Brighton & Hove City Council

Statement of Accounts | 2007/08

Contents

Certification by Chairman

I confirm that these accounts were initially approved by the Audit Committee at a meeting held on 26 June 2008.

Signed on behalf of Brighton & Hove City Council

Leslie Hamilton
Chairman
Audit Committee
Date 26 June 2008

Introduction

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

Financial Performance

These annual statements cover the first year of a new minority Conservative administration, formed in May 2007, who have increased the focus on financial planning and performance, and have a clear set of financial priorities including:

- lower council tax rises
- improving value for money and matching resources to priorities
- developing robust long-term financial plans
- improved corporate oversight and scrutiny of key major infrastructure projects, such as the redevelopment of the Brighton Centre.

The financial performance in 2007/08 indicates that financial controls and budget management have been effective, with the council achieving a small underspend of £0.2 million. This is against a backdrop of continuing low levels of support through the government's grant distribution system whereby the council only received the minimum (floor) revenue support grant increase of 2%. This is expected to continue for the foreseeable future with below inflation increases of 1.75% for 2009/10 and 1.5% for 2010/11 expected. There have also been considerable in-year pressures on the budget of nearly £3 million, mainly in relation to children's residential and foster agency placements and on concessionary bus fares, which have caused substantially increased costs for a number of authorities.

The budget for 2007/08 included a substantial savings package of over £9 million, including efficiency savings, management and administration savings and measures to reduce service pressures. These savings have been delivered to ensure that front-line services are maintained or improved and that government efficiency targets are met. The Brighton and Hove Teaching Primary Care Trust (PCT) also contributed over £2 million to pooled budgets to assist the budget position.

In terms of capital spending, the council has successfully delivered a capital programme of nearly £39 million with no significant overspends. This included £5.9 million on local transport schemes, £10.8 million on Council Housing maintenance and improvements, and £7.1 million on schools and education. Capital projects are subject to many external factors, for example the local and national economic climate, however, the council endeavours to deliver the programme on time and in 2007/08 95% of the programme has been achieved resulting in "slippage" of only 3.5% into the next financial year. This is in line with the challenging target the council sets itself and has not resulted in the loss of any capital resources.

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

Value for Money

The council has embarked on an ambitious programme of value for money (vfm) reviews across its services to ensure that all areas are systematically challenged in respect of service quality, cost and effectiveness. The council initially engaged outside expertise to start the programme, develop a robust review process, and ensure that necessary knowledge and skills were transferred to enable the council to continue the programme into the future. Adult Social Care was the first service to be reviewed and the service has now developed an implementation plan for the key improvements identified. All areas will have completed reviews by mid 2008. The financial benefits arising from the value for money reviews will also be quantified and will be included in the

council's budget strategy and Medium Term Financial Strategy.

The council also continues to deliver substantial efficiency and management and administration savings, in both cash and productivity terms, as required by annual 2.5% efficiency savings targets set within the government's Gershon Review targets. As mentioned above, the achievement of savings of £11 million in 2007/08 has ensured that this target, as in previous years, has been substantially exceeded. Efficiency targets for the next 3 years will be increased to 3% under the government's Comprehensive Spending Review 2007.

Financial Planning

The council has been developing a number of longer-term strategies, which will also aid financial planning. A revised Corporate Plan has been approved which sets out clearly the priorities of the Administration and also contains an updated Medium Term Financial Strategy covering the period 2008 to 2011. This has been developed in the context of a new Local Area Agreement (LAA), which will also cover a 3-year period and will incorporate a range of targets and outcomes that will be measured through the government's National Improvement Indicator set. The LAA will be overseen by the Local Strategic Partnership, which includes key partners from across the city including health, police, community and voluntary sector representatives, etc. All of these plans are available on the council's web site or on request.

Summary

Significant financial challenges and pressures remain, but the council's robust approach to financial control and value for money reviews, together with improved long-term service and financial plans will ensure that the finances can properly support priority areas while ensuring services are as efficient and effective as possible. This should enable the council to maintain lower council tax rises, while delivering service improvements and meeting its commitments within the Corporate Plan and the Local Area Agreement.

Alan McCarthy
Chief Executive

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

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Brighton & Hove City Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Director of Finance and Resources and auditors

The Director of Finance and Resources' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 the financial position of the Authority and its income and expenditure for the year.

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

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

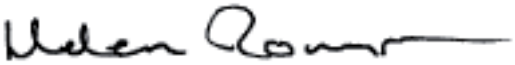
Basis of audit opinion

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

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

Opinion

In my opinion;
The Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.



Helen Thompson
District Auditor
Audit Commission, The Agora, Ellen Street, Hove BN3 3LN

30 September 2008

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

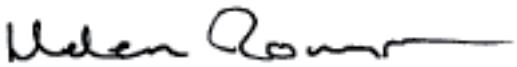
I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Brighton & Hove City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 21 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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



Helen Thompson
District Auditor
Audit Commission, The Agora, Ellen Street, Hove BN3 3LN

30 September 2008

Annual Governance Statement for the year ended 31 March 2008

Corporate governance is the system by which the council directs and controls its functions and relates to the community. A key aspect of corporate governance is the requirement to put into place "effective risk management systems, including systems of internal control". Brighton & Hove City Council is committed to the highest standards of corporate governance as outlined in this Annual Governance Statement.

1 Background

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

The Department of Communities and Local Government recognise "proper practice" in relation to Corporate Governance, as contained in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2007). The new "proper practice" builds on existing disclosure statement requirements by extending the existing legislative requirements, governance principles and management processes relating to the whole organisation and the activities through which it accounts to, engages with and leads its community.

This Annual Governance Statement summarises how the council has complied with the code.

2 Scope of Responsibility

Brighton & Hove City Council, through its elected Members and officers, is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and officers are responsible for putting in place and maintaining, proper arrangements for the governance of the council affairs and the stewardship of the resources at its disposal. To this end the council has approved and adopted a Constitution and a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is available on our website www.brighton-hove.gov.uk.

The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of efficiency, effectiveness and economy.

3 The Governance Framework

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

For 2007/08 the overall governance responsibilities were charged to the Policy & Resources Committee. As result of the recent constitutional change this has now moved for 2008/09 onwards, to the Audit and Governance Committees.

The role of approving this Statement and recommending the Code of Corporate Governance for adoption by

full council falls to the Audit Committee. Also the responsibility for the approval of the Statement of Accounts and the subsequent Audit Commission Governance Report falls to the Audit Committee.

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

4 Policy and Decision Making

In discharging its statutory duties in the provision of services the constitution provides details of the decision making process for the council as a whole.

The council's constitution is available on our website and is reviewed by the Monitoring Officer on a regular basis and regular reports are received by the Governance Committee and council relating to proposed changes. The Executive are responsible for taking most operational decisions. Key decisions required are published in advance via the forward plan, which is published at monthly intervals. All Member meetings held by the council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing, legal matters and those of a contractual nature.

The council's Overview and Scrutiny Commission and a further five Overview and Scrutiny Committees scrutinise all matters, executive decisions and service provision.

5 Establishing and Monitoring of Corporate and Service Objectives

The council three-year Corporate Plan is approved by Members and provides details of the council corporate priorities and targets for the forthcoming year and reports its performance for the previous year. Targets are reviewed and updated on an annual basis.

Copies can be found on our website at: http://www.brighton-hove.gov.uk . Due to a change in the council's political administration during 2007/08, the updating of the Corporate Plan was not completed during the year. However the updated version is due to go to Cabinet in June 2008 for approval.

The Corporate Plan contains the Corporate Priorities of the council and these are fed down through to directorate development plans, individual service business plans and individual performance appraisals, the "Golden Thread".

This Corporate Plan sets out the council targets for both National and Local Performance Indicators. These targets are cascaded to service business plans and are time specific. Performance is monitored by the Chief Officers' Management Team (TMT) and the Executive on a quarterly basis giving details of the progress to date and what management action is being taken to correct any adverse performance.

6 Use of Resources

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways.

The council produces a three-year Medium Term Financial Strategy (MTFS), annual budget setting and service business planning.

The council is subject to an annual assessment by the Audit Commission on how well it manages and uses its

resources and is an important part of the Comprehensive Performance Assessment (CPA) framework. The Use of Resources (UoR) assessment evaluates how well local authorities manage their resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance, value for money and effective financial reporting arrangements. These should support the council in the achievement of its priorities and improving services, whilst delivering value for money.

The Assessment covers five themes: financial reporting, financial management, financial standing, internal control and value for money. The council was assessed principally on its 2006/07 performance and the Audit Commission reported the outcome in December 2007. Their overall conclusion is that the council has maintained strong arrangements in place for financial management and internal control and that it continues to develop its arrangements to manage and improve value for money.

The report issued by the Audit Commission on the outcome of the Assessment was presented to Members in March 2008 and identified further areas for improvement and officers are planning actions to address these.

7 Complaints and Confidential Reporting Policies

The council operates a formal complaints procedure which is available to both staff and stakeholders either on request or on the council website. The procedure is well documented and complaints referred to the Local Government Ombudsman are reported at every Standards Committee. Outcomes and decisions are summarised in each of these reports. There have been no findings of maladministration against the council for 2007/08.

The council also has a Whistleblowing Policy along with an Anti Fraud Strategy. Staff are informed of these at their induction and are reminded on a regular basis. Both the Whistleblowing Policy and Anti Fraud Strategy are reviewed and updated where necessary on a regular basis.

8 Compliance

The council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part by the council's Financial Regulations and Contract Standing Orders. Other policies and strategies covering both internal and external issues are available to staff and the public via the council intranet and internet sites respectively. Those that are available to the public can be found on the council website at www.brighton-hove.gov.uk . These include:

- Anti-fraud Strategy
- Whistleblowing Policy
- Freedom of Information
- Anti-money Laundering Policy

All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each.

9 Review of Effectiveness

The effectiveness of the council corporate governance arrangements is demonstrated by a range of independent procedures and protocols, including:

- Officers' Governance Group procedures and associated actions
- Financial management reporting
- Performance management reporting

- Cabinet, Audit and Governance Committee
- Overview and Scrutiny function
- Statutory Officers (Head of Paid Service, Monitoring Officer, S151 Officer and authorised deputies)
- Internal Audit

Collectively these form the basis of the council arrangements and are further validated by independent assessments from various external agencies including:

- External Audit (financial and CPA assessment)
- External Inspectorates

The Director of Strategy & Governance has the responsibility for overseeing the implementation and monitoring the operation of the council's Code of Corporate Governance. This is supported by the continuous internal audit work undertaken by Audit & Assurance Services.

The council has a duty to maintain an effective internal audit service. This responsibility is discharged by the Director of Finance and Resources. The scope of internal audits encompasses the examination and evaluation of the adequacy and effectiveness of the council control environment as a contribution to the proper, economic, efficient and effective use of resources and achievement of value for money.

Audit & Assurance Services undertakes internal audit work in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of individual audits results in assurance opinions being provided and reported to management on the effectiveness of internal controls and management of risks operating. In March of each year for the forthcoming financial year, the Annual Internal Audit Strategy and Annual Plan is reported to and agreed by the Chief Officers' Management Team (TMT) and the Audit Panel. During 2007/08 regular progress reports were made to the Audit Panel including key issues and recommendations arising from audits undertaken. From 2008/09 onwards, the responsibility will change from the Audit Panel to the Audit Committee.

Significant Internal Audit reviews on governance arrangements (e.g. partnership), internal control, risk management, business planning and system development/implementation have been completed during 2007/08 and reported accordingly. In all these areas the council has shown improvement.

The Head of Audit & Assurance Services provides an assurance opinion to the Audit Committee in June 2008 on the council's overall control environment and management of risks operating , based on the reviews completed (and management actions taken) in respect of 2007/08.

The effectiveness of the system of internal audit is reviewed on an annual basis, evidence for which includes self assessment against best professional practice, benchmarking data and external audit views. This is subjected to external peer review and for 2007/08 was reported to the Audit Panel including an agreed action plan for any improvements required.

The council's externally appointed auditors for the 2007/08 financial year were the Audit Commission; they principally audit the Statement of Accounts and Comprehensive Performance Assessment. For 2007/08 reports issued by the Audit Commission were presented to the Audit Panel for consideration and comment. For 2008/09 they will report to the Audit Committee.

Risk management is a key element within Corporate Governance, to this end a Risk Management Strategy was

adopted and sets out the roles of Members and Officers. It is reviewed annually and for 2007/08 it was agreed by The Management Team, Policy & Resources Committee and Council.

The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed annually as part of service and strategic planning. To ensure that risk is considered in key decision making, all reports presented to Members must include a risk assessment of the actions within the report.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Risk Management Strategy are currently being updated to take account of this wider working.

10 Significant Governance Issues Arising

The Annual Governance Statement encompasses the previous Statements on Internal Control. Actions from previous years either complete or in progress are shown as follows:

Actions Completed

- Introduction of revised Code of Conduct for Members
- Introduced revised Code of Corporate Governance in accordance with the CIPFA/SOLACE Framework
- Undertaken major consultation exercises with the community for City Views 2007 and Schools' admissions
- Completion of city wide anti fraud campaign, "Stamping out Fraud"
- Improvements to the controls and monitoring for the reconciliation of the Financial Information Systems with key interfaced systems
- Introduction of a comprehensive value for money review programme targeting specific areas for review
- Reviewed the effectiveness of data quality across the council, in particular relating to performance management information
- Pre-tender risk appraisal process introduced before procurement activity for contracted goods and services
- Achievement of the South East Employers' Charter
- Financial Management Standards agreed for Budget Managers

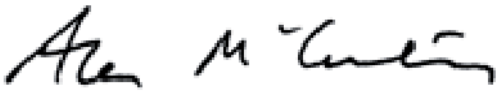
Actions in Progress

- Approval and publication of new Corporate Plan and Medium Term Financial Strategy
- Updating the Corporate Asset Management Plan and Corporate Procurement Strategy
- Introduction of new local arrangements for Standards for Conduct
- Appraise options for reducing the funding gap to meet the substantial investment backlog in council housing
- Introduction of a new council constitution

Actions for Improvement to Governance Framework

There are not considered to be any significant issues actions arising from the 2007/08 review. However actions for improvement were identified and shown together with actions in the following table:

No.	Area/Issue	Action Planned
1	Contract Management - Improved Value for Money	Development and introduction of training module for Value for Money in Contract Management.
2	Business Planning	To implement new business planning process replacing Team Planning Framework.
3	Anti Fraud & Corruption Strategy	Update the Anti Fraud Strategy to meet the requirements of the Government's Fraud Review.
4	Constitution	Post implementation review of new constitution arrangements.
5	Business Continuity Management	Review in relation to partnerships, significant contractors and specifically relating to ICT resilience.
6	Financial Management – Improved access to tools and training	Financial skills training, improved support delivery through intranet, further developments of Financial Information System.
7	Pay and Workforce Strategy	Review, update and approve.
8	HR System - Improved quality of management information	Acquisition and implementation of new IT system to improve control and effectiveness of employees.
9	People Strategy	Development, approval and implementation.
10	Partnership Agreements	Review of Section 75 agreement with Sussex Partnership NHS Trust following move to NHS Foundation Status
11	Community Engagement Framework	Review of the corporate consultation and communications policies.
12	Key Governance Policies	Review of awareness and compliance across the council.



