Brighton & Hove City Council

Statement of Accounts 2008/09

Contents

Certification by Chairman

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 30 June 2009.

I confirm that these amended accounts were resubmitted to the Audit Committee at a meeting held on 29 September 2009.

Signed on behalf of Brighton & Hove City Council

Leslie Hamilton
Chairman
Audit Committee

Date 30 June 2009

Introduction and Explanatory Foreword to 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 the core financial statements, notes to the accounts, and supplementary statements.

Introduction

These annual accounts cover a period during which there have been major changes in national and local economic conditions stemming from the problems experienced in the banking and financial sectors. These conditions have also increased risks to local authorities whose treasury management activities include the management of substantial cash flows, investments and borrowings. The council monitors levels of risk within the financial markets very closely, which has ensured that it has not suffered any losses from banking collapses and has also performed relatively well against its investment and borrowing targets and comparators. The continuation of very low levels of interest rates in the medium term will however affect investment income and the council has therefore set aside resources to manage the expected downturn within its 3 year Medium Term Financial Strategy.

The council's minority Conservative administration has set out its priorities in the Corporate Plan, which includes making "Better Use of Public Money" as a key priority. This includes aiming for lower council tax rises year-on-year, improving value for money across services, developing robust long-term financial plans and improving our use of resources and assets. In 2008/09 the council tax increase was 3.94%, the lowest percentage increase in the council's history and the council has recently set a lower increase for 2009/10 of 3.5%, the 3rd lowest increase in Sussex.

The council continues to receive very low increases through the government's formula funding mechanism, known as "floor" level increases, and will continue to do so for the foreseeable future. The achievement of lower council tax increases is therefore only possible through the delivery of substantial efficiency and other savings including over £8m in 2008/09 and further planned efficiencies of £8.5m in 2009/10, which equates to a reduction of £69 on Band D council tax.

The achievement of these efficiencies is supported by the council's approach to value for money which included a review of all service areas during 2008/09, focusing on those areas that are higher spending or have higher unit costs than comparable authorities. The Audit Commission have commended the council's approach and in their judgement of our use of resources, under the Comprehensive Performance Assessment (CPA) framework, have stated that the council is achieving good value for money. The Audit Commission have rated the council at level 3 (out of 4) for its use of resources and have awarded a 4 star "Excellent" rating for the council's overall performance under the CPA framework. More details can be found in the Audit Commission's Annual Audit and Inspection Letter on the council's web site.

The accounts show that the council has delivered services within budget and has maintained appropriate reserves and balances to manage financial and other risks both in-year and going forward. Good financial management has enabled the council to remain within budget, even after meeting very substantial equal pay costs, and has enabled the council to provide for investment in the Building Schools for the Future programme, which could bring in investment of up to £200 million across secondary schools if successful. Significant financial challenges and pressures remain, including expected government constraints on public sector budgets, but the council's robust approach to financial control and value for money will ensure that the finances can properly support priority areas in the current economic climate.

Explanatory Foreword

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, a Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application

of the SORP. It is intended to give electors, members, employees and other interested parties clear information about the council's finances.

Significant Changes in Accounting Policies and Prior Period Adjustments

The council adopted the following changes to accounting policies for the 2008/09 accounting period as required by the SORP:

- As a result of an amendment to FRS 17 (Retirement Benefits), quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The bid value of assets is the value which can be realised immediately at a particular date (i.e. the price at which you would be able to guarantee a sale) whereas the, previously used, mid market value is halfway between the bid value and the offer value (i.e. the price at which an asset can be purchased);
- The introduction of the requirement to recognise impairment of financial instruments in the Balance Sheet for non statutory debt which replaces the previous provisions for bad and doubtful debts;
- The introduction of the term "Revenue Expenditure Funded from Capital Resources (under statute)" to replace the term "deferred charges" for capital expenditure for which the council does not have an asset;
- The change in accounting for the disposal of fixed assets prohibiting the revaluation of assets on disposal. The gain or loss on the disposal of fixed assets is now calculated as the difference between the sale price and the carrying value of the asset.

In 2008/09, the council implemented a new fixed asset/capital accounting software package in response to the increasingly complex capital accounting requirements, particularly the changes introduced by the 2007 SORP; this replaced the manual system of recording fixed asset information. The introduction of this software gave the council the opportunity to review its policy of calculating depreciation for revalued assets.

The 2008 SORP requires prior period adjustments when new or amended accounting policies are implemented. This would mean that previous year transactions (i.e. 2007/08 transactions) would have to be restated to bring them in line with the new accounting policies.

For the changes in accounting policies as required by the SORP, no prior period adjustments are required. However, in relation to the change in the depreciation calculation for revalued assets, prior period adjustments have been made to restate the Balance Sheet as at 31 March 2008. Information is included under the relevant statements and notes to explain these prior period adjustments.

Financial Statements, their purpose and relationship between them

The financial performance for 2008/09 for the activities undertaken by the council is set out in the financial statements on pages 2 to 93 and consists of the following:

Statement of Responsibilities

The Statement of Responsibilities identifies the officer responsible for the proper administration of the council's financial affairs and sets out the respective responsibilities of the council and the Chief Finance Officer for the accounts.

Statement of Accounting Policies

The Statement of Accounting Policies details the legislation and principles on which the accounts have been prepared. This statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

Core Single Entity Financial Statements:

Income and Expenditure Account

The Income and Expenditure Account is the council's main revenue account covering income and expenditure on all services. This statement is fundamental to the understanding of the council's activities in that it reports the net cost for the year of all the functions for which the council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The services are categorised in line with the Best Value Accounting Code of Practice (BVACOP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is to ensure consistency of reporting with other local authorities.

Statement of Movement on the General Fund Balance

The Statement of Movement on the General Fund Balance 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 and which therefore must be taken into account in determining the council's budget requirement and in turn its council tax demand.

The Income and Expenditure Account brings together all of the functions of the council and summarises all of the resources that the council has generated, consumed or set aside in providing services during the year. However, this accounting basis is out of line with the statutory provisions that specify the net expenditure that local authorities need to take into account when setting local taxes, 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 pension 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.

In order to give a full presentation of the financial performance of the council during the year (i.e. the deficit on the Income and Expenditure Account) and the actual spending power carried forward to future years (i.e. the General Fund Balance), a reconciliation statement is used which summaries the differences between the deficit on the Income and Expenditure Account and the amount transferred to the General Fund Balance. This reconciliation statement is called "the Statement of Movement on General Fund Balance".

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses shows all gains and losses including those not included in the Income and Expenditure Account, for example, Revaluation of Fixed Assets and the Pensions Fund. This statement brings these gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the council's net worth for the year (i.e. the movement on the bottom half of the Balance Sheet).

Balance Sheet

The Balance Sheet sets out the financial position of the council as at 31 March 2009. This statement is fundamental to the understanding of the council's financial position at the year end as it shows the council's balances and reserves, its long term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. The statement shows the assets and liabilities of the council balanced by its net worth.

Cash Flow Statement

The Cash Flow Statement summarises the total movement of the council's funds. This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Notes to the Core Financial Statements

The disclosed notes are in accordance with the disclosure requirements of the 2008 SORP. In addition, some voluntary notes are disclosed to aid the understanding of the accounts.

Supplementary Single Entity Financial Statements:

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a separate revenue account for local authority housing provision. The HRA shows income and expenditure on council housing and other associated assets together with changes to the working balance. It includes the credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The Housing Revenue Account statement has two parts;

- the HRA Income and Expenditure Account, which shows in more detail the income and expenditure on HRA services included in the whole council's Income and Expenditure Account, and
- the Statement of Movement on the HRA Balance, which shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA Balance for the year.

Information is also disclosed in the form of notes to the Housing Revenue Account.

Collection Fund Account

The Collection Fund Account shows receipts of council tax, national non domestic rates (NNDR), payments made to the General Fund and precepts to the Sussex Police Authority and the East Sussex Fire Authority. This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. Information is also disclosed in the form of notes to the Collection Fund Account.

Memorandum Accounts

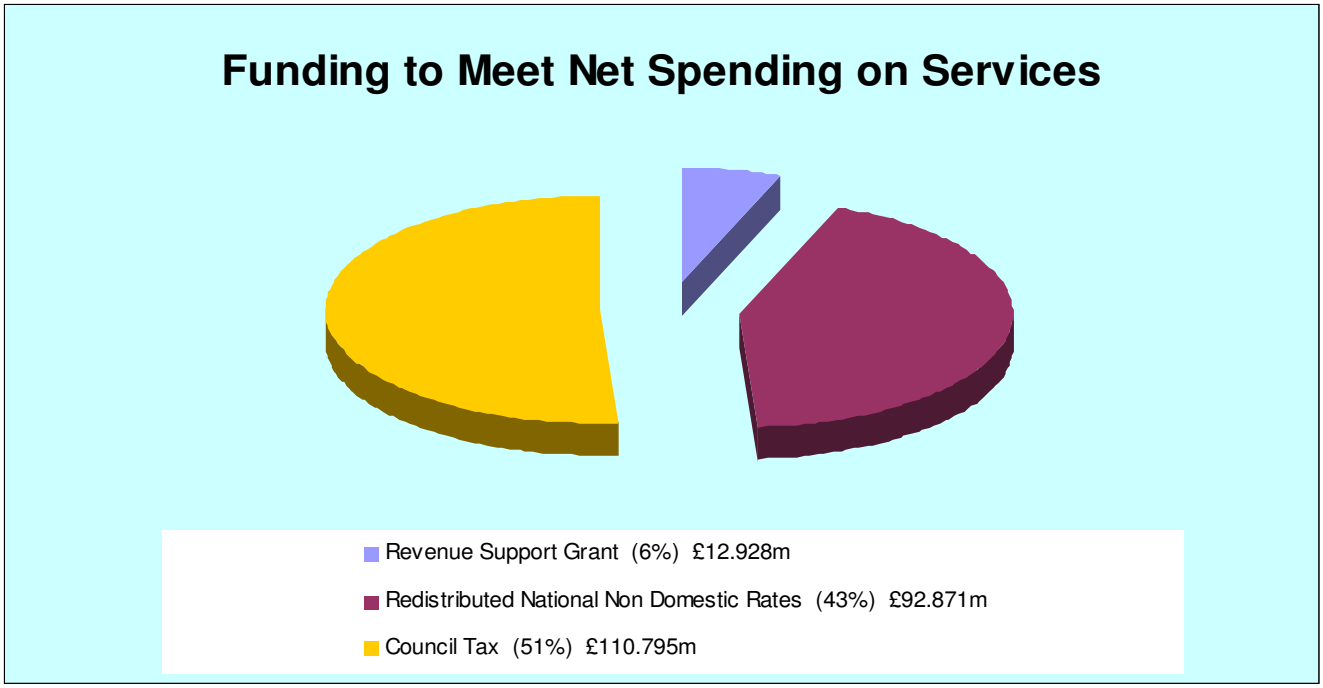
The council, as lead commissioner, has entered into pooled budget arrangements with NHS partners for both learning disability services and children and young people services; funds are pooled under section 75 of the National Health Service Act 2006 and memorandum accounts are required for each service providing details of the joint income and expenditure.

Trust Fund Accounts

The Trust Funds show the transactions for the trust funds that are administered by the council. Information is also disclosed in the form of notes to the Trust Funds.

Revenue Summary 2008/09

The council's net revenue budget after income, for 2008/09 was set at £216.594m (excluding £0.027m Rottingdean Parish Council precept). The following chart shows the sources of this funding which is used to meet the net spending on council services.



The council received formula grant of £105.799m in 2008/09, made up of Revenue Support Grant of £12.928m and redistributed national non domestic rates of £92.871m. Please refer to note 13 for details of the Revenue Support Grant.

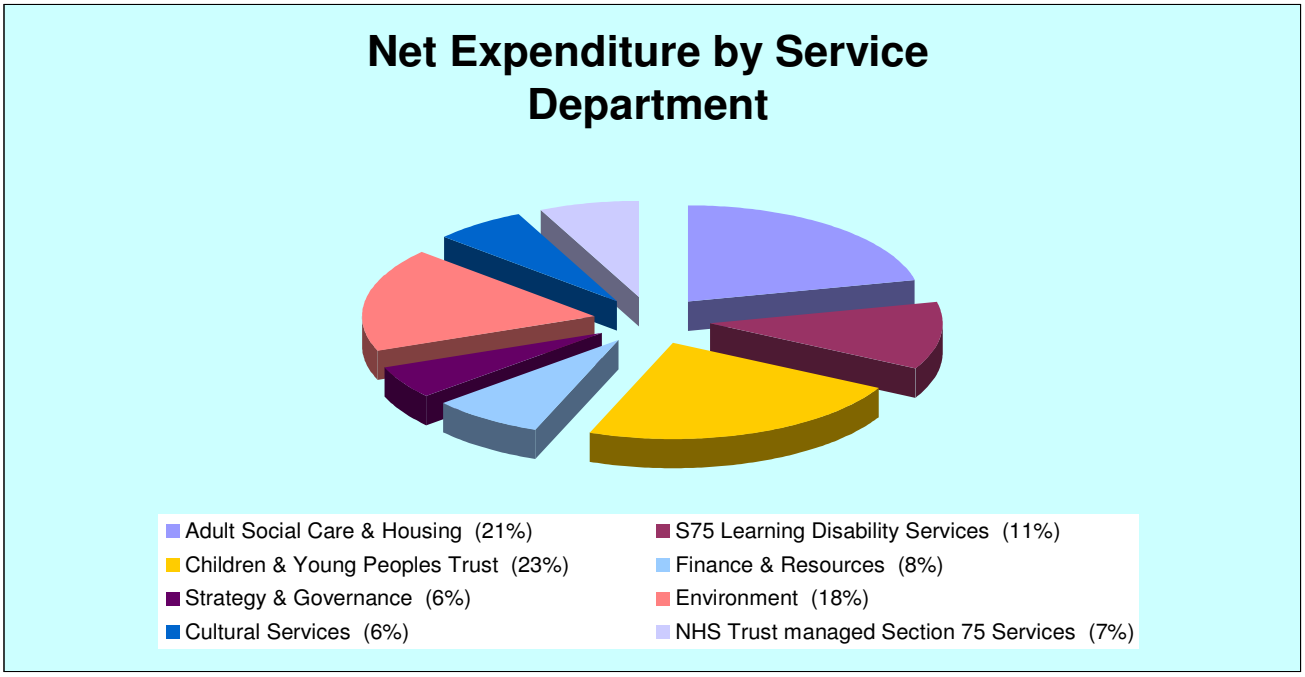
The council tax amount of £110.795m represents the expected income from council tax to be received; the council actually received £109.894m in council tax income in 2008/09.

The following table summarises the spending on council services by service department, including variations compared with the revised budget; the amounts exclude 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	Gross Variance £'000	Transfer to Reserves £'000	Net Variance £'000
Adult Social Care & Housing	42,375	42,867	492	0	492
S75 Learning Disability Services	22,761	22,780	19	0	19
Children & Young People's Trust	47,601	46,293	(1,308)	0	(1,308)
Finance & Resources	15,076	14,637	(439)	600	161
Strategy & Governance	11,249	11,350	101	0	101
Environment	34,678	35,287	609	0	609
Cultural Services	12,628	12,834	206	0	206
Centrally Managed Budgets	(6,505)	(11,709)	(5,204)	1611	(3,593)
NHS Trust managed Section 75 Services	13,679	13,684	5	0	5
General Fund Surplus	**193,542**	**188,023**	**(5,519)**	**2,211**	**(3,308)**

The financial performance in 2008/09 indicates that financial management and controls have been effective with the council achieving an underspend of £3.308m (or 1.7%). The council has delivered services within its overall budget by taking appropriate measures to manage in-year risks and pressures, including significant unavoidable pressures on the council tax collection fund, energy costs and adult social care budgets. The outturn reflects the achievement of efficiency and other savings of over £8m and the implementation of council-wide value for money reviews.

The following chart shows the net expenditure by service department in percentage terms:



Significant variations within the overall variance of £3.308m are as follows:

- Adult Social Care & Housing - the main pressure has been on the demand-led community care budget, in particular physical disability services which overspent by £0.788m. Estimating demand for community care services is difficult as there are often peaks and troughs in demand and the budget process requires that demand is usually estimated around October of the previous year. Subsequently, growth in the levels of demand for physical disabilities services has increased beyond original projections. For this reason, the council's budget includes contingency provision and an assessment of reserves to ensure that variations in demand can be managed within the council's overall finances;
- Children & Young People's Trust - children's placement budgets underspent by £1.182m due to lower levels of residential agency and in-house placements than anticipated. Historically this has been a challenging area to manage and despite the underspend in 2008/09, is expected to remain so, particularly

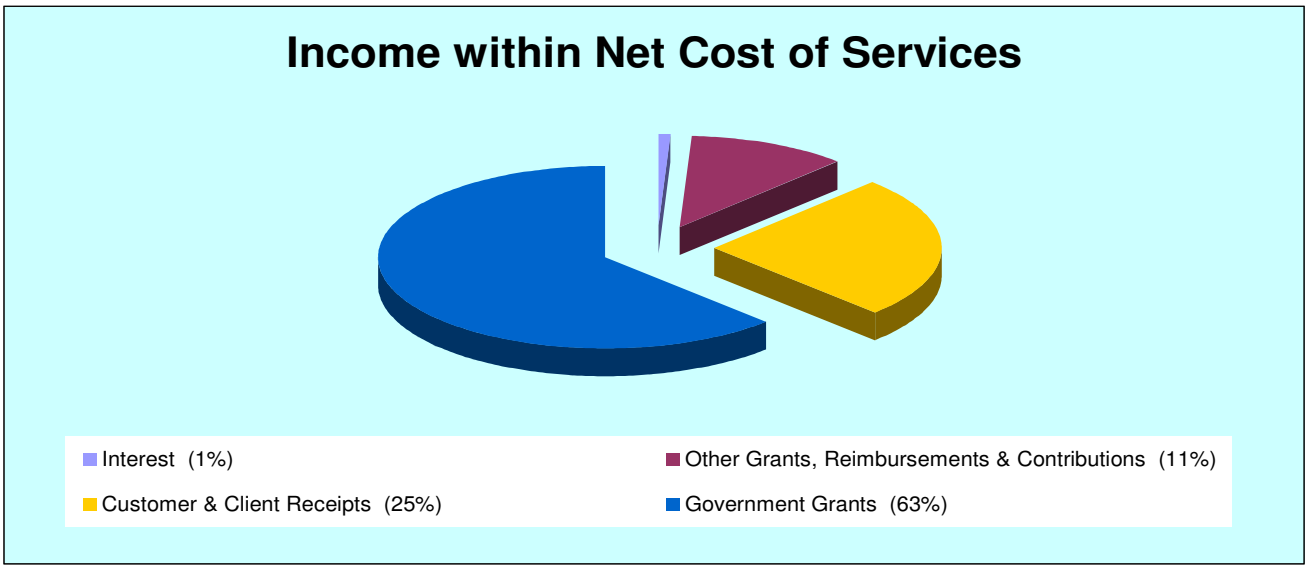
in light of the heightened national and local focus on children's services. Other variances include underspends on Area Social Care teams of £0.336m due to some recruitment issues, currently being addressed through the Social Work Recruitment and Retention programme;

- Finance & Resources – the service achieved an underspend of £0.439m mainly due to vacancy management savings across ICT and finance areas. A substantial increase in housing benefit subsidy of £0.600m awarded by the government for maintaining benefit claim errors below government thresholds was offset by a shortfall on land charges fee income of £0.559m. The latter resulted from a continued downturn in the housing market which dramatically reduced the overall number of land searches undertaken. The favourable overall council position has enabled the council to make various prudent financial provisions including £0.500m for rationalising its use of major civic buildings in accordance with its corporate Accommodation Strategy;
- Environment – Sustainable Transport overspent by £0.387m due primarily to a downturn in patronage at the 5 former NCP car parks resulting from economic conditions during the last quarter. Other expenditure exceeded budget by £0.079m with the main pressure being energy costs from street lighting and traffic signals. City Planning also overspent primarily due to the loss of Housing and Planning Delivery grant as a consequence of a delay in the Core Strategy to accommodate further work on the Shoreham Harbour Regeneration project. This is a reflection of the difficulties of planning for housing growth within the current economic climate and downturn in the housing market;
- Cultural Services – rising energy costs resulted in a pressure of £0.101m across libraries and museums and there were also pressures on income targets due to economic conditions in the last quarter;
- Centrally Managed Budgets – there was an underspend of £1.419m on capital financing costs due to a mixture of good performance against investment income targets, higher than budgeted cash balances available for investment and savings arising from the rescheduling of long term debt (borrowings). The remaining underspend was due primarily to lower than expected costs of the concessionary fares scheme. The original budget for 2008/09 was set at a time when the assessment of the risks of a successful legal challenge was relatively high and the impact of the national free travel scheme introduced on 1 April 2008 was very hard to predict with accuracy. The risk of successful legal challenge by the bus operators has substantially diminished and the provision for a higher reimbursement rate was not considered necessary from August 2008 onwards. The forecast impact of the introduction of the national free scheme has also not been as significant as originally anticipated. These factors together with poor weather throughout most of the year, which resulted in the number of concessionary journeys being below original forecasts, have resulted in the substantial underspend.

The council's financial standing also remains 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.

