

**Audited
Statement of Accounts
2016/17**



TABLE OF CONTENTS

| | |
|--|-----|
| NARRATIVE REPORT BY DEPUTY CHIEF EXECUTIVE | 2 |
| STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS | 26 |
| INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL | 27 |
| MOVEMENT IN RESERVES STATEMENT | 30 |
| COMPREHENSIVE INCOME & EXPENDITURE STATEMENT | 31 |
| BALANCE SHEET | 32 |
| CASH FLOW STATEMENT | 33 |
| NOTES TO THE ACCOUNTING STATEMENTS..... | 34 |
| HOUSING REVENUE ACCOUNT (HRA) | 85 |
| COLLECTION FUND REVENUE ACCOUNT..... | 88 |
| GROUP ACCOUNTS | 92 |
| GROUP MOVEMENT IN RESERVES STATEMENT..... | 93 |
| GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT | 94 |
| GROUP BALANCE SHEET | 95 |
| GROUP CASH FLOW STATEMENT..... | 96 |
| NOTES TO THE GROUP ACCOUNTING STATEMENTS..... | 97 |
| GLOSSARY | 103 |

NARRATIVE REPORT BY DEPUTY CHIEF EXECUTIVE

INTRODUCTION

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), based on International Financial Reporting Standards and the Service Reporting Code of Practice (SeRCOP), together with guidance notes and published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts aims to provide information so that members of the public, including electors and residents of Eastbourne, Council Members, partners, stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the outturn for 2016/17;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

The Narrative Report provides information about Eastbourne, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2017 and is structured as below:

- About Eastbourne
- Governance
- Corporate Risk
- Summary of Achievements
- Financial Performance of the Council in 2016/17
- Staffing
- Future Plans
- Explanation of Financial Statements
- Further Information.

ABOUT EASTBOURNE

Our Environment

Eastbourne is a large town in East Sussex and is a gateway to the eastern end of the South Downs National Park, with approximately 7km (over 4 miles) of outstanding coastline. For an urban borough it has significant natural environment, a high proportion of which is downland. This natural environment with its panoramic views, areas of outstanding natural beauty and sites of special scientific interest, has 485 hectares (1,200 acres) of open access land and is highly valued by our residents and visitors. Eastbourne is primarily a seaside resort with natural shelter provided by Beachy Head.

Within its built environment, Eastbourne has a wide range of parks and gardens and significant areas of historic interest, including 250 listed buildings and almost 10 per cent of the built up area protected with Conservation Area status. Eastbourne also has a range of sport and leisure facilities including: an international, high quality tennis centre developed in partnership with the Lawn Tennis Association; a number of community and borough sporting facilities; theatres; a modern art gallery; and a number of smaller venues act as centres of local memory and heritage. It has an outstanding seafront destination offering miles of unspoilt coast, with a preserved Victorian promenade, extending to a modern, high quality marina and berthing facility at Sovereign Harbour. The borough has a diverse range of restaurants, retail and hospitality accommodation adding to the visitor and community offer.

Our Community

Eastbourne has an estimated population of 101,547. Historically, it has attracted older people to come and live in the town. Compared to the county, region and nation as a whole, Eastbourne has a higher percentage of the population of pensionable age, 22.7 per cent aged over 65 years old against a national average of 16.4 per cent. However, this is changing and although Eastbourne still provides an attractive location for retirement, the town has also experienced considerable housing and economic

development that has attracted a younger age group, leading to an increasingly more balanced community. We now have 34.2 per cent of our population below the age of 30.

Eastbourne has a high proportion of people with a long-term health problem or disability at 21 per cent (8.5 per cent are between the ages of 16 and 64 years). The national average is 17.9 per cent.

We work with a range of community organisations to support development and new projects designed to improve services for local residents. This covers support for local community centres, funding through Community Grants and Rent Support Grant and general advice.

It also includes work through different partnerships such as the Community Safety Partnership, the Healthy Eastbourne Board, the Children's Services Planning Group and the Eastbourne Youth Partnership, and specific communities of interest groups such as the Disability Involvement Group, Faiths Forum, Seniors' Forum, BourneOut Group representing the LGBT community and Eastbourne Cultural Involvement Group.

We are also developing, coordinating and supporting Neighbourhood Management projects in several areas of the town in partnership with voluntary and community groups, social landlords, the Police and various other agencies. There are Neighbourhood Management projects now operating in Kingsmere, the Town Centre, Willingdon Trees, Shinewater & North Langney and Old Town. These projects link agencies with local communities to address their concerns and priorities and cover a range of issues such as community safety and environmental issues, youth activities, health improvement, learning and employment depending on the needs of each area. We are also working closely with Local Trust and other partners in Devonshire West to encourage residents and other stakeholders to get involved in the £1 million Big Local programme there.

Our Economy

It's an exciting time to live and work in Eastbourne. The ambitious regeneration and investment plans over the next five years will transform the town into a business destination ideally suited for the 21st century, creating local economic impacts for future generations.

- **Developments and Investments**
 - The development of Sovereign Harbour Innovation Park is a long term Council corporate priority. The Innovation Park is designed to provide companies with high quality offices to enable them to expand and generate jobs, providing an economic boost to the area. Pacific House, the first office centre on the Innovation Park, completed in 2015 and is now home to 16 companies.
 - Planning was approved for a £85 million plan to extend the Arndale Centre. The phased development which will provide 22 new retail units, 7 new restaurants and a multi-screen cinema is expected to be completed by the end of 2018 along with public realm improvements in Terminus Road.
 - One of the most important projects and arguably the biggest scheme the Council has ever embarked on is the £44 million ambition to significantly improve the Devonshire Park complex to create a thriving and nationally important and recognised cultural, conference and leisure destination.
 - Eastbourne Borough Council is working in partnership to redevelop the Wish Tower Restaurant site on the seafront.
 - Through strategic partnership working with the South East Local Enterprise Partnership, Eastbourne has secured a total of £40 million for integrated and sustainable transport projects.
 - Driving Devonshire Forward secured £1.8 million from the Coastal Community Fund. The award regenerated the area by developing new leisure and business facilities, improving the public realm and promoting local artists and providing training, creating 118 jobs.
 - Eastbourne received £2 million to help the tourism industry recover from the damage to the pier in 2014. This grant funded a number of projects including a history trail, a Christmas market and 'Neon Noel' light show and tourism marketing.

- Skills

Eastbourne continues to improve its skills base across all qualification levels to a more comparative benchmark to East Sussex, South East and Great Britain. Furthermore, 43% of residents are now qualified to at least Level 3 (two or more A-Levels or NVQ Level 3) suggesting that the labour supply is becoming more qualified.

There are 2 Super Output Areas (SOAs) in Old Town and Ratton Wards that are in the 10% least deprived in education, skills and training in England. There are also 3 SOAs in Hampden Park and Langney Wards which are in the 10% most deprived areas of education, skill and training in England.

- Income

Between 2010-2015 resident and workplace earnings have increased in Eastbourne. They are uncompetitive compared to the South East and Great Britain but according to the latest figures are more competitive than East Sussex.

- Unemployment

The local unemployment rate in Eastbourne (6.1%) is higher than in East Sussex (4.1%), the South East (4.3%) and nationally (5.3%). The rate of JSA claimants in Eastbourne (1.8%) also lies above East Sussex (1.4%) and the South East (1.0%), and the national figure (1.7%).

Data indicates high levels of worklessness (wider than unemployment and inclusive of other working benefits) in Eastbourne. The out-of-work benefit claimant rate in Eastbourne (10.9%) is higher than East Sussex (9%), the South East (6.6%) and England (9.1%).

- Employment Sectors and Occupations

Human health and social activities is the largest employment sector in Eastbourne at 24% followed by wholesale and retail trade; repair of motor vehicles and motorcycles at 21.2%. Both sectors have greater concentrations in Eastbourne than East Sussex, the South East and Great Britain.

Compared to the South East and Great Britain, Eastbourne has a lower proportion of individuals employed in managerial and senior officials, professional, associate professional and technical, administrative and secretarial, skilled trades and process, plant and machine occupations but a higher concentration of caring, leisure and other service, sales and customer service and elementary occupations. The proportion of high-level professionals in Eastbourne's workforce (37.8%) is lower than the South East (43.3%) and England and Wales (40.9%).

- Deprivation

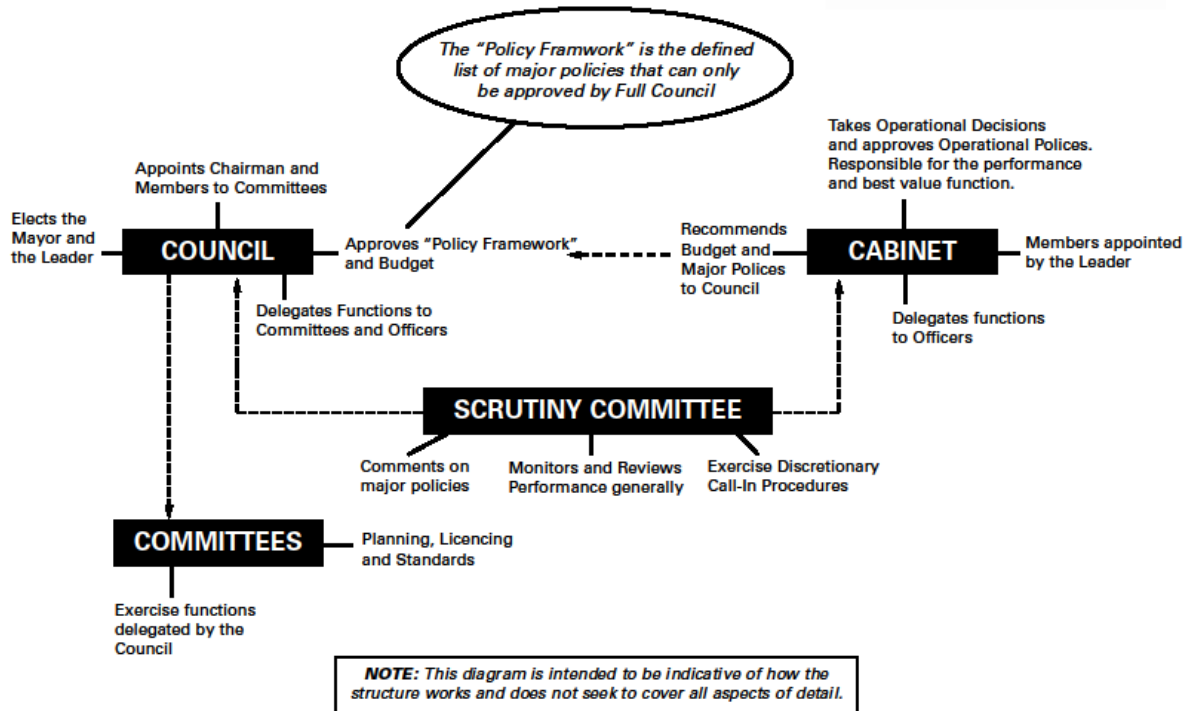
There are 2 SOA's in Eastbourne in the most 10% deprived areas in England. These are found within the Devonshire and Hampden Park.

GOVERNANCE

The council has 27 Councillors elected in 9 wards; there are 18 Liberal Democrats, 8 Conservatives and 1 Independent Conservative members.

The Council is required to hold a written constitution under the provisions of the Local Government Act 2010. The constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. The Council's current constitution was originally adopted in May 2002 and has been the subject of update and amendment since that time. Some of the content of the constitution is required by law and other content is for the Council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the Council including Council, Cabinet and committees which operate with the modernised political structure below:

The Modernised Political Structure - How it Works



Council

The Full Council generally meets five times a year to consider and determine all matters referred to it for decision by the Cabinet and other Council Bodies.

Cabinet

The Cabinet is responsible for most day-to-day decisions of the Council. The Cabinet is made up of the Leader of the Council and 5 Councillors from the majority political group, the Liberal Democrats. Each member is assigned portfolios identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers. The membership is as follows:

- The Leader of the Council
- The Deputy Leader and lead member for Financial Services
- The lead member for Tourism and Leisure Services
- The lead member for Direct Assistant Services
- The lead member for Core Support and Strategic Services
- The lead member for Recycling, Planning, Parks, Environmental Health and Licensing
- The lead member for Community Safety.

Scrutiny

Scrutiny Committee meets generally to review the delivery of services as a result of previous Council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Committee is not confined to looking only at Council services. It can investigate the actions of other companies and organisations whose actions affect Eastbourne residents.

Regulatory

The following Committees are appointed by the Council and carry out specific functions given to them under delegated powers and those functions which cannot be exercised by the Cabinet.

- **Audit and Governance**

The audit functions of the committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. The standards functions of the committee seek to ensure that the members, co-opted members and officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its codes of conduct and administering related complaints and dispensation procedures. The governance functions of the committee relate to the monitoring and operation of the Council's constitution and its review, the members' allowances scheme and other member issues including support to members and meeting their training and development needs, civic protocol and certain electoral functions. The committee will also act as a general purposes committee in relation to functions not otherwise allocated.

- **Conservation Area Advisory Group**

This group consists of four members of the Council who are not on the pool of members for Planning Committee, plus advisors, with membership weighted to reflect political balance of the council. The group advises the Planning Committee on planning applications in conservation areas where there is a material effect on the conservation area, and on applications affecting listed buildings.

- **Council Panel**

Panels may be set up on an ad hoc basis to deal with staffing matters (other than recruitment) and for the determination of an appeal against any decision made by or on behalf of the Council (a Local Choice Function). In addition two specific panels deal with the recruitment for the positions of Head of Paid Service, Statutory and Non-Statutory Chief Officers and Deputy Chief Officers) and to advise and make recommendations to the Council in respect of the Members' Allowances Scheme.

- **General Licensing**

There are three types of committee that deal with licensing applications and related matters:

- Licensing Act Committee - deals with the council's functions as Licensing Authority under the Licensing Act 2003.
- General Licensing Committee - deals with all licensing issues apart from those related to the Licensing Act 2003 and planning legislation.
- Licensing Sub-Committees - deal with specific licence applications and related issues.

- **Joint Waste Committee**

The Joint Waste Committee is made up of elected member representatives from the Cabinets of each of the following authorities: Eastbourne Borough Council; East Sussex County Council; Hastings Borough Council; Rother District Council and Wealden District Council. These authorities have established the Joint Waste Committee with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990. The Joint Waste Committee will also facilitate the authorities to work in partnership with East Sussex County Council as the Waste Disposal Authority to maximise integration opportunities.

- **Planning**

The Planning Committee is responsible for granting or refusing permission for planning developments, including enforcement of planning controls, conservation areas and listed buildings and making and regulating tree preservation orders.

- **Standards Panel**

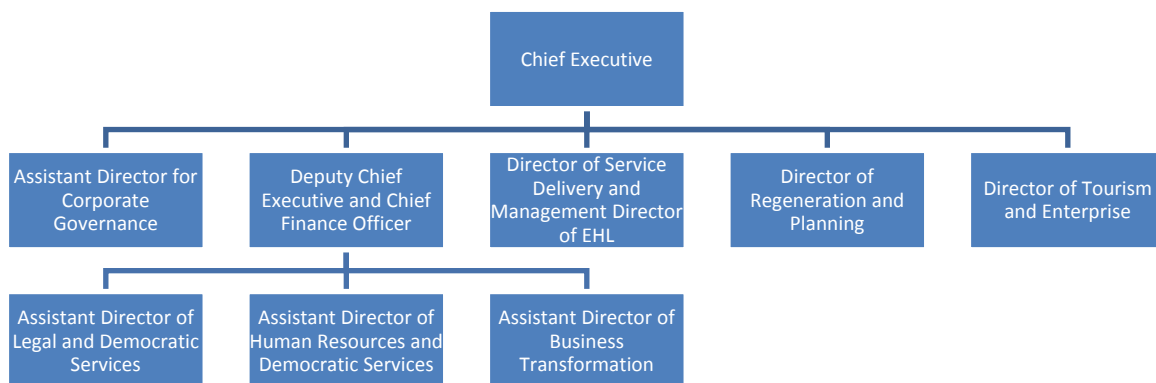
Standards Panel consists of 3 members drawn from the membership of the Audit and Governance Committee. The purpose of the Panel is to carry out any arrangements delegated to the Panel by the Audit and Governance Committee in connection with investigating and making decisions on allegations that a member or co-opted member has failed to comply with the code of conduct.

Management Structure of the Council

The Corporate Management Team (CMT) provides senior leadership and strategic direction for the Council, working closely with Cabinet to deliver the Council's agreed corporate plan and strategic priorities. The Chief Executive leads the Council and holds the statutory post of Head of Paid Service.

The Council also appoints a Monitoring Officer and Chief Finance Officer, as required by law. These officers have responsibility to take action if the Council has broken, or is about to break the law or if the Council is about to set an unbalanced budget.

The structure of CMT is as follows:



Joint Transformation Programme (JTP)

In October 2015, Cabinet approved a strategy for the development of shared services between Lewes District Council (LDC) and Eastbourne Borough Council (EBC) based on the integration of the majority of council services.

The four strategic objectives of the Programme are:

- **Protect services** - delivered to local residents while at the same time reducing costs for both councils to save £2.8m annually;
- **Greater strategic presence** - Create two stronger organisations which can operate more strategically within the region while still retaining the sovereignty of each council;
- **High quality, modern services** - Meet communities and individual customers’ expectations to receive high quality, modern services focused on local needs and making best use of modern technology;
- **Resilient services** - Building resilience by combining skills and infrastructure across both councils.

CORPORATE RISK

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The following strategic risks are reviewed by the Corporate Management team quarterly:

| Title | Description | Internal Controls |
|---|--|---|
| No political and partnership continuity/consensus with regard to organisational | Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium | 1. Create inclusive governance structures which rely on sound evidence for decision making. 2. Annual review of corporate plan and Medium Term Financial Strategy. |

| Title | Description | Internal Controls |
|---|---|---|
| objectives. | Term Financial Strategy unfit for purpose. | 3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment. |
| Changes to the economic environment makes the Council economically less sustainable. | <ol style="list-style-type: none"> 1. Economic development of the town suffers. 2. Council objectives cannot be met. | <ol style="list-style-type: none"> 1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment. |
| Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations. | <ol style="list-style-type: none"> 1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud. | <ol style="list-style-type: none"> 1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Local Futures Toolkit/data modelling; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme). |
| The employment market provides unsustainable employment base for the needs of the organisation. | Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs. | <ol style="list-style-type: none"> 1. Joint Transformation Programme to increase non-financial attractiveness of the Council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements. |
| Not being able to sustain a culture that supports organisational objectives and future development. | <ol style="list-style-type: none"> 1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure. 6. Increased possibility of fraud. | <ol style="list-style-type: none"> 1. Deliver a fit for purpose organisational culture through Joint Transformation Programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff. |
| Council prevented from delivering services for a prolonged period of time. | <ol style="list-style-type: none"> 1. Denial of access to property. 2. Denial of access to technology/information. 3. Denial of access to people | <ol style="list-style-type: none"> 1. Regularly reviewed and tested Business Continuity Plans. 2. Regularly reviewed and tested Disaster Recovery Plan. 3. Joint Transformation Programme has created a more flexible, less locationally dependent service architecture. 4. Adoption of best practice IT and Asset Management policies and procedures. |
| Council materially | 1. Service profile of the Council | 1. Ongoing and robust risk profiling of local area |

| Title | Description | Internal Controls |
|--|---|---|
| impacted by the medium to long term effects of an event under the Civil Contingencies Act. | <p>changes materially as a result of the impact of the event.</p> <p>2. Cost profile of the Council changes materially as a result of the impact of the event.</p> | <p>(demographic and geographic).</p> <p>2. Review budget and reserves in light of risk profile.</p> <p>3. Working in partnership with other public bodies.</p> |
| Failure to meet regulatory or legal requirements. | <p>1. Credibility of the Council is negatively impacted.</p> <p>2. Deterioration of financial position as a result of regulatory activity/penalties.</p> <p>3. Deterioration of service performance as a result of regulatory activity/penalties.</p> <p>4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties.</p> <p>5. Possibility of fraud and bribery.</p> <p>6. Possibility of non-compliance with legislation such as Data Protection and Safeguarding.</p> <p>7. Entering into contracts etc. without having adequate finance in place.</p> | <p>1. Developing, maintaining and monitoring robust governance framework for the Council.</p> <p>2. Building relationships with regulatory bodies.</p> <p>3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise.</p> <p>4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property.</p> <p>5. Ensure there is full understanding of the impact of new legislation (e.g. Localism Act).</p> <p>6. All managers are required to abide by the Council's procurement rules.</p> <p>7. Joint Transformation Board considers activity mapping, ensuring that it covers regulatory/legal and main financial matters.</p> |

SUMMARY OF ACHIEVEMENTS

Corporate Plan

One of the key strategic documents that frame the actions of the Council is the Council's Corporate Plan. This is a working document that exists to help Councillors, staff and partners work together to deliver the vision for Eastbourne. It brings together key actions and performance indicators to measure progress against priority projects.

