

Statement of Accounts | 2004/05

Brighton & Hove City Council



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Certification by Chair

I confirm that these accounts were approved by the Policy & Resources Committee at a meeting held on 19th October 2005.

Signed on behalf
of Brighton & Hove City Council

A handwritten signature in black ink that reads "Ken Bodfish". The signature is written in a cursive style and is underlined with a single horizontal line.

Ken Bodfish *Chair*

Date 19th October 2005

Introduction

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

This year's statement of accounts was completed earlier than ever which reflects our drive to deliver efficiency savings and productivity gains across all service areas. In 2004/05 the Council has delivered over £4 million in cash efficiencies and nearly £2 million in productivity gains. This is critical for the Council given the extreme financial restraints placed on us as the effects of the government's reduced grant settlements are felt over the next few years. However, these efficiencies have been delivered at a time when demands on our core services continue to rise and where external factors make some costs difficult to control and therefore shows that the Council continues to make good use of its resources. This is supported by the Audit Commission who are responsible for external audit and inspection of the Council and who have judged that we are performing well in this area as part of their Comprehensive Performance Assessment.

To meet the challenge of delivering good local services more effectively the Council continues to focus on the four key priorities within its Corporate Plan:

- **developing a prosperous and sustainable economy**
- **liveability (improving the quality of life in the city)**
- **social well being and caring for vulnerable people**
- **thriving 14 year olds able to participate in the life of the city.**

The Corporate Plan is linked to a Medium Term Financial Strategy that provides the financial framework to deliver this plan and an annual performance plan that focuses on ensuring continuous improvement in our services. You can find out more about these key documents on the Council's web-site www.brighton-hove.gov.uk.

The Council continues to work hard to improve both infrastructure and services for all who live and work in or visit the city. This year, the new central library at Jubilee Street opened to much acclaim and has proved a great success while our street cleansing and recycling operations have been stepped up. Frank Gehry, the world renowned architect, is helping us with designs for a new housing, sports and leisure centre development in Hove which are now advancing well. Other important developments, including Black Rock, the Brighton Centre and the Brighton Station area, continue apace and will bring significant investment and employment opportunities to the city.



In delivering core services, we have long recognised that partnership working with other private, voluntary and statutory agencies is the key to success. This is why the Council was keen to pilot the "Local Area Agreements" government initiative, which will set challenging targets for the Council and its partners to further improve services, particularly in relation to developing safer and healthier communities and providing better services for children. The Council is one of only 21 authorities to be selected for the pilot programme.

The establishment of a Children's Trust remains a key priority for the Council and its health partners who are both currently consulting widely with all interested parties. In the meantime, work continues on the development of local children's centres alongside reviews of disability and special educational needs services. The investment into and modernisation of these services is an exciting development that will bring about integration of health and local authority services and improve access to a wide range of services.

Overall, while the financial outlook remains challenging, the Council is confident that it can meet many of the challenges and priorities head on and ensure that the people of Brighton & Hove are well served by its vision, actions and services.

Alan McCarthy *Chief Executive*

Statement on Internal Control

1 Scope of Responsibility

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

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

The Council believes in the principles of corporate governance, which are openness and inclusivity, integrity and accountability. It is committed to its own Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework for Corporate Governance in Local Government. A copy of the local code can be obtained from the Council's Monitoring Officer.

2 The Purpose of the System of Internal Control

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

The system of internal control has continued to be in place for the year ended 31st March 2005 and up to the date of approval of the annual statement of accounts, and accords with proper practice.

3 The Internal Control Environment

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

Establishing and monitoring the achievement of the City Council's objectives

The Performance Plan 2004/05 and Corporate Plan 2004-07 set out the Council's four principal priorities being the main focus of its work. These include the deliverables in all key service areas and milestones set. The corporate priorities and



improvement targets are also reflected in Directorate Development Plans, Team Plans and the Performance & Development Planning Scheme for staff.

Policy and decision-making

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

The Council has an executive committee system, with committees having executive (decision making) powers. Issues with corporate or strategy implications go to the Policy & Resources Committee or Full Council. There is an Overview Scrutiny and Organisation Committee which supports and monitors the work of the Executive. A "call-in" procedure allows Scrutiny to review executive decisions thus presenting challenge and the opportunity for a decision to be reconsidered. All meetings are open to the public but a small number of confidential items are considered in private. There is an extensive scheme of delegation to officers, who are bound by Council policy, budget limits and legal requirements in making decisions.

Compliance with established policies, procedures, laws and regulations

The Council's Constitution is designed to ensure that it acts lawfully and to ensure compliance with its policies and procedures. These include Standing Orders, Financial Regulations, Budget and Policy

Framework Procedure Rules, underpinned by Codes of Conduct for Members and Officers and the Council's Local Code of Corporate Governance.

Directors are responsible for risk management both as part of The Management Team and within their directorates. They receive advice and instructions from the Risk Manager, Internal Audit and officers from other risk management disciplines. Every Council employee is responsible for managing their activities in accordance with risk management principles, and risk management is part of what managers do on a day-to-day basis. The Council's Risk Management Strategy identifies the principal risk to the achievement of the Council's objectives. Directors promote risk management and a risk aware environment within their directorates, whilst the Risk Manager and Internal Audit help to embed through pro-active risk based business and project planning and an annual programme of audits.

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

The provision of quality services and continuous improvement are embedded in the Council's culture and operations. Service and financial plans flow from the Council's corporate and service objectives and are aligned via the Directorate Development Plans and Annual Budget Plans prepared throughout the Council's seven directorates.

Services are subject to budget and performance reviews, external statutory inspections and a range of optional quality accreditations.

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

Financial Management

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

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

Internal audit is undertaken in accordance with the Code of Practice for Internal Audit in Local Authorities. The Head of Internal Audit is responsible for managing Internal Audit and reports to the Director of Finance & Property and members of The Management Team. The Head of Internal Audit also reports to the Overview & Scrutiny Organisation Committee who act as an

Audit Committee equivalent. The Council's external auditors, who report to the Council through their annual audit letter, have recognised the quality and reliability of internal audit work.

Performance Management

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

The Head of Performance Management reports on a regular basis to The Management Team and Member's Committees (executive and scrutiny) for review of performance.

4 Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of Internal Audit, by other internal review functions, by managers within the Council who have responsibility for the development and maintenance of the internal control environment, and by comments made by external auditors and other external review agencies and inspectorates.

We have been advised on the results of the review of the effectiveness of the system of internal control and the actions proposed to ensure continuous improvement of the system in place.



5 Significant Internal Control Issues

Areas of Non-Compliance:

Whilst there were **no** significant areas of non-compliance in 2004/05, a number of actions have been completed, in progress or proposed by the Council to further improve its system of internal control. These are:

Actions Taken

- Updated Financial Regulations, Standing Orders and other Codes of Practice to further enhance the internal control framework;
- Reviewed the role of the Overview & Scrutiny Organisation Committee; and
- Implemented the findings from the Scrutiny review of procurement including contract management training.

Actions in progress:

- Updating the Risk Management Strategy;
- Updating the Corporate Procurement Strategy;
- Implementing a new Health and Safety Management system; and
- Communicating a revised whistleblowing policy.

Actions proposed:

- Review of emergency planning and business continuity requirements in line with Civil Contingencies Act 2004;
- Revise training and communication for project management, risk management and anti-fraud and corruption;
- Review whether establishment of a Risk Management Board and Audit Committee in line with best practice guidance would be appropriate and effective; and
- Revise the Code of Conduct for Officers in accordance with the expected National Code (deferred from 2004/05 since National Code not produced).

Alan McCarthy
Chief Executive

Ken Bodfish
Leader of Brighton & Hove City Council

Auditor's Report to Brighton & Hove City Council

Audit of Accounts 2004/05

We have audited the statement of accounts on pages 3 to 67 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 12.

This report is made solely to 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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Finance Officer and Auditors

As described on page 7, the Chief Finance Officer (Director of Finance and Property) is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts



Basis of opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issues by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion on the Council's accounts

In our opinion the statement of accounts presents fairly the financial position of Brighton & Hove City Council as at 31st March 2005 and its income and expenditure for the year then ended.

Certificate

I have carried out the audit of accounts in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until a review of an issue raised by a member of the public has been completed. I am satisfied that this will not have a material effect on the statement of accounts.

Darren Wells
District Auditor
31 October 2005

Audit Commission, 16 South Park,
Sevenoaks, Kent, TN13 1AN

Explanatory Foreword

The financial performance for 2004/05 for the activities undertaken by the Council is set out in the Financial Statements on pages 3 to 67 and consists of the following:

Statement of Responsibilities

which identifies the officer who is responsible for the proper administration of the Council's financial affairs.

Statement of Accounting Policies

which details the legislation and principles on which the statement of accounts has been prepared.

Consolidated Revenue Account

which is the Council's main revenue account covering income and expenditure on all services.

Housing Revenue Account Operating Account

which shows income and expenditure on council housing and the change to the working balance.

Consolidated Balance Sheet

which sets out the financial position of the Council as at 31st March 2005.

Statement of Total Movements in Reserves

which analyses the changes that have taken place in the Council's Capital and Revenue reserves.

Trust Funds

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

Collection Fund Account

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

Cash Flow Statement

which summarises the total movement of the Council's funds.

Revenue Summary

Financing the Budget	Original Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure on Services	273,822	273,541*	(281)
Funded By:			
Revenue Support Grant	(113,806)	(113,806)	0
Redistributed National Non Domestic Rates	(69,805)	(69,805)	0
Redistribution of Collection Fund surplus	(548)	(548)	0
Council Tax	(89,663)	(89,663)	0
Use of / (contribution to) reserves	0	(281)	(281)

The Council's net revenue budget for 2004/05 was set at £273.822 million. The net General Fund expenditure for 2004/05 was £273.541 million resulting in a surplus on the Consolidated Revenue Account of £0.281 million.

*Excludes £22,000 relating to Rottingdean Parish Council Precept.

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

Departmental Variations	Revised Budget	Actual	Variance
	£'000	£'000	£'000
Housing & City Support	37,357	37,551	194
Children, Families & Schools	127,115	128,416	1,301
Corporate Services	12,455	11,726	(729)
Environment	30,519	29,272	(1,247)
Cultural Services	16,495	16,363	(132)
Centrally Managed Budgets	8,912	9,244	332
Section 31 Partnership Contribution	26,711	26,711	0
Total	259,564	259,283	(281)

Details of the Council's Expenditure and Income are shown in the Consolidated Revenue Account on pages 13 and 14.

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

Expenditure & Income Analysis	
	£'000
Employees Related Expenses	229,372
Premises Related Expenses	42,294
Transport Related Expenses	10,461
Supplies & Services	66,945
Payments to Other Bodies, including Residential Care	106,658
Housing/Council Tax Benefit, Student Awards etc	135,211
Support Services	60,648
Capital Financing Costs	62,521
Government Grants	(190,664)
Other Contributions, including Housing Associations	(26,200)
Rents, Fees and Charges etc	(122,627)
Interest	(9,429)
Support Services etc recharged to Other Services	(68,634)
Net Operating Expenditure	296,556

Pensions Liability

In accordance with proper accounting practice, the Council's financial statements include the total estimated net liability for the pensions scheme, currently £140m. This net liability is offset by the pensions reserve and is calculated by the pensions actuary, Hymans Robertson. The movement on net liability was approximately £80m, this was mainly due to a change in the method of calculating the discount rate. It should be noted that amounts shown in the Council's accounts relating to this legislation, Financial Reporting Standard (FRS) 17, have no effect on the Council Tax Requirement.