Analysis of Expenditure and Income

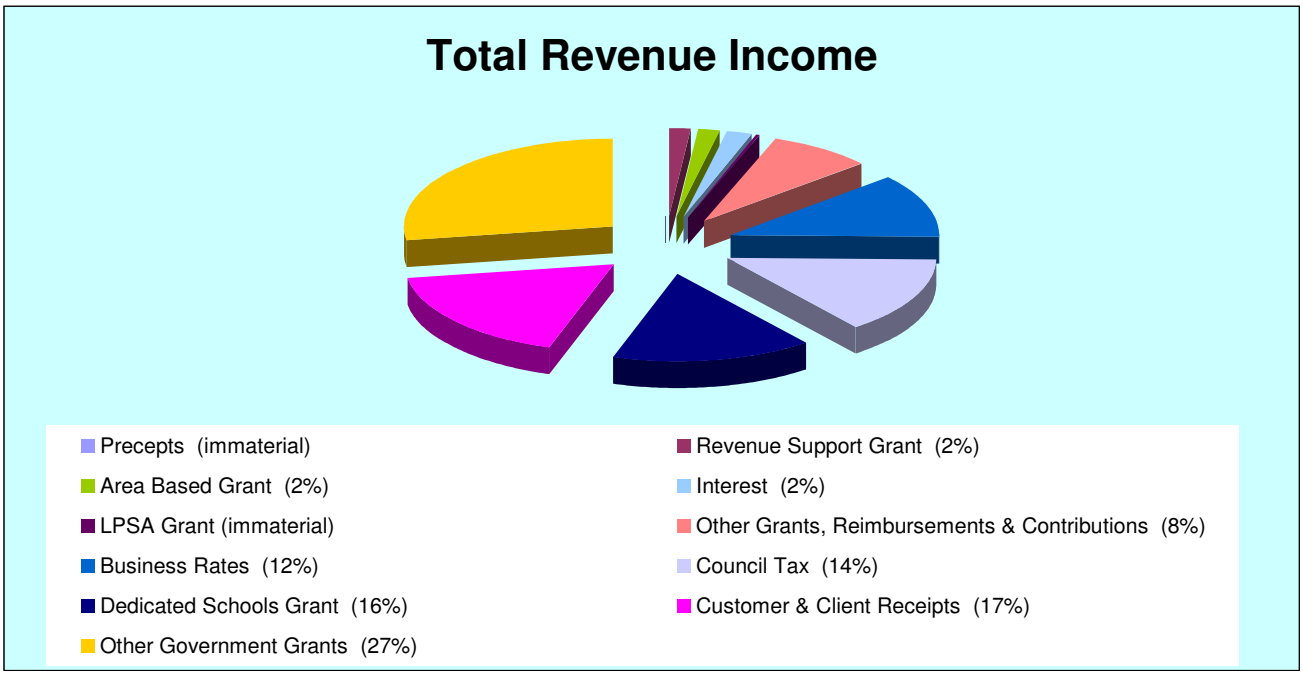
The gross income for 2008/09 for services was £541.135m, as included within the Net Cost of Service line of the Income and Expenditure Account. This income came from the following sources:



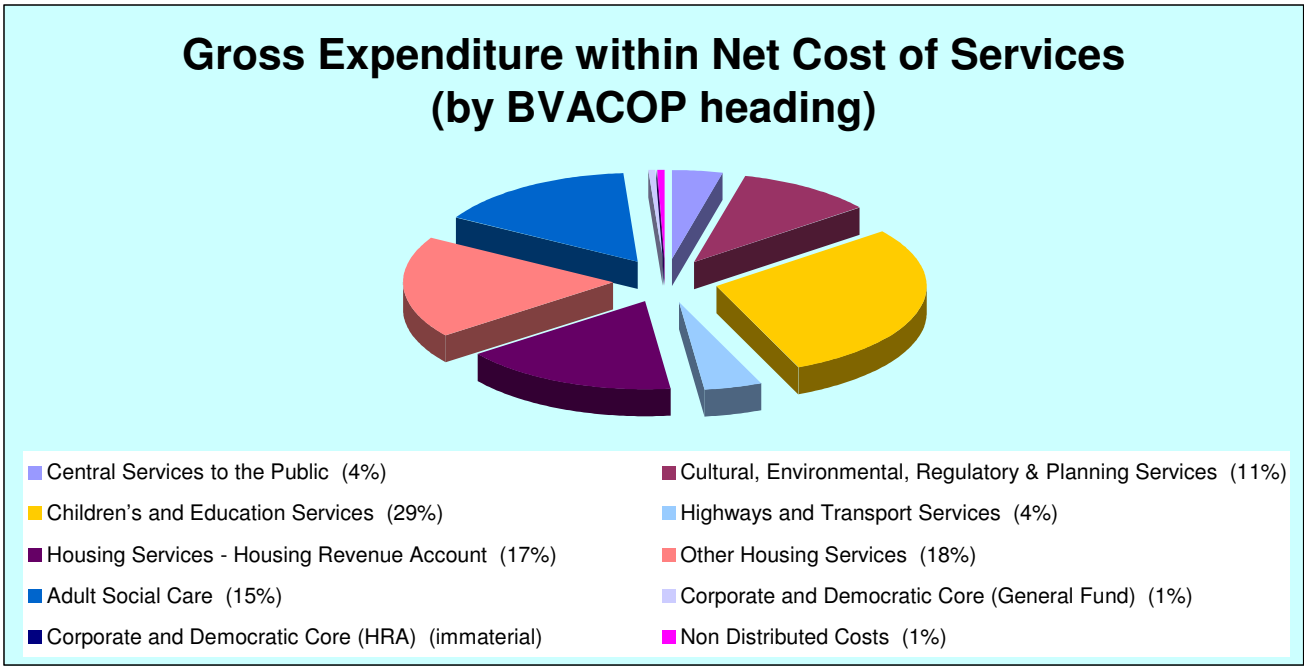
The figure for government grants includes £122.581m Dedicated Schools Grant. Customer and Client Receipts include rental income (e.g. housing and other property rents) and income from fees and charges.

In addition to the income generated by services and service specific grants, the council received £12.928m Revenue Support Grant, £13.909m Area Based Grant, £92.871m in re-distributed non-domestic rates and £109.894m in council tax income. These figures represent the actual income received by the council.

The following chart shows the total revenue income received by the council in 2008/09 in percentage terms:



The gross expenditure for 2008/09 for services was £917.786m (i.e. the gross expenditure included within the Net Cost of Service line of the Income and Expenditure Account) and was spent on the following services (analysed by Best Value Accounting Code of Practice (BVACOP) heading):



Pensions Liability

The council's Balance Sheet recognises a reserve for the estimated net pensions' liability. As at 31 March 2009 the pensions' liability under FRS 17 (Retirement Benefits) stood at £138.869m, an increase of £62.627m. There are a number of significant factors which have contributed to this increase:

- the actuarial loss on the scheme, included in the accounts, in 2008/09 is £58.667m;
- the current service costs have fallen by £5.193m due principally to an increase in the real discount rate used to calculate the present value;
- the scheme liabilities include an allowance of £4.746m in respect of retrospective changes to members benefits that came into effect on 1 April 2008;
- quoted securities held as scheme assets are now valued at bid price rather than mid market value. The effect of this change is that the value of the scheme assets at 31 March 2009 has been reduced by £1.2m.

The overall deficit on the fund represents the difference between the value of the council's pension fund assets as at 31 March 2009 and the estimated present value of the future pension payments to which it was committed at that date.

The liabilities show the council's long run underlying commitments to pay retirement benefits. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them.

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the pensions' actuary, Hyman Robertson, in their annual review of the Pension Fund.

Statutory arrangements for funding the pension deficit mean that the current financial position is robust although future funding of pension liabilities is expected to add to the financial pressures facing local authorities. The deficit on the Pension scheme will need to be made good by increased contributions over the working life of employees, as assessed by the pension actuary.

Amounts included in the council's accounts in relation to retirement benefits have no effect on the council tax requirement.

Further information on pension costs is available in note 42.

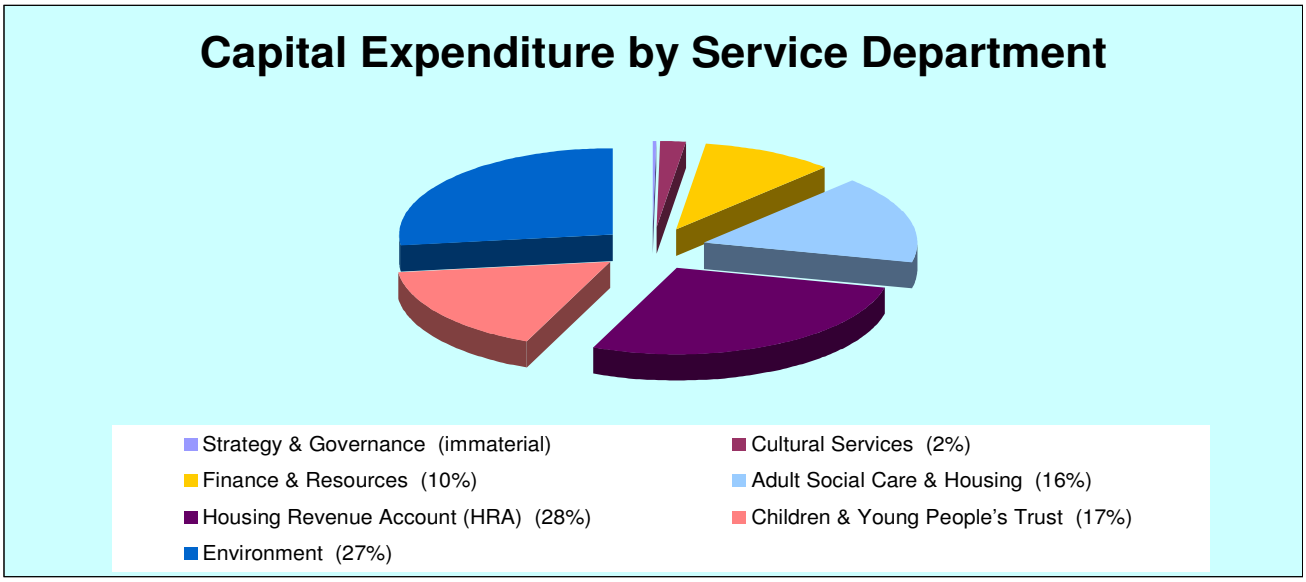
Capital Summary

The council has delivered a significant capital investment programme this year 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. The council has also gained successful entry to the government's academies programme and has secured funding of £28m for the construction of a new Falmer Academy, on which work will start in summer 2009.

Capital expenditure totalled £52.890m in 2008/09 (£66.940m including the equal pay capitalisation direction of £14.050m) compared with the final approved budget of £55.373m. The variance includes slippage (delays) of £2.578m which will be carried forward into 2009/10 to meet the council's ongoing capital commitments. No current or future resources will be lost as a result of capital investment programme slippage. The variance also includes a small overspend of £0.095 million on housing external repairs and damp proofing which will be funded from revenue underspending on the Housing Revenue Account.

Many large and smaller capital projects were undertaken in 2008/09 and included expenditure on council dwellings (£14.3m), schools (£5.4m), sustainable transport (£7.4m), renovation grants and grants to housing associations (£4.5m), children's centres and nurseries (£0.5m), ICT & E-Government (£0.8m) and car parks (£2.1m). The council also purchased jointly with East Sussex County Council the Waste ERF Site at Newhaven.

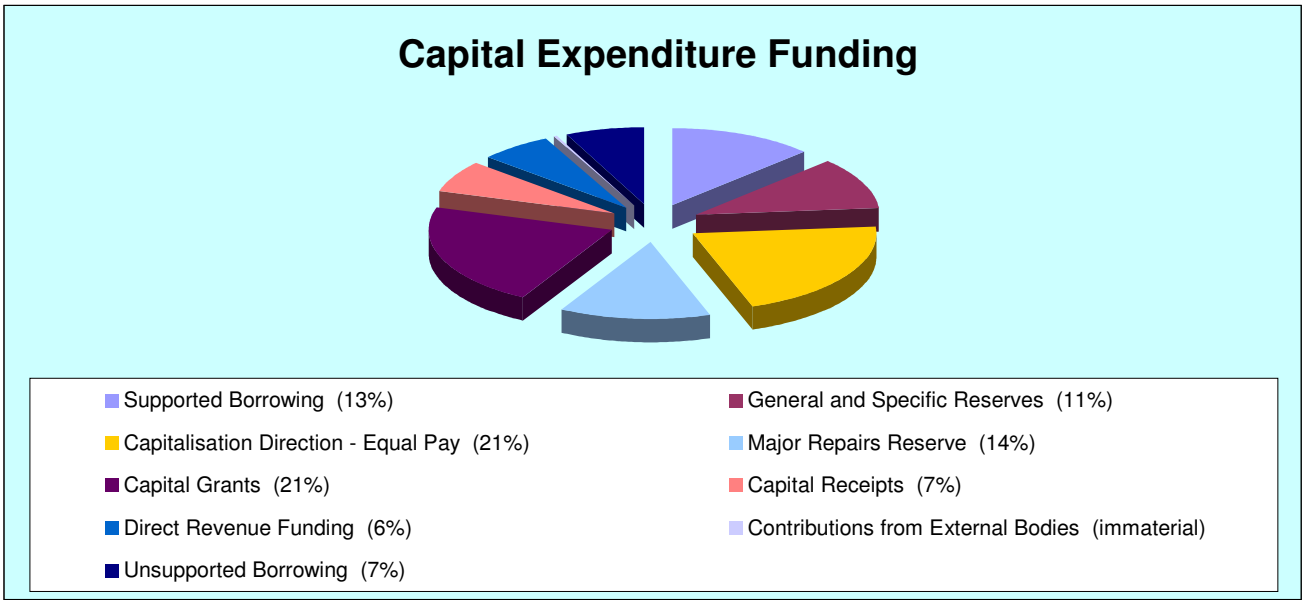
The following chart shows the total capital expenditure in 2008/09 of £52.890m split by service department in percentage terms:



The council's 2008/09 capital programme was funded from various internal and external sources. The following table details that funding:

	£'000
Capital Outturn 2008/09	66,940
Total Funding Requirement	**66,940**
Funding:	
Supported Borrowing	(8,612)
General and Specific Reserves	(7,205)
Capitalisation Direction - Equal Pay	(14,050)
Capital expenditure financed by the Major Repairs Reserve (MRR)	(9,067)
Capital Grants	(14,371)
Capital Receipts	(4,605)
Direct Revenue Funding	(4,126)
Contributions from External Bodies	(279)
Unsupported Borrowing	(4,625)
Total	**(66,940)**

The following chart shows the funding of the capital programme in percentage terms:



Further details of significant commitments for capital investments that existed as at the Balance Sheet date can be found in note 21 to the core financial statements.

Acquisitions and Liabilities

The council did not acquire any material assets or incur any material liabilities during 2008/09.

Exceptional or Extraordinary Items

There are no exceptional or extraordinary items to disclose.

Changes in Statutory Functions

There were no material changes in statutory functions during 2008/09.

Section 75 of the National Health Service Act 2006

The council has entered into various pooled budget arrangements in relation to personal social care, community health and educational services for children and young people, and personal social services and community health care for adults. Further details on these pooled budgets can be found in note 12 to the core financial statements and the Memorandum Accounts on pages 90 and 91.

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 level of borrowing has decreased in the year by £44.063m, as follows:

	31 March 2008 £'000	31 March 2009 £'000
Short term borrowing	(2,430)	(335)
Long term borrowing	(237,347)	(195,379)
Total borrowing	**(239,777)**	**(195,714)**
(Increase)/Decrease year on year	(5,436)	44,063

To counter the increased risk to the council's investment portfolio the Director of Finance & Resources introduced a programme of debt repayment during the period November 2008 to March 2009.

Gross new long term borrowing within the year totalled £3m and has been applied to part fund capital payments. Repayment of long term borrowing totalled £47.017m of which £45.017m was prematurely repaid as part of the debt repayment programme.

Gross new short term borrowing within the year totalled £21.350m; repayment of short term borrowing totalled £21.350m.

The level of debt attributable to council services totals £195.714m as at 31 March 2009 (£239.777m 31 March 2008).

Private Finance Initiative (PFI) Schemes

Please refer to note 3 to the core financial statements for details of the PFI schemes into which the council has entered.

Further Information

Further information about the accounts is available from Central Financial 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.

Catherine Vaughan CPFA
Director of Finance & Resources (Section 151 Officer)

Annual Governance Statement for the year ended 31 March 2009

1 Standards of Governance

Brighton and Hove City Council (the council) expects all of its members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Constitution, Codes of Conduct and policies of the council as well as the applicable statutory requirements.

The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. A copy of the code is available on the council's website www.brighton-hove.gov.uk.

This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 (Amendment) (England) in relation to the publication of a statement on internal control.

2 Scope of Responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper practice 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 its functions are exercised having regard to a combination of efficiency, effectiveness and economy.

In discharging this accountability, the council is responsible for putting in place and maintaining, proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council continues to review its arrangements against best practice and implement changes to improve its governance arrangements.

3 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the council is directed and controlled and its activities through which it is accountable to, engages with, and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

4 The Council's Governance Framework

The governance framework has been in place at the council for the year ended 31st March 2009 and, up to the date of approval of the Statement of Accounts and accords with proper practice.

The key elements of the systems and processes that comprise the council's governance arrangements are shown below along with explanations of how they are embedded.

Identifying and communicating the council's vision

The council played a leading role in the creation and development of the 2020 Community Partnership, and has developed, together with our partners, a Sustainable Community Strategy for the City, "Creating a City of Opportunities".

The vision of Brighton & Hove is *one of a dynamic city that improves and protects the environment, meets social needs and promotes sustainable economic success in an inclusive, just and harmonious way*.

The strategy sets the direction and policies which other plans should help to deliver and has been agreed by the council and Local Strategic Partnership in consultation with other stakeholders who have an interest in effective public services in the City. It is used as a basis for both corporate and service planning and integrated with the Local Area Agreement, a three year multi-agency delivery plan for the City's priorities.

The Community Strategy and Corporate Plan are published on the council's website and copies are available at certain key access points across the City (e.g. libraries).

Reviewing the council's vision and its governance implications

Since the publication of the Sustainable Community Strategy in 2006, the council's governance arrangements have been subject to ongoing review to meet the changing needs of the council.

Following the introduction of the new constitution early in the last year, a review was carried out after six months inviting responses from the public, partner organisations, officers and members. The responses provided views on the new constitution and recommendations were made for improvements.

The council's Code of Corporate Governance was reviewed and updated in the past year to ensure compliance with the principles and requirements for good governance.

Measuring the council's performance and quality of services ensuring they represent the best use of resources

The council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service to users, ensuring service delivery is in accordance with its objectives, and for ensuring the best use of resources. These include national and local performance indicators, customer feedback, process analysis and re-engineering, service reviews, integrated financial management, benchmarking and independent audit and inspection.

Performance management processes are embedded throughout the council and regularly reported in accordance with agreed timescales. The performance management framework is based on a hierarchy of indicators, both national and local. Performance data for all national and local indicators is collected and reported to the Chief Officers Management Team (TMT) and the Executive on a quarterly basis.

The council's Corporate Plan includes clear performance targets for the next three years. The council's Performance Plan shows the council's performance against targets for the past three years and is available on its website.

At a directorate level, directorate plans form the basis of monitoring. This ensures that performance, budget, risk and project delivery issues are all managed and reported.

Defining roles and responsibilities, delegation and arrangements for effective communication of these

The council has agreed a constitution which sets out how the council operates, member and officers roles, how decisions are made and the processes which are followed to ensure these are efficient, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined others locally. The Constitution is divided into seventeen articles that set out the basic rules governing the council business.

Under the Constitution the Leader and Cabinet form the decision making Executive. Decisions must be in line with the council's overall policy and budgetary framework approved by the full council for delivering its priorities. Any decisions the Executive wishes to take outside of the framework must be referred to the full council to decide.

There is also an Overview and Scrutiny Commission and five scrutiny committees that support the work of the Executive, through scrutinising decisions made by the Executive and through examining services provided by the council.

The Constitution describes the roles of statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Strategy & Governance) and Section 151 Officer (Director of Finance & Resources). It also includes the Member and Officer Protocol, which sets out the principles and procedures to guide officers and members.

There is effective corporate and departmental support to members in policy and decision making, with report templates to help ensure members are presented with appropriate information to make decisions including key implications, for example finance, legal, equalities and risk.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

The council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These are communicated as part of the induction process, ongoing awareness training and made available via the council's intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

The Standards Committee role is to promote high standards of conduct and ethical governance as well as investigating complaints regarding members. It considers reports and advice from the Standards Board for England and considers reports from the Monitoring Officer.

Reviewing and updating control framework documentation which clearly define how decisions are taken and the processes and controls required to manage risks

The council's high-level policies and procedures are updated and regularly communicated to officers and members. There are corporate policies on key topics including Business Planning, Information Security, Freedom of Information Act, Environmental Sustainability, Counter Fraud & Corruption, Equalities & Diversity and Health & Safety.

The Director of Strategy & Governance (the Monitoring Officer) reviews and updates the Constitution which includes standing orders and the scheme of delegation.

The Director of Finance & Resources (the Section 151 Officer) likewise reviews and updates financial regulations and contract standing orders, which form part of the Constitution.

Risk and opportunity management is embedded throughout the council and its partnership working arrangements. The council's Risk and Opportunity Management Strategy was updated during the past year. The strategy explains how the council will manage its risks, and is supported by training and guidance. It is overseen by the Officer's Governance Board and approved by the Executive.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

The Audit Committee (previously Audit Panel) has been in operation since May 2008 and is now embedded as part of the council's overall governance framework. Its terms of reference incorporate the core functions as identified in the CIPFA guidance. It is responsible for issues relating to the councils system of internal control, risk management, financial reporting and counter fraud as well as providing a forum for reporting and discussion of issues raised by internal and external audit.

Ensuring compliance with established policies, procedures, laws and regulations

All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided to officers as necessary and appropriate induction sessions are carried out for new staff.

The Director of Strategy & Governance (the Monitoring Officer) has overall responsibility for ensuring the council acts within its statutory powers, ensuring the lawfulness and fairness of council decision making, compliance with codes and protocols and promoting good governance and high ethical standards.

The Director of Finance & Resources (Section 151 Officer) is responsible for the effective administration of the council's financial affairs, preparing the council's Statement of Accounts in accordance with proper practices, maintaining accounting records and taking reasonable steps to prevent and detect fraud.

This is supported by a framework of management documents, including financial regulations, contract rules and a scheme of delegation to officers, which collectively control and co-ordinate the financial affairs of the council. These are all in place and available to staff on the Intranet and in paper format. Induction and ongoing awareness training is provided to staff.

Audit & Business Risk are responsible for conducting audits, using a risk based approach to provide assurance on compliance with council policy, procedures, legal rules and regulations.

Whistleblowing and receiving complaints from the public

The council is committed to the highest possible standards of openness, probity and accountability. The council's Whistleblowing Policy aims to encourage officers, contractors and agency workers to report any instances of unlawful conduct, health and safety risks, damage to the environment, possible fraud and irregularities and unauthorised use of council funds. The Policy is widely published on posters, internal newsletters the councils internet and website, and provides the mechanisms to raise concerns and receive appropriate feedback without the fear of victimisation. All concerns raised under the Whistleblowing Policy are recorded by the Director of Strategy & Governance.

To ensure that concerns or complaints from the public can be raised, the council has a corporate complaints policy which sets out how complaints can be made, what should be expected and how to appeal. The application of the policy is overseen by the council's Standards Committee.

Developing the needs of members and senior officers in relation to their strategic roles

The council achieved the Investors in People (IiP) accreditation (corporate) during the past year and is committed to developing the capacity of its officers and members. The council's Performance Planning and Development Scheme aims to identify the learning and development needs of officers and this is supported by the council.

A complete programme of learning and development is available to officers and members from the Learning and Development Team. Where applicable, officers are also expected to undertake continuing professional development (CPD) of their professions. There are corporate induction processes for both members and officers starting with the council.

The council has a generic programme of training and development for members based in part on a self-assessment of needs against the Improvement and Development Agency (IDeA) Political Skills Framework. There is further more specific training for those with lead roles in for example the Executive and Scrutiny functions. The council achieved the South East Employer Charter for Elected Member Development during the past year.

Establishing clear channels of communication with the community and other stakeholders

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The council's publication City News is distributed to all residents as well being available on the council's website and at key access points across the City. It includes news and features about the council and its partners that assists in consulting residents on issues facing the city. In addition, the Council Tax leaflet, containing details of the council's budget, is distributed annually with Council Tax bills.

There are a wide range of access channels and opportunities for all parts of the community and key stakeholders to engage in dialogue and consultation. This includes tenants and residents forums through consultation events and surveys.

The councils Corporate Plan, Annual Statement of Accounts and Annual Report are again made available via the council's website and distributed to certain key access points across the City, ensuring that residents have numerous access channels.

All meeting agendas and reports for consideration by members are published on the council's website in advance of meetings, which are held in public unless there are good reasons for confidentiality.

Incorporating good governance arrangements in respect of partnerships and reflecting these in the authority's overall governance arrangements

The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap (2005),* are defined in the council's

Financial Regulations. The council is currently working with significant partnerships for example the Children and Young People's Trust, in terms of helping to achieve its objectives through ensuring appropriate agreements and robust governance arrangement are in place. Regular audit reviews are carried out on the overall governance arrangement within the council's key partnerships.

The City's Local Strategic Partnership (LSP) is managed by a board. The council is the lead agency for the LSP. During the past year a "2020 Community Member Pack" was developed and distributed to LSP board members that included governance responsibilities.

5 Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Officer's Governance Board oversees the review of effectiveness including monitoring actions arising.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- Review and maintenance of the Constitution by the Monitoring Officer.
- An assessment of the corporate governance arrangements against the CIPFA/SOLACE Framework for Good Governance, which helped develop the council's Code of Corporate Governance.
- The council's internal audit coverage which is planned using a risk based approach and flexible enough to include emerging issues and risks. The Annual Internal Audit Report by the Head of Audit & Business Risk provides an overall opinion on the adequacy of the council's internal control environment and areas of weakness to be addressed.
- The assurance of senior managers through the development of corporate and directorate risk registers.
- Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted.
- The review of performance management and financial reporting.

6 Significant Governance Issues

The council's governance framework is constantly evolving due to service and regulatory developments. There are not considered to be any significant governance issues arising from the review although there are a number of actions to further strengthen the governance framework. These are summarised as follows and include actions in progress from the previous year's review.