| 2010-2015 Corporate Plan Headline Achievements | |
|--|---|
| <p>Prosperous Economy</p> <ul style="list-style-type: none"> Town Centre Local Plan adopted Sovereign Harbour Innovation Park Arndale Centre and Terminus Road Improvements started Consistently strong Town Centre retail void rate Driving Devonshire Forward project Strong events provision including the 20th anniversary Airbourne, International Tennis tournaments, Olympic torch route and cycling Tour of Britain stage hosting Over 50 properties improved in "secondary shopping areas" | <p>Quality Environment</p> <ul style="list-style-type: none"> Solarbourne - Panels on over 280 buildings Joint Waste Contract Around 200 "Grot Spots" and difficult properties tackled since 2010 Green Flag awards for Hampden Park and Princes Park 20 QE2 protected fields protected in perpetuity Over 1,000 new allotment plots created Adoption of borough-wide cycling strategy and completion of new cycle routes Council's carbon footprint reduced by 27% since 2010 |
| <p>Thriving Communities</p> <ul style="list-style-type: none"> Devonshire Park redevelopment planned Neighbourhood First team established Youth Strategy delivered with YMCA Benefits processing times down from 20.3 days (2008/9) to 9.9 days (Q3 2015/16) Tennis development plan Introduction of new Sports Festival Overall reductions in crime First programme of Council House building for 20 years Local Authority mortgage assistance scheme | <p>Sustainable Performance</p> <ul style="list-style-type: none"> Agile working Future Model Customer First Improved financial process and management Revised service planning and corporate performance management processes GoSE peer Review, iESE "Council of the Year", LGA Peer Challenge, Local Government Transformation Award and UK IT Industry Awards runner up Adopted Corporate Landlord Model for asset management |

Key Performance Indicators for 2016/17

Prosperous Economy

| Code & Short Name | Description | Latest Value | Last Update Info |
|--|--|--------------|--|
| CD_155 Number of affordable homes delivered (gross) | Number of affordable homes delivered (gross) | 3 | 2016/17 result |
| DE_004 Town centre vacant business space | Town centre voids. Snapshot of how many vacant business premises per quarter. | 6.77% | Latest result for 2016/17 as of March 2017 |
| DE_154 Net additional homes provided | Encourage a greater supply of new homes in England to address the long term housing affordability issue. | 128 | Cumulative result for 2016/17 as at Q3 2016/17 |
| TL_003 Bandstand patrons | Number of annual patrons at the bandstand | 41,003 | Cumulative result for 2016/17 |
| TL_005 Marketing campaign value for money | Cost per response - cost of placing advert / number of responses. | £0.50 | 2015/16 result |
| TL_017a Redoubt visitors - paying visitors | Annual visits to the Redoubt by paying visitors | 9,375 | 2016/17 result |
| TL_041 Number of visitors (day visitors and staying trips) | Data taken from the Cambridge Model. PI new for 2012/13. | 4,875,000 | 2016/17 result |
| TL_042 Total tourist spend | Data taken from the Cambridge Model. PI new for 2012/13. | £300,104,000 | 2016/17 result |
| TL_043 Total day visitor spend | Data taken from the Cambridge Model. PI new for 2012/13. | £129,000,000 | 2016/17 result |
| TL_044 Total accommodation spend | Data taken from the Cambridge Model. PI new for 2012/13. | £171,104,000 | 2016/17 result |

Quality Environment

| Code & Short Name | Description | Latest Value | Last Update Info |
|--|---|---------------------|---|
| CD_051 Number of difficult problem properties remedied / brought back into use by the Difficult Property Group | Number of difficult problem properties remedied / brought back into use by the Difficult Property Group | 35 | 2016/17 result |
| DE_006 EBC Carbon Footprint - Buildings | Annual carbon footprint from EBC's buildings. | 2,209 tonnes | 2015/16 result |
| DE_007 EBC Carbon Footprint - Vehicles | Annual carbon footprint from EBC's vehicles. | 29 tonnes | 2015/16 result |
| DE_011 Number of reported fly-tipping incidents | To see a reduction of 5%, from 2278 in 13/14 to <=2164 in 14/15. Total is the number of active and completed fly-tipping reports. | 393 | Cumulative result for 2016/17 as of December 2016 |
| DE_157a Processing of planning applications: Major applications | To ensure local planning authorities determine planning applications in a timely manner. | 56% | 2016/17 result |
| DE_157b Processing of planning applications: Minor applications | To ensure local planning authorities determine planning applications in a timely manner. | 86% | 2016/17 result |
| DE_157c Processing of planning applications: Other applications | To ensure local planning authorities determine planning applications in a timely manner. | 90% | 2016/17 result |
| DE_192 Percentage of household waste sent for reuse, recycling and composting | (Description is from former NI 192.) The indicator measures percentage of household waste arisings which have been sent by the Authority for reuse, recycling, composting or anaerobic digestion. This is a key measure of local authorities' progress in moving management of household waste up the hierarchy, consistent with the Government's national strategy for waste management. The Government expects local authorities to maximise the percentage of waste reused, recycled and composted. | 37.95 % | Cumulative result for 2016/17 as of December 2016 |

Thriving Communities

| Code & Short Name | Description | Latest Value | Last Update Info |
|---|--|---------------------|---|
| CD_056 Median average number of days for assistance with adaptations (Disabled Facilities Grants) | Median average number of days for assistance with adaptations (Disabled Facilities Grants) | 107 days | 2016/7 result |
| CD_155 Number of affordable homes delivered (gross) | Number of affordable homes delivered (gross) | 3 | 2016/17 result |
| CD_156 Number of households living in temporary accommodation | Number of households living in temporary accommodation | 58 | 2016/17 result |
| CS_010 Calls to 410000 answered within 30 seconds | See short name | 61.22% | 2016/17 result |
| CS_011 Telephone call abandonment rate | Calls to 410000 abandoned. | 10.35% | 2016/17 result |
| ECSP_015 Ranking in our Most Similar Group (MSG) in relation to all crime | Please see guidance below for list of most similar groups. | 3 | Latest result for 2016/17 as of December 2016 |

Sustainable Performance

| Code & Short Name | Description | Latest Value | Last Update Info |
|--|---|--------------|--|
| CD_004 Local percentage of Council Tax collected in year | Local percentage of Council Tax collected in year (Annual Target) | 97.06% | 2016/17 result |
| CD_006 National non-domestic rates collected | National non-domestic rates collected (Annual Target) | 99.18% | 2016/17 result |
| CS_003 Sickness absence - average days lost per employee | Working days lost per annum. | 4.06 days | Cumulative result for 2016/17 as of Q3 |

FINANCIAL PERFORMANCE OF THE COUNCIL IN 2016/17

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 (known as non-current assets). This is financed largely by capital grants, loans and other capital contributions.

1. Comprehensive Income and Expenditure Account

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 2016/17 of (£38.358m). (Split between General Fund deficit £2.680m and HRA surplus (£41.038m)). The Movement in Reserves Statement reconciles this IFRS 'surplus' together with other reserve transfers into a net decrease in the general fund balance of £0.622m and an HRA surplus of (£0.688m).

The General Fund and Housing Revenue outturn detailed below does not reconcile with the statutory presentation of the Comprehensive Income and Expenditure Statement as 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 as the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis at note 7, identifies the adjustments between the management and the financial accounts. The Council's underlying financial position, including usable Reserves, is identical in both its management and financial accounts.

2. General Fund

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 £15.166m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2016/17 of £228.51, being a 1.9% percent increase over 2015/16.

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year:

| | Original Budget £000 | Revised Budget £000 | Actual £000 | Variance £000 |
|--|--------------------------------|-------------------------------|-----------------------|-------------------------|
| Corporate Services | 5,721 | 6,190 | 6,110 | (80) |
| Community Services | 6,071 | 6,166 | 5,820 | (346) |
| Regeneration, Planning Policy and Assets | 111 | 135 | 179 | 44 |
| Tourism & Enterprise | 3,217 | 3,198 | 3,079 | (119) |
| Other Operating Income and Expenditure | (469) | (363) | - | 363 |
| Service Total | 14,651 | 15,326 | 15,188 | (138) |
| Capital Financing costs | 1,834 | 1,320 | 774 | (546) |
| TOTAL EXPENDITURE | 16,485 | 16,646 | 15,962 | (684) |
| Transfer from General Fund Balance | (1319) | (875) | (737) | 138 |
| Budget Requirement | 15,166 | 15,771 | 15,225 | (546) |
| Council Tax | (7,863) | (7,863) | (7,863) | - |
| Business Rates | (4,035) | (4,035) | (3,616) | 419 |
| Government Grants | (3,268) | (3,873) | (3,746) | 127 |
| TOTAL FUNDING | (15166) | (15771) | (15225) | 546 |

The General Fund Revenue Budget outturn is a deficit of £943,000. When the budget was originally set in February 2016 the Council estimated it would need to make a contribution of £1,319,000 from the General Fund Reserve in order to balance the budget. The actual contribution was £737,000 which represents a saving of £138,000 against the revised budget.

As a result of this movement the General Fund Balance as at 31 March 2017 was £2.661m.

The main variances between the revised budget and the actual net expenditure are detailed below:

| | £000 |
|--|--------|
| Summons income above target | (105k) |
| Bereavement income above target | (101k) |
| IT contract and infrastructure savings | (97k) |
| Catering Admin saving plus increase in net income | (94k) |
| Solarbourne income above target | (78k) |
| Street Cleansing contract savings | (76k) |
| Car Parking income above target | (73k) |
| Development control income above target | (63k) |
| Events net income above target | (57k) |
| Theatres net income above target | (56k) |
| Recycling contract savings and credits over target | (47k) |
| Delay in achieving savings targets | 363k |
| Increase in provision for bad debts for Housing Benefits overpayment | 184k |
| Airbourne | 69k |
| MMI scheme of arrangement levy | 47k |
| PR Contract additional work | 37k |
| Bed and Breakfast Accommodation | 33k |

3. 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 2017 there were 3,423 dwellings provided for rent. Housing Associations are the second major provider, and the Council continues its work with them in order to meet new affordable housing requirements for Eastbourne.

For 2016/17 the Housing Revenue Account net position shows an overall surplus of £688,000 for the year against an expected budgeted surplus of £417,000 resulting in a favourable variance of £271,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2016/17:

| | Original Budget | Revised Budget | Actual | Variance |
|------------------------------|------------------------|-----------------------|---------------|-----------------|
| | £000 | £000 | £000 | £000 |
| HRA | | | | |
| Income | (15,586) | (15,703) | (15,744) | (41) |
| Expenditure | 12,560 | 12,450 | 12,250 | (200) |
| Capital Financing & Interest | 1,809 | 1,809 | 1,779 | (30) |
| Contribution to Reserves | 924 | 1,027 | 1,027 | - |
| Total HRA | (293) | (417) | (688) | (271) |

The analysis on this table does not agree to HRA Statutory accounts due to the different reporting requirements, however the surplus does reconcile to the movement on the HRA statement

The main variances between the revised budget and the actual net expenditure are detailed below:

| | |
|--|-------|
| | £000 |
| Rental from new properties let at affordable rents | (59) |
| Reduction in provision for bad debt requirement | (148) |
| Take up of under occupation scheme | (48) |

Also 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 £102,700, this was transferred to the Housing Regeneration and Investment Reserve to support capital expenditure over the life of the HRA 30 year business plan.

4. 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 £943,000 (Council tax surplus (£1.433m) and Business Rates deficit £2,376m) as at 31 March 2017 (compared to a deficit of £206,000 as at 31 March 2016). This change in the balance is due to a large refund having to be made as a result of a significant reduction in the rateable value of one property following a successful appeal backdated to 2010. This refund was in excess of the amount allowed for in the provision.

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 2017 forecast surplus for the Council Tax element of the fund of £0.97m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2017/18 leaving a balance of £0.463m, to be distributed in 2018/19. This Council's share as at 31 March 2017 was £189,361.

The forecast deficit for the Business Rate element of the fund was £0.85m, which will be collected from preceptors in proportion to their share of the business rate income during 2017/18 leaving a balance of £1.526m to be distributed in 2018/19. This Council's share as at 31 March 2017 was £0.95m.

In 2014/15, 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.

From 1 April 2015, the Council has participated in, the East Sussex Business Rates Pool along with East Sussex County Council (ESCC), East Sussex Fire Authority (ESFA), Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council. Pooling the business rates income from growth across a wider and economically coherent area ensures that all the authorities in the Pool can benefit from economic growth across the whole area. Additionally, there is a financial benefit for each participating authority arising from the fact that the levy rate for the Pool as a whole is lower than the levy rates that would have applied to each authority individually. The total financial benefit achieved in 2016/17 was £1.459 million which is distributable to the Pool members on the basis of 40% to ESCC, 10% to ESFA and the remaining 50% shared by the billing authorities in proportion to the growth achieved in their areas. Unfortunately, due to the refund, this Council was below its baseline funding figure there was no payment made into the pool and therefore no distribution due. The Sussex Business Rates Pool ceased as at 31.3.17. Further detail is provided in Note 4 to the Collection Fund.

5. Capital Programme Spending

The Council's capital programme spending in the year was £26.9m compared with a revised budget of £45.1m. Capital programme expenditure has been financed as follows:

| | |
|-----------------------------------|---------------|
| | £000 |
| Capital Receipts | 2,998 |
| Other Contributions | 567 |
| Earmarked Reserves | 352 |
| Government Grants & Contributions | 5,360 |
| Major Repairs Reserve | 3,496 |
| Revenue Financing | (8) |
| Financed from borrowing | 14,180 |
| Total | 26,945 |

The main items of capital programme expenditure are set out below:

| | Budget | Actual | Variance |
|---|---------------|---------------|-----------------|
| | £000 | £000 | £000 |
| Council Dwelling Improvements & building | 6,829 | 5,762 | (1,067) |
| Investment & Land Acquisition | 22,824 | 4,653 | (18,171) |
| Asset Improvements | 5,990 | 6,660 | 670 |
| Loan to Housing Investment Company | 4,150 | 4,240 | 90 |
| Community Facilities | 221 | 240 | 19 |
| Future Model, IT & JTP | 1,930 | 2,456 | 526 |
| Grants to Provide Disabled Facilities & Private Sector Renewal Grants | 666 | 584 | (82) |
| Playground & Sports Facilities Improvements | 294 | 150 | (144) |
| Pier Grant & CCF funded schemes | 1,417 | 1,483 | 66 |
| Beach Management | 619 | 298 | (321) |
| Other Schemes | 126 | 419 | 293 |
| Total Capital Programme Expenditure | 45,066 | 26,945 | (18,121) |

The main variance relates to £18m allocated for the purchase of the Hampden Retail Park which did not complete until after 31 March 2017.

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.

6. Pensions

The Council's liability for future pension payments has increased from £33.7m to £43.4m. This was mainly as a result of a significant decrease in the net discount rate, partially offset by the better than expected rate of return. The Defined Benefit Obligations have increased by £57.4m from £128.4m to £185.8m and the net asset value has increased by £47.8m from £94.7m to £142.5. The increases are largely due to the merger with Lewes DC. 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.

7. Treasury Management

The Council's external loan debt at 31 March 2017, comprising long and short-term borrowing, stood at £65.1m excluding accrued interest payable. This is made up of £55.1m repayable in more than one year and £10.0m repayable in less than one year. This is a net increase of £12.8m over the previous year, mainly as a result of additional borrowing.

No short-term investments were held at 31 March 2017, the same as the previous year. The Council held cash balances as at 31 March 2017 of £1.9m, compared to £2.0m as at 31 March 2016.

STAFFING

A summary of the Council's staffing is shown in the table below:

| Employees | 2016/17 |
|--|----------------|
| Total number of current permanent full and part time employees | 725 |
| Total number of current temporary/fixed term employees | 39 |
| Total Number of Employees | 764 |
| Total number of employees expressed as full time equivalents | 706.8 |

| Posts | 2016/17 |
|--|----------------|
| Total number of permanent full and part time posts | 765 |
| Total number of temporary/fixed term posts | 36 |
| Total number of posts | 801 |
| Total number of posts expressed as full time equivalents | 736.4 |

As part of the Shared service with Lewes District Council both Council's approved a shared service employment model with this Council acting as the sole employer host authority. This meant that the majority of Lewes District Council staff were transferred to Eastbourne Borough Council in February 2017. The staffing figures above reflect this movement.

Sickness absence for 2016/17:

| No. of Hours Lost | No. of Days Lost | Average No. of Days Lost per employee |
|--------------------------|-------------------------|--|
| 15,462.86 | 2,089.58 | 5.75 |

FUTURE PLANS

• Medium Term Financial Plan

The Council's spending plans continue to be linked to residents' priorities and the Government's national priorities for all local authorities. The General Fund budget for 2017/18 and the Medium Term Financial Strategy for the years through to 2019/20 were set in February 2017 in the context of the multi-year Government funding settlement which is intended to give participating local authorities increased certainty of funding through to 2019/20. The council continues to set a balanced budget without the need to draw from reserves to support recurring expenditure.

The Council's philosophy is to maintain and enhance services to the public whilst meeting the financial challenge through efficiencies and income generation.

The current strategy set out a rolling three year plan to:

- Deal with the anticipated reduction in Government support of a further 30% from the 2016/17 level.
- Integrate the service and financial planning process with the main change programmes under the JTP.
- Deal with unavoidable growth in service demands.
- Maintain front line services to the public.
- Make further recurring savings of £3m per annum by 2019/20.
- Maintain at least a minimum level of revenue reserves of £2m.
- Use surplus reserves in the medium term for:
 - Invest to save projects
 - Smooth the requirement for savings over the cycle of the MTFS
 - Invest in one off service developments in line with the corporate plan.
- Benchmark fees & charges and increase where possible.
- Reinvest in the capital programme when headroom is created.
- Set council tax rises at or below the Government's level of target inflation (2%).
- Maintain a Strategic Change Fund to finance the transformation programme in order to increase efficiency.
- Maintain an Economic Regeneration Reserve to finance external interventions that promote economic activity.
- Use borrowing to support the capital programme only on a business case basis.
- Continue the process of priority based budgeting to target investment and differential levels of savings targets at services according to priority.
- Identify new income streams to supplement diminishing resources.

The overarching DRIVE and JTP programmes form the basis of Council's efficiency agenda and the sustainable service delivery strategy (SSDS) is a major component of the programme, which will deliver savings over the life of the current MTFS. The Council's move towards shared services and integration with Lewes District Council is set to contribute a further £1m of savings over the next three years. Together the savings from procurement and channel shift provide the main emphasis of the current SSDS. Performance against targets is reported frequently via Cabinet.

The Medium Term Financial Strategy projections are as follows:

Summary of MTFS 2017-2020

General Fund

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--------------------------------|---------------|---------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Total Budget b/f | 16,135 | 15,166 | 14,493 | 13,892 |
| Less non-recurring items | (1,172) | | | |
| Adjusted Base Budget | 14,963 | 15,166 | 14,493 | 13,892 |
| Pay and Price Inflation | | | | |
| Pay Award and Increments | 276 | 180 | 180 | 180 |
| Pension costs | 30 | 30 | 30 | 30 |
| National Living Wage | 42 | 30 | 30 | 20 |
| Apprentice Levy | 0 | 50 | 0 | 0 |
| Inflation on Contracts | 64 | 80 | 80 | 80 |
| Other Growth | 379 | 100 | 100 | 100 |
| Total Budget Demand | 15,754 | 15,636 | 14,913 | 14,302 |
| External Funding | | | | |
| RSG | (1,752) | (944) | (445) | 0 |
| Retained Business Rates | (3,174) | (3,439) | (3,700) | (3,300) |
| Business Rates Pool | (212) | (200) | (200) | (200) |

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 |
| Section 31 Grants | (648) | (661) | (500) | (500) |
| Other Government Grants | (354) | (200) | (200) | (200) |
| New Homes Bonus | (1,165) | (1,040) | (600) | (600) |
| Total External Funding | (7,305) | (6,484) | (5,645) | (4,800) |
| Council Tax | (7,679) | (7,909) | (8,147) | (8,391) |
| Council Tax Surplus | (182) | (100) | (100) | (100) |
| Total Sources of Funding | (15,166) | (14,493) | (13,892) | (13,291) |
| Gap in Funding | 588 | 1,143 | 1,022 | 1,011 |
| Inflation on Income | (103) | (150) | (150) | (150) |
| General Savings | (85) | (100) | (100) | (100) |
| SSDS - Future Model | (150) | - | - | - |
| SSDS - Shared Transformation | (250) | (400) | (300) | (250) |
| Procurement Savings | - | (100) | (150) | (200) |
| New Income Streams | - | (400) | (350) | (350) |
| Residual Gap / (Surplus) | - | (7) | (28) | (39) |
| General Reserves B/F | (3,600) | (3,014) | (2,921) | (2,850) |
| Non-recurring service investments | 586 | 100 | 100 | 100 |
| Budget balance from (to) reserves | - | (7) | (28) | (39) |
| Reserves C/F | (3,014) | (2,921) | (2,850) | (2,789) |

- **Capital Programme**

The Capital Programme has been framed to deliver significant investment in infrastructure in the future. It is funded by Capital Receipts, Grants and Contributions, Reserves and Borrowing.

