUSINESS RATES		
	Precept £000	Distribution of prior years (surplus)/ deficit	Total £000	Share	Distribution of prior years (surplus)/ deficit	Total
		£000			£000	
Eastbourne Borough Council	7,203	(14)	7,189	13,262	(826)	12,436
Central Government	-	-	-	16,578	(1,032)	15,546
East Sussex County Council	37,938	(73)	37,865	2,984	(186)	2,798
Sussex Police	4,534	(9)	4,525	0	-	0
East Sussex Fire Authority	2,681	(5)	2,676	332	(21)	311
Total	52,356	(101)	52,255	33,156	(2,065)	31,091

When the retained business rates income scheme was introduced, Central Government set a baseline funding level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive the baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top-ups to those authorities who do not achieve their targeted baseline funding. Any sums above the baseline funding are subject to a levy payment to central government, for this Council this is 50%. The amounts for this Council are as follows:

	2013/14 £000	2014/15 £000
Actual Business Rate income due	12,636	13,579
Tariff payment	(9,664)	(9,852)
	2,972	3,727
Baseline Funding	(3,190)	(3,253)
Amount above baseline	-	474
Levy Payable	-	237

4. COLLECTION FUND BALANCE

The table below shows the balances on the Collection Fund and how they relate to each precepting authority.

	COUNCIL TAX		BUSINESS RATES	
	31 March 14 £000	31 March 15 £000	31 March 14 £000	31 March 15 £000
Eastbourne Borough Council	11	(61)	1,219	716
Central Government	-	-	1,524	895
East Sussex County Council	57	(324)	274	160
Sussex Police Authority	7	(39)	-	0
East Sussex Fire Authority	4	(23)	30	18
Surplus (Deficit)	79	(447)	3,047	1,789

The preceptors' share of the deficit on the Collection Fund is shown in the Council's balance sheet as part of the debtor's figures. This Council's share is included on the balance sheet under Collection Fund adjustment account.

GROUP ACCOUNTS**Introduction**

As set out in Note 13.4 above, Eastbourne Homes Ltd (EHL) is a wholly owned subsidiary of the Council, and group accounts are therefore prepared to combine the accounts of the Council and the Company. Transactions and indebtedness between the Council and the Company have been eliminated in the preparation of these accounts.

The purpose of the main accounting statements is as set out in the accounting statements above for the Council alone.

The accounting code of practice requires the same disclosures to be made for group accounts as for the Council's own accounts. However the impact of the Eastbourne Homes figures on the group totals is generally immaterial, other than for those notes included.

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

WEL is a company limited by guarantee. The Council holds 49% of the voting rights and 21% of the non-voting rights. Whilst the Council has a significant influence, there is no control over the organisation. The accounts of WEL have not been included in the Group accounts as the effect is immaterial.

CloudConnX

The Council owns 25% of the B shares in CloudConnX and has significant influence, but not control. The accounts of CloudConnX have not been included in the Group accounts as the effect is immaterial.

South East Independent Living Ltd (SEILL)

SEILL, a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL and their accounts have been incorporated with the accounts of EHL. The principal activity of SEILL is the delivery of a short term housing floating support service for people of 65 and over who live in Eastbourne, Lewes or Wealden district.