Actions in Progress

- Financial Skills Training - to improve service support delivery through the council's Intranet and further development of Financial Information System training.
- Human Resources Management Systems – implementation of new system and improvements to processes and control for the effective management of the council's workforce.

Actions for Improvement to the Governance Framework

- Value for Money - The ongoing transformation of the council through the Value for Money Programme Part 2, not just to reduce costs but where appropriate the redesign of services for improved delivery and meeting customer's expectations.
- Medium Term Financial Strategy – review and update of strategy to respond to the financial pressures on the council.
- Partnership Risk – Review of risks in relation to the Local Area Agreement in particular achievement of targets.
- A formal Section 75 agreement with the Sussex Partnership Trust.
- International Financial Reporting Standards (IFRS) – a programme is in place to ensure the council meets the deadlines for producing accounts that are compliant with the IFRS.
- Whistleblowing Policy and Process – updating to enhance the effectiveness of the policy, in particular awareness and confidential reporting arrangements.

- Audit Committee – to make an annual report to full council to provide independent assurance on the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment.
- Audit Committee - to undertake a self assessment review of its role and effectiveness in meeting standards expected.
- Overview and Scrutiny – continuing to build the role of the Overview and Scrutiny Commission and Scrutiny Committees.

We propose over the coming year to take steps to address the above matters to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Alex Bailey
Acting Chief Executive

Dated: 30 June 2009

Signed

Councillor Mary Mears
Leader of the COUNCIL

Dated: 30 June 2009

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 CIPFA[1]/LASAAC[2] Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP[3]"), 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 2009.

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 Code of Practice.

The Director of Finance and Resources has also**:**

(i) kept proper accounting records that were up to date

(ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts present fairly the financial position of Brighton & Hove City Council as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Catherine Vaughan CPFA
Director of Finance & Resources (Section 151 Officer)
30 June 2009

[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 Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year end of 31 March 2009. The statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, A Statement of Recommended Practice (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with practitioner's guidance notes on the application of the SORP also issued by CIPFA. The SORP is based on issued UK accounting standards except where these are superseded by specific statutory accounting requirements so as to present fairly the financial position and transactions of the council.

In addition to the SORP, the council has adhered to the requirements of the Best Value Accounting Code of Practice (BVACOP), relevant Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP).

The accounting policies are the principles, bases conventions, rules and practices applied by the council that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for and presenting the council's assets, liabilities, gains, losses and changes in reserves.

Significant Estimations

Estimation techniques are the methods adopted by the council to arrive at the estimated monetary amount corresponding to the correct measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Where there is uncertainty over an amount corresponding to the measurement basis to be applied the amount that most closely reflects the economic reality of the transactions or other events to which the relevant accounting policy refers will be arrived at using a tried and tested estimation technique in accordance with FRS 18 Accounting Policies. FRS 18 sets out the principles to be followed in selecting accounting policies and the disclosure notes needed to help users of the financial statements understand the accounting policies adopted and how they have been implemented.

Details of significant estimates are included in the notes to the accounts.

Accounting Concepts

The SORP specifies many of the accounting policies and estimation techniques to be adopted for material items. These policies and estimation techniques have been selected to accord with the five qualitative characteristics of financial information in relation to relevance, reliability, comparability, understandability and materiality. Whilst the first four characteristics are designed to maximise the usefulness of financial information the fifth, materiality, provides for a significance threshold to justify the inclusion/exclusion of information in the financial statements.

Two further concepts, accruals and going concern as specified in FRS18, are requirements of local authority financial statements. FRS 18 deals primarily with the selection, application and disclosure of accounting policies. The two concepts are supported by and, indeed, can be overridden by a third concept which is not specified in FRS 18, which is the primacy of legislative requirements. The three concepts play a pervasive role in the financial statements and hence in the selection and application of accounting policies, estimation techniques and the exercise of professional judgement.

Throughout the Statement of Accounting Policies and the notes to the accounts reference is made to the bases on which assets, liabilities, gains, losses and changes in reserves have been assessed.

The council regularly reviews its accounting policies to ensure that they remain the most appropriate, giving due weight to the impact that a change in accounting policy would have on comparability between periods. In accordance with the SORP, accounting policies that have not been applied to material transactions or balances have not been disclosed. The council adopted some changes in accounting policies in 2008/09 and details of these can be found in the Explanatory Foreword.

The following accounting policies as adopted by the council are consistent with accounting concepts and, where appropriate, the relevant accounting standard is followed in respect of specific areas of income, expenditure and balances.

2 Accruals of Income and Expenditure

Revenue is recognised only when a right to consideration exists (that is to the extent that performance of a contractual obligation has taken place). Where income or expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled the balance of debtors is written down and an impairment charge made to the Income and Expenditure Account for the income that might not be collected. Payments made in advance (e.g. grants) are recognised as a debtor in the Balance Sheet. Payment received in advance of such performance is recognised as a liability in the Balance Sheet.

Activity is accounted for in the financial year in which it takes place not simply when cash payments are made or received and in particular:

- fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services;
- supplies are recorded as expenditure when they are consumed, however, where there is a gap between the date supplies are received and their consumption, they are carried as stocks in the Balance Sheet; an exception to this principle relates to electricity and similar quarterly payments which are consistently charged year on year at the date of meter reading rather than being apportioned between financial years;
- works are charged as expenditure when they are completed before which they are carried as works in progress on the Balance Sheet;
- interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debt will be settled, the balance of debtor is written down and a charge made to the Income and Expenditure Account for the income that might not be collected.

3 Provisions

Provisions are charged to the relevant service accounts in the Income and Expenditure Account where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefit but where the monetary amount or the timing of the transfer is uncertain. When payments relating to the provision are eventually made, they are charged directly to the provision set up in the Balance Sheet. Where it becomes most likely that a transfer of economic benefits will not be required or a higher or lower settlement will be made, the provision is reversed or adjusted respectively in the revenue service account in the Income and Expenditure Account.

Contingent assets or liabilities are not recognised in the financial statements but disclosed by way of a note if there is a possible obligation which may require a payment or a transfer of economic benefit. For each class of contingent liability, the council will disclose the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

The council carries out an annual review of provisions to ensure they are still required and set at the appropriate level. The outcome of the annual review is detailed in the notes to the accounts.

4 Reserves

Amounts set aside for specific purposes such as future expenditure, contingencies and cash flow management are considered as reserves and are detailed in the notes to the core financial statements. Reserves are created by transferring budget from the relevant service area to the Statement of Movement on the General Fund Balance (SMGFB). This is matched with a charge to the SMGFB offset by a credit to the Balance Sheet. When expenditure to be financed from a reserve is incurred, it is charged in that year to the appropriate service revenue account in the Income and Expenditure Account. The reserve is then appropriated back into the SMGFB so that there is no net charge against council tax for the expenditure.

Capital reserves are not available for revenue purposes. Certain capital reserves are used for specific statutory purposes to manage the accounting processes for fixed assets and are matched by fixed assets

within the Balance Sheet; therefore they do not represent usable resources for the council. Such reserves include the Revaluation Reserve and the Capital Adjustment Account.

Certain reserves are also maintained to:

- manage the accounting processes for retirement benefits, namely the Pension Reserve;
- manage the accounting processes for financial instruments, namely the Available-for-Sale Financial Instruments Reserve and the Financial Instruments Adjustment Account.

These reserves are matched by pension liabilities and by borrowing and investments within the Balance Sheet respectively and therefore are not resources available to the council.

A number of earmarked reserves are held by the council. Details of these can be found in the notes to the core financial statements.

The council carries out an annual review of the reserves to ensure they are still required and set at the appropriate level.

5 Government Grants and other Contributions

Whether paid on account, by instalments or in arrears government grants and third party contributions and donations are recognised as income at the date the council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Grants can be received for revenue or capital purposes. Where specific revenue grants are received to finance the 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 the relevant service revenue account in the Income and Expenditure Account thereby matching the revenue grants with the service expenditure to which they relate. Capital grants are credited to the Government Grants Deferred Account and are written down to the Income and Expenditure Account over the useful life of the asset to which they relate.

Grants to cover general expenditure (e.g. Revenue Support Grant and Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Further detail on general grants and specific grants is included in the notes to the accounts.

6 Retirement Benefits

Employees of the council are entitled to become members of one of two separate pension schemes according to the terms of their employment:

- the Teachers' Pension Scheme, administered by Teachers' Pension Agency on behalf of the Department for Children, Schools and Families (DCSF);
- the Local Government Pensions Scheme, administered by East Sussex County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. Arrangements for the teachers' scheme, however, mean that liabilities for these benefits cannot be identified to the council. The teachers' scheme is therefore accounted for as if it were a defined contributions scheme; no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Services revenue account in the Income and Expenditure Account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- the liabilities of the East Sussex pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees);

- liabilities are discounted to their value at current prices using a discount rate of 3.7% real (6.9% nominal) based on the indicative rate of return on high quality corporate bond of equivalent term and currency to the liability. The actuaries recommended discount rate is equal to the gross redemption yield on the iboxx Sterling Corporates Index, AA over 15 years, at the FRS17 valuation date. However, given the downturn in the economic environment, the outlook for the majority of company credit ratings is currently subject to a great amount of uncertainty. This is leading to an increased number of company credit ratings being changed (mainly downgraded). In particular, over the last couple of months a number of bonds that were previously rated AA have been re-rated and no longer make up part of the iboxx AA index. Due to the way the index is calculated, the re-rated bonds drop out of the index at the beginning of the month following their re-rating therefore not affecting the end of month yields that the actuary uses for most accounting figures. Since re-rating during the previous month may have had a significant effect on the index, the actuary has allowed for this by adjusting the previous end of month figure;
- the assets of East Sussex pension fund attributable to the council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - utilised securities – current bid price
    - property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid is charged to Net Operating Expenditure in the Income and Expenditure Account;
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, is credited to Net Operating Expenditure in the Income and Expenditure Account;
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees are charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, are charged to the Statement of Total Recognised Gains and Losses;
- contributions paid to the East Sussex pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance there are appropriations to and from the Pension's Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at year end.

Discretionary Benefits

Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7 Value Added Tax (VAT)

The amounts included within the Income and Expenditure Account exclude amounts relating to Value Added Tax. The council is able to recover Value Added Tax from HM Revenue and Customs, providing the partial exemption de minimus is not breached. Calculations are performed annually to determine the council's partial exemption limit and steps are taken to ensure that it is not breached.

8 Overheads and Support Services

The costs of both centrally and departmentally provided overheads (i.e. management and administration costs) and support services are fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP) including an amount charged to Corporate and Democratic Core. These costs are apportioned using the most appropriate base including employee numbers, accommodation areas and gross or net service expenditure.

Corporate and Democratic Core is defined in the Best Value Accounting Code of Practice and consists of Democratic Representation and Management costs and Corporate Management costs.

9 Fixed Assets

The council distinguishes between intangible and tangible fixed assets.

Recognition

Intangible Fixed Assets

Intangible fixed assets are non financial assets that do not have a physical substance but are identifiable and controlled by the council through custody or legal rights. Expenditure on such assets is capitalised where it will bring benefits to the council for more than one financial year. Intangible assets held on the council's Balance Sheet relate to computer software. The balance is amortised to the relevant service revenue account in the Income and Expenditure Account over the economic life of the investment to reflect the pattern of consumption of benefits.

Tangible Fixed Assets

Tangible fixed assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. They are categorised as either "operational" or "non operational" fixed assets; this categorisation 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;
- non operational assets include commercial or investment property that have no direct link with the performance of the council's statutory services and functions. Non operational assets also include those assets in the course of construction.

The council has a de-minimis level of £20,000 for land and buildings; items of expenditure on land and buildings below this level is charged to the relevant service revenue account in the Income and Expenditure Account in the year it is incurred. There is no de-minimis level for asset enhancements.

All expenditure on the acquisition, creation or enhancement of fixed assets that yields a benefit to the council, and the services that it provides, for more than one financial year is capitalised on an accruals basis. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to the relevant service revenue account in the Income and Expenditure Account as it is incurred.

Measurement and Valuation

Intangible assets are valued at cost and are amortised to the relevant service revenue account in the Income and Expenditure Account on a straight line basis over their expected useful life.

Tangible operational fixed assets are included in the Balance Sheet at the lower of net current replacement cost and the net realisable value in existing use, except where the SORP allows assets to be held at historic

cost. Infrastructure assets and community assets are both held at historic cost. Tangible non operational fixed assets are included in the Balance Sheet at the lower of net current replacement cost and net realisable value (represented by open market value).

Land and building valuations are based upon valuation certificates issued by the council's estates manager as at 1 April 1996 and amended by subsequent revaluations. Additional expenditure on these assets since that date is included at its cost of acquisition and is subject to revaluation.

The council has a policy of revaluing its assets on a cyclical basis over five years.

Freehold and leasehold properties, which comprise the council's property portfolio, are valued as at 1 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 (RICS) Appraisal and Valuation manual except that:

- not all properties were inspected as this was neither practicable nor considered necessary for the purpose of 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.

Valuations for the Housing Revenue Account (HRA) dwellings and garages and car park assets are undertaken by valuers Wilks, Head & Eve. The council's housing stock and garages and car parking spaces were revalued as at 1 April 2008. Methods of valuation for both dwellings and garages and car parking spaces 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 for voids and an adjustment yield to reflect management costs. This is the preferred method of the valuer, which is consistent with other authorities for which they act.

In relation to HRA dwellings, the difference in valuation between vacant possession value and existing use as social housing represents the cost to the government of providing council housing at less than open market rents.

HRA assets categorised as "other Land and Buildings", which exclude garages and car parks, are valued in the same way as other council assets.

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

Revaluation

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the service revenue account.

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

Impairment

Where impairment is identified as part of the valuation exercise, or by the council's Insurance Officer, it is accounted for as follows;

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

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

Disposal of Fixed Assets

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are

credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Gains or losses from the disposal of fixed assets are charged to the Income and Expenditure Account and reversed in the Statement of Movement on the General Fund Balance; however, the cost of disposal remains as a charge to the Income and Expenditure Account against the General Fund Balance. Receipts are appropriated to the Usable Capital Receipts Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Such amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets with a determinable finite life, except for land, community assets, investment properties and assets under construction.

Depreciation is calculated on the following bases:

- General Fund assets including infrastructure, vehicles, plant, furniture and equipment, buildings (other than dwellings) and intangible assets – a straight line allocation over the expected life of the asset, in the difference between the book value and any estimated residual value;
- council dwellings – an annualised estimate of the cost of maintaining the housing stock over a 30 year period. It is partly funded from the Major Repairs Allowance, as paid to the council through the HRA Subsidy calculation from central government. The difference is transferred to the HRA from the Major Repairs Reserve. To avoid any impact on tenants' rents the difference is reversed out in the Statement of Movement on the HRA balance.

Depreciation is charged against the relevant service revenue account in the Income and Expenditure Account; this charge represents the extent to which the asset has worn out or been consumed during the year. The council does not charge depreciation in the year of acquisition but does charge a full year's depreciation in the year of disposal.

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

10 Charges to Revenue for the use of Fixed Assets

Service revenue accounts and support services are debited with the following amounts to record the real cost of fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations, however, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement calculated in accordance with statutory guidance. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

11 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset is charged as expenditure to the relevant service revenue account in the Income and Expenditure Account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance ensures there is no impact on the level of council tax.

Any revenue financing of fixed assets is accounted for as a transfer to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

12 Capital Receipts

The council has a de-minimis level of £10,000 for capital receipts from the sale of fixed assets. Amounts below this level are credited to the Income and Expenditure Account; amounts above this level are set aside in the Usable Capital Receipts Reserve to support the Capital Investment Programme. The proceeds are credited to the Income and Expenditure Account to reflect the gain or loss on disposal as offset against the carrying value of the asset in the Balance Sheet. Any revaluation gains relating to the sold asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Gains or losses from the sale of fixed assets are charged to the Income and Expenditure Account and reversed in the Statement of Movement on the General Fund Balance; however the cost of disposal remains as a charge to the Income and Expenditure Account against the General Fund Balance. Receipts are appropriated to the Usable Capital Receipts Reserve from the Statement of Movement on the General Fund Balance.

The council is required to contribute 75% of capital receipts arising from the sale of council dwellings to the Housing Capital Receipt Pool. The balance of receipts is credited to the Usable Capital Receipts Reserve, net of any residual payment due to Government. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. Interest earned on amounts invested externally is credited to the Income and Expenditure Account.

The council maximises its resources from the sale of non "Right to Buy" housing assets to fund the capital programme through qualifying for a concession to the set aside rules to the Governments Housing Capital Receipts Pool by reinvesting back part of the proceeds into social housing.

Capital receipts that do not arise from the disposal of a fixed asset are credited to the Income and Expenditure Account with a consequent credit to the Capital Receipts Reserve from the Statement of Movement on the General Fund Balance. This treatment parallels that of expenditure items classified as Revenue Expenditure Funded from Capital under Statute (see 11 above).

13 Leases

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable under finance leases that are in the primary period are charged to the Income and Expenditure Account and are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset; the liability is written down as rent becomes payable);
- a finance charge (debited to the net operating expenditure in the Income and Expenditure Account as the rent becomes payable).

The council has a number of finance leases that are outside the primary period (i.e. within the secondary period). Rentals for these leases are charged to the Income and Expenditure Account and shown under Interest Payable as no capital value remains outstanding.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases and therefore do not appear on the Balance Sheet. Rentals payable under operating leases are charged to the Income and Expenditure Account on an accruals basis. Prior year finance leases are currently in the secondary rental period and therefore treated as operating leases.

14 Financial Instruments

Interest Accruals

Interest on external borrowing is fully accrued to ensure that financial assets and liabilities are carried at either amortised cost or fair value (each of which takes account of interest due as part of the carrying amount of the instrument) as required by FRS 26, Financial Instruments: Recognition and Measurement. Accruals of interest are accounted for as part of the amortised cost/fair value of the associated financial instrument, with interest split between short and long term liabilities.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument (for most cases this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement).

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. Where a repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Statement of Movement on the General Fund Balance to or from the Financial Instruments Adjustment Account.

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, as required by the Local Authority (Capital Finance and Accounting) regulations. Guidance issued by the Secretary of State requires full Council to approve an annual statement on the amount of debt that will be repaid in a financial year. The guidance identifies four options for calculating the Minimum Revenue Provision and the council determines which option it will adopt.

For debt where the Government provides revenue support, the council sets aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock because there is no housing subsidy payable on these repayments.

For debt where no Government support is received, the council sets aside a sum equivalent to repaying debt over the life of the asset in equal annual instalments.

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.

Financial Assets

Financial assets are classified as two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset

multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Impairment of Financial Assets

Where there is objective evidence that impairment of a financial asset carried at amortised cost has been incurred, whereby the carrying amount exceeds its estimated recoverable amount, the asset is reduced to its recoverable amount through an allowance account. The amount of the loss is included in the Income and Expenditure Account but should the loss be subsequently reduced (i.e. after the impairment was recognised) the loss will be reversed through the Income and Expenditure Account. Should the council, having undertaken a sensitivity/risk analysis of the situation, wish to set aside additional money as a contingency measure this will be done in the usual way through the Statement of Movement on General Fund Balance. Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

For debtors that meet the definition of a financial instrument, the process for providing for debts is replaced by a requirement to recognise impairment of the balance by the "incurred losses" method. The council recognises impairment of all non statutory debts, with the level of impairment being netted off against the debtors' amount in the Balance Sheet.

Available-for-sale Financial Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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.

Changes in fair value are balanced by an entry in the Available-for-sale Financial Instruments Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses. The exception is where impairment losses have been incurred. These are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Available for Sale Financial Instruments Reserve. Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

15 Stocks and Work in Progress

Stocks are valued in accordance with the SORP and Statement of Standard Accounting Practice (SSAP) 9, Stocks and Long Term Contracts, which states that stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and is recorded in the Balance Sheet at cost including an allocation of overheads.

16 Long Term Contracts – Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

A prepayment for services receivable under the PFI contract arises when assets are transferred to the control of the PFI contractor. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the council at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The council uses the term "deferred consideration". The deferred consideration is charged to the relevant service revenue account in the Income and Expenditure Account over the period of the contract to reflect the value of services received in each financial year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax.

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

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as reserves.

The accounting policy for PFI and all PFI transactions will be subject to review next year with the ongoing implementation of International Accounting Standards and the adoption of International Financial Reporting Standards (IFRS) accounting policies. Any changes will be retrospective.

17 Investments (other than Financial Assets)

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

18 Landfill Allowance Trading Scheme

Allowances, whether allocated by the Department for the Environment and Rural Affairs (DEFRA) or purchased from another waste disposal local authority, are recognised as current assets and measured initially at fair value (current market value). As landfill allowances are issued free by DEFRA their fair value is treated as a government grant and initially is recognised as deferred income in the Balance Sheet and subsequently recognised as income in the compliance year for which the allowances were allocated.

A liability is recognised for actual usage of landfill sites, which is discharged by using allowances to meet the liability. The liability is measured as the present market price of the number of allowances needed to cover the actual landfill usage for the year. After initial recognition, the values of landfill allowances are re-measured at the lower of cost or net realisable value.

Brighton & Hove City Council

Single Entity
Core Financial Statements
2008/09

Income and Expenditure Account

The Income and Expenditure Account presents the council's financial performance for the year using UK general accounting standards. It summarises the resources that have been generated and consumed in providing the functions for which the council is responsible, and demonstrates how the cost has been financed from general government grants and income from local taxpayers.

It includes all day-to-day expenses and related income on an accruals basis, as well as transactions such as measuring the value of fixed assets actually consumed, and the real projected value of retirement benefits earned by employees in the year.

Year ended 31 March 2008	Operations	Year ended 31 March 2009		
Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
(5,826)	Central Services to the Public	35,923	(40,727)	(4,804)
68,296	Cultural, Environmental, Regulatory and Planning Services	97,344	(27,379)	69,965
70,794	Children's and Education Services	268,856	(186,203)	82,653
12,197	Highways and Transport Services	35,974	(24,200)	11,774
(6,990)	Housing Services - Housing Revenue Account (HRA)	154,098	(45,369)	108,729
8,759	Other Housing Services	171,062	(159,881)	11,181
72,070	Adult Social Care	143,236	(57,356)	85,880
5,145	Corporate and Democratic Core (General Fund)	5,689	(20)	5,669
220	Corporate and Democratic Core (HRA)	222	0	222
461	Non Distributed Costs	5,382	0	5,382
225,126	**Net Cost of Services**	**917,786**	**(541,135)**	**376,651**
127	(Gain)/Loss on Disposal of Fixed Assets including Disposal Costs (General Fund)			(491)
52	(Gain)/Loss on Disposal of Fixed Assets including Disposal Costs (HRA)			(311)
219	Precepts and Levies			237
10,276	Interest Payable and Similar Charges (General Fund)			9,482
4,335	Interest Payable and Similar Charges (HRA)			4,330
5,525	Contribution of Housing Capital Receipts to Government Pool			554
(7,741)	Interest and Investment Income (General Fund)			(7,539)
(184)	Interest and Investment Income (HRA)			(241)
56	Sussex Innovation Centre Share Write down			718
(1,350)	Pensions interest cost and expected return on pension assets (General Fund)			4,983
(63)	Pensions interest cost and expected return on pension assets (HRA)			228
236,378	**Net Operating Expenditure**			**388,601**
	Demand on the Collection Fund			
(106,617)	Collection Fund Demand			(111,093)
905	Transfers to the Collection Fund			298
(27)	Parish Council Precepts from the Collection Fund			(27)
	General Government Grants			
(865)	Local Public Service Agreement (LPSA) Performance Reward Grant			(1,577)
(14,240)	Revenue Support Grant			(12,928)
0	Area Based Grant			(13,909)
(84,853)	**Distribution from National Non Domestic Rate Pool**			(92,871)
30,681	**Total Deficit for the year**			**156,494**

Please note the 2007/08 comparative figures within the Net Cost of Services have been adjusted by £0.126m to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

The net cost of services in the Income and Expenditure Account is analysed in accordance with the Best Value Accounting Code of Practice (BVACOP) for consistency and comparability of local authorities.

