



Statement of Accounts | 2006/07



Contents

Page I	Certification by Chairman
2	Introduction
4	Independent Auditor's Report to the Members
7	Statement of Internal Control
11	Explanatory Foreword
18	Statement of Responsibilities
19	Statement of Accounting Policies

Core Single Entity Financial Statements

26	Income and Expenditure Account
28	Statement of Movement on the General Fund Balance
30	Statement of Total Recognised Gains and Losses
31	Balance Sheet
33	Cash Flow Statement
35	Notes to the Core Financial Statements

Supplementary Single Entity Financial Statements

62	Housing Revenue Account Income and Expenditure Account and Notes
68	Collection Fund Accounts and Notes
71	Learning Disability Services Memorandum Account
72	Trust Fund Accounts and Notes

Group Accounts

74	Group Accounts
75	Group Income & Expenditure Account
76	Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit
77	Statement of Movement in Group Balance
77	Group Statement of Total Recognised Gains and Losses
78	Group Balance Sheet
80	Group Cash Flow Statement
81	Notes to the Group Financial Statements
82	Glossary of Terms



Certification by Chairman

I confirm that these accounts were initially approved by the Policy & Resources Committee at a meeting held on 28 June 2007 and reapproved by the Policy & Resources Committee at a meeting held on 27 September 2007.

Signed on behalf of Brighton & Hove City Council

Brian Oxley

Chairman

27 September 2007

Introduction

Thank you for taking the time to read Brighton & Hove City Council's annual statement of accounts.

Financial Performance

The financial position throughout 2006/07 has been challenging, particularly in respect of adult and children's social care pressures. This was recognised early in the financial year and tighter financial controls were introduced on staffing budgets (vacancy management) and supplies and services budgets to assist the position. In addition, restructuring of the council's debt was undertaken and has resulted in very low long term borrowing rates and substantial savings. In December 2006, the council was forecasting a £2.2 million overspend, principally relating to Section 31 Partnership adult social care services and children's social care services. However, through counter-measure savings mentioned above this has been reduced to a manageable overspend of £0.7 million (0.4%) for which reserves were identified earlier in the year as part of the 2007/08 budget setting process.

The overspend in 2006/07 is net of an additional contribution of £2.6 million to the Section 31 Partnerships which provide integrated health and social care services to adults. Although the Section 31 Partnership budgets are a shared risk with the Primary Care Trust and local health trusts, the decision was taken by the partners that the council would finance projected overspending this year because the local health economy had very limited financial flexibility in 2006/07 but was able to give a commitment to provide significant additional investment of £2.4m in 2007/08.

In terms of capital spending, the council has successfully delivered a capital programme of nearly £48 million with no significant overspends. This included over £5 million on local transport schemes, £13 million on Council Housing improvements, and over £7 million on schools and education. Capital projects are subject to many external factors, including the weather and contractor performance, however, the council endeavours to deliver the programme on time and in 2006/07 95% of the programme has been achieved resulting in "slippage" of only 5% into the next financial year. This is in line with the challenging target the council sets itself and has not resulted in the loss of any capital funding.

Despite the financial challenges this year, the council's financial standing remains relatively healthy and in particular the council's General Fund Balance will be maintained at the recommended level (£9 million) for an authority of this size.

Next year the government will issue a 3-year financial settlement, including schools, under the Comprehensive Spending Review 2007, which will give more certainty over funding although it is not expected to lessen the financial challenges.

Achieving Efficiencies

The council continues to deliver substantial efficiency gains, in both cash and productivity terms, as required by annual 2½% efficiency savings targets set under the government's Gershon Review of Efficiency. In 2006/07, the third year of these targets, the council has exceeded the three-year target (7½%) and in this financial year has achieved over £4 million in cash savings and nearly £1.2 million in productivity efficiencies. Achieving efficiency savings is critical for the council in order to free up essential investment into priority areas and meet financial pressures in services with high demand, for example, social care. This is especially so given the extreme financial restraints placed on us as the effects of the government's reduced grant settlements continue to impact on the council for the foreseeable future. Effective delivery of efficiencies and other savings is therefore essential for the council to keep Council Tax increases as low as possible in the future.



Performance Assessment

The council's performance is assessed each year under the Comprehensive Performance Assessment (CPA) framework. This includes inspections of education and social care services for adults and children alongside other service inspections, for example, Cultural Services. The CPA assessment was revisited in 2006 and overall the council is adjudged to be performing well and has achieved an overall 3-star rating (out of 4). Under individual assessments for services, all services are now rated at level 3, including Cultural Services and Environment, which were previously at level 2. This improvement is reflected in the judgement on "direction of travel" which is now assessed to be "improving well". Under the Use of Resources assessment, the council remains at level 2 although the assessment recognises that areas such as Internal Control and Risk Management have improved. Value for money (VFM) is a critical element of the Use of Resources assessment and in 2007/08 there will be an increased focus on VFM through the development of a VFM review programme.

Working in Partnership

The council continues to work with partners to develop services in line with the priorities outlined in the 2020 Community Strategy and in its Corporate Plan. Developments include:-

- The Children and Young People's Trust (CYPT) for Brighton & Hove, which came into being on 1st April 2006, bringing together staff in South Downs Health Trust and Brighton & Hove City Council, is now fully integrated and is operating with pooled budgets. The CYPT will focus on the priorities set out in the recently published Children and Young People's Plan which is available on the council's website.
- The council is continuing to develop its Local Area Agreement working with partners in the area. This is an agreement between the Local Strategic Partnership, Public Service Board and regional government office (GOSE) to work on an agreed set of priorities for improving outcomes locally. There are 24 targets covering areas such as children and young people, safe and sustainable communities and deprivation and injustice.

New Administration

Following the local elections in May 2007 the council remains in a position of no overall control but the council now has a new administration and will be led by a minority Conservative administration formed of 26 councillors (2 short of overall majority). Key financial priorities for the new administration include:

- lower council tax rises;
- improving value for money;
- strengthening financial management through a new Finance Sub-committee;
- corporate oversight of key major infrastructure projects for the city through a Major Projects Sub-committee to ensure that important schemes such as the redevelopment of the Brighton Centre are progressed efficiently and transparently.

Summary

Although the financial outlook remains challenging, the council will be working hard with key partners to maintain strict financial control and will develop long term service and financial plans, in the light of new 3-year government settlements. This will enable the council to plan for the delivery of efficiencies and service improvements and ensure that the people of Brighton & Hove are well-served by its vision, actions and services.

Alan McCarthy

Chief Executive

Independent Auditor's Report to the Members of Brighton & Hove City Council

Opinion on the financial statements

I have audited the financial statements of Brighton & Hove City Council and its Group for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Forward, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Brighton & Hove City Council in accordance with Part 11 of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly, the financial position of the Authority and its income and expenditure for the year in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance: 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.



I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority and its Group as at 31 March 2007 and its income and expenditure for the year then ended.

Darren Wells

District Auditor and Relationship Manager
Audit Commission, 16 South Park, Sevenoaks, Kent TN13 1AN
12 October 2007

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Brighton & Hove City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 22 December 2006. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Darren Wells

District Auditor and Relationship Manager
Audit Commission. 16 South Park, Sevenoaks, Kent TN13 1AN
12 October 2007



Statement on Internal Control

1 Scope of Responsibility

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

In discharging this overall responsibility, the council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

The council believes in the principles of corporate governance, which are openness, inclusivity, integrity and accountability. It is committed to its own Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework for Corporate Governance in Local Government.

2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks that will prevent the council achieving its policies, and objectives, to assess the likelihood of risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has continued to be in place at the council for the year ended 31 March 2007 and up to the date of approval, of the Annual Statement of Accounts, and except where set out in section 5, is inline with proper practice.

3 The Internal Control Environment

The key elements of the internal control environment are summarised below:

Establishing and monitoring the achievement of the council's objectives

The Performance Plan 2006/07 and Corporate Plan 2004-07 (updated for 2006/07) set out the council's top priorities and strategic goals that it aims to achieve. These priorities together with improvement targets are reflected in Directorate Development Plans, Team Plans and the Performance & Development Planning Scheme for staff. Regular monitoring and review takes place on the achievement of priorities and plans.

Policy and decision-making

The council has adopted a constitution, which sets out the framework within which the council operates, how decisions are made and the procedures to ensure that they are efficient, transparent and accountable. The constitution is reviewed on a regular basis to ensure it remains fit for the purpose and can be found on the council's website at www.brighton-hove.gov.uk.

The council has an executive committee system, with committees having executive (decision making) powers. Issues with corporate or strategy implications go to the Policy & Resources Committee or Full Council. There is an Overview Scrutiny and Organisation Committee (OSOC) who supports and monitors the work of the Executive. A "call-in" procedure allows Scrutiny to review executive decisions thus presenting challenge and the

opportunity for a decision to be reconsidered. Meetings are open to the public except for items that contain confidential information. There is an extensive scheme of delegation to officers, who are bound by council policy, budget limits and legal requirements in making decisions.

Compliance with established policies, procedures, laws and regulations

The council's Constitution is designed to ensure that it acts lawfully and to ensure compliance with its policies and procedures. These include Standing Orders, Financial Regulations, Budget and Policy Framework Procedure Rules, underpinned by Codes of Conduct for Members and Officers and the council's Local Code of Corporate Governance.

Directors are responsible for risk management both as part of the Chief Officers' Management Team (TMT) and within their own directorates. They receive advice and instructions from the Risk Manager, Head of Audit & Assurance and officers from other risk management disciplines. Every council employee is responsible for managing their activities in accordance with risk management principles and risk management is part of what managers do on a day-to-day basis. The council's Risk Management Strategy sets the framework to identify the principal risks to the achievement of the council's objectives as identified. Directors promote risk management and a risk aware environment within their directorates whilst the Risk Manager and Audit & Assurance Services help to embed these strategies through pro-active risk based business and project planning and an annual programme of audits.

Economical, effective and efficient use of resources for securing continuous improvement

The provision of quality services and continuous improvement are embedded in the council's culture and operations. Service and financial plans flow from the council's corporate and service objectives and are aligned via the Directorate Development Plans and annual Budget Plans prepared throughout the council's six directorates. Services are subject to budget and performance reviews, external statutory inspections and a range of optional quality accreditations.

Internal and external audit review the use of resources through their annual programmes of work. This includes independent professional review and the use of comparative data and techniques with other service providers.

Financial Management

The Director of Finance and Resources being the designated Section 151 Officer, is responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper accounting records and accounts and for maintaining an effective system of internal financial control. Financial Regulations set out the rules for the control and management of the council's finances and assets.

The Full Council approves the budget, including the allocation of financial resources to different services and projects, contingency plans, the setting of the Council Tax and the control of capital expenditure.

Internal audit is undertaken by the council's in-house Audit & Assurance Services, in accordance with the Code of Practice for Internal Audit in Local Government (2006). The Head of Audit & Assurance has a reporting line to the Audit Panel, a standing panel of OSOC and to the members of the Chief Officers Management Team. The Head of Audit & Assurance reports on at least an annual basis, providing a synopsis of the results of audit work and an independent opinion on the adequacy and effectiveness of the system of internal control. The Internal Audit Annual Plan aims to address both financial and non-financial risks and is increasingly informed by the work of the Risk Manager and the corporate risk register.



Performance Management

Directorate and corporate performance systems integrate into a well-developed performance framework. Statutory and local performance indicators and action plans for improvement are approved following detailed business planning across council services. These are published within the Annual Performance Plan.

The Performance Manager reports on a regular basis to the Chief Officers' Management Team (TMT) and Members' Committees (executive and scrutiny) to ensure effective review of performance.

4 Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Audit & Assurance Services, by senior management within the council who have responsibility for the development and maintenance of the internal control environment, and by comments made by external auditors and other review agencies and inspectorates.

The council's review of the effectiveness of the system of internal control is informed by:

- Directorate based assurance that includes management information, financial management information, performance information and scrutiny reports;
- The work undertaken by Audit & Assurance Services during the year;
- The work undertaken by the Audit Commission reported in the Annual Audit & Inspection Letter; and
- Other work undertaken by independent inspection bodies.

From the work undertaken by Audit & Assurance Services in 2006/07, the Head of Audit & Assurance provided an independent opinion of 'reasonable assurance' on the effectiveness of the system of internal control. Audit & Assurance Services did identify a number of concerns and opportunities for improvement and agreed actions were reported to the appropriate Director and summaries to the Audit Panel.

5 Significant Internal Control Issues

In 2006/07 the council introduced a new financial system called Authority Financials and an integrated purchasing system called Authority Purchasing. This system will significantly improve the council's financial control environment, for example by introducing tighter controls over the ordering of goods and services and providing more detailed and flexible financial information. The implementation was carefully managed with detailed risk assessments conducted at every stage of the process.

A number of system control weaknesses have been identified, in particular the reconciliation with key interfaced systems. This is not considered to be unusual for the implementation of such a significant new system. The position by the year end had significantly improved and continues to be monitored closely with appropriate actions.

A number of actions have been completed, are in progress or are proposed in order to ensure continuous improvement in the council's system of internal control.

Actions completed

- Section 31 agreement in place for the Children & Young People's Trust and Mental Health Service
- Revised Section 31 agreement in place for the Learning Disability Service
- Code of Conduct for Officers revised to meet changing organisational needs and the expected National Code
- Payroll system controls have been further improved so payments cannot be made to employees who have temporary national insurance numbers
- City wide anti-fraud and corruption campaign, "Stamping out Fraud" for Council Tax single persons discounts and housing benefits fraud.

Actions in progress

- Review of arrangements for planning and project management of major contract renewals
- City wide anti-fraud and corruption campaign, "Stamping out Fraud" for insurance fraud
- Review of the capacity, skills and processes required by the council for any procurement of highly complex, highly valued service contracts
- Further improvements to debt management including introduction of a Corporate Debt Collection and Recovery Policy
- Improvement of the controls and monitoring, for the reconciliation of the Financial Information System with key interfaced systems
- Complete the programme of fire risk assessments to fully comply with the Regulatory Reform (Fire Safety) Order 2005 and take any necessary remedial action.

Actions proposed

Value for Money:

- To introduce a programme of value for money reviews together with clear methodology across the council

Corporate Governance:

- Update the council's Local Code of Corporate Governance to be in accordance with new CIPFA/SOLACE Framework
- Clear communication of the Local Code of Corporate Governance internally and externally

Health & Safety:

- Review health and safety requirements relating to partnerships to ensure clear roles and responsibilities

Priorities & Resources:

- Establish new priorities for the council and ensure policies and resources are reconciled at a strategic level and cascade down to local level through robust business planning

Data Quality:

- Review the effectiveness of data quality, in particular relating to key systems and performance management information

Housing Stock:

- Appraise options for reducing the funding gap to meet the substantial investment backlog in council housing

Financial Management:

- Creation of a Finance Sub Committee to review arrangements including budget strategy, financial performance, arrangements for value for money and treasury management.

Alan McCarthy

Chief Executive

Brian Oxley

Leader of Brighton & Hove City Council



Explanatory Foreword

Format of the Accounts

In accordance with the Accounts and Audit Regulations 2006, the Statement of Accounts includes an explanatory foreword, a statement of accounting policies adopted and a statement of responsibilities for the Statement of Accounts together with notes to the accounts.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2006/07 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs). It is intended to give electors, Members, employees and other interested parties clear information about the authority's finances. The Accounting Code of Practice (ACOP), which applies to the 2006/07 accounts has been amended to include the following:

Changes to the single entity statement of accounts that aim to make it more compliant with Generally Accepted Accounting Principles (i.e. UK GAAP) and easier to understand. This is also to aid the consolidation of local authority accounts into "Whole of Government Accounts" which incorporate all public sector organisations. The 2005/06 accounting statements comprised:

- Consolidated Revenue Account (CRA)
- Asset Management Revenue Account
- Housing Revenue Account
- Consolidated Balance Sheet
- Statement of Total Movement in Reserves
- Cash Flow Statement
- Collection Fund
- Trust Funds

The 2006/07 accounting statements comprise the following changes:

- The replacement of the Consolidated Revenue Account (CRA), with a traditional Income and Expenditure Account which shows only the operating income and expenditure and the surplus or deficit for the year (i.e. a summary of the resources generated and consumed by the council in the year).
- A new statement called the 'Statement of Movement on the General Fund Balance (SMGFB)' immediately following the Income and Expenditure Account that reconciles the surplus or deficit on the Income and Expenditure Account to the movement on the General Fund (ie a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising council tax). In addition, there is a new note to the accounts, presented immediately after the SMGFB which explains the significance of the movement on the General Fund for local taxation and the resources available to fund the council's services.
- The replacement of the Statement of Total Movement in Reserves with a much shorter, simpler Statement of Total Recognised Gains and Losses (STRGL) which demonstrates how the movement in the net worth in the Balance Sheet is related to the Income and Expenditure surplus or deficit and to other unrealised gains and losses. Also, there is a note to the accounts disclosing the movement on reserves.
- The name of the Consolidated Balance Sheet has changed to the Balance Sheet in line with the Consolidated Revenue Account (CRA) being transformed into the Income and Expenditure Account. The content of total net worth has been amended to reflect the true gains and losses shown in the STRGL, for example, Government Grants Deferred has moved to the top half of the Balance Sheet.
- In light of the replacement of the CRA with the Income and Expenditure Account, the format of the

Housing Revenue Account (HRA) has changed in a similar way and now comprises a Housing Revenue Account Income and Expenditure Account on HRA services included in the whole council Income and Expenditure Account and a Statement of Movement in the Housing Revenue Account Balance.