GROUP MOVEMENT IN RESERVES STATEMENT

	EBC Usable Reserves £000	EBC Unusable Reserves £000	Total EBC Reserves £000	EHL Reserves £000	Total Group Reserves £000
Balance at 1 April 2013	(20,665)	(148,378)	(169,043)	(476)	(169,519)
Movement in Reserves 2013/14					
(Surplus) or deficit on provision of services (accounting basis)	2,449	-	2,449	(138)	2,311
Revaluation gains on non current assets added to the Revaluation Reserve	-	(249)	(249)	-	(249)
Re-measurement of the net defined benefit liability	-	6,504	6,504	273	6,777
Total Comprehensive Income and Expenditure	2,449	6,255	8,704	135	8,839
Adjustments between accounting basis & funding basis under regulations	(4,531)	4,531	-	-	-
(Increase) / Decrease in Year	(2,082)	10,786	8,704	135	8,839
Balance at 31 March 2014 carried forward	(22,747)	(137,592)	(160,339)	(341)	(160,680)
Movement in Reserves 2014/15					
(Surplus) or deficit on provision of services (accounting basis)	(7,117)	-	(7,117)	562	(6,555)
Revaluation gains on non current assets added to the Revaluation Reserve	-	(4)	(4)	-	(4)
Re-measurement of the net defined benefit liability	-	2,140	2,140	759	2,899
Total Comprehensive Income and Expenditure	(7,117)	2,136	(4,981)	1,321	(3,660)
Adjustments between accounting basis & funding basis under regulations	4,448	(4,448)	-	-	-
(Increase) / Decrease in Year	(2,669)	(2,312)	(4,981)	1,321	(3,660)
Balance at 31 March 2015 carried forward	(25,416)	(139,904)	(165,320)	980	(164,340)

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2013/14				2014/15		
Expend. £000	Income £000	Net £000		Expend. £000	Income £000	Net £000
2,805	(1,161)	1,644	Central services to the public	2,955	(962)	1,993
12,177	(9,142)	3,035	Cultural and related services	17,023	(9,627)	7,396
8,588	(3,170)	5,418	Environmental and Regulatory Services	7,632	(3,302)	4,330
1,991	(504)	1,487	Planning Services	2,128	(535)	1,593
334	(515)	(181)	Highways and Transport Services	393	(527)	(134)
4,968	(15,794)	(10,826)	Local Authority Housing (HRA)	3,554	(16,436)	(12,882)
54,935	(52,558)	2,377	Other Housing Services	54,911	(53,357)	1,554
2,090	(174)	1,916	Corporate and Democratic Core	1,911	(128)	1,783
1,562	(303)	1,259	Non Distributed Costs	734	(340)	394
89,450	(83,321)	6,129	Cost Of Services	91,241	(85,214)	6,027
193	-	193	Levy Payable	193	-	193
250	-	250	Payments to housing capital receipts pool	250	-	250
10,885	-	10,885	(Gains) / losses on sale and de-recognition of non-current assets	5,276	-	5,276
11,328	-	11,328	Other Operating Expenditure	5,719	-	5,719
2,066	-	2,066	Interest payable & similar charges	2,253	-	2,253
1,338	-	1,338	Net interest on the Net Defined Benefit Liability	1,507	-	1,507
-	(86)	(86)	Interest Receivable	-	(211)	(211)
-	(394)	(394)	Investment Properties	(139)	(420)	(559)
1,343	(1,323)	20	Trading Operations	1,386	(1,364)	22
4,747	(1,803)	2,944	Financing and Investment Income and Expenditure	5,007	(1,995)	3,012
-	(8,223)	(8,223)	Non-specific grants and contributions	-	(11,439)	(11,439)
-	(7,267)	(7,267)	Council Tax income	-	(7,259)	(7,259)
9,663	(12,260)	(2,597)	Business Rates Retention	10,326	(12,940)	(2,614)
9,663	(27,750)	(18,087)	Taxation and non-specific grant income	10,326	(31,638)	(21,312)
		2,314	(Surplus) or Deficit on Provision of Services			(6,554)
		(3)	Tax Expense			(1)
		2,311	Group (Surplus) or Deficit on Provision of Services			(6,555)
		(249)	Surplus on revaluation of fixed assets			(4)
		6,777	Re-measurement of the net defined benefit liability			2,899
		6,528	Other Comprehensive Income and Expenditure			2,895
		8,839	Total Comprehensive Income and Expenditure			(3,660)