The terminology used within the BVACOP analysis of the Income and Expenditure Account is explained below:

- Central Services to the Public – this includes local tax collection, registration of births, deaths and marriages, elections, emergency planning and local land charges;
- Corporate and Democratic Core – this includes two categories of expenditure; Democratic Representation and Management (DRM) and Corporate Management costs. DRM includes all aspects of members' activities and Corporate Management includes activities that provide the infrastructure that allows services to be provided (e.g. the Chief Executive, external audit, corporate level financing and treasury management);
- Non Distributed Costs – this includes costs relating to retirement benefits.

The following table summarises the Net Operating Expenditure, shown in the Income and Expenditure Account, by expenditure heading:

Expenditure and Income Analysis	2007/08 £'000	2008/09 £'000
Employee Related Expenditure	281,424	306,604
Premises Related Expenditure	62,121	59,881
Transport Related Expenditure	18,273	17,201
Supplies and Services	67,966	71,176
Third Party Payments	127,450	149,174
Transfer Payments	158,101	167,528
Support Services	50,118	49,673
Capital Financing Costs	79,134	179,897
Government Grants	(338,616)	(338,524)
Other Grants, Reimbursements and Contributions	(65,770)	(63,896)
Customer and Client Receipts	(131,528)	(137,725)
Interest	(14,537)	(14,339)
Recharges to Other Services	(57,758)	(58,049)
Net Operating Expenditure	**236,378**	**388,601**

Further explanation of some of the terminology included in the above table is detailed below:

- Employee Related Expenditure – includes total salaries, employers' national insurance contributions, employers' pension contributions and indirect employee expenses including the adjustments required to adjust employee costs to a FRS 17 basis;
- Premises Related Expenditure – includes all running costs, expenditure on goods, services and contractors directly related to premises and land;
- Transport Related Expenditure – includes all costs connected with the provision, hire or use of transport for employees and clients;
- Supplies and Services – include all direct supplies and services expenditure incurred;
- Third Party Payments – include payments to third party providers of local authority services (e.g. payments to government departments, voluntary associations, private contractors and other agencies);
- Transfer Payments – include education awards paid to school pupils and students in further education, housing and council tax benefits;
- Support Services – include the recharge of central management and support services costs (e.g. financial services, human resources, legal services, property services) to front line services;
- Capital Financing Costs – include depreciation of fixed assets, interest charges, impairment of fixed assets, revenue expenditure funded from capital under statute, government grant deferred write down and provision for repayment of debt;
- Customer and Client Receipts – include rents and fees and charges;

- Recharges to Other Services – include the offset credit of the charge of support services to front line services.

The deficit on the Income and Expenditure Account of £156.494m does not reflect the definitive measure of the council's financial performance for the year (i.e. the movement on the General Fund Balance) because of the following reasons:

- the deficit includes amounts which are included in the Income and Expenditure but are excluded when determining the movement on the General Fund Balance; such charges include the depreciation and impairment of fixed assets;
- the movement on the General Fund Balance includes amounts which are not included in the Income and Expenditure; such charges include the amount set aside from revenue for the repayment of debt;
- the movement on the General Fund Balance includes amounts which are transferred to or from the General Fund Balance to or from other reserves.

A substantial deficit on the Income and Expenditure does not necessarily mean that immediate action is needed to cut expenditure or raise council tax and conversely any substantial surplus on the Income and Expenditure Account does not necessarily mean that the council has resources available to increase spending or reduce council tax.

The Statement of Movement on the General Fund Balance, detailed below, is a reconciliation statement which summarises the differences between the deficit on the Income and Expenditure Account and the amount transferred to the General Fund Balance. A note of the reconciling items which are required to calculate the movement on the General Fund Balance is shown after this statement.

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, this accounting basis is out of line with the statutory provisions that specify the net expenditure that local authorities need to take into consideration when setting council tax levels, 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 pension 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.

2007/08 £'000		2008/09 £'000
30,681	Deficit for the year on the Income and Expenditure Account	156,494
(30,681)	Net additional amount required by Statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance	(156,494)
0	**Movement on the General Fund Balance**	**0**
(9,000)	**Opening General Fund Balance**	**(9,000)**
(9,000)	**Closing General Fund Balance**	**(9,000)**

Please note the 2007/08 comparative figures for the deficit for the year on the Income and Expenditure Account and the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance have been adjusted by £0.126m and (£0.126m) respectively. This adjustment reflects the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

A note of the reconciling items between the deficit on the Income and Expenditure Account and the amount transferred to the General Fund Balance is detailed on the next page.

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

2007/08 £'000		2008/09 £'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	
(516)	Amortisation of Intangible Fixed Assets	(632)
(91)	Gain / (Loss) on Disposal of Fixed Assets	878
(56)	Sussex Innovation Centre Share Write down	(718)
(23,852)	Depreciation of Fixed Assets	(26,134)
(28,816)	Impairment of Fixed Assets	(126,864)
(2,643)	Excess of Depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(3,660)
10,805	Government Grants Deferred Amortisation	14,539
(983)	Deferred Consideration Write Down	(982)
(2,645)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	574
(5,409)	Write down of Deferred Charges to be financed from Capital Resources	0
0	Revenue Expenditure Funded from Capital under Statute	(9,248)
(17,924)	Net charges made for Retirement Benefits in accordance with FRS17	(24,276)
0	Equal Pay Capitalisation Direction	(14,050)
(72,130)		**(190,573)**
	Amounts not included in the Income and Expenditure Account but required to be included when determining the Movement on the General Fund Balance for the year	
5,741	Statutory Provision for repayment of debt	5,827
2,573	Capital expenditure charged to the General Fund Balance	612
4,440	Capital expenditure charged to the HRA	2,338
(5,525)	Transfer from Usable Capital receipts to meet payments to the Housing Capital Receipts Pool	(554)
2,054	An exceptional adjusting transaction required by the implementation of the new accounting policies for financial instruments	0
20,721	Employers' contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	20,317
30,004		**28,540**
	Transfers to/from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year	
1,439	Statutorily Required transfer (to) / from the HRA Balance	(1,748)
0	Transfer from HRA Working Balance to Capital Reserves	1,386
1,392	Provision for voluntary repayment of debt	1,344
0	Transfer from General Fund Working Balance to Capital Reserves re Capital Expenditure charged	69
1,214	Transfer from General Fund Working Balance to General Reserves	3,308
7,400	Net Transfer to Earmarked Reserves	1,180
11,445		**5,539**
(30,681)	**Net additional amount required by Statute and non-statutory proper practices to be debited or (credited) to the General Fund Balance**	**(156,494)**

Please note the 2007/08 comparative figures for the depreciation and impairment of fixed assets have been adjusted by (£0.126m) to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

The main difference in the movement between years on the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance is in relation to the increased impairment of fixed assets. The amount of £126.864m includes £112.096m in relation to the impairment of Housing Revenue Account (HRA) assets; please refer to note 6 of the HRA accounts for further details.

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses (STRGL) shows the net gains and losses recognised by the council during the year, and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses arising from valuation changes in assets and liabilities, which are not recognised in the Income and Expenditure Account.

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.

2007/08 £'000		2008/09 £'000
30,681	Deficit on the Income and Expenditure Account for the year	156,494
	Surplus on revaluation of fixed assets	
(72,042)	Cost	(37,413)
(25,220)	Depreciation	(24,261)
(71)	Surplus on revaluation of available-for-sale financial assets	(5)
(35,114)	Actuarial (gains) / losses on Pension fund assets and liabilities	58,667
196	Deficit on the Collection Fund	162
2,054	Exceptional Loss resulting from the transitional arrangements for financial instruments	0
239	Deferred Credits *	(22)
0	Any other (gains) / losses required to be included in the STRGL	0
(99,277)	**Total Recognised Gains and Losses for the year**	**153,622**

* this relates to Deferred Credits being included on the Total Assets Less Liabilities side of the Balance Sheet in 2008/09, where as they were included on the Total Net Worth side of the Balance Sheet in 2007/08.

Please note the 2007/08 comparative figures for the deficit in the Income and Expenditure Account for the year and the surplus on revaluation of fixed assets have been adjusted by £0.126m and £1.864m respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

Please note the cost element of the surplus on revaluation of fixed assets includes £57.880m and £0.143m in relation to an element of the impairment charge on council dwellings and other land and buildings respectively which is included in the Revaluation Reserve. Further details are contained in note 6 to the Housing Revenue Account.

Balance Sheet

The Balance Sheet is the key statement of a local authority's financial position at the year end. The statement shows the council's reserves and balances, long term indebtedness, the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

As at 31 March 2008		As at 31 March 2009	
£'000		£'000	£'000
2,636	**Intangible Assets** (Note 29)		2,976
	Tangible Fixed Assets: (Note 20)		
	Operational Assets		
831,520	Council Dwellings	691,569	
729,360	Other Land & Buildings	798,600	
9,869	Vehicles, Plant, Furniture & Equipment	9,527	
80,249	Infrastructure Assets	92,797	
6,106	Community Assets	8,184	
1,657,104			1,600,677
	Non Operational Assets		
177,469	Investment Properties	185,176	
19,148	Assets Under Construction	2,947	
12,809	Surplus Assets Held for Disposal	13,418	
209,426			201,541
1,869,166	**Total Fixed Assets**		**1,805,194**
19,781	Deferred Consideration (Note 51)		18,799
718	Long Term Investments (Note 47 & 52)		2,627
633	Long Term Debtors (Note 53)		639
1,890,298	**Total Long Term Assets**		**1,827,259**
	Current Assets		
117,931	Short Term Investments (Note 47)	54,728	
798	Stocks & Work in Progress (Note 54)	981	
64,471	Debtors (Note 48)	48,647	
2,577	Landfill Usage Allowances (Note 55)	2,525	
185,777			106,881
	Current Liabilities		
(2,430)	Short Term Borrowing (Note 47)	(335)	
(2,443)	LATS Deferred Income (Note 55)	(2,484)	
(92,189)	Creditors (Note 49)	(80,559)	
(1,999)	Bank Overdraft	(3,780)	
(99,061)			(87,158)
1,977,014	**Total Assets Less Current Liabilities**		**1,846,982**
(237,347)	Long Term Borrowing (Note 47)	(195,379)	
(694)	Provisions (Note 34)	(1,199)	
(239)	Deferred Credits (Note 57)	(217)	
(74,818)	Government Grants Deferred (Note 56)	(79,683)	
(4,963)	Government Grants Unapplied (Note 58)	(2,155)	
(3,140)	Section 106 Receipts Unapplied (Note 58)	(3,531)	
(76,242)	Pensions Liability (Note 42)	(138,869)	
(397,443)			(421,033)
1,579,571	**Total Assets Less Liabilities**		**1,425,949**

As at 31 March 2008		As at 31 March 2009	
£'000		£'000	£'000
	Note 35		
(92,963)	Revaluation Reserve		(151,501)
(1,481,546)	Capital Adjustment Account		(1,337,162)
(71)	Available-for-Sale Financial Instruments Reserve		(76)
2,645	Financial Instruments Adjustment Account		2,070
(2,651)	Usable Capital Receipts Reserve (Note 58)		(91)
0	Major Repairs Reserve		0
76,242	Pensions Reserve (Note 42)		138,869
	Funds Balances & Reserves		
(59,790)	Earmarked Reserves (Note 35)	(58,632)	
(9,000)	General Fund Working Balance	(9,000)	
(2,351)	General Fund General Reserves	(2,310)	
(34)	Other Specific Reserves	(87)	
1,604	Collection Fund	1,766	
(2,740)	LMS Reserves (Note 40)	(2,662)	
(3,266)	Standards Fund Reserve	(3,231)	
(5,650)	Housing Revenue Account	(3,902)	
			(78,058)
(1,579,571)	**Total Net Worth**		**(1,425,949)**

Please note the Total Assets Less Liabilities and the Total Net Worth comparative figures have been adjusted to reflect Deferred Credits now being included on the Total Assets Less Liabilities side of the Balance Sheet.

Please note the 2007/08 comparative figures for fixed assets, the revaluation reserve and the capital adjustment account have been adjusted by (£1.990m), £2.856m and (£0.866m) respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details. This change has also adjusted the Total Assets Less Liabilities and the Total Net Worth comparative figures by £1.990m

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on 30 June 2009.

Catherine Vaughan CPFA
Director of Finance & Resources (Section 151 Officer)

Cash Flow Statement

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. For the purposes of this statement, cash is defined as cash in hand plus deposits repayable on demand less overdrafts repayable on demand.

The council uses the direct method to present its revenue activities cash flows, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Year to 31 March 2008		Year to 31 March 2009	
£'000		£'000	£'000
	Revenue Activities		
	Cash Outflows		
281,066	Cash paid to and on behalf of employees	298,009	
331,813	Other operating cash payments	319,083	
142,735	Housing Benefit paid out	152,019	
81,064	NNDR Payments to National Pool	86,690	
5,486	Payments to Capital Receipts Pool	656	
18,159	Precepts	19,157	
860,323			875,614
	Cash Inflows		
(53,353)	Rents (after rebates)	(55,341)	
(124,117)	Council Tax Receipts	(130,162)	
(14,240)	Revenue Support Grant	(12,957)	
(80,544)	NNDR Receipts	(86,306)	
(84,853)	NNDR Receipts from National Pool	(91,605)	
(144,830)	Department for Work & Pensions (DWP) Grants for Benefits	(148,078)	
(201,886)	Other Government Grants	(207,546)	
(142,476)	Cash Received for Goods & Services	(102,301)	
(67,473)	Other Operating Cash Receipts	(63,688)	
(913,772)			(897,984)
(53,449)	**Net Cash (Inflow)/Outflow from Revenue Activities (Note 43)**		**(22,370)**
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
14,401	Interest Paid	11,613	
0	Interest Element of Finance Lease Rental Payments	7	
	Cash Inflows		
(5,766)	Interest Received	(7,836)	
	Capital Activities		
	Cash Outflows		
33,019	Purchase of Fixed Assets	43,547	
5,409	Deferred Charges	0	
0	Revenue Expenditure Funded from Capital	9,248	
60	Other Capital Cash Payments	20	
	Cash Inflows		
(9,347)	Sale of Fixed Assets	(2,457)	
0	Capital Grants Received	(12,959)	
(184)	Other Capital Cash Receipts	(468)	
37,592			40,715
(15,857)	**Net Cash (Inflow)/Outflow Before Financing**		**18,345**

Year to 31 March 2008		Year to 31 March 2009	
£'000		£'000	£'000
	Management of Liquid Resources		
21,037	Short Term Investment (Note 44)		(60,581)
	Financing		
	Cash Outflows		
27,525	Repayments of Amounts Borrowed	68,367	
	Cash Inflows		
(33,500)	New Loans Raised	(24,350)	
(5,975)			44,017
(795)	**Net (Increase)/Decrease in Cash (Note 44)**		**1,781**

Notes to the Core Financial Statements

Statutorily Required

1 Acquired or Discontinued Operations

There are no acquired or discontinued operations to disclose.

2 Prior Period and Exceptional/Extraordinary Items

Prior Period Adjustments

The 2008 SORP requires prior period adjustments to be made for material adjustments arising from changes in accounting policies or from the correction of fundamental errors. This would mean that previous year transactions would have to be restated to bring them in line with the new accounting policies.

During 2008/09 the council purchased a fixed asset /capital accounting software package in response to the increasingly complex capital accounting requirements, particularly the changes introduced by the 2007 SORP. Due to the fundamental changes introduced in the 2007 SORP it was decided to recreate the 2007/08 capital accounting transactions on the new system and use the results as the starting point for the 2008/09 entries. This approach was agreed with our external auditors. The use of the software package has resulted in a slight restating of the 2007/08 comparative figures shown in these accounts compared to the entries in the original 2007/08 Statement of Accounts. There are two main reasons for the changes as follows:

- The original accounts charged depreciation for the year on the opening net book value of the asset, before any revaluation had taken place. The restated accounts now charge depreciation following the revaluations; it was felt that this was more in line with standard practice.
- Some of the complex adjustments that were originally made to the asset register, such as splitting an asset into a number of separate sub assets, resulted in very slight changes in accounting transactions being required when they were applied using the software.

Exceptional Items

There are no exceptional items to disclose.

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 four 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 £73m.

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. This agreement has been extended by a further five years. Based on a projected annual inflation rate of 2.5% the un-discharged liability for the remaining 24 years of the contract is projected at £351m.

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 4.0% and average earnings at 4.5%, over the remaining period, the council has an un-discharged liability of £55m.

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 does not have any significant trading operations and none that are exposed to commercial risks or material loss. The council has not entered into any trading services or undertakings with the public or with other third parties. The council carries out certain services for other public bodies; however, the scale of these operations is not material in relation to the council's expenditure. The council has neither continuing Compulsory Competitive Tendering (CCT) arrangements nor any work that is carried out by internal trading organizations arising from voluntary competitive tendering exercises. The council does provide support services to schools that have freedom to buy externally if they wish, however this is not considered material in relation to the council's expenditure. The council has other internal trading arrangements however these are not considered as trading operations.

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 accounts was incurred under this power.

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 following table shows the expenditure on publicity:

	2007/08 £	2008/09 £
Recruitment Advertising	748,562	787,439
Housing Issues - General Fund	97,102	1,596
Housing Issues - HRA	11,906	4,808
Public Transport Issues	161,143	153,985
Projects & Venues	242,991	266,497
Tourism	137,598	128,737
Social Care - Children	55,462	53,188
Waste Collection (including changing collection rounds, kerbside collection/recycling)	58,769	139,260
Other Publicity and Marketing	307,123	325,463
Total	**1,820,656**	**1,860,973**

Please note the 2007/08 comparative figures have been adjusted; publicity income totalling £0.115m in relation to Human Resources policy is now shown under recruitment advertising instead of other publicity and marketing. There have also been some minor reclassifications of publicity costs in relation to housing issues (General Fund) and social care (children) which were previously shown under other publicity and marketing.

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 following table shows the expenditure and income divided between the chargeable and non-chargeable activities:

	2007/08	2008/09		
	Total £'000	Chargeable £'000	Non-Chargeable £'000	Total £'000
Expenditure	1,164	751	290	1,041
Income	(826)	(713)	(10)	(723)
Total	**338**	**38**	**280**	**318**

8 Agency Income and Expenditure

Under various statutory powers, an authority may agree with other local authorities, water companies and government departments to do work on their behalf.

The council has no significant agency income or expenditure to disclose in relation to this.

9 Transport Act 2000 Schemes

The council does not participate in any schemes that are covered by the Transport Act 2000.

10 Business Improvement District Schemes

A Business Improvement District Scheme (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.

	2007/08 £	2008/09 £
Bid Levy Income	(178,443)	(180,455)
Bid Levy Payments to Bid Company	178,443	180,455
Balance	**0**	**0**

The council incurred costs of £11,637 (£11,118 in 2007/08) relating to the administration of this BID scheme, and £6,841 (£4,877 in 2007/08) relating to legal costs, both of which are included in the Income and Expenditure Account under Central Services to the Public. These costs are fully reimbursed by Brighton BID Ltd.

In addition to the above, the council makes an annual cash contribution to the Brighton BID Ltd of £18,640. This contribution is made from the revenue budgets of the Economic Development & Regeneration division of the Cultural Services department and is included in the Income and Expenditure Account under Cultural, Environmental, Regulatory and Planning Services.

The comparative figures for 2007/08 have been amended to reflect the amounts for the financial period rather than the bids financial year 1 July 2007 to 30 June 2008.

11 Local Authorities (Goods and 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 Local Authorities (Goods and Services) Act 1970. The scale of these operations, which relate to legal services, music tuition and Office for Standards in Education (OFSTED) inspections are not material in relation to the council's expenditure.

12 Pooled Budgets

Under Section 75 of the National Health Service Act 2006, National Health Service (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 within the geographical area covered by Brighton & Hove City Council 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 Foundation Trust. The PCT act as lead commissioner for intermediate care, mental health, substance misuse and AIDS/ HIV services whilst 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 whilst the Sussex Partnership Foundation Trust is the lead provider for mental health and substance misuse services.

The council made a commissioning contribution of £35.329m (£35.210m 2007/08) to the various pooled budget arrangements in 2008/09. This contribution is reflected in the Income and Expenditure Account under Adult Social Care. The gross income to the partnerships is £79.357m (£76.914m 2007/08) including PCT commissioning contributions. This has been expended by lead providers as follows:

Expenditure	2007/08 £'000	2008/09 £'000
South Downs NHS Trust	5,249	5,719
Sussex Partnership FoundationTrust	43,078	44,581
Social Care (Brighton & Hove City Council)	28,587	29,057
Total	**76,914**	**79,357**

Please note the 2007/08 comparative figures have been amended to agree to the restated PCT figures.

Children & Young People's Trust (CYPT)

From 1 October 2006 the city council, the Brighton & Hove City Teaching Primary Care Trust (PCT) and the South Downs Health NHS Trust (SDHT) established a partnership to commission and provide education, health and social care services for all 0-19 year olds within the geographical area covered by Brighton & Hove City Council. The council is the lead commissioner and lead provider of integrated services. The council's contribution is shown in the Income and Expenditure Account under Children's and Education Services. Budgets for the CYPT Partnership were pooled on 1 April 2007. Most devolved, school-related expenditure funded from the Dedicated Schools Grant (DSG) remains outside of the arrangements at present but can potentially be pooled in future, subject to the agreement of the partners and the Schools Forum.

The council made a contribution of £84.929m (£87.111m 2007/08) to the pooled budget arrangement in 2008/09. The gross income to the partnership of £94.251m (£95.275m 2007/08) has been spent as follows:

Expenditure	2007/08 £'000	2008/09 £'000
Brighton & Hove City Council	86,961	84,929
South Downs NHS Trust	6,872	7,335
Brighton & Hove City Teaching Primary Care Trust	1,442	1,987
Total	**95,275**	**94,251**

13 General Government Grants

Government revenue grants that do not relate to the performance of a specific service are shown as income at the foot of the Income and Expenditure Account under General Government Grants.

The main items of general grant is formula grant (made up of the Revenue Support Grant and national non-domestic rates) which is distributed amongst all authorities according to relative need as determined by formulae.

Local authorities are free to use all of their non ring-fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas, including the achievement of LAA targets.

Revenue Support Grant

Revenue Support Grant is a non ring-fenced government grant which can be used by the council to finance revenue expenditure on any service. The level of Revenue Support Grant allocated to the council in 2008/09 was £12,928,411.

Area Based Grant (ABG)

In 2005/06 the Government introduced Local Area Agreement (LAA) grant, into which a number of specific grant funding streams were pooled and allocated as a single grant to upper tier authorities for the purpose of supporting the achievement of their LAA targets. This rationalised the administration and monitoring that surrounded those funding streams and increased local flexibility over the use of funding. The Local Area Agreement was an agreement between the Government Office (GO), the local authority and its major delivery partners working through the Local Strategic Partnership (LSP) to deliver national outcomes in a way that reflected local priorities.

ABG was introduced from the beginning of the 2008/09 financial year and builds on the success of LAA grant by further increasing local flexibility over the use of resources, and further reducing onerous reporting requirements. Unlike LAA grant, which was allocated for the purposes of supporting the achievement of LAA targets, ABG is a non-ringfenced general grant allocated directly to local authorities. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

The level of ABG received by the council in 2008/09 was £13,909,479.

Local Public Service Agreement Grant (LPSA)

LPSA is an agreement between the government and an individual local authority. Under the agreement, the council agrees to a number of targets. The council sets out how it will improve local public services and in return the Government sets out how it will reward those improvements.

The council received £1,577,321 Performance Reward Grant in 2008/09 in relation to the agreed outcomes under LPSA 2.

14 Members' Allowances

The gross amount paid by way of members' allowances during the year amounted to £859,772 (2007/08 £806,196). Details of allowances paid in 2008/09 will be published in the local newspaper, The Argus and posted on the notice boards outside the Town Halls in Brighton and Hove and on the council's website, www.brighton-hove.gov.uk.