The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

The Capital Programme for 2017/18 to 2020/21 is as follows:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|---------------|---------------|---------------|--------------|
| | £000 | £000 | £000 | £000 |
| HRA | 9,114 | 4,290 | 4,376 | 4,376 |
| Community Services | 8,202 | 1,652 | 1,530 | 300 |
| Tourism & Leisure | 4,228 | 10,500 | 10,480 | - |
| Corporate & Core Services | 32,191 | 3,224 | 3,225 | 255 |
| Asset Management | 18,657 | 17,377 | 3,494 | 821 |
| Pier Grant & Coastal Communities Grant | 1,146 | - | - | - |
| Total Programme | 73,538 | 37,043 | 23,105 | 5,752 |
| Financed By:- | | | | |
| Capital Receipts HRA | 1,740 | - | - | - |
| Capital Receipts GF | 12,667 | 10,680 | 2,345 | 368 |
| Grants and Contributions | 7,288 | 2,649 | 2,532 | 300 |
| Major Repairs Reserve | 5,207 | 4,289 | 4,376 | 4,376 |
| Revenue Contribution to Capital Reserves | 620 | - | - | - |
| | 297 | - | - | - |
| Section 106 Contributions | 1,366 | - | - | - |
| GF Borrowing (Committed) | 37,897 | 18,095 | 12,522 | 628 |
| GF Borrowing (Uncommitted) | 5,290 | 1,330 | 1,330 | 80 |
| HRA Borrowing | 1,166 | - | - | - |
| Total Financing | 73,538 | 37,043 | 23,105 | 5,752 |

Prosperous Economy

Priority Vision:

By 2020:

- Eastbourne will be a nationally recognised outstanding seaside destination and the gateway to the South Downs National Park
- Our transformed and accessible Town Centre will provide an enhanced retail and leisure offer for residents and visitors, with high quality public spaces, attracting new investment and enabling the Town Centre to compete with neighbouring shopping destinations
- Eastbourne residents will have a wide range of skills and opportunities to help make the town attractive to employers and new businesses
- Eastbourne will have an exciting and wide range of cultural activities combining opportunities for learning, participation and shared experiences for residents and tourists
- A wide programme of events and activities will encourage opportunities for partnership and investment in the cultural economy and growth of Eastbourne as a marketable destination
- Eastbourne will have innovative conference facilities that will attract profitable conferences to the town
- The Sovereign Harbour Innovation Park will be a commercial hub of high quality, contemporary business premises
- Eastbourne will be a home of tennis, both as a destination for watching and as a town for playing
- The Town will have capitalised on the Eastbourne and South Wealden area to increase investment in highways infrastructure.

Corporate Actions

| Title | Description | Desired Outcome |
|--|--|---|
| Vibrant Events Programme | All year round events programme that attracts visitors to Eastbourne. | Economic benefits from visitors staying and spending money in Eastbourne. The events programme to act as a key hook to gain additional visitors. |
| Increase number of conference delegates | Attract shorter staying but higher yield business tourism. | Economic benefit from conference delegates staying and spending money in Eastbourne. |
| New Museum | A purpose built museum on the site of the Pavilion which will house the "Story of Eastbourne" with a café, shop and outreach facilities. | Increase time spent by visitors in the museum, spend and overall visitor numbers. |
| Refurbish the Redoubt | Improvements to the Redoubt Fortress to develop its profile as a visitor attraction without the museum. | Increased visitor numbers, spend and satisfaction levels at the Redoubt. |
| Seafront/Tourism Strategy | Update the Seafront Strategy utilising all of the feedback received through the Seafront Plan consultation. Utilise the research achieved through the destination profiling to shape priorities for the destination. | Eastbourne retains its share of the visitor markets. |
| Extension to the Arndale Shopping Centre | £85m scheme to provide 22 new retail units, 7 restaurants and a 9 screen cinema. | An enhanced retail and leisure offer for residents and visitors enabling the Town Centre to compete with neighbouring shopping destinations and associated increased spend and attracting new retailers and investment in the Town Centre. Local employment opportunities in |

| | | |
|--|---|--|
| | | <p>both the construction and operation phases of development - the development will deliver 700FTE jobs in addition to construction jobs.</p> <p>A modern and attractive development with better designed, larger retail units.</p> |
| Devonshire Park Redevelopment | <p>£44m investment to establish Devonshire Park as a premier conference and cultural destination to include:</p> <ul style="list-style-type: none"> • New welcome building • Restoration of Congress, Winter Garden and Devonshire Park theatres • Improved accessibility • Improving tennis facilities • New conference/exhibition space and café facilities/break out rooms • Public realm improvement. | <p>Creation of new jobs:</p> <ul style="list-style-type: none"> • 114 new local construction jobs as a result of the £40 million capital expenditure • 169 FTE additional jobs supported in Eastbourne as a result of the additional visitor spending. <p>Additional visitor spend:</p> <ul style="list-style-type: none"> • Projected visitor spend from visitors is £13,419,183 per annum (excluding consequential effects and across the whole economy). |
| Wish Tower Restaurant | Deliver a flagship restaurant. | A new destination to improve the evening economy and a landmark building design in a unique location. |
| Sovereign Harbour Innovation Park (SHIP) | New contemporary business premises at Sovereign Harbour Innovation Park. | High quality, flexible contemporary business space and new commercial hub in a prestigious location and positive effects on employment, business start-ups and wage levels. |
| Marketing – EB Now (Pier grant project) | 30 hotels and other locations to be supplied with onscreen live information about events in Eastbourne, shopping opportunities and discounts. | Increased attendance at events from visitors and increased awareness of and spend at local shops, restaurants and leisure facilities. |

Quality Environment

Priority Vision:

By 2020:

- Eastbourne will have a high quality built and natural environment which highlights the cultural heritage and tourist offer of the Borough, surpassing other UK towns of a similar size
- We will have transformed the sites that are currently not used efficiently in our town centre
- Our public spaces will be distinctive, high quality, well maintained and create a sense of belonging
- Our open space will increase in quantity and quality, enabling the community to come together and enjoy its public spaces in a safe and secure way
- We will be moving towards becoming a low carbon town with a wide range of locally derived environmentally friendly initiatives, working with the Community Environment Partnership for Eastbourne
- The quantity of domestic waste will have significantly declined supported by a wide range of materials for recycling, and reducing waste
- Eastbourne will have a range of transport options including improved public transport, cycling and walking initiatives
- We will continue to develop the seafront and coastal links as a unique and outstanding natural resource for the community and tourists, in a way that ensures development enhances our cultural heritage and is beneficial to the environment.

Corporate Actions

| Title | Description | Desired Outcome |
|---|---|--|
| Joint venture for Energy and Sustainability | Set up a joint venture between Eastbourne and Lewes Council and a private sector organisation to deliver local energy and sustainability ambitions for the next 20 – 30 years. | Deliver sustainability ambitions i.e. local energy and local food. |
| Park improvements (Green Flags and signage re-branding) | Hampden Park - Improvements to the main entrances and to the path network in Ham Shaw woods as recommended through the published Hampden Park Green Flag Management Plan. | To clearly define that vehicles are entering a park and retain the Green Flag for Hampden Park as an externally accredited quality award for green space. |
| | Old Town Rec - Improvements to the main entrances, tree planting and pollinating/biodiversity improvements. | Creation of a "welcoming" recreation ground with vistas throughout and to retain the Green Flag as an externally accredited quality award for Green Space. |
| | Manor Gardens - The Green Flag Award for this area will externally validate the Corporate "Quality Environment" objective. This green space has a strong and supportive Friends of Manor Gardens and Gildredge Park and will be the strongest contender to be successful in securing the award. | To increase the number of open spaces within Eastbourne successfully achieving Green Flag status and provide quality areas for local residents and visitors to enjoy. |
| | Create and "roll-out" standard, future proof signage throughout the parks and open spaces of Eastbourne. | Improved awareness and access to local parks and open spaces and continued success of the Green Flag Award. |
| Allotments improvements | Provide 2 new toilets within Manor Gardens and Marchants Field allotments and remove chain-link to install new, secure weldmesh fencing in Priory Road allotments. | To maintain reasonable security and welfare facilities for the tenants of the Council's allotments. |
| Town Centre Improvements | Significant improvements to the pedestrian environment in Terminus Road and Cornfield Road to be delivered alongside the extension to the Arndale Centre. | Better quality of open spaces within the town centre improving the shopping and leisure experience for residents and visitors. |
| Eastbourne Park Initiatives | Delivery of priority initiatives identified in the Eastbourne Park Supplementary Planning Document. | Conservation and enhancement of the existing environmental, ecological and archaeological characteristics of Eastbourne Park for future generations Sensitive management of the area to provide appropriate leisure and recreational uses to enhance the social and economic wellbeing of the local community and to attract more visitors to Eastbourne. |
| Enhancement of Open Downland | To invest in a range of initiatives and improvements to the Open Downland to improve accessibility and enhance Eastbourne as the gateway to the South Down National Park. | To ensure the Open Downland is accessible to all and to provide key improvements for the benefits of residents and visitors in line with the adopted Downland Management Plan. |
| Eastbourne Cycling and Walking Strategy | Work with East Sussex County Council to deliver an integrated Cycling and Walking Strategy for the town. | Enhanced provision for cycling and walking, improved accessibility and improved satisfaction with the local area. |

Thriving Communities

Priority Vision:

By 2020:

- Eastbourne will have some of the lowest levels of crime in the South East and, as a result, our communities will feel safe
- Families and young people will be supported and have access to a wide range of activities and facilities to help them reach their full potential
- Our communities will have the resources they need to achieve high levels of volunteering and involvement in managing our neighbourhoods
- The housing market in Eastbourne will provide a wide range of quality homes including affordable housing for those in need
- Our communities will be active in developing priorities for: tourism, culture and sport including being involved in managing sports, leisure, creative and artistic activities; events and festivals; ensuring greater participation and opportunities to share and enjoy the widespread cultural provision in the Borough.

Corporate Actions

| Title | Description | Desired Outcome |
|---------------------------------------|--|---|
| Active Eastbourne Strategy | Undertake a study of all the activities that take place across Eastbourne and understand what the trends and gaps are. | A strategy that will be used to shape the services and act as a potential tool to apply for funding/grants to improve health and quality of life of local residents. |
| Welfare Reform | To support those vulnerable residents affected by the government's Welfare Reform programme. | Residents are able to access and retain good quality accommodation and are able to meet their Council Tax liabilities. |
| Community Facilities | Supporting development and management of community buildings. | Sustainable development and management of facilities for community activities such as community centres, community library and Town Hall leading to improved community engagement and satisfaction with local area. |
| Young People | Supporting services to children and families through funding, partnership and networks. | A wide range of activities and opportunities for young people, improving levels of engagement and satisfaction. |
| Sovereign Harbour Community Centre | £1.6m scheme to provide a new contemporary community centre at Sovereign Harbour. | Improved facilities for residents and increased satisfaction with local area. |
| Shinewater Skate Park | Upgrade existing dated, modular jumps to a bespoke, specialist design/constructed concrete skate park. | Increased use and satisfaction with facilities and engagement with young people. |
| Improving local parks and playgrounds | Update play area within Seaside Rec and add new all-weather paths to Seaside Rec and Tugwell Park. | Improved play facilities, accessibility, use and satisfaction with local parks and playgrounds. |
| Tennis Development programme | Maximise use of the tennis courts across Eastbourne through a partnership operator. Introduce the Clubspark technology which provides data around court usage and profile of tennis players. | Development of "grass roots" tennis players and increased number of people playing tennis. |

| | | |
|--|---|---|
| Customer Access Improvement (Go Digital) | A programme of interventions to encourage take-up of online services. | Reduction in demand through face to face and telephone channels. |
| Develop enhanced Housing Solutions service | A new service to help people gain the most appropriate accommodation to support a healthy and independent life. | Improve accommodation to allow people to remain independent longer. Reduce cost to the public purse. Reduce unnecessary hospital admissions and bed blocking. |
| Eastbourne Community Safety Partnership | Support the work of Eastbourne Community Safety Partnership. | Reduced levels and perception of crime and anti-social behaviour in the town and improved satisfaction with the area as a safe place to live. |

Sustainable Performance

Priority Vision:

By 2020 Eastbourne Borough Council will:

- have developed a reputation in the South East Region for service excellence and innovation
- be recognised by its residents as being more customer driven and outcome focussed, delivering the services and standards that residents need most
- be acknowledged by its staff as an excellent employer providing real professional development opportunities
- benefit from a sustainable asset base contributing effectively to the delivery of public services
- be a valued service delivery partner to a variety of organisations across the public, private and voluntary sectors
- be a high performing local authority evidenced by sustained improvement against regulatory frameworks and inspection regimes.

Corporate Actions

| Title | Description | Desired Outcome |
|--|--|---|
| Improved Asset Management processes – “Corporate Landlord” | A comprehensive restructuring of property budgets and staff to ensure central control and prioritisation, combined with an asset challenge programme to ensure non-operational assets deliver a good yield or are disposed of. | A sustainable and well maintained asset base strengthening the financial management of the authority. |
| Customer Access Improvement (Go Digital) | A programme of interventions to encourage take-up of online services. | Reduction in demand through face to face and telephone channels. |
| Joint Transformation Programme | A major programme to integrate the Eastbourne Borough Council and Lewes District Council workforces, and transform the service delivery model for both organisations. | Protect services whilst delivering £2.7m savings. Create a greater strategic presence in the region. Deliver high quality, modern services. Build greater resilience across the councils. |

EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts 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 2017. 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.

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 Deputy Chief Executive, 1 Grove Road, Eastbourne, BN21 4TW.

Alan Osborne
Deputy Chief Executive
Statutory Section 151 Officer

ADOPTION OF THE ACCOUNTS

In accordance with Accounts and Audit Regulations the Chair of the meeting adopting the Statement of Accounts must sign and date the statement in order to confirm that the adoption process has been completed.

The Statement of Accounts for 2016/17 were approved at the meeting of the Audit and Governance Committee held on 20 September 2017.

Signed

Councillor Colin Swansborough
Chair, Audit and Governance Committee

Date 20 September 2017

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 Deputy Chief Executive;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Deputy Chief Executive's Responsibilities

The Deputy Chief Executive 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 Deputy Chief Executive has:

- 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 Deputy Chief Executive has also:

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

Certificate of the Deputy Chief Executive

I certify that the Statement of Accounts presents the true and fair financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Alan Osborne
Deputy Chief Executive
Statutory Section 151 Officer

Date 20 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTBOURNE BOROUGH COUNCIL**Opinion on the Council's financial statements**

We have audited the financial statements of Eastbourne Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Eastbourne Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read the other financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Eastbourne Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement which is published separately on the Council's website, meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: Framework (2016 edition)' published by CIPFA/SOLACE or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**Respective responsibilities of the Council and auditor**

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

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2016, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2016, we are satisfied that, in all significant respects, Eastbourne Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Eastbourne Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Janine Combrinck
For and on behalf of BDO LLP, Appointed Auditor

London, UK

xx September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

MOVEMENT IN RESERVES STATEMENT

| | General Fund | HRA Balance | Earmarked Reserves (note 16) | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants & Contributions Unapplied | Total Usable Reserves | Unusable Reserves (note 29) | Total Reserves |
|---|----------------|----------------|------------------------------|-----------------------|--------------------------|--|-----------------------|-----------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2015 | (4,899) | (3,150) | (6,351) | - | (5,489) | (5,527) | (25,416) | (139,904) | (165,320) |
| Movement in Reserves 2015/16 | | | | | | | | | |
| Total Comprehensive Expenditure and Income | 2,626 | (9,941) | - | - | - | - | (7,315) | (7,808) | (15,123) |
| Adjustments between accounting basis & funding basis under regulations (note 8) | (2,042) | 8,496 | - | - | (561) | 1,244 | 7,137 | (7,137) | - |
| Transfers (to)/from Earmarked Reserves (note 16) | 1,032 | 917 | (1,949) | - | - | - | - | - | - |
| (Increase) / Decrease in Year | 1,616 | (528) | (1,949) | - | (561) | 1,244 | (178) | (14,945) | (15,123) |
| Balance at 31 March 2016 carried forward | (3,283) | (3,678) | (8,300) | - | (6,050) | (4,283) | (25,594) | (154,849) | (180,443) |
| Movement in Reserves 2016/17 | | | | | | | | | |
| Total Comprehensive Expenditure and Income | 2,680 | (41,038) | - | - | - | - | (38,358) | (19,968) | (58,326) |
| Adjustments between accounting basis & funding basis under regulations (note 8) | (1,945) | 39,562 | - | (514) | 889 | (1,330) | 36,662 | (36,662) | - |
| Transfers (to)/from Earmarked Reserves (note 16) | (112) | 788 | (676) | - | - | - | - | - | - |
| (Increase) / Decrease in Year | 623 | (688) | (676) | (514) | 889 | (1,330) | (1,696) | (56,630) | (58,326) |
| Balance at 31 March 2017 carried forward | (2,660) | (4,366) | (8,976) | (514) | (5,161) | (5,613) | (27,290) | (211,479) | (238,769) |

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 16 and 29 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

| 2015/16 Restated | | | 2016/17 | | | |
|---------------------|------------------|-----------------|---------|---------------|-----------------|-----------------|
| Exp. | Income | Net | Note | Exp. | Income | Net |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 7,847 | (1,425) | 6,422 | | 13,799 | (2,199) | 11,600 |
| 66,034 | (57,848) | 8,186 | | 65,808 | (58,018) | 7,790 |
| 1,917 | (943) | 974 | | 2,341 | (1,149) | 1,192 |
| 12,677 | (8,599) | 4,078 | | 9,239 | (8,042) | 1,197 |
| 1,872 | (16,069) | (14,197) | | (29,371) | (16,398) | (45,769) |
| 90,347 | (84,884) | 5,463 | | 61,816 | (85,806) | (23,990) |
| | | | | | | |
| 216 | - | 216 | | 215 | - | 215 |
| 286 | - | 286 | | 924 | - | 924 |
| 2,885 | - | 2,885 | | 3,671 | - | 3,671 |
| 3,387 | - | 3,387 | | 4,810 | - | 4,810 |
| | | | | | | |
| 2,166 | - | 2,166 | 23 | 2,435 | - | 2,435 |
| 1,227 | - | 1,227 | 30 | 1,160 | - | 1,160 |
| - | (239) | (239) | 23 | - | (375) | (375) |
| (67) | (448) | (515) | | (177) | (536) | (713) |
| 967 | (1,518) | (551) | | 1,135 | (1,556) | (421) |
| 4,293 | (2,205) | 2,088 | | 4,553 | (2,467) | 2,086 |
| | | | | | | |
| - | (7,434) | (7,434) | 14 | - | (10,559) | (10,559) |
| - | (7,452) | (7,452) | | - | (7,863) | (7,863) |
| 10,089 | (13,456) | (3,367) | | 10,124 | (12,966) | (2,842) |
| 10,089 | (28,342) | (18,253) | | 10,124 | (31,388) | (21,264) |
| | | | | | | |
| 108,116 | (115,431) | (7,315) | | | | (38,358) |
| | | | | | | |
| | | (645) | 29 | | | (24,870) |
| | | (7,163) | 30 | | | 4,902 |
| | | (7,808) | | | | (19,968) |
| | | (15,123) | | | | (58,326) |

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 2016 | | Notes | 31 March 2017 | |
|----------------------|------------------------------------|--------------|----------------------|------------------|
| £000 | | | £000 | £000 |
| 238,382 | Property, Plant & Equipment | 18 | 308,456 | |
| 13,114 | Heritage Assets | 19 | 15,034 | |
| 2,148 | Investment Property | 20 | 5,627 | |
| 4,096 | Intangible Assets | 21 | 4,478 | |
| 238 | Long Term Investments | 12 | 238 | |
| 6,375 | Long Term Debtors | 25 | 10,839 | |
| 264,353 | Long Term Assets | | | 344,672 |
| - | Assets Held for Sale | 22 | 378 | |
| 127 | Inventories | | 107 | |
| 11,121 | Short Term Debtors | 25 | 11,515 | |
| 1,953 | Cash and Cash Equivalents | 31 | 1,857 | |
| 13,201 | Current Assets | | | 13,857 |
| (6,307) | Short Term Borrowing | 23 | (10,310) | |
| (8,823) | Short Term Creditors | 26 | (9,578) | |
| (580) | Short Term Provisions | 27 | (562) | |
| (391) | Revenue Grants Receipts in Advance | 15 | (116) | |
| (16,101) | Current Liabilities | | | (20,566) |
| (1,293) | Long Term Creditors | 26 | (772) | |
| (46,050) | Long Term Borrowing | 23 | (55,050) | |
| (33,667) | Other Long Term Liabilities | 30 | (43,372) | |
| (81,010) | Long Term Liabilities | | | (99,194) |
| 180,443 | NET ASSETS | | | 238,769 |
| (25,594) | Usable Reserves | 28 | (27,290) | |
| (154,849) | Unusable Reserves | 29 | (211,479) | |
| (180,443) | TOTAL RESERVES | | | (238,769) |

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
Deputy Chief Executive

CASH FLOW STATEMENT

| 2015/16 | | 2016/17 | |
|-----------------|---|----------------|-----------------|
| £000 | | £000 | £000 |
| (10,959) | Taxation | (11,426) | |
| (54,603) | Government grants | (54,987) | |
| (5,768) | Housing rents | (6,239) | |
| (12,322) | Goods sold and services rendered | (8,950) | |
| (239) | Interest received | (424) | |
| (9,870) | Other receipts | (13,830) | |
| (93,761) | Cash inflows from operating activities | | (95,856) |
| 11,118 | Employees | 12,687 | |
| 42,175 | Housing Benefit paid | 41,244 | |
| 277 | Capital Receipts Pool | 925 | |
| 26,996 | Payments for goods and services | 28,145 | |
| 2,163 | Interest paid | 2,436 | |
| 9,123 | Other operating costs | 11,261 | |
| 91,852 | Cash outflows from operating activities | | 96,698 |
| (1,909) | Net Cash Flows from operating activities | | 842 |
| 15,631 | Purchase property, plant & equipment, Investment property and intangible assets | 22,274 | |
| 1,000 | Purchase of short and long term investments | 9,500 | |
| (2,627) | Sales of property, plant & equipment, Investment property and intangible assets | (3,431) | |
| (1,000) | Sale of short and long term investments | (9,500) | |
| (2,298) | Other investing receipts | (6,192) | |
| 10,706 | Net cash outflows from investing activities | | 12,651 |
| (6,000) | Cash receipts of borrowing | (19,000) | |
| 1,978 | Repayments of borrowing | 6,000 | |
| (616) | Other financing activities | (397) | |
| (4,638) | Net cash inflows from financing activities | | (13,397) |
| 4,159 | Net decrease in cash and cash equivalents | | 96 |
| 6,112 | Cash and cash equivalents at the beginning of the reporting period | | 1,953 |
| 1,953 | Cash and cash equivalents at the end of the reporting period (Note 31) | | 1,857 |

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**

The accounting policies applied in 2016/17 are consistent with those applied in 2015/16.