- The Cash Flow Statement, Collection Fund and Trust Fund accounting statements remain unchanged.
- A full set of group accounting statements were prepared for the first time in 2005/06. In 2006/07, parallel changes to the group accounts have been made that result in the group accounts being easier to understand and having a common format to the single entity statement of accounts rather than a different format as was the case for the 2005/06 accounts.
- In the 2005/06 accounts, there was a capital charge made on all fixed assets used in the provision of services, comprising two elements: depreciation and a capital financing charge (notional interest). The amended Code of Practice removes the requirement to make the capital financing charge (notional interest). The removal of this requirement allows depreciation to be charged straight to services and leads to the elimination of the Asset Management Revenue Account (AMRA). Other items that were included in the AMRA previously are either charged directly to services (eg losses on impairment of fixed assets and capital grant income) or shown as a separate line below the net cost of services in the Income and Expenditure Account (e.g. interest payable on loans and finance leases).

Figures in respect of 2005/06 are included in the Statement of Accounts for comparative purposes. These figures have been restated for the changes mentioned above.

The presentation order of the accounting statements has also been amended. There is a requirement within the Code of Practice to group the 'core' single entity accounting statements together (ie Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Recognised Gains and Losses, Balance Sheet and Cash Flow Statement) followed by the notes to the core statements followed by 'supplementary' statements (e.g. Housing Revenue Account and Collection Fund) with the notes to each supplementary statement following the supplementary statement. The Group Accounts then follow which consolidate the two-thirds ownership of Shoreham Airport for the 3 months prior to the sale of the long leasehold interest in the Airport into the council's accounts as a joint venture. The group accounting statements show the council's material interests in any subsidiaries, associates or joint ventures that the council has.



The financial performance for 2006/07 for the activities undertaken by the council is set out in the Financial Statements on pages 11 to 81 and taking into account the above changes, consists of the following:

Statement of Responsibilities – which identifies the officer responsible for the proper administration of the council's financial affairs.

Statement of Accounting Policies – which details the legislation and principles on which the Statement of Accounts has been prepared.

Core Single Entity Financial Statements:

Income and Expenditure Account – which is the council's main revenue account covering income and expenditure on all services.

Statement of Movement on General Fund Balance – which includes the amounts in addition to the Income and Expenditure surplus or deficit for the year that are required by statute and non-statutory proper accounting practices to be posted to the General Fund Balance.

Statement of Total Recognised Gains and Losses – which shows all gains and losses including those not included in the Income and Expenditure Account; for example, Revaluation of Fixed Assets and Pensions Fund.

Balance Sheet - which sets out the financial position of the council as at 31 March 2007.

Cash Flow Statement - which summarises the total movement of the council's funds.

Notes to the Core Financial Statements

Supplementary Single Entity Financial Statements:

Housing Revenue Account – which shows income and expenditure on council housing and the change to the working balance.

Collection Fund Account - which shows receipts of Council Tax, National Non Domestic Rates, payments made to the General Fund and precepts to the Sussex Police Authority and the East Sussex Fire Authority.

Trust Funds – which shows the transactions for the Trust Funds that are administered by the council.

Group Accounts:

Group Income and Expenditure Account – which shows the revenue income and expenditure for Brighton & Hove City Council plus its share of Shoreham Airport.

Reconciliation of the Single Entity surplus or deficit for the Year to the Group Surplus or Deficit – which shows how the surplus or deficit on the Group Income & Expenditure Account differs from the Single entity Income & Expenditure Account

Group Statement of Total Recognised Gains and Losses – which shows all gains and losses for the group including those not included in the Income and Expenditure Account; for example, Revaluation of Fixed Assets and Pensions Fund.

Group Balance Sheet – which sets out the financial position of the council plus its share of Shoreham Airport as at 31 March 2007.

Group Cash Flow Statement – which summarises the total movement of funds for the council and those between the council and Shoreham Airport.

Revenue Summary

Financing the Budget	Original Budget £'000	Actual £'000	Variance £'000
Expenditure on Services	200,769	201,484*	715
Funded By:			
Revenue Support Grant	(15,711)	(15,711)	0
Redistributed National Non Domestic Rates	(81,392)	(81,392)	0
Redistribution of Collection Fund surplus	(500)	(500)	0
Council Tax	(101,937)	(101,937)	0
LPSA Grant	(1,229)	(1,229)	0
Use of / (contribution to) Reserves	0	715	715

*Excludes £23,000 relating to Rottingdean Parish Council Precept.

The council's net revenue budget for 2006/07 was set at £200.769 million. The net General Fund expenditure for 2006/07 was £201.484 million resulting in a deficit on the General Fund Balance of £0.715 million.

The table below summarises the variations by department compared with the revised budget, excluding support services and capital financing costs. (Figures in brackets denote underspendings or income received in excess of that budgeted).

Departmental Variations	Revised Budget £'000	Actual £'000	Variance £'000
Housing & City Support	46,940	46,545	(395)
Children & Young Peoples Trust	39,826	41,456	1,630
Finance & Property	6,289	5,852	(437)
Strategy & Governance	8,695	8,641	(54)
Environment	31,931	32,012	81
Cultural Services	18,391	18,359	(32)
Centrally Managed Budgets	4,310	1,638	(2,672)
Section 31 Partnership Contribution	31,342	33,936	2,594
General Fund Deficit	187,724	188,439	715

Significant variations within the overall spendings are as follows:

- An overspend on foster care and child agency placements of £1.176 million. The main variance relates to residential agency placements (£0.527 million) which is due to a higher than anticipated number of children (5.59 full time equivalent children) in residential placements.
- An overspend of £0.321m on Home to School Transport due to the basic taxi contract price being greater than predicted.
- An overspend of £2.594 million on the Section 31 Adult Social Care partnership. Key overspends were on Community Care budgets including Learning Disabilities of £1.141 million and Mental Health services of £1.085 million, and on Learning Disability mainstream budgets of £0.394 million.
- An underspend of £2.072m on capital financing costs, reflecting considerable success in restructuring the council's long term borrowings, which now include very low long term interest rates.
- An underspend of £0.614m on housing benefits in relation to additional income received in 2006/07 arising from the audit of the 2004/05 Housing Benefit Subsidy Claim, and the receipt of increased rent allowance subsidy from the final housing benefit subsidy claim for 2005/06.



The table below summarises the Net Operating Expenditure, shown on the Income & Expenditure Account, by expenditure heading.

Expenditure & Income Analysis	£'000
Employees Related Expenses	263,358
Premises Related Expenses	53,396
Transport Related Expenses	14,480
Supplies & Services	64,888
Payments to Other Bodies, including Residential Care	114,520
Housing/Council Tax Benefits, Student Awards etc	153,397
Support Services	53,937
Capital Financing Costs	57,787
Government Grants	(317,165)
Other Contributions, including Housing Associations	(38,639)
Rents, Fees and Charges etc	(130,184)
Interest	(12,369)
Support Services etc recharged to Other Services	(61,237)
Net Operating Expenditure	216,169

Details of the council's Expenditure and Income are shown in the Income and Expenditure Account on pages 26 and 27.

Pensions Liability

In accordance with proper accounting practice, the council's financial statements include the total estimated net liability for the pensions scheme, currently £114m. This net liability is offset by the pensions reserve and is calculated by the pensions actuary, Hymans Robertson. It should be noted that amounts shown in the council's accounts in accordance with the appropriate Financial Reporting Standard (FRS 17), have no effect on the Council Tax Requirement.

Significant Changes in Accounting Policies

There has been a change in the accounting policy regarding capital charges. Notional interest is no longer charged in accordance with the requirements of SORP 2006.

The split between land and buildings relating to the Housing Revenue Account has been amended to 50/50 on the advise of the valuer for the HRA, Wilks Head & Eve. This has the effect of reducing the overall charge for depreciation as land does not incur such a charge. This is a change in policy from previous year's when no split was applied by the previous valuer, therefore depreciation was previously applied to both land and buildings.

Dedicated Schools Grant (DSG)

For 2006/07 the arrangements for the funding of schools and for centrally retained expenditure relating to schools were changed. The DSG was introduced and offset by a corresponding reduction in the Revenue Support Grant

The DSG is a ring-fenced specific grant and is only used to provide education to the pupils of schools and is not used for any other purpose.

Details of the deployment of the DSG receivable for 2006/07 are included within Note 54 to the Core Financial Statements.

Capital Summary

The council has managed to deliver a significant capital investment programme this year by working in partnership with a wide range of external bodies, developing successful bids for funding from Central Government, Lottery and other external bodies, as well as the prudent use of borrowing.

Capital expenditure totalled £47.848 million in 2006/07 compared with the latest approved budget of £50.684 million. The £2.836 million underspend will be carried forward into 2007/08 to meet the council's ongoing capital commitments. No resources were lost as a result of the capital investment programme underspends.

Many large and smaller capital projects were undertaken in 2006/07 and included expenditure on council dwellings (£10.993m), schools (£6.650m), roads, bridges and footpaths (£5.333m), renovation grants and grants to housing associations (£4.257m), extra care housing (£3.764m), coast protection (£2.130m), parking (£1.997m) and children's centres and nurseries (£1.832m).

The councils' 2006/07 capital programme was funded from various internal and external sources. The table below details that funding.

	£'000
Capital Outturn 2006/07	47,848
Total Funding Requirement	47,848
Funding:	
Supported Borrowing	8,355
General and Specific Reserves	86
Capital Grants	16,401
Capital Receipts	5,030
Direct Revenue Funding	3,214
Contributions from External Bodies	1,721
Unsupported Borrowing	4,069
Major Repairs Reserve	8,972
Total	47,848

Further details of significant commitments for capital investments that existed as at the balance sheet date can be found in Note 22 to the core financial statements.

Borrowing

In accordance with the CIPFA Code on Treasury Management the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. The portfolio as at 31 March 2006 included Shoreham Airport borrowing.

The level of borrowing has decreased in the year by £1.070 million, as follows:

	31 March 2006	31 March 2007
Borrowing repayable in less than 12 months	£6.374m	£5.403m
Long term borrowing	£229.037m	£228.938m
Total borrowing	£235.411m	£234.341m
Increase/(Decrease) year on year	£27.548m	(£1.070m)



Gross new long-term borrowing within the year totalled £84.75 million and has been applied to part fund capital payments, and to reschedule £79.350 million of Public Works Loan Board debt.

Debt maturing in 2006/07 was funded by advanced borrowing in 2005/06.

The level of debt attributable to council services totals £234.341m as at 31 March 2007 (£235.411m 31 March 2006). The debt attributable to Shoreham Airport of £4.019m as at 31 March 2006 has been repaid in 2006/07.

Group Accounts

The 2006 SORP requires local authorities to produce a full set of group accounts where appropriate. Brighton & Hove City Council had a two-thirds share of Shoreham Airport as at 30 June 2006 when the Airport was sold to Erinaceous plc, and must therefore produce group accounts. The group accounts, which are prepared in accordance with UK Generally Accepted Accounting Principles (GAAP), include Shoreham Airport and can be found on pages 73 to 81.

Please note a full statement of accounts for Shoreham Airport is available upon request.

Exceptional Item

The Income and Expenditure Account contains an exceptional item relating to the cessation of a trading entity following the sale of Shoreham Airport to Erinaceous plc on 30 June 2006. The amount of the exceptional item relates to the council's share of the proceeds of the sale and its share of the net current asset balances as at 31 March 2007.

Further Information

Further information about the accounts is available from Central Accountancy Services, Finance & Resources, King's House, Hove. In addition, interested members of the public have a statutory right to inspect the accounts and their availability is advertised in the local press.

I certify that the accounts present fairly the financial position of Brighton & Hove City Council as at 31 March 2007.

Catherine Vaughan CPFA

Director of Finance & Resources

26 September 2007

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The council is required:

- (i) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Brighton & Hove that officer is the Director of Finance and Resources.
- (ii) to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- (iii) to approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources is responsible for the preparation of the council's Statement of Accounts which, in terms of the CIPFA¹/LASAAC² Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP³"), is required to present fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing the Statement of Accounts the Director of Finance and Resources has:

- (i) selected suitable accounting policies and then applied them consistently
- (ii) made judgements and estimates that were reasonable and prudent
- (iii) complied with "the SORP".

The Director of Finance and Resources has also:

- (i) kept proper records that were up to date
- (ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

¹ Chartered Institute of Public Finance and Accountancy

² Local Authority (Scotland) Accounts Advisory Committee

³ Statement of Recommended Practice



Statement of Accounting Policies

1 General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2006/07 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs).

The accounts have been prepared in accordance with Financial Reporting Standard (FRS) 18, which deals primarily with the selection, application and disclosure of accounting policies.

2 Fixed Assets

The Code of Practice on Local Authority Accounting in the United Kingdom, requires each local authority to value its land and property. These assets should be maintained in a register and the total value presented within the council's balance sheet. The Code of Practice requires the council to charge its revenue services with a depreciation charge representing the extent to which the asset has been worn out or used up during the year.

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

- Operational assets are held and used by the council in the direct delivery of services or used for functions which are directly related to the support of such services. They have been included in the balance sheet at the lower of net current replacement cost and the net realisable value in existing use.
- Non-operational assets, such as commercial or investment property, have no direct link with the performance of the council's statutory services and functions. These have been included in the balance sheet at the lower of net current replacement cost and net realisable value (represented by open market value).

The asset values presented in the accounts are based upon a certificate issued by the council's Estates Manager as at 1st April 1996 and amended by subsequent revaluations. Additions since that date are included in the accounts at their cost of acquisition and are subject to revaluation. The council has a policy of revaluing its assets on a cyclical basis over 5 years (20% each year).

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis.

Intangible assets held on the council's balance sheet relate to computer software. These are valued at cost and are amortised to revenue on a straight line basis over their expected useful life.

The freehold and leasehold properties, which comprise the council's property portfolio, have been valued as at 1st April 1996 by the council's Estates Manager and external valuers and amended by subsequent revaluations. The values have been determined in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S) Appraisal and Valuation Manual except that:

- not all properties were inspected. This was neither practicable nor considered to be necessary for the purpose of the valuation. Inspections were carried out for specific valuations or during the course of the year for normal management purposes.
- there is a schedule of standard exclusions, definitions and reservations applied by the external valuers.

A new valuer, Wilks Head & Eve, was appointed for a 5 year period from 1 April 2006 to undertake the valuations of Housing Revenue Account assets. The council's housing stock, garages and car parking spaces were revalued by the valuer as at 1 April 2006. The opening balance on council dwellings for both HRA and the General Fund as at 1 April 2006, was increased by £81.54m, including the movement on depreciation.

Housing Revenue Account Other Land and Buildings have reduced by £3.8m for garages and by £0.6m for car parking spaces (down to £7.6m). The valuations have reduced for garages and car parks due to a different methodology used by the appointed valuer compared to the previous District Valuer. Both methods of valuations have been conducted following government guidance on stock valuation for resource accounting. The approach by Wilks Head & Eve is based on the capitalising of the rental income flow allowing voids and an adjustment yield to reflect management costs. This is the preferred method of the current valuer, which is consistent with other authorities for which they act.

The vacant possession value for the dwellings in the HRA as at 1 April 2006 was £1,670.6m as valued by the valuer Wilks Head & Eve, compared with the value of £811.5m for its existing use as social housing. The difference of £859.1m represents the cost to the government of providing council housing at less than open market rents.

The split between land and buildings relating to the Housing Revenue Account has been amended to 50/50 on the advice of the valuer for the HRA, Wilks Head & Eve. This has the effect of reducing the overall charge for depreciation as land does not incur such a charge. This is a change in policy from previous year's when no split was applied by the previous valuer, therefore depreciation was previously applied to both land and buildings.

Fixed plant and machinery, such as lifts and central heating, are included in the valuation of buildings.

All other property will be valued in accordance with the R.I.C.S 'Red Book' under the direction of the Assistant Director Property & Design so that all property will be revalued within the five year programme.

Depreciation is calculated on a straight line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all assets except land, community assets, investment properties, assets under construction and surplus assets held for disposal. The council does not charge depreciation in the year of acquisition but does charge a full year's depreciation in the year of disposal.

Depreciation has been charged on Housing Revenue Account (HRA) assets in accordance with the requirements of HRA Resource Accounting.

The council has set a de minimis level for capitalisation of £10,000 for vehicles and equipment and £20,000 for the acquisition of assets. Items below these levels are therefore charged to the revenue account in the year in which expenditure is incurred.

The council has a policy of reflecting capital receipts from the sale of fixed assets in the Usable Capital Receipts Reserve. The council is required to contribute 75% of capital receipts arising from the sale of council dwellings to the Housing Capital Receipt Government Pool. Receipts from the sale of other fixed assets can be used to offset expenditure on social housing.

3 Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. In accordance with the 2006 SORP, local authorities are required to write out of their accounts these charges in the year in which the capital expenditure is incurred.



4 Charging for Capital

Service departments receive a capital charge on their operational fixed assets, which represents depreciation on the assets used by that department. The amended SORP removes the requirement to make the capital financing charge (notional interest) element. Regulations prescribe the minimum amount of debt repayment to be charged in the revenue accounts as 4% of the council's capital financing requirement (capital investment funded from borrowing which has yet to be repaid). There is no statutory requirement to repay debt on the Housing Revenue Account.

Further regulations prescribe the amount of interest to be charged to the Housing Revenue Account. For 2006/07 the average rate payable was 4.82%. In addition debt management expenses have been allocated to the Housing Revenue Account at a rate of 0.05%.

5 Capital Receipts

Capital Receipts from the disposal of assets are held in the Capital Receipts Unapplied Account. 75% of the receipt from the sale of council houses is paid over to the Government in quarterly tranches.

Gains or losses from the disposal of fixed assets are now charged to revenue and reversed in the Statement of Movement on the General Fund Balance; however the cost of disposal remains as a charge to revenue.

Sums held in the Capital Receipts Unapplied Account are available to finance capital expenditure. Interest earned on amounts invested externally is credited to the General Fund Revenue Account. For 2006/07 the average investment rate was 4.92%.

6 Debtors and Creditors

The revenue accounts of the council are maintained on an accruals basis in accordance with the Accounting Code of Practice and Financial Reporting Standard (FRS) 18. Any significant sums due to or from the council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is applied consistently each year and thus does not have a material effect on the year's accounts.