Alan McCarthy
Chief Executive
Date 26 June 2008

Councillor Mary Mears
Leader of the Council
Date 26 June 2008

Explanatory Foreword

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

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007, a Statement of Recommended Practice (SORP), issued in 2007/08 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of the SORP. It is intended to give electors, members, employees and other interested parties clear information about the council's finances.

There are fundamental changes affecting the accounting for fixed assets that are introduced into the 2007 SORP, which applies to the 2007/08 accounts. These changes are in addition to those brought in for the 2006/07 accounts and are as a result of the drive towards local authority accounts being compliant with UK Generally Accepted Accounting Practices (UK GAAP). The changes cover the introduction of two new reserves, a "Revaluation Reserve" and a "Capital Adjustment Account" which replace the Fixed Asset Restatement Account and Capital Financing Account. The Revaluation Reserve records the unrealised net gains from revaluations made after 1 April 2007 and the Capital Adjustment Account reflects the timing difference between the cost of the fixed assets consumed and the capital financing set aside to pay for them. Both these reserves are matched by fixed assets within the Balance Sheet.

The 2007 SORP also introduces changes affecting the accounting for financial instruments. Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another; these cover the treasury management activity of the council, including the borrowing and lending of money and the making of investments, and also extends to include such things as trade receivables and payables and financial guarantees. These changes are as a result of the issue (by the Accounting Standards Board) of Financial Reporting Standard (FRS) 26 Financial Instruments: Recognition and Measurement, FRS 25 Financial Instruments: Presentation and Disclosures and FRS 29 Financial Instruments: Disclosures which replaced the disclosure requirements of FRS 25. The 2007 SORP requirements for financial instruments are similar to those for fixed assets, in that financial assets are required to be carried at fair value unless they have fixed or determinable payments but are not quoted in an active market. The 2007 SORP covers a framework for accounting for financial instruments which includes a staged process covering initial recognition, initial measurement, amortisation, valuation, impairment and de-recognition. Two new reserves have been introduced to manage the accounting requirements; the "Available for Sale Financial Instruments Reserve" which records the unrealised revaluation gains arising from holding available for sale investments plus any unrealised losses that have not arisen from impairment of the assets and "the Financial Instruments Adjustment Account" which provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised by the SORP and are required by statute to be met from the General Fund. Both these reserves are matched by borrowings and investments within the Balance Sheet.

Significant Changes in Accounting Policies and Prior Period Adjustments

The changes detailed above in relation to the accounting for fixed assets and financial instruments are both classed as changes in accounting policy. The 2007 SORP requires prior period adjustments when new accounting policies are implemented. This would mean that previous year transactions (i.e. 2006/07 transactions) would have to be restated to bring them in line with the new accounting policies.

In relation to the changes to the accounting for fixed assets, the Revaluation Reserve is introduced with a zero

balance, in order to achieve a consistent approach across all authorities; therefore this reserve only formally came into existence at midnight on 31 March 2007. As a result, prior period adjustments to the 2006/07 comparative figures are not needed. The 2006/07 balances on the Fixed Asset Restatement Account and the Capital Financing Account are written off to the new Capital Adjustment Account as at 31 March 2007, the Fixed Asset Restatement Account and Capital Financing Account have been deleted from the 2007/08 balance sheet together with the 2006/07 comparison figures. No other prior period adjustments are necessary in relation to the accounting for fixed assets.

In relation to the transition to the new FRS 25, FRS 26 and FRS 29 based financial instruments requirements of the 2007 SORP on 1 April 2007, prior period adjustments have been made between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007. However to comply with the 2007 SORP, comparative information is not restated rather the opening Balance Sheet adjustment arising from the prior period adjustment is disclosed as a total amount in note 54.

In compliance with the 2007 SORP, figures in respect of 2006/07 are included in the Statement of Accounts for comparative purposes with the limited exceptions of the fixed assets and reserves movement notes.

Financial Statements, their purpose and relationship between them

The financial performance for 2007/08 for the activities undertaken by the council is set out in the Financial Statements on pages 13 to 94 and consists of the following:

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

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

Core Single Entity Financial Statements

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

Statement of Movement on General Fund Balance – which includes the amounts in addition to the Income and Expenditure surplus or deficit for the year that are required by statute and non-statutory proper accounting practices to be posted to the General Fund Balance and which therefore must be taken into account in determining the council's budget requirement and in turn its council tax demand.

The Income and Expenditure Account brings together all of the functions of the council and summarises all of the resources that the council has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the council during the year and the actual spending power carried forward to future years, the

outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions. The Statement of Movement on General Fund Balance provides the necessary reconciliation.

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

Balance Sheet - which sets out the financial position of the council as at 31 March 2008. This statement is fundamental to the understanding of the council's financial position at the year end as it shows the council's balances and reserves, its long term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. The statement shows the assets and liabilities of the council balanced by its net worth.

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

Notes to the Core Financial Statements - the disclosed notes are in accordance with the disclosure requirements of the 2007 SORP. In addition, some voluntary notes are disclosed.

Supplementary Single Entity Financial Statements

Housing Revenue Account (HRA) – which shows income and expenditure on council housing and other assets owned by the HRA and the change to the working balance. The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision. It includes the credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The amounts included in the HRA differ from the amounts in respect of HRA services included in the Income and Expenditure Account for the council as a whole, which includes income and expenditure in accordance with the 2007 SORP rather than in accordance with statute and non-statutory proper practices. For this reason, the Housing Revenue Account statement has two parts;

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

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

Collection Fund Account - 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. This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. Information is also disclosed in the form of notes to the Collection Fund Account.

Memorandum Accounts – the council, as Lead Commissioner, has entered into pooled budget arrangements with health partners for both learning disability services and children and young people's services; funds are pooled under section 75 of the Health Act 2006 and memorandum accounts are required for each service providing details of the joint income and expenditure.

Trust Funds – which shows the transactions for the Trust Funds that are administered by the council. Information is also disclosed in the form of notes to the Trust Funds.

Revenue Summary 2007/08

Financing the Budget	Original Budget £'000	Actual £'000	Variance £'000
Expenditure on Services	205,670	205,426*	(244)
Funded By:			
Revenue Support Grant	(14,240)	(14,240)	0
Redistributed National Non Domestic Rates	(84,853)	(84,853)	0
Redistribution of Collection Fund surplus	905	905	0
Council Tax	(106,617)	(106,617)	0
LPSA Grant	(865)	(865)	0
Use of / (contribution to) Reserves	0	(244)	(244)

*Excludes £27,000 relating to Rottingdean Parish Council Precept.

The council's net revenue budget for 2007/08 was set at £205.670m. The net General Fund expenditure for 2007/08 was £205.426m resulting in a surplus on the General Fund Balance of £0.244m.

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

Departmental Variations	Revised Budget £'000	Actual £'000	Variance £'000
Adult Social Care & Housing	38,240	38,181	(59)
S75 Learning Disability Services	20,582	20,610	28
Children & Young People's Trust	40,428	41,043	615
Finance & Resources	21,580	21,998	418
Strategy & Governance	9,453	9,481	28
Environment	32,138	31,701	(437)
Cultural Services	12,719	12,543	(176)
Centrally Managed Budgets	1,863	1,003	(860)
NHS Trust managed Section 75 Services	11,070	11,269	199
General Fund Surplus	188,073	187,829	(244)

Significant variations within the overall spendings are as follows:

- Children & Young People's Trust - An overspend on foster care and child agency placements of £0.653m, which is largely due to pressures on in-house foster placements of £0.406m and leaving care of £0.276m. The in-house foster placements variance was mainly caused by an increase in the number of residence order allowances. At the end of the financial year there were 153 residence order placements. The leaving care payments overspend largely related to additional accommodation costs.
- Finance & Resources - An overspend of £2.028m on concessionary bus fares, due primarily to a much higher growth in journey numbers than expected but increases in bus fares has also contributed to the overspend.
- Centrally Managed Budgets - An underspend of £1.373m on capital financing costs due to an increase in investment income as a result of higher interest rates and higher cash balances available for investment (£1.313m) and savings in interest payments (£0.060m) due to rescheduling of long term debt (borrowings).
- Centrally Managed Budgets - An underspend of £1.104m on housing benefits of which £0.699m relates to additional income received in 2006/07 arising from the audit of the 2006/07 Housing Benefit Subsidy Claim, and £0.405m additional subsidy received.

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

Expenditure & Income Analysis	£'000
Employee Related Expenses	281,424
Premises Related Expenses	62,121
Transport Related Expenses	18,273
Supplies & Services	67,966
Payments to Other Bodies, including Residential Care	127,450
Housing/Council Tax Benefits, Student Awards etc	158,101
Support Services	50,118
Capital Financing Costs	79,008
Government Grants	(338,616)
Other Contributions, including Housing Associations	(65,770)
Rents, Fees and Charges etc	(131,528)
Interest	(14,537)
Recharges to Other Services e.g. Support Services	(57,758)
Net Operating Expenditure	236,252

Details of the council's expenditure and income are shown in the Income and Expenditure Account on pages 32 and 33.

Pensions Liability

In accordance with proper accounting practice, the council's financial statements include the total estimated net liability for the pension scheme, currently £76.242m. This net liability is offset by the pensions reserve and is calculated by the pension actuary, Hymans Robertson. It should be noted that amounts shown in the council's accounts in accordance with the appropriate Financial Reporting Standard (FRS 17), have no effect on the Council Tax Requirement.

Capital Summary

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

Capital expenditure totalled £38.796m in 2007/08 compared with the latest approved budget of £40.444m. The £1.648m underspend will be carried forward into 2008/09 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 2007/08 and included expenditure on council dwellings (£10.767m), schools (£6.273m), roads, bridges and footpaths (£5.915m), renovation grants and grants to housing associations (£3.095m), children's centres and nurseries (£2.653m), ICT & E-Government (£1.016m) and parking (£0.751m).

The council's 2007/08 capital programme was funded from various internal and external sources. The table below details that funding.

	£'000
Capital Outturn 2007/08	38,796
Total Funding Requirement	**38,796**
Funding:	
Supported Borrowing	7,906
General and Specific Reserves	9,120
Capital Grants	12,529
Capital Receipts	3,269
Direct Revenue Funding	2,486
Contributions from External Bodies	866
Unsupported Borrowing	2,620
Total	38,796

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

Acquisitions and Liabilities

The council did not acquire any material assets or incur any material liabilities during 2007/08.

Exceptional or Extraordinary Items

There was an exceptional adjusting loss of £2.054m required by the implementation of the new accounting policies for financial instruments.

Changes in Statutory Functions

There were no material changes in statutory functions during 2007/08.

Section 75 of the Health Act 2006

The council has entered into pooled budget arrangements in relation to Children and Young People's Services

from 1 April 2007. Further detail on this pooled arrangement along with existing pooled budgets can be found in Note 12 to the core financial statements and the Memorandum Accounts on pages 91 and 92

Borrowing

In accordance with the CIPFA Code on Treasury Management the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services.

The level of borrowing has increased in the year by £5.436m, as follows:

	31 March 2007 £'000	31 March 2008 £'000
Borrowing repayable in less than 12 months	5,403	2,430
Long term borrowing	228,938	237,347
Total borrowing	**234,341**	**239,777**
Increase/(Decrease) year on year	(1,070)	5,436

Gross new long-term borrowing within the year totalled £33.5m and has been applied to part fund capital payments.

Debt maturing in 2007/08 was funded by advanced borrowing in 2006/07.

The level of debt attributable to council services totals £239.777m as at 31 March 2008 (£234.341m 31 March 2007).

Group Accounts

The 2007 SORP requires local authorities to produce a full set of group accounts where appropriate. In 2006/07, the council consolidated their two thirds share in Shoreham Airport in the production of group accounts. The Airport was sold on 30 June 2006. The council has not identified any other interests in other entities which would require the production of group accounts for 2007/08.

Private Finance Initiative (PFI) Schemes

Please refer to note 3 to the Core Financial Statements for details of the PFI schemes the council has entered into.

Further Information

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities
The council is required:

(i) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Brighton & Hove that officer is the Director of Finance and Resources.

(ii) to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

(iii) to approve the Statement of Accounts.

The Director of Finance and Resources' Responsibilities
The Director of Finance and Resources is responsible for the preparation of the council's Statement of Accounts which, in terms of the CIPFA[1]/LASAAC[2] Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP[3]"), is required to present fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2008.

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

(i) selected suitable accounting policies and then applied them consistently

(ii) made judgements and estimates that were reasonable and prudent

(iii) complied with the Code of Practice.

The Director of Finance and Resources has also:

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

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

I certify that the accounts present fairly the financial position of Brighton & Hove City Council as at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Nigel Manvell CPFA
Acting Section 151 Officer (on behalf of Director of Finance & Resources)
26 June 2008

[1] Chartered Institute of Public Finance and Accountancy
[2] Local Authority (Scotland) Accounts Advisory Committee
[3] Statement of Recommended Practice

Statement of Accounting Policies

1 General

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007, A Statement of Recommended Practice (SORP), issued in 2007/08 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of the SORP.

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

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

Recognition

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 determine the method of valuation.