Exceptional Income

The Consolidated Revenue Account includes an exceptional amount of income relating to a rate rebate for the Brighton Centre dating from 1992 to 2004. This rebate has been used to set up a reserve for the Brighton Centre Development.

Significant Changes in Accounting Policies

There have been three significant changes in accounting policies. Firstly, the full inclusion of Church Aided schools has resulted in a significant increase in the level of Other Land & Buildings. In previous years, these schools were included at a historic rate of 15%. The amount shown for 2003/04 has been adjusted for comparator purposes.

Secondly there has been a change in accounting policy regarding the treatment of Section 106 receipts for capital purposes which has seen a movement of £2.6m between Earmarked Reserves, Usable Capital Receipts Reserve and Government Grants Deferred. The 2003/04 figures have also been adjusted accordingly which is reflected in Notes 14 and 15 to the Consolidated Balance Sheet.

The third change in accounting policy relates to Shoreham Airport's fixed assets. Shoreham Airport's property portfolio has been valued as at 31st March 2005 by Drivers Jonas. This is a new valuation methodology to bring Shoreham Airport's accounts in line with the requirements of the 2004 SORP. In previous years, the fixed assets included the costs of the capital works but did not include any revaluations of property and land. The effect of this change has resulted in an increase in Shoreham Airport's fixed asset values on the balance sheet of £17.3m. This adjustment has been made within the following asset categories: Other Land & Buildings; Vehicles, Plant, Furniture & Equipment;

Infrastructure Assets; Investment Properties and Assets Under Construction.

Capital Summary

The Council has managed to deliver a significant capital investment programme this year, utilising borrowing freedoms introduced in 2004/05, by working in partnership with a wide range of external bodies and developing successful bids for funding from Central Government, Lottery and other external bodies.

Capital expenditure totalled £51.937 million in 2004/05 compared with the latest approved budget of £55.160 million. The £3.223 million underspend represents 5.8% of the budget, which will be carried forward into 2005/06 to meet the council's ongoing capital commitments. No resources were lost as a result of the capital investment programme underspends.

Many large and smaller capital projects were undertaken in 2004/05 and included expenditure on Council Dwellings (£16.567m), Schools (£7.832m), Roads, Bridges and Footpaths (£6.062m), Renovation grants and grants to housing associations (£4.475m), Coast Protection (£2.844m) and Recycling and Refuse Collection (£2.207m).

The Council's 2004/05 capital programme was funded from various internal and external sources. The introduction of the Local Government Act 2003 has provided the Council with further choice on financing options for capital expenditure. The act allows local authorities to undertake borrowing subject to certain constraints, as long as it is demonstrated that the borrowing is affordable and any financing cost implications are reflected in the revenue budget. This type of borrowing does not attract government support.

	£'000
Capital Outturn 2004/05	51,937
Unfunded balances b/f from 2003/04	4,149
Total Funding Requirement	56,086
Funding:	
Supported Borrowing	15,387
Capital Grants	10,399
Capital Receipts	8,238
Direct Revenue Funding	15,130
Contributions from External Bodies	4,845
Unsupported Borrowing	2,087
Total	56,086

The table above details the Council's funding of the Capital Programme.

Further Information

Further information about the accounts is available from Central Accountancy Services, Finance & Property Services, King's House, Hove, BN3 2SR. In addition, interested members of the public have a statutory right to inspect the accounts and their availability is advertised in the local press.

I certify that the accounts present fairly the financial position of Brighton & Hove City Council as at 31st March 2005.



Catherine Vaughan CPFA
Director of Finance and Property

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 Property.
- (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 Property's Responsibilities

The Director of Finance and Property is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2005.

In preparing the statement of accounts the Director of Finance and Property has:

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

The Director of Finance and Property has also:

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

Statement of Accounting Policies

1 General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2004/05 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs).

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

2 Fixed Assets

The Code of Practice on Local Authority Accounting in the United Kingdom, requires each local authority to value its land and property. These assets should be maintained in a register and the total value presented within the authority's balance sheet.

The Code of Practice requires the authority to charge its revenue services with a capital charge which comprises a depreciation charge (the extent to which the asset has been worn out or used up during the year) and a notional interest charge that reflects the benefit that the service received from the Council's decision to tie up capital resources in its particular assets.

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

licences or patents. Tangible fixed assets are further distinguished between "operational" and "non-operational" fixed assets which determines the method of valuation.

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

The asset values presented in the accounts are based upon a certificate issued by the Council's Estates Manager as at 1st April 1996 and amended by subsequent revaluations. Additions since that date are included in the accounts at their cost of acquisition and are subject to revaluation.

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

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

The freehold and leasehold properties, which comprise the Council's property portfolio,

have been valued as at 1st April 1996 by the Council's Estates Manager and external valuers. The values have been determined in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S) Appraisal and Valuation Manual except that:

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

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

Shoreham Airport's property portfolio, which forms part of the Council's fixed assets, has been valued as at 31st March 2005 by Drivers Jonas. This is a new valuation methodology to bring Shoreham Airport's accounts in line with the requirements of the 2004 SORP. In previous years, the fixed assets included the costs of the capital works but did not include any revaluations of property and land. The effect of this change has resulted in an increase in Shoreham Airport's fixed asset values on the balance sheet of £17.3m. This adjustment has been made within the following asset categories: Other Land & Buildings; Vehicles, Plant, Furniture & Equipment; Infrastructure Assets; Investment Properties and Assets Under Construction.

Drivers Jonas are recognised nationally as chartered surveyors with significant experience in the valuation of airports. The values have been determined in accordance with the Royal Institution of Chartered Surveyors (R.I.C.S) Appraisal and Valuation

Manual. Shoreham Airport has revalued its assets whilst the Procurement Vision for its future regeneration is in progress.

It must be emphasised that the value of Shoreham Airport's assets shown in the balance sheet does not reflect the market value of Shoreham Airport. The Code of Practice requires each asset to be valued individually, therefore Shoreham Airport's balance sheet value exceeds Shoreham Airport's worth as a single entity if sold on the open market. The balance sheet value exceeds what Shoreham Airport is worth because the balance sheet value does not reflect that there is a revenue cost of running Shoreham Airport operations including Shoreham Airport management, maintenance of the assets, the fire and rescue services and air traffic control, all of which reduce its open market value.

The Council runs 15 Church Aided Schools which are now fully included in the balance sheet. This represents a change in accounting policy, in previous years these schools were included at the rate of 15%. This change has been implemented in order to comply with FRS 5 Reporting the Substance of Transactions.

The Council has a policy of revaluing its assets on a cyclical basis over 5 years (20% each year). In 2003/04 the Council fully revalued its housing stock, with further revaluations at April 2004.

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

For the 2004/05 accounts, depreciation has been charged on Housing Revenue Account (HRA) assets in accordance with the requirements of HRA Resource Accounting.



The Council has set a deminimis level for capitalisation of £20,000.

3 Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. In accordance with the 2004 SORP, councils are required to write out of their accounts these charges in the year in which the capital expenditure is incurred.

4 Charging for Capital

Service departments receive a charge, which represents depreciation on the assets used by that department and a notional interest charge based on the net book value of the asset. Capital charges have been calculated in accordance with the Local Government Act 2003. Regulations prescribe the minimum amount of debt repayment to be charged in the revenue accounts as 4% of the Council's capital financing requirement (capital investment funded from borrowing which has yet to be repaid). There is no statutory requirement to repay debt on the Housing Revenue Account.

Further regulations prescribe the amount of interest to be charged to the Housing Revenue Account. For 2004/05 the average rate payable was 5.10%. In addition debt management expenses have been allocated to the Housing Revenue Account at a rate of 0.07%.

5 Capital Receipts

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

Sums held in the Capital Receipts Unapplied Account are available to finance capital expenditure. Interest earned on amounts invested externally is credited to the General Fund revenue account. For 2004/05 the average investment rate was 4.67%.

6 Debtors and Creditors

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

7 Stocks and Work in Progress

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

8 Provisions

The Council sets aside provisions in the accounts for liabilities and losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The operation of these and other Funds is described in Note 11 to the Consolidated Balance Sheet.

9 Reserves

The Council maintains certain reserves to meet future expenditure not covered by provisions. Reserves may be earmarked for a specific purpose, and can be either capital or revenue. Capital reserves represent amounts earmarked to finance future capital expenditure. The Fixed Asset Restatement Account reflects the balance of surpluses and deficits arising from the ongoing revaluations of fixed assets, and the Capital Financing Account represents the amounts set aside from capital receipts for the repayment of external loans. The Fixed Asset Restatement Account and the Capital Financing Account cannot be called on to finance capital schemes. The main capital and revenue reserves are shown in the Statement of Total Movements in Reserves and in Note 15 to the Consolidated Balance Sheet.

Movements to and from reserves are made through the Appropriations section of the Consolidated Revenue Account. An exception to this is the treatment of notional interest on internally invested reserves where the Council credits interest directly to the reserve.

There has been a change in accounting policy regarding the treatment of Section 106 receipts for capital purposes which are no longer held within Earmarked Reserves.

10 Cost of Support Services

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

The definition of Corporate and Democratic Core has been refined in the Best Value Accounting Code of Practice and now consists of Democratic Representation and Management Costs and Corporate Management Costs.

11 Investments

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

12 Pensions

With effect from 2003/04 local authorities have to comply with Financial Reporting Standard (FRS) 17 with regard to pension costs. FRS 17 is a complex accounting standard, but it is based on a simple principle - that the Council has to account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. These policies reflect the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund. The method of calculating the discount rate for pensions liabilities changed in 2004/05 from the Government Actuary's Department (GAD) issued rate to the AA Corporate Bond Rate. The implementation of the FRS 17 figures, provided by the council's Pensions Actuary has the following effect:



- the overall amount to be met from Government grants and local taxation has remained unchanged but the costs disclosed for individual services are £2.324m (2003/04 £0.846m) higher after the replacement of employer's contributions by current service costs and Net Operating Expenditure is £0.666m (2003/04 £1.343m) lower than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 8.5% (2003/04 4%).

13 Group Accounts

Brighton & Hove City Council has four subsidiaries, Shoreham Airport, the Brighton Fund, the Hedgecock Bequest and the Oliver & Johannah Brown Apprenticeship Fund. The 2004 SORP requires local authorities to produce a full set of group accounts where appropriate. There is however an option known as the Transitional Arrangements, to defer full implementation until 2005/06, and Brighton & Hove City Council has taken this option.