7 Stocks and Work in Progress

Stocks are valued in accordance with the Accounting Code of Practice and Statement of Standard Accounting Practice (SSAP) 9, Stocks and Long Term Contracts, which states that stocks should be shown at the lower of cost and net realisable value. Work in progress is valued at cost including an allocation of overheads.

8 Provisions

The council sets aside provisions in the accounts for liabilities and losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The operation of these and other Funds is described in Note 37 to the Core Financial Statements.

9 Reserves

The council maintains certain reserves to meet future expenditure not covered by provisions. Reserves may be earmarked for a specific purpose, and can be either capital or revenue. Capital reserves represent amounts earmarked to finance future capital expenditure. The Fixed Asset Restatement Account reflects the balance of surpluses and deficits arising from the ongoing revaluations of fixed assets, and the Capital Financing Account represents the amounts set aside from capital receipts for the repayment of external loans. The Fixed Asset Restatement Account and the Capital Financing Account cannot be called on to finance capital schemes. The main capital and revenue reserves are shown in Note 38 to the Core Financial Statements.

Movements to and from reserves are made through the Statement of Movement on the General Fund Balance.

10 Cost of Support Services

The costs of both centrally and departmentally provided support services have been fully recharged to services including an amount to Corporate and Democratic Core. These costs have been apportioned using the most appropriate base including employee numbers, accommodation areas, gross or net service expenditure.

The definition of Corporate and Democratic Core is defined in the Best Value Accounting Code of Practice and now consists of Democratic Representation and Management Costs and Corporate Management Costs. In 2006/07 the Housing Revenue Account was charged with a proportion of Corporate & Democratic Core costs.

11 Investments

Investments in listed and unlisted companies established for the promotion of local authority activities and in marketable securities are carried at cost less provision, or where appropriate, for loss in value. Long-term investments are identified separately on the face of the balance sheet. Dividends are credited to revenue when received or receivable. Where investment in a company is unlikely to be recovered, the loss is charged against a relevant reserve.

12 Pensions

The accounting treatment for pensions benefits must be in accordance with Financial Reporting Standard (FRS) 17. This is a complex accounting standard, but it is based on a simple principle – that the council has to account for accumulated retirement benefits earned at the balance sheet date, even if the actual benefits are paid out over many years into the future. These policies reflect the council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund. The discount rate for pensions liabilities is calculated using the AA Corporate Bond Rate. The inclusion of the FRS 17 figures, provided by the council's Pensions Actuary has the following effect:

- the overall amount to be met from Government grants and local taxation has remained unchanged but the costs disclosed for individual services are £1.108m higher (2005/06 £0.93m lower) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is £1.594m higher (2005/06 £1.414m higher) than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the council by 8.0% (2005/06 9.5%).

In 2006/07 the main financial assumptions made by the council's pension actuary, Hymans Robertson, have been revised to include an estimated take-up of the option to convert annual pension into retirement grant.

13 Capital Financing

In accordance with the 2006 SORP and the Prudential Code, capital financing is undertaken on a full accruals basis.

14 Grants

Grants can be received for revenue or capital purposes. Where revenue grants are received to finance the general activities of the council or to offset a loss of income, they are credited to the balance sheet in the form of Personal Accounts and are then credited to revenue as expenditure is incurred.

Capital grants are credited to the Government Grants Deferred Account and are written down to Revenue over the useful life of that asset. This represents a change in the treatment brought about by new accounting requirements.



15 Debt Redemption

The council sets aside a statutory amount each year from its General Fund revenue account for debt redemption, in the form of a Minimum Revenue Provision.

In addition, the council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the council.

16 Long Term Contracts – Private Finance Initiatives (PFIs)

The council has entered into three long term contracts in the form of PFIs, relating to Waste, the Central Library and Schools. In accordance with FRS 5, any assets should be recognised by the party that has access to the risks and benefits.

Assets that have been contributed to the PFI contracts by the council have been treated as a deferred consideration which will be charged to the revenue account over the period of the contract.

The assets will transfer back to the council's ownership at the end of the contract and will be treated as an acquisition.

17 Dedicated Schools Grant (DSG)

For 2006/07 the arrangements for the funding of schools and for centrally retained expenditure relating to schools were changed. The DSG was introduced offset by a corresponding reduction in the Revenue Support Grant

The DSG is a ring-fenced specific grant and is only used to provide education to the pupils of schools and is not used for any other purpose.

Details of the deployment of the DSG receivable for 2006/07 are included within Note 54 to the Core Financial Statements.

18 Section 31 Partnerships – Pooled Budgets

Under Section 31 of the Health Act 1999 (now replaced by Section 75 of the Health Act 2006), NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets.

With effect from 1 April 2002, some adult social services have been provided under a partnership arrangement between the city council, Brighton & Hove City Teaching Primary Care Trust (PCT) and the South Downs Health NHS Trust (SDHT). The PCT act as lead commissioner of services while SDHT are the lead provider.

From 1 April 2006 the arrangements for Learning Disability Services were amended with the council, from this point, acting as the Lead Commissioner and the Lead Provider of these services.

From 1 October 2006 the city council, the PCT and SDHT established a partnership to commission and provide services for children and young people and improve their wellbeing. The council is the lead commissioner and lead provider of services. The council's contribution is shown in the Income and Expenditure Account under Education Services and Social Services.

19 Significant Estimations

There are no significant estimations included within this Statement of Accounts.

20 Interest payable

Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment. The amount recharged to the Housing Revenue Account for borrowings is based on the Item 8 Credit and Item 8 Debit (General) Determination for that year. Interest payable includes interest paid under finance leases.

21 Leases

The council uses capital assets acquired under finance leases and operating leases. The finance leases are currently in the secondary rental period and therefore are fully repaid. No capital value is shown on the Balance Sheet. Rentals payable under finance leases are charged to revenue and shown under Interest payable. Assets acquired under operating leases are not owned by the council and therefore do not appear on the Balance Sheet. Rentals payable under operating leases are charged to revenue on an accruals basis.

For further information relating to leases, please refer to note 24 to the Core Financial Statements.



Brighton & Hove City Council

Single Entity Core Financial Statements

2006/07

Income and Expenditure Account

Year ended 31 March 2006	Operations	Year ended 31 March 2007		
		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
(6,246)	Central Services to the Public	38,824	(47,457)	(8,633)
54,893	Cultural, Environmental and Planning Services	88,506	(30,630)	57,876
127,584	Education Services	199,631	(173,405)	26,226
8,613	Highways, Roads and Transport Services	30,485	(18,783)	11,702
(2,154)	Housing Revenue Account (HRA)	40,049	(43,644)	(3,595)
13,132	Housing General Fund	156,979	(147,905)	9,074
96,415	Social Services	154,301	(46,346)	107,955
4,693	Corporate and Democratic Core	5,093	(0)	5,093
461	Non Distributed Costs	1,037	(0)	1,037
297,391	Net Cost of Services	714,905	(508,170)	206,735
46	(Gains) / Losses on Disposal of Fixed Assets including Disposal Costs			1,380
184	Precepts and Levies			209
12,115	External Interest Payable			10,910
4,294	Contribution to Housing Capital Receipts to Government Pool			4,895
777	HRA Amortised Premia/ Investment Income			689
(5,156)	Interest and Investment Income			(5,626)
1,821	Pensions interest cost/expected return on pension assets - General Fund			(129)
88	Pensions interest cost/expected return on pension assets - Housing Revenue Account			(6)
0	Exceptional Item - Income resulting from the cessation of a trading entity (Shoreham Airport)			(2,888)
311,560	Net Operating Expenditure			216,169
	Demand on the Collection Fund:			
(95,611)	Collection Fund Demand			(101,937)
(585)	Transfers from the Collection Fund			(500)
(23)	Parish Council Precepts from the Collection Fund			(23)
	Government Grants:			
(364)	LPSA Grant			(1,229)
(109,504)	Government Grant			(15,711)
(83,796)	Distribution from National Non Domestic Rate Pool			(81,392)
21,677	Total (Surplus) / Deficit for the year			15,377



The introduction of SORP 2006 means that the council's accounts for 2006/07 are presented in a different way to the 2005/06 accounts. The 2005/06 figures have therefore been amended to accommodate these new requirements.

Income and Expenditure Account

The Consolidated Revenue Account has been replaced by a new Income and Expenditure Account and a Statement of Movement on the General Fund Balance (SMGFB).

The requirements of an Income and Expenditure Account are that the Notional Interest part of Capital Charges are no longer applicable and that Government Grants Deferred are charged direct to service revenue accounts, the Asset Management Revenue Account is therefore no longer needed. The Income and Expenditure Account also shows gains or losses on disposal of fixed assets.

The SMGFB, shown overleaf, is needed to show how the Surplus/Deficit from the Income and Expenditure Account can be reconciled to the Movement on the General Fund Balance.

Please note the 2005/06 figures have been amended as the LPSA Grant has been deducted from the Net Cost of Service and is now shown with the Amounts to be Met from Government Grants and Local Tax Payers.

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the council is required to raise council tax on a different accounting basis, the main differences being:

- Capital Investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government counts as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than the council tax.
- Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £'000		2006/07 £'000
21,677	(Surplus) or deficit for the year on the Income and Expenditure Account	15,377
(22,747)	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(15,423)
(1,070)	Movement on the General Fund Balance	(46)
(7,884)	Opening General Fund Balance	(8,954)
(8,954)	Closing General Fund Balance	(9,000)

Please note the 2005/06 Closing General Fund Balance has been amended to account for the cost of disposal of fixed assets in 2005/06, £46,000, in accordance with new accounting arrangements.



Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2005/06 £'000		2006/07 £'000
	Amounts to be included in the Income and Expenditure Account but required to be excluded when determining the Movement on the General fund Balance for the year	
(295)	Amortisation of Intangible Fixed Assets	(331)
0	Gains / Losses on Disposal of Fixed Assets	(1,360)
0	Exceptional Item – Income from cessation of a Trading Entity	2,710
(21,831)	Depreciation and Impairment of Fixed Assets – General Fund	(23,255)
(5,650)	Excess of Depreciation charged to HRA over the Major Repairs Allowance	(5,473)
4,577	Government Grants Deferred Amortisation	11,698
(4,600)	Deferred Consideration Written Down	(983)
(8,146)	Deferred Charges	(11,785)
(18,694)	Net changes made for Retirement Benefits in accordance with FRS17	(21,218)
(54,639)		(49,997)
	Amounts not included in the Income and Expenditure Account but required to calculate the Movement on the General Fund Balance	
4,338	Statutory Provision for repayment of debt	4,891
1,345	Capital expenditure charged to the General Fund Balance	2,496
3,415	Capital expenditure charged to the HRA	2,688
(4,294)	Transfer from Usable Capital receipts to meet payments to the Housing Capital Receipts Pool	(4,895)
17,280	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	19,624
22,084		24,804
	Transfers to/from the General Fund Balance that are required to be taken into account when determining the movement for the year	
(683)	Statutorily Required transfer to HRA Deficit to the HRA Balance	1,551
670	Provision for voluntary repayment of debt	1,325
(658)	Transfer from Reserves to General Fund Balance	(562)
10,479	Net Transfer to or from Earmarked Reserves, Departmental Carry forwards and Schools Balances	7,456
9,808		9,770
(22,747)	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(15,423)

Statement of Total Recognised Gains and Losses

2005/06 £'000		2006/07 £'000
21,677	(Surplus) / Deficit on the Income and Expenditure Account for the year	15,377
	(Surplus) or Deficit on revaluation of fixed assets:	
133,497	Cost	(105,549)
22,061	Depreciation	(31,799)
6,776	Actuarial (gains) and losses on Pension fund assets and liabilities	(35,837)
(52,478)	Any other (gains) and losses required to be included in the STRGL	1,169
131,533	Total Recognised Gains and Losses for the year	(156,639)

Please note the Total Recognised Gains and Losses for the year reconciles to the movement of the Total Net Worth of the Balance Sheet between financial years. This statement replaces the Statement of Total Movement in Reserves.



Balance Sheet

As at 31 March 2006		As at 31 March 2007	
£'000		£'000	£'000
1,120	Intangible Assets (Note 30)		2,250
	Tangible Fixed Assets: (Note 20)		
	Operational Assets		
738,845	Council Dwellings	809,069	
672,695	Other Land & Buildings	707,807	
10,962	Vehicles, Plant, Furniture & Equipment	11,687	
65,220	Infrastructure Assets	67,472	
6,699	Community Assets	6,149	
	Non Operational Assets		1,602,184
154,323	Investment Properties	167,486	
29,836	Assets Under Construction	33,068	
8,090	Surplus Assets Held for Disposal	8,090	
			208,644
1,687,790	Total Fixed Assets		1,813,078
21,747	Deferred Consideration (Note 56)		20,764
830	Long Term Investments (Note 57)		774
4,432	Long Term Debtors (Note 58)		3,686
1,714,799	Total Long Term Assets		1,838,302
	Current Assets		
68,834	Investments	96,894	
901	Stocks & Work in Progress (Note 59)	961	
76,661	Debtors (Note 61)	77,453	
(24,537)	Bad Debt Provision (Note 61)	(25,694)	
1,360	Landfill Usage Allowances (Note 60)	2,486	
123,219			152,100
	Current Liabilities		
(6,374)	Borrowing repayable in less than 12 months	(5,403)	
(1,225)	LATS Deferred Income (Note 60)	(2,187)	
(54,642)	Creditors (Note 62)	(73,418)	
(1,406)	Bank Overdraft	(2,875)	
(63,647)			(83,883)
1,774,371	Total Assets Less Current Liabilities		1,906,519
(225,018)	Long Term Borrowing (Note 35)	(228,938)	
(2,066)	Provisions (Note 37)	(910)	
(70,602)	Government Grants Deferred (Note 63)	(77,025)	
(2,493)	Government Grants Unapplied (Note 65)	(2,046)	
(2,217)	Section 106 Receipts Unapplied (Note 65)	(2,980)	
(148,147)	Pensions Liability (Note 46)	(114,153)	
(450,543)			(426,052)
1,323,828	Total Assets Less Liabilities		1,480,467

As at 31 March 2006		As at 31 March 2007	
		£'000	£'000
	Note 38:		
(1,291,388)	Fixed Asset Restatement Account		(1,418,731)
(122,048)	Capital Financing Account		(106,639)
(6)	Usable Capital Receipts Reserve (Note 65)		(1,698)
(293)	Deferred Credits (Note 64)		(257)
0	Major Repairs Reserve		0
	Funds Balances & Reserves		
(38,958)	Earmarked Reserves	(47,288)	
(8,954)	General Fund Working Balance	(9,000)	
(1,295)	General Fund General Reserves	(2,205)	
148,147	Pensions Reserve (Note 46)	114,153	
(35)	Other Specific Reserves	(48)	
(400)	Collection Fund	1,203	
(2,647)	LMS Reserves (Note 43)	(2,961)	
(665)	Standards Fund LEA Budget	(32)	
(2,626)	Standards Fund Reserve	(2,753)	
(2,660)	Housing Revenue Account	(4,211)	
			46,858
(1,323,828)	Total Net Worth		(1,480,467)

Please note the 2005/06 General Fund Working Balance has been adjusted by the cost of disposals of fixed assets, £46,000, due to new accounting requirements. This has been offset by an adjustment to the Usable Capital Receipts Reserve.

Please also note the 2005/06 Collection Fund Balance has been restated by £0.068m, also due to new accounting arrangements, this has been offset by an adjustment on Creditors.

Please note Government Grants Deferred has been moved from the Total Net Worth to the top half of the Balance Sheet due to new accounting requirements.

Please note the 2005/06 Debtors and Creditors amounts have been restated due to late system control adjustments made after the balance sheet date, £1,000 for Debtors and £16,000 for Creditors. These were offset by an adjustment to the Bank Overdraft amount.



Cash Flow Statement

Year to 31 March 2006			Year to 31 March 2007	
£'000	£'000		£'000	£'000
		Revenue Activities		
		Cash Outflows		
251,922		Cash paid to & on behalf of employees	263,504	
258,325		Other operating cash payments	262,523	
126,654		Housing Benefit paid out	137,116	
69,540		NNDR Payments to National Pool	76,517	
5,621		Payments to Capital Receipts Pool	4,690	
16,394		Precepts	17,469	
	728,456			761,819
		Cash Inflows		
(47,925)		Rents (after rebates)	(48,635)	
(112,183)		Council Tax Receipts	(118,208)	
(109,504)		Revenue Support Grant	(15,711)	
(70,191)		NNDR Receipts	(74,707)	
(83,796)		NNDR Receipts from National Pool	(81,392)	
(127,509)		DWP Grants for Benefits	(133,486)	
(97,739)		Other Government Grants	(185,613)	
(93,540)		Cash Received for Goods & Services	(104,323)	
(30,734)		Other Operating Cash Receipts	(64,626)	
	(773,121)			(826,701)
	(44,665)	Net Cash (Inflow)/Outflow from Revenue Activities (Note 48)		(64,882)
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
11,895		Interest Paid	10,639	
		Cash Inflows		
(4,747)		Interest Received	(5,378)	
		Capital Activities		
		Cash Outflows		
49,144		Purchase of Fixed Assets	34,754	
8,168		Deferred Charges	11,893	
0		Other Capital Cash Payments	1,360	
		Cash Inflows		
(5,718)		Sale of Fixed Assets	(9,082)	
(1,413)		Capital Grants Received	(5)	
(2,166)		Other Capital Cash Receipts	(2,941)	
	55,163			41,240
	10,498	Net Cash (Inflow)/Outflow		(23,642)

Year to 31 March 2006			Year to 31 March 2007	
£'000	£'000		£'000	£'000
	12,329	Management of Liquid Resources Short Term Investment (Note 50)		28,060
19,294		Financing Cash Outflows Repayments of Amounts Borrowed	81,830	
(41,616)		Cash Inflows New Loans Raised	(84,779)	
	(22,322)			(2,949)
	505	(Increase)/Decrease in Cash (Note 49)		1,469

Please note the 2005/06 DWP Grants for Benefits of £104.246m had been incorrectly split out from the Cash Received for Goods & Services figure, instead of Other Government Grants and has been restated to £127.509m.