GROUP BALANCE SHEET

31 March 2014		Notes	31 March 2015	
£000			£000	£000
216,022	Property, Plant & Equipment	2	226,118	
13,114	Heritage Assets		13,114	
1,626	Investment Property		2,076	
3,098	Intangible Assets		3,777	
1,150	Long Term Investments		238	
2,261	Long Term Debtors		3,297	
237,271	Long Term Assets			248,620
606	Assets Held for Sale		-	
100	Short Term Investments		-	
211	Inventories		145	
11,862	Short Term Debtors	3	11,999	
2,606	Cash and Cash Equivalents		8,114	
15,385	Current Assets			20,258
(5,466)	Short Term Borrowing		(2,282)	
(9,860)	Short Term Creditors	4	(11,500)	
(825)	Short Term Provisions	5	(418)	
(121)	Revenue Grants Receipts in Advance		(602)	
(16,272)	Current Liabilities			(14,802)
(1,904)	Long Term Creditors		(1,747)	
(36,028)	Long Term Borrowing		(46,050)	
(37,772)	Other Long Term Liabilities	6	(41,939)	
(75,704)	Long Term Liabilities			(89,736)
160,680	NET ASSETS			164,340
(24,511)	Usable reserves		(26,793)	
(136,169)	Unusable Reserves		(137,547)	
(160,680)	TOTAL RESERVES			(164,340)

GROUP CASH FLOW STATEMENT

2013/14		2014/15	
£000		£000	£000
(10,161)	Taxation	(9,776)	
(57,204)	Government grants	(58,479)	
(5,179)	Housing rents	(5,556)	
(10,889)	Goods sold and services rendered	(10,726)	
(79)	Interest received	(92)	
<u>(10,773)</u>	Other receipts	<u>(10,155)</u>	
(94,285)	Cash inflows from operating activities		(94,784)
13,012	Employees	13,096	
42,020	Housing Benefit paid	42,171	
242	Capital Receipts Pool	245	
27,548	Payments for goods and services	23,896	
6	Taxation	-	
2,043	Interest paid	2,255	
<u>4,551</u>	Other operating costs	<u>4,657</u>	
89,422	Cash outflows from operating activities		86,320
(4,863)	Net Cash Flows from operating activities		(8,464)
12,287	Purchase property, plant & equipment, Investment property and intangible assets	17,722	
16,000	Purchase of short and long term investments	2,000	
1,850	Other investing activities	-	
(1,949)	Sales of property, plant & equipment, Investment property and intangible assets	(2,713)	
(16,000)	Sale of short and long term investments	(2,100)	
<u>(991)</u>	Other investing receipts	<u>(3,881)</u>	
11,197	Net cash outflows from investing activities		11,028
(8,250)	Cash receipts of borrowing	(15,000)	
-	Cash payments for reduction of lease liabilities	-	
6,272	Repayments of borrowing	8,163	
<u>1,651</u>	Other financing activities	<u>(1,235)</u>	
(327)	Net cash inflows from financing activities		(8,072)
6,007	Net (increase) / decrease in cash and cash equivalents		(5,508)

The balances of cash and cash equivalents are shown below:

2013/14			2014/15			
1 April	31 March	Movement	1 April	31 March	Movement	
£000	£000		£000	£000		
457	275	(182)	Cash and Bank	275	2,112	1,837
6,700	850	(5,850)	Call accounts	850	4,000	3,150
1,456	1,481	25	Eastbourne Homes	1,481	2,002	521
8,613	2,606	(6,007)	Total Cash and Cash Equivalents	2,606	8,114	5,508

NOTES TO THE GROUP ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

The accounting policies set out in Note 2 to the Eastbourne Borough Council accounts also apply to the group accounts. Where necessary, the accounts of Eastbourne Homes Ltd have been adapted to align them with the Council's policies.