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 'Code') has introduced presentational changes to the Comprehensive Income and Expenditure Statement that have required the figures for 2015/16 to be restated. For 2015/16 the service analysis reported within Cost of Services in the Comprehensive Income and Expenditure Statement was required to follow the Service Reporting Code of Practice 2015/16. However, for 2016/17 the Code requires the analysis within Cost of Services to be based on the organisational structure under which the authority operates and manages its services.

The new reporting analysis required for the Comprehensive Income and Expenditure Statement is supplemented by two new explanatory notes; Expenditure and Funding Analysis (Note 7a) and Expenditure and Income Analysed by Nature (Note 7c). The note entitled 'Amounts Reported for Resource Allocation Decisions' previously included in 2015/16 has been discontinued.

2. ACCOUNTING POLICIES**2.1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the end of 31 March 2017. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based on International Financial Reporting Standards. 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.
- A de-minimis level of £1,000 has been set for accruals. Income and expenditure below this amount may not be accrued as it is considered trivial.

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 overstate 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 unless the adjustment is material.

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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (based on the indicative rate of return on the iBoxx Sterling Corporates Index, AA over 20 years) Previously the discount rate used was 3.4%.
- 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 cost – 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;
 - net interest on the net defined benefit liability, 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 at the beginning of the period – taking into account any changes in the net defined benefit liability 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 – 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 and beneficial contractual rights to receive or exchange cash or liabilities.

Loans and Receivables

All of the Council's financial assets come within the category of "loans and receivables". These are financial assets that have fixed or determinable payments. The Council's balance sheet includes three groups of loans and receivables:

- 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".

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. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year according to the loan instrument.

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.

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 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

2.11 Government Grants and Other Contributions

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

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

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

2.12 Property Plant and Equipment

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

Categories

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

Recognition

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

Measurement

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

- Council dwellings – current value, based on the market value for social housing in existing use (EUV-SH).
- Land and buildings – current 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 – current 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 highest and best use from a market participant's perspective.
- Assets under construction – historic cost.

We revalue assets included in the Balance Sheet at current 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 there is no balance in the revaluation reserve or insufficient balance the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Account. Where there is a balance of revaluation gains in the revaluation reserve the carrying amount of the asset is written off against that balance (up to the amount of the accumulated gains).

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 – not subject to depreciation.
- 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 of all capital works and their projected timing. The major components are identified and depreciated over their useful economic life and any residual is treated as an extended life asset which is depreciated over 60 years.

2.13 Heritage Assets

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

Art Collection

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

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

Local History Collection

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

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 2.12. 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).

2.14 Investment Property

Investment properties are those assets that are held solely to earn rentals or for capital appreciation, or both. Properties that are used to facilitate the delivery of a service or to support Council policy objectives fall under the category of property, plant and equipment (see Note 2.12) and not investment property. Investment properties are initially measured at cost and subsequently at fair value being the price that would be received to sell such an asset in orderly transactions between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. 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 Cost of Services within the Comprehensive Income and Expenditure Statement. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

2.15 Intangible assets

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

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

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

2.16 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.)

2.17 Overheads

The costs of overheads and support services are charged to services in accordance with the Council's arrangements for accountability and financial performance.

2.18 Provisions

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

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

2.19 Reserves

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

Usable reserves comprise the following:

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

2.20 Revenue Expenditure Financed From Capital Under Statute

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

2.21 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.

2.22 Value Added Tax

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

2.23 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.

2.24 Interests in Companies and Other Entities

The Council has a material interest in two companies; Eastbourne Homes Ltd (EHL), and Eastbourne Housing Investment Company Ltd (EHIC). Both companies are wholly owned subsidiaries of the Council and the Council is therefore required to prepare Group Accounts. EHL is limited by guarantee and therefore no value is recognised for the investment in the Council's own single entity accounts.

The Council holds a 70% of the share in Greencoat House Ltd but only 49% of the voting rights and 21% of the non-voting rights. Greencoat House Ltd is an Associate and has been included in the Council's single entity accounts as a Long Term Investment.

The Council also holds an immaterial associate interest in CloudConnX with 25% of voting B Shares. As these are not material they have not been consolidated into the Group 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 adopted.

This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- Amendment to the reporting of pension fund scheme transaction costs;
- Amendment to the reporting of investment concentration.

These amendments are minor in nature and are not expected to have any effect on the Council's 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.
- Greencoat House Ltd has been deemed an associate rather than a subsidiary following an assessment under the determination of control as set out in IFRS 10.
- The Deputy Chief Executive 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 2017 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 £442,000 for every year that useful lives had to be reduced.

Land and buildings are revalued every five years but a revaluation review is carried out annually which provides an indexation to be applied to some assets. Indexation is applied to a class of assets but does not take into account any individual assets and therefore the net book value at year end for some assets may change when a new professional valuation is carried out.

It is recognised that the total capital spend on Council dwelling improvements will not increase the value of the council dwellings by the same amount. The cost of improvements to council dwellings are

added to the value of council dwelling to the extent of the estimated value of each new component. Any capital spend in addition to this is written out through the Comprehensive Income & Expenditure Statement.

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 £17.9m, a 1 year increase in member life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%, a 0.5% increase in the Salary Increase Rate would increase the pension liability by £3.1m and a 0.5% increase in the Pension Increase Rate would increase the pension liability by £14.5m.

Arrears - At 31 March 2017, the Council had a balance of all debtors for £26,350,000. A review of significant balances suggested that an impairment of doubtful debts of £3,996,000 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 2017. 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 2017. 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 £338,000.

6. MATERIAL ITEMS OF INCOME & EXPENDITURE

Assets were re-valued as at 1 April 2016 which resulted in a revaluation gain of £42.27m for Council Dwellings and £4.03m for Other Land & Buildings which are reflected in the Comprehensive Income & Expenditure Statement.

7. EXPENDITURE AND FUNDING ANALYSIS

7.a. The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council’s directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2015/16 | | | | 2016/17 | | |
|---|--|---|--|---|--|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| 5,717 | 705 | 6,422 | Corporate Services | 5,894 | 5,706 | 11,600 |
| 6,194 | 1,992 | 8,186 | Direct Services | 6,191 | 1,599 | 7,790 |
| 504 | 470 | 974 | Regeneration, Planning Policy and Assets | 810 | 382 | 1,192 |
| 3,153 | 925 | 4,078 | Tourism and Enterprise | 3,150 | (1,953) | 1,197 |
| (3,985) | (10,212) | (14,197) | Housing Revenue Account | (3,501) | (42,268) | (45,769) |
| 11,583 | (6,120) | 5,463 | COST OF SERVICES | 12,544 | (36,534) | (23,990) |
| (12,444) | (334) | (12,778) | Other Income and Expenditure | (13,285) | (1,083) | (14,368) |
| (861) | (6,454) | (7,315) | SURPLUS | (741) | (37,617) | (38,358) |
| (14,400) | | | Opening General Fund and HRA Balance at 1 April | (15,261) | | |
| (861) | | | Less Surplus on General Fund and HRA for year | (741) | | |
| (15,261) | | | Closing General Fund and HRA Balances at 31 March | (16,002) | | |

For a split between the balance on the General Fund and HRA see the Movement in Reserves Statement.

7.b Note to the Expenditure and Funding Analysis

| 2015/16 | | | | 2016/17 | | | | |
|--|---|--------------------------|--------------------------|---|--|---|--------------------------|--------------------------|
| Adjustments for Capital Purpose | Net Changes for the Pensions Adjustments | Other Differences | Total Adjustments | | Adjustments for Capital Purpose | Net Changes for the Pensions Adjustments | Other Differences | Total Adjustments |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 842 | (137) | | 705 | Corporate Services | 2,151 | 3,555 | | 5,706 |
| 1,895 | 97 | | 1,992 | Direct Services | 1,546 | 53 | | 1,599 |
| 460 | 10 | | 470 | Regeneration, Planning Policy and Assets | 375 | 7 | | 382 |
| 880 | 45 | | 925 | Tourism and Enterprise | (1,977) | 24 | | (1,953) |
| (10,212) | | | (10,212) | Housing Revenue Account | (42,268) | - | | (42,268) |
| (6,135) | 15 | - | (6,120) | COST OF SERVICES | (40,173) | 3,639 | - | (36,534) |
| (1,366) | 1,233 | (201) | (334) | Other Income and Expenditure | (2,553) | 1,163 | 307 | (1,083) |
| | | | | | | | | |
| (7,501) | 1,248 | (201) | (6,454) | Difference between General Fund and HRA surplus and Comprehensive Income and Expenditure Statement Surplus | (42,726) | 4,802 | 307 | (37,617) |

- **Adjustments for Capital Purposes** – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:
 - **Other Operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- **Net change for the Pensions Adjustments** – Net change for the removal of pensions contributions and the addition of IAS 19 employee Benefits pension related expenditure and income.
 - **For Services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
 - **For Financing and Investment income and expenditure** – the net interest on defined benefit liability is charged to the CIES.

- **Other Differences** between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.
 - **The charge under Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7.c Expenditure and Income analysed by Nature

The authority's expenditure and income is analysed as follows:

| 2015/16 | | 2016/17 |
|------------------|---|------------------|
| £000 | | £000 |
| | Expenditure | |
| 15,071 | Employees benefits expenses | 19,850 |
| 89,994 | Other services expenses | 89,981 |
| (2,502) | Depreciation, amortisation, impairment losses/(reversals) | (35,773) |
| 2,166 | Interest payments | 2,435 |
| 216 | Precepts and levies | 215 |
| 286 | Payments to the Housing Capital Receipts Pool | 924 |
| 2,885 | Loss on the disposal of assets | 3,671 |
| 108,116 | Total expenditure | 81,303 |
| | Income | |
| (32,609) | Fees, charges and other service income | (33,415) |
| (239) | Interest and investment income | (375) |
| (20,909) | Income from Council Tax and non-domestic rates | (20,829) |
| (61,674) | Government Grants and Contributions | (65,042) |
| (115,431) | Total income | (119,661) |
| (7,315) | Surplus on the Provision of Services | (38,358) |

7.d Segmental Income

Fees, Charges and other Service Income received is analysed below:

| 2015/16 | | 2016/17 | |
|-----------------|---|----------------|-----------------|
| £000 | | £000 | £000 |
| (42) | Corporate Services | | (30) |
| | Direct Services | | |
| (169) | Local Land Charges | (201) | |
| (478) | Recycling Credits | (490) | |
| (452) | Car Parks | (538) | |
| (272) | Development Control | (304) | |
| (1,481) | Recovery of Housing Benefit Overpayments | (1,790) | |
| (584) | Summons and Liability Orders | (673) | |
| (300) | Bed and Breakfast charges | (760) | |
| (364) | Solarbourne | (419) | |
| (1,884) | Crematorium and Cemetery fees | (2,058) | |
| (638) | Other Service Income | <u>(617)</u> | |
| | | | (7,850) |
| (1,299) | Regeneration, Planning Policy and Assets | | (1,494) |
| | Tourism and Leisure | | |
| (275) | Seafront | (313) | |
| (398) | Tourism | (391) | |
| (649) | Events | (624) | |
| (5,487) | Theatres | (4,894) | |
| (584) | Sports | (624) | |
| (1,100) | Catering | (1,084) | |
| (202) | Other Service Income | <u>(207)</u> | |
| | | | (8,137) |
| (15,951) | Housing Revenue Account | | (15,904) |
| <u>(32,609)</u> | Total | | <u>(33,415)</u> |

8. 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 29) £000 |
|--|-------------------------|------------------------|-------------------------------------|-----------------------------|---|-------------------------------------|---|
| 2015/16 Transactions | | | | | | | |
| ADJUSTMENT TO THE REVENUE RESOURCES | | | | | | | |
| <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i> | | | | | | | |
| • Pensions costs (transferred to/from the Pensions Reserve) | (1,248) | - | - | - | - | (1,248) | 1,248 |
| • Council tax and NDR (transferred to/from Collection Fund Adjustment Account) | 201 | - | - | - | - | 201 | (201) |
| • Holiday Pay (transferred to/from the Accumulated Absences Reserve) | (1) | - | - | - | - | (1) | 1 |
| • Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account): | | | | | | | |
| - Charges for depreciation and credits for impairment reversals of non-current assets | (2,893) | 6,807 | - | - | - | 3,914 | (3,914) |
| - Movements in the fair value of investment properties | 66 | - | - | - | - | 66 | (66) |
| - Amortisation of intangible assets | (687) | (13) | - | - | - | (700) | 700 |
| - Revenue expenditure funded from capital under statute | (658) | - | - | - | 658 | - | - |
| - Capital Grants and Contributions Received | 1,827 | 381 | - | - | (2,208) | - | - |
| TOTAL ADJUSTMENTS TO REVENUE RESOURCES | (3,393) | 7,175 | - | - | (1,550) | 2,232 | (2,232) |
| ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 188 | 2,439 | - | (2,627) | - | - | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (286) | - | - | 286 | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | 3,418 | (3,418) | - | - | - | - |

| | 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 29) £000 |
|---|-----------------------------|----------------------------|--------------------------------------|---------------------------------|---|--------------------------------------|--|
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | 1,227 | - | - | - | - | 1,227 | (1,227) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 493 | 705 | - | - | - | 1,198 | (1,198) |
| Amounts of non-current assets written off on disposal or sale as part of the loss on disposal | (271) | (5,241) | - | - | - | (5,512) | 5,512 |
| TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES | 1,351 | 1,321 | (3,418) | (2,341) | - | (3,087) | 3,087 |
| ADJUSTMENTS TO CAPITAL RESOURCES | | | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | - | - | - | 1,780 | - | 1,780 | (1,780) |
| Use of Major Repairs Reserve to finance capital expenditure | - | - | 3,418 | - | - | 3,418 | (3,418) |
| Use of Grants and Contributions to finance capital expenditure | - | - | - | - | 2,794 | 2,794 | (2,794) |
| TOTAL ADJUSTMENTS TO CAPITAL RESOURCES | - | - | 3,418 | 1,780 | 2,794 | 7,992 | (7,992) |
| Total Adjustments 2015/16 | (2,042) | 8,496 | - | (561) | 1,244 | 7,137 | (7,137) |

2016/17 Transactions**ADJUSTMENT TO THE REVENUE RESOURCES**

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements

| | | | | | | | |
|---|---------|--------|---|---|---|---------|----------|
| • Pensions costs (transferred to/from the Pensions Reserve) | (4,803) | - | - | - | - | (4,803) | 4,803 |
| • Council tax and NDR (transferred to/from Collection Fund Adjustment Account) | (307) | - | - | - | - | (307) | 307 |
| • Holiday Pay (transferred to/from the Accumulated Absences Reserve) | (3) | - | - | - | - | (3) | 3 |
| • Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account): | | | | | | | |
| - Charges for depreciation and credits for impairment reversals of non-current assets | 749 | 38,258 | - | - | - | 39,007 | (39,007) |

| | General Fund | HRA Balance | Major Repairs Reserve | Capital Receipts | Capital Grants & Contributions Unapplied | Total Usable Reserves | Unusable Reserves (Note 29) |
|---|---------------------|--------------------|------------------------------|-------------------------|---|------------------------------|------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| - Movements in the fair value of investment properties | 216 | - | - | - | - | 216 | (216) |
| - Amortisation of intangible assets | (679) | - | - | - | - | (679) | 679 |
| - Revenue expenditure funded from capital under statute | (2,314) | - | - | - | 2,139 | (175) | 175 |
| - Capital Grants and Contributions Received | 6,198 | 147 | - | - | (6,345) | - | - |
| TOTAL ADJUSTMENTS TO REVENUE RESOURCES | (943) | 38,405 | - | - | (4,206) | 33,256 | (33,256) |
| ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | 233 | 3,198 | - | (3,431) | - | - | - |
| Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve) | (924) | - | - | 924 | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | - | 4,010 | (4,010) | - | - | - | - |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | 389 | - | - | - | - | 389 | (389) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 101 | 249 | - | - | - | 350 | (350) |
| Amounts of non-current assets written off on disposal or sale as part of the loss on disposal | (801) | (6,300) | - | - | - | (7,101) | 7,101 |
| TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES | (1,002) | 1,157 | (4,010) | (2,507) | - | (6,362) | 6,362 |
| ADJUSTMENTS TO CAPITAL RESOURCES | | | | | | | |
| Use of Capital Receipts Reserve to finance capital expenditure | - | - | - | 2,998 | - | 2,998 | (2,998) |
| Use of Major Repairs Reserve to finance capital expenditure | - | - | 3,496 | - | - | 3,496 | (3,496) |
| Use of Grants and Contribution to finance capital expenditure | - | - | - | - | 3,311 | 3,311 | (3,311) |
| Cash payments in relation to deferred capital receipts | - | - | - | (37) | - | (37) | 37 |
| Change in prior years financing | - | - | - | 435 | (435) | - | - |
| TOTAL ADJUSTMENTS TO CAPITAL RESOURCES | - | - | 3,496 | 3,396 | 2,876 | 9,768 | (9,768) |
| Total Adjustments 2016/17 | (1,945) | 39,562 | (514) | 889 | (1,330) | 36,662 | (36,662) |

9. AUDIT FEES

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

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| 68 | Fees payable with regard to external audit services carried out by the appointed auditor | 68 |
| 10 | Fees payable to the appointed auditor for the certification of grant claims and returns | 10 |
| 3 | Fee payable in respect of other services | 2 |
| 81 | | 80 |

* In 2015/16 other services relate to the BDO Tax Advisory and National Fraud Initiative national exercise. In 2016/17 other services relate to the National Fraud Initiative exercise.

10. MEMBERS' ALLOWANCES

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

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|------------------------------------|-----------------|
| 133 | Members' Allowances | 132 |
| 3 | Conference and Travelling Expenses | 2 |
| 136 | | 134 |

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

| | | Salary, Fees and Allowances £ | Expenses Allowances £ | Pension Contribution £ | Total £ |
|---|---------|--|-----------------------------|------------------------------|----------------|
| Chief Executive | 2016/17 | 132,978 | 3,850 | 25,447 | 162,275 |
| | 2015/16 | 122,595 | 3,850 | 24,712 | 151,157 |
| Deputy Chief Executive | 2016/17 | 98,675 | 76 | 19,849 | 118,600 |
| | 2015/16 | 96,960 | 250 | 19,539 | 116,749 |
| Director of Service Delivery from July 2016 (was Senior Head of Community) | 2016/17 | 92,075 | 3,288 | 18,915 | 114,278 |
| | 2015/16 | 76,500 | 7,500 | 15,377 | 99,377 |
| Director of Regeneration and Planning (from October 2016) | 2016/17 | 47,500 | - | 9,548 | 57,048 |
| | 2015/16 | - | - | - | - |
| Director of Tourism and Enterprise from July 2016 (was Senior Head of Tourism and Enterprise) | 2016/17 | 81,086 | 860 | 16,298 | 98,244 |
| | 2015/16 | 71,400 | 2,832 | 14,351 | 88,583 |
| Assistant Director of Business Transformation from July 2016 (was Senior Head of Projects, Performance and Technology) | 2016/17 | 72,559 | 860 | 14,584 | 88,003 |
| | 2015/16 | 66,300 | 2,832 | 13,326 | 82,458 |
| Assistant Director of HR and Organisational Development (from July 2016) | 2016/17 | 70,594 | 778 | 14,189 | 85,561 |
| | 2015/16 | - | - | - | - |
| Assistant Director of Corporate Governance from July 2016 (was Senior Head of Corporate Development and Governance) | 2016/17 | 68,905 | 2,379 | 14,155 | 85,439 |
| | 2015/16 | 61,200 | 7,832 | 13,306 | 82,338 |

In October 2015, Cabinet approved a strategy for the development of shared services between the Council, Lewes District Council (LDC) and Eastbourne Homes Ltd (EHL). From August 2016 a shared Corporate Management Team, consisting of the above Senior Managers was created. The Assistant Director of Legal and Democratic Services is also a member of the Corporate Management Team but is not included in the above table as she is an employee of Lewes District Council. The above figures are gross of any recharges to LDC and EHL.