Please note the 2005/06 Other Operating Cash Payments and Cash received for Goods or Services amounts have been restated due to late system control adjustments made after the balance sheet date £1,000 on Other Operating Cash Payments and £16,000 on Cash received for Goods or Services. These were offset by an adjustment to the Decrease in Cash amount.

Please note the 2005/06 repayments of amounts borrowed figure has been adjusted by £5.000m due to some repayments of borrowing being incorrectly classified as Other Operating Cash Payments.

Please note the 2005/06 Housing Benefit Paid Out figure has been restated to £126.654m offset by adjustments to Payments to Capital Receipts Pool and Other Operating Cash Payments.



Notes to the Core Financial Statements

1 Acquired, Discontinued Operations and Outstanding Operations

There are no acquired or discontinued operations to disclose.

2 Prior Period and Exceptional/Extraordinary Items

Exceptional Items

Income from the cessation of a Trading Entity following the sale of Shoreham Airport to Erinaceous plc on 30 June 2006, the amount included of (£2.888)m relates to the Brighton & Hove City Council's 2/3 share of the proceeds of the disposal plus its share of the net current assets as at 30 June 2006.

Prior Period Adjustments

The introduction of SORP 2006 means that the council's accounts for 2006/07 are presented in a different way to the 2005/06 Statement. The 2005/06 have therefore been amended to accommodate these new requirements.

Income and Expenditure Account

The Consolidated Revenue Account has been replaced by a new Income and Expenditure Account and a Statement of Movement on the General Fund Balance (SMGFB).

The requirements of an Income and Expenditure Account are that the Notional Interest part of Capital Charges are no longer applicable and that Government Grants Deferred are charged direct to service revenue accounts, the Asset Management Account is therefore no longer needed. The Income and Expenditure Account also shows gains or losses on disposal of fixed assets.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts. Please note this table only includes figures that have changed.

	Consolidated Revenue Account in 2005/06 Statement of Accounts £'000	Removal of Capital Financing Charges £'000	Relocation of Government Grants Deferred Credits £'000	Relocation of LPSA Grants £'000	Other Adjustments £'000	2005/06 Comparatives in Income & Expenditure Account £'000
Central Services to The Public	(3,579)	(1,896)	(1,072)	301	0	(6,246)
Cultural, Environmental & Planning	63,157	(7,166)	(1,117)	19	0	54,893
Education	141,671	(12,420)	(1,690)	23	0	127,584
Highways, Roads & Transport	11,323	(2,711)	0	1	0	8,613
Housing Revenue Account	23,802	(26,043)	(38)	0	125	(2,154)
Housing General Fund	13,625	(56)	(457)	20	0	13,132
Social Services	97,825	(1,208)	(202)	0	0	96,415
Impact on Net Cost of Services	347,824	(51,500)	(4,576)	364	125	292,237
Loss on the Disposal of Fixed Assets	0	0	0	0	46	46
Asset Management Account	(43,961)	51,500	4,576	0	0	12,115
Other Adjustments	0	0	0	0	(125)	(125)
Impact on Net Operating Expenditure	303,863	0	0	364	46	304,273

Statement of Movement on the General Fund Balance

The SMGFB is needed to show how the Surplus/Deficit from the Income and Expenditure Account can be reconciled to the Movement on the General Fund Balance.

Statement of Total Recognised Gains and Losses

This has replaced the Statement of Total Movement in Reserves, it is a much simplified statement but has required that Government Grants Deferred be moved from Funds, Balances and Reserves to Long Term Liabilities.

Extraordinary Items

There are no Extraordinary Items to disclose.

3 Private Finance Initiative (PFI)

Schools PFI

The council has entered into a 25 year contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of 4 secondary schools. The contract commenced in April 2003. In 2005 the contract was varied to reduce the number of schools to three. Based on a projected 2.5% annual inflation rate over the remaining period, the council has an un-discharged liability of £79m.

Waste PFI

In conjunction with East Sussex County Council the council jointly entered into a 25 year agreement for the provision of an integrated waste management service with Southdown Waste Services Ltd. Based on a projected annual inflation rate of 2.5% the un-discharged liability on the contract for the remaining 21 years of the contract is projected at £304m.

Library PFI

A contract with NU Library for Brighton Limited for the provision of a new library and library service commenced in November 2004. The contract will run for 25 years. Based on a mix of projected inflation rates, Retail Prices at 2.5%, Building Maintenance at 5.0% and Average Earnings at 5.0%, over the remaining period, the council has an un-discharged liability of £58m.

The un-discharged liability on each of the three PFI agreements will be fully funded by future PFI grant entitlement and future revenue provision.

4 Trading Operations

The council has identified Shoreham Airport as a Trading Operation, which is consolidated within the Group Accounts as a Joint Venture. Shoreham Airport was sold to the Erinaceous Group plc on 30 June 2006, the group accounts therefore relate to the first quarter year of operation only.

5 Discretionary Expenditure

Section 137 of the Local Government Act 1972, as amended, gave local authorities the power to incur expenditure which in its opinion is in the interests of its area or part of its area, or all or some of its inhabitants and which is not otherwise authorised. No expenditure shown in the Statement of Accounts was incurred under this power. Please note the amounts shown in the 2005/06 statement under this power has been reviewed and reclassified.

6 Publicity

Under Section 5 of the Local Government Act 1986 a local authority is required to keep a separate account of its expenditure on publicity. Publicity is defined in the Act as "any communication, in whatever form, addressed to the public at large or to a section of the public". The table below shows the expenditure on publicity.

2005/06 £		2006/07 £
883,028	Recruitment Advertising	804,306
14,345	Housing Issues – General Fund	57,007
22,923	Housing Issues – Housing Revenue Account	60,790
51,253	Public Transport Issues	180,727
276,796	Projects & Venues	275,575
170,024	Tourism	150,625
45,677	Social Care – Children	45,981
203,646	Waste Collection (including changing collection rounds, kerbside collection/recycling etc)	88,656
245,422	Other Publicity and Marketing	129,468
1,913,114	Total	1,793,135



7 Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the expenditure and income divided between the chargeable and non-chargeable activities.

2005/06		2006/07		
Total £'000		Chargeable £'000	Non-Chargeable £'000	Total £'000
1,267	Expenditure	843	379	1,222
(792)	Income	(765)	(37)	(802)
475	Net (Surplus)/Deficit	78	342	420

8 Agency Income and Expenditure

There was no significant agency income or expenditure to disclose.

9 Transport Act 2000 Schemes

Brighton & Hove City Council does not participate in any schemes that are covered by the Transport Act 2000.

10 Business Improvement District Schemes (BIDS)

A BID has been established in The Lanes, North Laine and North Street districts of Brighton. As a result, local retailers will contribute up to £1m over a five year period which will be used on Christmas lights, promotions and enhanced security. The following table shows the amount of levies collected and paid to Brighton Bid Ltd during the year, these amounts are not included within the Income and Expenditure Account.

	£
Bid Levy Income	(183,262)
Bid Levy Payments to Bid Company	183,262
Balance	0

The council incurred costs of £15,500 relating to the administration of this BID scheme which are included within the Central Services to the Public line on the Income and Expenditure Account. These costs are fully reimbursed by Brighton Bid Ltd.

In addition to the above, the council makes an annual cash contribution to the BID of £18,640.

11 Local Authorities (Goods & Services) Act 1970

The council carries out certain services for other public bodies, including district and parish councils and health authorities, under the provisions of Section 1 of the above Act. The scale of these operations, which relate to Legal Services, Music Tuition and OFSTED inspections, are not material in relation to the council's expenditure.

12 Pooled Budgets

Under Section 31 of the Health Act 1999 (replaced by Section 75 of the Health Act 2006), NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets.

Adult Social Care

With effect from 1 April 2002, some adult social services have been provided under a partnership arrangement between the city council, Brighton & Hove City Teaching Primary Care Trust (PCT), the South Downs Health NHS Trust (SDHT) and the Sussex Partnership Trust. The PCT act as lead commissioner for Intermediate Care, Mental Health, Substance Misuse and AIDS/ HIV services while the council is the lead for Learning Disability services for which it is also the lead provider. SDHT are the lead provider for Intermediate Care, AIDS/HIV and the Community Equipment Store while the Sussex Partnership Trust are the lead provider for Mental Health and Substance Misuse Services.

The city council made a contribution of £36.662m to the pooled budget arrangement in 2006/07. This contribution is reflected in the Income and Expenditure Account under Social Services. The gross income to the partnership of £75.384m has been spent on the following.

Expenditure	£'000
Non NHS Providers	3,140
Other NHS Providers	2,515
South Downs NHS Trust	7,501
Sussex Partnership Trust	38,522
Social Care (Brighton & Hove City Council)	22,521
Brighton & Hove City PCT	1,185
Total	75,384

Children & Young People

From 1 October 2006 the city council, the PCT and SDHT established a partnership to commission and provide services for children and young people and improve their wellbeing. The council is the lead commissioner and lead provider of services. The council's contribution is shown in the Income and Expenditure Account under Education Services and Social Services. Budgets for the CYPT Partnership were not pooled until 1 April 2007.

The financial transactions for the CYPT partnership in the year can be summarised as follows:

	£'000
Total Expenditure	43,433
Income	
Brighton & Hove City Council	(38,837)
South Downs NHS Trust	(3,450)
Brighton & Hove City Teaching Primary Care Trust	(409)
Total Income	(42,696)
(Surplus) / Deficit	737
City Council Share of Deficit	815

13 Members' Allowances

The gross amount paid by way of Members' Allowances during the year amounted to £791,404 (2005/06 £778,911). Details of allowances paid in 2006/07 will be published in The Argus and posted on the noticeboards outside the Town Halls in Brighton and Hove and on the council's website.



I4 Disclosure of Executive Remuneration

Number of Staff* 2005/06	Remuneration Band	Number of Staff* 2006/07
82	£50,000 - £59,999	102
27	£60,000 - £69,999	40
5	£70,000 - £79,999	12
4	£80,000 - £89,999	6
4	£90,000 - £99,999	3
0	£100,000 - £109,999	3
3	£110,000 - £119,999	2
0	£120,000 - £129,999	0
0	£130,000 - £139,999	1
1	£140,000 - £149,999	0
0	£150,000 - £159,999	1

* Number of staff paid in these bands during the year. This is not the same as the number of staff employed as at 31 March.

I5 Related Party Transactions

The council is required to disclose material transactions with related parties, bodies or individuals that may have control or influence over the council or that may be controlled or influenced by the council. This is so that readers of the accounts can assess the extent to which the council's financial standing may have been affected by this relationship.

Government Grants

Under the criteria set by Financial Reporting Standard (FRS) 8, grants from central government are considered to be related party transactions. Central government provides the statutory framework within which the council operates, provides much of its funding and prescribes the terms of many of the transactions the council has with other parties. Details of the grants received in 2006/07 can be found in Note 53 to the Core Financial Statements.

Levying Authorities

Other public bodies, including the Sussex Sea Fisheries may levy the council, that is, to make a demand on the Council Tax requirement; for 2006/07 levies totalled £185,590. These are included in the Income and Expenditure Account together with a precept of £23,500 for Rottingdean Parish Council.

Members and Senior Staff

Members of the council have direct control over the council's financial and operating policies. During 2006/07, works and services to the value of £0.647m were commissioned from companies in which two members have declared an interest. Contracts were entered into in full compliance with the council's standing orders. Details can be found in the Register of Member's Interests.

For the purpose of this disclosure, Senior Staff has been defined as Assistant Director level and above. For 2006/07 there are no related party transactions requiring disclosure in relation to Senior Staff.

16 External Audit Costs

	2005/06 £'000	2006/07 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	243	187
Fees payable to the Audit Commission in respect of statutory inspection	15	131
Fees payable to the Audit Commission for the certification of grant claims and returns	109	130
Total	367	448

The amount for certification of grants in 2005/06 has been updated from the estimate originally shown in last year's accounts to reflect the actual costs.

Work relating to 2006/07 certification of grants has not yet been undertaken, however an estimate of the level of fees to be charged has been included in the above note.

17 Collection of Local Taxes (Wales)

This note is not applicable to English Local Authorities

18 The Statement of Movement on the General Fund Balance

This is a new requirement for 2006/07 following the replacement of the Consolidated Revenue Account with the Income and Expenditure Account. This statement reconciles the surplus or deficit on the Income and Expenditure Account to the movement on the General Fund balance which would have been the result of a Consolidated Revenue Account.

19 Breakdown of the Statement of Movement on the General Fund Balance

This breakdown details the additional amounts that are required by statute and proper practices to be debited or credited to the General Fund for the year. For further details, please see the Statement on page 28.

20 Summary of Capital Expenditure and Fixed Asset Disposals

Movements in the year for Operational Assets were as follows,

	Council Dwellings	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastruc- ture Assets	Communi- ty Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2006	753,312	701,116	20,169	84,726	6,699	1,566,022
Additions	10,803	9,810	2,986	6,915	129	30,643
Disposals	(7,857)	(1,575)	0	0	0	(9,432)
Recategorisation	0	(700)	109	(500)	(548)	(1,639)
Revaluations	67,187	27,042	0	(5)	(131)	94,093
Gross Book Value at 31 March 2007	823,445	735,693	23,264	91,136	6,149	1,679,687
Accumulated Depreciation at 1 April 2006	(14,467)	(28,421)	(9,207)	(19,506)	0	(71,601)
Depreciation this year	(14,263)	(16,835)	(2,370)	(4,232)	0	(37,700)
Depreciation written out on asset movements	14,354	17,370	0	74	0	31,798
Accumulated Depreciation at 31 March 2007	(14,376)	(27,886)	(11,577)	(23,664)	0	(77,503)
Net Book Value 31 March 2007	809,069	707,807	11,687	67,472	6,149	1,602,184



Movements for non-operational assets are found in the table below,

	Investment Properties	Assets Under Construction	Surplus Assets Held for Disposal	Total
	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2006	154,323	29,836	8,090	192,249
Additions	917	3,095	0	4,012
Disposals	(500)	0	(195)	(695)
Recategorisation	1,327	295	0	1,622
Revaluations	11,419	(158)	195	11,456
Gross Book Value at 31 March 2007	167,486	33,068	8,090	208,644
Accumulated Depreciation at 1 April 2006	0	0	0	0
Accumulated Depreciation at 31 March 2007	0	0	0	0
Net Book Value 31 March 2007	167,486	33,068	8,090	208,644

The table below details the movements on the councils fixed assets and deferred charges together with how these movements were financed.

2005/06 £'000		2006/07 £'000
208,520	Opening Capital Financing Requirement	226,512
	Capital Investment:	
40,526	Operational Assets	30,643
7,770	Non-Operational Assets	3,946
631	Intangible Assets	1,444
8,146	Deferred Charges	11,785
(306)	Capital Debtor	0
	Sources of Finance:	
(4,436)	Capital Receipts	(5,030)
(11,984)	Government Grants	(16,401)
(2,047)	Other Contributions	(1,728)
(8,985)	Major Repairs Allowance (HRA)	(8,972)
(3,484)	Reserves	(86)
(2,420)	Revenue Contributions	(3,214)
(5,008)	Revenue provision for repayment of loans	(6,216)
(411)	Capital receipts applied to repayment of loans	(250)
226,512	Closing Capital Financing Requirement	232,433

The rules for financing capital investment changed in line with the Prudential Code for Borrowing as from 1 April 2004.

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

1,687,790	Fixed Assets	1,813,078
21,747	Deferred Consideration	20,764
830	Long Term Investments	774
476	Mortgages & Deferred Debtors (included in Long Term Debtors)	469
0	Capital Debtor (included in Debtors)	0
(293)	Deferred Credits	(257)
(70,602)	Government Grants Deferred	(77,025)
(122,048)	Capital Financing Account	(106,639)
(1,291,388)	Fixed Asset Restatement Account	(1,418,731)
226,512	Capital Financing Requirement	232,433

Explanation of movements in year

15,834	Increase in Supported Borrowing	8,355
7,889	Unsupported Borrowing applied towards Capital Funding Requirement	4,069
(306)	Movement in capital debtor	0
(5,419)	Repayment of Loans	(6,466)
0	Adjustment for unfinanced capital expenditure as at 31 March	0
(6)	Other movements	(37)
17,992	Increase in underlying need to borrow	5,921

21 Deferred Charges

2005/06 £'000		2006/07 £'000
0	Balance as at 1 April	0
8,021	Expenditure during the year General Fund	11,595
125	Expenditure during the year Housing Revenue Account	190
(8,021)	Amount written down to General Fund	(11,595)
(125)	Amount written down to Housing Revenue Account	(190)
0	Balance as at 31 March	0

22 Capital Commitments

Detailed below are significant commitments for capital investment that existed at the balance sheet date, this investment is expected to take place during 2007/08.