- Operational assets are held and used by the council in the direct delivery of services or used for functions which are directly related to the support of such services.
- Non-operational assets, such as commercial or investment property, have no direct link with the performance of the council's statutory services and functions.

Intangible assets held on the council's balance sheet relate to computer software.

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

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement and Valuation

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

Intangible assets are valued at cost and are amortised to revenue on a straight line basis over their expected useful life. Tangible operational fixed assets have been included in the balance sheet at the lower of net current replacement cost and the net realisable value in existing use. Tangible non operational fixed assets have been included in the balance sheet at the lower of net current replacement cost and net realisable value (represented by open market value).

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

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

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

Wilks, Head & Eve undertake the valuations of Housing Revenue Account assets. The council's housing stock, garages and car parking spaces were revalued by the valuer as at 1 April 2007.

Methods of valuations for both Dwellings and Other Land & Buildings including garages and car parking spaces, have been conducted following government guidance on stock valuation for resource accounting. The approach by Wilks, Head & Eve is based on the capitalising of the rental income flow allowing voids and an adjustment yield to reflect management costs. This is the preferred method of the current valuer, which is consistent with other authorities for which they act.

The vacant possession value for the dwellings in the HRA as at 1 April 2007 was £1,719.4m as valued by the valuer Wilks, Head & Eve, compared with the value of £835.3m for its existing use as social housing. The difference of £884.1m represents the cost to the government of providing council housing at less than open market rents.

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

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

Impairment

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

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

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

Disposal of Fixed Assets

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

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

Capital Receipts

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

Sums held in the Usable Capital Receipts Reserve are available to finance capital expenditure. Interest earned on amounts invested externally is credited to the General Fund Revenue Account. For 2007/08 the average investment rate was 5.8%.

Depreciation

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

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

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

Revaluation Reserve and Capital Adjustment Account

The 2007 SORP introduced two new reserves, a "Revaluation Reserve" and a "Capital Adjustment Account" which replaced the Fixed Asset Restatement Account and Capital Financing Account. The Revaluation Reserve records the unrealised net gains from revaluations made after 1 April 2007 and the Capital Adjustment Account reflects the timing difference between the cost of the fixed assets consumed and the capital financing set aside

to pay for them. The Capital Adjustment Account also receives the credit from the Statement of Movement on the General Fund Balance in relation to Capital Expenditure charged to the General Fund and Housing Revenue Account Balances. Both these reserves are matched by fixed assets within the Balance Sheet.

The introduction of the revaluation reserves has had a major impact on the accounting treatment for revaluing fixed assets. There is now the requirement to record each asset's valuation history as any impairment above the value of that asset's previous revaluation gains must now be charged to the Income and Expenditure Account.

3 Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. In accordance with the 2007 SORP, these costs are charged to the appropriate service revenue account within the Income and Expenditure Account in the year in which the capital expenditure is incurred. They are reversed out through the Statement of Movement on the General Fund Balance so there is no impact on the Council Tax Requirement.

4 Charges for the use of Fixed Assets

Service departments receive a charge on their operational fixed assets, which represents depreciation on the assets used by that department

Regulations issued under the Local Government Act 2003 require the council to set aside a prudent amount for the repayment of debt. Guidance issued by the Secretary of State recommends the council approve an annual statement setting out how the prudent amount will be calculated.

For 2007/08 the council approved:

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

Further regulations prescribe the amount of interest to be charged to the Housing Revenue Account. For 2007/08 the average rate payable was 4.84%. In addition debt management expenses have been allocated to the Housing Revenue Account at a rate of 0.07%.

5 Accruals of Income and Expenditure

The revenue accounts of the council are maintained on an accruals basis in accordance with the 2007 SORP 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.

Examples of types of accrual and the criteria for their usage are detailed below;

Creditor Accrual	Goods or services received on or before 31 March, invoice not posted to 2007/08
Debtor Accrual	Work done or services supplied therefore income due up to and including 31 March but not received.
Payment in Advance	Payments made up to and including 31 March but for goods or services not received, or not fully received by 31 March.
Income in Advance	Payments received up to and including 31 March for goods or services not provided until after that date.

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.

6 Stocks and Work in Progress

Stocks are valued in accordance with the 2007 SORP and Statement of Standard Accounting Practice (SSAP) 9, Stocks and Long Term Contracts, which states that stocks should be shown at the lower of cost and net realisable value. Work in progress is valued at cost including an allocation of overheads.

7 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 is described in Note 36 to the Core Financial Statements.

In accordance with FRS 12, provisions are charged to the appropriate service revenue account in the Income and Expenditure Account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely that liabilities or losses are not likely to occur (or a lower settlement than estimated is expected), the provision is reversed and credited back to the relevant service account in the Income and Expenditure Account. If higher settlements are expected a further charge will be made to the appropriate service revenue account.

8 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 main capital and revenue reserves are shown in Note 37 to the Core Financial Statements.

Reserves are created by transferring budget from the relevant service area to the Statement of Movement on the General Fund Balance (SMGFB). This is matched with a charge to the SMGFB offset by a credit to the Balance Sheet. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year in the Income and Expenditure Account. The reserve is then appropriated back into the SMGFB so that there is no net charge against council tax for the expenditure.

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

9 Overheads and Support Services

The costs of both centrally and departmentally provided overheads (i.e. Management and Administration costs) and support services have been fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP) 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.

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

10 Investments

Investments in listed and unlisted companies established for the promotion of local authority activities and in marketable securities are carried at cost less provision, or where appropriate, 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.

11 Retirement Benefits

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

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

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

The Local Government Pension Scheme

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

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

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

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

- the overall amount to be met from government grants and local taxation has remained unchanged but costs disclosed for individual services are £1.842m lower (2006/07 £1.108m higher) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is £2.797m lower (2006/07 £1.594m higher) than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the council by 4.6% (2006/07 8.0%).

12 Capital Financing

In accordance with the 2007 SORP and the Prudential Code, capital financing is undertaken on a full accruals basis.

13 Grants

Grants can be received for revenue or capital purposes. Where revenue grants are received to finance the general activities of the council or to offset a loss of income, they are credited to the Balance Sheet in the form of Personal Accounts and are then credited to the relevant service revenue account in the Income and Expenditure Account as expenditure is incurred.

Capital grants are credited to the Government Grants Deferred Account and are written down to Revenue over the useful life of that asset.

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

The Dedicated Schools' Grant (DSG) is a ring-fenced specific grant and is only used to provide education to the pupils of schools and is not used for any other purpose. Details of the deployment of the DSG receivable for 2007/08 are included within Note 53 to the Core Financial Statements.

14 Debt Redemption

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

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

15 Long Term Contracts – Private Finance Initiatives (PFIs)

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

Assets that have been contributed to the PFI contracts by the council have been treated as a deferred consideration which are charged to the relevant service revenue account in the Income and Expenditure 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.

16 Section 75 Partnerships – Pooled Budgets

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

With effect from 1 April 2002, some adult social care services have been provided under a partnership arrangement between the city council, the Brighton & Hove City Teaching Primary Care Trust (PCT) and the South Downs Health NHS Trust (SDHT). The PCT acts as the lead commissioner of the services with the SDHT being the lead provider. From 1 April 2006, Sussex Partnership NHS Trust (SPT) took over mental health services from SDHT and is now the lead provider of these services

From 1 April 2006 the arrangements for Learning Disability Services were amended with the council, from this point, acting as the lead commissioner and the lead provider of these services. The council has entered into pooled budget arrangements for Learning Disability Services and therefore a memorandum account is required providing details of the joint income and expenditure. The council's contribution is shown in the Income and Expenditure Account under Adult Social Care.

From 1 October 2006 the city council, the PCT and SDHT established a partnership to commission and provide services for children and young people and improve their wellbeing. The council is the lead commissioner and lead provider of these services. The council's contribution is shown in the Income and Expenditure Account under Children's and Education Services. With effect from 1 April 2007, funds for the provision of children and young people's services were pooled under section 75 of the Health Act 2006 and therefore a memorandum account is required providing details of the joint income and expenditure.

The memorandum accounts for these pooled budgets can be found on pages 91 and 92.

17 Significant Estimations

Estimation techniques have been used in accordance with FRS18 Accounting Policies. The significant estimates included within this Statement of Accounts relate to depreciation of fixed assets and the provision for bad debts.

The provision for bad debts is a calculation based on the likelihood of a debt being recovered and is usually based on an analysis of the age of the outstandning debt.

Details of the calculation of depreciation can be found in the Statement of Accounting Policies Note 2.

18 Interest payable

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

19 Leases

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

For further information relating to leases, please refer to note 25 to the Core Financial Statements.

20 Value Added Tax (VAT)

The amounts included within the Income and Expenditure Account exclude any amounts related to VAT, as all VAT collected is payable to HM Revenues & Customs and all VAT paid is recoverable from it.

21 Financial Liabilities

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

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

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

22 Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract

will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

Available-for-sale Assets

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

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

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

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Brighton & Hove City Council

Single Entity
Core Financial Statements

2007/08

Income and Expenditure Account

Year ended 31 March 2007	Operations	Year ended 31 March 2008		
Net Expenditure £'000		Gross Expenditure £'000	Income £'000	Net Expenditure £'000
(11,173)	Central Services to the Public	37,275	(43,171)	(5,896)
57,109	Cultural, Environmental and Planning Services	104,052	(35,469)	68,583
60,581	Children's and Education Services	261,929	(191,105)	70,824
11,422	Highways, Roads and Transport Services	32,715	(20,898)	11,817
(3,595)	Housing Revenue Account (HRA)	37,576	(44,566)	(6,990)
9,165	Housing General Fund	160,972	(152,214)	8,758
72,840	Adult Social Care	134,077	(61,999)	72,078
4,871	Corporate and Democratic Core General Fund	5,145	0	5,145
222	Corporate and Democratic Core HRA	220	0	220
1,037	Non Distributed Costs	461	0	461
202,479	**Net Cost of Services**	**774,422**	**(549,422)**	**225,000**
20	(Gains)/Losses on Disposal of Fixed Assets including Disposal Costs – General Fund			127
1,360	(Gains)/Losses on Disposal of Fixed Assets including Disposal Costs – HRA			52
209	Precepts and Levies			219
10,910	Interest Payable and Similar Charges General Fund			10,276
4,256	Interest Payable and Similar Charges HRA			4,335
4,895	Contribution to Housing Capital Receipts to Government Pool			5,525
(11)	Interest and Investment Income – HRA			(184)
(5,626)	Interest and Investment Income – General Fund			(7,741)
700	Amortisation of Premiums and Discounts – HRA			0
0	Sussex Innovation Centre Share Write down			56
(129)	Pensions interest cost/expected return on pension assets - General Fund			(1,350)
(6)	Pensions interest cost/expected return on pension assets - HRA			(63)
(2,888)	Exceptional Item – Income resulting from the cessation of a trading entity (Shoreham Airport)			0
216,169	**Net Operating Expenditure**			**236,252**
	Demand on the Collection Fund:			
(101,937)	Collection Fund Demand			(106,617)
(500)	Transfers from the Collection Fund			905
(23)	Parish Council Precepts from the Collection Fund			(27)
	Government Grants:			
(1,229)	Local Public Service Agreement (LPSA) Grant			(865)
(15,711)	Revenue Support Grant			(14,240)
(81,392)	**Distribution from National Non Domestic Rate Pool**			(84,853)
15,377	**Total (Surplus) / Deficit for the year**			**30,555**

Please note the write down of shares in the Sussex Innovation Centre (£56,000) has been included within the Net Operating Expenditure section of the Income and Expenditure Account in 2007/08. This figure is reversed through the Statement of Movement on the General Fund Balance to avoid an impact on the Council Tax requirement.

Please note the 2006/07 figures within the Net Cost of Service have been amended following the revisions to the service cost analysis included in the 2007 Best Value Accounting Code of Practice (BVACOP). The services affected are Central Services to the Public, Cultural, Environment and Planning Services, Children's and Education Services, Highways, Roads and Transport Services, Housing General Fund and Adult Social Care.

Please note the 2006/07 figures have been amended in relation to the External Interest Payable by the Housing Revenue Account.

Statement of Movement on the General Fund Balance

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

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

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

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

2006/07 £'000		2007/08 £'000
15,377	(Surplus) or deficit for the year on the Income and Expenditure Account	30,555
(15,423)	Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(30,555)
(46)	**Movement on the General Fund Balance**	**0**
(8,954)	**Opening General Fund Balance**	**(9,000)**
(9,000)	**Closing General Fund Balance**	**(9,000)**

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

2006/07 £'000		2007/08 £'000
	Amounts to be included in the Income and Expenditure Account but required to be excluded when determining the Movement on the General Fund Balance for the year	
(331)	Amortisation of Intangible Fixed Assets	(516)
(1,360)	Gains / Losses on Disposal of Fixed Assets	(91)
2,710	Exceptional Item – Income from cessation of a Trading Entity	0
0	Sussex Innovation Centre Share Write Down	(56)
(23,255)	Depreciation of Fixed Assets	(23,232)
0	Impairment of Fixed Assets	(29,310)
(5,473)	Excess of Depreciation charged to HRA over the Major Repairs Allowance	(2,643)
11,698	Government Grants Deferred Amortisation	10,805
(983)	Deferred Consideration Written Down	(983)
0	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(2,645)
(11,785)	Write down of Deferred Charges to be financed from Capital Resources	(5,409)
(21,218)	Net changes made for Retirement Benefits in accordance with FRS 17	(17,924)
(49,997)		**(72,004)**
	Amounts not included in the Income and Expenditure Account but required to calculate the Movement on the General Fund Balance	
4,891	Statutory Provision for repayment of debt	5,741
2,496	Capital expenditure charged to the General Fund Balance	2,573
2,688	Capital expenditure charged to the HRA	4,440
(4,895)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(5,525)
0	An exceptional adjusting transaction required by the implementation of the new accounting policies for financial instruments	2,054
19,624	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners.	20,721
24,804		**30,004**
	Transfers to/from the General Fund Balance that are required to be taken into account when determining the movement for the year	
1,551	Statutorily Required transfer to the HRA Balance	1,439
1,325	Provision for voluntary repayment of debt	1,392
(562)	Transfer (from)/ to Reserves to General Fund Balance	1,214
7,456	Net Transfer to or from Earmarked Reserves, Departmental Carry Forwards and Schools Balances	7,400
9,770		**11,445**
(15,423)	**Net additional amount required by Statute and non-statutory proper practices to be debited or credited to the General Fund Balance**	**(30,555)**

Statement of Total Recognised Gains and Losses

2006/07 £'000		2007/08 £'000
15,377	(Surplus) or Deficit on the Income and Expenditure Account for the year	30,555
	(Surplus) or Deficit on revaluation of fixed assets:	
(105,549)	Cost	(74,898)
(31,799)	Depreciation	(24,228)
0	(Surplus) or Deficit on revaluation of available-for-sale financial assets	(71)
(35,837)	Actuarial (gains) and losses on Pension fund assets and liabilities	(35,114)
1,876	(Surplus) or Deficit on the Collection Fund	196
0	Exceptional Loss resulting from the transitional arrangements for financial instruments	2,054
(707)	Any other (gains) and losses required to be included in the STRGL	0
(156,639)	**Total Recognised Gains and Losses for the year**	**(101,506)**

Please note:

- The Total Recognised Gains and Losses for the year reconciles to the movement of the Total Net Worth of the Balance Sheet between financial years.
- The Deficit on the Collection Fund for 2006/07 of £1.876m has been split out from the "Any other (gains) and losses required to be included in the STRGL" line.
- The council suffered an exceptional loss resulting from the transitional arrangements for financial instruments following the introduction of FRS 25 Financial Instruments: Disclosure and Presentation, FRS 26 Financial Instruments: Measurement and FRS 29 Financial Instruments: Disclosure. The accounting treatment for this is to adjust the opening General Fund Balance. The statement above contains an amendment of £2.054m to offset this adjustment.