Senior Management costs are apportioned between the two Councils as follows:

| | Eastbourne Borough Council | Lewes District Council | Eastbourne Homes Ltd |
|--|---|---------------------------------------|---------------------------------|
| Chief Executive | 50% | 50% | |
| Deputy Chief Executive | 40% | 40% | 20% |
| Director of Service Delivery | 27% | 46% | 27% |
| Director of Regeneration and Planning | 50% | 50% | |
| Director of Tourism and Enterprise | 80% | 20% | |
| Assistant Director of Business Transformation | 50% | 50% | |

The Assistant Director of Human Resources and Organisational Development is included in the SLA for Human Resources between the Council, Lewes District Council and Eastbourne Homes Ltd.

The Assistant Director of Corporate Governance is not a shared post and is 100% charged to the Council.

Remuneration Bands

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

| Remuneration Band | 2015/16 | 2016/17 |
|--------------------------|---------------------|---------------------|
| | Number of Employees | Number of Employees |
| £50,000 - £54,999 | 6 (1) | 7 (1) |
| £55,000 - £59,999 | 1 | 1 |
| £60,000 - £64,999 | 3(1) | 1 |
| Total | 10 (2) | 9 (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 | |
|--|--|----------|--|-----------|---|-----------|---|----------------|
| | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | £ | £ |
| £0 -£20,000 | 15 | 8 | 1 | 24 | 16 | 32 | 145,512 | 235,740 |
| £20,001 - £40,000 | 9 | 1 | - | 5 | 9 | 6 | 266,669 | 188,002 |
| £40,001 - £80,000 | - | - | - | 3 | - | 3 | - | 158,635 |
| Total cost included in bandings | 24 | 9 | 1 | 32 | 25 | 41 | 412,181 | 582,377 |

The total cost included in bandings for 2016/17 includes redundancy payments made to employees which were fully recharged to Lewes District Council. Exit payments were made to 6 employees totalling £108,787.

12. RELATED PARTIES

12.1 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.

12.2 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 15 (grants and contributions), 25 (debtors) and 26 (creditors).

12.3 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 30. One Member is on the Pension Fund Investment Panel.

12.4 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 2016/17 this fee was £7.211m, covering supervision and management and repairs. This compares with £7.234m paid in 2015/16. 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 £571,000 (£1,223,000 at 31 March 2016), while Eastbourne Homes Ltd owed the Council £296,000 (£372,000 at 31 March 2016).

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 Deputy Chief Executive for the Council also acts as Director of Corporate Services at Eastbourne Homes Ltd.

12.5 Greencoat House Ltd

The Council is an investor in Greencoat House Ltd, a company limited by shares which is a holding company for Wealden & Eastbourne Lifeline Ltd (WEL, also known as Welbeing). 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 loan outstanding as at 31 March 2017 is £1,193,000 which includes capitalised interest of £281,000.

12.6 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 (2015/16 £83,000).

12.7 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 2016/17 is shown in Note 10 Eight members are also members of East Sussex County Council. Grants totalling £267,000 (£235,000 in 2015/16) were paid to voluntary organisations in which 13 Members (10 Members in 2015/16) had positions on the governing body.

| | 2015/16 | 2016/17 |
|---|----------------|----------------|
| | £000 | £000 |
| 3VA Voluntary Action Eastbourne | 31 | 31 |
| Age Concern Eastbourne | 2 | 7 |
| Citizens Advice Bureau | 115 | 115 |
| Eastbourne & Wealden YMCA | 40 | 40 |
| Eastbourne Old Town Community Association | 2 | 2 |
| Eastbourne Sea Cadets | - | 9 |
| Hampden Park Bowling Club | - | 2 |
| Hampden Park Community Association | 5 | 5 |
| Langney Community Centre | 10 | 10 |
| Old Town Library | - | 5 |
| Salvation Army | 19 | 30 |
| The Trees Community Association | 11 | 11 |
| Total | 235 | 267 |

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 2016/17 works and services to the value of £75,000 (£54,000 in 2015/16) 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 10 and 11.

12.8 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 2017 the Council has provided a commercial loan of £357,000 (£357,000 in 2015/16). 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.

12.9 Eastbourne Housing Investment Company Ltd (EHIC)

EHIC is a wholly owned subsidiary of the Council. EHIC has been set up to acquire, improve and let residential property at market rents. The Council has provided eight commercial loans to EHIC totalling £8,615,300 of which £5,735,000 has been drawn down, for the purchase of various properties, at an interest rate of 4.5%. A working capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2017 £65,000 of the working capital facility loan had been drawn down. At the end of the year the Council owed EHIC £56,000, while EHIC owed the Council £71,000.

12.10 Lewes District Council

The Council is engaging in a Joint Transformation Programme (JTP) with Lewes DC under which staff and services are being integrated. The two Council's share a Corporate Management Team where the respective senior officers fulfil the same roles at both councils. A number of other officers below senior level are shared between the two councils. Additionally the two councils have existing arrangements to share legal services, human resources and printing services with further shared services to follow in 2017/18 and 2018/19 as part of the JTP. The Council now employees all of CMT and the majority of Lewes DC staff who were TUP'd to the Council during 2016/17 costs are recharged.

13. LEASING

Operating leases – Council acting as lessor

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

| 2015/16 | | 2016/17 |
|----------------------|----------------------------|----------------------|
| Minimum Lease | | Minimum Lease |
| Income | | Income |
| £000 | | £000 |
| 1,026 | Within one year | 1,308 |
| 3,737 | Between two and five years | 4,539 |
| 38,130 | Later than five years | 43,162 |
| 42,893 | Total | 49,009 |

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 2016/17 was £1,919,000 (£1,876,000 in 2015/16). 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.

14. OBLIGATIONS UNDER LONG TERM LEASES

The Sovereign Centre and Motcombe Pool are leased out, as set out above in Note 12.6, 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 2016/17.

| | 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 2016 | (825) | (127) | (102) | (1,054) |
| Interest charge for 2016/17 | (88) | (8) | (7) | (103) |
| Gross repayments for 2016/17 | 315 | 46 | 37 | 398 |
| Liability outstanding 31 March 2017 | (598) | (89) | (72) | (759) |

| 2015/16 | | | 2016/17 | |
|-------------------------|--------------------------|----------------------------|-------------------------|--------------------------|
| Future Minimum Payments | Future Lease Liabilities | | Future Minimum Payments | Future Lease Liabilities |
| £000 | £000 | | £000 | £000 |
| 399 | (296) | Within one year | 399 | (331) |
| 1,257 | (758) | Between two and five years | 1,257 | (428) |
| 1,656 | (1,054) | Total | 1,656 | (759) |

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

| | |
|--|--------------|
| Total credit sales facility | 2,651 |
| Liability outstanding 31 March 2016 | (720) |
| Gross repayments for 2016/17 | 186 |
| Liability outstanding 31 March 2017 | (534) |
| Remaining facility 31 March 2017 | 413 |

| 2015/16 | | | 2016/17 | | |
|-------------------------|------------------------|----------------------------|-------------------------|------------------------|--|
| Future Minimum Payments | Future Lease Liability | | Future Minimum Payments | Future Lease Liability | |
| £000 | £000 | | £000 | £000 | |
| 186 | (186) | Within one year | 190 | (190) | |
| 806 | (534) | Between two and five years | 778 | (344) | |
| 162 | - | Later than five years | - | - | |
| 1,154 | (720) | Total | 968 | (534) | |

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.

15. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

| 2015/16 | | | 2016/17 | | |
|---|----------------|-----------------|-----------------|----------------|-----------------|
| Grants | Contribs. | Total | Grants | Contribs. | Total |
| £000 | £000 | £000 | £000 | £000 | £000 |
| Grants and contributions within Cost of Services | | | | | |
| (50,041) | - | (50,041) | (48,725) | - | (48,725) |
| (997) | (3,202) | (4,199) | (1,059) | (4,699) | (5,758) |
| (51,038) | (3,202) | (54,240) | (49,784) | (4,699) | (54,483) |
| Grants and contributions within Taxation and non-specific grant income | | | | | |
| (2,677) | - | (2,677) | (1,752) | - | (1,752) |
| (690) | - | (690) | (467) | - | (467) |
| (1,075) | - | (1,075) | (1,173) | - | (1,173) |
| (232) | - | (232) | - | - | - |
| (142) | - | (142) | (160) | - | (160) |
| (230) | - | (230) | (185) | - | (185) |
| - | - | - | (366) | - | (366) |
| (2,192) | (16) | (2,208) | (4,323) | (2,022) | (6,345) |
| (180) | - | (180) | (111) | - | (111) |
| (7,418) | (16) | (7,434) | (8,537) | (2,022) | (10,559) |

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, if not spent. The balances at year end were £116,000 (£391,000 in 2015/16).

16. TRANSFER TO/ FROM EARMARKED RESERVES

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

| Reserve | Bal 1 April 15 | Movement 2015/16 | Bal 31 March 16 | Movement 2016/17 | Bal 31 March 17 |
|--------------------------------------|---------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| General Fund: | | | | | |
| General Earmarked Reserve | (312) | (101) | (413) | (42) | (455) |
| Strategic Change Reserve | (1,019) | 663 | (356) | 349 | (7) |
| Capital Programme | (1,583) | (554) | (2,137) | (436) | (2,573) |
| Revenue Grants Reserve | (991) | (118) | (1,109) | (310) | (1,419) |
| Regeneration Reserve | (1,130) | 77 | (1,053) | 511 | (542) |
| Devonshire Park Review Reserve | - | (1,000) | (1,000) | 40 | (960) |
| | (5,035) | (1,033) | (6,068) | 112 | (5,956) |
| HRA | | | | | |
| HRA Leaseholders Major Works Reserve | (429) | (47) | (476) | (14) | (490) |
| Riverbourne Hse Leaseholders Reserve | (19) | 15 | (4) | (9) | (13) |
| Housing Regeneration and Investment | (868) | (884) | (1,752) | (765) | (2,517) |
| | (1,316) | (916) | (2,232) | (788) | (3,020) |
| Total Earmarked Reserves | (6,351) | (1,949) | (8,300) | (676) | (8,976) |

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 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.

Devonshire Park Review Reserve: this reserve has been set up to cover any revenue short falls for venues and services affected by the Devonshire Park Redevelopment Project.

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

Housing Regeneration and Investment Reserve: this reserve 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.

17. 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.

| 2015/16 | | 2016/17 | |
|----------------|---------------|--|---------------|
| £000 | £000 | £000 | £000 |
| | 68,232 | Opening Capital Financing Requirement | 75,088 |
| | | Capital Investment: | |
| 5,026 | | Council dwellings | 4,185 |
| 1,921 | | Other land and buildings | 1,138 |
| 831 | | Vehicles plant furniture and equipment | 169 |
| 249 | | Infrastructure | 619 |
| 99 | | Community assets | 817 |
| 5,163 | | Assets under construction | 8,656 |

| 2015/16 | | | 2016/17 | |
|-----------------|---------------|---|-----------------|---------------|
| £000 | £000 | | £000 | £000 |
| 13,289 | | Total Property plant and equipment | 15,584 | |
| 6 | | Investment property | 3,274 | |
| 1,018 | | Intangible assets | 1,062 | |
| 658 | | Revenue expenditure financed from capital under statute (REFFCUS) | 2,314 | |
| 2,960 | | Loans and Advances | 4,240 | |
| 17,931 | | Total capital investment | 26,474 | |
| | | Sources of finance: | | |
| (1,780) | | Capital receipts | (2,998) | |
| (658) | | Grants and contributions towards REFFCUS | (766) | |
| (2,794) | | Other grants and contributions | (4,685) | |
| | | Sums set aside from Revenue: | | |
| (3,418) | | Major repairs reserve | (3,496) | |
| (1,227) | | Revenue provision for repayment of debt | (389) | |
| (1,198) | | Revenue Contribution to capital | (350) | |
| (11,075) | | Capital financing | (12,684) | |
| | 75,088 | Closing Capital Financing Requirement | | 88,878 |
| | | Explanation of movements in year | | |
| | 6,856 | Increase in underlying need to borrowing (unsupported by government financial assistance) | | 13,790 |
| | 6,856 | Increase in Capital Financing Requirement | | 13,790 |

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

| 31 March 2016 | | 31 March 2017 |
|----------------------|---|----------------------|
| £000 | | £000 |
| 142,963 | Council Dwellings | 179,026 |
| 63,755 | Other Land and Buildings | 89,679 |
| 7,227 | Vehicles Plant Furniture and Equipment | 6,612 |
| 18,457 | Infrastructure | 17,619 |
| 2,604 | Community Assets | 3,457 |
| 3,258 | Assets Under Construction | 11,945 |
| 118 | Surplus Assets for Disposal | 118 |
| 238,382 | Total Property plant and equipment | 308,456 |
| 13,114 | Heritage Assets | 15,034 |
| 2,148 | Investment Property | 5,627 |
| 4,096 | Intangible Assets | 4,478 |
| - | Assets Held For Sale | 378 |
| 238 | Long Term Investments | 238 |
| 6,080 | Loans and Advances to Third Parties | 10,318 |
| (26,196) | Revaluation Reserve | (49,721) |
| (162,774) | Capital Adjustment Account | (205,930) |
| 75,088 | Capital Financing Requirement | 88,878 |

18. PROPERTY PLANT AND EQUIPMENT18.1 Movements in 2016/17

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 2016 | 158,690 | 70,074 | 10,576 | 33,819 | 3,167 | 3,258 | 118 | 279,702 |
| Additions | 4,185 | 1,138 | 169 | 619 | 817 | 8,656 | - | 15,584 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | (15,224) | 16,136 | - | - | - | - | - | 912 |
| Revaluation increases recognised in the Surplus on the Provision of Services | 42,268 | 4,032 | - | - | - | - | - | 46,300 |
| De-recognition - Disposals | (6,353) | (200) | (60) | (619) | - | 23 | - | (7,209) |
| Assets Reclassified to Held for Sale | (378) | - | - | - | - | - | - | (378) |
| Assets reclassified | (218) | 206 | (32) | - | 36 | 8 | - | - |
| At 31 March 2017 | 182,970 | 91,386 | 10,653 | 33,819 | 4,020 | 11,945 | 118 | 334,911 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2016 | (15,727) | (6,319) | (3,349) | (15,362) | (563) | - | - | (41,320) |
| Depreciation Charge | (3,989) | (2,476) | (752) | (838) | - | - | - | (8,055) |
| Depreciation written out to the Revaluation Reserve | (5) | 767 | - | - | - | - | - | 762 |
| Impairment reversals recognised in the Revaluation Reserve | 15,724 | 6,314 | - | - | - | - | - | 22,038 |
| De-recognition - disposal | 53 | 7 | 60 | - | - | - | - | 120 |
| At 31 March 2017 | (3,944) | (1,707) | (4,041) | (16,200) | (563) | - | - | (26,455) |
| Net Book Value | | | | | | | | |
| At 31 March 2017 | 179,026 | 89,679 | 6,612 | 17,619 | 3,457 | 11,945 | 118 | 308,456 |
| At 31 March 2016 | 142,963 | 63,755 | 7,227 | 18,457 | 2,604 | 3,258 | 118 | 238,382 |

Movements in 2015/16:

| | 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 2015 | 144,252 | 67,382 | 9,971 | 33,818 | 3,068 | 2,614 | 55 | 261,160 |
| Additions | 5,026 | 1,921 | 831 | 249 | 99 | 5,163 | - | 13,289 |
| Revaluation increases recognised in the Revaluation Reserve | - | 630 | - | - | - | - | 16 | 646 |
| Revaluation increases/ (decreases) recognised in the Surplus on the Provision of Services | 10,225 | 228 | (5) | - | - | - | (20) | 10,428 |
| De-recognition - Disposals | (5,310) | (20) | (221) | (248) | - | (22) | - | (5,821) |
| Assets reclassified | 4,497 | (67) | - | - | - | (4,497) | 67 | |
| Balance at 31 March 2016 | 158,690 | 70,074 | 10,576 | 33,819 | 3,167 | 3,258 | 118 | 279,702 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2015 | (12,395) | (4,910) | (2,724) | (14,522) | (563) | - | - | (35,114) |
| Depreciation Charge | (3,400) | (1,812) | (846) | (840) | - | - | - | (6,898) |
| Depreciation written out to the Revaluation Reserve | - | 384 | - | - | - | - | - | 384 |
| De-recognition - disposal | 68 | 19 | 221 | - | - | - | - | 308 |
| At 31 March 2016 | (15,727) | (6,319) | (3,349) | (15,362) | (563) | - | - | (41,320) |
| Net Book Value | | | | | | | | |
| At 31 March 2016 | 142,963 | 63,755 | 7,227 | 18,457 | 2,604 | 3,258 | 118 | 238,382 |
| At 31 March 2015 | 131,857 | 62,472 | 7,247 | 19,296 | 2,505 | 2,614 | 55 | 226,046 |

18.2 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 2016 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 2021.

An annual desk top revaluation review is carried out for all property to identify any material changes in value. As at 31 March 2017 the valuers advised an increase of 3.5% for council dwellings during 2016/17, excluding any consideration of capital expenditure. This has resulted in an upward revaluation of £6.4 million and a disposal relating to replaced components of £4.2 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 | - | 210 | 6,612 | 17,619 | 3,457 | 11,945 | | 39,843 |
| Values at fair value as at: | | | | | | | | - |
| 31 March 2016 | - | 31,939 | | | | | | 31,939 |
| 31 March 2017 | 179,026 | 57,530 | | | | | 118 | 236,674 |
| Net Book Value | 179,026 | 89,679 | 6,612 | 17,619 | 3,457 | 11,945 | 118 | 308,456 |

18.3 Depreciation

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

Council dwellings – 60 years
 Other land and buildings – 15 – 60 years
 Vehicles Plant and Equipment – 3 – 25 years
 Infrastructure – 10 – 40 years.

18.4 Capital Commitments

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment to cost £13,969,000 as detailed in the table below. Similar commitments at 31 March 2016 were £2,408,000.

| | 2017/18 |
|----------------------------------|----------------|
| | £000 |
| Loan to Subsidiary Company | 4,038 |
| JTP | 2,211 |
| Devonshire Park Project | 1,862 |
| Provision of new social housing | 1,604 |
| Improvement of Council Dwellings | 803 |
| Future Model/IT | 180 |
| Asset Improvements | 51 |
| | 10,749 |

Some of the cost of JTP will be recharged to Lewes DC.

19. 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 2016 | 345 | 11,906 | 162 | 701 | 13,114 |
| Revaluations | - | - | - | 1,920 | 1,920 |
| Balance at 31 March 2017 | 345 | 11,906 | 162 | 2,621 | 15,034 |

The equivalent figures for 2015/16 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 2015 | 345 | 11,906 | 162 | 701 | 13,114 |
| Balance at 31 March 2016 | 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 is carried out to ensure the value is not materially mis-stated. Heritage buildings were valued as at 1 April 2016 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 exiting collection.
- Works and material by and relating to Eric Ravilious (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

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|------------|-----------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost of Acquisition of Heritage Assets | | | | | |
| Art Collection | 119 | 29 | - | - | - |
| Buildings | 2 | - | - | - | - |
| Total Cost of Purchases | 121 | 29 | - | - | - |
| Value of Heritage Assets Acquired by Donation | | | | | |
| Art Collection | 13 | 16 | - | - | - |
| Total Donations | 13 | 16 | - | - | - |

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

20. INVESTMENT PROPERTIES

In 2016/17 the Council received £531,000 as rental income from investment properties, compared to £441,000 received in 2015/16. 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.

| 2015/16 | | 2016/17 |
|----------------|---------------------------------------|----------------|
| £000 | | £000 |
| 2,076 | Balance at 1 April | 2,148 |
| - | Additions | 3,050 |
| - | Disposals / Derecognition | (12) |
| 6 | Expenditure on existing properties | 225 |
| 66 | Net gains from fair value adjustments | 216 |
| 2,148 | Balance at 31 March | 5,627 |

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Note 2.10 Accounting Policy for an explanation of the fair value levels).