The accounts for Shoreham Airport are already fully consolidated into the Council's accounts and a summary of the Trust Fund accounts, including the three mentioned above, can be found within this statement of accounts. Please note a full statement of accounts for Shoreham Airport is available upon request.

14 Capital Financing

In accordance with the 2004 SORP and the Prudential Code, capital financing is now undertaken on a full accruals basis.

15 Grants

Grants can be received for revenue or capital purposes. Where revenue grants are received to finance the general activities of the council or to offset a loss of income, they are credited to income in the same period in which the related expenditure is charged. Capital grants are credited to the Government Grants Deferred Account and are written down to the Asset Management Revenue Account over the useful life of that asset. Final grant claims over £0.050m are subject to audit.

16 Debt Redemption

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

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

17 Long Term Contracts - Private Finance Initiatives (PFIs)

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

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

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

Consolidated Revenue Account

Year ended 31st March 2004	Operations	Year ended 31st March 2005		
		Gross Expenditure	Gross Income	Net Expenditure
£'000		£'000	£'000	£'000
635	Central Services to the Public	43,493	43,923	(430)
56,354	Cultural, Environmental and Planning Services	103,725	39,946	63,779
0	Exceptional Income from rate rebate on Brighton Centre	0	1,824	(1,824)
123,505	Education Services	195,318	62,733	132,585
12,082	Highways, Roads and Transport Services	31,473	20,146	11,327
19,428	Housing Revenue Account (HRA)	68,793	40,668	28,125
17,647	Housing General Fund	139,168	125,337	13,831
79,829	Social Services	135,971	42,450	93,521
7,346	Corporate and Democratic Core	4,166	0	4,166
670	Non Distributed Costs	544	0	544
317,496	Net Cost of Services (Note 1)	722,651	377,027	345,624
11,691	Precepts and Levies			567
3,620	Pensions Financing Costs (General Fund)			817
0	Pensions Financing Costs (HRA)			(55)
(116)	Net (Surplus)/Deficit from Trading Operation (Note 2)			(89)
(20,537)	Asset Management Revenue Account (General Fund)			(26,532)
(23,907)	Asset Management Revenue Account (HRA)			(27,288)
0	Contribution of Housing Capital Receipts to Government Pool			6,636
911	HRA Amortised Premia/ Investment Income			833
(2,703)	Interest and Investment Income			(3,957)
286,455	Net Operating Expenditure			296,556

Year ended 31st March 2004	Appropriations	Year ended 31st March 2005
£'000		£'000
365	Surplus/(Deficit) Transferred to HRA Balances	(437)
116	Transfer to/(from) Airport Reserves	89
(590)	Contribution to/(from) LMS Reserves	686
57	Transfer to/(from) Portslade Adult Education Reserve	(54)
689	Transfer to/(from) LEA Budget	770
4,957	Transfers to/(from) Earmarked Reserves	9,237
(821)	Use of Previous Year's Carry Forward	(926)
	Carry Forward of Under/(Over)spends:	
279	- Corporate Budgets	895
0	- Education Services	63
0	- Other	150
444	Contributions to/(from) General Reserves	0
(1,381)	Contributions to/(from) Pensions Reserves - General Fund	(1,598)
38	Contributions to/(from) Pensions Reserves - HRA	(50)
0	Contributions to/(from) Housing Pooled Capital Receipts	(6,636)
	Contributions to/(from) Capital Reserves:	
3,517	- Revenue Contributions to Capital	2,332
(13,747)	- Transfer to/(from) Capital Financing Account	(14,234)
(12,106)	- Deferred Charges Written Down	(11,987)
3,165	- Contributions to/(from) HRA Capital	(1,293)
271,437	Amount To Be Met From Government Grant And Local Tax Payers	273,563
(86,769)	Collection Fund Demand	(89,663)
(20)	Parish Council Precepts from the Collection Fund	(22)
(767)	Transfers from the Collection Fund	(548)
(108,161)	Government Grant	(113,806)
(75,146)	Distribution from National Non Domestic Rate Pool	(69,805)
574	(Surplus) / Deficit For The Year	(281)
(8,177)	General Fund Balance at 1st April	(7,603)
574	(Surplus) / Deficit for the Year	(281)
(7,603)	General Fund Balance at 31st March	(7,884)

Transactions On The Asset Management Revenue Account

2003/04		2004/05	
£'000		£'000	£'000
	Income		
(44,559)	Capital Charges - General Fund	(52,213)	
(41,397)	Capital Charges - Housing Revenue Account	(45,485)	(97,698)
	Expenditure		
20,699	Provision for Depreciation/Amortisation - General Fund	23,045	
12,650	Provision for Depreciation/Amortisation - Housing Revenue Account	13,844	
(3,673)	Government Grants and External Contributions Written Down	(5,573)	
11,733	External Interest Charges	12,463	
105	Debt Management Expenses	87	
23,907	Transferred to Housing Revenue Account		43,866
(2)	Included within the results of Trading Operations		27,288
			12
(20,537)	Balance To Consolidated Revenue Account		(26,532)

Notes to the Consolidated Revenue Account

1 Gross Expenditure

Includes Support Service Charges and Capital Charges. The exceptional income of £1.824m relates to a rate rebate (net of fees) for the Brighton Centre for the period 1992/93 to 2003/04, arising from reductions in its rateable value.

2 Trading Operations

The Council has the following service, which is classified as a Trading Operation:

2003/04		2004/05		
Net Expenditure		Total Expenditure	Total Income	Net Expenditure
£'000		£'000	£'000	£'000
(116)	Shoreham Airport	2,472	(2,561)	(89)
(116)	Total	2,472	(2,561)	(89)

3 Section 137 Expenditure

Section 137 of the Local Government Act 1972 was in part repealed by the Local Government Act 2000 which introduced the powers to promote or improve the economic, social or environmental well-being in the area. Section 137 (3), which relates to the contributions to charitable, voluntary or not-for-profit organisations remains in effect.

A full review of the analysis of the expenditure incurred under both the 1972 and the 2000 acts, has resulted in a reduction in the level of expenditure to be included in this table. The amounts shown for 2003/04 has been adjusted for comparison purposes.

See the table showing Section 137 expenditure incurred under the 1972 act only on the next page.

Section 137 Expenditure

2003/04		2004/05
£		£
87,430	Contributions to External Equalities Bodies	71,183
3,000	Advice Agencies & Community Events	40,896
220,796	Miscellaneous	251,721
311,226	Total	363,800

4 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".

2003/04		2004/05
£		£
719,429	Recruitment Advertising	883,117
187,815	Other Advertising	252,548
7,900	Capital of Culture	0
8,847	Housing Issues - General Fund	31,634
100,005	Housing Issues - Housing Revenue Account	135,708
39,304	Public Transport Issues	41,410
14,647	Venues Website	28,714
12,818	City Regeneration - Partnership Support	0
106,337	Public Relations	103,836
58,244	Social Care - Children	31,284
11,050	Recycling - Kerbside	80,621
239,829	Other Publicity and Marketing	299,343
1,506,225	Total	1,888,215



5 Local Authorities (Goods & Services) Act 1970

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

6 Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of provision is defined by statute. For 2004/05 the amount is £4.277m (2003/04 £5.714m). The provision has been charged to the following service revenue accounts.

2003/04		2004/05
£'000		£'000
1,440	Housing Revenue Account	0
4,126	General Fund	4,120
148	Shoreham Airport	157
5,714	Statutory Minimum Revenue Provision	4,277
17,026	Amount charged by way of Depreciation, Amortisation and Government Grants Written Down excluding HRA	17,472
(11,312)	Adjustment to Consolidated Revenue Account	(13,195)
5,714	Statutory Minimum Revenue Provision	4,277

7 Members' Allowances

The gross amount paid by way of Members' Allowances during the year amounted to £762,437 (2003/04 £756,173). Details of allowances paid in 2004/05 will be published in The Argus and posted on the noticeboards outside the Town Halls in Brighton & Hove and on the Council's website.

8 Disclosure of Executive Remuneration

Number of Staff 2003/04	Remuneration Band	Number of Staff 2004/05
43	£50,000 - £59,999	49
15	£60,000 - £69,999	23
8	£70,000 - £79,999	7
2	£80,000 - £89,999	4
2	£90,000 - £99,999	3
2	£100,000 - £109,999	1
1	£110,000 - £119,999	1
0	£120,000 - £129,999	0
1	£130,000 - £139,999	0
0	£140,000 - £149,999	1

Remuneration includes gross pay, travel expenses, allowances, bonuses and pay arrears.

9 Pension Costs

As part of the terms and conditions of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that the employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered by East Sussex County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following table shows transactions which have been made in the CRA during the year.

2003/04		2004/05
£'000		£'000
	Net Cost of Services:	
(9,749)	- Current Service cost	(13,992)
(174)	- Past Service Cost	(247)
(476)	- Settlements and Curtailments	(294)
	Net Operating Expenditure:	
(17,796)	- Interest Cost	(18,860)
16,258	- Expected Return on Assets in the Scheme	20,076
	Amounts To Be Met From Government Grants and Local Taxation:	
1,343	- Movement on Pensions Reserve	1,648
	Actual Amount Charged Against Council Tax for Pensions in the Year:	
(10,594)	- Employer's Contributions Payable to Scheme	(11,669)

Note 21 to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 5 to the Statement of Total Movements in Reserves details the costs that have arisen through the year.

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2004/05 the Council paid £7.241m to the TPA in respect of teachers' retirement benefits, representing 13.5% of pensionable pay. The figures for 2003/04 were £7.013m and 13.5%.

10 Related Party Transactions

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

Government Grants

Under the criteria set by Financial Reporting Standard (FRS) 8, grants from central government are considered to be related party transactions. Central government provides the statutory framework within which the Council operates, provides much of its funding and prescribes the terms of many of the transactions the Council has with other parties. Details of the grants received in 2004/05 can be found in Note 4 to the Cash Flow Statement.

Levying Authorities

Other public bodies, including the Magistrates and the Sussex Sea Fisheries may levy the Council, that is to make a demand on the Council Tax requirement. In 2004/05 there were £544,911 of levies included in the Consolidated Revenue Account. (Precepts and Levies £567K less Rottingdean Parish precept £22K).

Members and Senior Staff

Members of the Council have direct control over the Council's financial and operating policies. During 2004/05, works and services to the value of £1.9m were commissioned from companies in which two members have declared an interest. Contracts were entered into in full compliance with the Council's standing orders. Details can be found in the Register of Members Interests.

For the purpose of this disclosure, senior staff has been defined as Assistant Director level and above. For 2004/05 there are no related party transactions requiring disclosure in relation to senior staff.

11 Single Regeneration Budget, New Deal for Communities, Area Investment Framework and European Union Funding

The Council acts as the Accountable Body in respect of all the Single Regeneration Budget (SRB), New Deal for Communities (NDC), the Area Investment Framework (AIF) and European Union (EU) funded projects in Brighton & Hove. As a result of this role the Council receives and distributes SRB, NDC, AIF and EU grant in respect of all projects within each grant initiative. The transactions undertaken in fulfilling the role of Accountable Body have no net impact on the Council's accounts.