Balance Sheet

As at 31 March 2007 £'000		As at 31 March 2008 £'000	£'000
2,250	**Intangible Assets (Note 31)**		2,636
	Tangible Fixed Assets: (Note 21)		
	Operational Assets		
809,069	Council Dwellings	831,443	
707,807	Other Land & Buildings	732,947	
11,687	Vehicles, Plant, Furniture & Equipment	8,600	
67,472	Infrastructure Assets	81,515	
6,149	Community Assets	6,063	
			1,660,568
	Non-Operational Assets		
167,486	Investment Properties	177,335	
33,068	Assets Under Construction	17,808	
8,090	Surplus Assets Held for Disposal	12,809	
			207,952
1,813,078	**Total Fixed Assets**		**1,871,156**
20,764	Deferred Consideration (Note 58)		19,781
774	Long-Term Investments (Note 59)		718
3,686	Long-Term Debtors (Note 60)		633
1,838,302	**Total Long-Term Assets**		**1,892,288**
	Current Assets		
96,894	Investments (Note 54)	117,931	
961	Stocks & Work in Progress (Note 61)	798	
78,441	Debtors (Note 55)	88,905	
(25,687)	Bad Debt Provision (Note 55)	(24,434)	
2,486	Landfill Usage Allowances (Note 62)	2,577	
153,095			185,777
	Current Liabilities		
(5,403)	Borrowing repayable in less than 12 months (Note 54)	(2,430)	
(2,187)	LATS Deferred Income (Note 62)	(2,443)	
(74,877)	Creditors (Note 56)	(92,189)	
(2,794)	Bank Overdraft	(1,999)	
(85,261)			(99,061)
1,906,136	**Total Assets Less Current Liabilities**		**1,979,004**
(228,938)	Long-Term Borrowing (Note 54)	(237,347)	
(910)	Provisions (Note 36)	(694)	
(72,238)	Government Grants Deferred (Note 63)	(74,818)	
(6,833)	Government Grants Unapplied (Note 65)	(4,963)	
(2,770)	Section 106 Receipts Unapplied (Note 65)	(3,140)	
(114,153)	Pensions Liability (Note 45)	(76,242)	
(425,842)			(397,204)
1,480,294	**Total Assets Less Liabilities**		**1,581,800**

As at 31 March 2007 £'000		As at 31 March 2008 £'000	£'000
	Note 37		
0	Revaluation Reserve		(95,819)
(1,525,370)	Capital Adjustment Account		(1,480,680)
0	Available-for-Sale Financial Instruments Reserve		(71)
0	Financial Instruments Adjustment Account		2,645
(1,908)	Usable Capital Receipts Reserve (Note 65)		(2,651)
(257)	Deferred Credits (Note 64)		(239)
0	Major Repairs Reserve		0
114,153	Pensions Reserve (Note 45)		76,242
	Funds Balances & Reserves		
(47,288)	Earmarked Reserves (Note 37)	(59,790)	
(9,000)	General Fund Working Balance	(9,000)	
(2,027)	General Fund General Reserves	(2,351)	
(48)	Other Specific Reserves	(34)	
1,408	Collection Fund	1,604	
(2,961)	LMS Reserves (Note 42)	(2,740)	
(32)	Standards Fund LEA Budget	0	
(2,753)	Standards Fund Reserve	(3,266)	
(4,211)	Housing Revenue Account	(5,650)	
			(81,227)
(1,480,294)	**Total Net Worth**		**(1,581,800)**

Please note the Fixed Asset Restatement Account and the Capital Financing Account have been replaced by the Revaluation Reserve and the Capital Adjustment Account in accordance with the 2007 SORP. The closing balance from 2006/07 for both the Fixed Asset Restatement Account and the Capital Financing Account has been taken as the opening balance of the Capital Adjustment Account. The Revaluation Reserve has a zero opening balance. This approach is also consistent with the 2007 SORP. Further information about the use of these new reserves can be found in the Explanatory Foreword and the Glossary of Terms.

Please note the Opening Balance figures have been amended for Debtors, Bad Debt Provision, Creditors, Bank Overdraft and General Reserves to reverse erroneous adjustments made in the accounts for 2006/07 in relation to the council's share of the Shoreham Airport General Reserves.

Please note the Opening Balance figures have been amended for Creditors and the Collection fund to reverse erroneous adjustments made in the accounts for 2006/07 in relation to the Collection Fund creditors.

Please note the Opening Balance figures have been amended for Section 106 Receipts Unapplied and the Usable Capital Receipts Reserve to reverse erroneous adjustments made in the accounts for 2006/07.

These amendments have resulted in a reduction in the total net worth of £0.173m with a corresponding reduction in the Total Assets and Liabilities.

Please note the 2007 SORP requires the introduction of a Financial Instruments Adjustment Account and an Available for Sale Financial Instruments Reserve in order to comply with FRS 25, 26 and 29. Further information

on the use of these reserves can be found in the Explanatory Foreword and the Glossary of Terms.

Government Grants funding should not be applied to non operational fixed assets; grants such as these should be reflected in the Government Grants Deferred Unapplied Account. The 2006/07 Government Grants Deferred Account included £4.787m of grants that were applied to assets under construction, therefore the 2006/07 Balance Sheet figures have been adjusted to reflect this.

Nigel Manvell CPFA
Acting Section 151 Officer

Cash Flow Statement

Year to 31 March 2007			Year to 31 March 2008	
£'000	£'000		£'000	£'000
		Revenue Activities		
		Cash Outflows		
263,504		Cash paid to and on behalf of employees	281,066	
262,523		Other operating cash payments	331,813	
137,116		Housing Benefit paid out	142,735	
76,517		NNDR Payments to National Pool	81,064	
4,690		Payments to Capital Receipts Pool	5,486	
17,469		Precepts	18,159	
	761,819			860,323
		Cash Inflows		
(48,635)		Rents (after rebates)	(53,353)	
(118,208)		Council Tax Receipts	(124,117)	
(15,711)		Revenue Support Grant	(14,240)	
(74,707)		NNDR Receipts	(80,544)	
(81,392)		NNDR Receipts from National Pool	(84,853)	
(133,486)		DWP Grants for Benefits	(144,830)	
(185,613)		Other Government Grants	(201,886)	
(104,323)		Cash Received for Goods & Services	(142,476)	
(64,626)		Other Operating Cash Receipts	(67,473)	
	(826,701)			(913,772)
	(64,882)	**Net Cash (Inflow)/Outflow from Revenue Activities (Note 47)**		**(53,449)**
		Returns on Investments and Servicing of Finance		
		Cash Outflows		
10,639		Interest Paid	14,401	
		Cash Inflows		
(5,378)		Interest Received	(5,766)	
		Capital Activities		
		Cash Outflows		
34,754		Purchase of Fixed Assets	33,019	
11,893		Deferred Charges	5,409	
1,360		Other Capital Cash Payments	60	
		Cash Inflows		
(9,082)		Sale of Fixed Assets	(9,347)	
(5)		Capital Grants Received	0	
(2,941)		Other Capital Cash Receipts	(184)	
	41,240			37,592
	(23,642)	**Net Cash (Inflow)/Outflow**		**(15,857)**

Year to 31 March 2007			Year to 31 March 2008	
£'000	£'000		£'000	£'000
		Management of Liquid Resources		
	28,060	Short-Term Investment (Note 49)		21,037
		Financing		
		Cash Outflows		
81,830		Repayments of Amounts Borrowed	27,525	
		Cash Inflows		
(84,779)		New Loans Raised	(33,500)	
	(2,949)			(5,975)
	1,469	**(Increase)/Decrease in Cash (Note 48)**		**(795)**

Notes to the Core Financial Statements

Statutorily Required

1 Acquired, Discontinued Operations and Outstanding Operations

There are no acquired or discontinued operations to disclose.

2 Prior Period and Exceptional/Extraordinary Items

Prior Period Adjustments

The 2007 SORP requires prior period adjustments when new accounting policies are implemented. This would mean that previous year transactions (i.e. 2006/07 transactions) would have to be restated to bring them in line with the new accounting policies.

In relation to the changes to the accounting for fixed assets, the Revaluation Reserve is introduced with a zero balance, in order to achieve a consistent approach across all authorities; therefore this reserve only formally came into existence at midnight on 31 March 2007. As a result, prior period adjustments to the 2006/07 comparative figures are not needed. The 2006/07 balances on the Fixed Asset Restatement Account and the Capital Financing Account are written off to the new Capital Adjustment Account as at 31 March 2007. The Fixed Asset Restatement Account and Capital Financing Account have been deleted from the 2007/08 balance sheet together with the 2006/07 comparison figures. No other prior period adjustments are necessary in relation to the accounting for fixed assets.

In relation to the transition to the new FRS 25, FRS 26 and FRS 29 based financial instruments requirements of the 2007 SORP on 1 April 2007, prior period adjustments have been made between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007. However to comply with the 2007 SORP, comparative information is not restated rather the opening Balance Sheet adjustment arising from the prior period adjustment is disclosed as a total amount. For further details on the Transitional Arrangement adjustments please refer to the notes on financial assets and financial liabilities on pages 68 to 73.

Government Grants funding should not be applied to non operational fixed assets, grants such as these should be reflected in the Government Grants Deferred Unapplied Account. The 2006/07 Government Grants Deferred Account included £4.787m of grants that were applied to assets under construction; therefore the 2006/07 Balance Sheet figures have been adjusted to reflect this.

Exceptional Items

There was an exceptional adjusting loss of £2.054m required by the implementation of the new accounting policies for financial instruments.

Extraordinary Items

There are no Extraordinary Items to disclose

3 Private Finance Initiative (PFI)

Schools PFI

The council has entered into a 25 year contract with Brighton & Hove City Schools Services Limited for the expansion and refurbishment of 4 secondary schools. The contract commenced in April 2003. In 2005 the contract was varied to reduce the number of schools to three. Based on a projected 2.5% annual inflation rate

over the remaining period, the council has an un-discharged liability of £77m.

Waste PFI
In conjunction with East Sussex County Council the council jointly entered into a 25-year agreement for the provision of an integrated waste management service with Southdown Waste Services Ltd. This agreement has now been extended by a further 5 years. Based on a projected annual inflation rate of 2.5% the un-discharged liability on the contract for the remaining 25 years of the contract is projected at £330m.

Library PFI
A contract with NU Library for Brighton Limited for the provision of a new library and library service commenced in November 2004. The contract will run for 25 years. Based on a mix of projected inflation rates, Retail Prices at 2.5%, Building Maintenance at 5.0% and Average Earnings at 5.0%, over the remaining period, the council has an un-discharged liability of £56m.

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

4 Trading Operations
There are no Trading Operations to disclose.

5 Discretionary Expenditure
Section 137 of the Local Government Act 1972, as amended, gave local authorities the power to incur expenditure which in its opinion is in the interests of its area or part of its area, or all or some of its inhabitants and which is not otherwise authorised. No expenditure shown in the Statement of Accounts was incurred under this power.

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

2006/07 £		2007/08 £
804,306	Recruitment Advertising	863,260
57,007	Housing Issues – General Fund	96,877
60,790	Housing Issues – Housing Revenue Account	11,906
180,727	Public Transport Issues	161,143
275,575	Projects & Venues	242,991
150,625	Tourism	137,598
45,981	Social Care – Children	52,556
88,656	Waste Collection (including changing collection rounds, kerbside collection/recycling etc)	58,769
129,468	Other Publicity and Marketing	195,555
1,793,135	**Total**	**1,820,655**

7 Building Control Trading Account

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

2006/07		2007/08		
Total £'000		Chargeable £'000	Non-Chargeable £'000	Total £'000
1,222	Expenditure	816	348	1,164
(802)	Income	(797)	(29)	(826)
420	**Net (Surplus)/Deficit**	**19**	**319**	**338**

8 Agency Income and Expenditure

There was no significant agency income or expenditure to disclose.

9 Transport Act 2000 Schemes

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

10 Business Improvement District Schemes (BIDS)

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

2006/07 £		2007/08 £
(183,262)	Bid Levy Income	(177,703)
183,262	Bid Levy Payments to Bid Company	177,703
0	**Balance**	**0**

The council incurred costs of £11,244 (£15,500 in 2006/07) relating to the administration of this BID scheme, and £4,878 (£0.00 in 2006/07) relating to legal costs, which are included within the Central Services to the Public line on the Income and Expenditure Account. These costs are fully reimbursed by Brighton BID Ltd.