Scheme Name	Description	2006/07 £'000
Pay & Display Parking Meters	New parking zones	587
Bridge Strengthening and Assessment	For essential strengthening works Kings Road Brighton & Madeira Drive Brighton	410
Drove Road Adaptations	Social Care building adaptations	139
Brighton Museum	Brighton Museum roofing works	85
ICT Fund (Housing Revenue Account)	Software to assist with Housing Benefit claims	84
Citizens Relationship Management	Citizens Relationship Management system software	63
Hove Town Hall Offices	Air conditioning works/upgrade (Phase 3)	58



23 Tangible Fixed Assets

The Council's Fixed Assets include the following:

At 31 March 2006		At 31 March 2007
12,494	Council Dwellings	12,385
	Operational Assets	
7	Cemeteries	7
1	Mortuary	1
1	Crematorium (Woodvale)	1
6	Off-Street Car Parks Leased to NCP	6
2	Off-Street Multi Storey Car Parks	2
1	Off-Street Parking Pay and Display Multi Storey (Norton Road)	1
4	On Street Parking Pay and Display	4
3	Museums	3
3	Principal Administrative Offices	3
4	Swimming Pools – Indoor	4
1	Swimming Pools – Outdoor	1
4	Paddling Pools	4
5	Leisure Centres	5
1	Brighton Centre	1
1	Dome Complex	1
1	Preston Manor	1
1	Royal Pavilion	1
1	Volks Railway	1
1	West Blatchington Windmill	1
1	Foredown Tower	1
1	Preston Barracks	1
44km	Principal Roads	44km
571km	Other Roads	571km
54	Public Conveniences	57
191	Park Buildings	191
16	Libraries	16
2	Nursery Schools	2
69	Schools (Including Aided)	68
5	Education Other than at School (EOTAS) Establishments	5
3	Town Halls	3
1	Town Hall Annexe	1
8	Play Link, Children and Family Centres	9
15	Centres/Homes for People with Learning Difficulties	14
7	Centres for Older People and/or People with Mental Health Difficulties	8
1	Sheltered Workshop	1
12	Other Social Care and Health Centres and Offices	12
	Community Assets	
1,293 hect.	Parks and Open Spaces	1,293 hect.
2,520 plots	Allotment – Units	2,520 plots
3	Mini Golf Courses	3
3	Golf Courses	3

Please note the 2005/06 council dwellings figure has been revised to reflect the demolition/disposal of 24 properties during 2005/06 which had not been recorded in last years notes to the accounts.

24 Leases Disclosure by Lessees

Vehicles, Plant, Furniture & Equipment

The council uses refuse collection vehicles, welfare coaches, parking meters, miscellaneous vehicles and equipment financed under terms of operating leases. The amount paid under these arrangements in 2006/07 was £0.897m (2005/06 £1.032m).

The council is committed to making payments of £0.127m under these leases in 2007/08, comprising the following elements:

	Vehicles, Plant, Furniture & Equipment £'000	Total £'000
Leases expiring in 2007/08	0	0
Leases expiring between 2007/08 and 2011/12	127	127
Leases expiring after 2011/12	0	0

Finance Leases

Finance leases are those involving the transfer of the risks and rewards of ownership of the asset to the lessee. The capital cost of the asset transferred is included in the council's Fixed Assets, and the interest element is charged to revenue in the year in which it is incurred.

The council has no capital value outstanding on finance leases or finance lease rental obligations as at 31 March 2007 (£0.0m at 31 March 2006). There were, however, secondary lease rental payments of £7,250 in 2006/07 (£8,202 in 2005/06).

25 Leases – Disclosure by Lessors

There is nothing to disclose.

26 Private Finance Initiative – Assets

The assets that are used by the PFI Contractors are not held on the council's asset register and are therefore held off balance sheet. Please see Note 3 for further information relating to PFI Contracts.

27 Tangible Fixed Assets – Valuers

The valuations have been carried out by the council's internal valuers within the Property & Design Section, and by Cluttons, an independent property managing company. The council housing stock valuation was carried out by Wilks, Head & Eve. It is a requirement that the valuers are RICS qualified. For further information regarding the basis of revaluations, please refer to the Statement of Accounting Policies.

28 Tangible Fixed Assets – Depreciation Methods

Depreciation is calculated on a straight line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all assets except land, community assets, investment properties, assets under construction and surplus assets held for disposal. The council does not charge depreciation in the year of acquisition but does charge a full year's depreciation in the year of disposal.

Each type of asset has a set life. Operational buildings are set at 50 years, furniture and equipment is 5-10 years depending on the nature of the asset. Infrastructure is 10-20 years depending on the nature of the asset.



Housing Revenue Account garages and car parks asset lives are set at 35 years. As part of the annual inspection and ongoing management of the council's property portfolio, attention is paid to the impact of obsolescence, physical damage and changes of use which could affect asset values. If a building remains in use, the impact of physical damage, functional or economic obsolescence rarely has a significant effect on value. The city is a sought after location for all types of business, the shortage of land and buildings in the face of high demand sustains the upward pressure on values meaning that impairment is rare.

29 Changes in the Method of Depreciation

The split between land and buildings relating to the Housing Revenue Account has been amended to 50/50 on the advice of the valuer for the HRA, Wilks Head & Eve. This has the effect of reducing the overall charge for depreciation as land does not incur such a charge. This is a change in policy from previous year's when no split was applied by the previous valuer, therefore depreciation was previously applied to both land and buildings.

30 Intangible Assets

Movements in the year for intangible assets were as follows.

	Software £'000	Total £'000
Gross Book Value at 1 April 2006	2,550	2,550
Additions	1,444	1,444
Recategorisation	17	17
Gross Book Value at 31 March 2007	4,011	4,011
Accumulated Amortisation at 1 April 2006	(1,430)	(1,430)
Amortisation this year	(331)	(331)
Accumulated Amortisation at 31 March 2007	(1,761)	(1,761)
Net Book Value 31 March 2007	2,250	2,250

The asset life for Intangible Fixed Assets is generally 5 years. The methods used to determine the amount of amortisation are the same as those used for the depreciation of the Tangible Fixed Assets detailed in Note 28.

31 Changes in the Method of Amortisation

There have been no major changes in the amortisation method used during this financial period.

32 Analysis of Net Assets Employed

The following table shows an analysis of the net assets employed by the General Fund and the Housing Revenue Account.

31 March 2006 £'000		31 March 2007 £'000
667,173	General Fund	776,945
656,655	Housing Revenue Account	703,522
1,323,828	Total Assets Less Liabilities	1,480,467

Please note the 2005/06 Net Assets Employed figure for the General Fund has been amended for the movement of Government Grants Deferred from the Total Net Worth to the top half of the balance sheet in accordance with new accounting requirements.

33 Interests in Companies

The council had the majority interest in Shoreham Airport up to 30 June 2006 at which time it was sold to Erinaceous plc. The council's two thirds share is reflected in the set of Group Accounts found in this statement of accounts and refers to the 1st quarter year's trading only. A separate statement of accounts for the airport is produced.

The Sussex Innovation Centre acts as a business incubator and Innovation Support unit for Sussex and the South East. The council holds 1.4m preference shares in the Sussex Innovation Centre, which have a total value of £773,779 as at the end of 2006/07. These shares are written down at a rate of £56,000 per annum (representing 4% of the original value of the 1.4m shares @ £1 per share). Brighton & Hove City Council is a minority shareholder (19%) in this company and has no control or influence over the Centre.

The Brighton City Centre Business Forum (formerly known as the Town Centre Business Forum) is a partnership between city centre businesses and the council. The council has a maximum of three representatives on the company's board which can consist of a maximum of 21 people. The Chief Executive and two councillors are all directors of the company. The council contributed £27,050 to the forum during 2006/07, which represents 49% of the total core funding of £55,050.

The Brighton Dome & Museum Development Company is a Special Purpose Vehicle set up for the redevelopment of the Brighton Dome and Museum. The council is a minority (19%) shareholder in this company; the Brighton Festival is the majority shareholder. The council was one of the funding partners for the Brighton Dome & Museum Development Company, however the redevelopment is now complete and this company has fulfilled its original purpose. The company will remain in existence for future years but is dormant.

The council is associated with Brighton & Hove Bus and Coach Company Ltd through the provision of concessionary bus fares to eligible members of the public. In 2006/07 the amount paid to Brighton & Hove Bus and Coach Company Ltd totalled £5.1m.

The council nominates two councillors to serve as directors on the board of Brighton Racecourse Company Ltd. The council is a minority shareholder (19%) in this company.

34 Capital Instruments

Brighton & Hove City Council have no Capital Instruments to disclose.

35 Long Term Borrowing

Total Outstanding 31 March 2006 £'000		Total Outstanding 31 March 2007 £'000
	Source of Loan	
(181,035)	Public Works Loans Board (PWLB) – Maturity	(185,937)
(2)	PWLB – Equal Instalments of Principal	(1)
(48,000)	Money Market – Fixed	(43,000)
0	Money Market – Variable	0
4,019	Less: Long Term Borrowing on behalf of Shoreham Airport	0
(225,018)	Total	(228,938)
	Analysis of Loan by Maturity	
(2)	Maturity within 1-2 years	(2,000)
(31,000)	Maturity within 2-5 years	(2)
(12,705)	Maturity within 5-10 years	(2,023)
(22,661)	Maturity within 10-15 years	(10,479)
(162,669)	Maturity in more than 15 years	(214,434)
4,019	Less: Long Term Borrowing on behalf of Shoreham Airport	0
(225,018)	Total	(228,938)

The PWLB – Equal Instalments of Principal loans have been taken as repayable within 1-2 years.



36 Insurance Reserve

The council's Insurance Reserve covers liabilities under insurance policy excesses and is also used to finance any claims for small risks not insured externally. In addition, the council carries a substantial amount of self insurance financed from this reserve. An external actuary reviews the adequacy of the reserve every three years. The actuary provides a valuation of the liabilities and recommends the level of reserve required, the council implements their recommendations. A health check of the reserve is also carried out in the intermediate years to ensure any material change in liabilities is recognised.

37 Provisions

These are amounts set aside in the accounts for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made.

	1 April 2006 £'000	Receipts in Year £'000	Use of Provision and Write Off in Year £'000	31 March 2007 £'000
Maintenance of Graves	(613)	(24)	247	(390)
Sundry LGR Issues	(450)	0	450	0
Legal Fees – Lighting Contract	(266)	0	266	0
Section 117 Mental Health Act 1983	(737)	0	217	(520)
Total	(2,066)	(24)	1,180	(910)

Maintenance of Graves

This provision relates to sums donated by members of the public to care for and maintain graves in perpetuity.

Sundry Local Government Reorganisation Issues

This provision was set up to fund potential claims by the Highways Agency regarding the A27 bypass and by Municipal Mutual Insurance, who had entered a scheme of arrangement. This provision has been identified as no longer required and has been posted back to revenue and then appropriated to General Reserves.

Legal Fees – Lighting Contract

This provision was set up to meet legal fees regarding the termination of the Street Lighting contract. This provision has been identified as no longer required and has been posted back to revenue and then appropriated to General Reserves.

Section 117 Mental Health Act 1983

Following a ruling in August 2002, local authorities were unable to charge for accommodation provided under Section 117 of the Mental Health Act 1983. The council, like many other local authorities had been charging for a long period of time and this provision has been set up to meet the liabilities of the repayment of these charges. There has been a number of refunds during 2006/07 totaling £217,000, more refunds will follow in 2007/08, however it is not possible to determine when all refunds to clients will be made.

38 Movements on Reserves

	Balance as at 1 April 2006	Gains or Losses Transfers to or from Reserves	Net Amount Transfers within Reserves	Balance as at 31 March 2007
	£'000	£'000	£'000	£'000
Fixed Asset Restatement Account	(1,291,388)	(137,348)	10,005	(1,418,731)
Capital Financing Account	(122,048)	(67)	15,476	(106,639)
Usable Capital Receipts Reserve	(6)	797	(2,489)	(1,698)
Pensions Reserve	148,147	(35,588)	1,594	114,153
HRA Balance	(2,660)	0	(1,551)	(4,211)
General Fund Balance	(8,954)	15,377	(15,423)	(9,000)
Other Reserves (Incl. Earmarked Reserves)	(46,919)	190	(7,612)	(54,341)
Total	(1,323,828)	(156,639)	0	(1,480,467)

Earmarked Reserves

Balance as at 31 March 2006 £'000		Balance as at 31 March 2007 £'000
(7,758)	Capital Reserves	(10,386)
(1,424)	Departmental Carry Forwards	(1,891)
(6,419)	Insurance Reserves	(6,455)
(729)	LPSA Reserve	(1,088)
(755)	LABGI Reserve	(702)
(3,093)	Restructure Redundancy Reserve	(2,155)
(13,680)	PFI Reserves	(20,295)
(1,824)	Brighton Centre Redevelopment Reserve	(1,739)
(3,276)	Other Earmarked Reserves	(2,577)
(38,958)	Total	(47,288)

The main reserves are:

Capital Reserves

These represent resources earmarked to fund capital schemes as part of the council's capital investment strategy.

Insurance Reserves

£6.280m – The council has established an insurance reserve to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. In addition, the council carries a substantial amount of self insurance financed from this reserve.

£0.175m – The risk management element of this reserve is used to fund training on risk management to support the delivery of the strategy and to fund measures to address operational hazards/risks identified.

Local Public Service Agreement (LPSA) Reserve

This is the carry forward to 2007/08 of LPSA resources to meet performance targets agreed with the government, such as improving school attendance and improving street cleanliness.

Local Authority Business Growth Incentive (LABGI) Reserve

Generally business rates revenues received by a local authority are paid to central government, and then



redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level.

Restructure Redundancy Reserve

This funds approved redundancy payments and added years lump sum pension payments, which departments then repay to this reserve over 5 years. The reserve also receives contributions from departments for the actuarial costs of early retirements. This reserve is then available to be released in the budget strategy towards funding the increase in the council's superannuation contributions to the pension fund.

Private Finance Initiative (PFI) Reserves

This relates to Schools, Waste and Library PFI Schemes. PFI contract payments increase gradually over the 25 years contract period, whilst PFI grants from the government reduce. This reserve is used to offset the higher annual net costs during the later years of the contracts.

Brighton Centre Redevelopment Reserve

This reserve will be used to contribute towards the redevelopment of the Brighton Centre.

39 Contingent Liabilities

A contingent liability or asset is a possible loss or gain which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss or gain is not considered sufficiently certain. The majority of these claims are not considered material and will therefore have no material effect on the council's financial position.

Regulation 5 of the Local Authorities Capital Finance & Accounting (Amendment) (England) Regulations 2007 introduces a new power providing discretion to Local Authorities not to charge to revenue a provision for back pay arising from unequal pay claims. This new power applies for the financial years 2006/07 to 2010/11 inclusive. Consideration was given to the inclusion of a provision for back pay claims, however, under FRS12 a provision may only be included if a accurate estimate of the cost can be calculated. It is not possible to determine an accurate amount at this time as negotiations are still ongoing.

40 Authorisation of Accounts for Issue

These accounts were authorised for issue by the Director of Finance & Resources on 27 September 2007.

Catherine Vaughan CPFA

Director of Finance and Resources

41 Events After the Balance Sheet Date

There are no significant events to disclose.

42 Trust Funds

The council acts as trustee for various Trust Funds. The balances on these accounts are excluded from the council's balance sheet. Further details of these accounts are found in the supplementary statements section.

43 Local Management of Schools (LMS) Reserves

2005/06 £		2006/07 £
22,126	Nursery Schools	12,212
1,041,935	Primary Schools	602,776
1,417,877	Secondary Schools	2,349,489
164,774	Special Schools	(3,270)
2,646,712	Total	2,961,207

These balances are carried forward by each individual school and are used to provide education to the pupils of that school. They are not used for any other purpose.

44 Amounts Due to or from Related Parties

Brighton & Hove City Council's related party transactions have been covered in Note 15. This note shows the amounts that are due to or from these related parties, these amounts are also included within the Debtors and Creditors figures shown on the Balance Sheet.

31 March 2006 £'000		31 March 2007 £'000
2,702	Amounts due to Related Parties	3,635
(7,995)	Amounts due from Related Parties	(4,898)

45 Pension Costs

As part of the terms and conditions of its employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment that needs to be disclosed at the time that the employees earn their future entitlement. The council participates in the Local Government Pension Scheme which is a defined benefit scheme and which is administered by East Sussex County Council. This is a funded 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 and associated investment returns.

The council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against Council Tax is based on the cash contributions payable in the year, so the cost of retirement benefits is reversed out through the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income & Expenditure Account during the year:

2005/06 £'000		2006/07 £'000
	Income and Expenditure Account:	
	Net Cost of Services:	
15,397	- Current Service cost	19,737
135	- Past Service Cost	102
323	- Settlements and Curtailments	519
	Net Operating Expenditure:	
26,072	- Interest Cost	28,698
(24,163)	- Expected Return on Assets in the Scheme	(28,830)
17,764	Net Charge to the Income & Expenditure Account	20,226
(18,694)	Statement of Total Movement in the General Fund:	(21,218)
	- Reversal of net charges made for retirement benefits in accordance with FRS 17	
(17,507)	Actual Amount Charged Against Council Tax for Pensions in the Year:	(19,624)
	- Employer's Contributions Payable to the Scheme	



46 Disclosure of Net Pensions Asset/Liability

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

31 March 2006 £'000		31 March 2007 £'000
(579,670)	Estimated Liabilities in the Scheme	(584,913)
431,523	Estimated Assets in the Scheme	470,760
(148,147)	Net Asset/(Liability)	(114,153)

The liabilities show the underlying commitments that the council has in the long-run to pay retirement benefits. The total liability of £114.153m has an impact on the net worth of the council as recorded in the balance sheet, resulting in a positive overall balance of £1,480m. However, statutory arrangements for funding the pensions deficit mean that the financial position of the council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 about mortality rates, salary levels, etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the pensions fund being based on the latest full valuation of the scheme as at 31 March 2004.

Changes to the Local Government Pension Scheme

Changes to the Local Government Pension Scheme permits employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 25% of employees retiring after 6 April 2006 will take advantage of this change on the pensions scheme.

The main financial assumptions used in their calculations have been:

31 March 2006		31 March 2007
3.1%	Rate of Inflation	3.2%
4.6%	Rate of Increase in Salaries	4.7%
3.1%	Rate of Increase in Pensions	3.2%
0.0%	Take up of option to convert annual pension in retirement grant	25.0%
4.9%	Rate for Discounting Scheme Liabilities	5.4%

Assets in the ESCC Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund. Please note this table is provided by the council's pensions actuary and is based on the level of assets shown in his report. The level of assets included in this Statement of Accounts is different due to the actual amounts for employer contributions being used rather than the actuary's estimate.

31 March 2006	£'000		31 March 2007	£'000
68.1%	294,090	Equity Investments	65.3%	307,834
11.6%	50,060	Bonds	12.8%	60,430
9.9%	42,700	Property	10.5%	49,441
10.4%	44,900	Cash	11.4%	53,905
100%	431,750		100%	471,610

The expected rates of return on assets are set out below:

31 March 2006		31 March 2007
7.4%	Equity Investments	7.8%
4.6%	Bonds	4.9%
5.5%	Property	5.8%
4.6%	Cash	4.9%

As at 31 March 2007 there were outstanding pensions creditors of £1.923m (2005/06 £1.693m).