2. PROPERTY PLANT AND EQUIPMENT

The table below shows the reconciliation of opening and closing balances and the movements in various categories for the year.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation at 1 April 2014	135,188	64,285	11,200	33,818	2,936	-	55	247,482
Additions	7,662	3,443	1,211	279	132	2,541	-	15,268
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(637)	640	-	-	-	-	-	3
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	9,562	(680)	-	-	-	-	-	8,882
De-recognition - Disposals	(7,451)	-	(2,013)	(279)	-	-	-	(9,743)
Assets reclassified as Investment Assets	-	(306)	-	1	-	-	-	(305)
Assets reclassified	(73)	-	-	-	-	73	-	-
At 31 March 2015	144,251	67,382	10,398	33,819	3,068	2,614	55	261,587
Accumulated Depreciation and Impairment								
At 1 April 2014	(9,472)	(3,572)	(4,170)	(13,683)	(563)	-	-	(31,460)
Depreciation Charge	(3,270)	(1,338)	(922)	(839)	-	-	-	(6,369)
De-recognition - disposal	347	-	2,013	-	-	-	-	2,360
At 31 March 2015	(12,395)	(4,910)	(3,079)	(14,522)	(563)	-	-	(35,469)
Net Book Value								
At 31 March 2015	131,856	62,472	7,319	19,297	2,505	2,614	55	226,118
At 31 March 2014	125,716	60,713	7,030	20,135	2,373	-	55	216,022

The equivalent figures for 2013/14 are shown below:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equip.	Infra-structure	Commun.	Assets under Const.	Surplus Props.	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of valuation at 1 April 2013	129,311	60,440	10,309	38,532	2,882	-	55	241,529
Additions	7,037	1,759	892	317	54	-	-	10,059
Revaluation increases recognised in the Revaluation Reserve	-	249	-	-	-	-	-	249
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	6,952	2,004	-	-	-	-	-	8,956
De-recognition - Disposal	(8,272)	(7)	-	(5,031)	-	-	-	(13,310)
Assets reclassified	160	(160)	-	-	-	-	-	-
Other movements in cost, valuation or reclassification	-	-	(1)	-	-	-	-	(1)
Balance at 31 March 2014	135,188	64,285	11,200	33,818	2,936	-	55	247,482
Accumulated Depreciation and Impairment								
At 1 April 2013	(6,197)	(2,584)	(3,112)	(13,103)	(564)	-	-	(25,560)
Depreciation Charge	(3,374)	(1,313)	(1,059)	(962)	-	-	-	(6,708)
Depreciation written out to the Revaluation Reserve	-	322	-	-	-	-	-	322
De-recognition - disposal	102	-	-	382	-	-	-	484
De-recognition - other	(3)	3	1	-	1	-	-	2
At 31 March 2014	(9,472)	(3,572)	(4,170)	(13,683)	(563)	-	-	(31,460)
Net Book Value								
At 31 March 2014	125,716	60,713	7,030	20,135	2,373	-	55	216,022
At 31 March 2013	123,114	57,856	7,197	25,429	2,318	-	55	215,969

3. SHORT TERM DEBTORS

Sort term debtors outstanding as at 31 March are:

31 March 2014		31 March 2015	
£000		£000	
2,104	Central government	2,198	
3,637	Other local authorities	2,564	
-	NHS	1	
1,719	Public corporations and trading funds	1,496	
4,402	Other entities and individuals	5,740	
11,862	Total	11,999	

4. SHORT TERM CREDITORS

The table below analyses the short-term liabilities between different groupings of creditor.