In addition to the above, the council makes an annual cash contribution to the Brighton BID Ltd of £18,640 (£18,640 in 2006/07). This contribution is made from the revenue budgets of the Economic Development & Regeneration division of the Cultural Services department and is included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account.

11 Local Authorities (Goods & Services) Act 1970

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

12 Pooled Budgets

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

Adult Social Care

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

The city council made a commissioning contribution of £35.399m (£36.662m 2006/07) to the various pooled budget arrangements in 2007/08. This contribution is reflected in the Income and Expenditure Account under Adult Social Care. The gross income to the partnerships is £77.104m (£75.384m 2006/07) including PCT commissioning contributions. This has been expended by lead providers as follows:

2006/07 £'000	Expenditure	2007/08 £'000
3,140	Non NHS Providers*	4,359
2,515	Other NHS Providers*	272
7,501	South Downs NHS Trust	5,439
38,522	Sussex Partnership NHS Trust	43,078
22,521	Social Care (Brighton & Hove City Council)	21,986
1,185	Brighton & Hove City PCT	1,970
75,384	**Total**	**77,104**

* These relate to payments made for the treatment or placement of Brighton and Hove residents outside of the local area. Services are provided by other NHS Trusts or non-NHS private and voluntary sector providers.

Children & Young People's Trust (CYPT)

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

The city council made a contribution of £87.111m to the pooled budget arrangement in 2007/08. The gross income to the partnership of £95.275m has been spent on the following.

Expenditure	2007/08 £'000
Brighton & Hove City Council	86,961
South Downs NHS Trust	6,872
Brighton & Hove City Teaching Primary Care Trust	1,442
Total	**95,275**

13 Local Area Agreement

A Local Area Agreement (LAA) is an agreement between the Government Office (GO), the local authority and its major delivery partners in an area working through the Local Strategic Partnership (LSP) which delivers national outcomes in a way that reflects local priorities.

Local Area Agreements represent a new approach to improve co-ordination between central government and local authorities and their partners.

The council was successful in becoming one of the first wave of 20 pilot areas in England to develop a LAA and its Local Area Agreement was signed in March 2005 to run for three years from April 2005. The pilot LAAs were structured around three blocks: children and young people, safer and stronger communities, and healthier communities and older people. In each block a core set of outcomes, targets and indicators to measure progress towards achieving the outcomes have been agreed between central government and the council and its other delivery partners. A Public Service Board (PSB), with representatives from the key delivery partners within the city, was formed in December 2004 to oversee the delivery and performance management of Brighton & Hove's Local Area Agreement. The PSB contains representatives from: the council, Sussex Police, the Primary Care Trust and the Sussex Learning and Skills Council. In addition, the Chair of the 2020 Community Partnership, the Chair of the Board of Directors of East Brighton NDC (eb4U), the Chair of the Economic Partnership, the Vice-Chancellor of Sussex University (representing the two universities based in the city), two representatives from the community and voluntary sectors and the Chair of the Area Investment Framework Board have places on the Board.

Brighton & Hove City Council in accordance with FRS 5 'Reporting the Substance of Transactions' controls the award of the grant. Therefore, all LAA grant receivable and payable has been recognised as income and expenditure in the Statement of Accounts. As accountable body, the council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by partners. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

The whole amount of grant received by the LAA in 2007/08 was £9.481m of which £4.494m was spent by Brighton & Hove City Council, the remainder by the LAA partners.

14 Members' Allowances

The gross amount paid by way of Members' Allowances during the year amounted to £806,196 (2006/07 £791,404). Details of allowances paid in 2007/08 will be published in The Argus and posted on the notice boards outside the Town Halls in Brighton and Hove and on the council's website.

15 Disclosure of Executive Remuneration

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

2006/07 Number of Staff*	Remuneration Band	2007/08 Number of Staff*
102	£50,000 - £59,999	130
40	£60,000 - £69,999	50
12	£70,000 - £79,999	10
6	£80,000 - £89,999	3
3	£90,000 - £99,999	6
3	£100,000 - £109,999	2
2	£110,000 - £119,999	0
0	£120,000 - £129,999	0
1	£130,000 - £139,999	0
0	£140,000 - £149,999	0
1	£150,000 - £159,999	0
0	£160,000 - £170,000	1

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

16 Related Party Transactions

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

Government Grants

Under the criteria set by Financial Reporting Standard (FRS) 8, 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 2007/08 can be found in Note 52 to the Core Financial Statements.

Levying Authorities

Other public bodies, including the Sussex Sea Fisheries may levy the council, that is, to make a demand on the Council Tax requirement; for 2007/08 levies totalled £192,072. These are included in the Income and Expenditure Account together with a precept of £27,000 for Rottingdean Parish Council.

Members and Senior Staff

Members of the council have direct control over the council's financial and operating policies. During 2007/08, works and services to the value of £4.316m were commissioned from companies in which members have declared an interest. Contracts were entered into in full compliance with the council's standing orders. Details can be found in the Register of Members' Interests.

For the purpose of this disclosure, Senior Staff has been defined as Assistant Director level and above. For 2007/08 there are no related party transactions requiring disclosure in relation to Senior Staff.

17 External Audit Costs

In 2007/08 the council incurred the following fees relating to external audit and inspection.

2006/07 £'000		2007/08 £'000
223	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	271
131	Fees payable to the Audit Commission in respect of statutory inspection	24
78	Fees payable to the Audit Commission for the certification of grant claims and returns	110
432	**Total**	**405**

The amounts for external audit services carried out by the appointed auditor and certification of grants in 2006/07 have been updated from the estimate originally shown in last year's accounts to reflect the actual costs.

Work relating to 2007/08 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.

18 Collection of Local Taxes (Wales)

This note is not applicable to English Local Authorities.

19 The Statement of Movement on the General Fund Balance

The Statement of Movement on the General Fund Balance reconciles the surplus or deficit on the Income and Expenditure Account to the movement on the General Fund Balance. The Statement includes the amounts in addition to the Income and Expenditure surplus or deficit for the year that are required by statute and non-statutory proper accounting practices to be posted to the General Fund Balance and which therefore must be taken into account in determining the council's budget requirement and in turn its council tax demand.

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

This breakdown details the additional amounts that are required by statute and proper practices to be debited or credited to the General Fund for the year. For further details, please see the Statement on page 34 and the note of Reconciling Items for the Statement on page 35.

21 Summary of Capital Expenditure and Fixed Asset Disposals

Movements in the year for Operational Assets were as follows,

	Council Dwellings	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2007	823,445	735,693	23,264	91,135	6,149	1,679,686
Additions	10,515	10,630	1,978	4,305	70	27,498
Disposals	(7,223)	(755)	0	0	0	(7,978)
Recategorisation	0	(1,673)	(540)	14,372	(78)	12,081
Revaluations	17,585	44,920	0	0	0	62,505
Gross Book Value at 31 March 2008	**844,322**	**788,815**	**24,702**	**109,812**	**6,141**	**1,773,792**
Accumulated Depreciation at 1 April 2007	(14,376)	(27,885)	(11,577)	(23,664)	0	(77,502)
Depreciation this year	(11,619)	(16,371)	(1,952)	(5,028)	0	(34,970)
Recategorisation	0	(484)	484	0	0	0
Depreciation written out on Asset Movements	14,398	9,830	0	0	0	24,228
Accumulated Depreciation at 31 March 2008	**(11,597)**	**(34,910)**	**(13,045)**	**(28,692)**	**0**	**(88,244)**
Accumulated Impairment at 1 April 2007	0	0	0	0	0	0
Write offs relating to prior year Gross Book Value	0	(22,216)	(4,645)	0	(78)	(26,939)
In year impairments Gross Book Value	(1,282)	(2,121)	0	0	0	(3,403)
Write offs relating to prior year depreciation	0	2,391	1,588	395	0	4,374
In year impairments depreciation	0	988	0	0	0	988
Accumulated impairment at 31 March 2008	**(1,282)**	**(20,958)**	**(3,057)**	**395**	**(78)**	**(24,980)**
Net Book Value 31 March 2008	**831,443**	**732,947**	**8,600**	**81,515**	**6,063**	**1,660,568**

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

	Investment Properties	Assets Under Construction	Surplus Assets Held for Disposal	Total
	£'000	£'000	£'000	£'000
Gross Book Value at 1 April 2007	167,485	33,068	8,090	208,643
Additions	901	4,112	1	5,014
Disposals	(542)	0	(1,050)	(1,592)
Recategorisation	5,621	(18,883)	1,050	(12,212)
Revaluations	7,675	0	4,718	12,393
Gross Book Value at 31 March 2008	**181,140**	**18,297**	**12,809**	**212,246**
Accumulated Depreciation at 1 April 2007	0	0	0	0
Accumulated Depreciation at 31 March 2008	**0**	**0**	**0**	**0**
Accumulated Impairment at 1 April 2007	0	0	0	0
Write offs relating to prior year Gross Book Value	(347)	(489)	0	(836)
In year impairments Gross Book Value	(3,458)	0	0	(3,458)
Accumulated impairment at 31 March 2008	**(3,805)**	**(489)**	**0**	**(4,294)**
Net Book Value 31 March 2008	**177,335**	**17,808**	**12,809**	**207,952**

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

2006/07 £'000		2007/08 £'000
226,512	**Opening Capital Financing Requirement**	**232,433**
	Capital Investment::	
30,643	Operational Assets	27,498
3,946	Non-Operational Assets	5,082
1,444	Intangible Assets	807
11,785	Deferred Charges	5,409
	Sources of Finance:	
(5,030)	Capital Receipts	(3,269)
(16,401)	Government Grants	(12,529)
(1,728)	Other Contributions	(866)
(8,972)	Major Repairs Allowance (HRA)	(9,095)
(86)	Reserves	(25)
(3,214)	Revenue Contributions	(2,486)
(6,216)	Revenue provision for repayment of loans	(7,133)
(250)	Capital receipts applied to repayment of loans	0
232,433	**Closing Capital Financing Requirement**	**235,826**

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

The Capital Financing Requirement reflects various items in the balance sheet, as shown below.

1,813,078	Fixed Assets	1,871,156
20,764	Deferred Consideration	19,781
774	Long Term Investments	718
469	Mortgages & Deferred Debtors (included in Long Term Debtors)	481
(257)	Deferred Credits	(239)
(72,238)	Government Grants Deferred	(74,818)
(4,787)	Government Grants Unapplied re grants funding - non operational assets	(4,754)
(1,525,370)	Capital Adjustment Account	(1,480,680)
0	Revaluation Reserve	(95,819)
232,433		**235,826**

Explanation of movements in year

8,355	Increase in Supported Borrowing	7,906
4,069	Unsupported Borrowing applied towards Capital Funding Requirement	2,620
(6,466)	Repayment of Loans	(7,133)
(37)	Other movements	0
5,921	**Increase in underlying need to borrow**	**3,393**

22 Deferred Charges

Deferred charges represent expenditure which does not result in assets controlled by the council, the level of deferred charges incurred in 2007/08 are shown in the table below. This amount has been charged to the relevant service revenue account in the Income and Expenditure Account.

2006/07 £'000		2007/08 £'000
0	**Balance as at 1 April**	**0**
11,595	Expenditure during the year General Fund	5,409
190	Expenditure during the year Housing Revenue Account	0
(11,595)	Amount written down to General Fund	(5,409)
(190)	Amount written down to Housing Revenue Account	0
0	**Balance as at 31 March**	**0**

23 Capital Commitments

Detailed below are significant commitments for capital investment that existed at the balance sheet date.

Scheme Name	Description	2008/09 £'000	2009/10 £'000	2010/11 £'000
Farming Diversification	Supporting farmers in the development of "diversification" activities	249	50	0
Royal Pavilion Stonework	Phased major stonework replacement	1,025	281	0
Varndean School Extension	Extension to allow for 2 additional forms of entry	873	0	0
Restoration of the Western Bandstand	Restoration of the western bandstand on the seafront, a grade 2 listed building of architectural and historic importance	821	0	0
Brighton & Hove City Centre Mixed Priority Route	To address the high and rising number of collisions between pedestrians and buses on particular routes	250	20	0
Sussex Safer Roads Partnership	A mix of road safety measures towards achieving the government's 2010 casualty reduction and associated Local Area Agreement targets	76	87	88
Communal Bins Extension	Extension of the communal bins scheme to other areas of the city	615	0	0

24 Tangible Fixed Assets

The Council's Fixed Assets include the following:

At 31 March 2007		At 31 March 2008
12,385	Council Dwellings	12,322
	Operational Assets	
7	Cemeteries	7
1	Mortuary	1
1	Crematorium (Woodvale)	1
6	Off-Street Car Parks Leased to NCP	6
2	Off-Street Multi Storey Car Parks	2
1	Off-Street Parking Pay and Display Multi Storey (Norton Road)	1
4	On Street Parking Pay and Display	4
3	Museums	3
3	Principal Administrative Offices	3
4	Swimming Pools – Indoor	4
1	Swimming Pools – Outdoor	1
4	Paddling Pools	4
5	Leisure Centres	5
1	Brighton Centre	1
1	Dome Complex	1
1	Preston Manor	1
1	Royal Pavilion	1
1	Volks Railway	1
1	West Blatchington Windmill	1
1	Foredown Tower	1
1	Preston Barracks	1
44km	Principal Roads	44km
571km	Other Roads	571km
57	Public Conveniences	53
191	Park Buildings	191
16	Libraries	16
2	Nursery Schools	2
68	Schools (Including Aided)	68
5	Education Other than at School (EOTAS) Establishments	5
3	Town Halls	3
1	Town Hall Annexe	1
9	Play Link, Children and Family Centres	9
14	Centres/Homes for People with Learning Difficulties	14
8	Centres for Older People and/or People with Mental Health Difficulties	8
1	Sheltered Workshop	1
12	Other Social Care and Health Centres and Offices	12
	Community Assets	
1,293 hect.	Parks and Open Spaces	1,293 hect.
2,520 plots	Allotment – Units	2,528 plots
3	Mini Golf Courses	3
3	Golf Courses	3

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

25 Assets Held Under Leases

Vehicles, Plant, Furniture & Equipment

The council uses refuse collection vehicles, welfare coaches, parking meters, miscellaneous vehicles and equipment financed under terms of operating leases. The amount paid under these arrangements in 2007/08 was £0.202m (2006/07 £0.897m).