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

The current value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2017 by Wilks Head & Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

21. 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:

| 2015/16 | | 2016/17 | | |
|------------------|----------------------------------|----------------|------------------|------------------|
| Net Total | | Gross | Amortised | Net Total |
| £000 | | £000 | £000 | £000 |
| 3,777 | Balance 1 April | 6,202 | (2,106) | 4,096 |
| | Written down to services: | | | |
| (684) | Corporate Services | - | (677) | (677) |
| (2) | Direct Services | - | (3) | (3) |
| (13) | Housing Revenue Account | - | - | - |
| (699) | | - | (680) | (680) |
| 1,018 | Added during year | 1,062 | - | 1,062 |
| 319 | Net transactions during the year | 1,062 | (680) | 382 |
| 4,096 | Balance at 31 March | 7,264 | (2,786) | 4,478 |

22. ASSETS HELD FOR SALE

| | 2015/16 | 2016/17 |
|--|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | - | - |
| Assets newly classified as held for sale: | | |
| Property, Plant & Equipment | - | 378 |
| Balance at 31 March | - | 378 |

23. FINANCIAL INSTRUMENTS

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

| | Long-term | | Current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 |
| | £000 | £000 | £000 | £000 |
| Debtors | | | | |
| Loans and receivables | 6,375 | 10,839 | 3,415 | 4,983 |
| Total Financial Assets | 6,375 | 10,839 | 3,415 | 4,983 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | (46,050) | (55,050) | (6,307) | (10,310) |
| Creditors | | | | |
| Financial liabilities at amortised cost | (1,293) | (772) | (4,861) | (5,575) |
| Total Financial Liabilities | (47,343) | (55,822) | (11,168) | (15,885) |

23.2 Income, expense, gains and losses

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.

| 2015/16 | | 2016/17 |
|----------------|--|----------------|
| £000 | | £000 |
| (237) | Interest on financial assets: loans and receivables | (374) |
| (2) | Other interest | (1) |
| (239) | Total Interest Receivable | (375) |
| 2,138 | Interest on financial liabilities measured at amortised cost | 2,416 |
| 28 | Other interest payable | 19 |
| 2,166 | Total Interest Payable | 2,435 |

23.3 Fair Value of financial assets and liabilities that are not measured at fair value for which fair value disclosures are required:

| | Book Value | Quoted prices in active markets for identical assets (Level1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|------------------------------------|-------------------|--|--|--|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cash in bank call accounts | 1,857 | 1,857 | | | 1,857 |
| Trade accounts receivable | 4,983 | | | 4,983 | 4,983 |
| Long Term Debtors | 10,839 | | | 10,839 | 10,839 |
| Total Financial Assets | 17,679 | 1,857 | - | 15,822 | 17,679 |
| Public Works Loan Board | (43,550) | | (67,179) | | (67,179) |
| Loan Stock | (7,500) | | (9,554) | | (9,554) |
| Market Debt | (4,000) | | (4,137) | | (4,137) |
| Long Term Borrowing | (55,050) | - | (80,870) | - | (80,870) |
| Credit Sales Agreement | (428) | | (643) | | (643) |
| Other Long Term Creditors | (344) | | | (344) | (344) |
| Long Term Creditors | (772) | - | (643) | (344) | (987) |
| Public Works Loan Board | (3,000) | | (3,025) | | (3,025) |
| Market Debt | (7,000) | | (7,002) | | (7,002) |
| Add accrued interest | (295) | (295) | | | (295) |
| Mayor's Poor Fund | (15) | (15) | | | (15) |
| Short Term Borrowing | (10,310) | (310) | (10,027) | - | (10,337) |
| Credit sales agreement | (330) | | (330) | | (330) |
| Other Trade Creditors | (5,245) | | | (5,245) | (5,245) |
| Short Term Creditors | (5,575) | - | (330) | (5,245) | (5,575) |
| Total Financial Liabilities | (71,707) | (310) | (91,870) | (5,589) | (97,769) |

The comparative figures for 31 March 2016 are in the table below.

| | Book Value | Quoted prices in active markets for identical assets (Level1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|-------------------------------|-------------------|--|--|--|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cash in bank call accounts | 1,953 | 1,953 | | | 1,953 |
| Trade accounts receivable | 3,415 | | | 3,415 | 3,415 |
| Long Term Debtors | 6,375 | | | 6,375 | 6,375 |
| Total Financial Assets | 11,743 | 1,953 | - | 9,790 | 11,743 |
| Public Works Loan Board | (34,550) | | (48,124) | | (48,124) |
| Loan Stock | (7,500) | | (10,262) | | (10,262) |
| Market Debt | (4,000) | | (4,231) | | (4,231) |
| Long Term Borrowing | (46,050) | - | (62,617) | - | (62,617) |

| | Book Value | Quoted prices in active markets for identical assets (Level 1) | Other significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|------------------------------------|-----------------|---|---|--|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Credit Sales Agreement | (758) | | (1,219) | | (1,219) |
| Other Long Term Creditors | (535) | | | (535) | (535) |
| Long Term Creditors | (1,293) | - | (1,219) | (535) | (1,754) |
| Public Works Loan Board | (4,000) | | (4,068) | | (4,068) |
| Market Debt | (2,000) | | (2,001) | | (2,001) |
| Add accrued interest | (292) | (292) | | | (292) |
| Mayor's Poor Fund | (15) | (15) | | | (15) |
| Short Term Borrowing | (6,307) | (307) | (6,069) | - | (6,376) |
| Credit sales agreement | (296) | | (296) | | (296) |
| Other Trade Creditors | (4,565) | | | (4,565) | (4,565) |
| Short Term Creditors | (4,861) | - | (296) | (4,565) | (4,861) |
| Total Financial Liabilities | (58,511) | (307) | (70,201) | (5,100) | (75,608) |

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 2017) arising from a commitment to pay interest to the PWLB above current market rates. The outstanding loans were taken at various dates between April 1995 and August 2016 at varying fixed interest rates between 1.48% and 8.875% (average rate 3.27%) 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 of £23,652,000 between the book value and market value for PWLB.

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 2017) 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 £2,054,000 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 14 for further details. There is a difference of £545,000 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.

23.4 Valuation techniques applied to obtain fair value

All financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2 Inputs), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;

- For financial assets, trade accounts receivable and long term debtors are reviewed to estimate the value at Level 3 based on past experience of bad debts. Cash in call accounts is held at book 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.

24. 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 cash balances with Lloyds bank PLC of £1,833,000. Recent experience has shown that it is rare for such an entity to be unable to meet their commitments.

The Council has invested funds in Greencoat House Ltd (£1,193,000), CloudConnX (£357,000) and Sea Change Sussex (£2,376,000) totalling £4,164,000. 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 provided various commercial loans to Eastbourne Housing Investment Company Ltd (EHIC) a wholly owned subsidiary of the Council, totalling £8,715,000:

- £8,615,000 of which £5,735,000 has been drawn down, for the purchase and refurbishment of properties, at an interest rate of 4.5%. The loan is secured by a first charge on the properties purchased;
- £100,000 working capital facility, unsecured at an interest rate of 2% above Base Rate, of which £65,000 was drawn down as at 31 March 2017.

The Council 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. As at 31 March 2017 nine loans had been completed; the indemnity limit for the Council was £165,000.

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

| | Amount as at 31 March 2017 | Historic experience of default | Estimated maximum exposure to default at 31 March 2017 | Estimated maximum exposure to default 31 March 2016 |
|-----------|---|---|---|--|
| | £000 A | B | £000 (AxB) | £000 |
| Customers | 5,479 | 1% | 55 | 38 |

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:

| Aged debt analysis | 31 March 2016 | 31 March 2017 |
|---------------------------|----------------------|----------------------|
| | £000 | £000 |
| Less than three months | 2,496 | 4,609 |
| Three to four months | 67 | 45 |
| Four months to one year | 758 | 340 |
| More than one year | 512 | 485 |
| Total | 3,833 | 5,479 |

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 2016 | | 31 March 2017 | | Limits in each banding |
|----------------------------|----------------------|-------------|----------------------|-------------|-----------------------------------|
| | £000 | % | £000 | % | |
| Less than one year | 6,480 | 12% | 10,520 | 16% | 25% |
| Between one and two years | 3,943 | 7% | 4,618 | 7% | 50% |
| Between two and five years | 1,872 | 3% | 9,176 | 14% | 75% |
| Five to ten years | 4,141 | 8% | 4,141 | 6% | 100% |
| More than ten years | 37,388 | 70% | 37,888 | 57% | 100% |
| Total | 53,824 | 100% | 66,343 | 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 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 2017, 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 | 12 |
| Increase in interest receivable on variable rate investments | <u>(131)</u> |
| Impact on Surplus or Deficit on the Provision of Services | <u>(119)</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) | (14,127) |

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 (£238,000 in 2015/16) in Greencoat House Ltd (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.

25. DEBTORS

Short Term debtors outstanding as at 31 March are:

| 31 March 2016 | | 31 March 2017 |
|----------------------|---------------------------------------|----------------------|
| £000 | | £000 |
| 2,945 | Central government | 1,243 |
| 2,208 | Other local authorities | 3,421 |
| 2 | NHS | 3 |
| 1,672 | Public corporations and trading funds | 1,662 |
| 4,294 | Other entities and individuals | 5,186 |
| <u>11,121</u> | Total | <u>11,515</u> |

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 2016 | | 31 March 2017 |
|----------------------|---------------------------------------|----------------------|
| £000 | | £000 |
| 6,317 | Public corporations and trading funds | 10,726 |
| 58 | Other entities and individuals | 113 |
| 6,375 | Total | 10,839 |

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

- £357,000 (2015/16 £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 2014/15 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. Capitalised interest has been added this loan bringing the total outstanding to £905,841.
- £1,400,000 loan funding in 2015/16 to East Sussex Energy Infrastructure and Development Ltd (trading as Sea Change Sussex) for the development of the Innovation Mall (Pacific House) at Sovereign Harbour, final repayment is due in 2024. Capitalised interest has been added bringing the total outstanding to £1,470,326.
- £8,715,000 loan facility was agreed with Eastbourne Housing Investment Company, a wholly owned subsidiary of the council for the purchase and redevelopment of various properties. As at 31 March 2017 a sum of £5,800,000 was drawn down. These loans are due for repayment on a variety of dates, the last due date being in 2057.
- £912,000 loan to Greencoat Ltd a holding company for Wealden & Eastbourne Lifeline Ltd (WEL also known as Welbeing). As at 31 March 2017 the loan outstanding is £1,193,242 which includes capitalised interest of £281,000.

26. CREDITORS

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

| 31 March 2016 | | 31 March 2017 |
|----------------------|---|----------------------|
| £000 | | £000 |
| (328) | Central government | (808) |
| (1,135) | Other local authorities | (1,106) |
| (5,079) | Public Corporations and other trading organisations | (4,949) |
| (2,281) | All other bodies | (2,715) |
| (8,823) | Total | (9,578) |

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 2016 | | 31 March 2017 |
|----------------------|---|----------------------|
| £000 | | £000 |
| (1,293) | Public Corporations and other trading organisations | (772) |
| (1,293) | Total | (772) |

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 14), 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.

27. PROVISIONS

Provisions represent amounts set aside to meet potential future liabilities. Provisions as at 31 March 2017 are:

| | Balance 1 April 16 | Additions | Amounts used | Balance 31 March 17 |
|-----------------------|-------------------------------|------------------|---------------------|--------------------------------|
| | £000 | £000 | £000 | £000 |
| Business Rate Appeals | (580) | (363) | 381 | (562) |
| Total | (580) | (363) | 381 | (562) |

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

28. 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 16.

29. 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 2016 | | 31 March 2017 |
|----------------------|------------------------------------|----------------------|
| £000 | | £000 |
| 44 | Deferred Capital Receipts Reserve | 7 |
| (454) | Collection Fund Adjustment Account | (761) |
| 26,196 | Revaluation Reserve | 49,721 |
| 162,774 | Capital Adjustment Account | 205,930 |
| (33,667) | Pension Reserve | (43,372) |
| (44) | Accumulated Absence Account | (46) |
| 154,849 | Total Unusable reserves | 211,479 |

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.

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|---|-----------------|
| 45 | Balance at 1 April | 44 |
| | Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | |
| (1) | Transfer to the Capital Receipts Reserve upon receipt of cash | (37) |
| 44 | Balance at 31 March | 7 |

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.

| 2015/16 £000 | | 2016/17 £000 |
|-----------------|--|-----------------|
| (655) | Balance at 1 April | (454) |
| | 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 | |
| 201 | | (307) |
| (454) | Balance at 31 March | (761) |

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.

| 2015/16 £000 | | 2016/17 £000 | £000 |
|-----------------|---|-----------------|----------------|
| 26,014 | Balance at 1 April | | 26,196 |
| 646 | Upward revaluation of assets | 24,869 | |
| 646 | Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Services | | 24,869 |
| (384) | Difference between fair value depreciation and historical cost depreciation | (762) | |
| (80) | Accumulated gains on assets sold or scrapped | (582) | |
| (464) | Amount written off to the Capital Adjustment Account | | (1,344) |
| 26,196 | Balance at 31 March | | 49,721 |

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 current 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.

| 2015/16 | | 2016/17 | |
|----------------|---|----------------|----------------|
| £000 | | £000 | £000 |
| 154,124 | Balance at 1 April | | 162,774 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 3,914 | Charges for depreciation and impairment of non-current assets | 39,007 | |
| (700) | Amortisation of intangible assets | (679) | |
| (658) | Revenue expenditure funded from capital under statute | (2,139) | |
| (5,512) | Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement | (7,101) | |
| (2,956) | | | 29,088 |
| 464 | Adjusting amounts written out of the Revaluation Reserve | | 762 |
| (2,492) | Net written out amount of the cost of non-current assets consumed in the year | | 29,850 |
| | Capital financing applied in the year: | | |
| 1,780 | Use of the Capital Receipts Reserve to finance new capital expenditure | 2,998 | |
| 3,418 | Use of the Major Repairs Reserve to finance new capital expenditure | 3,496 | |
| 2,693 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 4,835 | |
| 760 | Application of grants to capital financing from the Capital Grants Unapplied Account | 1,022 | |
| 1,227 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 389 | |
| 1,198 | Capital expenditure charged against the General Fund and HRA balances | 350 | |
| 11,076 | | | 13,090 |
| 66 | Movements in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement | | 216 |
| 162,774 | Balance at 31 March | | 205,930 |

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.

| 2015/16 | | 2016/17 |
|-----------------|---|-----------------|
| £000 | | £000 |
| (39,582) | Balance at 1 April | (33,667) |
| 7,163 | Re-measurement of the net defined benefit liability | (4,902) |
| (3,505) | Reversal of items relating to retirement benefits debited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement | (3,686) |
| 2,257 | Employer's pensions contributions and direct payments to pensioners payable in the year | (1,117) |
| (33,667) | Balance at 31 March | (43,372) |

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.

| 2015/16 | | 2016/17 |
|----------------|---|----------------|
| £000 | | £000 |
| (42) | Balance at 1 April | (44) |
| 42 | Settlement or cancellation of accrual made at the end of the preceding year | 44 |
| (44) | Amounts accrued at the end of the current year | (46) |
| (44) | Balance at 31 March | (46) |

30. POST EMPLOYMENT BENEFITS

30.1 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 arrangement, 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 2.6.

30.2 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:

| 2015/16 | | 2016/17 |
|----------------|---|----------------|
| £000 | | £000 |
| | Service Cost comprising: | |
| 2,166 | Current Service Costs | 2,512 |
| 112 | Past Service Costs | 14 |
| | Financing & Investment Income & Expenditure | |
| 1,227 | Net Interest Expense | 1,160 |
| 3,505 | Total Post-employment Benefits charged to the Surplus on the Provision of Services | 3,686 |
| | Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement | |
| | Re-measurement of the net defined benefit liability comprising: | |
| 1,439 | Return on Plan Assets (excluding the amount included in the net interest expense) | (17,761) |
| - | Actuarial Gains arising on changes in demographic assumptions | (2,332) |
| (6,675) | Actuarial (Gains) and losses arising on changes in financial assumptions | 27,858 |
| (1,927) | Other | (2,863) |
| (7,163) | Other Comprehensive Income & Expenditure | 4,902 |
| (3,658) | Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement | 8,588 |
| | Movement in Reserves Statement | |
| 3,505 | Reversal of net charges made to the Surplus on the Provision of Services for post-employment benefits in accordance with the Code | 3,686 |
| (2,257) | Actual amount (charged)/credited to the General Fund Balance for pensions in the year | 1,117 |
| 1,248 | Net adjustment in Movement in Reserves Statement | 4,803 |

30.3 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 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 94,728 | Fair value of employer assets | 142,465 |
| (123,349) | Present value of funded liabilities | (180,554) |
| (5,046) | Present value of unfunded liabilities | (5,283) |
| (33,667) | Net liability arising from defined benefit obligation | (43,372) |

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

| 2015/16 | | 2016/17 |
|----------------|--|----------------|
| £000 | | £000 |
| 95,709 | Opening fair value of assets | 94,728 |
| 2,929 | Interest income | 3,343 |
| | Re-measurement gain/(loss): | |
| (1,439) | The return on plan assets, excluding the amount included in the net interest expense | 17,761 |
| 1,887 | Contributions from employer - Funded | 2,387 |
| 370 | Contributions from employer - Unfunded | 351 |
| 517 | Contributions from employees into the scheme | 669 |
| (4,875) | Benefits paid - Funded | (4,591) |
| (370) | Benefits paid - Unfunded | (351) |
| - | Effect of business combinations and disposals | 28,168 |
| 94,728 | Closing fair value of scheme assets | 142,465 |

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

| 2015/16 | | 2016/17 |
|------------------|--|------------------|
| £000 | | £000 |
| (135,291) | Opening balance at 1 April | (128,395) |
| (2,166) | Current service costs | (2,512) |
| (4,156) | Interest costs | (4,503) |
| (517) | Contributions from scheme participants | (669) |
| - | Effect of business combinations and disposals | (32,023) |
| | Re-measurement (gains) and losses: | |
| - | Actuarial gains/losses arising from changes in demographic assumptions | 2,332 |
| 6,675 | Actuarial gains/losses arising from changes in financial assumptions | (27,858) |
| 1,927 | Other | 2,863 |
| (112) | Past service costs | (14) |
| 4,875 | Benefits paid - funded | 4,591 |
| 370 | Benefits paid - unfunded | 351 |
| (128,395) | Closing Balance at 31 March | (185,837) |

30.6 Local Government Pension Scheme Assets comprised:

| 31 March 2016 | | | | 31 March 2017 | | | |
|---------------------------------|-------------------------------------|--------------|-------------------|----------------------------------|-------------------------------------|---------------|-------------------|
| 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: | | | |
| 1,738 | 1 | 1,739 | 2% | 2,654 | - | 2,654 | 2% |
| 1,131 | 1 | 1,132 | 1% | 1,405 | - | 1,405 | 1% |
| 244 | 3 | 247 | 0% | 239 | - | 239 | 0% |
| 2,799 | 0 | 2,799 | 3% | 4,309 | - | 4,309 | 3% |
| 1,199 | 1 | 1,200 | 1% | 2,440 | - | 2,440 | 2% |
| 1,441 | 0 | 1,441 | 2% | 2,030 | - | 2,030 | 1% |
| - | 477 | 477 | 1% | 284 | 483 | 767 | 1% |
| 8,553 | 483 | 9,036 | 10% | 13,361 | 483 | 13,844 | 10% |
| | | | | Sub-total equity | | | |
| | | | | Debt Securities: | | | |
| - | 1,723 | 1,723 | 2% | - | 3,948 | 3,948 | 3% |
| - | 1,763 | 1,763 | 2% | 254 | - | 254 | 0% |
| - | 3,486 | 3,486 | 4% | 254 | 3,948 | 4,202 | 3% |
| | | | | Sub-total Debt Securities | | | |

| 31 March 2016 | | | | 31 March 2017 | | | |
|---------------------------------------|---|---------------|----------------------|---------------------------------------|---|----------------|----------------------|
| 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 | |
| - | 5,656 | 5,656 | 6% | - | 8,153 | 8,153 | 6% |
| 601 | 10,620 | 11,220 | 12% | - | 13,661 | 13,661 | 10% |
| 601 | 10,620 | 11,220 | 12% | - | 13,661 | 13,661 | 10% |
| 61 | 49,043 | 49,104 | 52% | 18 | 78,446 | 78,463 | 55% |
| 3,771 | 7,228 | 10,999 | 12% | - | 16,435 | 16,435 | 12% |
| - | 103 | 103 | 0% | - | 143 | 143 | 0% |
| 47 | - | 47 | 0% | 211 | - | 211 | 0% |
| - | 1,600 | 1,600 | 2% | - | 1,575 | 1,575 | 1% |
| - | 324 | 324 | 0% | - | 155 | 155 | 0% |
| 3,879 | 58,297 | 62,176 | 66% | 229 | 96,754 | 96,982 | 68% |
| - | - | - | 0% | - | 30 | 30 | 0% |
| 0 | - | - | 0% | - | 30 | 30 | 0% |
| - | - | - | - | - | - | - | - |
| 3,153 | - | 3,153 | 3% | 3,594 | 2,000 | 5,594 | 4% |
| 16,185 | 78,543 | 94,728 | 100% | 17,438 | 125,027 | 142,465 | 100% |

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.

30.7 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 2016. The main assumptions used in their calculations are:

The significant assumptions used by the actuary have been:

| 2015/16 | | 2016/17 |
|---------|--|---------|
| | Mortality assumptions: | |
| | Longevity at 65 for current pensioners: | |
| 22.2 | Men | 22.1 |
| 24.4 | Women | 24.4 |
| | Longevity at 65 for future pensioners: | |
| 24.2 | Men | 23.8 |
| 26.7 | Women | 26.3 |
| 2.1% | Rate of inflation | 2.4% |
| 4.1% | Rate of increase in salaries | 2.8% |
| 2.1% | Rate of Increase in Pensions | 2.4% |
| 3.4% | Rate for discounting scheme liabilities | 2.5% |
| 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 | 10% | 17,889 |
| 1 year increase in member life expectancy | 3-5% | 5,367-8,945 |
| 0.5% increase in the Salary Increase Rate | 2% | 3,086 |
| 0.5% Increase in the Pension Increase Rate | 8% | 14,502 |

30.8 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 2019.

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 2017. 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 £2,975,000 expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is shown below. The durations shown are for funded obligations only and are as they stood at the most recent formal valuation as at 31 March 2016

| | Liability Split (£000) as at 31 March 2017 | Liability Split (%) as at 31 March 2017 | Weighted Average Duration |
|-------------------|---|--|--|
| Active Members | 80,887 | 44.8% | 24.2 |
| Deferred Members | 33,384 | 18.5% | 21.5 |
| Pensioner Members | 66,283 | 36.7% | 10.7 |
| Total | 180,554 | 100% | 16.0 |

31. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents is made up of the following elements:

| 31 March 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 25 | Cash held by the Authority | 24 |
| 1,928 | Bank Current Accounts | 1,833 |
| 1,953 | Total Cash and Cash Equivalents | 1,857 |

32. CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

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 2017 the maximum liability was £165,000. See explanation of credit risk in Note 24.