31 March 2014		31 March 2015
£000		£000
(738)	Central Government	(1,248)
(954)	Other Local Authorities	(685)
(5,422)	Public Corporations and other trading organisations	(5,925)
(2,746)	All other bodies	(3,642)
(9,860)	Total	(11,500)

5. PROVISIONS

	Balance 1 April 2014	Unused Amounts Reversed	Amounts used	Balance 31 March 2015
	£000	£000	£000	£000
Business Rates Appeals	(654)	(22)	258	(418)
Ivy House Dilapidations	(171)	-	171	-
	(825)	(22)	429	(418)

Eastbourne Homes Ltd (EHL) entered into a 10 year lease for Ivy House Head Office premises from 23rd December 2009 with a break date of 31st March 2015. Prior to occupation EHL undertook decorative and partitioning works to the interior of the premises to make it suitable for purpose. A licence was granted by the landlord under the lease for these works with the licence specifying a reinstatement clause which may be activated in full or in part by the landlord providing six months' notice before the end of the term of the lease. The total estimated cost of reinstatement of the offices to their original condition was £213,000. Accordingly full provision was made for this sum by charging an equal portion of the reinstatement cost to operating expenses over the 5 years from effective occupation of the property, April 2010 to the break date of 31st March 2015. This has now been settled and the provision has been utilised in the year.

6. POST EMPLOYMENT BENEFITS**6.1 Participation in defined liability pension plan**

Details of the Council's participation in the East Sussex Pension Fund are set out in Note 34, and employees of Eastbourne Homes Ltd have the same access to the benefits of the scheme.

6.2 Transactions relating to post-employment benefits

The following transactions have been made in the Group Comprehensive Income and expenditure statement :

2013/14		2014/15
£000		£000
	Service Cost comprising:	
2,009	Current Service Costs	2,061
42	Past Service Costs	-
	Financing & Investment Income & Expenditure	
1,338	Net Interest Expense	1,551
3,389	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	3,612
	Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
	Return on Plan Assets (excluding the amount included in the net interest expense)	(9,472)
3,725		

2,190	Actuarial Gains and losses arising on changes in demographic assumptions	-
3,239	Actuarial Gains and losses arising on changes in financial assumptions	13,378
(2,377)	Other	(957)
6,777	Other Comprehensive Income & Expenditure	2,949
10,166	Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement	6,561
Movement in Reserves Statement		
3,389	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	3,612
(2,268)	Actual amount charged against the General Fund Balance for pensions in the year:	(2,462)
1,121	Net adjustment in Movement in Reserves Statement	1,150

6.3 Pensions Assets and Liabilities recognised in the balance sheet

The amount included in the Balance Sheet for the Group obligation in respect of its defined plans is as follows:

31 March 2014		31 March 2015	
£000		£000	
91,607	Fair value of employer assets	102,703	
(124,004)	Present value of funded liabilities	(139,087)	
(5,375)	Present value of unfunded liabilities	(5,555)	
(37,772)	Sub-total	(41,939)	
-	Other movements in the liability (asset)	-	
(37,772)	Net liability arising from defined benefit obligation	(41,939)	

6.4 Reconciliation of the Movements in the Fair Value of the Scheme Assets

2013/14		2014/15	
£000		£000	
93,310	Opening fair value of assets	91,607	
4,149	Interest income	3,718	
Re-measurement gain/(loss):			
(3,725)	The return on plan assets, excluding the amount included in the net interest expense	9,472	
1,899	The effect of changes in foreign exchange rates		
	Contributions from employer - Funded	2,001	
369	Contributions from employer - Unfunded	382	
531	Contributions from employees into the scheme	582	
(4,557)	Benefits paid - Funded	(4,677)	
(369)	Benefits paid - Unfunded	(382)	
91,607	Closing fair value of scheme assets	102,703	

6.5 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2013/14		2014/15	
(123,184)	Opening balance at 1 April	(129,379)	
(2,009)	Current service costs	(2,061)	
(5,487)	Interest costs	(5,269)	
(531)	Contributions from scheme participants	(582)	
Re-measurement (gains) and losses:			
(2,190)	Actuarial gains/losses arising from changes in demographic assumptions	-	