Actuarial Gains & Losses

The actuarial gains identified as movements on the Pensions reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities as at 31 March 2007.

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	219	0	59,974	13.9	13,233	3.9	33,347	11.9	(60,844)	(27.1)
Differences between actuarial assumptions about liabilities and actual experience	14	0	23	0	(14,948)	(3.1)	(29,089)	(8.5)	1,750	0.6
Changes in the demographic and financial assumptions used to estimate liabilities	35,604	6.1	(66,773)	(11.5)	(78,947)	(16.5)	0	0	0	0
Actuarial Gain/(Loss)	35,837		(6,776)		(80,662)		4,258		(59,094)	

47 Teachers Pension Scheme

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2006/07 the council paid £7.91m to the TPA in respect of teachers' retirement benefits, representing 13.5% of pensionable pay. The figures for 2005/06 were £7.59m and 13.5%.

The scheme is a defined benefit scheme, administered by the Teachers' Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities (LEAs). However, it is not possible for the council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme.



48 Revenue Activities Net Cashflow

Year to 31 March 2006 £'000		Year to 31 March 2007 £'000
21,677	Deficit/(surplus) as per Income and Expenditure Account	15,377
(22,747)	Net additional amount required by statutory and non-statutory proper practices to be posted to the General Fund Balance	(15,423)
419	Deficit/(surplus) as per Collection Fund	1,876
7,148	Interest	5,261
	Add non-cash transactions	
(36,761)	Depreciation Charge	(38,031)
46	Fixed Assets – Disposal Costs	20
5,008	Minimum Revenue Provision	6,216
(8,146)	Deferred Charges Written Down	(11,785)
1,345	Direct Revenue Funding	2,496
4,577	Government Grants Deferred Written Down	11,698
(4,600)	Deferred Consideration Written Down	(983)
(923)	Long Term Debtors	(746)
333	Provisions	1,156
1,360	Landfill Usage Allowances	1,126
(1,225)	LATS Deferred Income	(962)
0	Shoreham Airport Borrowing	(4,019)
(4,294)	Capital Pooling Payments	(4,895)
(6,279)	Earmarked Reserves	(8,309)
11	Other Reserves	(599)
(2,537)	Other Transactions	(5,275)
	Add items accrued in accounts:	
159	Increase/(decrease) in stocks	60
3,507	(Increase)/decrease in creditors	(18,776)
(2,743)	Increase/(decrease) in debtors	(365)
(44,665)	Net Cash (Inflow)/Outflow from Revenue Activities	(64,882)

Please note the 2005/06 Debtors and Creditors amounts have been restated due to late system control adjustments made after the balance sheet date, £1,000 for Debtors and £16,000 for Creditors.

Please note the 2005/06 Non-Cash Transactions have been adjusted by £5m due to some repayment of borrowing being incorrectly classified within the Cash Flow Statement.

49 Reconciliation of Movements in Cash to Net Debt

The following table analyses the changes in net debt resulting from the council's cash flows and other non-cash changes.

	£'000
Decrease in Cash in the period	(1,469)
Cash Inflow from increase in debt financing	(3,005)
Cash Outflow from decrease in liquid resources	28,060
Movement in net debt in the period	23,586
Net Debt as at 1 April 2006	(163,134)
Net Debt as at 31 March 2007	(139,548)

Please note the Net Debt as at 1 April 2006 has been restated due to late system control adjustments made after the balance sheet date.

Analysis of Net Debt

	Balance as at 1 April 2006 £'000	Cash Flow £'000	Balance as at 31 March 2007 £'000
Bank Overdraft	(1,406)	(1,469)	(2,875)
Short Term Borrowing	(6,374)	971	(5,403)
Long Term Borrowing	(225,018)	(3,920)	(228,938)
Short Term Investments	68,834	28,060	96,894
Long Term Investments	830	(56)	774
	(163,134)	23,586	(139,548)

Please note the Bank Overdraft as at 1 April 2006 has been restated to late system control account adjustments made after the balance sheet date totalling £17,000.

50 Reconciliation of Items Under the Financing and Management of Liquid Resources Sections to the Opening and Closing Balance Sheets

The following table shows what is included in the council's liquid resources.

	1 April 2006 £'000	Movement in Year £'000	31 March 2007 £'000
Short Term Investments	68,834	28,060	96,894
	68,834	28,060	96,894

51 Liquid Resources

Liquid resources are current asset investments which are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise short-term investments (i.e. deposits for a fixed period of less than one year other than cash) and investments made by the cash manager on behalf of the council (including book losses and reinvested income).

52 Cash Flow Statement

The Cash Flow Statement shows the total movement of the council's funds during the year. The result of the Cash Flow Statement is equal to the movement of the Cash at Bank or Bank Overdraft figure from the Balance Sheet. The method used is to analyse all the movement within the Balance Sheet.



53 Analysis of Government Grants

	£'000		£'000
Revenue Support Grant	15,711	Verification Framework Set-up Grant	57
NNDR Receipts from National Pool	81,392	LPSA Pump Priming Grant	501
DWP Grants for Benefits	133,486	LPSA Performance Reward Grant	728
Income from PFI Credits	5,393	Homelessness Directorate Grant	855
DfES Standards Fund Grant	11,092	Choice Based Letting Grant	57
DfES Schools Income (non-LEA)	4,542	Supporting People Admin Grant	12,701
EC Milk Products Subsidy	2	Global Grants	87
Intervention Board Milk Subsidy Under 5's	10	Supporting People	218
Health Authority Milk for Over 5's	11	Local Enterprise Growth Initiative	35
Other Grant Income	487	Anti Social Behaviour	341
New Opportunities Fund Grant	283	Rural Bus Subsidy	26
Space for Sports & the Arts Grant	9	Safer Stronger Communities Fund	734
Crime Concern Grant	45	Food Standards Agency SFBB Grant	54
Healthy Schools LAA	53	British Council Future Capital	2
Home Office Education Grant	114	L.A. Business Growth Incentive Scheme	609
DfES Student Awards	1	Gateway Protection	246
DfES General Sure Start Grant	4,010	Smoke Free Legislation Fund	28
DfES Transport Partners Grant	101	Office of National Statistics Grant	8
Connexions GOSE	2,207	Planning Delivery Grant	520
DfES Other Grants	74	DoH Training Support Grant	727
LSC Funding for 6th from Students	5,440	DoH Mental Illness Specific Grant	2,088
LSC Family & Adult Learning	439	DoH Aids Support Grant	307
LSC Adult Comm Grant	118	DoH Asylum Seekers	463
LSC Learner Support Grant	17	Prevention Grant	402
LSC Lifelong Learning Partnership	175	Carers Grant	857
Youth Opportunity Fund	156	ESF Funding	74
New Deal for Communities	5	Children's Fund Grant	824
Teacher Training Association HLTA Grant	188	DoH Teenage Pregnancy Grant	154
Children's Trust Pathfinder Grant	54	Supported Employment	449
Teacher's Training Agency - Golden Hello	116	Mental Capacity Act Grant	33
Dedicated Schools Grant	108,023	Preserved Rights	2,158
HB/CT Administration Grant	3,329	Access & Systems Capacity Grant	2,626
HB Fraud Incentive Grant	314	Youth Inclusion Programme	84
Housing Revenue Account Subsidy	2,146	Drug Intervention	437
Housing Defects Subsidy	31	Delayed Transfers	499
New Deal for the Communities Grant	2,412	Strategic Grant Fund - Drugs	2
Neighbourhood Renewal Fund Grant	1,786	Budget Holding Lead	149
Area Investment Framework Grant	314	Is Index Grant	34
EQUAL Grant	866	Parenting Pathfinder Grant	151
Capture	59	Preventative Technology Grant	47
DWP Pathfinder Grant	115		
		Total	415,498

Please note the Dedicated Schools Grant of £108.023m has been netted off to take into account the carry forward of £0.479m into 2007/08. This carry forward is included within the Creditors figure, shown in Note 62.

54 Dedicated Schools Grant

For 2006/07, the arrangements for the funding of schools and for centrally retained expenditure relating to schools, were changed. The Dedicated Schools Grant (DSG) was introduced, offset by a corresponding reduction in the Revenue Support Grant.

The DSG is a ring-fenced specific grant and is only used to provide education to the pupils of schools and is not used for any other purpose.

Details of the deployment of the Dedicated Schools Grant (DSG) receivable for 2006/07 are as follows:

	Schools Central £'000	Individual Schools Budget (ISB) £'000	Total £'000
Original Grant Allocation to Schools Budget for the Current Year in the Authority's Budget	14,947	94,066	109,013
Adjustment to Finalised Grant Allocation	(282)	(229)	(511)
DSG Receivable for the Year	14,665	93,837	108,502
Other Budget Adjustments	0	4,538	4,538
Total Budget for DSG Areas	14,665	98,375	113,040
Actual Expenditure for the Year	(13,957)	(98,290)	(112,247)
(Over)/Underspend for the Year	708	85	793
Planned Top-Up Funding of ISB from Council Resources	0	0	0
Use of Schools Balances Brought Forward	0	2,647	2,647
(Over)/Underspend from Prior Year	0	0	0
(Over)/Underspend Carried Forward to 2007/08	708	2,732	3,440
Actual School Carry Forwards	0	(2,961)	(2,961)
DSG Carried Forward to 2007/08	708	(229)	479

Please note the carry forward of Dedicated Schools Grant is included with the Creditors figure shown on Note 62.

55 On Street Parking Surplus

Decriminalised Parking Enforcement (DPE) of on street parking was introduced in July 2001 as part of the Local Transport Plan with the aim of reducing congestion and improving traffic management. Parking Services forms part of the Environment Department and the surplus arising from on street parking is used to defray qualifying expenditure. The use of DPE surpluses is governed by section 55 of the Road Traffic Regulation Act 1984, as amended from October 2004 by section 95 of the Traffic Management Act 2004. This specifies the use that DPE surpluses may be put to.

The surplus and expenditure against which it was defrayed is shown in the table below:

2005/06 £'000		2006/07 £'000
(4,600)	On Street Parking Operation Surplus	(4,785)
	Utilised to Fund:	
2,955	Public Transport	6,398
2,125	Borrowing Costs for Transport Capital Expenditure	2,566
228	One-off Transport and Environmental Improvement Projects	195
5,308	Total Qualifying Expenditure	9,159



56 Deferred Consideration

This relates to the sites and buildings provided by the council under the Grouped Schools Private Finance Initiative (PFI) contract and the Central Library PFI. The balance represents the notional value of the leases granted by the council to the respective PFI Providers for the sites used under the PFI schemes. The balance will be written down each year to revenue over the life of the PFI contracts.

2005/06 £'000		2006/07 £'000
26,347	Balance as at 1 April	21,747
(4,600)	Amounts Written Down to Revenue in Year	(983)
21,747	Balance as at 31 March	20,764

57 Long Term Investments

31 March 2006 £'000		31 March 2007 £'000
830	Sussex Innovation Centre	774
830	Total	774

For further information on the Sussex Innovation Centre, please see Note 33.

58 Long Term Debtors

This represents amounts owed to the council for a period of more than one year.

31 March 2006 £'000		31 March 2007 £'000
145	Mortgages – Sold Council Properties	111
30	Mortgages – Other	24
46	Improvement Loans	46
148	Housing Association Loans	146
159	Car Loans	119
121	Deferred Debtors	142
3,783	Debt Premiums (more than one year)	3,098
4,432	Total	3,686

Debt Premiums represent the cost to the council of refinancing its debt portfolio.

59 Stocks and Work in Progress

31 March 2006 £'000		31 March 2007 £'000
901	Stocks	961
901	Total	961

60 Landfill Allowance Trading Scheme (LATS)

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradable landfill allowances to waste disposal authorities to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The council's allocation for 2006/07 was 63,616 tonnes, valued at £1.144m based on trading activities between councils. An estimated 54,953 tonnes were actually landfilled (£0.988m), leaving 8,663 (£0.156m) surplus allowances carried forward in an earmarked reserve to be used in future years. Authorities which landfill more than their permitted allowance can either purchase additional allowances from other waste disposal authorities or pay to the government a financial penalty of £150 per tonne.

The council has also been required to revalue its surplus of 2005/06 permits, which has reduced the value of the earmarked reserve by £0.018m. This reserve is included within the "Other Earmarked Reserves" line on Note 38.

61 Debtors

31 March 2006 £'000		31 March 2007 £'000
3,462	Housing Rents	3,629
21	Commercial Rents	1,102
21,079	Collection Fund	23,541
772	Short Term Debt Premia	702
2,517	Single Regeneration Budget, New Deal for Communities & Area Investment Framework	1,894
48,810	Sundry Debtors	46,585
76,661		77,453
(24,537)	Provision for Doubtful Debt	(25,694)
52,124	Total	51,759

Please note the 2005/06 Sundry Debtors figure has been restated by £1,000 due to late system control adjustments made after the balance sheet date.

Please note the 2005/06 Single Regeneration Budget, New Deal for Communities and Area Investment Framework figure has been amended due to a late adjustment of £0.704m, this was offset by an amendment to Sundry Debtors.

62 Creditors

31 March 2006 £'000		31 March 2007 £'000
(4,136)	Government Departments	(5,146)
(653)	Business Rates	(346)
(283)	Council Tax	(112)
(49,570)	Sundry Creditors	(67,814)
(54,642)	Total	(73,418)

Please note the 2005/06 Sundry Creditors figure has been restated by £16,000 due to late system control adjustments made after the balance sheet date.

Please note the 2005/06 Council Tax figure has been amended by £68,000 due to new accounting requirements.



63 Government Grants Deferred

Government grants deferred represent grants that have been used to purchase fixed assets. As the value of the asset is reduced by depreciation, so the value of the "Government Grants Deferred" account reduces to offset that depreciation charge.

64 Deferred Credits

Deferred credits are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sold council dwellings and loans to housing associations, and are part of mortgages which are shown under long term debtors in the Balance Sheet.

Balance as at 31 March 2006 £'000		Balance as at 31 March 2007 £'000
(148)	General Fund	(146)
(145)	Housing Revenue Account	(111)
(293)	Total	(257)

65 Usable Capital Receipts Reserve

Capital receipts represent proceeds from the sales of fixed assets, for example, land or buildings. Capital receipts can be used to finance new capital expenditure, within rules set down by the Government, but they cannot be used to finance day to day spending.

A Capital Receipts

2005/06 £'000		2006/07 £'000
(671)	Balance at 1 April	0
(8,616)	Capital Receipts in Year	(12,215)
(9,287)		(12,215)
4,705	Pooled Receipts and Voluntary Set Aside	5,145
146	Applied to Fund Expenses	179
4,436	Applied to fund Capital Expenditure	5,030
0	Sub-total as at 31 March	(1,861)

B Capital Grants/Contributions

Grants and contributions received towards Capital Projects

(7,032)	Balance as at 1 April	(4,716)
(12,232)	Capital Grants and External Contributions Received	(18,395)
(257)	Contributions from Earmarked Reserves	0
(19,521)		(23,111)
14,031	Applied to Fund Capital Expenditure	18,121
774	Developer Contributions Released to Revenue	127
(4,716)	Sub-total as at 31 March	(4,863)
(4,716)	Balance as at 31 March	(6,724)

Please note the 2005/06 Capital Grants and External Contributions Received figure has been amended by £46,000 due to new accounting requirements.

66 New Deal for Communities and Area Investment Framework

The council acts as the banker and Accountable Body for the New Deal for Communities (NDC) and Area Investment Framework (AIF) grant initiatives. NDC and AIF are externally funded grant regimes for which the council maintains the accounting records external to the General Fund. However, due to the nature of the transactions some records are held within the General Fund.

FRS 9 requires consolidation of a reporting entity's interest in associated companies and joint ventures. Whilst the council's interest in NDC and AIF does not fall directly within the FRS 9 definition because they are not ventures of a trade nature, they can be considered within the spirit of FRS 9 for the appropriate adjustment of the reporting entity's accounts.

Therefore, partial consolidation adjustments have been made where complementary records of transactions exist in the council's and the external bodies' (NDC and AIF) accounts.

67 Minimum Revenue Provision

The council is required by statute to set aside a minimum revenue provision for the redemption of external debt. In addition the council may set aside further sums voluntarily. For 2006/07, the amount set aside from revenue is £6.216m (2005/06 £5.008m)

2005/06 £'000		2006/07 £'000
4,338	General Fund Statutory Minimum Revenue Provision	4,891
670	Voluntary Set Aside – General Fund	1,325
5,008	Total Amount Set Aside from Revenue	6,216
17,549	Amount Charged by way of Depreciation and Government Grants Written Down excluding HRA	11,931
(12,541)	Adjustment to Income and Expenditure Account	(5,715)
5,008	Statutory Minimum Revenue Provision	6,216



Brighton & Hove City Council

Single Entity Supplementary Statements

2006/07

Housing Revenue Account Income and Expenditure Account and Notes

Year Ended 31 March 2006 £'000		Year Ended 31 March 2007 £'000
	Income	
	Gross Rental Income	
(35,419)	Dwellings Rents	(36,832)
(1,068)	Non-dwelling Rents	(1,111)
(2,649)	Charges for Services and Facilities	(3,524)
(2,769)	HRA Subsidy Receivable (including Major Repairs Allowance – MRA)	(2,146)
(62)	Contributions Towards Expenditure	(31)
(41,967)	Total Income	(43,644)
	Expenditure	
	Maintenance and Management	
12,228	Repairs and Maintenance	12,189
12,090	Supervision and Management	12,723
237	Rents, Rates, Taxes and Other Charges	194
190	Rent Rebates	0
257	Provision for Bad or Doubtful Debts	262
125	Deferred Charges	190
	Depreciation of Fixed Assets	
14,347	On Dwellings	14,239
288	On Other Assets	206
51	Debt Management Expenses	46
39,813	Total Expenditure	40,049
(2,154)	Net Cost of HRA Service Per Authority Income & Expenditure Account	(3,595)
0	HRA Share of Corporate & Democratic Core	222
(2,154)	Net Cost of HRA Service	(3,373)
0	(Gains) / Losses on Sale of HRA Fixed Assets	1,360
4,432	Interest Payable and similar charges	4,256
791	Amortised Premiums and Discounts	700
(14)	Interest and Investment Income	(11)
88	Pensions interest costs/expected return on pension assets	(6)
3,143	(Surplus) / Deficit for the year on the HRA Service	2,926

The 2005/06 Cost of Capital figure, £25.9m has been removed due to new accounting requirements.