12 Building Control Trading Account

2003/04		2004/05		
		Chargeable	Non-Chargeable	Total
£'000		£'000	£'000	£'000
1,114	Expenditure	917	284	1,201
(909)	Income	(803)	(29)	(832)
205	Net (Surplus)/Deficit	114	255	369

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

13 On Street Parking Surplus

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

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

2003/04		2004/05
£'000		£'000
(2,704)	On Street Parking Operation Surplus	(3,760)
Utilised to Fund:		
2,643	Public Transport	2,783
1,199	Borrowing Costs for Transport Capital Expenditure	1,718
0	One-off Transport and Environmental Improvement Projects	256
3,842	Total Qualifying Expenditure	4,757

In response to the National Parking Adjudicator's call for Councils to make their use of DPE surpluses more transparent, the Council has changed its presentation of the parking surplus figures. Instead of showing total expenditure which is eligible, the Council now shows specific areas which it uses DPE surpluses to fund, the balance being made up by government grant and Council Tax. We have therefore re-presented the 2003/04 figures in the new format to make them comparable.

14 Operating Leases

Vehicles, Plant, Furniture & Equipment

The Council uses refuse collection vehicles, welfare coaches, parking meters, miscellaneous vehicles and equipment financed under terms of an operating lease. The amount paid under these arrangements in 2004/05 was £1.066m (2003/04 £1.161m).

The Council is committed to making payments of £1.022m under these leases in 2005/06, comprising the following elements:

	Vehicles, Plant, Furniture & Equipment	Total
	£'000	£'000
Leases expiring in 2005/06	0	0
Leases expiring between 2006/07 and 2010/11	1,022	1,022
Leases expiring after 2010/11	0	0

15 External Audit Costs

	2003/04	2004/05
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	244	226
Fees payable to the Audit Commission in respect of statutory inspection	44	62
Fees payable to the Audit Commission for the certification of grant claims and returns	124	120
Total	412	408

The amount for certification of grants in 2003/04 has been updated from the estimate originally shown to reflect the actual cost.

Work relating to 2004/05 certification of grants has not yet been undertaken, however an estimate of the level of fees to be charged has been included in the above note based on the amount charged for the 2003/04 certification work.

16 Pooled Budgets

Under Section 31 of the Health Act 1999, NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets. With effect from 1st April 2002, some adult social services have been provided under a partnership arrangement between the City Council, Brighton & Hove City Primary Care Trust (PCT) and the South Downs Health NHS Trust (SDHT). The PCT act as lead commissioner of services while SDHT are the lead provider.

The City Council made a contribution of £35.338m to the pooled budget arrangement in 2004/05. This contribution is reflected in the Consolidated Revenue

Account under Social Services. The gross income to the partnership of £72.215m has been spent on the following.

Expenditure	£'000
Non NHS Providers	1,596
Other NHS Providers	1,927
South Downs NHS Trust	67,199
Social Care (B&H City Council)	634
Brighton & Hove City PCT	859
Total	72,215

Housing Revenue Account Operating Account

Year ended 31st March 2004		Year ended 31st March 2005
£'000		£'000
	Income	
	Gross Rental Income	
(34,074)	Dwellings Rent	(34,834)
(1,019)	Non-dwelling Rents	(1,069)
(2,246)	Charges for Services and Facilities	(2,370)
(27,651)	HRA Subsidy Receivable (including Major Repairs Allowance - MRA)	(2,333)
(228)	Contributions Towards Expenditure	(62)
(64)	Housing Benefit Transfers from General Fund	0
(65,282)	Total Income	(40,668)
	Expenditure	
	Repairs, Maintenance and Management	
10,511	Repairs and Maintenance	10,703
10,790	Supervision and Management	11,471
158	Rents, Rates, Taxes and Other Charges	229
21,459	Rent Rebates	490
362	Provision for Bad or Doubtful Debts	374
28,695	Cost of Capital	31,450
52	Deferred Charges	191
	Depreciation of Fixed Assets	
12,402	On Dwellings	13,576
248	On Other Assets	268
33	Debt Management Expenses	41
84,710	Total Expenditure	68,793
19,428	Net Cost of Services	28,125
0	Pensions Financing Costs	(55)
(23,907)	Transfer from Asset Management Revenue Account (AMRA)	(27,288)
932	Amortised Premiums and Discounts	850
(21)	Investment Income/Mortgage Interest, etc	(17)
(3,568)	Net Operating Expenditure	1,615
	Appropriations	
5,418	Revenue Contributions to Capital	3,815
1,440	HRA Contribution to Minimum Revenue Provision	0
531	Transfer to the General Fund	0
(4,224)	Transfer to Major Repairs Reserve	(5,108)
0	Transfer to Earmarked Reserve	165
38	Appropriation from Pensions Reserve	(50)
(365)	(Surplus)/Deficit for the Year	437
(3,415)	Balance Brought Forward	(3,780)
(3,780)	Balance Carried Forward	(3,343)

Notes to the Housing Revenue Account (HRA)

The Housing Revenue Account records revenue income and expenditure relating to the Council's own housing stock. This includes the cost of managing and repairing the dwellings and capital financing costs as well as rental income from tenants and the HRA subsidy from central government. With effect from 2004/05 the Government has made two major changes, the Rent Rebates have been removed from the Housing Revenue Account and no contribution to Minimum Revenue Provision

(repayment of loans) is required. 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 12,588 dwellings at 31st March 2005. The stock was made up as follows:

	Bedsit	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Flats	895	3,665	3,129	280	6	7,975
Houses	0	13	1,619	2,459	265	4,356
Bungalows	0	199	36	21	1	257
Total	895	3,877	4,784	2,760	272	12,588

The change in stock can be summarised as follows:

2003/04		2004/05
12,929	Stock at 1st April	12,705
(206)	Sales	(108)
(18)	Other	(10)
0	Acquisitions/Conversions	1
12,705	Stock at 31st March	12,588

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

Asset Classification	Opening Balance 1 April 2004	Closing Balance 31 March 2005
	£'000	£'000
Operational Assets		
Housing Stock	820,025	911,944
Other Land and Buildings	8,920	10,833
Vehicles, Plant, Furniture and Equipment	449	449
Community Assets	29	29
Non-Operational Assets		
Investment Properties	3,246	5,106
Total	832,669	928,361

The Council's housing stock, garages and car parking spaces were revalued by the District Valuer as at 1st April 2004. The opening balances (based on valuations as at 1st April 2003) were increased by: Council Dwellings £82.1m (up to £901.2m) and Other Land and Buildings were increased by £0.44m for garages and by £0.32m for car parking spaces (up to £9.7m).

The vacant possession value for the dwellings in the HRA as at 1st April 2004 was £1,668.9m as valued by the District Valuer, compared with the value of £901.2m for its existing use as social housing. The difference of £767.7m represents the cost to the government of providing council housing at less than open market rents.



2 Major Repairs Reserve

The transactions on the Major Repairs Reserve in 2004/05 were as follows:

	£'000
Balance as at 1st April 2004	0
Depreciation on Housing Stock	(13,576)
Depreciation on Other HRA Property	(268)
Total	(13,844)
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	8,736
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	4,840
Appropriation to the HRA (Depreciation on Other HRA Property)	268
Balance as at 31st March 2005	0

3 Housing Repairs Account

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

The HRA Manual issued by ODPM states a Housing Repairs Account is a discretionary account within the Housing Revenue Account (HRA) and constitutes a separate record of income and expenditure on HRA repairs and maintenance. Some authorities find a separate account assists the planning of major or cyclical works. If an 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

This table summarises the capital expenditure incurred in 2004/05 and how it was financed:

	Land, Housing and Other Property	Cash Incentive Scheme	ICT Equipment	Total
	£'000	£'000	£'000	£'000
Total Capital Expenditure	16,375	52	140	16,567
Add 2003/04 Expenditure Funded in 2004/05	166	0	0	166
Capital Expenditure Funded in 2004/05	16,541	52	140	16,733
Funded by:				
Supported Capital Expenditure (Revenue)	2,000	0	0	2,000
Major Repairs Allowance/Reserve	8,736	0	0	8,736
Direct Revenue Funding	3,623	52	140	3,815
Capital Receipts	2,182	0	0	2,182
Total Funding	16,541	52	140	16,733

Summary of total capital receipts from disposals:

	£'000
Right to Buy Sales of Houses and Flats	8,920
Sale of Land and Other Property	5,390
Mortgages Repayments	51
Total	14,361

5 Cost of Capital Charges

The HRA in 2004/05 was debited with a cost of capital charge of £31.450m representing the cost of capital tied up in council housing. The figure is based on an interest charge of 3.5% (as prescribed by the Government) on the balance sheet value of the housing stock, other land and buildings, vehicles and plant.

The HRA was also charged with depreciation to reflect the consumption of HRA assets over their useful life (housing stock £13.576m; other property £0.268m). Of the charge of £13.576m relating to housing stock, £8.736m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the Council by the Government. The balance of £4.840m is appropriated to the Major Repairs Reserve, and is a notional figure which has no impact on tenants' rents. The charge of £0.268m relating to other property is also appropriated to the Major Repairs Reserve.

In addition the HRA was debited with a deferred charge of £191,369 in respect of capital expenditure which did not result in the acquisition, creation or enhancement of a tangible fixed asset (Cash Incentive Scheme £51,800; ICT Equipment £139,569). In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure is financed from capital resources.

Capital Charges Accounting Adjustment:

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

	£'000
Cost of Capital (3.5% Charge)	31,450
Deferred Charges	191
	31,641
Less Transfer from AMRA to the HRA	(27,288)
Actual Interest borne by the HRA	4,353

6 Depreciation Charges for Operational Assets

	Depreciation Charge 2004/05
	£'000
Operational Assets	
Council Dwellings	13,576
Other Land and Buildings	178
Vehicles, Plant, Furniture and Equipment	90
Total Depreciation	13,844

7 Impairment

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2004/05 relating to fixed assets.

8 Deferred Charges

Deferred charges represent a transfer of resources from capital to revenue. This is to fund capital expenditure that does not create or enhance the life or value of a fixed asset. The deferred charges in 2004/05 are £51,800 for the Cash Incentive Scheme and £139,569 for Computer Equipment (see note 5 above).

9 HRA Subsidy Payable

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

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

HRA subsidy payable to the Council for the year ended 31st March 2005 is as follows:

HRA Subsidy Elements	£'000
Housing Element	
Income	
Rental Income (Notional)	(32,921)
Interest on Receipts	(18)
Total Income	(32,939)
Expenditure	
Repairs, Maintenance and Management (Notional)	18,921
Major Repairs Allowance	8,736
Charges for Capital	7,609
Anti Social Behaviour Allowance	1
Total Expenditure	35,267



Summary	£'000
Housing Element Income	(32,939)
Housing Element Expenditure	35,267
Total HRA Subsidy Due 2004/05	2,328
Subsidy Adjustment For 2003/04	2
Subsidy Adjustment For 2002/03	3
Subsidy Outturn 2004/05	2,333

10 Rent Arrears

At 31st March 2005, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £2,366,424 (2004 £2,233,286). This represents an increase in arrears as a proportion of gross rental income from 6.44% to 6.67%.