(3,239)	Actuarial gains/losses arising from changes in financial assumptions	(13,378)
2,377	Other	957
(42)	Past service costs	-
4,557	Benefits paid - Funded	4,677
369	Benefits paid - Unfunded	382
-	Liabilities extinguished on settlements	11
(129,379)	Closing Balance at 31 March	(144,642)

6.6 Local Government Pension Scheme Assets comprised:

31 March 2014				31 March 2015			
Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of Total Assets
£000	£000	£000		£000	£000	£000	
Equity Securities:							
4,463	-	4,463	5%	4,033	19	4,052	4%
2,269	-	2,269	2%	2,548	160	2,708	3%
2,387	-	2,387	3%	2,710	-	2,710	3%
5,026	-	5,026	5%	5,900	-	5,900	6%
2,710	-	2,710	3%	4,133	-	4,133	4%
2,471	-	2,471	3%	4,403	-	4,403	4%
1,304	150	1,454	2%	13	-	13	0%
20,630	150	20,780	23%	23,741	179	23,919	24%
Sub-total equity				Sub-total equity			
Debt Securities:				Debt Securities:			
-	1,288	1,288	1%	-	1,631	1,631	2%
-	1,216	1,216	1%	-	1,050	1,050	1%
-	2,504	2,504	2%	-	2,681	2,681	3%
Sub-total Debt Securities				Sub-total Debt Securities			
Private equity:				Private equity:			
-	7,206	7,206	8%	-	5,677	5,677	6%
Real Estate:				Real Estate:			
506	7,748	8,254	9%	-	10,598	10,598	10%
506	7,748	8,254	9%	-	10,598	10,598	10%
Sub-total Real Estate				Sub-total Real Estate			
Investment Funds & Unit Trusts:				Investment Funds & Unit Trusts:			
109	43,530	43,639	49%	519	46,146	46,665	45%
3,481	2,465	5,946	6%	4,130	2,560	6,690	7%
180	-	180	0%	76	39	114	0%
270	-	270	0%	250	-	250	0%
-	-	-	0%	-	2,042	2,042	2%
-	-	-	0%	-	402	402	0%
4,040	45,995	50,035	55%	4,974	51,189	56,163	54%
Sub-total Investment Funds & Unit Trusts				Sub-total Investment Funds & Unit Trusts			
Derivatives:				Derivatives:			
-	53	53	0%	-	(20)	(20)	0%
-	53	53	0%	-	(20)	(20)	0%
Sub-total Derivatives				Sub-total Derivatives			
Cash & Cash Equivalents				Cash & Cash Equivalents			
-	2,775	2,775	3%	-	3,685	3,685	4%
-	2,775	2,775	3%	-	3,685	3,685	4%
25,176	66,430	91,606	100%	28,715	73,988	102,703	100%
Total				Total			

The breakdown of assets in monetary terms in the table above have been shown to the nearest £1,000. The additional precision in the presentation of the figures has been included, but the sum of the values rounded to the nearest £1,000 (or 1%) may not equal the total value due to rounding.

7. TRANSACTIONS BETWEEN EASTBOURNE BOROUGH COUNCIL AND EASTBOURNE HOMES LTD

Eastbourne Borough Council pay the Company a fee in accordance with an agreement to manage and maintain the Council's housing stock, including capital works.

The Company obtained services from Eastbourne Borough Council under various Service Level Agreements. These include financial ledger systems, parks & gardens, information technology and Chief Finance Officer.

	2013/14	2014/15
	£000	£000
Income		
Housing Management contract	6,815	7,148
Other contracts	300	396
Expenditure		
Service Level Agreements	278	545
Contribution to Capital Works	0	0
Recharges		
Capital Works at cost	6,382	7,227
Other	8	1
Debtor		
Amount due from Eastbourne Borough Council	2,536	1,247
Creditor		
Amount due to Eastbourne Borough Council	50	435

Four of the 12 Board Directors of Eastbourne Homes Ltd are residents in properties maintained by Eastbourne Homes and owned by Eastbourne Borough Council. These residents have a standard tenancy agreement and fulfil the same obligations and receive the same service as all other residents of Eastbourne.