Statement of Movement on the HRA Balance

2005/06 £'000		2006/07 £'000
3,143	(Surplus) / deficit for the year on the HRA Income & Expenditure Account	2,926
(2,460)	Net additional amount required by statute to be credited to the HRA Balance for the year.	(4,477)
683	(Increase) / decrease in the Housing Revenue Account Balance	(1,551)
(3,343)	Housing Revenue Account Surplus brought forward	(2,660)
(2,660)	Housing Revenue Account Surplus carried forward	(4,211)

Note of Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance

2005/06 £'000		2006/07 £'000
	Items Included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
0	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statutory HRA requirements	0
(125)	Deferred Charges	(190)
39	Government Grants Deferred Write Down	43
0	Gains / Losses on disposal of fixed assets	(1,360)
(194)	Net charges for retirement benefits in accordance with FRS 17	(185)
0	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0
(280)		(1,692)
	Items not Included in the HRA Income and Expenditure Account but included from the movement on HRA Balance for the year	
(5,650)	Transfer to Major Repairs Reserve	(5,473)
55	Transfer to Earmarked Reserves	0
3,415	Capital Expenditure Funded by HRA	2,688
0	Net additional amount required by statute to be debited or credited to the HRA balance for the year	0
(2,180)		(2,785)
(2,460)	Net Additional amount required by statute to be debited or credited to the HRA Balance for the year	(4,477)

Notes to the Housing Revenue Account (HRA)

The Housing Revenue Account records revenue income and expenditure relating to the council's own housing stock. This includes the cost of managing and repairing the dwellings and capital charges as well as rental income from tenants and the HRA subsidy from central government. 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.

I Housing Stock

The council was responsible for managing 12,385 dwellings at 31 March 2007. The stock was made up as follows:

	Bedsit	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Flats	830	3,583	3,136	273	6	7,828
Houses	0	13	1,584	2,441	262	4,300
Bungalows	0	199	35	22	1	257
Total	830	3,795	4,755	2,736	269	12,385

The change in stock can be summarised as follows:

2005/06		2006/07
12,588	Stock at 1 April	12,494
(69)	Sales	(68)
(25)	Other	(37)
0	Acquisitions/Conversions	(4)
12,494	Stock at 31 March	12,385

Please note the 2005/06 stock figure has been revised to reflect the demolition / disposal of 24 properties during 2005/06 which had not been recorded in last years notes to the accounts.

The total gross book values of HRA assets (before depreciation) are as follows:

Asset Classification	Opening Balance 1 April 2006 £'000	Closing Balance 31 March 2007 £'000
Operational Assets		
Housing Stock	751,001	822,326
Other Land and Buildings	12,055	7,658
Vehicles, Plant, Furniture and Equipment	602	602
Community Assets	29	0
Non-Operational Assets		
Investment Properties	5,205	5,250
Total	768,892	835,836

The opening balance at 1 April 2006 has been restated by (£1.134m) to reflect the demolition / disposal of 24 properties during the 2005/06 financial year as this had not been included in last years statement of accounts.

A new valuer, Wilks Head & Eve, was appointed for a 5 year period from 1 April 2006. The council's housing stock, garages and car parking spaces were revalued by the valuer as at 1 April 2006. The opening balance on council dwellings as at 1 April 2006 was increased by £82.86m, including the movement on depreciation.

Other Land and Buildings have reduced by £3.8m for garages and by £0.6m for car parking spaces (down to £7.6m). The valuations have reduced for garages and car parks due to a different methodology used by the appointed valuer compared to the previous District Valuer. Both methods of valuations have been conducted following government guidance on stock valuation for resource accounting. The approach by Wilks Head &



Eve is based on the capitalising of the rental income flow allowing voids and an adjustment yield to reflect management costs. This is the preferred method of the current valuer, which is consistent with other authorities for which they act.

The vacant possession value for the dwellings in the HRA as at 1 April 2006 was £1,670.6m as valued by the valuer Wilks Head & Eve, compared with the value of £811.5m for its existing use as social housing. The difference of £859.1m represents the cost to the government of providing council housing at less than open market rents.

2 Major Repairs Reserve

The transactions on the Major Repairs Reserve in 2006/07 were as follows:

	£'000
Balance as at 1 April 2006	0
Depreciation on Housing Stock	(14,239)
Depreciation on Other HRA Property	(206)
Total	(14,445)
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	8,972
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	5,267
Appropriation to the HRA (Depreciation on Other HRA Property)	206
Balance as at 31 March 2007	0

3 Housing Repairs Account

The council does not operate a Housing Repairs Account as repairs and maintenance costs are charged direct to the Housing Revenue Account.

The HRA Manual issued by ODPM states a Housing Repairs Account is a discretionary account within the Housing Revenue Account (HRA) and constitutes a separate record of income and expenditure on HRA repairs and maintenance. Some local authorities find a separate account assists the planning of major or cyclical works. If a local authority decides not to keep a separate Housing Repairs Account, any income and expenditure relating to repairs and maintenance should be accounted for in the HRA.

4 HRA Capital Expenditure and Financing

The following table summarises the capital expenditure incurred in 2006/07 and how it was financed:

	Land, Housing and Other Property	Cash Incentive Scheme	ICT Equipment	Total
	£'000	£'000	£'000	£'000
Total Capital Expenditure	10,803	44	146	10,993
Capital Expenditure Funded in 2006/07	10,803	44	146	10,993
Funded by:				
Supported Capital Expenditure (Revenue)	1,040	44	146	1,230
Major Repairs Allowance/Reserve	8,972	0	0	8,972
Direct Revenue Funding	791	0	0	791
Total Funding	10,803	44	146	10,993

Summary of total capital receipts from disposals:

	£'000
Right to Buy Sales of Houses and Flats	6,562
Sale of Land and Other Property	0
Mortgages Repayments	34
Total	6,596

5 Depreciation Charges for Operational Assets

The HRA is charged with depreciation to reflect the consumption of HRA assets over their useful life (Housing Stock £14.239m; other property £0.206m). Of the charge of £14.239m relating to housing stock, £8.972m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the council by the government. The balance of £5.267m is appropriated to the Major Repairs reserve, and is a notional figure which has no impact on tenants' rents. The charge of £0.206m relating to other property is also appropriated to the Major Repairs Reserve.

	Depreciation Charge 2006/07 £'000
Operational Assets	
Council Dwellings	14,239
Other Land and Buildings	187
Vehicles, Plant, Furniture and Equipment	19
Total Depreciation	14,445

6 Impairment

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2006/07 relating to fixed assets.

7 Deferred Charges

Deferred charges represent a transfer of resources from capital to revenue. This is to fund capital expenditure that does not create or enhance the life or value of a fixed asset. The deferred charges in 2006/07 are £44,500 for the Cash Incentive Scheme and £145,873 for Computer Equipment. In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure is financed from capital resources.

8 HRA Subsidy Payable

The Housing Revenue Account Subsidy is a central government grant to local authorities with council housing in order to assist them to bridge the gap between income and expenditure on their Housing Revenue Account.

The HRA subsidy system subsidises the council in meeting the costs of running the housing stock. With effect from 2004/05 the Government removed Rent Rebates from the Housing Revenue Account.



HRA subsidy payable to the council for the year ended 31 March 2007 is as follows:

HRA Subsidy Elements	£'000
Housing Element	
Income	
Rental Income (Notional)	(35,907)
Interest on Receipts	(12)
Total Income	(35,919)
Expenditure	
Repairs, Maintenance and Management (Notional)	21,858
Major Repairs Allowance	8,972
Charges for Capital	7,229
Total Expenditure	38,059
Summary	£'000
Housing Element Income	(35,919)
Housing Element Expenditure	38,059
Total HRA Subsidy Due 2006/07	2,140
Subsidy Adjustment For 2005/06	6
Subsidy Outturn 2006/07	2,146

9 HRA Share of Contributions to Pensions Reserve

In accordance with Financial Reporting Standards (FRS) 17 the HRA Income & Expenditure Account includes £185,000, for its share of the contribution to the pensions reserve. The costs calculated by the pensions actuary include Current service cost, Interest on Pension Liability, and Expected Return on assets. The HRA share is calculated by apportioning costs based on employers contributions charged to the HRA for the year. In accordance with proper accounting practice, the contribution is then removed by crediting the Statement of Movement on the HRA Balance to ensure the HRA is only charged with pension fund contributions payable for the year.

10 Rent Arrears

At 31 March 2007, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £2,482,235 (2006 £2,302,844). This represents an increase in arrears as a proportion of gross rental income from 6.39% to 6.66%.

The Provision for uncollectable debts is as follows:

2005/06 £'000		2006/07 £'000
1,842	Provision as at 1 April	1,780
257	Change in Provision charged to the HRA	262
(319)	Rent Arrears and other bad debts written off	(192)
1,780	Provision for Bad Debts as at 31 March	1,850

Collection Fund Account and Notes

Year Ended 31 March 2006			Year Ended 31 March 2007	
£'000	£'000		£'000	£'000
		Collection Fund		
		Income		
(134,112)		Income from Council Tax	(141,316)	
18,244		Benefits	19,780	
347		Write back of Prepayments	100	
7,607		Allowances	8,244	
13,404		Discounts	13,597	
256		Voids/Bankruptcies	317	
	(94,254)			(99,278)
		Transfers from General Fund		
(18,244)		- Council Tax Benefits	(19,780)	
(68)		- Discretionary Rate Relief	(70)	
	(18,312)			(19,850)
(88,730)		Income Collectable from Business Rates	(88,467)	
18,821		Allowances	12,002	
(5)		Movement on Provisions	(45)	
78		Interest on Refunds	62	
	(69,836)			(76,448)
	(182,402)	Total Income		(195,576)



Year Ended 31 March 2006			Year Ended 31 March 2007	
£'000	£'000		£'000	£'000
		Collection Fund		
		Expenditure		
		Precepts and Demands		
95,633		- Brighton & Hove City Council	101,960	
6,149		- East Sussex Fire Authority	6,558	
10,125		- Sussex Police Authority	10,803	
	111,907			119,321
		Business Rate		
69,476		- Payment to National Pool	76,089	
428		- Costs of Collection	428	
	69,904			76,517
		Bad/Doubtful Debts		
(60)		- Write Offs	381	
387		- Provision for Uncollectable Amounts	648	
	327			1,029
		Contribution towards Previous Year's Collection Fund Surplus		
	585	- Brighton & Hove City Council		500
61		- Sussex Police Authority	53	
37		- East Sussex Fire Authority	32	
	98			85
	182,821	Total Expenditure		197,452
	419	Movement on Fund Balance		1,876
	(887)	Balance 1 April (Surplus) / Deficit		(468)
	419	Movement on Fund Balance		1,876
	(468)	Balance 31 March (Surplus)/Deficit		1,408

Please note the (Surplus) / Deficit is shown on the Balance Sheet net of the Redistribution of Council Tax (Surplus) / Deficit due to the Sussex Police Authority and East Sussex Fire Authority

Notes to the Collection Fund Account

1 Collection Fund

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund to account for transactions in relation to non-domestic rates, council tax and precept demands. The Collection Fund is consolidated with other accounts of the council and has been prepared on an accruals basis.

2 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Sussex Police Authority, East Sussex Fire Authority and the council for the forthcoming year and dividing this by the council tax base.

The council's tax base was calculated as follows:

Band	Estimated no. of Taxable Properties	Band Ratio	Band D Equivalent Dwellings
Band A*	8	0.5556	4
Band A	20,385	0.6667	13,590
Band B	23,074	0.7778	17,946
Band C	28,510	0.8889	25,343
Band D	16,694	1.0000	16,694
Band E	9,644	1.2222	11,787
Band F	3,928	1.4444	5,674
Band G	2,375	1.6667	3,959
Band H	119	2.0000	238
			95,235
Less provisions for appeals and non collection			(1,899)
Tax Base For	2006/07		93,336
Tax Base For	2005/06		91,833

* Entitled to disabled relief reduction.

3 National Non Domestic Rates (NNDR)

NNDR is organised on a national basis. The government specifies an amount (Non-Domestic multiplier is 43.3p in 2006/07 and the small business multiplier is 42.6p in 2006/07) and, subject to the effects of transitional arrangements, local businesses pay rates are calculated by multiplying their rateable value by that amount. The council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the government. The government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £76.151m for 2006/07 (£69.549m for 2005/06) was based on an average rateable value for the council's area of £220.592 for 2006/07 (£217.483m for 2005/06). The year-end rateable value for NNDR amounted to £219.028m for 2006/07 (£222.225m for 2005/06).

4 Precepting Authorities

The major authorities precepting on the Collection Fund in 2006/07 and their respective amounts were:

	2005/06	2006/07
Brighton & Hove City Council	£95,632,518	£101,960,743
Sussex Police Authority	£10,124,597	£10,802,743
East Sussex Fire Authority	£6,148,509	£6,557,808

The Brighton & Hove City Council precept includes £23,500 for Rottingdean Parish Council (£23,500 in 2005/06)

5 Contributions to Collection Fund Surpluses and Deficits

The deficit of £1.408m on the Collection Fund as at 31 March 2007 will be distributed in subsequent financial years to Sussex Police Authority, East Sussex Fire Authority and the council in proportion to the value of the respective precept on the Collection Fund.



Learning Disability Services Memorandum Account

The council, as Lead Commissioner, has entered into a pooled budget with Brighton & Hove City Primary Care Trust. Under the arrangement, funds are pooled under Section 31 of the Health Act 1999 for Learning Disability Services, and a memorandum note to the accounts provides details of the joint income and expenditure.

	Cash £'000
Gross Funding:	
Brighton & Hove City Primary Care Trust	5,979
Brighton & Hove City Council	21,840
	27,819
Expenditure Learning Disability Services:	
Sussex Partnership Trust	515
Social Care (Brighton & Hove City Council)	27,304
	27,819
Balance of Section 31 Funding and Expenditure	0

Trust Fund Accounts and Notes

The council acts as trustee for various Trust Funds. The balances on these accounts are excluded from the council's Balance Sheet.

Capital Market Value (Note 1) £'000	Net Current Assets (Note 2) £'000	Trust Fund	Revenue Balance 1 April 2006 £'000	Expenditure 2006/07 £'000	Income 2006/07 £'000	Revenue Balance 31 March 2007 £'000
1,047	99	Brighton Fund Gifts to the aged poor	(17)	21	(36)	(32)
593	(2)	Gorham's Gift Distribution and expenses (Note 3)	9	48	(43)	14
1,250	0	Land and Buildings (Note 4)	0	0	0	0
659	89	Hedgecock Bequest Grants to Charity	(4)	22	(24)	(6)
284	56	Oliver & Johanna Brown Education	(41)	9	(11)	(43)
279	92	Other Trusts Education	(84)	7	(13)	(90)
57	44	Music Trust	(50)	10	(4)	(44)
63	148	Various	(116)	4	(12)	(124)
92	401	Friends of the Royal Pavilion (Note 5)	(371)	40	(70)	(401)
4,324	927	Total	(674)	161	(213)	(726)

Notes to the Trust Funds

Note 1 Capital Market Value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the Mid Point Market Prices as at 31 March 2007.

Note 2 Net Current Assets equals cash plus investments in the council.

Note 3 The opening revenue balance has been restated due to a late adjustment of £3,000 relating to cash held by the managing agents, debtors outstanding and creditors due.

Note 4 Land and Buildings for Gorham's Gift are shown at the market valuation as at 25th February 2003.

Note 5 Capital Market Value for Friends of the Royal Pavilion includes £92,000 Community Assets. The opening revenue balance has been restated due to a late adjustment of £1,000 arising from the 2005/06 audit of accounts.

Note 6 The council acts as the sole trustee in respect of all the funds listed with the exceptions of Gorham's Gift and Friends of the Royal Pavilion.



Brighton & Hove City Council

Group Financial Statements

2006/07

Group Accounts

The 2006 SORP requires local authorities to produce a full set of group accounts where appropriate. This is to demonstrate to the user of the accounts the full range of assets for which the council can exercise control.

The group consists of Brighton & Hove City Council and its two-thirds share of Shoreham Airport which has been treated as a joint venture. These group accounts have been prepared using the Gross Equity method.

In 2006/07, changes to the group accounts have been made that result in the group accounts being easier to understand and having a common format to the single entity statement of accounts rather than a different format as was the case for the 2005/06 accounts.

These group accounts are dated as at 31 March 2007 but reflect only the trading activities of Shoreham Airport, up to the date of sale, 30 June 2006.

The group accounts consist of the following statements:

Group Income and Expenditure Account

This account reflects the revenue activity of the council plus its share of the revenue activities of the joint venture.

Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Account Surplus or Deficit

This statement shows the movement from the Single Entity Income & Expenditure Account surplus or deficit to that of the Group Income & Expenditure Account, detailing the make up of the group between Subsidiaries, Joint Ventures and Associates. The group for Brighton & Hove City Council consists of a joint venture only.

Group Statement of Total Recognised Gains and Losses

This statement analyses the changes that have taken place in the group's capital and revenue resources.

Group Balance Sheet

The balance sheet sets out the financial position of the council plus its share of the joint venture

Group Cash Flow Statement

This statement summarises the total movements of the group funds.