Towner Trust

On 1st July 2014 16 staff employed by the council who were 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.

Eastbourne Borough Football Club (EBFC)

As freeholder of the EBFC football pitch, the Council has provided a guarantee for EBFC in respect of a finance agreement to improve the football pitch. The maximum liability is £500,000.

Bedfordwell Road

The Council purchased land at Bedfordwell Road on 24 March 2017. Overage, capped at £1m, may be payable under certain circumstances.

Contingent Assets

Overpaid VAT

A number of Councils are in the process of legal action against Royal Mail and 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.

33. POST BALANCE SHEET EVENTS

The Statement of Accounts was authorised by the Deputy Chief Executive on xx September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2017 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

On 1 April 2017 a business rates revaluation came into effect. The revaluation is carried out by the Valuation Office Agency and is based on property values as at 1 April 2015. Revaluations take into account changes in the property market and are based on the open market rental value of properties.

Revaluations normally occur every 5 years but the Government extended the last revaluation, commencing on 1 April 2010, by two years.

The revaluation resulted in the rateable value for the Council's area increasing from £ £82,734,035 as at 31 March 2017 to £92,012,892 on 1 April 2017.

When revaluations occur, the Government adjusts the multipliers so that the total amount of business rates collected across England and Wales remains at the amount of the previous year adjusted upwards for inflation. The multipliers with effect from 1 April 2017 are:

- Small business multiplier, which applies to those who qualify for small business relief, is 46.6 pence in the pound (48.4 pence in 2016/17).
- Standard multiplier, which applies to everyone else, is 47.9 pence in the pound (49.7 pence in 2016/17).

The effect of this is to increase the gross business rates yield for the Council's area by 2.15%. However, the amount of business rates income actually retained by the Council will not increase by this percentage because the Government also reset the Tariff amount that the Council must pay on business rates income and there is a significant increase in business rates reliefs. It is estimated that the Council's net retained income from business rates for 2017/18 will not be materially different to the 2016/17 amount.

On 30 May 2017 the Council completed on the purchase of Hampden Retail Park at a cost of £18m. This is an investment property which will be financed using PWLB borrowing. Rental income will cover the interest payments and create a surplus.

HOUSING REVENUE ACCOUNT (HRA)

| 2015/16 | | 2016/17 |
|-----------------|--|-----------------|
| £000 | | £000 |
| | Income | |
| (14,333) | Dwelling Rents | (14,228) |
| (461) | Non-Dwelling Rents | (433) |
| (1,124) | Charges for Services and Facilities | (1,196) |
| (151) | Contributions Towards Expenditure | (540) |
| (16,069) | Total Income | (16,397) |
| | Expenditure | |
| 121 | Repairs and Maintenance | 472 |
| 8,068 | Supervision and Management | 8,010 |
| 362 | Rents, rates, taxes and other charges | 292 |
| (6,794) | Depreciation, Amortisation and Impairment Reversals of Non-Current Assets | (38,258) |
| 28 | Debt Management Costs | 36 |
| 1,785 | Total Expenditure | (29,448) |
| (14,284) | Net Income for HRA Services as included in the whole authority Income and Expenditure Statement | (45,845) |
| 87 | HRA services share of Corporate and Democratic Core | 76 |
| (14,197) | Net (Income)/Expenditure for HRA Services | (45,769) |
| 2,801 | Gain or (Loss) on sale of HRA assets | 3,103 |
| 1,867 | Interest Payable and Similar Charges | 1,799 |
| (31) | Interest and Investment Income | (23) |
| (381) | Capital Grants and Contributions Received | (147) |
| (9,941) | (Surplus)/Deficit for the Year | (41,037) |

MOVEMENT ON THE HRA STATEMENT

| 2015/16 | | | 2016/17 | |
|----------------|---------|---|----------------|----------------|
| £000 | £000 | | £000 | £000 |
| | (3,150) | Housing Revenue Account balance brought forward | | (3,678) |
| (9,941) | | (Surplus) / Deficit on HRA Income and Expenditure Statement | (41,038) | |
| | | Adjustments between accounting and funding basis: | | |
| 12 | | Capital expenditure financed by the HRA | 249 | |
| 381 | | Capital Grants and Contributions received | 147 | |
| (5,241) | | Reverse non-current assets written off on disposal | (6,300) | |
| 2,439 | | Proceeds from sales of non-current assets | 3,198 | |
| 7,487 | | Transfer from Capital Adjustment Account | 38,258 | |
| 3,418 | | Transfer to Major Repairs Reserve | 4,010 | |
| (1,445) | | | (1,476) | |
| 917 | | Transfers to earmarked reserves | 788 | |
| | (528) | (Increase) or decrease in year on HRA | | (688) |
| (3,678) | | Housing Revenue Account balance carried forward | | (4,366) |

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 12.4 above.

NOTES TO THE HOUSING REVENUE ACCOUNT**1. HOUSING STOCK**

The Council's housing stock consisted of:

| 31 March 2016 | | 31 March 2017 |
|----------------------|-----------------------------------|----------------------|
| | Houses and Bungalows | |
| 16 | - one bedroom | 16 |
| 542 | - two bedrooms | 533 |
| 1,144 | - three bedrooms | 1,128 |
| 52 | - four or more bedrooms | 50 |
| 1,754 | Total Houses and Bungalows | 1,727 |
| | Flats | |
| 1,034 | - one bedroom | 1,030 |
| 534 | - two bedrooms | 532 |
| 5 | - three or more bedrooms | 5 |
| 131 | - bed-sits | 129 |
| 1,704 | Total Flats | 1,696 |
| 3,458 | All Dwellings | 3,423 |

In addition the Council has shared ownership arrangements covering 19.5 full property equivalents (14.25 at 31 March 2016). The Council no longer has any properties under short-term property leases.

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

| | 31 March 2016 | 31 March 2017 |
|--------------------------|----------------------|----------------------|
| | £000 | £000 |
| Dwellings | 142,963 | 179,026 |
| Other Land and Buildings | 873 | 1,153 |
| Total | 143,836 | 180,179 |

2. VACANT POSSESSION VALUE OF DWELLINGS

The Council's stock of council dwellings was re-valued by Wilkes, Head & Eve as at 1 April 2016, which resulted in a market vacant possession value of the housing stock at 1 April 2016 of £537m, and after disposals the value is £530m as at 1 April 2016. The vacant possession of garages is £2.9m. The 2016/17 regional adjustment factor used for dwellings at 'social rent' is 67% thereby reducing the balance sheet value of these dwellings to 33% of their open market value (68% and 32% in 2015/16). 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.

| 2015/16 | | 2016/17 |
|----------------|----------------------------------|----------------|
| £000 | | £000 |
| - | Balance as at 1 April | - |
| 3,418 | Financing of Capital Expenditure | 3,496 |
| (3,418) | Depreciation | (4,010) |
| - | Balance as at 31 March | (514) |

4. CAPITAL EXPENDITURE AND FINANCING

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

| 2015/16 | | 2016/17 |
|----------------|----------------------------------|----------------|
| £000 | | £000 |
| 5,008 | Total Capital Expenditure | 5,762 |
| | Funding: | |
| 792 | Borrowing | 625 |
| 381 | Government Grant | 141 |
| 1,778 | Capital Receipts | 238 |
| 3,418 | Major Repairs Reserve | 3,496 |
| 693 | Earmarked Reserves | (6) |
| 12 | Revenue Contributions | (12) |
| (30) | S106 Contributions | 797 |
| 102 | Other Contributions | 483 |
| 7,146 | Total Funding | 5,762 |

5. CAPITAL RECEIPTS FROM ASSET DISPOSALS

| 2015/16 | | 2016/17 |
|----------------|--|----------------|
| £000 | | £000 |
| 1,449 | Right to Buy Sales of Houses and Flats | 2,313 |
| 979 | Other Sales | 884 |
| 10 | Repayment of Right to Buy Discount | - |
| 2,438 | | 3,197 |

6. DEPRECIATION

| 2015/16 | | 2016/17 |
|----------------|--------------------------|----------------|
| £000 | | £000 |
| 3,400 | Dwellings | 3,994 |
| 18 | Other Land and Buildings | 16 |
| 3,418 | Total HRA Assets | 4,010 |

7. REVALUATION OF HRA STOCK

A full revaluation of HRA stock was carried out by Wilks Head & Eve as at 1 April 2016 which resulted in an increase in value of £36m to £179m. This increase reflects market changes and the investment in council dwellings. A desktop revaluation of the HRA stock was carried out by Wilks Head & Eve as at 31 March 2017. This resulted in an estimated increase of 3.5% giving a revaluation gain of £6.4m. The revaluation did not take into account any capital expenditure on the stock since the formal valuation as at 1 April 2016 and so the stock was de-recognised by £4.2m for the capital expenditure in 2016/17. The net effect was an increase of £2.2m.

8. RENT ARREARS

Rent arrears at 31 March 2017 amounted to £532,000 compared with £554,000 at 31 March 2016. These sums include the overpayment of Housing Benefit prior to 2004/05 and former tenants' arrears. During 2016/17 former tenant arrears of £41,000 were written off (£26,000 in 2015/16).

The Council has an impairment allowance for doubtful debts of £130,000 at 31 March 2017 (£196,000 at 31 March 2016).

COLLECTION FUND REVENUE ACCOUNT

| 2015/16 | | 2016/17 | | |
|--|--|-----------------------|--------------------|---------------|
| Re-stated | | Business Rates | Council Tax | Total |
| £000 | | £000 | £000 | £000 |
| Income | | | | |
| 54,812 | Income collectable from Council Tax | - | 59,075 | 59,075 |
| 34,086 | Income collectable from Non-Domestic Rates | 32,645 | - | 32,645 |
| Contribution towards previous year's Collection Fund Deficit | | | | |
| 648 | Central Government | 856 | - | 856 |
| 117 | East Sussex County Council | 154 | - | 154 |
| 518 | Eastbourne Borough Council | 685 | - | 685 |
| 13 | East Sussex Fire Authority | 17 | - | 17 |
| 90,194 | Total Fund Income | 34,357 | 59,075 | 93,432 |
| Expenditure | | | | |
| Precepts, Demands and Shares | | | | |
| 17,200 | Central Government | 17,474 | - | 17,474 |
| 42,295 | East Sussex County Council | 3,145 | 42,071 | 45,216 |
| 21,059 | Eastbourne Borough Council | 13,979 | 7,679 | 21,658 |
| 4,685 | Sussex Police Authority | - | 5,004 | 5,004 |
| 3,114 | East Sussex Fire Authority | 349 | 2,914 | 3,263 |
| 88,353 | | 34,947 | 57,668 | 92,615 |
| 125 | Business Rates Costs of Collection | 126 | - | 126 |
| 45 | Transitional Relief | 208 | - | 208 |
| Charges to Collection Fund | | | | |
| 954 | Allowance for Appeals | 908 | - | 908 |
| (549) | Backdated changes in Rateable Values | (953) | - | (953) |
| 549 | Write-offs of uncollectable amounts | (131) | 62 | (69) |
| (599) | Allowance for impairment of doubtful debts | 19 | (45) | (26) |
| 355 | | (157) | 17 | (140) |
| Apportionment of previous year's Collection Fund Surplus | | | | |
| 130 | East Sussex County Council | - | 988 | 988 |
| 25 | Eastbourne Borough Council | - | 184 | 184 |
| 16 | Sussex Police Authority | - | 118 | 118 |
| 9 | East Sussex Fire Authority | - | 70 | 70 |
| 180 | | - | 1,360 | 1,360 |
| 89,057 | Total Fund Expenditure | 35,124 | 59,045 | 94,169 |
| (1,136) | Movement on Fund Balance | 767 | (30) | 737 |
| COLLECTION FUND BALANCE | | | | |
| 1,342 | Balance at 1st April | 1,609 | (1,403) | 206 |
| (1,136) | (Surplus)/Deficit for the year | 767 | (30) | 737 |
| 206 | Balance as at 31st March | 2,376 | (1,433) | 943 |

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

| | 2016/17 |
|---------------------------------|----------------|
| | £000 |
| Gross amount of Council Tax | 75,629 |
| Less Council Tax Support Scheme | (7,632) |
| Discounts | (7,036) |
| Exemptions | (1,790) |
| Disabled Relief | (96) |
| Net Yield from Council Tax | <u>59,075</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 | 14 | 8 | 5/9 | 4 | 7 |
| A | 8,216 | 4,819 | 6/9 | 3,213 | 5,514 |
| B | 12,784 | 9,335 | 7/9 | 7,261 | 12,460 |
| C | 10,508 | 8,377 | 8/9 | 7,446 | 12,778 |
| D | 8,414 | 7,284 | 9/9 | 7,284 | 12,500 |
| E | 4,410 | 4,003 | 11/9 | 4,893 | 8,397 |
| F | 1,998 | 1,854 | 13/9 | 2,678 | 4,596 |
| G | 1,092 | 1,012 | 15/9 | 1,687 | 2,895 |
| H | 53 | 46 | 18/9 | 92 | 158 |
| | 47,489 | 36,738 | | 34,558 | 59,305 |
| Less average 2.75% reduction to allow for collection losses etc. | | | | (952) | (1,634) |
| Council Tax Base | | | | 33,606 | 57,671 |

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 | 33,606.1 |
| Band D Council Tax 2016/17 (Budget report) | B | £1,716.04 |
| Theoretical gross yield | A x B | £57,669,412 |
| Actual gross yield (as above) | C | £59,075,012 |
| Theoretical gross yield - actual gross yield | (A x B) - C | (£1,405,600) |

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.

| | | 2015/16 | 2016/17 |
|-----------------------------------|-------|----------------|----------------|
| Total non-domestic rateable value | £m | 82.5 | 82.7 |
| Multiplier | Pence | 49.3 | 49.7 |
| Multiplier (Small businesses) | Pence | 48.0 | 48.4 |
| Gross Yield Before Adjustments | £m | 39.3 | 38.4 |

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 2016/17 was estimated before the start of the financial year as £34.9m. These sums have been paid into 2016/17 and charged to the collection fund in year. This council's share is £13.9m.

3. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

| Authority | COUNCIL TAX | | | NON-DOMESTIC BUSINESS RATES | | |
|----------------------------|-----------------|---|---------------|-----------------------------|---|--------|
| | Precept £000 | Distribution of prior years deficit | Total £000 | Share | Distribution of prior years surplus | Total |
| | | £000 | | | £000 | |
| Eastbourne Borough Council | 7,679 | 184 | 7,863 | 13,979 | (685) | 13,294 |
| Central Government | - | - | - | 17,474 | (856) | 16,618 |
| East Sussex County Council | 42,071 | 988 | 43,059 | 3,145 | (154) | 2,991 |
| Sussex Police | 5,004 | 118 | 5,122 | - | - | - |
| East Sussex Fire Authority | 2,914 | 70 | 2,984 | 349 | (17) | 332 |
| Total | 57,668 | 1,360 | 59,028 | 34,947 | (1,712) | 33,235 |

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, for this Council this is 50%. The amounts for this Council are as follows:

| | 2015/16 £000 | 2016/17 £000 |
|---|-----------------|-----------------|
| Actual Business Rate income due | 13,925 | 13,427 |
| Tariff payment | (10,040) | (10,124) |
| | 3,885 | 3,304 |
| Baseline Funding | (3,315) | (3,342) |
| Amount above (below) baseline | 570 | (39) |
| Levy payment to East Sussex Business Rates Pool | 285 | - |
| Distribution from East Sussex Business Rates Pool | (141) | - |

4. EAST SUSSEX BUSINESS RATES POOL

With effect from 1 April 2015, the Council, along with East Sussex County Council, East Sussex Fire Authority, Hastings Borough Council, Lewes District Council, Rother District Council and Wealden District Council agreed to operate a pooling arrangement: the East Sussex Business Rates Pool (ESBRP). The Government treats Pools as single entities in respect of Tariff and Top-up payments and for calculating Levy and Safety Net. For 2016/17, the Pool was a 'top-up' authority, meaning that no levy is payable to Government. Wealden District Council is the lead authority for the ESBRP. The governance arrangements for the ESBRP determined that each billing authority would pay their Levy on growth into the Pool and, after deductions for administration costs, this would be distributed to the Pool members on the basis of 40% to ESCC, 10% to ESFA and the remaining 50% shared pro-rata to the level of growth in each billing authority area.

The ESBRP results for 2016/17 are summarised in the following table:

| | Percentage Share | Levy Payable to the Pool: | Administration Fees Deducted to Pay Pool Lead | Pool Gain distribution- Receivable by Pool Members | Net Amount (Receivable) / Payable by each Pool Member |
|--|------------------|---------------------------|---|--|---|
| | | £000 | £000 | £000 | £000 |
| East Sussex County Council | 40% | - | - | (582) | (582) |
| East Sussex Fire Authority | 10% | - | - | (145) | (145) |
| Eastbourne Borough Council | 0% | - | - | - | - |
| Hastings Borough Council | 1% | 37 | - | (18) | 19 |
| Lewes District Council | 16% | 473 | - | (236) | 237 |
| Rother District Council | 15% | 426 | - | (213) | 214 |
| Wealden District Council | 18% | 523 | (5) | (260) | 257 |
| East Sussex Business Rates Pool | 100% | 1,459 | (5) | (1,454) | - |

As this Council was below its baseline funding figure there was no payment made into the pool and therefore no distribution due. The Sussex Business Rates Pool ceased as at 31 March 2017.

5. 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 16 | 31 March 17 | 31 March 16 | 31 March 17 |
| | £000 | £000 | £000 | £000 |
| Eastbourne Borough Council | (190) | (192) | 644 | 951 |
| Central Government | - | - | 805 | 1,189 |
| East Sussex County Council | (1,019) | (1,043) | 144 | 213 |
| Sussex Police Authority | (122) | (124) | - | - |
| East Sussex Fire Authority | (72) | (73) | 16 | 24 |
| Surplus (Deficit) | (1,403) | (1,432) | 1,609 | 2,377 |

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 12.4 and 12.9 above, Eastbourne Homes Ltd (EHL) and Eastbourne Housing Investment Company Ltd (EHIC) are wholly owned subsidiaries of the Council, and group accounts are therefore prepared to combine the accounts of the Council and the two companies. Transactions and indebtedness between the Council and the companies 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 EHL and EHIC figures on the group totals is generally immaterial, other than for those notes included.

Greencoat House Ltd

Greencoat House Ltd is a holding company for Wealden and Eastbourne Lifeline (also known as Welbeing). 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, which has been deemed to be an associate. The accounts of Greencoat House Ltd and its subsidiary Welbeing, have been included in the single entity accounts of the Council as a Long Term Investment. The council has not included its share of the company post acquisition gains in its 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.

Eastbourne Downs Water Company Ltd (EDWC)

EDWC, a private limited company, was incorporated 24 August 2016. The company is wholly owned by Eastbourne Borough Council. There have been no transactions during the period to 31 March 2017 and the company is currently dormant. The principal activity of EDWC will be to supply water to Downland Farms. The company is exempt from the requirement to prepare individual accounts under section 394A, or to file individual accounts under 448A of the Companies Act 2006.