The Provision for uncollectable debts is as follows:

2003/04		2004/05
£'000		£'000
1,848	Provision as at 1st April	1,686
362	Change in Provision charged to the HRA	374
(524)	Rent Arrears and other bad debts written off	(218)
1,686	Provision for Bad Debts at 31st March	1,842

11 Appropriations - Transfer to the General Fund

This transfer relates to the reimbursement of notional advances made by the General Fund to the HRA under the HRA (Appropriation Adjustments) Direction 1982 in respect of leasing schemes. This transfer is funded from HRA subsidy and ceased in 2003/04.

Consolidated Balance Sheet

As at 31st March 2004		As at 31st March 2005	
£'000		£'000	£'000
825	Intangible Assets (Note 1)		727
	Tangible Fixed Assets (Notes 2 & 3)		
	Operational Assets		
808,726	Council Dwellings	899,449	
586,767	Other Land & Buildings	637,292	
9,118	Vehicles, Plant, Furniture & Equipment	8,931	
64,797	Infrastructure Assets	68,078	
6,941	Community Assets	7,127	
			1,620,877
	Non Operational Assets		
124,404	Investment Properties	147,474	
18,392	Assets Under Construction	27,065	
8,557	Surplus Assets Held for Disposal	8,930	
			183,469
1,628,527	Total Fixed Assets		1,805,073
25,441	Deferred Consideration (Note 4)		26,347
942	Long Term Investments (Note 5)		886
6,141	Long Term Debtors (Note 6)		5,355
1,661,051	Total Long Term Assets		1,837,661
	Current Assets		
43,508	Investments	56,505	
756	Stocks & Work in Progress (Note 7)	775	
42,317	Debtors (Note 8)	55,186	
369	Bank	829	
86,950			113,295
	Current Liabilities		
(470)	Borrowing repayable in less than 12 months	(8,076)	
(47,058)	Creditors (Note 9)	(61,693)	
(47,528)			(69,769)
1,700,473	Total Assets Less Current Liabilities		1,881,187

As At 31st March 2004		As At 31st March 2005	
£'000		£'000	£'000
(198,198)	Long Term Borrowing (Note 10)	(199,787)	
(2,309)	Provisions (Note 11)	(2,399)	
(60,318)	Pensions Liability	(140,870)	
(260,825)			(343,056)
1,439,648	Total Assets Less Liabilities		1,538,131
(1,242,651)	Fixed Asset Restatement Account		(1,416,616)
(157,335)	Capital Financing Account		(142,710)
(52,574)	Government Grants Deferred (Note 12)		(61,274)
(450)	Deferred Credits (Note 13)		(392)
(5,448)	Usable Capital Receipts Reserve (Note 14)		(4,243)
(1,162)	Government Grants Unapplied (Note 14)		(3,460)
0	Major Repairs Reserve		0
29	Minority Interest - Shoreham Airport		(5,747)
	Funds Balances & Reserves		
(24,054)	Earmarked Reserves (Note 15)	(32,796)	
(7,603)	General Fund Working Balance	(7,884)	
(319)	General Fund General Reserves	(553)	
(140)	Shoreham Airport General Reserves	(229)	
(29)	Shoreham Airport Minority Interest	5,747	
60,318	Pensions Reserve	140,870	
(100)	Other Specific Reserves	(42)	
(545)	Collection Fund	(887)	
(3,116)	LMS Reserves (Note 16)	(3,802)	
(689)	Standards Fund LEA Budget	(770)	
(3,780)	Housing Revenue Account	(3,343)	
			96,311
(1,439,648)	Total Net Worth		(1,538,131)

- The Fixed Asset classifications have been revised to meet the requirements of the 2004 SORP. In addition to this, a thorough review of fixed assets has resulted in some further reclassifications. These movements have been reflected in the amounts shown for 2003/04 in the Consolidated Balance Sheet and throughout the statement of accounts where appropriate.
- A change in accounting policy regarding the inclusion of Church Aided schools has resulted in a significant increase in the level of Other Land & Buildings. The amount shown for 2003/04 has been adjusted for comparator purposes.
- A change in accounting policy regarding the treatment of Section 106 receipts for capital purposes has seen a movement of £2.6m between Earmarked Reserves, Usable Capital Receipts Reserve and Government Grants Deferred. The 2003/04 have also been adjusted accordingly which is reflected in Notes 14 and 15 to the Consolidated Balance Sheet.
- Government Grants Deferred and Deferred Credits have been moved to the financing side of the Balance Sheet to meet the requirements of the 2004 SORP.
- Shoreham Airport's property portfolio has been revalued in accordance with the 2004 SORP. However, it must be emphasised that the value of Shoreham Airport's assets shown in the balance sheet does not reflect the market value of the assets. The Code of Practice requires each asset to be valued individually, therefore Shoreham Airport's balance sheet value exceeds Shoreham Airport's worth as a single entity if sold on the open market. The balance sheet value exceeds what Shoreham Airport is worth because the balance sheet value does not reflect that there is a revenue cost of running Shoreham Airport operations including Shoreham Airport management, maintenance of the assets, the fire and rescue services and air traffic control, all of which reduce its open market value.

Notes to the Consolidated Balance Sheet

1 Deferred Charges and Intangible Assets

Deferred Charges

2003/04		2004/05
£'000		£'000
0	Balance as at 1st April	0
12,106	Expenditure during the year General Fund	11,987
52	Expenditure during the year Housing Revenue Account	191
(12,106)	Amount written down to General Fund	(11,987)
(52)	Amount written down to Housing Revenue Account	(191)
0	Balance as at 31st March	0

Intangible Assets

Movements in Year Intangible Assets were:

	Software	Total
	£'000	£'000
Gross Book Value at 1st April 2004	1,665	1,665
Additions	212	212
Gross Book Value at 31st March 2005	1,877	1,877
Accumulated Amortisation at 1st April 2004	(840)	(840)
Amortisation this year	(310)	(310)
Accumulated Amortisation at 31st March 2005	(1,150)	(1,150)
Net Book Value 31st March 2005	727	727

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 values. If a building remains in use, the impact of physical damage, functional or economic obsolescence rarely have a significant effect on value. The city is a sought after location for all types of business, the shortage of land and buildings in the face of high demand sustains the upward pressure on values meaning that impairment is rare.

The valuations have been carried out by the Council's internal valuers within the Property Services Section, by Cluttons, an independent property managing company and, for Shoreham Airport, Drivers Jonas, another independent company of commercial property consultants. 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.

2 Tangible Fixed Assets

Movements in Year Operational Assets were:

	Council Dwellings	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1st April 2004	821,202	604,284	26,649	76,912	6,941	1,535,988
Additions	16,376	8,073	4,544	2,332	186	31,511
Disposals	(5,657)	(3,244)	(234)	0	0	(9,135)
Recategorisation	0	0	0	0	0	0
Revaluations	81,201	49,593	(55)	4,473	0	135,212
Gross Book Value at 31st March 2005	913,122	658,706	30,904	83,717	7,127	1,693,576
Accumulated Depreciation at 1st April 2004	(12,476)	(17,517)	(17,531)	(12,115)	0	(59,639)
Depreciation this year	(13,599)	(14,428)	(4,614)	(3,938)	0	(36,579)
Depreciation written out on asset movements	12,402	10,531	172	414	0	23,519
Accumulated Depreciation at 31st March 2005	(13,673)	(21,414)	(21,973)	(15,639)	0	(72,699)
Net Book Value 31st March 2005	899,449	637,292	8,931	68,078	7,127	1,620,877



Movements in Year Non-Operational Assets were:

	Investment Properties	Assets Under Construction	Surplus Assets Held for Disposal	Total
	£'000	£'000	£'000	£'000
Gross Book Value at 1st April 2004	124,404	18,392	8,557	151,353
Additions	0	8,718	0	8,718
Disposals	(633)	(951)	0	(1,584)
Recategorisation	0	0	0	0
Revaluations	23,703	906	373	24,982
Gross Book Value at 31st March 2005	147,474	27,065	8,930	183,469
Accumulated Depreciation at 1st April 2004	0	0	0	0
Accumulated Depreciation at 31st March 2005	0	0	0	0
Net Book Value 31st March 2005	147,474	27,065	8,930	183,469

Please note that the disposals figure includes £2.4m which relates to the new Central Library which forms part of the Library PFI Contract and is no longer classed as a fixed asset on the balance sheet.

Depreciation is calculated on a straight line basis over the expected life of the asset, on the difference between the book value and any estimated residual value. Depreciation is charged on all assets except land, community assets, investment properties, assets under construction and surplus assets held for disposal.

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

The Council's Fixed Assets include the following:

31st March 2004		31st March 2005	31st March 2004		31st March 2005
12,705	Council Dwellings	12,588			
	Operational Assets				
7	Cemeteries	7	2	Nursery Schools	2
1	Mortuary	1	69	Schools (Including Aided)	69
1	Crematorium (Woodvale)	1	10	Tutorial & Special Units	10
6	Off-Street Car Parks Leased to NCP	6	3	Town Halls	3
2	Off-Street Multi Storey Car Parks	2	1	Town Hall Annexe	1
1	Off-Street Parking Pay and Display Multi Storey (Norton Road)	1	5	Children and Family Centres	5
4	On Street Parking Pay and Display	4	18	Centres/Homes for People with Learning Difficulties	18
3	Museums	3	5	Centres for Older People	5
3	Principal Administrative Offices	3	5	Centres for People with Mental Health Problems	2
4	Swimming Pools - Indoor	4	1	Sheltered Workshop	1
1	Outdoor	1	14	Playlink, other Social Care and Health Centres and Offices	15
4	Paddling Pools	4		Community Assets	
5	Leisure Centres	5	1,293 hect.	Parks and Open Spaces	1,293 hect
1	Brighton Centre	1	2,520 plots	Allotment – Units	2,520 plots
1	Dome Complex	1	3	Mini Golf Courses	3
1	Preston Manor	1	3	Golf Courses	3
1	Royal Pavilion	1			
1	Royal Pavilion	1			
1	Volks Railway	1			
1	West Blatchington Windmill	1			
1	Foredown Tower	1			
1	Preston Barracks	1			
44km	Principal Roads	44km			
531km	Other Roads	533km			
55	Public Conveniences	54			
191	Park Buildings	191			
17	Libraries	16			

3 Finance Leases

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

The Council has no capital value outstanding on finance leases or finance lease rental obligations as at 31st March 2005 (£0.0m at 31st March 2004). There were, however, secondary lease rental payments of £8,202 in 2004/05 (£8,200 in 2003/04).

4 Deferred Consideration

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

2003/04		2004/05
£'000		£'000
0	Balance as at 1st April	25,441
26,501	Notional Value of Leases to PFI Providers	2,000
(1,060)	Amounts Written Down to Revenue in Year	(1,094)
25,441	Balance as at 31st March	26,347

5 Long Term Investments

At 31st March 2004		At 31st March 2005
£'000		£'000
942	Sussex Innovation Centre	886
942	Total	886

For further information on the Sussex Innovation Centre, please see Note 18 to the Consolidated Balance Sheet.