Up to 30 June 2006 Brighton & Hove City Council had a two-thirds share of Shoreham Airport and therefore must produce group accounts under the requirements of SORP 2006. It should be noted that these group accounts take into account transactions that took place after the date of sale but within the 2006/07 financial period.

It should also be noted that, although the council had the majority share of Shoreham Airport, the constitution did not allow for the council to have a dominant influence. The following accounts have therefore been produced treating Shoreham Airport as a Joint Venture. The remaining one-third share of Shoreham Airport was owned by Worthing Borough Council and will be reflected in their Statement of Accounts.

Shoreham Airport was established in the 1930's when a joint committee was formed between the municipal authorities of Brighton, Hove and Worthing and has been in council ownership since then, however, it should be noted that the councils sold Shoreham Airport to the Erinaceous Group plc on 30 June 2006.

A separate Statement of Accounts for Shoreham Airport has been produced which is available upon request.

Statement of Accounting Policies

The accounting policies used to prepare these group accounts are the same as for Single Entity accounts.



Group Income and Expenditure Account

Year ended 31 March 2006	Operations	Year ended 31 March 2007		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
(6,246)	Central Services to the Public	38,824	(47,457)	(8,633)
54,893	Cultural, Environmental & Planning Services	88,506	(30,630)	57,876
127,584	Education Services	199,631	(173,405)	26,226
8,613	Highways, Roads & Transport	30,485	(18,783)	11,702
(2,154)	Housing Revenue Account (HRA)	40,049	(43,644)	(3,595)
13,132	Housing General Fund	156,979	(147,905)	9,074
96,415	Social Services	154,301	(46,346)	107,955
4,693	Corporate & Democratic Core	5,093	0	5,093
461	Non Distribution Costs	1,037	0	1,037
	Share of Operating Costs of Joint Venture:			
(1,788)	Turnover	0	(468)	(468)
1,771	Other Operating Income & Expenditure	509	0	509
297,374	Net Cost of Services	715,414	(508,638)	206,776
0	(Gains) / Losses on disposal of Fixed Assets including Disposal Costs (Shoreham Airport)			8,906
46	(Gains) / Losses on disposal of Fixed Assets including Disposal Costs (BHCC)			1,380
4,294	Contribution of Housing Capital Receipts to Government Pool			4,895
184	Precepts & Levies			209
12,115	External Interest Payable			10,910
128	Share of Interest Payable by Joint Venture			33
(5,156)	Interest & Investment Income			(5,626)
777	HRA Amortised Premiums/Investment Income			689
(10)	Share of Interest Receivable by Joint Venture			(10)
1,821	Pensions Interest cost/ expected return on pension assets – General Fund			(129)
88	Pensions Interest cost/ expected return on pension assets – HRA			(6)
11	Pensions Interest cost/ expected return on pension assets – Joint Venture			0
0	Exceptional Item - Income from the cessation of a Trading Entity (Shoreham Airport)			(2,888)
0	Exceptional Item - Distribution of Capital Receipts			2,888
0	Exceptional Item - Shoreham Airport Pension Payment			(344)
311,672	Net Operating Expenditure			227,683

Year ended 31 March 2006 £'000		Year ended 31 March 2007 £'000
	Demand on the Collection Fund:	
(95,611)	Collection Fund Demand	(101,937)
(23)	Parish Precepts from Collection Fund	(23)
(585)	Transfer to/(from) Collection Fund	(500)
	General Government Grants:	
(364)	LPSA Grant	(1,229)
(109,504)	Government Grant	(15,711)
(83,796)	Distribution from National Non Domestic Rate Pool	(81,392)
21,789	(Surplus)/Deficit for the Year	26,891

The introduction of SORP 2006 means that the council's accounts for 2006/07 are presented in a different way to the 2005/06 accounts. The 2005/06 figures have therefore been amended to accommodate these new requirements.

Group Income and Expenditure Account

The Group Income and Expenditure Account no longer includes Appropriations and there is now a Statement of Movement on the Group Balances.

The Group Income and Expenditure Account now shows gains and losses on disposal of fixed assets.

Reconciliation of Single Entity Deficit to the Group Deficit for the Year

Year Ended 31 March 2006 £'000		Year Ended 31 March 2007 £'000
21,677	Deficit on the Single Entity Income and Expenditure Account	15,377
0	Adjustments for transaction with other group entities	0
21,677	Surplus in the Group Income and Expenditure Account attributable to Brighton & Hove City Council	15,377
	(Surplus) / deficit in the Group Income and Expenditure Account attributable to Group Entities	
112	Joint Venture	11,514
21,789	(Surplus) / deficit for the year on the Group Income and Expenditure Account	26,891



Statement of Movement on Group Balances

2005/06 £'000		2006/07 £'000
21,789	(Surplus) / deficit for the year on the Group Income & Expenditure Account	26,891
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Working Balance	
(22,747)	Single Entity	(15,423)
(153)	Brighton & Hove City Council share of Joint Venture	(11,257)
(22,900)	Total Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Working Balance	(26,680)

Please note for further detail of the Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Working Balance relating to the Single Entity, please refer to the Statement of Movement on General Fund Balance within the Single Entity accounts. For further detail relating to the Joint Venture, please refer to the Shoreham Airport statement of accounts.

Group Statement of Total Recognised Gains and Losses

Year Ended 31 March 2006 £'000		Year Ended 31 March 2007 £'000
21,789	Net Surplus / Deficit for the year	26,891
	Surplus or deficit on revaluation of fixed assets:	
133,497	Cost	(105,549)
22,061	Depreciation	(31,799)
6,778	Actuarial Gains and Losses on pension fund assets and liabilities	(35,933)
(52,393)	Any other gains or losses recognised in the STRGL	1,046
131,732	Total recognised Gains and Losses for the year	(145,344)

The Total Recognised Gains and Losses for the year reconciles to the movement of the Total Net Worth of the Balance Sheet between financial years. This statement replaces the Statement of Total Movement in Reserves.

Group Balance Sheet

As at 31 March 2006 £'000		As at 31 March 2007	
		£'000	£'000
1,120	Intangible Fixed Assets		2,250
	Tangible Fixed Assets:		
	Operational Assets		
738,845	Council Dwellings	809,069	
672,695	Other Land & Buildings	707,807	
10,962	Vehicles, Plant, Furniture & Equipment	11,687	
65,220	Infrastructure Assets	67,472	
6,699	Community Assets	6,149	1,602,184
	Non Operational Assets		
154,323	Investments Properties	167,486	
29,836	Assets Under Construction	33,068	
8,090	Surplus Assets Held for Disposal	8,090	
			208,644
1,687,790	Total Fixed Assets		1,813,078
21,747	Deferred Consideration		20,764
830	Long Term Investment		774
4,432	Long Term Debtors		3,686
1,714,799	Total Long Term Assets		1,838,302
14,828	Share in Gross Assets of Joint Venture	0	
(2,926)	Share in Gross Liabilities of Joint Venture	0	
11,902			0
	Current Assets		
68,834	Investments	96,894	
901	Stocks & Works in Progress	961	
76,661	Debtors	77,453	
(24,537)	Bad Debt Provision	(25,694)	
1,360	Landfill Usage Allowances	2,486	
123,219			152,100
	Current Liabilities		
(6,374)	Borrowing Repayable in less than 12 months	(5,403)	
(54,642)	Creditors	(73,418)	
(1,225)	LATS Deferred Income	(2,187)	
(1,406)	Bank Overdraft	(2,875)	
(63,647)			(83,883)
1,786,273	Total Assets Less Current Liabilities		1,906,519
(225,018)	Long Term Borrowing	(228,938)	
(2,066)	Provisions	(910)	
(2,217)	Section 106 Unapplied	(2,980)	
(2,493)	Government Grants Unapplied	(2,046)	
(70,602)	Government Grants Deferred	(77,025)	
(148,147)	Pensions Liability – Brighton & Hove City Council	(114,153)	
(607)	Pensions Liability – Joint Venture	0	
(451,150)			(426,052)
1,335,123	Total Assets Less Liabilities		1,480,467



As at 31 March 2006 £'000		As at 31 March 2007	
		£'000	£'000
(11,669)	Revaluation Reserve – Joint Venture		0
(1,291,388)	Fixed Asset Restatement Account		(1,418,731)
(122,048)	Capital Financing Account		(106,639)
(293)	Deferred Credits		(257)
(6)	Usable Capital Receipts Reserve		(1,698)
0	Major Repairs Reserve		0
	Funds Balances & Reserves		
(38,958)	Earmarked Reserves	(47,288)	
(8,954)	General Fund Working Balance	(9,000)	
(1,295)	General Fund General Reserves	(2,205)	
(233)	Income & Expenditure Reserve – Joint Venture	0	
	Pensions Reserve		
148,147	Brighton & Hove City Council	114,153	
607	Share of Joint Venture	0	
(35)	Other Specific Reserves	(48)	
(400)	Collection Fund	1,203	
(2,647)	LMS Reserves	(2,961)	
(665)	Standards Fund LEA Budget	(32)	
(2,626)	Standards Fund Reserve	(2,753)	
(2,660)	Housing Revenue Account	(4,211)	
			46,858
(1,335,123)	Total Net Worth		(1,480,467)

Note to the Group Balance Sheet

- As at 30 June 2006 Brighton & Hove City Council had a two-thirds majority share of the Airport with Worthing Borough Council holding the remaining one-third share.
- In the event of a trading deficit that could not be covered by the Airport's resources, both councils would have been required to cover that deficit from within their own resources. However, as at 30 June 2006 the Airport was sold to the Erinaceous Group plc.
- Please note the 2005/06 General Fund Working Balance has been adjusted by the cost of disposals of fixed assets, £46,000, due to new accounting requirements. This has been offset by an adjustment to the Usable Capital Receipts Reserve.
- Please also note the 2005/06 Collection Fund balance has been restated, also due to new accounting arrangements by £0.068m for the Collection Fund, this has been offset by adjustments to Creditors.
- Please note Government Grants Deferred has been moved from the Total Net Worth to the top half of the Balance Sheet due to new accounting requirements.
- Please note the 2005/06 Debtors and Creditors amounts have been restated due to late system control adjustments made after the balance sheet date, £1,000 for Debtors and £16,000 for Creditors. These were offset by an adjustment to the Bank Overdraft amount.
- Please note the 2005/06 Gross Liabilities figure has been amended by the amount of the Joint Venture's Pensions Liability which has been shown under the Brighton & Hove City Council's Pension Liability within Long Term Debtors.

Group Cash Flow Statement

Year to 31 March 2006			Year to 31 March 2007	
£'000	£'000		£'000	£'000
	(44,665)	Revenue Activities		
		Net Cash (inflow)/outflow from Revenue Activities		(64,882)
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
11,895		Interest Paid	10,639	
		Cash Inflows		
(4,747)		Interest Received	(5,378)	
		Capital Activities		
		Cash Outflows		
49,144		Purchase of Fixed Assets	34,754	
8,168		Deferred Charges	11,893	
0		Other Capital Cash Payments	1,360	
		Cash Inflows		
(5,718)		Sale of Fixed Assets	(9,082)	
(1,413)		Capital Grants Received	(5)	
(2,166)		Other Cash Receipts	(2,941)	
	55,163			41,240
	10,498	Net Cash (inflow)/outflow		(23,642)
		Management of Liquid Resources		
	12,329	Short Term Investments		28,060
		Financing		
		Cash Outflows		
19,294		Repayments of Amounts Borrowed	81,830	
		Cash Inflows		
(41,616)		New Loans Raised	(84,779)	
	(22,322)			(2,949)
	505	(Increase)/Decrease in Cash		1,469

Please note the 2005/06 Other Operating Cash Payments and Cash received for Goods or Services amounts have been restated due to late system control adjustments made after the balance sheet date £1,000 on Other Operating Cash Payments and £16,000 on Cash received for Goods or Services. These were offset by an adjustment to the Decrease in Cash amount.

Please note the 2005/06 repayments of amounts borrowed figure has been adjusted by £5.000m due to some repayments of borrowing being incorrectly classified as Other Operating Cash Payments.



Notes to Group Financial Statements

1 Acquired, Discontinued Operations and Outstanding Operations

The group consists of Brighton & Hove City Council and Shoreham Airport. The airport was sold to Erinaceous plc on 30 June 2006 at which point the group was discontinued.

2 Trading Operations

The council has identified Shoreham Airport as a Trading Operation, which is consolidated within the Group Accounts as a Joint Venture. Shoreham Airport was sold to the Erinaceous Group plc on 30 June 2006, the group accounts therefore relate to the first quarter year of operation only.

3 Movements on Group Reserves

	Balance as at 1 April 2006	Gains or Losses Transferred to or from Group Reserves	Net Amount Transferred within Group Reserves	Balance as at 31 March 2007
	£'000	£'000	£'000	£'000
Revaluation Reserve	(11,669)	37	11,632	0
Fixed Asset Restatement Account	(1,291,388)	(137,348)	10,005	(1,418,731)
Capital Financing Account	(122,048)	(67)	15,476	(106,639)
Usable Capital Receipts Reserve	(6)	797	(2,489)	(1,698)
Pensions Reserve BHCC	148,147	(35,588)	1,594	114,153
Pensions Reserve Joint Entity	607	(263)	(344)	0
HRA Balance	(2,660)	0	(1,551)	(4,211)
General Fund Balance	(8,954)	15,377	(15,423)	(9,000)
Income & Expenditure Reserve	(233)	11,521	(11,288)	0
Other Reserves (Incl. Earmarked Reserves)	(46,919)	190	(7,612)	(54,341)
Total	(1,335,123)	(145,344)	0	(1,480,467)

Glossary of Terms

Accruals

The concept that income and expenditure are recognised when they are earned or incurred, not when money is received or paid.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Account

This account represents the amounts set aside from capital receipts for the repayment of external loans.

Capital Financing Requirement

The capital investment funded from borrowing which has yet to be repaid.

Capital Receipt

The proceeds from the sale of a fixed asset. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be utilised to finance capital expenditure.

Collection Fund

All receipts of Council Tax and National Non Domestic Rates are paid into this fund. The council uses this money to pay its precepts to Sussex Police Authority and the East Sussex Fire Authority, and the demand by the council's General Fund, which finances the council's day to day expenditure.

Community Assets

Assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**Creditor**

Amounts owed by the council but not paid at the date of the balance sheet.

Current Asset

An asset held which will be consumed or cease to have value within the next financial year; examples are stock and debtors.

Current Liability

An amount which will become payable or could be called in within the next accounting period, examples are creditors and cash overdrawn.

Debtors

Amounts owed to the council but not paid at the balance sheet date.

Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created.

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Events After The Balance Sheet Date

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the accounts are authorised for issue.

Fixed Assets

Tangible assets that yield benefit to the council and the services it provides for a period of more than one year.

Government Grants

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of the council's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the council.

Group Accounts

Group Accounts are a separate set of accounts that include a Group Income & Expenditure Account, a Group Balance Sheet, a Group Statement of Total Recognised Gains and Losses and a Group Cash Flow Statement. These accounts are designed to demonstrate the total assets over which the authority has a measure of control.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central government.

Housing Revenue Account

A ring-fenced account within the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the council.

Infrastructure Assets

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths and bridges.

Intangible Assets

Fixed assets that do not have a physical substance but are identifiable and are controlled by the entity through custody or legal rights. This could include software licences or patents.

Investment Properties

Interest in land and/or buildings which are held for their investment potential.

Liquid Resources

Current asset investments that are readily disposable by the council without disrupting its business and are either:

- readily convertible to known amounts of cash as, or close to, the carrying amount; or
- traded in an active market.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the council.

National Non Domestic Rates (NNDR)

A flat rate in the pound set by central government and levied on businesses in the City. The money is collected by the council and then passed to central government who reallocate the income to all councils in proportion to their population.

Non Distributed Costs

These are overheads for which no user benefits and should not be apportioned to services. For example pensions arising from discretionary added years service.

Non-Operational Assets

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the council in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, such as the Sussex Police Authority and the East Sussex Fire Authority.

**Provision**

An amount set aside in the accounts for liabilities or losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made.

Public Works Loan Board (PWLB)

A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves

These result from events which have allowed money to be set aside or surpluses of income over expenditure. They are not allocated to specific liabilities in the way that provisions are although earmarked reserves are allocated for specific purposes. Unallocated reserves are often described as balances.

Revenue Expenditure

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Supported Borrowing

The revenue costs of this borrowing are included within the revenue support grant settlement from central government.

Surplus Assets Held for Disposal

Assets held for resale or redevelopment.

Tangible Fixed Assets

Please see Non-Operational and Operational Assets above.

Temporary Borrowing

Money borrowed for a period of less than one year.

Unsupported Borrowing

The revenue costs of this borrowing are not included within the revenue support grant settlement from central government. The cost of repaying the borrowing has to be met from within existing revenue resources.

Useful Life

The period over which benefits will be derived from the use of a fixed asset.

Work in Progress

The cost of work done on an uncompleted project at the balance sheet date, which should be accounted for.



**Brighton & Hove
City Council**

Printed and published by
Brighton & Hove City Council
November 2007

Translation? Tick this box and take to any council office.

Perkthim? Zgjdhni kete kuti dhe cojeni ne cilendo zyre keshilli. Albanian

ترجمة؟ ضع علامة في المربع وخذها إلى مكتب البلدية. Arabic

অনুবাদ? বক্সে টিক চিহ্ন দিয়ে কাউন্সিল অফিসে নিয়ে যান। Bengali

需要翻译? 请勾选此框并送至任何理事会的办公室。 Chinese

Farsi ترجمه؟ چهارگوشه را نشانه گذاری کرده و به یکی از انجمن های مشاوره رجوع کنید.

Traduction? Veuillez cocher la case et apporter au Council. French

Tradução? Coloque um visto na quadrícula e leve a uma qualquer repartição de poder local (Council Office). Portuguese

Tercümesi için kareyi işaretleyiniz ve bir semt belediye bürosuna veriniz Turkish

other (please state)

**This can also be made available in
large print, Braille or on audio tape**