South East Independent Living Limited (SEILL), a private limited company, was incorporated on 30 September 2013. This company is wholly owned by EHL and their accounts have been consolidated within the statement of accounts for EHL. SEILL has liabilities of £106,000 and turnover of £1,196,000 (for the period 30 September 2013 to 31 March 2015).

GLOSSARY

This glossary helps to define some of the terms and phrases found in these accounts.

Accounting Period

The length of time covered by the accounts, in the case of these accounts the year from 1 April to 31 March.

Accrual

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

Actuarial Gains and Losses

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Balances

These represent the accumulated surplus of revenue income over expenditure.

Budget

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

Budget Requirement

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

Capital Charge

A charge to service revenue accounts to reflect the cost of non-current assets (previously referred to as fixed assets) used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of non-current assets (fixed assets) that will be of use or benefit to the Council in providing its services for more than one year. Capital expenditure also includes Revenue expenditure financing from Capital under Statute.

Capital Adjustments Account

The capital adjustments account records the resources set aside to finance capital expenditure and offsets the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or by disposal.

Capital Receipts

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

Cash Equivalents

Generally short term, highly liquid investments readily convertible into cash.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts.

Collection Fund

A fund administered by the Council as a "Charging Authority". The Council Tax and Non-Domestic Rates are paid into this fund. The Council Tax and NDR demand of the Council and the precepts of other public bodies are paid out of the fund. Any surplus or deficit is shared between the various authorities.

Corporate and Democratic Core

These are the activities that a local authority engages in specifically because it is a democratically elected decision making body. These costs are not apportioned to services but are shown here. Examples of costs are Councillors' allowances, Committee support and time spent by professional officers in giving policy advice.

Council Tax Freeze Grant

A grant payable to any local authority that contains any increase in net costs in 2012/13 and 2014/15 to the equivalent to a 1% increase in council tax.

Creditors

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period but not paid for.

Current Service Cost

The increase of the present value of a defined benefit scheme's liabilities expected to arise from employee service in the accounting period.

Debtors

Amounts owed to the Council but unpaid at the Balance Sheet date.

Depreciation

The measure of the cost or revalued amount of the benefit of the fixed asset that have been consumed during the period.

Expected Rate of Return on Pensions Assets

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fees and Charges

The income raised by charging for goods, services or the use of facilities.

General Fund

The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account

A separate account, maintained by law, which accounts for the income and expenditure related to the Council's housing stock. The General Fund cannot subsidise the Housing Revenue Account and vice versa.

Intangible Assets

Non current assets (fixed assets) that do not have physical substance but are identifiable and controlled by the Council. Examples are software and licences.

Leasing

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Levy

A contribution payable by law to Internal Drainage Boards for land drainage.

Minimum Revenue Provision

An amount to be set aside each year from revenue to repay the principal amounts of external loans outstanding.

Non Current Asset (previously known as Fixed Asset)

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

Non Domestic Rates (NDR) (also known as Business Rates)

Non Domestic Rates are levied on businesses within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

Precept

The amount levied by various Authorities that is collected by the Council on their behalf. The precepting Authorities in Eastbourne are East Sussex County Council, Sussex Police Authority and East Sussex Fire.

Provisions

Amounts set aside to meet costs which are likely or certain to be incurred, but are uncertain in value or timing.

Public Works Loans Board

A Government body that provides loans to local authorities.

Reserves

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of revaluation adjustments.

Revenue Expenditure

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

Revenue Expenditure financed from Capital under Statute (REFFCUS)

Expenditure that can be classified as capital expenditure but which does not result in the acquisition of a tangible or physical asset.

Revenue Support Grant

Central Government financial support towards the general expenditure of local authorities.

Specific Government Grants

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.