15 Disclosure of Executive Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more, in bands of £10,000 was:

Remuneration Band	2007/08 Number of Staff*	2008/09 Number of Staff*
£50,000 - £59,999	130	136
£60,000 - £69,999	50	49
£70,000 - £79,999	10	24
£80,000 - £89,999	3	7
£90,000 - £99,999	6	2
£100,000 - £109,999	2	2
£110,000 - £119,999	0	2
£120,000 - £129,999	0	2
£130,000 - £139,999	0	0
£140,000 - £149,999	0	0
£150,000 - £159,999	0	0
£160,000 - £169,999	1	0
£170,000 - £179,999	0	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.

16 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, Related Party Disclosures, 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 2008/09 can be found in note 45 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 2008/09 levies totalled £196,998 (£192,072 2007/08). These are included in the Income and Expenditure Account together with a precept of £27,000 for Rottingdean Parish Council.

Members and Senior Staff

Members of the council have direct control over the council's financial and operating policies. During 2008/09, works and services to the value of £3.128m (£4.316m 2007/08) were commissioned from companies in which 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 2008/09 there are no related party transactions requiring disclosure in relation to senior staff.

17 External Audit Costs

In 2008/09 the council incurred the following fees relating to external audit and inspection:

	2007/08 £'000	2008/09 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	324	333
Fees payable to the Audit Commission in respect of statutory inspection	24	25
Fees payable to the Audit Commission for the certification of grant claims and returns	54	70
Total	**402**	**428**

The amounts for external audit services carried out by the appointed auditor and certification of grants in 2007/08 have been updated from the estimate originally shown in last year's accounts to reflect the actual costs.

Work relating to 2008/09 certification of grants has not yet been completed; however an estimate of the level of fees to be charged has been included in the above note.

18 The Statement of Movement on the General Fund Balance

The Statement of Movement on the General Fund Balance reconciles the surplus or deficit on the Income and Expenditure Account to the movement on the General Fund Balance. The statement 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 and which therefore must be taken into account in determining the council's budget requirement and in turn its council tax demand.

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 34 and the note of reconciling items for the statement on page 35.

20 Summary of Capital Expenditure and Fixed Asset Disposals

The following table shows the movements in the year for operational assets:

	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Cost or valuation						
At 1 April 2008	**843,135**	**764,264**	**20,943**	**108,424**	**6,106**	**1,742,872**
Additions	14,392	16,447	1,905	7,544	223	40,511
Disposals	(410)	(874)	0	0	0	(1,284)
Reclassifications	(1,257)	(3,228)	3	10,142	1,855	7,515
Revaluations	17,770	70,096	103	0	0	87,969
At 31 March 2009	**873,630**	**846,705**	**22,954**	**126,110**	**8,184**	**1,877,583**
Depreciation and impairments						
At 1 April 2008	**(11,615)**	**(34,904)**	**(11,074)**	**(28,175)**	**0**	**(85,768)**
Depreciation	(12,533)	(18,548)	(2,353)	(5,138)	0	(38,572)
Reclassifications	19	(19)	0	0	0	0
Impairments	(169,528)	(7,299)	0	0	0	(176,827)
Revaluations	11,596	12,665	0	0	0	24,261
At 31 March 2009	**(182,061)**	**(48,105)**	**(13,427)**	**(33,313)**	**0**	**(276,906)**
Balance Sheet amount at 31 March 2009	**691,569**	**798,600**	**9,527**	**92,797**	**8,184**	**1,600,677**
Balance Sheet amount at 31 March 2008	**831,520**	**729,360**	**9,869**	**80,249**	**6,106**	**1,657,104**
Nature of asset holding						
Owned	691,569	798,600	9,527	92,797	8,184	1,600,677
Finance Lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0
Balance Sheet amount at 31 March 2009	**691,569**	**798,600**	**9,527**	**92,797**	**8,184**	**1,600,677**

Please note the Balance Sheet amounts at 31 March 2008 for council dwellings, other land and buildings, vehicles, plant, furniture & equipment, infrastructure assets and community assets have been adjusted by £0.077m, (£3.587m), £1.269m, (£1.266m) and £0.043m respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

Further details on the impairment of council dwellings can be found in note 6 of the HRA accounts.

The following table shows the movements for non-operational assets:

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Cost or valuation				
At 1 April 2008	**177,469**	**19,148**	**12,809**	**209,426**
Additions	314	574	0	888
Disposals	(384)	0	0	(384)
Reclassifications	2,248	(9,755)	0	(7,507)
Revaluations	6,569	0	898	7,467
At 31 March 2009	**186,216**	**9,967**	**13,707**	**209,890**
Depreciation and impairments				
At 1 April 2008	**0**	**0**	**0**	**0**
Depreciation	0	0	(289)	(289)
Impairments	(1,040)	(7,020)	0	(8,060)
At 31 March 2009	**(1,040)**	**(7,020)**	**(289)**	**(8,349)**
Balance Sheet amount at 31 March 2009	**185,176**	**2,947**	**13,418**	**201,541**
Balance Sheet amount at 31 March 2008	**177,469**	**19,148**	**12,809**	**209,426**
Nature of asset holding				
Owned	185,176	2,947	13,418	201,541
Finance Lease	0	0	0	0
PFI	0	0	0	0
Balance Sheet amount at 31 March 2009	**185,176**	**2,947**	**13,418**	**201,541**

Please note the Balance Sheet amounts at 31 March 2008 for investment properties and assets under construction have been adjusted by £0.134m and £1.340m respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

The following table details the movements on the council's fixed assets together with how these movements were financed:

	2007/08 £'000	2008/09 £'000
Opening Capital Financing Requirement	**232,433**	**235,826**
Capital Investment		
Operational Assets	27,498	41,687
Non-Operational Assets	5,015	888
Intangible Assets	807	972
Deferred Charges	5,409	0
Revenue Expenditure Funded From Capital	0	9,248
Loans to Leaseholders	67	95
Capitalisation Direction - Equal Pay	0	14,050
Sources of Finance		
Capital Receipts	(3,269)	(4,605)
Government Grants	(12,529)	(14,371)
Other Contributions	(866)	(279)
Major Repairs Allowance (HRA)	(9,095)	(9,067)
Reserves	(25)	(7,205)
Revenue Contributions	(2,486)	(4,126)
Revenue provision for repayment of loans	(7,133)	(7,171)
Closing Capital Financing Requirement	**235,826**	**255,942**

Please note the 2007/08 comparative figures have been adjusted to split out the loans to leaseholders from non operational assets.

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:

Fixed Assets	1,869,166	1,805,194
Deferred Consideration	19,781	18,799
Long Term Investment - Sussex Innovation Centre	718	0
Mortgages & Deferred Debtors (included in Long Term Debtors)	481	512
Deferred Credits	(239)	(217)
Government Grants Deferred	(74,818)	(79,683)
Government Grants Unapplied re grants funding - non operational assets	(4,754)	0
Capital Adjustment Account	(1,481,546)	(1,337,162)
Revaluation Reserve	(92,963)	(151,501)
	235,826	**255,942**

Please note the 2007/08 comparative figures for fixed assets, the capital adjustment account and the revaluation reserve have been adjusted by (£1.990m), (£0.866m) and £2.856m respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

Explanation of in year movements in the Capital Financing Requirement:

Increase in Supported Borrowing	7,906	8,612
Unsupported Borrowing applied towards Capital Funding Requirement	2,620	4,625
Capitalisation Direction - Equal Pay	0	14,050
Repayment of Loans	(7,133)	(7,171)
Increase in underlying need to borrow	**3,393**	**20,116**

21 Capital Commitments

The following table details the significant commitments for capital investment that existed at the Balance Sheet date:

Scheme Name	Description	2009/10 £'000	2010/11 £'000	2011/12 £'000
Historical Record Centre (The Keep)	Project to build an archive and historical public records resource centre	45	500	4,000
Royal Pavilion Stonework	Phased major stonework replacement	929	0	0
Human Resources System	Contract for the provision of an integrated HR/Payroll Management Sytem	763	383	20
Restoration of the Western Bandstand	Restoration of the western bandstand on the seafront, a grade 2 listed building of architectural and historic importance	473	0	0
Falmer Infrastructure Works	Infrastructure at Falmer Community Stadium	3,828	1,040	58
Development of Westbourne Hospital Site	A mix of road safety measures towards achieving the government's 2010 casualty reduction and associated Local Area Agreement targets	469	0	0
Communal Bins Extension	Extension of the communal bins scheme to cover a wider area of the city	615	0	0

22 Asset Holdings – Tangible Fixed Assets

The council holds the following tangible fixed assets:

	At 31 March 2008	At 31 March 2009
Council Dwellings	12,322	12,315
Operational Assets		
Cemeteries	7	7
Mortuary	1	1
Crematorium (Woodvale)	1	1
Off-Street Car Parks Leased to National Car Parks (NCP)	6	0
Off-Street Multi Storey Car Parks	2	4
Off-Street Parking Pay and Display Multi Storey	1	6
On Street Parking Pay and Display	1,085	1,085
Museums	3	3
Principal Administrative Offices	3	3
Swimming Pools – Indoor	4	4
Swimming Pools – Outdoor	1	1
Paddling Pools	4	4
Leisure Centres	5	5
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	1
Principal Roads	44km	44km
Other Roads	571km	571km
Public Conveniences	53	52
Park Buildings	191	191
Libraries	16	16
Nursery Schools	2	2
Schools (Including Aided)	68	67
Education Other than at School (EOTAS) Establishments	5	5
Town Halls	3	3
Town Hall Annexe	1	1
Childrens Centres (Hubs)	6	6
Registered Care Homes / Resource Centres	12	9
Supported Accommodation Units	6	6
Day Centres	8	8
Social Care Offices and Contact Centres	9	9
Social Care Workshops and Stores	3	3
Community Assets		
Parks and Open Spaces	1,293 hect.	1,293 hect
Allotment – Units	2,528 plots	2,848 plots
Mini Golf Courses	3	3
Golf Courses	3	3

Please note the 2007/08 comparative figures have been adjusted to reclassify the types of properties held in relation to social care assets. In addition, the on street parking pay and display line has been adjusted to reflect the number of pay and display machines in the city.

The museums and art galleries of Brighton & Hove hold a number of rare artefacts. The insurance value of these objects is not reflected in the council's Balance Sheet as they are classified as community assets. This means that the council intends to hold them in perpetuity or that there are restrictions on their disposal.

23 Assets Held Under Leases

Operating Leases

The council uses refuse collection vehicles, welfare coaches, miscellaneous vehicles and equipment financed under terms of operating leases. The amount paid under these arrangements in 2008/09 was £0.108m (2007/08 £0.202m).

The council is not committed to make any payments under these leases in 2009/10.

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 Balance Sheet under Fixed Assets, and the interest element is charged to the Income and Expenditure Account 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 2009 (£0 at 31 March 2008). There were, however, secondary lease rental payments of £7,250 in 2008/09 (£7,250 in 2007/08).

24 Assets Held for Leases

The council has no assets held for leases.

25 Private Finance Initiative (PFI) – Assets

The assets that are used by the PFI contractors are held off Balance Sheet. Please see note 3 for further information relating to PFI contracts.

26 Tangible Fixed Assets Valuations

Valuations have been carried out by the council's internal valuers within the Property & Design Section, and by Cluttons and Smiths Gore, independent property managing companies. In addition, a Royal Institution of Chartered Surveyors (RICS) qualified consultant valuer has undertaken some asset valuations for the commercial, seafront and operational portfolios. The valuation of the council housing stock 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.

The following table shows the progress of the council's rolling programme for the revaluation of operational fixed assets:

	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Valued at Historic Cost	0	0	7,624	85,338	7,961	100,923
2004/05	0	107,912	0	0	0	107,912
2005/06	0	121,811	0	0	0	121,811
2006/07	0	142,089	0	0	0	142,089
2007/08	0	173,475	0	0	0	173,475
2008/09	691,569	226,776	0	0	0	918,345
Capital Expenditure	0	26,537	1,903	7,459	223	36,122
Total	**691,569**	**798,600**	**9,527**	**92,797**	**8,184**	**1,600,677**

The following table shows the progress of the council's rolling programme for the revaluation of non operational fixed assets:

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Intangible Fixed Assets £'000	Total £'000
Valued at Historic Cost	0	2,402	0	1,990	4,392
2004/05	30,731	0	645	0	31,376
2005/06	36,242	0	0	0	36,242
2006/07	64,903	0	0	0	64,903
2007/08	24,049	0	8,241	0	32,290
2008/09	28,950	0	4,531	0	33,481
Capital Expenditure	301	545	1	986	1,833
Total	**185,176**	**2,947**	**13,418**	**2,976**	**204,517**

27 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 and assets under construction. 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 valued with a life of either 20 or 50 years in accordance with Royal Institution of Chartered Surveyors (RICS), with the exception of council dwellings which are set at 60 years. Furniture and equipment is generally set at five to ten years depending on the nature of the asset. Infrastructure is normally set at 10 to 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.

28 Changes in the Method of Depreciation

There has been a change in the method of depreciation for revalued assets. This change has been brought about by the implementation of a new fixed asset system, whereby the timing of calculating depreciation on revalued assets is different to the manual system previously operated by the council.

With effect from 1 April 2007, depreciation is charged on the revalued amount. Prior to 1 April 2007, depreciation was charged on pre-valuation asset values.

Comparative figures have been adjusted to reflect this change in the method of depreciation.

29 Intangible Assets

The following table shows the movements in the year for intangible assets:

	Software £'000	Total £'000
Cost or valuation		
At 1 April 2008	**4,597**	**4,597**
Additions	972	972
At 31 March 2009	**5,569**	**5,569**
Amortisation and impairments		
At 1 April 2008	**(1,961)**	**(1,961)**
Amortisation	(632)	(632)
At 31 March 2009	**(2,593)**	**(2,593)**
Balance Sheet amount at 31 March 2009	**2,976**	**2,976**
Balance Sheet amount at 31 March 2008	**2,636**	**2,636**
Nature of asset holding		
Owned	2,976	2,976
Finance Lease	0	0
PFI	0	0
Balance Sheet amount at 31 March 2009	**2,976**	**2,976**

The asset life for intangible fixed assets is between three and ten years depending on the nature of the asset. 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 27.

30 Changes in the Method of Amortisation for Intangible Fixed Assets

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

31 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 2008 £'000	31 March 2009 £'000
General Fund	738,138	726,275
Housing Revenue Account	841,433	699,674
Total Assets Less Liabilities	**1,579,571**	**1,425,949**

Please note the 2007/08 comparative figures have been adjusted by (£0.239m) to reflect that Deferred Credits is now included on the Total Assets Less Liabilities side of the Balance Sheet.

Please note the 2007/08 comparative figures have also been adjusted by a further (£1.990m) to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

32 Interests in Companies

The Sussex Innovation Centre acts as a business incubator and innovation support unit for Sussex and the south east. The council was a minority shareholder (19%) in this company and had no control or influence over the centre. The council held 1.4m preference shares which were written down at a rate of £56,000 per annum (representing 4% of the original value of the 1.4m shares @ £1 per share). The total value of shares

(£717,779 at the end of 2007/08) was written down in 2008/09 when, on the 31st July 2008, the council surrendered to the company its shareholding (made up of 1,401,400 preference shares for the sum of £1 and 19 ordinary shares for £1). The share surrender was conditional upon the university and the company undertaking that the premises and land would not be sold or transferred to a third party, nor a change be made to its usage regarding the purpose for which it was built without consent of the council and also that there would be no change, amendment or alteration made to the company's objects. Under the surrender agreement the university is obliged to the year 2034 to indemnify the council, as the accountable body to the South East England Development Agency (SEEDA), for any repayment of grant in the event of a breach of the obligations as set out in the grant determination and terms of the surrender agreement.

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 council's Chief Executive and two councillors are all directors of the company. The council contributed £39,770 to the forum during 2008/09 (£39,770 in 2007/08), which represents 42% of the total core funding of £94,270.

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 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.

33 Insurance Reserve

The council's Insurance Reserve covers liabilities under insurance policy excesses and finances 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 two years. The actuary provides a valuation of the liabilities and recommends the level of reserve required. The council implements their recommendations.

34 Provisions

Provisions 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. The following table shows the level of the council's provisions:

	01 April 2008 £'000	Receipts in Year £'000	Use of Provision and Write off in Year £'000	31 March 2009 £'000
Maintenance of Graves	(249)	(8)	61	(196)
Single Status Liability Provision	0	(758)	0	(758)
Section 117 Mental Health Act 1983	(445)	0	200	(245)
Total	**(694)**	**(766)**	**261**	**(1,199)**

Maintenance of Graves

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

Single Status Liability Provision

This provision was set up in 2008/09 and relates to a potential equal pay liability for amounts that may be payable to persons who have left the council's employment. This is separate to the Single Status earmarked reserve which is to meet other potential liabilities that cannot be estimated with any accuracy. Details of the Single Status earmarked reserve are included in note 35.

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 have been no refunds made during 2008/09. It is not possible to determine when all refunds to clients will be made. The level of the provision was reviewed in 2008/09 and has been reduced by £200,000.

35 Movements on Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. The following table shows the movement on reserves:

	Balance as at 1 April 2008 £'000	(Gains)/Losses Transferred to or £'000	Net Amount Transferred £'000	Balance as at 31 March 2009 £'000
Revaluation Reserve	(92,963)	(59,551)	1,013	(151,501)
Capital Adjustment Account	(1,481,546)	(9,494)	153,878	(1,337,162)
Usable Capital Receipts Reserve	(2,651)	0	2,560	(91)
Financial Instruments Adjustment Account	2,645	0	(575)	2,070
Available-for-Sale Financial Instruments Reserve	(71)	(5)	0	(76)
Pensions Reserve	76,242	58,667	3,960	138,869
Housing Revenue Account Balance	(5,650)	0	1,748	(3,902)
General Fund Balance	(9,000)	163,865	(163,865)	(9,000)
Other Reserves (Incl. Earmarked Reserves)	(66,577)	140	1,281	(65,156)
Total	**(1,579,571)**	**153,622**	**0**	**(1,425,949)**

Please note the Opening Balance as at 1 April 2008 for other reserves has been adjusted by £0.239m to remove Deferred Credits which has moved to the Total Assets less Liabilities side of the Balance Sheet.

Please note the Opening Balance as at 1 April 2008 for the revaluation reserve and the capital adjustment account have also been adjusted by £2.856m and (£0.866m) respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details.

Revaluation Reserve and Capital Adjustment Account

Accounting for fixed assets is separated from accounting for their financing. There are two reserves which help to manage this separation:

- the Revaluation Reserve which records the unrealised revaluation gains arising from holding fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of;
- the Capital Adjustment Account which provides a specific accounting mechanism to reconcile the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. Statute requires that the charge to the General Fund Balance is determined by the capital controls system.

These reserves are matched by fixed assets within the Balance Sheet and therefore are not resources available to the council.

Available-for-Sale Financial Instruments Reserve and Financial Instruments Adjustment Account

Financial assets are required to be carried at fair value (unless they have fixed or determinable payments but are not quoted in an active market), and proper accounting practices for the Income and Expenditure Account are different from that required for assessing the impact on local taxes. There are two reserves that help to manage the accounting requirements:

- the Available-for-Sale Financial Instruments Reserve which records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets;
- the Financial Instruments Adjustment Account which provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognised under proper accounting practices for borrowing and investments and are required by statute to be met from the General Fund Balance.

These reserves are matched by borrowing and investments within the Balance Sheet and therefore are not resources available to the council.

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds the proceeds of fixed assets sales available to meet future capital investment.

Pensions Reserve

The Pensions Reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability under FRS 17, Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund Balance reflects the amount required to be raised in taxation. The reserve normally is at the same level as the pensions liability carried on the top half of the Balance Sheet. Please see note 42 for further information.

Housing Revenue Account

The Housing Revenue Account shows the resources available to meet future running costs for council houses. The HRA financial statements can be found on pages 79 to 80.

General Fund Balance

The General Fund Balance shows the resources available to meet future running costs for non-housing services.

Other Reserves

Other Reserves include earmarked reserves and other specific reserves, the Collection Fund, general reserves, school balances and Standards Fund Grant reserve. The following table shows a detailed breakdown of earmarked reserves:

Earmarked Reserves

The council holds the following reserves under the heading of Earmarked Reserves:

	Balance as at 31 March 2008 £'000	Balance as at 31 March 2009 £'000
Capital Reserves	(14,331)	(11,981)
Departmental Carry Forwards	(982)	(736)
Insurance Reserves	(6,642)	(6,925)
Local Public Service Agreement (LPSA) Reserve	(818)	(1,457)
Local Authority Business Growth Incentive (LABGI) Reserve	(358)	(1,044)
Restructure Redundancy Reserve	(2,915)	(2,736)
Private Finance Initiative (PFI) Reserves	(26,048)	(8,292)
Brighton Centre Redevelopment Reserve	(2,039)	(3,132)
Single Status Reserve	(2,491)	(14,097)
Financing Costs Reserve	0	(2,881)
Building Schools for the Future Reserve	0	(1,500)
Other Earmarked Reserves	(3,166)	(3,851)
Total	**(59,790)**	**(58,632)**

The main earmarked reserves are:

Capital Reserves

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

Departmental Carry Forwards

These represent the approved carry forward of budget to meet future specific costs.

Insurance Reserves

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. An element of the reserve is used to fund training on risk management to support delivery of the risk management strategy and to fund measures to address operational hazards/risks identified.

Local Public Service Agreement (LPSA) Reserve

This reserve relates to the performance reward grant in relation to LPSA 2 which is carried forward to 2009/10 to spend on specific expenditure areas.

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. This reserve holds the amount in relation to the council's LABGI allocation to be carried forward into 2009/10.

Restructure Redundancy Reserve

This reserve funds approved redundancy payments and added years lump sum pension payments, which departments then repay to the reserve over 5 years. The reserve also receives contributions from departments for the actuarial costs of early retirements. The reserve is also available to fund 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 year 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.

Financing Costs Reserve

This reserve will be used to meet future projected investment income losses.

Building Schools for the Future Reserve

This reserve will be used to contribute towards the costs of the Building Schools for the Future programme.

Single Status Reserve

The council has set aside a reserve to meet future potential costs relating to equal pay legislation. It is not possible to determine an accurate estimate of this liability.

Brighton Centre Redevelopment Reserve

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

36 Contingent Liabilities and Contingent Assets

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the council's control, or a present obligation that arises from past events but is not recognised because it is either not probable that a transfer of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

The council's contingent liabilities and contingent assets are detailed below:

- Regulation 5 of the Local Authorities Capital Finance & Accounting (Amendment) (England) Regulations 2007 introduced a new power providing discretion to local authorities not to charge to revenue a provision for back pay arising from unequal pay claims. This power applies for the financial years 2006/07 to 2010/11 inclusive. The council's Governance Committee approved a proactive approach to managing potential equal pay back pay liabilities at its meeting on 13 January 2009. This was ratified by Full Council on 29 January 2009. The associated budget provision was considered by Cabinet on 12 February 2009 and approved by Full Council on 26 February 2009. The accounts include the costs of the equal pay back pay settlement offer, paid to employees during March 2009, together with provision for payments to HMRC for tax and national insurance contributions. A provision is also included for employees who were due an equal pay back pay settlement but left the council's employment within 6 months of the settlement date (31 March 2009). There may be other potential liabilities relating to equal pay back pay that are outside of the formal settlement offer made by the council. These liabilities could only arise as a result of formal grievance processes and/or employment tribunals and cannot therefore be estimated with any accuracy at the balance sheet date;
- the council has a contingent liability in relation to insurance claims. It is not possible to identify with any accuracy which claims will become payments in the future and therefore the council is unable to set aside a provision. Each individual claim is allocated a reserve at the time the claim is first brought against the council in accordance with common practice within the insurance industry. Actual payments can differ from initial reserves due to a number of factors including, but not limited to, ability to successfully defend claims, the proportion of outstanding claims that become litigated, level of legal fees and the judge presiding over trials;
- the council has a contingent asset in relation to concessionary bus fares for an unresolved judicial review against a fixed determination payment for Brighton & Hove Buses in 2007/08. The judicial review is not being contested, however, the Department for Transport will not be issuing a re-determination until after general challenges made by bus operators on the principles of all concessionary travel schemes for 2007/08 and 2008/09 have been heard. If the general challenges made by the bus operators are

unsuccessful the council can expect a re-determination which may produce a payment from Brighton & Hove Buses to the council.