6 Long Term Debtors

This represents amounts owed to the Council for more than one year

At 31st March 2004		At 31st March 2005
£'000		£'000
293	Mortgages - Sold Council Properties	242
50	Mortgages - Other	41
50	Improvement Loans	48
280	Special Maintenance Loans	5
157	Housing Association Loans	150
267	Car Loans	177
99	Deferred Debtors	137
4,945	Debt Premiums (more than one year)	4,555
6,141	Total	5,355

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

7 Stocks and Work in Progress

At 31st March 2004		At 31st March 2005
£'000		£'000
756	Stocks	775
756	Total	775

8 Debtors

At 31st March 2004		At 31st March 2005
£'000		£'000
3,310	Housing Rents	3,463
643	Commercial Rents	323
18,907	Collection Fund	21,313
711	SRB & NDC	793
39,544	Sundry Debtors	52,473
63,115		78,365
(20,798)	Provision for Doubtful Debts	(23,179)
42,317	Total	55,186

In 2004/05 there has been a change in the treatment of Shoreham Airport's rents in advance and their inclusion in Debtors and Creditors. We have therefore re-presented the 2003/04 figures accordingly to make them comparable.

9 Creditors

At 31st March 2004		At 31st March 2005
£'000		£'000
(1,397)	Government Departments	(3,416)
(289)	Business Rates	(298)
(197)	Council Tax	(292)
(45,175)	Sundry Creditors	(57,687)
(47,058)	Total	(61,693)

In 2004/05 there has been a change in the treatment of Shoreham Airport's rents in advance and their inclusion in Debtors and Creditors. We have therefore re-presented the 2003/04 figures accordingly to make them comparable.

10 Long Term Borrowing

Total Outstanding 31st March 2004		Total Outstanding 31st March 2005
£'000		£'000
	Source of Loan	
(164,195)	Public Works Loans Board (PWLB) - Maturity	(160,785)
(3)	PWLB - Equal Instalments of Principal	(2)
(33,000)	Money Market - Fixed	(38,000)
(1,000)	Money Market - Variable	(1,000)
(198,198)	Total	(199,787)
	Analysis of Loan by Maturity	
(3)	Maturity within 1-2 years	(6,002)
(22,700)	Maturity within 2-5 years	(35,200)
(26,000)	Maturity within 5-10 years	(7,500)
(11,456)	Maturity within 10-15 years	(11,479)
(138,039)	Maturity in more than 15 years	(139,606)
(198,198)	Total	(199,787)

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

11 Provisions

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

	1st April 2004	Receipts in Year	Payments in Year	31st March 2005
	£'000	£'000	£'000	£'000
Maintenance of Graves	(788)	(34)	58	(764)
Sundry LGR Issues	(555)	(263)	44	(774)
Legal Fees - Lighting Contract	(266)	0	0	(266)
Section 117 Mental Health Act 1983	(675)	(75)	155	(595)
Other	(25)	0	25	0
Total	(2,309)	(372)	282	(2,399)

Maintenance of Graves

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

Sundry LGR Issues

This provision has been set up to fund potential claims by the Highways Agency regarding the A27 bypass and by Municipal Mutual Insurance, who have entered a scheme of arrangement.

The balance represents an estimate of the liabilities at the balance sheet date, the timing of the transfer of economic benefit is dependent upon the progress of negotiations.

Legal Fees - Lighting Contract

This provision was set up to meet legal fees regarding the termination of the Street Lighting contract. There is no clear indication as to when any transfer of economic benefit may take place.

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. Brighton & Hove City 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 a number of refunds during 2004/05 totaling £155,000, more refunds will follow during 2005/06, however it is not possible to determine when the final refunds to clients will be made.

12 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.

13 Deferred Credits

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

Balance at 31st March 2004		Balance at 31st March 2005
£'000		£'000
(157)	General Fund	(242)
(293)	Housing Revenue Account	(150)
(450)	Total	(392)

14 Usable Capital Receipts Reserve

These represent proceeds from the sale of a fixed asset, 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

2003/04		2004/05
£'000		£'000
(1,185)	Balance at 1st April	(1,336)
(16,796)	Capital Receipts in Year	(14,535)
(17,981)		(15,871)
10,935	Transfer to Debt Redemption Reserve	0
0	Transfer to Housing Pooled Capital Receipts	6,636
247	Applied to Fund Expenses	200
5,463	Applied to fund Capital Expenditure	8,364
(1,336)	Sub-total at 31st March	(671)

B Capital Grants/Contributions

Grants and contributions received towards Capital Projects

(4,313)	Balance as at 1st April	(5,274)
(15,810)	Capital Grants and External Contributions Received	(17,002)
(20,123)		(22,276)
14,849	Applied to Fund Capital Expenditure	15,244
(5,274)	Sub-total as at 31st March	(7,032)
(6,610)	Balance as at 31st March	(7,703)

Please note the figures for 2003/04 have been adjusted to account for the change in accounting policy relating to Section 106, as previously explained on page 11.

15 Earmarked Reserves

Balance at 31st March 2004		Balance at 31st March 2005
£'000		£'000
(8,121)	Capital Reserves	(8,347)
(353)	Section 106 Receipts Reserve	(260)
(279)	Departmental Carry Forwards	(503)
(5,599)	Insurance Reserves	(5,821)
(753)	LPSA Reserve	(151)
(3,087)	Restructure Redundancy Reserve	(4,369)
(3,658)	PFI Reserves	(8,853)
0	Brighton Centre Redevelopment Reserve	(1,824)
(2,204)	Other Earmarked Reserves	(2,668)
(24,054)	Total	(32,796)

The main reserves are:

Capital Reserves

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

Section 106 Receipts

This reserve relates to sums of money received, usually from developers, as a contribution towards a specific revenue scheme arising from planning applications, for example, to fund highways access and improvements. Please note the figures for 2003/04 have been adjusted to account for the change in accounting policy relating to Section 106, as previously explained on page 11.

Insurance Reserves

£5.616m - The Council has established an insurance reserve to cover liabilities under policy excesses and to finance any claims for small risks not insured externally. In addition, the Council carries a substantial amount of self insurance financed from this reserve.

£0.205m - The risk management element of this reserve is used to fund training on risk management to support delivery of the strategy and to fund measures to address operational hazards/risks identified.

Local Public Service Agreement (LPSA) Reserve

This is the carry forward to 2005/06 of LPSA resources to meet performance targets agreed with the government, such as improving school attendance and improving street cleanliness.

Restructure Redundancy Reserve

This funds approved redundancy payments and added years lump sum pension payments, which departments then repay to this reserve over 4 years. The reserve also receives contributions from departments for the actuarial costs of early retirements. This reserve is then available to be released in the budget strategy towards funding the increase in the Council's superannuation contributions to the pension fund.

Private Finance Initiative (PFI) Reserves

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

Brighton Centre Redevelopment Reserve

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

16 Local Management of Schools (LMS) Reserves

2003/04		2004/05
£		£
0	Nursery Schools	23,662
1,191,239	Primary Schools	1,458,957
1,636,152	Secondary Schools	2,073,205
288,554	Special Schools	245,843
3,115,945	Total	3,801,667

These balances are carried forward by each individual school and are used to provide education to the pupils of that school. They are not used for any other purpose. It is a requirement under the Financing of Maintained Schools Regulations 2004 (England) that Nursery Schools now have delegated powers.

17 Euro

Until a decision is made as to whether the UK should enter the economic and monetary union and adopt the single currency, the Council will meet any costs associated with Euro implementation from within existing budgetary provisions. No expenditure has been committed for Euro conversion and it is not yet possible to estimate total costs of implementation.

18 Related Companies

The Council has the majority interest in Shoreham Airport, for which a separate statement of accounts is published.

The Sussex Innovation Centre acts as a business incubator and Innovation Support unit for Sussex and the South East. Brighton & Hove City Council hold 1.4m preference shares in the Sussex Innovation Centre, which have a total value of £885,779 as at the end of 2004/05. These shares are written down at a rate of £56,000 per annum (representing 4% of the original value of the 1.4m shares @ £1 per share). Brighton & Hove City Council is a minority shareholder (19%) in this company and has no control or influence over the Centre.

The Brighton City Centre Business Forum (formerly known as the Town Centre Business Forum) is a partnership between city centre businesses and Brighton & Hove City Council. The Council has two representatives on the company's board of eleven - the Chief Executive and a Councillor, who are both Directors of the Company. The Council contributed £27,050 to the forum during 2004/05, which represents 51% of the total core funding of £53,050.

The Brighton Dome & Museum Development Company is a Special Purpose Vehicle set up for the redevelopment of the Brighton Dome and Museum. The main transactions between the Council and the company relate to works to the Museum for which the Council is one of the funding partners. The Development Company manages the building works to the Museum and pays the contractor. It then claims this money from the Council. The Council is a minority (19%) shareholder in this company, the Brighton Festival is the majority shareholder. The Council is one of the funding partners for the company and during 2004/05 payments of approximately £1,588,095 were made to the Brighton Dome & Museum Development Company. The redevelopment is now complete and this company has fulfilled its original purpose, however the company will remain in existence in future years.

Brighton & Hove City Council is associated with Brighton & Hove Bus and Coach Company Ltd through the provision of concessionary bus fares to eligible members of the public. In 2004/05 the amount paid to Brighton & Hove Bus and Coach Company Ltd totalled £1.7m.

Brighton & Hove City 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.

19 Capital Commitments

The Council has sufficient capital resources to meet all its capital commitments. It is anticipated that capital schemes starting in or before 2004/05 will involve future capital payments of about £14.688m, the major items over £250,000 being:

Scheme	2004/05
	£'000
Varndean Special Education Needs Centre	3,080
Major Coast Protection Scheme	1,928
Development of Westergate House	1,830
Portslade Community College Extensions	1,534
North Portslade Children's Centre	945
Brighton Museum and Art Gallery	642
Hove Central Library Disability Discrimination Act Works	350
Morley Street Children's Centre	331
Corporate Disability Discrimination Act Works	250

20 Contingent Liabilities

A contingent liability or asset is a possible loss or gain which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss or gain is not considered sufficiently certain. As at 31 March 2005, the Council had a number of potential claims against it, however the majority of these claims are not considered material and

will therefore have no material effect on the Council's financial position.

21 Disclosure of Net Pensions Asset/Liability

Note 9 to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme, administered by East Sussex County Council (ESCC), in providing employees with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Council (including Shoreham Airport) at 31 March are as follows:

At 31st March 2004		At 31st March 2005
£'000		£'000
(342,539)	Estimated Liabilities in the Scheme	(481,846)
282,221	Estimated Assets in the Scheme	340,976
(60,318)	Net Asset/ (Liability)	(140,870)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £140.870m has an impact on the net worth of the Council as recorded in the balance sheet, resulting in a positive overall balance of £1.521m. However, statutory arrangements for funding the pensions deficit mean that the financial position of the Council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the pensions fund being based on the latest full valuations of the scheme as at 31 March 2004.