GROUP MOVEMENT IN RESERVES STATEMENT

| | EBC Usable Reserves £000 | EBC Unusable Reserves £000 | Total EBC Reserves £000 | EHL Reserves £000 | EHIC Reserves £000 | Total Group Reserves £000 |
|--|------------------------------------|--------------------------------------|-----------------------------------|-----------------------------|------------------------------|-------------------------------------|
| Balance at 1 April 2015 | (25,416) | (139,904) | (165,320) | 980 | - | (164,340) |
| Movement in Reserves 2015/16 | | | | | | |
| Total Comprehensive Expenditure and Income | (7,315) | (7,808) | (15,123) | 478 | 36 | (14,609) |
| Adjustments between accounting basis & funding basis under regulation (note 8) | 7,137 | (7,137) | - | - | - | - |
| Transfers to Earmarked Reserves (note 16) | - | - | - | (1,269) | - | (1,269) |
| (Increase) / Decrease in Year | (178) | (14,945) | (15,123) | (791) | 36 | (15,878) |
| Balance at 31 March 2016 carried forward | (25,594) | (154,849) | (180,443) | 189 | 36 | (180,218) |
| Movement in Reserves 2016/17 | | | | | | |
| Total Comprehensive Expenditure and Income | (38,358) | (19,968) | (58,326) | (599) | 86 | (58,839) |
| Adjustments between accounting basis & funding basis under regulation (note 8) | 36,662 | (36,662) | - | - | - | - |
| Transfers to Earmarked Reserves (note 16) | - | - | - | (198) | - | (198) |
| (Increase) / Decrease in Year | (1,696) | (56,630) | (58,326) | (797) | 86 | (59,037) |
| Balance at 31 March 2017 carried forward | (27,290) | (211,479) | (238,769) | (608) | 122 | (239,255) |

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| 2015/16 | | | | 2016/17 | | |
|---------------|---------------------|-----------------|--|---------------|-----------------|-----------------|
| Expend. | Re-stated Income | Net | | Expend. | Income | Net |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 7,847 | (1,425) | 6,422 | Corporate Services | 13,799 | (2,199) | 11,600 |
| 66,034 | (57,848) | 8,186 | Direct Services | 65,808 | (58,018) | 7,790 |
| 1,917 | (943) | 974 | Regeneration, Planning Policy and Assets | 2,341 | (1,149) | 1,192 |
| 12,677 | (8,599) | 4,078 | Tourism and Enterprise | 9,239 | (8,042) | 1,197 |
| 2,266 | (16,283) | (14,017) | Housing Revenue Account | (29,875) | (16,560) | (46,435) |
| 90,741 | (85,098) | 5,643 | Cost Of Services | 61,312 | (85,968) | (24,656) |
| 216 | - | 216 | Levy Payable | 216 | - | 216 |
| 286 | - | 286 | Payments to housing capital receipts pool | 924 | - | 924 |
| 2,885 | - | 2,885 | Losses on sale and de-recognition of non-current assets | 3,671 | - | 3,671 |
| 3,387 | - | 3,387 | Other Operating Expenditure | 4,810 | - | 4,810 |
| 2,191 | - | 2,191 | Interest payable & similar charges | 2,541 | - | 2,541 |
| 1,538 | - | 1,538 | Net Interest on the Net Defined Benefit Liability | 1,212 | - | 1,212 |
| | (246) | (246) | Interest receivable | (5) | (375) | (380) |
| (67) | (448) | (515) | Investment Properties | (177) | (536) | (713) |
| 967 | (1,518) | (551) | Trading Accounts | 1,135 | (1,556) | (421) |
| 4,629 | (2,212) | 2,417 | Financing and Investment Income and Expenditure | 4,706 | (2,467) | 2,239 |
| - | (7,434) | (7,434) | Non-specific grants and contributions | - | (10,559) | (10,559) |
| - | (7,452) | (7,452) | Council Tax income | - | (7,863) | (7,863) |
| 10,089 | (13,456) | (3,367) | Business Rates Retention | 10,124 | (12,966) | (2,842) |
| 10,089 | (28,342) | (18,253) | Taxation and non-specific grant income | 10,124 | (31,388) | (21,264) |
| | | (6,806) | Surplus on Provision of Services | | | (38,871) |
| | | 5 | Tax Expense | | | - |
| | | (6,801) | Group Surplus on Provision of Services | | | (38,871) |
| | (645) | | Surplus on revaluation of Property, Plant and Equipment Assets | | | (24,870) |
| | (8,432) | | Re-measurement of the net defined benefit liability | | | 4,704 |
| | | (9,077) | Other Comprehensive Income and Expenditure | | | (20,166) |
| | | (15,878) | Total Comprehensive Income and Expenditure | | | (59,037) |

GROUP BALANCE SHEET

| 31 March 2016 | | Notes | 31 March 2017 | |
|-------------------------|------------------------------------|--------------|----------------------|-------------------------|
| £000 | | | £000 | £000 |
| 238,403 | Property, Plant & Equipment | 2 | 308,456 | |
| 13,114 | Heritage Assets | | 15,034 | |
| 3,683 | Investment Property | 3 | 11,358 | |
| 4,096 | Intangible Assets | | 4,478 | |
| 238 | Long Term Investments | | 238 | |
| <u>4,815</u> | Long Term Debtors | 4 | 5,039 | |
| 264,349 | Long Term Assets | | | 344,603 |
| - | Assets Held for Sale | | 378 | |
| 127 | Inventories | | 107 | |
| 12,168 | Short Term Debtors | 4 | 12,521 | |
| <u>3,630</u> | Cash and Cash Equivalents | 7 | 4,968 | |
| 15,925 | Current Assets | | | 17,974 |
| (6,307) | Short Term Borrowing | | (10,310) | |
| (10,304) | Short Term Creditors | 5 | (11,765) | |
| (580) | Short Term Provisions | | (562) | |
| (391) | Revenue Grants Receipts in Advance | | (116) | |
| (17,582) | Current Liabilities | | | (22,753) |
| (1,293) | Long Term Creditors | | (772) | |
| (46,050) | Long Term Borrowing | | (55,050) | |
| (35,131) | Other Long Term Liabilities | 6 | (44,747) | |
| (82,474) | Long Term Liabilities | | | (100,569) |
| <u>180,218</u> | NET ASSETS | | | <u>239,255</u> |
| (26,833) | Usable reserves | | (29,151) | |
| (153,385) | Unusable Reserves | | (210,104) | |
| <u>(180,218)</u> | TOTAL RESERVES | | | <u>(239,255)</u> |

GROUP CASH FLOW STATEMENT

| 2015/16 | | 2016/17 | |
|-----------------|--|----------------|-----------------|
| £000 | | £000 | £000 |
| (10,959) | Taxation | (11,426) | |
| (54,603) | Government grants | (54,987) | |
| (5,768) | Housing rents | (6,338) | |
| (11,346) | Goods sold and services rendered | (7,962) | |
| (221) | Interest received | (323) | |
| (10,879) | Other receipts | (14,866) | |
| (93,776) | Cash inflows from operating activities | | (95,902) |
| 13,216 | Employees | 14,848 | |
| 42,175 | Housing Benefit paid | 41,244 | |
| 277 | Capital Receipts Pool | 925 | |
| 25,287 | Payments for goods and services | 24,765 | |
| 2,163 | Interest paid | 2,436 | |
| 7,563 | Other operating costs | 7,021 | |
| 90,681 | Cash outflows from operating activities | | 91,239 |
| (3,095) | Net Cash Flows from operating activities | | (4,663) |
| 17,142 | Purchase property, plant & equipment, Investment property and intangible assets | 25,973 | |
| 1,000 | Purchase of short and long term investments | 9,500 | |
| (2,627) | Sales of property, plant & equipment, Investment property and intangible assets | (3,060) | |
| (1,000) | Sale of short and long term investments | (9,500) | |
| (2,298) | Other investing receipts | (6,192) | |
| 12,217 | Net cash outflows from investing activities | | 16,721 |
| (6,000) | Cash receipts of borrowing | (19,000) | |
| 1,978 | Repayments of borrowing | 6,000 | |
| (616) | Other financing activities | (397) | |
| (4,638) | Net cash inflows from financing activities | | (13,397) |
| 4,484 | Net (increase) / decrease in cash and cash equivalents | | (1,339) |

The balances of cash and cash equivalents are shown below:

| 31 March 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 25 | Cash held by the Authority | 24 |
| 3,605 | Bank Current Accounts | 4,944 |
| 3,630 | Total Cash and Cash Equivalents | 4,968 |

| |
|---|
| 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.

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 'Code') has introduced presentational changes to the Comprehensive Income and Expenditure Statement that have required the figures for 2015/16 to be restated. For 2015/16 the service analysis reported within Cost of Services in the Comprehensive Income and Expenditure Statement was required to follow the Service Reporting Code of Practice 2015/16. However, for 2016/17 the Code requires the analysis within Cost of Services to be based on the organisational structure under which the authority operates and manages its services.

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 2016 | 158,690 | 70,074 | 11,003 | 33,819 | 3,167 | 3,258 | 118 | 280,129 |
| Additions | 4,185 | 1,138 | 169 | 619 | 817 | 8,656 | - | 15,584 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (15,224) | 16,136 | - | - | - | - | - | 912 |
| Revaluation increases recognised in the Surplus on the Provision of Services | 42,268 | 4,032 | - | - | - | - | - | 46,300 |
| De-recognition - Disposals | (6,353) | (200) | (60) | (619) | - | 23 | - | (7,209) |
| Assets Reclassified to Held for Sale | (378) | - | - | - | - | - | - | (378) |
| Assets reclassified | (218) | 206 | (32) | - | 36 | 8 | - | - |
| At 31 March 2017 | 182,970 | 91,386 | 11,080 | 33,819 | 4,020 | 11,945 | 118 | 335,338 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2016 | (15,727) | (6,319) | (3,755) | (15,362) | (563) | - | - | (41,726) |
| Depreciation Charge | (3,989) | (2,476) | (773) | (838) | - | - | - | (8,076) |
| Depreciation written out to the Revaluation Reserve | (5) | 767 | - | - | - | - | - | 762 |
| Impairment losses recognised in the Revaluation Reserve | 15,724 | 6,314 | - | - | - | - | - | 22,038 |
| De-recognition - disposal | 53 | 7 | 60 | - | - | - | - | 120 |
| At 31 March 2017 | (3,944) | (1,707) | (4,468) | (16,200) | (563) | - | - | (26,882) |

Net Book Value

| | | | | | | | | |
|------------------|---------|--------|-------|--------|-------|--------|-----|----------------|
| At 31 March 2017 | 179,026 | 89,679 | 6,612 | 17,619 | 3,457 | 11,945 | 118 | 308,456 |
| At 31 March 2016 | 142,963 | 63,755 | 7,248 | 18,457 | 2,604 | 3,258 | 118 | 238,403 |

The equivalent figures for 2015/16 are shown below:

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant & Equip. £000 | Infra- structure £000 | Commun. £000 | Assets under Const. £000 | Surplus Props. £000 | Total £000 |
|---|--------------------------------------|---|---|-------------------------------------|------------------------|--|-----------------------------------|----------------------|
| Cost or Valuation at 1 April 2015 | 144,252 | 67,382 | 10,398 | 33,818 | 3,068 | 2,614 | 55 | 261,587 |
| Additions | 5,026 | 1,921 | 831 | 249 | 99 | 5,163 | - | 13,289 |
| Revaluation increases recognised in the Revaluation Reserve | - | 630 | - | - | - | - | 16 | 646 |
| Revaluation increases/ (decreases) recognised in the Surplus on the Provision of Services | 10,225 | 228 | (5) | - | - | - | (20) | 10,428 |
| De-recognition - Disposals | (5,310) | (20) | (221) | (248) | - | (22) | - | (5,821) |
| Assets reclassified | 4,497 | (67) | - | - | - | (4,497) | 67 | - |
| Balance at 31 March 2016 | 158,690 | 70,074 | 11,003 | 33,819 | 3,167 | 3,258 | 118 | 280,129 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2015 | (12,395) | (4,910) | (3,079) | (14,522) | (563) | - | - | (35,469) |
| Depreciation Charge | (3,400) | (1,812) | (897) | (840) | - | - | - | (6,949) |
| Depreciation written out to the Revaluation Reserve | - | 384 | - | - | - | - | - | 384 |
| De-recognition - disposal | 68 | 19 | 221 | - | - | - | - | 308 |
| At 31 March 2016 | (15,727) | (6,319) | (3,755) | (15,362) | (563) | - | - | (41,726) |
| Net Book Value | | | | | | | | |
| At 31 March 2016 | 142,963 | 63,755 | 7,248 | 18,457 | 2,604 | 3,258 | 118 | 238,403 |
| At 31 March 2015 | 131,857 | 62,472 | 7,319 | 19,296 | 2,505 | 2,614 | 55 | 226,118 |

3. INVESTMENT PROPERTIES

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

| 2015/16 £000 | | 2016/17 £000 |
|------------------------|---------------------------------------|------------------------|
| 2,076 | Balance at 1 April | 3,683 |
| 1,535 | Additions | 7,245 |
| - | Disposals / De-recognition | (11) |
| 6 | Expenditure on existing properties | 225 |
| 66 | Net gains from fair value adjustments | 216 |
| 3,683 | Balance at 31 March | 11,358 |

4. SHORT TERM DEBTORS

Short term debtors outstanding as at 31 March are:

| 31 March 2016 | | 31 March 2017 |
|----------------------|---------------------------------------|----------------------|
| £000 | | £000 |
| 2,945 | Central Government | 1,243 |
| 2,208 | Other Local Authorities | 3,421 |
| 2 | NHS | 3 |
| 1,672 | Public corporations and trading funds | 1,662 |
| 5,341 | Other entities and individuals | 6,192 |
| 12,168 | Total | 12,521 |

Long term debtors outstanding as at 31 March are:

| 31 March 2016 | | 31 March 2017 |
|----------------------|---------------------------------------|----------------------|
| £000 | | £000 |
| 4,757 | Public corporations and trading funds | 4,926 |
| 58 | Other entities and individuals | 113 |
| 4,815 | Total | 5,039 |

5. SHORT TERM CREDITORS

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

| 31 March 2016 | | 31 March 2017 |
|----------------------|---|----------------------|
| £000 | | £000 |
| (328) | Central Government | (808) |
| (1,135) | Other Local Authorities | (1,106) |
| (5,386) | Public Corporations and other trading organisations | (5,235) |
| (3,455) | All other bodies | (4,616) |
| (10,304) | Total | (11,765) |

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 30, and employees of Eastbourne Homes Ltd have the same access to the benefits of the scheme. There are no employees in EHIC.

6.2 Transactions relating to post-employment benefits

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

| 2015/16 | | 2016/17 |
|----------------|---|----------------|
| £000 | | £000 |
| | Service Cost comprising: | |
| 2,446 | Current Service Costs | 2,751 |
| 132 | Past Service Costs | 14 |
| | Financing & Investment Income & Expenditure | |
| 1,304 | Net Interest Expense | 1,212 |
| 3,882 | Total Post-employment Benefits charged to the Surplus on the Provision of Services | 3,977 |

Other Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement

Re-measurement of the net defined benefit liability comprising:

| 2015/16 | | 2016/17 |
|---------------------------------------|---|----------------|
| £000 | | £000 |
| 1,554 | Return on Plan Assets (excluding the amount included in the net interest expense) | (18,345) |
| - | Actuarial Gains arising on changes in demographic assumptions | (2,471) |
| (7,759) | Actuarial (Gains) and losses arising on changes in financial assumptions | 29,538 |
| (2,035) | Other | (4,018) |
| (8,240) | Other Comprehensive Income & Expenditure | 4,704 |
| (4,358) | Total Post-employment Benefits charged to the Comprehensive Income & Expenditure Statement | 8,681 |
| Movement in Reserves Statement | | |
| 3,882 | Reversal of net charges made to the Surplus on the Provision of Services for post-employment benefits in accordance with the Code | 3,977 |
| (2,450) | Actual amount (charged)/credited to the General Fund Balance for pensions in the year | 935 |
| 1,432 | Net adjustment in Movement in Reserves Statement | 4,912 |

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 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 101,972 | Fair value of employer assets | 150,684 |
| (132,007) | Present value of funded liabilities | (190,091) |
| (5,096) | Present value of unfunded liabilities | (5,340) |
| (35,131) | Net liability arising from defined benefit obligation | (44,747) |

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

| 2015/16 | | 2016/17 |
|------------------------------------|--|----------------|
| £000 | | £000 |
| 102,703 | Opening fair value of assets | 101,972 |
| 3,155 | Interest income | 3,599 |
| Re-measurement gain/(loss): | | |
| (1,554) | The return on plan assets, excluding the amount included in the net interest expense | 18,345 |
| | The effect of changes in foreign exchange rates | |
| 2,078 | Contributions from employer - Funded | 2,567 |
| 372 | Contributions from employer - Unfunded | 353 |
| 593 | Contributions from employees into the scheme | 745 |
| (5,003) | Benefits paid - Funded | (4,712) |
| (372) | Benefits paid - Unfunded | (353) |
| - | Other | 28,168 |
| 101,972 | Closing fair value of scheme assets | 150,684 |

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

| 2015/16 | | 2016/17 |
|----------------|---|----------------|
| £000 | | £000 |
| (144,642) | Opening balance at 1 April | (137,103) |
| (2,446) | Current service costs | (2,751) |
| (4,459) | Interest costs | (4,811) |
| (593) | Contributions from scheme participants | (745) |
| - | Effect of business combinations and disposals | (32,023) |
| | Re-measurement (gains) and losses: | |

| | | |
|------------------|--|------------------|
| - | Actuarial gains arising from changes in demographic assumptions | 2,471 |
| 7,759 | Actuarial gains/losses arising from changes in financial assumptions | (29,538) |
| 2,035 | Other | 4,018 |
| (132) | Past service costs | (14) |
| 5,003 | Benefits paid - Funded | 4,712 |
| 372 | Benefits paid - Unfunded | 353 |
| (137,103) | Closing Balance at 31 March | (195,431) |

6.6 Local Government Pension Scheme Assets comprised:

| 31 March 2016 | | | | 31 March 2017 | | | |
|---|-------------------------------------|----------------|-------------------|------------------------------------|-------------------------------------|----------------|-------------------|
| 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: | | | | | | | |
| 1,871 | 1 | 1,872 | 2% | 2,808 | - | 2,808 | 2% |
| 1,218 | 1 | 1,219 | 1% | 1,486 | - | 1,486 | 1% |
| 263 | 3 | 266 | 0% | 253 | - | 253 | 0% |
| 3,013 | 0 | 3,013 | 3% | 4,557 | - | 4,557 | 3% |
| 1,291 | 1 | 1,292 | 1% | 2,581 | - | 2,581 | 2% |
| 1,552 | 0 | 1,552 | 2% | 2,147 | - | 2,147 | 1% |
| 1 | 514 | 515 | 1% | 301 | 511 | 811 | 1% |
| 9,209 | 520 | 9,728 | 10% | 14,132 | 511 | 14,643 | 10% |
| Sub-total equity | | | | 14,132 511 14,643 10% | | | |
| Debt Securities: | | | | | | | |
| - | 1,855 | 1,855 | 2% | - | 4,175 | 4,175 | 3% |
| - | 1,898 | 1,898 | 2% | 269 | - | 269 | 0% |
| - | 3,753 | 3,753 | 4% | 269 | 4,175 | 4,444 | 3% |
| Sub-total Debt Securities | | | | 269 4,175 4,444 3% | | | |
| Private equity: | | | | | | | |
| - | 6,089 | 6,089 | 6% | - | 8,623 | 8,623 | 6% |
| Real Estate: | | | | | | | |
| 646 | 11,432 | 12,078 | 12% | (1) | 14,449 | 14,449 | 10% |
| 646 | 11,432 | 12,078 | 12% | (1) | 14,449 | 14,449 | 10% |
| Sub-total Real Estate | | | | (1) 14,449 14,449 10% | | | |
| Investment Funds & Unit Trusts: | | | | | | | |
| 66 | 52,794 | 52,859 | 52% | 82,036 | 954 | 82,990 | 55% |
| 4,059 | 7,780 | 11,840 | 12% | 14,102 | 3,281 | 17,383 | 12% |
| - | 111 | 111 | 0% | - | 151 | 151 | 0% |
| 50 | - | 50 | 0% | 223 | - | 223 | 0% |
| - | 1,722 | 1,722 | 2% | - | 1,666 | 1,666 | 1% |
| - | 349 | 349 | 0% | - | 164 | 164 | 0% |
| 4,175 | 62,756 | 66,930 | 66% | 96,362 | 6,216 | 102,577 | 68% |
| Sub-total Investment Funds & Unit Trusts | | | | 96,362 6,216 102,577 68% | | | |
| Derivatives: | | | | | | | |
| - | 33 | 33 | 0% | - | 32 | 32 | 0% |
| - | 33 | 33 | 0% | - | 32 | 32 | 0% |
| Sub-total Derivatives | | | | - 32 32 0% | | | |
| Cash & Cash Equivalents | | | | | | | |
| 3,394 | - | 3,394 | 3% | 3,801 | 2,115 | 5,916 | 4% |
| All | | | | 3,801 2,115 5,916 4% | | | |
| 17,423 | 84,582 | 102,006 | 100% | 114,563 | 36,121 | 150,684 | 100% |
| Total | | | | 114,563 36,121 150,684 100% | | | |

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. CASH AND CASH EQUIVALENTS

The balances of cash and cash equivalents is made up of the following elements:

| 31 March 2016 | | 31 March 2017 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 25 | Cash held by the Authority | 24 |
| 3,605 | Bank Current Accounts | 4,944 |
| 3,630 | Total Cash and Cash Equivalents | 4,968 |

8. TRANSACTIONS BETWEEN EASTBOURNE BOROUGH COUNCIL AND EASTBOURNE HOMES LTD AND EASTBOURNE HOUSING INVESTMENT COMPANY LTD

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

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

| | 2015/16 | 2016/17 |
|--|----------------|----------------|
| | £000 | £000 |
| Income | | |
| Housing Management contract | 7,235 | 7,211 |
| Other contracts | 162 | 355 |
| Expenditure | | |
| Service Level Agreements | 752 | 762 |
| Fees payable by EHL to EBC | 588 | 700 |
| Recharges | | |
| Capital Works at cost | 5,219 | 4,983 |
| Other | 1 | 6 |
| Debtor | | |
| Amount due from Eastbourne Borough Council | 1223 | 571 |
| Creditor | | |
| Amount due to Eastbourne Borough Council | 372 | 296 |

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 net assets of £2,000 and turnover of £1,047,000 (for the period 1 April 2016 to 31 March 2017).

Eastbourne Housing Investment Company Ltd (EHIC) was incorporated on 1 May 2015 and commenced trading in November 2015. There are 6 Directors made up of three Members, two senior Council officers and one EHL Director This company is wholly owned by the Council. EHIC has net liabilities of £86,000 and turnover of £113,000 (for the period 1 April 2016 to 31 March 2017).

EHIC were given loans totalling £8,715,000 as at 31 March 2017 of which £5,800,000 was drawn down and interest of £108,000 was paid in 2016/17 to the Council by EHIC.

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 2016/17 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.