The council is committed to making payments of £0.110m under these leases in 2008/09, comprising the following elements:

	Vehicles, Plant, Furniture & Equipment £'000	Total £'000
Leases expiring in 2008/09	0	0
Leases expiring between 2008/09 and 2012/13	110	110
Leases expiring after 2012/13	0	0

Finance Leases

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

The council has no capital value outstanding on finance leases or finance lease rental obligations as at 31 March 2008 (£0.0m at 31 March 2007). There were, however, secondary lease rental payments of £7,250 in 2007/08 (£7,250 in 2006/07).

26 Assets Held for Leases

There is nothing to disclose.

27 Private Finance Initiative (PFI) – Assets

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

28 Tangible Fixed Assets – Valuers

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

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

	Council Dwellings £'000	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Valued at Historic Cost	0	0	8,600	81,515	6,063	96,178
Valued at Current Value	0	0	0	0	0	0
2000/01	0	329	0	0	0	329
2001/02	0	45	0	0	0	45
2002/03	0	2,431	0	0	0	2,431
2003/04	0	116,548	0	0	0	116,548
2004/05	0	132,858	0	0	0	132,858
2005/06	0	126,735	0	0	0	126,735
2006/07	0	161,908	0	0	0	161,908
2007/08	831,443	185,109	0	0	0	1,016,552
Capital Expenditure	0	6,670	0	0	0	6,670
New Asset 2007/08	0	314	0	0	0	314
Total	**831,443**	**732,947**	**8,600**	**81,515**	**6,063**	**1,660,568**

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

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Valued at Historic Cost	0	17,808	0	17,808
Valued at Current Value	0	0	0	0
2000/01	0	0	0	0
2001/02	1,293	0	0	1,293
2002/03	0	0	0	0
2003/04	19,528	0	3,728	23,256
2004/05	31,719	0	659	32,378
2005/06	36,240	0	0	36,240
2006/07	65,470	0	0	65,470
2007/08	22,802	0	8,422	31,224
Capital Expenditure	283	0	0	283
New Asset 2007/08	0	0	0	0
Total	**177,335**	**17,808**	**12,809**	**207,952**

29 Tangible Fixed Assets – Depreciation methods

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

Each type of asset has a set life. Operational buildings are set at 50 years, with the exception of council dwellings

which are set at 60 years, furniture and equipment is 5-10 years depending on the nature of the asset. Infrastructure is 10-20 years depending on the nature of the asset.

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

30 Changes in the Method of Depreciation

There are no changes to the methods of depreciation for 2007/08.

31 Intangible Assets

Movements in the year for intangible assets were as follows.

	Software £'000	Total £'000
Gross Book Value at 1 April 2007	4,011	4,011
Additions	807	807
Recategorisation	131	131
Gross Book Value at 31 March 2008	**4,949**	**4,949**
Accumulated Amortisation at 1 April 2007	(1,761)	(1,761)
Amortisation this year	(516)	(516)
Accumulated Amortisation at 31 March 2008	**(2,277)**	**(2,277)**
Accumulated Impairment at 1 April 2007	0	0
Write offs relating to prior year Gross Book Value	(351)	(351)
Write offs relating to prior year depreciation	315	315
Accumulated impairment at 31 March 2008	**(36)**	**(36)**
Net Book Value 31 March 2008	**2,636**	**2,636**

The asset life for Intangible Fixed Assets is generally 5 years. The methods used to determine the amount of amortisation are the same as those used for the depreciation of the Tangible Fixed Assets detailed in Note 29.

32 Changes in the Method of Amortisation

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

33 Analysis of Net Assets Employed

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

31 March 2007 £'000		31 March 2008 £'000
776,772	General Fund	740,275
703,522	Housing Revenue Account	841,525
1,480,294	**Total Assets Less Liabilities**	**1,581,800**

34 Interests in Companies

The Sussex Innovation Centre acts as a business incubator and Innovation Support unit for Sussex and the South East. The council holds 1.4m preference shares in the Sussex Innovation Centre, which have a total value of £717,779 as at the end of 2007/08. 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 Centre has recently undergone a restructure and as a consequence the council will relinquish its shareholding during 2008/09.

The Brighton City Centre Business Forum (formerly known as the Town Centre Business Forum) is a partnership between city centre businesses and the council. The council has a maximum of three representatives on the company's board which can consist of a maximum of 21 people. The Chief Executive and two councillors are all directors of the company. The council contributed £39,770 to the forum during 2007/08, (£27,050 in 2006/07) which represents 42% of the total core funding of £94,270.

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

The council is associated with Brighton & Hove Bus and Coach Company Ltd through the provision of concessionary bus fares to eligible members of the public. In 2007/08 the amount paid to Brighton & Hove Bus and Coach Company Ltd totalled £7.5m (£5.1m in 2006/07).

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

35 Insurance Reserve

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

36 Provisions

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

	1 April 2007 £'000	Receipts in Year £'000	Use of Provision and Write off in Year £'000	31 March 2008 £'000
Maintenance of Graves	(390)	(18)	159	(249)
Section 117 Mental Health Act 1983	(520)	0	75	(445)
Total	**(910)**	**(18)**	**234**	**(694)**

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

Section 117 Mental Health Act 1983
Following a ruling in August 2002, local authorities were unable to charge for accommodation provided under Section 117 of the Mental Health Act 1983. The council, like many other local authorities had been charging for a long period of time and this provision has been set up to meet the liabilities of the repayment of these charges. There has been a number of refunds during 2007/08 totaling £75,000, more refunds will follow in 2008/09, however it is not possible to determine when all refunds to clients will be made.

37 Movements on Reserves

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

	Balance as at 1 April 2007 £'000	Gains or Losses Transferred to or from Reserves £'000	Net Amount Transferred within Reserves £'000	Balance as at 31 March 2008 £'000
Revaluation Reserve	0	(84,755)	(11,064)	(95,819)
Capital Adjustment Account	(1,525,370)	(14,371)	59,061	(1,480,680)
Usable Capital Receipts Reserve	(1,908)	0	(743)	(2,651)
Financial Instruments Adjustment Account	0	0	2,645	2,645
Available-for-Sale Financial Instruments Reserve	0	(71)	0	(71)
Pensions Reserve	114,153	(35,114)	(2,797)	76,242
Housing Revenue Account Balance	(4,211)	0	(1,439)	(5,650)
General Fund Balance	(9,000)	32,609	(32,609)	(9,000)
Other Reserves (Incl. Earmarked Reserves)	(53,958)	196	(13,054)	(66,816)
Total	**(1,480,294)**	**(101,506)**	**0**	**(1,581,800)**

Please note the Opening Balance figures have been amended for the following;
Usable Capital Receipts Reserve and Other Reserves were amended to reverse small erroneous adjustments.

Fixed Asset Restatement Account has been deleted following the introduction of the 2007 SORP. The balance was transferred to the Capital Adjustment Account.

Capital Financing Account has also been deleted following the introduction of the 2007 SORP. The balance has been transferred to the Capital Adjustment Account.

Revaluation Reserve is a store of gains on revaluation of fixed assets not yet realised through sales.

Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. The opening balance is the 2006/07 closing balance of the Fixed Asset Restatement Account and the Capital Financing Account, transferred in accordance with the 2007 SORP.

Available for Sale Financial Instruments Reserve is a record of unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

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

Pensions Reserve is a balancing account to allow inclusion of the Pensions Liability in the Balance Sheet. Please see notes 44 and 45 for further information.

Housing Revenue Account shows the resources available to meet future running costs for council houses. The HRA statements can be found on pages 80 to 81.

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

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

Balance as at 31 March 2007 £'000		Balance as at 31 March 2008 £'000
(10,386)	Capital Reserves	(14,331)
(1,891)	Departmental Carry Forwards	(982)
(6,455)	Insurance Reserves	(6,642)
(1,088)	Local Public Service Agreement (LPSA) Reserve	(818)
(702)	Local Authority Business Growth Incentive (LABGI) Reserve	(358)
(2,155)	Restructure Redundancy Reserve	(2,915)
(20,295)	Private Finance Initiative (PFI) Reserves	(26,048)
(1,739)	Brighton Centre Redevelopment Reserve	(2,039)
0	Single Status Contribution	(2,491)
(2,577)	Other Earmarked Reserves	(3,166)
(47,288)	**Total**	**(59,790)**

The main reserves are:

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

Insurance Reserves
£6.477m – 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.

£0.165m – 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 2007/08 of LPSA resources to meet performance targets agreed with the government, such as improving school attendance and improving street cleanliness.

Local Authority Business Growth Incentive (LABGI) Reserve
Generally business rates revenues received by a local authority are paid to central government, and then redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level.

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

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

Single Status Contribution
In 2007/08, the council has set aside a contribution towards meeting future potential costs relating to equal pay legislation. It is not possible to determine an accurate estimate of the liability.

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

38 Contingent Liabilities and Contingent Assets

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

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

As part of the Joint Waste PFI contract (along with East Sussex County Council), the council is party to the following indemnities that have been issued in relation to the proposed construction of the Energy from Waste facility at North Quay Newhaven. Details of these are listed below:

- The councils have indemnified South Downs Waste Services in the event that the company incurs costs arising from a suspension and / or termination of the principal construction contract, as a result of a successful application for a judicial review of the original planning permission decision being granted. Two applications were submitted to the High Court, both of which have been formerly dismissed. One of the applicants has submitted a notice of appeal to the Court of Appeal, even though the presiding judge at the High court did not give leave to appeal. The council's view is that they can successfully defend any appeal, therefore the indemnity will not be triggered and no financial liability will arise.
- The councils have indemnified Newhaven Roadstone Ltd and Aram Resources Ltd, the former leaseholders of the North Quay site, in respect of environmental pollution arising that had not been identified in a previous survey of the site in 2004. The councils' view is that it is unlikely any further additional environmental impact has occurred; therefore no financial liability will arise.
- The councils have indemnified BNP Paribas in respect of any environmental pollution arising from a site previously leased by Aram Resources at North Quay. The councils are not aware of any such pollution on site to date.

The council has a contingent liability in relation to insurance claims. It is not possible to identify with any accuracy which claims will become payments in the future and therefore the council is unable to set aside a provision. Each individual claim is allocated a reserve at the time the claim is first brought against the council in accordance with common practice within the insurance industry. Actual payments can differ from initial reserves due to a number of factors including, but not limited to, ability to successfully defend claims, the proportion of outstanding claims that become litigated, level of legal fees, the judge presiding over trials.

There were no contingent assets to disclose.

39 Authorisation of Accounts for Issue

These accounts were authorised for issue by the Director of Finance & Resources on 26 June 2008.

Nigel Manvell CPFA

Acting Section 151 Officer (on behalf of Director of Finance and Resources)

40 Events After the Balance Sheet Date

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

41 Trust Funds

The council acts as trustee for various Trust Funds. The balances on these accounts are excluded from the council's Balance Sheet. Further details of these accounts are found in the supplementary statements section on pages 93 to 94.

42 Local Management of Schools (LMS) Reserves

The schools included within the council's accounts held the following balances.

2006/07 Overall Balance £'000		2007/08 Unspent Balance £'000	2007/08 Overspent Balance £'000	2007/08 Overall Balance £'000
12	Nursery Schools	5	(6)	(1)
603	Primary Schools	1,495	(365)	1,130
2,349	Secondary Schools	1,797	0	1,797
(3)	Special Schools	81	(267)	(186)
2,961	**Total**	**3,378**	**(638)**	**2,740**

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.

43 Amounts Due to or from Related Parties

Brighton & Hove City Council's related party transactions have been covered in Note 16. This note shows the amounts that are due to or from these related parties, these amounts are also included within the Debtors and Creditors figures shown on the Balance Sheet.

31 March 2007 £'000		31 March 2008 £'000
11,069	Amounts due to Related Parties	13,246
(5,055)	Amounts due from Related Parties	(9,618)

Please note the amounts shown for 2006/07 have been restated due to the exclusion of the Housing Benefits Grant debtors' figures.

44 Pension Costs

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

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

The following transactions have been made in the Income and Expenditure Account during the year:

2006/07 £'000		2007/08 £'000
	Income and Expenditure Account	
	Net Cost of Services:	
19,737	- Current Service cost	18,879
102	- Past Service Cost	244
519	- Settlements and Curtailments	214
	Net Operating Expenditure:	
28,698	- Interest Cost	30,883
(28,830)	- Expected Return on Assets in the Scheme	(32,296)
20,226	**Net Charge to the Income and Expenditure Account**	**17,924**
	Statement of Total Movement in the General Fund:	
(21,218)	**- Reversal of net charges made for retirement benefits in accordance with FRS 17**	**(17,924)**
	Actual Amount Charged Against Council Tax for Pensions in the Year:	
19,624	**- Employer's Contributions Payable to the Scheme**	**20,721**

45 Assets and Liabilities in relation to Retirement Benefits

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

31 March 2007 £'000		31 March 2008 £'000
(584,913)	Estimated Liabilities in the Scheme	(524,852)
470,760	Estimated Assets in the Scheme	448,610
(114,153)	**Net Asset/(Liability)**	**(76,242)**

The liabilities show the underlying commitments that the council has in the long-run to pay retirement benefits. The total liability of £76.242m has an impact on the net worth of the council as recorded in the Balance Sheet, resulting in a positive overall balance of £1,579m. 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 pension fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main financial assumptions used in the calculations have been:

31 March 2007		31 March 2008
3.2%	Rate of Inflation	3.6%
4.7%	Rate of Increase in Salaries	5.1%
3.2%	Rate of Increase in Pensions	3.6%
25.0%	Take up of option to convert annual pension in retirement grant	50.0%
5.4%	Rate for Discounting Scheme Liabilities	6.9%

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

31 March 2007	£'000		31 March 2008	£'000
65.3%	307,834	Equity Investments	65.7%	294,838
12.8%	60,430	Bonds	13.6%	61,145
10.5%	49,441	Property	9.6%	43,055
11.4%	53,905	Cash	11.1%	49,572
100%	**471,610**		**100%**	**448,610**

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

31 March 2007		31 March 2008
7.8%	Equity Investments	7.7%
4.9%	Bonds	5.7%
5.8%	Property	5.7%
4.9%	Cash	4.8%

As at 31 March 2008 there were outstanding pensions creditors of £2.093m (2006/07 £1.923m).

Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2008.

	2007/08		2006/07		2005/06		2004/05		2003/04	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on assets	(49,302)	(11.0)	219	0	59,974	13.9	13,233	3.9	33,347	11.9
Differences between actuarial assumptions about liabilities and actual experience	(5,622)	(1.1)	14	0	23	0	(14,948)	(3.1)	(29,089)	(8.5)
Changes in the demographic and financial assumptions used to estimate liabilities	90,038	6.7	35,604	6.1	(66,773)	(11.5)	(78,947)	(16.5)	0	0
Actuarial Gain/(Loss)	**35,114**		**35,837**		**(6,776)**		**(80,662)**		**4,258**	

46 Teachers' Pension Scheme

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2007/08 the council paid £8.58m to the TPA in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2006/07 were £7.91m and 13.5%.

The scheme is a defined benefit scheme, administered by the Teachers' Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's 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.

47 Revenue Activities Net Cashflow

The table below shows the reconciliation of the net deficit/(surplus) on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement.

Year to 31 March 2007 £'000		Year to 31 March 2008 £'000
15,377	Deficit/(surplus) as per Income and Expenditure Account	30,555
(15,423)	Net additional amount required by statutory and non-statutory proper practices to be posted to the General Fund Balance	(30,555)
1,876	Deficit/(surplus) as per Collection Fund	196
5,261	Interest	8,635
	Add non-cash transactions:	
(38,031)	Depreciation Charge	(35,486)
20	Fixed Assets – Disposal Costs	88
6,216	Minimum Revenue Provision	7,133
(11,785)	Deferred Charges Written Down	(5,409)
2,496	Direct Revenue Funding	7,013
11,698	Government Grants Deferred Written Down	10,805
(983)	Deferred Consideration Written Down	(983)
(746)	Long-Term Debtors	(3,053)
1,156	Provisions	216
1,126	Landfill Usage Allowances	91
(962)	LATS Deferred Income	(256)
(4,019)	Shoreham Airport Borrowing	0
(4,895)	Capital Pooling Payments	(5,525)
(8,309)	Earmarked Reserves	(12,502)
(599)	Other Reserves	(310)
0	Financial Instruments Adjustment Account	2,645
0	Available-for-Sale Financial Instruments Reserve	(71)
(5,275)	Other Transactions	(20,918)
	Add items accrued in accounts:	
60	Increase/(decrease) in stocks	(163)
(18,776)	(Increase)/decrease in creditors	(17,312)
(365)	Increase/(decrease) in debtors	11,717
(64,882)	**Net Cash (Inflow)/Outflow from Revenue Activities**	**(53,449)**

48 Reconciliation of Movements in Cash to Net Debt

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

2006/07 £'000		2007/08 £'000
(163,134)	**Opening Net Debt**	**(139,467)**
(1,388)	(Decrease) / Increase in Cash in the period	795
(3,005)	Cash Inflow from increase in debt financing	(5,492)
28,060	Cash Outflow from decrease in liquid resources	21,037
23,667	**Movement in net debt in the period**	**16,340**
(139,467)	**Closing Net Debt**	**(123,127)**

Please note the 2006/07 (Decrease) / Increase in Cash in the period figure has been amended to reverse erroneous adjustments made in the accounts for 2006/07 in relation to the council's share of the Shoreham Airport General Reserves.

Analysis of Net Debt

An analysis of the net debt position is shown in the table below.

	Balance as at 1 April 2007 £'000	Cash Flow £'000	Balance as at 31 March 2008 £'000
Bank Overdraft	(2,794)	795	(1,999)
Short-Term Borrowing	(5,403)	2,973	(2,430)
Long-Term Borrowing	(228,938)	(8,409)	(237,347)
Short-Term Investments	96,894	21,037	117,931
Long-Term Investments	774	(56)	718
	(139,467)	**16,340**	**(123,127)**

Please note the Bank Overdraft opening balance figure has been amended to reverse erroneous adjustments made in the accounts for 2006/07 in relation to the council's share of the Shoreham Airport General Reserves.

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

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

	1 April 2007 £'000	Movement in Year £'000	31 March 2008 £'000
Short-Term Investments	96,894	21,037	117,931
	96,894	**21,037**	**117,931**

50 Liquid Resources

Liquid resources are current asset investments which are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise short-term

investments (i.e. deposits for a fixed period of less than one year other than cash) and investments made by the cash manager on behalf of the council (including book losses and reinvested income).

51 Cash Flow Statement

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

52 Analysis of Government Grants

	£'000		£'000
Communities and Local Government:		**Department for Innovation, Universities and**	
Choice Based Letting Grant	43	**Skills:**	
Homelessness Directorate Grant	861	Adult & Community Learning (LSC)	119
Housing Defects Subsidy	14	Copyright Theft Grant	9
Housing Revenue Account Subsidy	914	Family & Adult Learning (LSC)	618
LA Business Growth Incentive Scheme	29	Learner Support Grant (LSC)	23
Neighbourhood Renewal Fund	2,117	Lifelong Learning Partnership (LSC)	262
NNDR Receipt from Pool	84,853	**Department for Works and Pensions:**	
Planning Delivery Grant	425	EQUAL Grant	849
Revenue Support Grant	14,240	Grants for Benefits	144,830
Safer Stronger Communities Fund	1,640	HB/CT Admin Grant	3,088
Supporting People Admin Grant	218	Pathfinder Grant	424
Supporting People Grant	12,766	Supported Employment	453
The Private Finance Initiative	5,400	**European Social Fund:**	
Department for Children, Schools and		Capture (European Union)	69
Families:		**Food Standards Agency:**	
Children's Services Grant	978	Food Safety	9
Children's Fund Grant	797	**Government of the South East**:	
Connexions	2,100	Global Grants	8
Dedicated Schools' Grant	117,598	Healthy Schools LAA Partnership	68
Funding for 6th Form Students (LSC)	5,765	Local Enterprise Growth Initiative	104
General Sure Start Grant	5,092	New Deal for Communities	1,105
Parenting Pathfinder Grants	294	Positive Activities for Young People	100
Promoting Positive Activities Grant	21	Space for Sports & the Arts	8
Schools' Standards Grant	5,931	**Home Office:**	
Standards Fund Grant	15,650	Anti Social Behaviour Trailblazer	365
Teenage Pregnancy Grant	151	Asylum Seekers	2,052
Transport Partnership Grant (LSC)	78	Crime Concern Grant	45
Youth Opportunity Fund	120	Drug Intervention Programme	192
Department for Children, Schools and		Gateway Protection Programme	57
Families/Department for Innovation,		Strategic Fund - Drugs	7
Universities and Skills:		Young People's Substance Misuse	335
Parent Support Grant	17	**Office of National Statistics:**	
Respect Area Parenting Grant	95	Office of National Statistics	9
IS Index Grant	65	**Rural Payments Agency:**	
Department for Transport:		Milk Subsidy	25

Mixed Priority Routes	178	**South East England Development Agency:**	
Rural Bus Subsidy	27	Area Investment Framework	1,488
Sussex Safer Roads Partnership	89	Single Regeneration Budget	150
Department of Health:		Sussex Sustainable Energy Partnership	10
Access & Systems Capacity Grant	2,678	**Training & Development Agency:**	
Aids Support Grant	447	Teacher Training Association Grant	178
Budget Holding Lead Professionals Grant	243	Teacher Training Agency 'Golden Hello'	113
Carers' Grant	934	**Welfare Food Reimbursement Unit:**	
Delayed Transfers of Care Grant	497	Milk for Under 5s	38
Mental Capacity Act Grant	135	**Youth Justice Board:**	
Mental Health Grant	1,319	General Funding	291
Preserved Rights Grant	1,956	Youth Inclusion Programme	86
Preventative Technology Grant	144	**Other:**	
Smoke Free Legislation Fund	124	New Opportunities Fund Grant	368
Training Support Programme	751	Other Grants	60
		Total	**445,809**

LSC = Learning & Skills Council

53 Dedicated Schools' Grant

The Dedicated Schools' Grant (DSG) was introduced in 2006/07, offset by a corresponding reduction in the Revenue Support Grant.

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

Details of the deployment of the Dedicated Schools' Grant (DSG) receivable for 2007/08 are as follows:

	Schools Central £'000	Individual Schools Budget (ISB) £'000	Total £'000
Original Grant Allocation to Schools Budget for the Current Year in the Council's Budget	16,736	100,986	117,722
Adjustment to Finalised Grant Allocation	(124)	0	(124)
DSG Receivable for the Year	16,612	100,986	117,598
Other Budget Adjustments	(83)	83	0
Total Budget for DSG Areas	16,529	101,069	117,598
Actual Expenditure for the Year	(15,952)	(101,290)	(117,242)
(Over)/Underspend for the Year	577	(221)	356
Additional Council Contribution to Schools Budget	36	0	36
Transfer of ISB Overspend to School Balances	0	221	221
(Over)/Underspend from Prior Year	479	0	479
(Over)/Underspend Carried Forward to 2008/09	**1,092**	**0**	**1,092**

Please note the carry forward of Dedicated Schools' Grant is included with the Creditors figure shown on Note 56.

54 Financial Assets and Liabilities – Financial Instruments

Financial Instruments – Balances

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

	Long-Term		Current	
	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000
Financial liabilities at amortised cost	229,762	237,347	5,562	2,430
Total borrowings	**229,762**	**237,347**	**5,562**	**2,430**
Loans and receivables	0	0	76,919	95,896
Available-for-sale financial assets	0	0	20,920	22,035
Total investments	**0**	**0**	**97,839**	**117,931**

Please note the 31 March 2007 figures shown in the table above are amended to take the new accounting requirements into account and therefore are different from those shown on the Balance Sheet.

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

- a cash flow surplus in the year of £12.3m;
- borrowing in advance of need of £3.0m;
- borrowing to fund capital investment previously funded by other sources of £3.9m.

Financial Instruments – Gains/Losses

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

	Financial Liabilities	Financial Assets		Totals
	Measured at Amortised £'000	Loans and Receivables £'000	Available-for-Sale Assets £'000	£'000
Interest Expense	(11,266)	0	0	(11,266)
Losses on Derecognition	(344)	0	0	(344)
Interest Payable and Similar Charges	**(11,610)**	**0**	**0**	**(11,610)**
Interest Income	0	6,385	1,053	7,438
Gains on Derecognition	106	0	0	106
Interest and Investment Income	**106**	**6,385**	**1,053**	**7,544**
Gains on Revaluation	0	0	71	
Surplus Arising on Revaluation of Financial Assets	**0**	**0**	**71**	
Net Gain/(Loss) for the Year	**(11,504)**	**6,385**	**1,124**	

The council has appointed external cash managers to administer part of the council's investment portfolio. The manager invests in specialist markets such as gilts, certificates of deposit and other negotiable instruments. The gain on revaluation of £0.071m represents the price appreciation of investments not realised as at 31 March 2008.

Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

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

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

The fair values calculated are as follows:

	31 March 2007		31 March 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Borrowing	186,101	187,539	190,613	207,991
Market Borrowing	48,821	48,182	48,760	52,704
Other	402	402	404	404
Total Borrowing	235,324	236,123	239,777	261,099
Trade Creditors	57,127	57,127	75,467	75,467
Total Financial Liabilities	**292,451**	**293,250**	**315,244**	**336,566**

The fair value is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This position is even greater as at 31 March 2008 due to a change in the interest rate structure used by the PWLB for premature repayments.

	31 March 2007		31 March 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and Receivables	76,919	76,919	95,896	95,896
Available-for-Sale	20,920	20,920	22,035	22,035
Trade Debtors	38,195	38,195	52,157	52,157
Total Loans and Receivables	**136,034**	**136,034**	**170,088**	**170,088**

All investments are repayable within 12 months therefore the fair value is equal to the carrying amount.

Financial Instruments – Soft Loans

Councils will sometimes make loans at less than market rates, where a service objective would justify the council making a concession. Examples include loans to lower-tier councils and voluntary organisations (to facilitate the council's own responsibilities for service provision), to local businesses (to encourage economic development), or to employees (perhaps as part of a relocation package). The 2007 SORP requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time.

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

2006/07 £'000		2007/08 £'000
135	Mortgage Advances	105
146	Loans to Housing Associations	144
139	Service Charge Loans to Leaseholders – Right to Buy	260
420	**Total**	**509**

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

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

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

Overall procedures for managing risk

The council's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the council to manage risk in the following ways:

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

These are required to be reported and approved at or before the council's annual Council Tax setting budget meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is also reported annually to Members.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the council's experience of its customer collection levels over the last 5 financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2008 £'000 (a)	Historical Experience of Default (b)	Adjustment for Market Conditions 31 March 2008 (c)	Estimated Maximum Exposure to Default £'000 (a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	22,034	0.000%	0.000%	0
AA rated counterparties	28,374	0.000%	0.000%	0
A rated counterparties	67,523	0.007%	0.007%	5
Trade debtors	52,157	6.312%	6.312%	3,292
Total	**170,088**			**3,297**

The above analysis is based on the original principal lent and not the amortised or carrying amount.

The council's counterparty criteria were exceeded on one occasion during the financial year and the funds were returned without loss. Each occasion is reported separately to the council as part of the half-yearly and annual reviews. The council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The council does not allow credit for its trade debtors, all invoices raised are due within 30 days of issue. The council has set a bad debt provision of £3.292m in relation to its trade debtors, during 2007/08 the council wrote off bad debts totaling £1.654m

Collateral – during the reporting period the council held no collateral as security.

Liquidity Risk

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

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

Refinancing and Maturity Risk

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The council approved treasury and investment strategies to address the main risks and the treasury management team address the operational risks within the approved parameters. This includes:

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

The maturity analysis of financial liabilities is as follows:

	£'000
Less than one year	2,405
Between one and two years	0
Between two and five years	3,000
Between five and ten years	2,023
Between ten and fifteen years	17,855
More than fifteen years	215,034
	240,317

The maturity analysis of financial assets is as follows:

	£'000
Less than one year	116,624
	116,624

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

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

Market Risk

a) Interest Rate Risk

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

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

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

At 31 March 2008 the council had no borrowings or investments subject to variable interest rates. A 1% rise in interest rates would therefore have no impact on the interest expense debited, or interest income credited, to the Income and Expenditure Account. The impact of a 1% rise in interest rates on fair value would be a decrease of £40m for borrowings with no impact on investments (as all investments have a maturity period of less than 12 months).