The main financial assumptions used in their calculations are shown opposite:

31st March 2004		31st March 2005
2.9%	Rate of Inflation	2.9%
4.4%	Rate of Increase in Salaries	4.4%
2.9%	Rate of Increase in Pensions	2.9%
6.5%	Rate for Discounting Scheme Liabilities	5.4%

Assets in the ESCC Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund in the table below:

31st March 2004	£'000		31st March 2005	£'000
74.1%	209,094	Equity Investments	74.3%	253,379
12.2%	34,491	Bonds	11.0%	37,587
10.5%	29,579	Property	10.9%	37,249
3.2%	9,057	Cash	3.8%	12,761
100%	282,221		100%	340,976

The teachers pensions scheme is treated as a defined contribution scheme which does not allow the identification of liabilities consistently and reliably between participant authorities.

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

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

22 Single Regeneration Budget and New Deal for Communities

The Council acts as the banker and Accountable Body for the Single Regeneration Budget (SRB) and New Deal for Communities (NDC) grant initiatives. SRB and NDC 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.

FRS9 requires consolidation of a reporting entities interest in associated companies and joint ventures. Whilst the Council's interest in SRB and NDC does not fall directly within the FRS9 definition because they are not ventures in the nature of trade, they can be considered within the spirit of FRS9 for the appropriate adjustment of the reporting entities' accounts. Therefore, partial consolidation adjustments have been made where complementary records of transactions exist in the Council's and the external bodies' (SRB and NDC) accounts.

23 Post Balance Sheet Events

In March 2004 the independent Schools Organisation Committee agreed to the Council's request for the closure of East Brighton College of Media Arts (COMART) with effect from 31 August 2005. The Council has set in place a phased programme to transfer the pupils at the school to other secondary schools within the City. Children who would normally have been admitted to the school from September 2005 onwards will now be offered places at these other secondary schools.

The school is part of a 25 year Grouped Schools PFI contract which the Council entered into in March 2002. Contractual negotiations are underway with the PFI Provider (Brighton & Hove City Schools Services Ltd) to terminate that part of the PFI contract relating to COMART. The Council has initiated a project to run concurrently with the school closure plan which will examine alternative uses for the site post closure. It is expected that the future capital transaction in respect of the removal from the PFI contract and the return of the school to the Council will have no impact on the Council's budget requirement.

24 Analysis of Net Assets Employed

The following table shows an analysis of the net assets employed by the General Fund, the HRA and Shoreham Airport.

31st March 2004		31st March 2005
£'000		£'000
710,621	General Fund	701,003
728,941	Housing Revenue Account	819,888
86	Shoreham Airport	17,240
1,439,648	Total Assets Less Liabilities	1,538,131

Statement of Total Movements in Reserves

2003/04		2004/05	
£'000		£'000	£'000
	Surplus/(deficit) for the year:		
(574)	- General Fund	281	
365	- Housing Revenue Account	(437)	
7,500	- Movement on Earmarked & Other Specific Reserves	4,340	
1,930	- Appropriations to/(from) Pensions Reserve	411	
4,463	- Actuarial Gains and (Losses) relating to Pensions	(80,963)	
13,684	Total Increase/(Decrease) in Revenue Resources (note 1)		(76,368)
151	Increase/(Decrease) in Usable Capital Receipts	(665)	
961	Increase/(Decrease) in Unapplied Capital Grants and Contributions	1,758	
1,112	Total Increase/(Decrease) in Realised Capital Resources (note 2)		1,093
332,775	Gains/(Losses) on Revaluation of Fixed Assets	183,266	
1,159	Movements on Fixed Asset Restatement Reserve	972	
333,934	Total Increase/(Decrease) in Unrealised Value of Fixed Assets (note 3)		184,238
(63,913)	Value of Assets Sold, Disposed Of or Decommissioned (note 4)		(10,273)
22,112	Capital Receipts Set Aside	12,641	
(2,546)	Revenue Resources Set Aside	(27,266)	
10,052	Movement on Capital Grants & Contributions Deferred	8,700	
(106)	Movement on Deferred Credits	(58)	
29,512	Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment (note 6)		(5,983)
314,329	Total Recognised Gains and Losses		92,707

Notes to the Statement of Total Movements in Reserves

1 Movements in Revenue Resources

	General Fund Balance	HRA Balance	Earmarked & Other Specific Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000
Surplus/(Deficit) for 2004/05	281	(437)	0	0
Appropriations to/(from) Reserves	0	0	4,340	411
Actuarial Gains/(Losses) relating to Pensions	0	0	0	(80,963)
Total Increase/(Decrease) in Revenue Resources in 2004/05	281	(437)	4,340	(80,552)
Balance Brought Forward at 1st April 2004	7,603	3,780	28,992	(60,318)
Balance Carried Forward at 31st March 2005	7,884	3,343	33,332	(140,870)

2 Movements in Realised Capital Resources

	Usable Capital Receipts	Unapplied Capital Grants & Contributions
	£'000	£'000
Amount Receivable in 2004/05	14,535	17,002
Amounts Applied to Finance New Capital Investment in 2004/05	(15,200)	(15,244)
Total Increase/(Decrease) in Realised Capital Resources in 2004/05	(665)	1,758
Balance Brought Forward at 1st April 2004	6,610	
Balance Carried Forward at 31st March 2005	7,703	

The Council is required to make a contribution towards the Housing Capital Receipts Pool. This contribution represents 75% of total in year receipts and totalled £6.636m for 2004/05.

3 Movements in Unrealised Value of Fixed Assets

	Fixed Asset Restatement Account
	£'000
Gains/(Losses) on Revaluation of Fixed Assets in 2004/05	183,266
Other Movements on Fixed Asset Restatement Account	972
Total Increase/(Decrease) in Unrealised Capital Resources in 2004/05	184,238

4 Value of Assets Sold, Disposed Of or Decommissioned

Amounts Written Off Fixed Asset Balances for Disposals in 2004/05	(10,273)
Total Movement on Reserve in 2004/05	173,965
Balance Brought Forward at 1st April 2004	1,242,651
Balance Carried Forward at 31st March 2005	1,416,616

5 Pensions Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005.

	£'000	%
Differences between the expected and actual return on assets	13,314	3.9
Differences between actuarial assumptions about liabilities and actual experience	(14,880)	(3.1)
Changes in the demographic and financial assumptions used to estimate liabilities	(79,397)	-
Total 2004/05	(80,963)	
Comparative Total 2003/04	4,463	

6 Movements in Amounts Set Aside to Finance Capital Investment

	Capital Financing Account		Capital Grants & Contributions Deferred		Deferred Credits	
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Receipts Set Aside in 2004/05						
- Reserved Receipts	4,277		0		0	
- Usable Receipts Applied	8,364		0		0	
Total Capital Receipts Set Aside in 2004/05		12,641		0		0
Revenue Resources Set Aside in 2004/05						
- Capital Expenditure Financed from Revenue	15,145		0		0	
- Reconciling Amount for Provisions for Loan Repayment	(42,411)		0		0	
Total Revenue Resources Set Aside in 2004/05		(27,266)		0		0
Grants & Contributions in 2004/05						
- Grants & Contributions Applied	0		(1,109)		0	
- Contributions Received	0		16,354		0	
- Amounts Credited to AMRA & FARA	0		(6,545)		0	
- Amounts Written Down	0		0		(58)	
Total Movement on Grants & Contributions in 2004/05		0		8,700		(58)
Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment in 2004/05		(14,625)		8,700		(58)
Total Movement on Reserve in 2004/05		(14,625)		8,700		(58)
Balance Brought Forward at 1st April 2004		157,335		52,574		450
Balance Carried Forward at 31st March 2005		142,710		61,274		392

Trust Funds

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

Capital Market Value (Note 1)	Net Current Assets (Note 2)	Trust Fund	Revenue Balance 1st April 2004	Income 2004/05	Expenditure 2004/05	Revenue Balance 31st March 2005
£'000	£'000		£'000	£'000	£'000	£'000
822	78	Brighton Fund Gifts to the aged poor	9	31	30	10
519	(60)	Gorham's Gift Distribution & expenses (Note 3)	(78)	46	41	(73)
1,250	0	Land and Buildings (Note 4)	0	0	0	0
518	85	Hedgecock Bequest Grants to charity	3	21	22	2
219	33	Oliver & Johannah Brown Education	20	9	9	20
223	88	Other Trusts Education	80	12	5	87
45	46	Music Trust	45	4	3	46
51	133	Other Trusts Various	99	12	3	108
92	321	Friends of the Royal Pavilion (Note 5)	475	113	267	321
3,739	724	Total	653	248	380	521



Notes to the Trust Funds

1. Capital Market Value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the Mid Point Market Prices as at 31st March 2005.
2. Net Current Assets equals cash plus investments in Brighton & Hove City Council.
3. The revenue balance as at 1st April 2004 is different from the balance as at 31st March 2004 shown in last years accounts. This is due to a late adjustment of £7,000 relating to cash held by the managing agents.
4. Land and Buildings for Gorham's Gift are shown at the market valuation as at 25th February 2003.
5. Capital Market Value for Friends of the Royal Pavilion includes £92,000 Community Assets.
6. The Council acts as the sole trustee in respect of all the funds listed with the exceptions of Gorham's Gift and Friends of the Royal Pavilion.
7. Consideration has been given to the inclusion of Trust Funds into Group Accounts in accordance with the 2004 SORP. However, there is an option known as the Transitional Arrangements, to defer full implementation until 2005/06, and Brighton & Hove City Council has taken this option. See note 13 within Statement of Accounting Policies.

Collection Fund Account

Year Ended 31st March 2004			Year Ended 31st March 2005	
£'000	£'000		£'000	£'000
		Collection Fund Income		
(116,592)		Income from Council Tax	(127,177)	
15,592		Benefits	17,614	
6,143		Allowances	7,299	
12,838		Discounts	12,213	
(39)		Voids/Bankruptcies	299	
	(82,058)			(89,752)
(15,592)		Transfers from General Fund		
0		- Council Tax Benefits	(17,614)	
(59)		- Write Back of Prepayments	(100)	
		- Discretionary Rate Relief	(63)	
	(15,651)			(17,777)
(67,383)		Income Collectable from Business Rates	(67,348)	
5,263		Allowances	5,743	
(284)		Movement on Provisions	(65)	
329		Interest on Refunds	534	
	(62,075)			(61,136)
	(159,784)	Total Income		(168,665)



Year Ended 31st March 2004			Year Ended 31st March 2005	
£'000	£'000		£'000	£'000
		Collection Fund Expenditure		
		Precepts and Demands		
86,788		- Brighton & Hove City Council	89,685	
0		- East Sussex Fire Authority	5,760	
8,688		- Sussex Police Authority	9,491	
	95,476			104,936
		Business Rate		
61,719		- Payment to National Pool	60,783	
415		- Costs of Collection	416	
	62,134			61,199
		Bad/Doubtful Debts		
960		- Write Offs	654	
1,103		- Provision for Uncollectable Amounts	934	
	2,063			1,588
		Redistribution of Council Tax Surplus/(Deficit)		
	767	- Brighton & Hove City Council		548
	63	- Sussex Police Authority		52
	160,503	Total Expenditure		168,323
	719	Movement on Fund Balance		(342)
	(1,264)	Balance 1 April (Surplus) / Deficit		(545)
	719	Movement on Fund Balance		(342)
	(545)	Balance 31March (Surplus)/Deficit		(887)

Notes to the Collection Fund Account

Note 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 authority and has been prepared on an accruals basis.