37 Authorisation of Accounts for Issue

These accounts were authorised for issue by the Director of Finance & Resources on 30 June 2009.

Catherine Vaughan CPFA
Director of Finance & Resources (Section 151 Officer)

38 Events After the Balance Sheet Date

Events up to the date the accounts were authorised for issue have been considered. There are no significant events to adjust for or disclose.

39 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 on pages 92 to 93.

40 Local Management of Schools (LMS) Reserves

The schools included within the council's accounts held the following balances as at 31March:

	2007/08 Overall Balance £'000	2008/09 Unspent Balance £'000	2008/09 Overspent Balance £'000	2008/09 Overall Balance £'000
Nursery Schools	1	(8)	2	(6)
Primary Schools	(1,130)	(1,754)	218	(1,536)
Secondary Schools	(1,797)	(1,239)	71	(1,168)
Special Schools	186	(170)	218	48
Total	**(2,740)**	**(3,171)**	**509**	**(2,662)**

These balances are carried forward by each individual school and are used solely to provide education to the pupils of that school.

41 Amounts Due to or from Related Parties

The council's related party transactions have been covered in note 16. 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 2008 £'000	31 March 2009 £'000
Amounts due to Related Parties	13,246	15,966
Amounts due from Related Parties	(9,618)	(8,037)

42 Pension Costs

The council offers retirement benefits as part of the terms and conditions of employment of its officers and other employees. Although these benefits will not become payable until employees retire the council has to disclose this commitment to the future payment at the time that the employees earn their future entitlement.

The council participates in two pension schemes as follows:

- the Local Government Pension Scheme (LGPS) for civilian employees as administered by East Sussex County Council. The scheme is a funded defined benefit final salary scheme meaning that the council and employees pay into a fund contributions calculated at a level intended to balance the pension liabilities with investment assets. In addition the council has liabilities for discretionary payments related to added years or early retirement which are charged as an expense to the council as opposed to the pension fund;
- the Teachers' Pension Scheme as administered by the Teachers' Pension Agency (TPA) on behalf of the Department for Children's Schools and Families (DCSF). This scheme provides teachers employed by the council with defined benefits upon their retirement. The scheme is unfunded and therefore the Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. The council contributes towards the costs by making contributions based on a percentage of members' pensionable salary. The council is unable to identify the share of the underlying liabilities in the scheme attributable to its own employees and therefore for the purpose of these accounts the scheme is treated as a defined contribution scheme. Pension costs are charged to the accounts in accordance with the contribution rate set by DCSF.

Change of accounting policy

Under the 2008 SORP, the council has adopted the amendment to FRS 17 (Retirement Benefits). As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The bid value of assets is the value which can be realised immediately at a particular date (i.e. the price at which you would be able to guarantee a sale) whereas the, previously used, mid market value is halfway between the bid value and the offer value (i.e. the price at which an asset can be purchased). The effect of this change is that the value of scheme assets at 31 March 2009 has been restated from £378.2m to £377.0m, a decrease of £1.2m, resulting in an increase in the pension deficit of £1.2m (31 March 2008: increase of £2.0m).

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services in the Income and Expenditure Account when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge the council is required to make against council tax, however, is based on the cash contributions payable in the year, so the real 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 and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	2007/08 £'000	2008/09 £'000
Income and Expenditure Account		
Net Cost of Services:		
- Current Service cost	(18,879)	(13,686)
- Past Service Cost	(244)	(4,963)
- Settlements and Curtailments	(214)	(416)
Net Operating Expenditure:		
- Interest Cost	(30,883)	(36,464)
- Expected Return on Assets in the Scheme	32,296	31,253
Net Charge to the Income and Expenditure Account	**(17,924)**	**(24,276)**
Statement of Movement on the General Fund Balance - Reversal of net charges made for Retirement Benefits in accordance with FRS 17	**17,924**	**24,276**
Actual amount charged against the General Fund Balance for pensions in the year: - Employer's Contributions payable to the Scheme	**(20,721)**	**(20,317)**

Current service costs have fallen significantly, by approximately £5m, due principally to an increase in the real discount rate used to calculate the present value.

The past service cost figure of £4.963m for 2008/09 comprises £0.217m in respect of efficiency and other early retirements and £4.746m in respect of retrospective changes to member benefits that came into effect on 1 April 2008 as follows:

- £3.551m in respect of the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid;
- £1.195m in respect of the extension of the eligibility criteria for dependents' pensions upon death to include a nominated cohabitee.

In addition to the recognised gains and losses included in the Income and Expenditure Account actuarial gains and losses of £58.667m have been recognised in the Statement of Total Recognised Gains and Losses in 2008/09. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses from the 2002/03 accounting period onwards is £129.990m.

Assets and Liabilities in relation to Retirement Benefits

The following table shows the reconciliation of present value of scheme liabilities at 31 March as follows:

	31 March 2008 restated £'000	31 March 2009 £'000
1st April	**(577,940)**	**(523,318)**
Current Service Costs	(18,879)	(13,686)
Interest Cost	(30,883)	(36,464)
Contributions by scheme participants	(6,461)	(7,003)
Actuarial (gains) and losses	92,229	51,066
Losses (gains) on curtailment	(214)	(416)
Unfunded Benefits paid	1,715	1,757
Benefits paid	16,229	16,143
Past Service Costs	(244)	(4,963)
Adjustment to actuary's figures	1,130	0
31st March	**(523,318)**	**(516,884)**

The following table shows the reconciliation of fair value of scheme assets at 31 March as follows:

	31 March 2008 restated £'000	31 March 2009 £'000
1st April	**462,557**	**447,076**
Expected rate of return	32,296	31,253
Actuarial gains and (losses)	(57,015)	(109,733)
Employer contribution as per Actuary Report	18,560	17,951
Adjustment for Actual Employer Contribution	53	(448)
Contribution in respect of unfunded benefits as per Actuary Report	1,715	1,757
Adjustment for Actual Contribution in respect of unfunded benefits	393	1,056
Contributions by scheme participants	6,461	7,003
Unfunded benefits made	(1,715)	(1,757)
Benefits paid	(16,229)	(16,143)
31st March	**447,076**	**378,015**

The council has elected to restate fair value of scheme assets from accounting period ending 31 March 2002 onwards.

Scheme History

	31 March 2009 £'000	31 March 2008 restated £'000	31 March 2007 restated £'000	31 March 2006 restated £'000	31 March 2005 restated £'000
Present value of liabilities	(516,884)	(523,318)	(577,940)	(579,670)	(478,898)
Fair Value of Assets in the Local Government Pension Scheme	378,015	447,076	462,557	429,845	337,446
Surplus/(deficit) in the scheme	**(138,869)**	**(76,242)**	**(115,383)**	**(149,825)**	**(141,452)**

The liabilities show the council's long run underlying commitments to pay retirement benefits. The total liability of £516.884m has a substantial impact on the net worth of the council and results in a negative overall balance of £138.869m being recorded in the Balance Sheet after adjusting for actual employer's contributions. Statutory arrangements for funding the pension 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.

Based on the current benefit structure of the Local Government Pension Scheme (LGPS) and using the roll forward method, the actuarial estimate of the present value of funded liabilities as at 31 March 2009 is £516.884m which includes £257m, £70m and £165m in respect of employee members, deferred pensioners and pensioners respectively. This liability also includes £17m in respect of LGPS unfunded pensions and £8m in respect of Teachers' unfunded pensions.

No allowance has been made in the figures for the liabilities left behind following the liquidation of Sussex Carers Limited on 12 November 2008. Discussions concerning the apportionment of the liability between Brighton & Hove City Council and East Sussex County Council are ongoing.

Assuming no material events such as curtailments, settlements, restrictions placed on admitting new entrants to the fund or discontinued participation in the fund, the total contributions expected to be made to the Local Government Pension Scheme by the council for the year to 31 March 2010 will be in the region of £20.069m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates and salary levels etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The principal assumptions used by the actuary are as follows:

Long term expected rate of return on assets in the scheme	31 March 2008	31 March 2009
Equity Investments	7.7%	7.0%
Bonds	5.7%	5.4%
Property	5.7%	4.9%
Cash	4.8%	4.0%

Mortality Assumptions:	31 March2009
Longevity at 65 for current pensioners:	
Men	19.6 years
Women	22.5 years
Longevity at 65 for future pensioners:	
Men	20.7 years
Women	23.6 years

	31 March 2008	31 March 2009
Rate of inflation/pension increase rate	3.6%	3.1%
Rate of increase in salaries	5.1%	4.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Expected total return on assets	6.9%	6.5%
Take up of option to convert annual pension in retirement grant	50.0%	50.0%

Category of assets expressed as a proportion of the total assets held:	31 March 2008	31 March 2008	31 March 2009	31 March 2009
Equity Investments	65.7%	293,537	76.0%	286,491
Bonds	13.6%	60,875	10.0%	37,696
Property	9.6%	42,865	8.0%	30,157
Cash	11.1%	49,353	6.0%	22,618
Total	**100%**	**446,630**	**100%**	**376,962**

The asset values as at 31 March 2009 are at bid value as required under FRS 17, Retirement Benefits, whereas in previous years the value of assets were reported at mid market value. The move to bid value resulted in an actuarial loss in the Statement of Recognised Gains and Losses of £58.667m. Previous year's assets have been restated for consistency and the figures as disclosed in prior years have been adjusted for the estimated bid value of assets at the relevant dates. Details of the difference between mid market and bid value of assets for the Fund as a whole as at 31 January 2009 were provided by the administering authority.

The expected return on assets of £31.253m for 2008/09 (£32.296m for 2007/08) was determined by considering the expected returns available on the underlying the current investment policy. Expected yield on fixed interest investments were based on gross redemption yields as at Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £78.789m (£17.006m for 2007/08).

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2008/09 can be divided into the following categories, and measured as a percentage of assets and liabilities at 31 March.

	2008/09		2007/08 restated		2006/07 restated		2005/06 restated		2004/05 restated	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	(110,042)	(29.2)	(49,302)	(11.0)	219	0	59974	14.0	13233	3.9
Experience gains and (losses) on assets	(109,733)	(29.1)	(57,015)	(12.8)	220	0	60,239	14.0	13,291	(3.9)
Experience gains and (losses) on liabilities	(1,822)	0	2,091	(0.4)	14	(0.0)	23	(0.0)	(14,948)	3.1

Teachers' Pension Scheme

In 2008/09 the council paid £8.88m to the TPA in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2007/08 were £8.58m and 14.1%.

43 Revenue Activities Net Cash Flow

The deficit on the Income and Expenditure Account includes some transactions which do not result in cash flows, and others which are not classified as revenue activities within the Cash Flow Statement. The following table identifies these transactions and reconciles the Income and Expenditure Account deficit with the net revenue cash flows on the Cash Flow Statement.

	Year to 31 March 2008 £'000	Year to 31 March 2009 £'000
Income and Expenditure Account deficit for the year	30,555	156,494
Non-cash Income and Expenditure Account Items		
Government Grants Deferred Written Down	10,805	14,539
Deferred Consideration Written Down	(983)	(982)
Landfill Usage Allowances	91	(52)
LATS Deferred Income	(256)	(41)
Sussex Innovation Centre Shares Written Down	(56)	(718)
Long Term Debtors (excluding Other Capital Cash Payments)	(3,053)	(14)
Debt Restructuring - Adjustment to Carrying Amounts	986	6
Other non cash transactions	(9,612)	0
Transfers to Reserves and Provisions		
Transfer to Pensions Reserve	2,797	(3,959)
Provisions set aside in year	216	(505)
Transfer to Collection Fund	196	162
Accrued Items in the Income and Expenditure Account		
(Increase) / decrease in revenue creditors	(17,312)	8,319
Increase / (decrease) in revenue debtors	11,717	(16,155)
Increase / (decrease) in stocks	(163)	183
Accrued Interest on Long Term Debt	(446)	40
Capital cash flow activities included in the Income and Expenditure Account		
Net gain / (loss) on disposal of fixed assets	(91)	878
Revenue Expenditure Funded from Capital	0	(9,248)
Deferred Charges	(5,409)	0
Depreciation of Fixed Assets	(35,486)	(39,493)
Impairment of Fixed Assets	(29,310)	(126,864)
Other capital cash flow activity	0	(1,176)
Items in another classification in the cash flow statement		
External Interest Paid	(14,401)	(11,620)
External Interest Received	5,766	7,836
Revenue Activities Net Cash Flow	**(53,449)**	**(22,370)**

Please note the 2007/08 comparative figures for the Income and Expenditure Account deficit for the year, depreciation of fixed assets and impairment of fixed assets have been adjusted by £0.126m, (£0.620m) and £0.494m respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details. This adjustment has had no overall effect on the revenue activities net cash flow.

The impairment of fixed assets amount of £126.864m includes £112.096m in relation to the impairment of Housing Revenue Account (HRA) assets; please refer to note 6 of the HRA accounts for further details.

44 Reconciliation of Movements in Cash to Net Debt and Items shown within the Financing and Movement of Liquid Resources

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 the movements within the Balance Sheet

The following tables analyse the movement of the council's net debt balances (i.e. bank overdrafts, borrowings, both short term and long term, and investments, both short term and long term) resulting from the council's cash flows (i.e. movement in cash and movement in cash inflows and outflows from the financing and management of liquid resources) and other non cash transactions.

For the purpose of the Cash Flow Statement, 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 other than cash for a fixed period of less than one year) and investments made by the cash manager on behalf of the council (including book losses and reinvested income).

	2007/08 £'000	2008/09 £'000
Opening Net Debt	**(139,467)**	**(123,127)**
Net cash flow	795	(1,781)
Net cash inflow / (outflow) from debt financing	(5,975)	44,017
Net cash inflow / (outflow) from management of liquid resources	21,037	(60,581)
	15,062	(16,564)
Net Cash Flow Movement in Net Debt	**15,857**	**(18,345)**
Non Cash Transactions	483	(667)
Total Movement in Net Debt	**16,340**	**(19,012)**
Closing Net Debt	**(123,127)**	**(142,139)**

	Bank Overdraft £'000	Short Term Borrowing £'000	Long Term Borrowing £'000	Short Term Investments £'000	Long Term Investments £'000	Totals £'000
Opening Net Debt	**(1,999)**	**(2,430)**	**(237,347)**	**117,931**	**718**	**(123,127)**
Cashflows						
(Decrease)/Increase in Cash	(1,781)	0	0	0	0	(1,781)
Cash Inflow from increase in Repayments of Amounts Borrowed	0	21,350	47,017	0	0	68,367
New Loans Raised	0	(21,350)	(3,000)	0	0	(24,350)
Cash Outflow from decrease in liquid resources	0	0	0	(60,581)	0	(60,581)
	(1,781)	**0**	**44,017**	**(60,581)**	**0**	**(18,345)**
Non Cash Transactions						
Debt Restructuring - Adjustment to Carrying Amounts	0	69	(63)	0	0	6
Accrued Interest on Long Term Debt	0	26	14	0	0	40
Transfer to Financial Instruments Adjustment Account	0	0	0	5	0	5
Relinquishment of Sussex Innovation Centre shares	0	0	0	0	(718)	(718)
	0	**95**	**(49)**	**5**	**(718)**	**(667)**
Other Movements	0	2,000	(2,000)	(2,627)	2,627	0
Movement in Net Debt in Period	**(1,781)**	**2,095**	**41,968**	**(63,203)**	**1,909**	**(19,012)**
Closing Net Debt	**(3,780)**	**(335)**	**(195,379)**	**54,728**	**2,627**	**(142,139)**

The figures for "other movements" shown in the above table represent movement between short term and long term borrowing and movement between short term and long term investments.

45 Analysis of Government Grants

	£'000		£'000
Communities and Local Government:		**Department for Innovation, Universities and Skills:**	
Homelessness Directorate Grant	(1,344)	Adult Community Learning (LSC)	(67)
Team Satisfactory Survey Grant	(8)	Family & Adult Learning (LSC)	(1,010)
Housing Revenue Account Subsidy	(42)	Learner Support Grant (LSC)	(16)
LA Business Growth Incentive Scheme	(1,775)	Lifelong Learning Partnership (LSC)	(288)
Neighbourhood Renewal Fund	(8)	**Department for Works and Pensions:**	
NNDR Receipt from Pool	(91,605)	EQUAL Grant	(373)
Planning Delivery Grant	(246)	Grants for Benefits	(148,078)
Revenue Support Grant	(12,957)	Housing Benefit/Council Tax Admin Grant	(3,125)
Safer Stronger Communities Fund	(408)	Pathfinder Grant	(66)
Performance Reward Grant (LPSA)	(789)	Supported Employment	(432)
Supporting People Grant	(12,868)	**European Social Fund:**	
The Private Finance Initiative	(10,444)	Capture (European Union)	(28)
Area Based Grant	(13,909)	**DEFRA:**	
Beacon Reward Grant	(62)	MAFF Coastal Defences Grant	(35)
Department for Children, Schools and Families:		LATS Usage - Fair Value of Allowances	(52)
Entry To Learning Pilot	(95)	**Government of the South East:**	
Family Pathfinders	(171)	Local Alcohol Strategy Grant	(1)
Diplomas - Gateway Consortia	(179)	Local Enterprise Growth Initiative	(49)
Dedicated Schools Grant	(122,581)	New Deal for Communities	(618)
Funding for 6th Form Students (LSC)	(5,756)	Space for Sports & the Arts	8
General Sure Start Grant	(5,717)	**Home Office:**	
Parenting Pathfinder Grants	(185)	Support and Challenge Grant	(100)
Targeted Mental Health in Schools	(382)	Anti Social Behaviour Trailblazer	(343)
Schools Standards Grant	(5,972)	Asylum Seekers	(205)
Standards Fund Grant	(10,904)	Crime Concern Grant	(45)
Youth Crime Action Plan Grant	(65)	Drug Intervention Programme	(581)
Transport Partnership Grant (LSC)	(70)	Gateway Protection Programme	(154)
Youth Opportunity Fund	(141)	Strategic Fund drugs	(17)
Information System for Parents and Providers (ISPP) Grant	(33)	European Refugee Fund (ERF) Grant	(13)
Children`s University Grant	(25)	**Office of National Statistics:**	
Early Years Professionals Network Grant	(25)	Office of National Statistics	(9)
Department for Children, Schools and Families/Department for Innovation, Universities and Skills:		**Ministry of Justice:**	
		Ministry of Justice	(5)
Parent Support Grant	(5)	**South East England Development Agency:**	
IS Index Grant	(288)	Area Investment Framework	(475)
Friday & Saturday Night Grant	(25)	**Training and Development Agency:**	
Department for Transport:		Teacher Training Association Grant	(198)
Mixed Priority Routes	(315)	Teacher Training Agency Golden Hello	(116)
Concessionary Fares	(1,715)	Children's Workforce Development Grant	(30)
Cycle Demo Town	(307)	**Welfare Food Reimbursement Unit:**	
Cycle Training Grant	(32)	Milk for Under 5s	(72)
Department of Health:		**Youth Justice Board:**	
Social Care Reform Grant	(414)	Drugs Funding	(42)
Aids Support Grant	(357)	General Funding	(244)
Carers Grant	(172)	Youth Inclusion Programme	153
Mental Health Grant	(283)	**Environment Agency:**	
Preventative Technology Grant	(211)	Water Conference Grant	(31)
Smoke Free Legislation Fund	(15)	**Other:**	
National Stroke Strategy Grant	(94)	New Opportunities Fund Grant	(289)
		Other Grants	(141)
Note: LSC = Learning Skills Council		**Total**	**(460,186)**

The amounts shown in the table on the previous page exclude creditor and debtor balance as at 31 March in relation to the specific grants. Therefore, the amounts shown may differ from that included elsewhere in the accounts. The total grants of £460.186m equals the grants included within the Cash Flow Statement.

46 Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, in the form of the Dedicated Schools Grant (DSG). DSG is a ring fenced specific grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

The following table shows details of the deployment of DSG receivable:

	2007/08 Total £'000	2008/09 Central Expenditure £'000	2008/09 Individual Schools Budget (ISB) £'000	2008/09 Total £'000
Final DSG for 2008/09	(117,598)	(16,903)	(105,678)	(122,581)
Brought Forward from 2007/08	(479)	(1,092)	0	(1,092)
Agreed budgeted distribution in 2008/09	**(118,077)**	**(17,995)**	**(105,678)**	**(123,673)**
Budget adjustments (see note below)	0	219	(219)	0
Revised budget distribution in 2008/09	**(118,077)**	**(17,776)**	**(105,897)**	**(123,673)**
Actual central expenditure	15952	17,560	0	17,560
Actual ISB deployed to schools	101290	0	105,897	105,897
Local Authority Contribution for 2008/09	(36)	(1,252)	0	(1,252)
Transfer of ISB Overspend to School Balances	(221)	0	0	0
Underspend Carried Forward to 2009/10	**(1,092)**	**(1,468)**	**0**	**(1,468)**

Please note the budget adjustments mainly relate to transfers to schools from central contingency.

47 Financial Assets and Liabilities – Financial Instruments

Financial Instruments – Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Financial Liabilities at Amortised Cost	(237,347)	(195,379)	(4,429)	(4,115)
Total Borrowings	**(237,347)**	**(195,379)**	**(4,429)**	**(4,115)**
Loans and Receivables	0	2,627	95,896	30,659
Available-for-Sale Financial Assets	0	0	22,035	24,069
Total Investments	**0**	**2,627**	**117,931**	**54,728**

The council has a long term cash investment totalling £2.5 million with a highly rated financial institution. For the purposes of these accounts, long term means more than 12 months. The investment was made on 11 June 2008 and is due for repayment on 11 June 2010. The value shown in the Balance Sheet is inclusive of interest accrued as at 31 March 2009.

To counter the increased risk to the council's investment portfolio the Director of Finance & Resources introduced a programme of debt repayment during the period November 2008 to March 2009.

The decrease in 'loans and receivables' is due to a number of factors, the major factors being:

- a cash flow deficit in the year of £17m;
- net repayment of debt of £45.017m

Financial Instruments – Gains / Losses

The gains and losses in respect of financial instruments that are recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) are made up as follows:

	Financial Liabilities	Financial Assets		2008/09 Totals
	Measured at Amortised £'000	Loans and Receivables £'000	Available-for-Sale Assets £'000	£'000
Interest Expense	10,959	0	0	10,959
Interest Payable and Similar Charges	**10,959**	**0**	**0**	**10,959**
Interest Income	0	(6,213)	(1,208)	(7,421)
Interest and Investment Income	**0**	**(6,213)**	**(1,208)**	**(7,421)**
Gains on Revaluation	0	0	(5)	
Surplus Arising on Revaluation of Financial Assets	**0**	**0**	**(5)**	
Net Gain / (Loss) for the year	**10,959**	**(6,213)**	**(1,213)**	

The council has appointed external cash managers to administer part of the council's investment portfolio. The manager invests in specialist markets such as gilts, certificates of deposit and other negotiable instruments. The gain on revaluation of £0.005m represents the price appreciation of investments not realised as at 31 March 2009.

Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

Financial assets represented by loans and receivables and financial liabilities are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments using the following assumptions:

- for loans the premature repayment rates from the Public Works Loan Board (PWLB) have been applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- where an instrument has a maturity of less than 12 months the fair value is taken to be the principal outstanding; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial liabilities

	31 March 2008		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Borrowing	(190,613)	(207,991)	(148,645)	(169,023)
Market Borrowing	(48,760)	(52,704)	(46,734)	(49,622)
Bank Overdraft	(1,999)	(1,999)	(3,780)	(3,780)
Other	(404)	(404)	(335)	(335)
Total Borrowing	**(241,776)**	**(263,098)**	**(199,494)**	**(222,760)**
Trade Creditors	(75,467)	(75,467)	(62,940)	(62,940)
Total Financial Liabilities	**(317,243)**	**(338,565)**	**(262,434)**	**(285,700)**

The fair value of financial liabilities is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Financial Assets

	31 March 2008		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	95,896	95,896	33,286	33,413
Available-for-Sale	22,035	22,035	24,069	24,069
Trade Debtors	52,157	52,157	35,639	35,639
Total Loans and Receivables	**170,088**	**170,088**	**92,994**	**93,121**

With the exception of one deposit (£2.5m) all financial assets are short term so there is little change in the fair value of investments.

Financial Instruments – Soft Loans

Councils will sometimes make loans at less than market rates, where a service objective would justify the council making a concession. Examples include loans to lower-tier councils and voluntary organisations (to facilitate the council's own responsibilities for service provision), to local businesses (to encourage economic development), or to employees (perhaps as part of a relocation package). The 2008 SORP requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time.

The council has the following soft loans. These loans were not considered material for the purpose of calculating and adjusting for the fair value of the loan.

	2007/08 £'000	2008/09 £'000
Mortgage Advances	105	83
Improvement Loans	45	44
Loans to Housing Associations	144	142
Loans to Employees	78	118
Service Charge Loans to Leaseholders – Right to Buy	261	252
Total	**633**	**639**

Please note the 2007/08 comparative figures have been updated to include improvement loans and loans to employees which are classified as soft loans.

Nature and extent of risks arising from financial instruments and how the council manages those risks

The council's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the council;
- liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- refinancing risk – the possibility that the council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

The council's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise the losses resulting from this risk. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public

Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting the council's (a) overall borrowing, (b) maximum and minimum exposures to fixed and variable rates, (c) maximum and minimum exposures regarding the maturity structure of its debt and (d) maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the council's annual budget meeting at which the council tax is set. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. This strategy can be found on the council's website. The strategy was approved at Policy & Resources committee on 6 March 2008. Actual performance is also reported annually to members.

These policies are implemented by the Director of Finance & Resources through a dedicated treasury management team. The council maintains principles for overall risk management. The council also maintains practices through Treasury Management Practices (TMPs); these practices cover specific areas such as interest rate risk, credit risk and the investment of surplus cash. The TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements set out in the council's Annual Investment Strategy which was approved at Full Council on 13 March 2008. The strategy can be found on the council's website.

The following analysis summarises the council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies (Fitch) and the council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009 £'000	Historical Experience of Default	Adjustment for Market Conditions at 31 March 2009	Estimated Maximum Exposure to Default £'000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	23,993	0.00%	0.00%	0
AA rated counterparties	6,500	0.06%	0.06%	4
A rated counterparties	25,900	0.65%	0.65%	168
Trade debtors	35,639	9.78%	9.78%	3,486
Total	**92,032**			**3,658**

The council does not expect any losses from non performance of any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the council maintains strict credit criteria for investment counterparties.

During the reporting period the council did not hold collateral as security for any investment.

Liquidity Risk

The council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose action is unlawful). The council is also required to provide a balanced budget, under the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The council manages its liquidity position through the risk management procedures detailed above (the setting and approval of prudential indicators and the approval of the treasury and investment strategies), as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow management procedures mentioned above are applied for short term liquidity risk, the refinancing and maturity risk relates to the management of the council's exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for (a) the maturity structure of debt and (b) investments made for a period greater than one year are the two key parameters used to address this risk. The council's approved treasury and investment strategies address the main risks and the treasury management team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and that the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31 March 2008 £'000	31 March 2009 £'000
Less than one year	(2,405)	(336)
Between one and two years	0	0
Between two and five years	(3,000)	(6,000)
Between five and ten years	(2,023)	(2,023)
Between ten and fifteen years	(17,855)	(16,661)
More than fifteen years	(215,034)	(171,211)
	(240,317)	**(196,231)**

The maturity analysis of financial assets is as follows:

	31 March 2008 £'000	31 March 2009 £'000
Less than one year	116,624	53,893
More than one year	0	2,500
	116,624	**56,393**

The above profiles are based on the original principal borrowed or lent and not the amortised or carrying amount.

Trade debtors and all trade and other payables due to be paid in less than one year are not shown in the table above.

Market Risk

a) Interest rate risk

The council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance a rise in interest rates would have the following effects:

- variable rates: for borrowings the interest expense charged to the Income and Expenditure Account will rise, similarly for investments the interest income credited to the Income and Expenditure Account would also rise;
- fixed rates: for long-term borrowings the fair value will fall; similarly for long-term investments the fair value will also fall.

The council has a number of strategies for managing interest rate risk. The annual Treasury Management Policy Statement draws together the council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this statement a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury management team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

At 31 March 2009 the council had no borrowings or investments subject to variable interest rates. A 1% rise in interest rates would therefore have no impact on the interest expense debited, or interest income credited, to the Income and Expenditure Account. The impact of a 1% rise in interest rates on fair value would be a decrease of £31m for borrowings and a decrease in the fair value of investments of £0.028m.

A 1% fall in interest rates would have an opposite impact with an increase in fair value of borrowings of £42m and an increase in fair value of investments of £0.028m.

The above assumptions for a rise or fall in interest rates are based on the same methodology as used in the section headed "Fair value of financial assets and liabilities carried at amortised cost" earlier in this note.

b) Price risk

The council does not invest in equity shares.

c) Foreign exchange risk

The council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

48 Debtors

The following table details the council's debtors as at 31 March split between trade debtors and other debtors:

	31 March 2008 £'000	31 March 2009 £'000
Trade Debtors		
Employees	225	376
Rents - Commercial	1,352	1,871
Rents – Housing	2,468	2,243
Payments in Advance	2,944	5,098
Other Trade Debtors	45,168	26,051
	52,157	**35,639**
Other Debtors		
Government Grants	5,285	4,100
Other Government Debtors	8,032	11,511
National Non Domestic Rates	115	230
Collection Fund	22,049	24,022
Other Debtors	1,267	343
	36,748	**40,206**
Total Debtors	**88,905**	**75,845**
Provision for Doubtful Debt (NNDR)	(1,360)	(2,781)
Impairment of Financial Assets	(23,074)	(24,417)
Total	**64,471**	**48,647**

The council adopted a change in accounting policy in 2008/09 in relation to providing for bad and doubtful debts. There is now a requirement to recognise impairment of financial instruments in the Balance Sheet for non statutory debt; this replaces the provision for bad and doubtful debts. The 2007/08 comparative figures have been adjusted to reflect this revised accounting treatment.

49 Creditors

The following table details the council's creditors as at 31 March split between trade creditors and other creditors:

	31 March 2008 £'000	31 March 2009 £'000
Trade Creditors		
Employees	(10,261)	(10,852)
Interest	(106)	(16)
Purchase of Fixed Assets	(5,580)	(7,176)
Receipts in Advance	(5,542)	(6,890)
Other Trade Creditors	(53,978)	(38,006)
	(75,467)	**(62,940)**
Other Creditors		
Government Grants	(3,788)	(4,191)
Other Government Creditors	(5,713)	(3,846)
National Non Domestic Rates	(274)	(203)
Collection Fund	(6,770)	(7,062)
Other Creditors	(177)	(2,317)
	(16,722)	**(17,619)**
Total	**(92,189)**	**(80,559)**

Voluntary Disclosures

50 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 directorate 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 to which DPE surpluses may be put.

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

	2007/08 £'000	2008/09 £'000
On Street Parking Operation Surplus	(6,292)	(7,409)
Utilised to Fund:		
Public Transport	8,857	7,202
Borrowing Costs for Transport Capital Expenditure	2,806	3,024
Total Qualifying Expenditure	**11,663**	**10,226**

51 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 to revenue each year over the life of the PFI contracts.

	2007/08 £'000	2008/09 £'000
Balance as at 1 April	**20,764**	**19,781**
Amounts Written Down to Revenue in Year	(983)	(982)
Balance as at 31 March	**19,781**	**18,799**

52 Long Term Investment – Sussex Innovation Centre

The council had a long term investment in the Sussex Innovation Centre (SINC). The SINC has undergone a restructure in its shareholding and as a result the council relinquished its shares in 2008/09.

	2007/08 £'000	2008/09 £'000
Value of Share Holding at 1 April	**774**	**718**
Write Down of Shares	(56)	(718)
Value of Shareholding at 31 March	**718**	**0**

For further information on the Sussex Innovation Centre, please see note 32.

53 Long Term Debtors

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

	31 March 2008 £'000	31 March 2009 £'000
Mortgages – Sold Council Properties	93	75
Mortgages – Other	12	8
Improvement Loans	45	44
Housing Association Loans	144	142
Car Loans	78	118
Deferred Debtors	261	252
Total	**633**	**639**

54 Stocks and Work in Progress

The value of stocks held by the council as at 31 March are shown in the following table. The council has no work in progress.

	31 March 2008 £'000	31 March 2009 £'000
Stocks	798	981
Total	**798**	**981**

55 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 allow them to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The allowances are reflected at fair value and are subsequently revalued each financial year. The fair value of the asset can be reliably measured by using evidence of the market value of the same or similar assets. The council has valued the allowances for 2008/09 at £1 each. The council's allocation for 2008/09 was 52,427 tonnes, valued at £0.052m based on trading activities between councils. An estimated 37,088 tonnes were actually landfilled (£0.037m), leaving 15,339 (£0.015m) 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 been required to revalue its surplus of 2007/08 permits, which has reduced the value of the earmarked reserve by £0.108m. This reserve is included within the other Earmarked Reserves line on note 35.

56 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.

57 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.

	Balance as at 31 March 2008 £'000	Balance as at 31 March 2009 £'000
General Fund	(146)	(142)
Housing Revenue Account	(93)	(75)
Total	**(239)**	**(217)**

58 Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve holds capital receipts from the disposal of assets until such time they are used to finance capital expenditure.

The 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

	2007/08 £'000	2008/09 £'000
Balance at 1 April	**(1,908)**	**(2,651)**
Capital Receipts in Year	(9,589)	(2,599)
	(11,497)	**(5,250)**
Pooled Receipts	5,525	554
Applied to fund Capital Expenditure	3,321	4,605
Total as at 31 March	**(2,651)**	**(91)**

Please note the 2007/08 comparative figures have been adjusted to reflect the required adjustment for Government Grants Deferred included within LAAP Bulletin 73 issued by CIPFA.

B Capital Grants/Contributions

Grants and contributions received towards Capital Projects:

Balance as at 1 April	**(9,603)**	**(8,103)**
Capital Grants and External Contributions Received	(12,094)	(17,227)
	(21,697)	**(25,330)**
Applied to Fund Capital Expenditure	13,396	14,650
Reversal of LAAP 73 adjustment for Government Grants Deferred	0	4,754
Grants Funding Non Operational Assets	33	0
Developer Contributions Released to Revenue	165	240
Total as at 31 March	**(8,103)**	**(5,686)**
Nature of Grant / Contribution		
Government Grants Unapplied	(4,963)	(2,155)
Section 106 Receipts Unapplied	(3,140)	(3,531)
Total as at 31 March	**(8,103)**	**(5,686)**

59 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, Associates and Joint Ventures, 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.

60 Minimum Revenue Provision

The council is required by statute to set aside a prudent sum for the repayment of debt. Guidance issued by the Secretary of State requires Full Council to approve an annual statement on the amount of debt that will be repaid in a financial year. The following statement was approved by Full Council on 24 April 2008 and relates to the 2008/09 accounting period:-

- For debt where the Government provides revenue support the council will set aside a sum of 4% of the notional debt relating to capital investment, but excluding capital investment on the HRA housing stock because there is no housing subsidy payable on these repayments.
- For debt where no Government support is received the council will set aside a sum equivalent to the amount required to repay the debt over the life of the asset in equal annual instalments.

For 2008/09 the amount set aside from revenue is £7.171m (2007/08 £7.133m).

	2007/08 £'000	2008/09 £'000
General Fund – 'supported debt' : i.e. 4% of notional debt relating to capital investment	5,741	5,827
General Fund – 'unsupported debt' : i.e. repayment over life of asset	1,392	1,344
Total Amount Set Aside from Revenue	**7,133**	**7,171**
Amount Charged by way of Depreciation and Government Grants Written Down excluding HRA	16,928	12,403
Adjustment to the Income and Expenditure Account	(9,795)	(5,232)
Minimum Revenue Provision	**7,133**	**7,171**

Please note the 2007/08 comparative figures for the amount charged by way of depreciation and government grants written down excluding HRA and the adjustment to the Income and Expenditure Account have been adjusted by £0.685m and (£0.685m) respectively to reflect the changes in the accounting treatment for fixed assets as a direct result of the purchase of a fixed asset /capital accounting software package. Please see note 2 Prior Period Adjustments for more details. This adjustment has had no overall effect on the revenue activities net cash flow

61 Significant Estimates

The significant estimates included within the accounts relate to depreciation of fixed assets, the impairment of financial assets and provision for NNDR bad debts.

The impairment of financial assets and provision for NNDR bad debts are calculated on the likelihood of a debt being recovered and are usually based on an analysis of the age of the outstanding debt.

Details of the calculation of depreciation are included in the Statement of Accounting Policies.

Brighton & Hove City Council

Single Entity
Supplementary Statements
2008/09

Housing Revenue Account Income and Expenditure Account

	Year Ended 31 March 2008 £'000	Year Ended 31 March 2009 £'000
Income		
Gross Rental Income		
Dwellings Rents	(38,903)	(40,541)
Non-dwelling Rents	(1,256)	(1,225)
Charges for Services and Facilities	(3,441)	(3,595)
HRA Subsidy Receivable (including Major Repairs Allowance – MRA)	(952)	0
Contributions Towards Expenditure	(14)	(8)
Total Income	**(44,566)**	**(45,369)**
Expenditure		
Repairs, Maintenance and Management		
Repairs and Maintenance	11,157	12,371
Supervision and Management	12,691	14,010
Rents, Rates, Taxes and Other Charges	176	200
Negative Housing Revenue Account Subsidy Payable	0	2,480
Provision for Bad or Doubtful Debts	399	177
Depreciation of Fixed Assets		
On Dwellings	11,596	12,533
On Other Assets	142	194
Debt Management Expenses	58	37
Impairment of Fixed Assets	1,357	112,096
Total Expenditure	**37,576**	**154,098**
Net Cost of HRA Service Per Authority Income and Expenditure Account	**(6,990)**	**108,729**
HRA Share of Corporate & Democratic Core	220	222
Net Cost of HRA Service	**(6,770)**	**108,951**
(Gains) / Losses on Sale of HRA Fixed Assets	52	(311)
Interest Payable and Similar Charges	4,335	4,330
Interest and Investment Income	(184)	(241)
Pensions Interest Costs and Expected Return on Pension Assets	(63)	228
(Surplus) / Deficit for the year on the HRA Service	**(2,630)**	**112,957**

Statement of Movement on the Housing Revenue Account Balance

	2007/08 £'000	2008/09 £'000
(Surplus) / deficit for the year on the HRA Income and Expenditure Account	(2,630)	112,957
Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year.	1,191	(111,209)
(Increase) / decrease in the Housing Revenue Account Balance	**(1,439)**	**1,748**
Housing Revenue Account Surplus brought forward	(4,211)	(5,650)
Housing Revenue Account Surplus carried forward	**(5,650)**	**(3,902)**

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

	2007/08 £'000	2008/09 £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
Impairment of fixed assets	(1,357)	(112,096)
Government Grants Deferred Write Down	43	43
Gains / (Losses) on disposal of fixed assets	(52)	311
Net charges for retirement benefits in accordance with FRS 17	51	(61)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(1,007)	530
	(2,322)	**(111,273)**
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfer to Major Repairs Reserve	(2,643)	(3,660)
Transfer to Earmarked Reserves	60	0
Capital Expenditure Funded by HRA	4,440	2,338
Transfer from HRA Working Balance	0	1,386
An exceptional adjusting item required by the implementation of the new accounting policies for Financial Instruments	1,656	0
	3,513	**64**
Net Additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**1,191**	**(111,209)**

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, capital charges, 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.

1 Housing Stock

The council was responsible for managing 12,315 dwellings at 31 March 2009. The stock was made up as follows:

	Bedsit	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Flats	826	3,563	3,115	269	6	7,779
Houses	0	12	1,577	2,430	261	4,280
Bungalows	0	199	34	22	1	256
Total	**826**	**3774**	**4726**	**2721**	**268**	**12,315**

The change in stock can be summarised as follows:

	2007/08	2008/09
Stock at 1 April	12,385	12,322
Sales	(63)	(7)
Stock at 31 March	**12,322**	**12,315**

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

Asset Classification	Closing Balance 31 March 2008 £'000	Closing Balance 31 March 2009 £'000
Intangible Fixed Assets	17	84
Operational Assets		
Housing Stock	841,879	704,102
Other Land and Buildings	9,502	9,680
Vehicles, Plant, Furniture and Equipment	626	630
Non-Operational Assets		
Investment Properties	5,402	5,402
Total	**857,426**	**719,898**

Please note the figures shown as at 31 March 2008 have been restated to include impairment values. The value for intangible fixed assets have been added to this table for completeness.

The council's housing stock, garages and car parking spaces were revalued by Wilks Head & Eve as at 1 April 2008. The opening balance on council dwellings as at 1 April 2008 was increased by £18m and subsequently impaired by £169m (20%). The value of other land and buildings was decreased by £0.104m for garages and by £0.038m for car parking spaces following the revaluation exercise. The overall value of other land and buildings (excluding garages and car parks) has increased following a reconciliation of properties owned by the HRA.

The vacant possession value of the dwellings in the HRA as at 1 April 2008 was £1,395.9m as valued by the valuer Wilks Head & Eve, compared with the value of £678.4m for its existing use as social housing. The difference of £717.5m represents the cost to the government of providing council housing at less than open market rents.

2 Major Repairs Reserve

The movements on the Major Repairs Reserve in 2008/09 were as follows:

	£'000
Balance as at 1 April 2008	**0**
Depreciation on Housing Stock	(12,533)
Depreciation on Other HRA Property	(194)
Total	**(12,727)**
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	9,067
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	3,466
Appropriation to the HRA (Depreciation on Other HRA Property)	194
Balance as at 31 March 2009	**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 the Office of the Deputy Prime Minister (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 2008/09 and how it was financed:

	2007/08 Total £'000	Land, Housing and Other Property £'000	ICT Equipment £'000	2008/09 Total £'000
Capital Expenditure	10,767	14,475	66	14,541
Total Capital Expenditure	**10,767**	**14,475**	**66**	**14,541**
Funded by:				
Supported Capital Expenditure (Revenue)	1,230	3,070	66	3,136
Major Repairs Allowance/Reserve	9,095	9,067		9,067
Direct Revenue Funding	442	2,338		2,338
Total Funding	**10,767**	**14,475**	**66**	**14,541**

Summary of total capital receipts from disposals:

	2007/08 £'000	2008/09 £'000
Right to Buy Sales of Houses and Flats	7,223	689
Sale of Land and Other Property	0	0
Mortgages Repayments	18	18
Total	**7,241**	**707**

5 Depreciation Charges for Operational Assets

The HRA is charged with depreciation to reflect the consumption of HRA assets over their useful life. Of the charge of £12.533m relating to housing stock, £9.067m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the council by the government. The balance of £3.466m is appropriated to the Major Repairs Reserve, and is a notional figure which has no impact on tenants' rents. The charge of £0.194m relating to other property is also appropriated to the Major Repairs Reserve. The following table shows the total depreciation charges for operational assets:

	2007/08 £'000	2008/09 £'000
Intangible Fixed Assets		
ICT Software	0	3
Operational Assets		
Council Dwellings	11,596	12,533
Other Land and Buildings	123	148
Vehicles, Plant, Furniture and Equipment	19	43
Total Depreciation	**11,738**	**12,727**

Depreciation is not charged on investment properties.

6 Impairment

During 2008/09 the valuer has assessed that there should be a reduction in the value of council dwellings of 20% across the board due to the overall downturn in the economic climate. This resulted in a total impairment of dwellings of £169.528m. However, due to amounts held within the Revaluation Reserve the charge to the Income and Expenditure Account for 2008/09 is £111.648m.

The impairment charge relating to Other Land and Buildings was £0.591m and was also as a result of the economic downturn, the main elements being £0.121m for Garages and Car Parks and £0.149m for the studio space in the Bristol Estate. However, due to amounts held within the revaluation reserve the charge to the Income and Expenditure account for 2008/09 is £0.448m.

The total amount charged to the HRA Income and Expenditure Account for impairment is £112.096m. As no consumption of economic benefits has occurred, this charge is reversed out in the Statement of Movement on the HRA Balance, and therefore having no impact on rent levels.

	2007/08 £'000	2008/09 £'000
Reduction in value of Council Dwellings charged to the Income and Expenditure Account	1,282	111,648
Reduction in value of Investment Property	47	0
Reduction in value Other Land Buildings charged to the Income and Expenditure Account	28	448
Total	**1,357**	**112,096**

7 Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital replaces the deferred charges concept, which is no longer permitted as it is not recognised by UK Generally Accepted Accounting Practices (GAAP). It allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet.

Revenue Expenditure Funded from Capital usually relates to grants and to expenditure on assets not owned by the council. The HRA has no Revenue Expenditure Funded from Capital for 2008/09.

8 HRA Subsidy Payable

The Council's HRA is part of the national housing subsidy system through which council housing rents are standardised across the country. The national programme redistributes resources between councils.

The subsidy system uses a national formula to set guideline rents for each property together with allowances for management, maintenance and capital charges. It is a complex system which can result in a cost to the council if it enters into negative subsidy.

The council did enter into negative subsidy in 2008/09 and paid £2.494m. It is envisaged that the council will remain in negative subsidy for 2009/10.

HRA Subsidy Elements	2007/08 £'000	2008/09 £'000
Income		
Rental Income (Notional)	(37,773)	(40,723)
Rental Constraint Allowance	159	0
Interest on Receipts	(7)	(6)
Total Housing Element Income	**(37,621)**	**(40,729)**
Expenditure		
Repairs, Maintenance and Management (Notional)	22,309	22,164
Major Repairs Allowance	9,095	9,067
Charges for Capital	7,169	7,004
Total Housing Element Expenditure	**38,573**	**38,235**

Summary	2007/08 £'000	2008/09 £'000
Housing Element Income	(37,621)	(40,729)
Housing Element Expenditure	38,573	38,235
Total HRA Subsidy Due / (Payable)	**952**	**(2,494)**
Subsidy Adjustment for 2007/08	0	14
Subsidy Outturn	**952**	**(2,480)**

9 HRA Share of Contributions to Pensions Reserve

In accordance with FRS 17 (Retirement Benefits), the HRA Income and Expenditure Account includes £61,000, for its share of the contribution from 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 employer's 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 2009 arrears of dwellings rent (excluding housing benefit overpayments) amounted to £2,016,740 (2008 £2,062,421). This represents a reduction in arrears as a proportion of gross rental income from 5.23% to 4.47%.

It is now a requirement to recognise impairment of financial assets for non statutory debts which replaces the previous requirement of recognising a provision for bad and doubtful debts.

The following table shows the impairment of financial assets for uncollectable debts:

	2007/08 £'000	2008/09 £'000
Impairment as at 1 April	**1,850**	**1,549**
Change in Impairment charged to the HRA	399	177
Rent Arrears and other bad debts written off	(700)	(256)
Impairment for Bad Debts as at 31 March	**1,549**	**1,470**

11 Sums directed by the Secretary of State to be debited or credited to the HRA.

There are no sums directed by the Secretary of State to be debited or credited to the HRA in 2008/09.