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

The tax base is the amount of revenue that can be raised by the setting of a £1 council tax at the Band D equivalent level.

Note 2 Council Tax

Council tax income derives from charges raised according to the value of residential

The Council's tax base was calculated as follows:

Band	Estimated no. of Taxable Properties	Band Ratio	Band D Equivalent Dwellings
Band A*	9	0.5556	5
Band A	19,570	0.6667	13,046
Band B	22,324	0.7778	17,363
Band C	27,892	0.8889	24,793
Band D	16,134	1.0000	16,134
Band E	9,451	1.2222	11,551
Band F	3,826	1.4444	5,526
Band G	2,359	1.6667	3,931
Band H	122	2.0000	243
			92,592
Less provisions for appeals and non collection			2,309
Tax Base For	2004/05	£90,283	
Tax Base For	2003/04	£88,884	

* Entitled to disabled relief reduction.



Note 3 National Non Domestic Rates (NNDR)

NNDR is organised on a national basis. The government specifies a prescribed amount to be used for the calculation of NNDR (45.6p in 2004/05). Subject to the effects of transitional arrangements, local businesses pay rates, which are calculated by multiplying their rateable value by the amount set by the Government. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes

the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £61.199m for 2004/05 (£62.171m for 2003/04) was based on an average rateable value for the Council's area of £159.090m for 2004/05 (£159.103m for 2003/04). The year-end rateable value for NNDR amounted to £157.967m for 2004/05 (£159.880m for 2003/04).

Note 4 Precepting Authorities

The major authorities precepting on the Collection Fund in 2004/05 and their respective amounts were:

	2003/04	2004/05
Sussex Police Authority	£8,687,515	£9,490,509
Brighton & Hove City Council	£86,788,450	£89,684,881
East Sussex Fire Authority	0	£5,760,431

Please note the funding arrangements for fire authorities changed with effect from 2004/05, they are now able to precept unitary and district authorities within their area.

The Brighton & Hove City Council precept includes £22,000 for Rottingdean Parish Council (£20,000 in 2003/04).

Note 5 Contributions to Collection Fund Surpluses and Deficits

Upon the transition to council tax in April 1993 the Council is entitled to receive the full benefit of the adjustment to community charges made in 1993/94 and subsequent years. The balance on the Collection Fund attributable to community charges as at 31st March 2005 totalled £27,116. This amount may be used by the Council to reduce the amount of council tax in future years.

Similarly £0.860m of the surplus of £0.887m on the Collection Fund as at 31st March 2005 not accounted for by residual Community Charge transactions will be distributed in subsequent financial years to Sussex Police Authority and the Council in proportion to the value of the respective precept and demand by the two authorities on the Collection Fund.

Cash Flow Statement

Year Ended 31st March 2004			Year Ended 31st March 2005	
£'000	£'000		£'000	£'000
		Revenue Activities		
		Cash Outflows		
215,132		Cash paid to & on behalf of employees	229,370	
264,912		Other operating cash payments	293,861	
101,033		Housing Benefit paid out	96,079	
62,297		NNDR Payments to National Pool	60,599	
0		Payments to Capital Receipts Pool	5,758	
8,750		Precepts	15,303	
	652,124			700,970
		Cash Inflows		
(46,537)		Rents (after rebates)	(47,632)	
(101,528)		Council Tax Receipts	(105,693)	
(108,161)		Revenue Support Grant	(113,806)	
(70,664)		NNDR Receipts	(73,381)	
(62,112)		NNDR Receipts from National Pool	(61,136)	
(72,519)		DWP Grants for Benefits	(92,452)	
(174,265)		Other Government Grants	(190,664)	
(36,797)		Cash Received for Goods & Services	(37,263)	
(25,824)		Other Operating Cash Receipts	(26,199)	
	(698,407)			(748,226)
	(46,283)	Net Cash (Inflow)/Outflow from Revenue Activities (Note 1)		(47,256)
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
11,665		Interest Paid	12,300	
(2,326)		Cash Inflows		
		Interest Received	(4,032)	
		Capital Activities		
		Cash Outflows		
43,476		Purchase of Fixed Assets	40,440	
12,384		Deferred Charges	12,326	
(16,435)		Cash Inflows		
(8,636)		Sale of Fixed Assets	(12,838)	
(392)		Capital Grants Received	(4,673)	
	39,736	Other Capital Cash Receipts	(384)	
	(6,547)	Net Cash (Inflow)/Outflow		43,139
				(4,117)



Year Ended 31st March 2004			Year Ended 31st March 2005	
£'000	£'000		£'000	£'000
	8,168	Management of Liquid Resources Liquid Resources		12,997
		Financing		
		Cash Outflows		
33,500		Repayments of Amounts Borrowed	3,410	
		Cash Inflows		
(36,499)		New Loans Raised	(12,750)	
	(2,999)			(9,340)
	(1,378)	(Increase)/Decrease in Cash (Note 2)		(460)

Notes to the Cash Flow Statement

1 Revenue Activities Net Cashflow

Year to 31st March 2004		Year to 31st March 2005
£'000		£'000
574	Deficit/(surplus) as per Consolidated Revenue Account	(281)
(545)	Deficit/(surplus) as per Collection Fund	(342)
9,339	Interest	8,268
(54,983)	Add non-cash transactions	(53,154)
	Add items accrued in accounts:	
12	Increase/(decrease) in stocks	19
7	(Increase)/decrease in creditors	(14,635)
(687)	Increase/(decrease) in debtors	12,869
(46,283)	Net Cash (Inflow)/Outflow from Revenue Activities	(47,256)

2 Movements in Cash

31st March 2004		31st March 2005
£'000		£'000
(1,378)	(Increase)/decrease in cash	(460)
(1,378)	(Increase)/Decrease in cash	(460)

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

	1st April 2004	Movement in Year	31st March 2005
	£'000	£'000	£'000
Short Term Investments	43,508	12,997	56,505
	43,508	12,997	56,505

4 Analysis of Government Grants

Year to 31st March 2005	
	£'000
Revenue Support Grant	113,806
NNDR Receipts from National Pool	61,136
DWP Grants for Benefits	92,452
Income from PFI Credits	5,609
DfES Standards Fund Grant	8,555
DfES Schools Income (non-LEA)	3,102
EC Milk Products Subsidy	1
Intervention Board Milk Subsidy under 5's	10
Health Authority Milk for under 5's	10
Other Grant Income	1,012
New Opportunities Fund Grant	343
Home Office Education Grant	88
DfES Student Awards	168
DfES Early Years	1,401
DfES Other Grant	424
Other Government Grant	1,737
Teachers Pay Grant	3,631
LSC Funding for 6th Form Students	3,288
LSC Family & Adult Learning	158
LSC Adult Comm Grant	226
LSC Learner Support Grant	20
LSC Lifelong Learning Partnership	61
LSC 6th Form	476
Basic Skills Agency Grant	9

Year to 31st March 2005	
	£'000
Teacher Training Association HLTA Grant	12
Children's Trust Pathfinder Grant	81
HB/CT Administration Grant	2,110
Pension Credits	154
HB Fraud Incentive Grant	111
Housing Benefit Subsidy	75,995
Council Tax Rebate Subsidy	17,779
HB Rent Rebate Subsidy	22,099
Housing Revenue Account Subsidy	2,333
Housing Defects Subsidy	62
HB Rent Rebate Transitional Protection	490
DWP Pathfinder Grant	355
DWP Housing Benefit	13
Single Regeneration Budget	635
New Deal for Communities Grant	3,639
Neighbourhood Renewal Fund Grant	1,454
Area Investment Framework Grant	65
Discretionary Rent Allowance	235
CT Local Variations Subsidy	36
HB Local Variations Subsidy R.A.	61
Rent Rebate L.V. Subsidy	37
Anti-Social Behaviour Grant	87
Verification Framework Set-up Grant	170

Year to 31st March 2005	
	£'000
Verification Framework Ongoing Funding	74
LPSA Pump Priming Grant	246
Homelessness Directorate Grant	900
Supporting People (ODPM) Grant	13,288
Emergency Plan/ Civil Defence Grant	73
Place to be Grant	275
Global Grants	86
Supporting People Admin Grant	273
Capture (European Union)	32
Community Against Drugs	239
Building Safer Communities Fund	167
Anti-Social Behaviour Trailblazer	150
Business Crime Reduction	40
Anti-Social Behaviour GOSE	25
Intensive Family Intervention Project	20
Office of National Statistics Grant	7
Planning Delivery Grant	178
DoH Training Support Grant	567

Year to 31st March 2005	
	£'000
DoH Mental Illness Specific Grant	1,324
DoH Aids Support Grant	380
DoH Asylum Seekers	685
Partnership Grant	163
Prevention Grant	332
Carers Grant	649
Children Services Grant	627
Sure Start Grant	461
Children's Fund Grant	1,028
DoH Teenage Pregnancy Grant	155
Supported Employment	458
Residential Allowance	2,563
Preserved Rights	3,438
Access & Systems Capacity Grant	2,217
Youth Justice Board General Funding	189
Youth Inclusion Programme	80
Drug Intervention	251
Safeguarding Children Grant	117
Delayed Transfers	485
Drug Strategy Partnership Support	80
Total	458,058

Glossary of Terms

Accruals

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

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge is for notional interest (to represent the cost of tying up resources in those assets) and may include depreciation (intended to represent the cost of using the asset).

Capital Expenditure

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

Capital Financing Account

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

Capital Receipt

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

Collection Fund

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

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life,

and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority'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 but not paid at the date of the balance sheet.

Current Asset

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

Current Liability

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

Debtors

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

Deferred Charges

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

Depreciation

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

Fixed Assets

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

Government Grants

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

Group Accounts

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

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

Housing Revenue Account

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

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

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

Investment Properties

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

Liquid Resources

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

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

Minimum Revenue Provision (MRP)

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

National Non Domestic Rates (NNDR)

A flat rate in the pound set by Central Government and levied on businesses in the City. The money is collected by the authority and then passed to Central Government who reallocate the income to all Councils in proportion to their population.

Non Distributed Costs

Overheads for which no user now 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.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

Provision

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

Public Works Loan Board (PWLB)

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

Related Party Transaction

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

Reserves

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

Revenue Expenditure

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

Surplus Assets Held for Disposal

Assets held for resale or redevelopment.

Tangible Fixed Assets

Please see Non-Operational and Operational Assets above.

Temporary Borrowing

Money borrowed for a period of less than one year.

Useful Life

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

Work in Progress

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



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