12 Exceptional and Prior Year Items

There are no exceptional or prior year items to disclose for 2008/09.

Collection Fund Account

	Year Ended 31 March 2008		Year Ended 31 March 2009	
	£'000	£'000	£'000	£'000
Collection Fund				
Income				
Income from Council Tax (Note 2)	(149,101)		(155,876)	
Benefits (Note 2)	20,249		21,468	
Write back of prepayments	35		4	
Allowances (Note 2)	9,194		9,712	
Discounts (Note 2)	14,017		14,609	
Voids/Bankruptcies (Note 2)	275		189	
		(105,331)		(109,894)
Transfers from General Fund				
- Council Tax Benefits	(20,249)		(21,468)	
- Discretionary Rate Relief	(78)		(100)	
		(20,327)		(21,568)
Income Collectable from Business Rates (Note 3)	(89,043)		(96,951)	
Allowances	7,640		8,760	
Movement on Provisions	250		1,495	
Interest on Refunds	166		106	
		(80,987)		(86,590)
Contribution towards Previous Year's Collection Fund Deficit				
- Brighton & Hove City Council		(905)		(298)
- Sussex Police Authority	(96)		(32)	
- East Sussex Fire Authority	(58)		(19)	
		(154)		(51)
Total Income		**(207,704)**		**(218,401)**

	Year Ended 31 March 2008		Year Ended 31 March 2009	
	£'000	£'000	£'000	£'000
Collection Fund Expenditure				
Precepts and Demands				
- Brighton & Hove City Council	106,644		111,120	
- Sussex Police Authority	11,423		12,014	
- East Sussex Fire Authority	6,863		7,194	
		124,930		130,328
Business Rate				
- Payment to National Pool	80,641		86,265	
- Costs of Collection	423		425	
		81,064		86,690
Bad/Doubtful Debts				
- Write Offs	3,094		1,015	
- Provision for Uncollectable Amounts	(1,188)		530	
		1,906		1,545
Total Expenditure		**207,900**		**218,563**
Movement on Fund Balance		**196**		**162**
Collection Fund Deficit as at 1 April		1408		1,604
Movement on Fund Balance		196		162
Collection Fund Deficit as at 31 March		**1,604**		**1,766**

Please note the deficit is shown on the Balance Sheet net of the redistribution of council tax deficit 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 divided into eight valuation bands using 1 April 1991 values, estimated 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 Chargeable Dwellings	Estimated no. of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	11	9.5	5/9	5.28
Band A	24,079	20,408.90	6/9	13,605.93
Band B	26,403	23,216.00	7/9	18,056.89
Band C	30,967	28,160.90	8/9	25,031.91
Band D	18,118	16,733.65	9/9	16,733.65
Band E	10,428	9,711.25	11/9	11,869.31
Band F	4,251	4,002.30	13/9	5,781.10
Band G	2,491	2,357.05	15/9	3,928.42
Band H	129	118.55	18/9	237.10
				95,249.59
Less provision for losses in collection				(1,899.32)
Tax Base For 2008/09				**93,350.27**
Tax Base For 2007/08				**93,117.90**

* Entitled to disabled relief reduction.

The estimated gross council tax yield (before the provision for losses in collection) for 2008/09 of £132.980m was based on Band D equivalent dwellings of 95,249.59 multiplied by the average Band D council tax charge of £1,396.12. The actual gross council tax yield for 2008/09 of £132.649m is equivalent to a reduction of 237 Band D dwellings. The estimated and actual tax base figures will vary due to a number of factors; these include the effects of banding appeals, new properties and entitlements to exemptions and discounts.

3 National Non Domestic Rates (NNDR)

The council is responsible for collecting national non-domestic rates (NNDR) across Brighton and Hove. The NNDR is charged on the basis of the rateable value for business premises multiplied by a national non-domestic multiplier. The total non-domestic rateable value at 31 March 2009 was £218.784m. The non-domestic multiplier for 2008/09 was 46.2p and the small business non-domestic multiplier was 45.8p. The NNDR charge, less transitional relief, empty property relief, charity relief and successful appeals against the rateable value, is paid into a national pool for redistribution by central government. The amount payable to the national pool for 2008/09 is £86.690m.

The council received £92.871m in 2008/09 from the national non domestic rate pool.

4 Precepting Authorities

The major authorities precepting on the Collection Fund in 2008/09 and their respective amounts were:

	2007/08 £	2008/09 £
Brighton & Hove City Council	106,644,327	111,120,412
Sussex Police Authority	11,422,773	12,014,180
East Sussex Fire Authority	6,862,789	7,193,571

The Brighton & Hove City Council precept includes £27,000 for Rottingdean Parish Council (£27,000 in 2007/08).

5 Contributions to Collection Fund Surpluses and Deficits

The deficit of £1.766m on the Collection Fund as at 31 March 2009 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.

6 Bad and Doubtful Debts

It is now a requirement to recognise impairment of financial assets for non statutory debts which replaces the previous requirement of recognising a provision for bad and doubtful debts.

The impairment of financial assets in relation to council tax at 31 March 2009 is £10.058m and has been calculated using an aged debt analysis of the arrears outstanding. The amount written off in 2008/09 was £1.015m.

Learning Disability Services Memorandum Account

The council, as lead commissioner, has entered into a pooled budget arrangement with Brighton & Hove City Primary Care Trust. Funds for learning disability services are pooled under Section 75 of the National Health Service Act 2006. Note 12 to the accounts provides details of the joint income and expenditure.

Brighton & Hove City Council and the Primary Care Trust are committed to delivering excellent services to people with learning disabilities who are residents of Brighton and Hove. A range of services from advocacy, individual support, day services, supported living through to residential and nursing care is provided to people with a learning disability.

	2007/08 £'000	2008/09 £'000
Gross Funding:		
Brighton & Hove City Primary Care Trust	6,134	6,727
Brighton & Hove City Council	21,491	22,330
	27,625	**29,057**
Net Expenditure:		
Sussex Partnership Trust	583	631
Social Care (Brighton & Hove City Council)	27,042	28,426
	27,625	**29,057**
(Surplus)/Deficit	**0**	**0**

Children & Young People's Trust (CYPT) Memorandum Account

From 1 October 2006 the city council, the Brighton & Hove City Primary Care Trust (PCT) and the South Downs Health Trust (SDHT) established a partnership to commission and provide education, health and social care services for all 0-19 year olds within the geographical area covered by Brighton & Hove City Council. The council is the lead commissioner and lead provider of integrated services.

Funds for children and young people services are pooled under Section 75 of the National Health Service Act 2006. Note 12 to the accounts provides details of the joint income and expenditure.

The council's contribution is shown in the Income and Expenditure Account under Children's and Education Services. Budgets for the CYPT Partnership were pooled on 1 April 2007. Most devolved, school-related expenditure funded from the Dedicated Schools Grant (DSG) remains outside of the arrangements at present but can potentially be pooled in future subject to the agreement of the partners and the Schools Forum.

	2007/08 £'000	2008/09 £'000
Gross Funding:		
Brighton & Hove City Council	86,961	84,929
South Downs NHS Trust	6,872	7,335
Brighton & Hove City Teaching Primary Care Trust	1,442	1,987
	95,275	**94,251**
Net Expenditure:		
Brighton & Hove City Council	86,961	84,929
South Downs NHS Trust	6,872	7,335
Brighton & Hove City Teaching Primary Care Trust	1,442	1,987
	95,275	**94,251**
(Surplus)/Deficit	**0**	**0**

Trust Fund Accounts

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 8) £'000	Net Current Assets (Note 9) £'000	Trust Fund	Revenue Balance 01 April 2008 £'000	2008/09 Expenditure £'000	2008/09 Income £'000	Revenue Balance 31 March 2009 £'000
		Brighton Fund (Note 1)				
698	138	Gifts to the aged poor	(35)	26	(62)	(71)
		Gorham's Gift (Note 2)				
420	27	Distribution and expenses	(4)	34	(45)	(15)
1,250		Land and Buildings	0	0	0	0
		Hedgecock Bequest (Note 3)				
439	97	Grants to Charity	(12)	25	(27)	(14)
		Oliver & Johanna Brown (Note 4)				
188	60	Education	(45)	10	(12)	(47)
		Other Trusts				
186	101	Education (Note 5)	(95)	8	(12)	(99)
38	43	Music Trust (Note 6)	(43)	4	(4)	(43)
117	168	Various	(134)	3	(12)	(143)
92	339	**Friends of the Royal Pavilion (Note 7)**	(408)	122	(53)	(339)
3,428	**973**	**Total**	**(776)**	**232**	**(227)**	**(771)**

Notes to the Trust Fund Accounts

1 The objective of the Brighton Fund is to provide assistance to persons in the Brighton & Hove area who are in need, hardship or distress. 70% of grants given are to those over 60 years of age.

2 The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area. The opening revenue balance has been restated due to late adjustments totalling £19,000. These relate to cash held by the managing agents, debtors outstanding and creditors due. Land and buildings for Gorham's Gift are shown at the market valuation as at 25 February 2003.

3 The Hedgecock Bequest awards small grants to formally constituted not-for-profit organisations; the majority of which are small community groups.

4 The Oliver and Johannah Fund awards grants to residents of Brighton and Hove under the age of 25 who require financial assistance to pursue a recognised course of study where no other form of grant is available. The fund can also assist with materials, clothes and equipment and other costs for those about to enter into an apprenticeship.

5 The Education Trust consists of several small charities that award small grants for educational purposes.

6 The purpose of the Music Trust is to advance education by promoting the study and practice of music among students of all ages within the Brighton and Hove area.

7 The purpose of the Friends of the Royal Pavilion is to advance appreciation in the arts and sciences by acquiring suitable objects and works of art for display in the museums and art galleries of Brighton. The capital market value of £92,000 relates to community assets.

8 Capital market value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the mid market prices as at 31 March 2009.

9 Net current assets equal cash plus investments in the council.

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

Brighton & Hove City Council

Independent Auditor's Report 2008/09

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

Opinion on the statement of accounts

I have audited the statement of accounts and related notes of Brighton & Hove City Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The statement of accounts comprise the Income & Expenditure Account, the Statement of 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 Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The statement of accounts has been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Brighton & Hove City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance & Resources and auditor

The Director of Finance & Resources responsibilities for preparing the statement of accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the statement of accounts 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 statement of accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the annual governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the statement of accounts. I am not required to consider, nor have I considered, whether the annual governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the statement of accounts, and consider whether it is consistent with the audited statement of accounts. This other information comprises 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 statement of accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the statement of accounts and related notes, 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 statement of accounts and related notes 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 statement of accounts and related notes.

Opinion

In my opinion the Council's statement of accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.

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

Council's responsibilities

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

Auditor's responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council 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 Council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

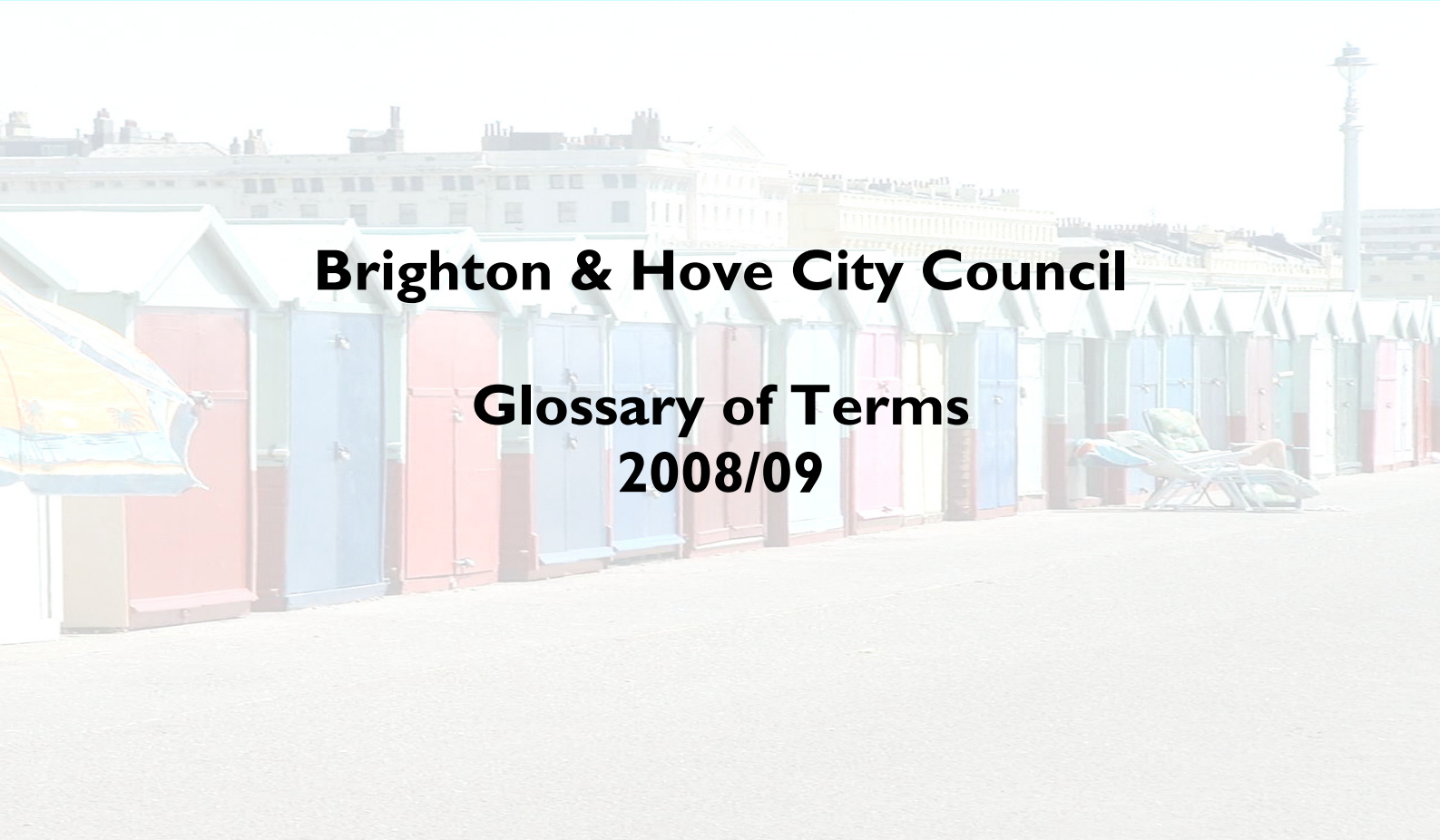
I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Brighton & Hove City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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.

Helen Thompson
District Auditor
Audit Commission
Ground Floor
Bicentennial Building
Southern Gate
Chichester
West Sussex PO19 8EZ

30 September 2009



Brighton & Hove City Council

Glossary of Terms
2008/09

Accounting Period

This is the length of time covered by the accounts. It is normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The principles, bases, conventions, rules and practices applied by the council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for and presenting assets, gains, losses and changes to reserves. Accounting policies define the process whereby transactions and other events are reflected in financial statements.

Accruals

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

Actuarial Gains and Losses

The change in pension liabilities since the previous year, caused either by events not coinciding with the actual assumptions made for the last valuation, or a change in the actuarial assumptions

Area Based Grant

A non-ringfenced general grant allocated directly to local authorities. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Asset

An asset is something that the organisation owns that has a monetary value. Assets are either "current" or "fixed". See further definitions of these for further explanation.

Audit of Accounts

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Available-for-Sale Financial Assets/Available-for-Sale Financial Instruments Reserve

Records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. Available-for-sale financial assets are all those financial assets that do not have fixed or determinable payments (e.g. equity shares in companies) or do have fixed determinable payments but are quoted in an active market (e.g. gilts, corporate bonds, unit trusts).

Balance Sheet

The Balance Sheet is the key statement of an organisation's financial position at the year end. It shows the organisation's reserves and balances, long term indebtedness, the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Budget

A budget is a financial statement that expresses an organisation's service delivery plans and capital programmes in monetary terms.

Business Improvement District Scheme (BIDs)

A Business Improvement District is a precisely defined geographical area within which the businesses have voted to invest collectively in local improvements. It is a partnership between the council and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined commercial area.

Capital Expenditure

Expenditure on the acquisition of a fixed asset that will be used to provide services beyond the accounting period or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Adjustment Account

This account provides a specific accounting mechanism to reconcile the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. Statute requires that the charge to the General Fund Balance is determined by the capital controls system.

Capital Financing Requirement

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

Capital Programme

This is a financial summary of the capital projects that the organisation intends to carry out over a specified time.

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.

Capital Reserves

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

Collection Fund

A separate fund recording the expenditure and income relating to 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 authority'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 to others for goods and services that have been supplied in the accounting period but not paid for.

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.

Current Service Cost (Pensions)

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

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. For example, it covers the additional cost arising from the early payment of pension benefits when an employee is made redundant.

Debtors

Amounts owed to the council by others for goods and services that they have received but have not paid for by the end of the accounting period.

Deferred Charges

Expenditure which may be classified as capital, but which does not result in assets controlled by the council. The expenditure may be properly deferred (i.e. capitalised and financed over a number of years). This concept became redundant in 2008/09 as deferred charges, in accordance with UK GAAP, can never be carried on the Balance Sheet. This has now been replaced by Revenue Expenditure Funded from Capital Under Statute, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with UK GAAP but which statute allows to be funded from capital resources.

Deferred Credits

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.

Deferred Liability

A sum of money that is not payable until some point after the next accounting period or is paid off over a number of accounting periods.

Defined Benefit and Contribution Pension Schemes

Pension schemes generally fall into one of these two categories. Defined Benefit schemes are those such as the Local Government Pension scheme, where the benefits to employees are based on their final salaries and where employers' contributions have to be adjusted to match estimates of future liabilities. Defined Contribution schemes are those where the employer's liability is restricted to the amount that they contribute. As the Teachers' Pension Scheme is administered nationally, it is treated in local authority accounts as a Defined Contribution scheme.

Depreciation

A charge to services in the Income and Expenditure Account, assessed as the amounts by which fixed assets reduce in value during the year, calculated from the estimated life expectancy and any residual value. It represents the loss in value due to age, wear and tear, deterioration or obsolescence.

Estimation Techniques

The methods adopted by the council to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

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.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

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

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Instrument

Any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another; these cover the treasury management activity of the council, including the borrowing and lending of money and the making of investments, and also includes such things as receivables and payables and financial guarantees.

Financial Instrument Adjustment Account

This account provides a specific accounting mechanism to reconcile the different rates at which gains and losses are recognised under proper accounting practices for borrowing and investments and are required by statute to be met from the General Fund Balance.

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Fixed Asset

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

FRS

Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that the council's accounts present fairly the financial position of the council.

General Fund Balance

The General Fund Balance shows the resources available to meet future running costs for non-housing services.

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 directed towards the cost of particular schemes or used to support the revenue spend of the council.

Government Grants Deferred

Grants that have been used to purchase fixed assets.

Housing Benefits

The national system of financial assistance to individuals towards certain housing costs. Housing benefits are administered by local authorities and subsidised by central government.

Housing Revenue Account (HRA)

A ring-fenced account within the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the council. It shows the resources available to meet future running costs for council houses.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet. Impairment to assets may be physical in nature, such as damage by fire, or caused by a general or specific reduction in prices during the financial year.

Income and Expenditure Account

This account is the organisation's main revenue account and presents the council's financial performance for the year using UK general accounting standards. It summarises the resources that have been generated and consumed in providing the functions for which the council is responsible, and demonstrates how the cost has been financed from general government grants and income from local taxpayers. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions such as measuring the value of fixed assets actually consumed, and the real projected value of retirement benefits earned by employees in the year.

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.

Interest Cost (Pensions)

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties

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

Liability

A liability must be included in an organisation's financial statements when it owes money to others. There are several types of liability. Refer to "Current Liability" and "Deferred Liability" definitions.

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 at, or close to, the carrying amount; or
- traded in an active market.

Landfill Allowance Trading Scheme (LATS)

LATS was introduced by the Government in the 2003 Waste and Emissions Trading (WET) Act to help the UK to meet its Landfill Directive targets. The government allocates each authority an allowance in tonnes for the amount of Biodegradable Municipal Waste it can send to landfill. Local Authorities are allowed to trade their allowances with other authorities and can also bank their allowances for future years.

Local Area Agreement (LAA)

Local Area Agreements (LAAs) are agreements between central government and local authorities and their partners, which deliver national outcomes in a way that reflects local priorities.

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. This reserve holds the amount in relation to the council's LABGI allocation to be carried forward into 2009/10.

Local Public Service Agreement (LPSA)

A LPSA is an agreement between the Government and an individual local authority. Under the agreement, the individual council agrees to a number of targets. The council sets out how it will improve local public services and in return the Government sets out how it will reward those improvements.

Major Repairs Reserve

Records the unspent balance of Housing Revenue Account (HRA) subsidy paid to English housing authorities in the form of the Major Repairs Allowance.

Materiality

This is one of the main accounting concepts. It ensures that the accounts include all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

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)

This is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business has a rateable value. The Government determines how much a business has to pay per £ of rateable value. 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.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet (i.e. their historical cost or current value less the cumulative amounts provided for depreciation).

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.

Past Service Cost (Pensions)

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods, arising in the current period as a result of the introduction of, or improvement to, retirement benefits. These arise when an employer agrees to provide added benefits in terms of years of service to an employee retiring early, normally because of redundancy.

Pensions Reserve

This reserve is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with those schemes' requirements and the net charge in the council's recognised liability under FRS 17, Retirement Benefits, for the same period. A transfer is made to or from the Pensions Reserve to ensure that the charge to the General Fund Balance reflects the amount required to be raised in taxation. It normally balances exactly the pensions liability carried in the top half of the Balance Sheet.

Pooled Budgets

These are formal arrangements under Section 75 of the National Health Service Act 2006, between local authorities and primary care trusts, to share the costs of various services which overlap in terms of the responsibilities of the various authorities. One authority hosts the entire activity for the partnership, and the others contribute towards the total costs on an agreed basis.

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.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

A long term contractual public-private partnership, under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to agreed standards of performance.

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 Parties

This term covers individuals or bodies with which the council has a close economic relationship. It includes members and chief officers, Government departments who provide funding, and other bodies who are involved in partnerships with the council.

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 from 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.

Revaluation Reserve

Records the unrealised revaluation gains arising from holding fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or when assets are revalued downwards or disposed of.

Revenue Expenditure Funded from Capital under Statute

Revenue expenditure incurred that may be funded from capital resources under statutory provisions but does not result in the creation of fixed assets. Items generally include grants, advances and financial assistance to others, cost of stock issues, expenditure on property not owned by the council and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003 by the Secretary of State.

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.

Revenue Support Grant

Revenue Support Grant is a non ring-fenced government grant which can be used by the council to finance revenue expenditure on any service

Settlements (Pensions)

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. For example, adjustments to the pension liability arising from bulk transfers of employees.

SORP

Statement of Recommended Practice is generally based upon those accounting principles that are incorporated within approved accounting standards, modified to reflect the statutory framework in which local authorities operate. The SORP states which accounts should be published as part of the Statement of Accounts and the information to be included in each account.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use.

Supported Borrowing

The revenue costs of this borrowing are included within the Revenue Support Grant settlement from central government.

Surplus Assets Held for Disposal

These are assets held for resale or redevelopment.

Tangible Fixed Assets

Please see Non-Operational and Operational Assets above.

Temporary Borrowing

This is a sum of money borrowed for a period of less than one year.

Trust Funds

Funds administered by the council for such purposes as prizes, charities and specific projects

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.

Usable Capital Receipts Reserve

This reserve holds the proceeds of fixed assets sales available to meet future capital investment.

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 a project which is incomplete as at the Balance Sheet date.

Brighton & Hove City Council

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

Perkthim? Zgjidhni 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 ❑
ترجمه؟ چهارگوشه را نشانه گذاری کرده و به یکی از انجمن های مشاوره رجوع کنید.	Farsi ❑
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) ❑

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A Copy of this document can be found on the council's website: www.brighton-hove.gov.uk/accounts