A 1% fall in interest rates would have an opposite impact with an increase in fair value for borrowings of £54m.

b) Price Risk

The council does not invest in equity shares.

c) Foreign Exchange Risk

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

55 Debtors

31 March 2007 £'000		31 March 2008 £'000
	Trade Debtors	
508	Employees	225
1,102	Rents - Commercial	1,352
3,628	Rents – Housing	2,468
3,523	Payments in Advance	2,944
29,434	Other Trade Debtors	45,168
38,195		**52,157**
	Other Debtors	
6,285	Government Grants	5,285
8,636	Other Government Debtors	8,032
154	National Non Domestic Rates	115
23,542	Collection Fund	22,049
1,629	Other Debtors	1,267
40,246		**36,748**
78,441	**Total Debtors**	**88,905**
(25,687)	Provision for Doubtful Debt	(24,434)
52,754	**Total**	**64,471**

56 Creditors

31 March 2007 £'000		31 March 2008 £'000
	Trade Creditors	
(10,186)	Employees	(10,261)
(4,246)	Interest	(106)
(5,279)	Purchase of Fixed Assets	(5,580)
(7,005)	Receipts in Advance	(5,542)
(30,411)	Other Trade Creditors	(53,978)
(57,127)		**(75,467)**
	Other Creditors	
(785)	Government Grants	(3,788)
(4,265)	Other Government Creditors	(5,713)
(502)	National Non Domestic Rates	(274)
(7,175)	Collection Fund	(6,770)
(5,023)	Other Creditors	(177)
(17,750)		**(16,722)**
(74,877)	**Total**	**(92,189)**

Voluntary Disclosures

57 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 to which DPE surpluses may be put to.

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

2006/07 £'000		2007/08 £'000
(4,785)	On Street Parking Operation Surplus	(6,292)
	Utilised to Fund:	
6,398	Public Transport	8,857
2,566	Borrowing Costs for Transport Capital Expenditure	2,806
195	One-off Transport and Environmental Improvement Projects	0
9,159	**Total Qualifying Expenditure**	**11,663**

58 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.

2006/07 £'000		2007/08 £'000
21,747	**Balance as at 1 April**	**20,764**
(983)	Amounts Written Down to Revenue in Year	(983)
20,764	**Balance as at 31 March**	**19,781**

59 Long-Term Investments

The council has a long-term investment in the Sussex Innovation Centre (SINC). For the purposes of these accounts, long-term means more than 12 months. Each year the value of shareholding is written down to the capital adjustment account at the rate of £0.056m per year.

Please note the SINC is the only long-term investment the council has. The SINC has undergone a restructure in its shareholding and as a result the council will relinquish its shares in 2008/09.

2006/07 £'000		2007/08 £'000
830	**Value of Share holding at 1 April**	**774**
(56)	Write down of shares	(56)
774	**Value of Shareholding at 31 March**	**718**

For further information on the Sussex Innovation Centre, please see Note 34.

60 Long-Term Debtors

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

31 March 2007 £'000		31 March 2008 £'000
111	Mortgages – Sold Council Properties	93
24	Mortgages – Other	12
46	Improvement Loans	45
146	Housing Association Loans	144
119	Car Loans	78
142	Deferred Debtors	261
3,098	Debt Premiums (more than one year)	0
3,686	**Total**	**633**

Debt Premiums represent the cost to the council of refinancing its debt portfolio. Following the introduction of FRS 25, 26 and 29, the cost of refinancing the debt portfolio is accounted for in the new Financial Instruments Adjustment Account (FIAA). For further information about the FIAA and the new FRSs, please refer to the Explanatory Foreword.

61 Stocks and Work in Progress

The value of stocks held by the council as at 31 March, are shown in the table below. Please note the council has no Work in Progress to include in this note.

31 March 2007 £'000		31 March 2008 £'000
961	Stocks	798
961	**Total**	**798**

62 Landfill Allowance Trading Scheme (LATS)

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradable landfill allowances to waste disposal authorities to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The council's allocation for 2007/08 was 58,643 tonnes, valued at £0.293m based on trading activities between councils. An estimated 47,393 tonnes were actually landfilled (£0.237m), leaving 11,250 (£0.056m) surplus allowances carried forward in an earmarked reserve to be used in future years. Authorities which landfill more than their permitted allowance can either purchase additional allowances from other waste disposal authorities or pay to the government a financial penalty of £150 per tonne.

The council has also been required to revalue its surplus of 2006/07 permits, which has reduced the value of the earmarked reserve by £0.221m. This reserve is included within the "Other Earmarked Reserves" line on Note 37.

63 Government Grants Deferred

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

64 Deferred Credits

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

Balance as at 31 March 2007 £'000		Balance as at 31 March 2008 £'000
(146)	General Fund	(146)
(111)	Housing Revenue Account	(93)
(257)	**Total**	**(239)**

65 Usable Capital Receipts Reserve

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

A Capital Receipts

2006/07 £'000		2007/08 £'000
(47)	Balance at 1 April	(1,908)
(12,215)	Capital Receipts in Year	(9,589)
(12,262)		**(11,497)**
5,145	Pooled Receipts	5,525
179	Applied to Fund Expenses	52
5,030	Applied to Fund Capital Expenditure	3,269
(1,908)	**Sub-total as at 31 March**	**(2,651)**

B Capital Grants/Contributions

Grants and contributions received towards Capital Projects

(4,669)	Balance as at 1 April	(9,603)
(18,395)	Capital Grants and External Contributions Received	(12,094)
0	Contributions from Earmarked Reserves	0
(23,064)		**(21,697)**
18,121	Applied to Fund Capital Expenditure	13,396
(4,787)	Grants Funding Non Operational Assets	33
127	Developer Contributions Released to Revenue	165
(9,603)	**Sub-total as at 31 March**	**(8,103)**
(11,511)	**Balance as at 31 March**	**(10,754)**

66 New Deal for Communities and Area Investment Framework

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

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

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

67 Minimum Revenue Provision

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

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

For 2007/08 the amount set aside from revenue is £7.133m (2006/07 £6.216m)

2006/07 £'000		2007/08 £'000
4,891	General Fund – 'supported debt' i.e. 4% of notional debt relating to capital investment	5,741
1,325	General Fund – 'unsupported debt' i.e. repayment over life of asset	1,392
6,216	**Total Amount Set Aside from Revenue**	**7,133**
11,931	Amount Charged by way of Depreciation and Government Grants Written Down excluding HRA	16,243
(5,715)	Adjustment to Income and Expenditure Account	(9,110)
6,216	**Minimum Revenue Provision**	**7,133**

Brighton & Hove City Council

Single Entity Supplementary Statements

2007/08

Housing Revenue Account Income and Expenditure Account and Notes

Year Ended 31 March 2007 £'000		Year Ended 31 March 2008 £'000
	Income	
	Gross Rental Income	
(36,832)	Dwellings Rents	(38,903)
(1,111)	Non-dwelling Rents	(1,256)
(3,524)	Charges for Services and Facilities	(3,441)
(2,146)	HRA Subsidy Receivable (including Major Repairs Allowance – MRA)	(952)
(31)	Contributions Towards Expenditure	(14)
(43,644)	**Total Income**	**(44,566)**
	Expenditure	
	Repairs, Maintenance and Management	
12,189	Repairs and Maintenance	11,157
12,723	Supervision and Management	12,691
194	Rents, Rates, Taxes and Other Charges	176
262	Provision for Bad or Doubtful Debts	399
190	Deferred Charges	0
	Depreciation of Fixed Assets	
14,239	On Dwellings	11,596
206	On Other Assets	142
46	Debt Management Expenses	58
0	Impairment	1,357
40,049	**Total Expenditure**	**37,576**
(3,595)	**Net Cost of HRA Service Per Authority Income and Expenditure Account**	**(6,990)**
222	HRA Share of Corporate and Democratic Core	220
(3,373)	**Net Cost of HRA Service**	**(6,770)**
1,360	(Gains) / Losses on Sale of HRA Fixed Assets	52
4,256	Interest Payable and similar charges	4,335
700	Amortised Premiums and Discounts	0
(11)	Interest and Investment Income	(184)
(6)	Pensions interest costs/expected return on pension assets	(63)
2,926	**(Surplus) / Deficit for the year on the HRA Service**	**(2,630)**

Statement of Movement on the HRA Balance

2006/07 £'000		2007/08 £'000
2,926	(Surplus) / deficit for the year on the HRA Income and Expenditure Account	(2,630)
(4,477)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year.	1,191
(1,551)	**(Increase) / decrease in the Housing Revenue Account Balance**	**(1,439)**
(2,660)	Housing Revenue Account Surplus brought forward	(4,211)
(4,211)	**Housing Revenue Account Surplus carried forward**	**(5,650)**

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

2006/07 £'000		2007/08 £'000
	Items Included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	
0	Impairment of fixed assets	(1,357)
(190)	Deferred Charges	0
43	Government Grants Deferred Write Down	43
(1,360)	Gains / Losses on disposal of fixed assets	(52)
(185)	Net charges for retirement benefits in accordance with FRS 17	51
0	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0
0	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(1,007)
(1,692)		**(2,322)**
	Items not Included in the HRA Income and Expenditure Account but included from the movement on HRA Balance for the year	
(5,473)	Transfer to Major Repairs Reserve	(2,643)
0	Transfer to Earmarked Reserves	60
2,688	Capital Expenditure Funded by HRA	4,440
0	Net additional amount required by statute to be debited or credited to the HRA balance for the year	0
0	An exceptional adjusting transaction required by the implementation of the new accounting policies for Financial Instruments	1,656
(2,785)		**3,513**
(4,477)	**Net Additional amount required by statute to be debited or credited to the HRA Balance for the year**	**1,191**

Notes to the Housing Revenue Account (HRA)

The Housing Revenue Account records revenue income and expenditure relating to the council's own housing stock. This includes the cost of managing and repairing the dwellings and capital charges as well as rental income from tenants and the HRA subsidy from central government. The account is "ring-fenced" as there are statutory controls over the transfers which can be made between the HRA and the council's General Fund.

1 Housing Stock

The council was responsible for managing 12,322 dwellings at 31 March 2008. The stock was made up as follows:

	Bedsit	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Flats	826	3,568	3,115	269	6	7,784
Houses	0	12	1,578	2,431	261	4,282
Bungalows	0	199	34	22	1	256
Total	**826**	**3,779**	**4,727**	**2,722**	**268**	**12,322**

The change in stock can be summarised as follows:

2006/07		2007/08
12,494	**Stock at 1 April**	**12,385**
(68)	Sales	(63)
(37)	Other	0
(4)	Acquisitions/Conversions	0
12,385	**Stock at 31 March**	**12,322**

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

Closing Balance 31 March 2007 £'000	Asset Classification	Closing Balance 31 March 2008 £'000
	Operational Assets	
822,326	Housing Stock	843,161
7,658	Other Land and Buildings	9,529
602	Vehicles, Plant, Furniture and Equipment	626
0	Community Assets	0
	Non-Operational Assets	
5,250	Investment Properties	5,449
835,836	**Total**	**858,765**

The council's housing stock, garages and car parking spaces were revalued by Wilks, Head & Eve as at 1 April 2007. The opening balance on council dwellings as at 1 April 2007 was increased by £13m (up to £835.3m). Other land and buildings were increased by £0.9m for garages and by £0.5m for car parking spaces (up to £9.5m)

The vacant possession value for the dwellings in the HRA as at 1 April 2007 was £1,719.4m as valued by the valuer Wilks, Head & Eve, compared with the value of £835.3m for its existing use as social housing. The difference of £884.1m represents the cost to the government of providing council housing at less than open market rents.

2 Major Repairs Reserve

The transactions on the Major Repairs Reserve in 2007/08 were as follows:

	£'000
Balance as at 1 April 2007	**0**
Depreciation on Housing Stock	(11,596)
Depreciation on Other HRA Property	(142)
Total	**(11,738)**
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	9,095
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	2,501
Appropriation to the HRA (Depreciation on Other HRA Property)	142
Balance as at 31 March 2008	**0**

3 Housing Repairs Account

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

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

4 HRA Capital Expenditure and Financing

The following table summarises the capital expenditure incurred in 2007/08 and how it was financed:

2006/07 Total £'000		Land, Housing and Other Property £'000	ICT Equipment £'000	2007/08 Total £'000
10,993	Capital Expenditure	10,726	41	10,767
10,993	**Total Capital Expenditure**	**10,726**	**41**	**10,767**
	Funded by:			
1,230	Supported Capital Expenditure (Revenue)	1,189	41	1,230
8,972	Major Repairs Allowance/Reserve	9,095	0	9,095
791	Direct Revenue Funding	442	0	442
10,993	**Total Funding**	**10,726**	**41**	**10,767**

Summary of total capital receipts from disposals:

2006/07 £'000		2007/08 £'000
6,562	Right to Buy Sales of Houses and Flats	7,223
0	Sale of Land and Other Property	0
34	Mortgages Repayments	18
6,596	**Total**	**7,241**

5 Depreciation Charges for Operational Assets

The HRA is charged with depreciation to reflect the consumption of HRA assets over their useful life (Housing Stock £11.596m; other property £0.142m). Of the charge of £11.596m relating to housing stock, £9.095m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the council by the government. The balance of £2.501m is appropriated to the Major Repairs Reserve, and is a notional figure which has no impact on tenants' rents. The charge of £0.142m relating to other property is also appropriated to the Major Repairs Reserve.

2006/07 £'000		2007/08 £'000
	Operational Assets	
14,239	Council Dwellings	11,596
187	Other Land and Buildings	123
19	Vehicles, Plant, Furniture and Equipment	19
14,445	**Total Depreciation**	**11,738**

6 Impairment

During 2007/08, there were two elements of impairment relating to the Housing Revenue Account (HRA). The first relates to the valuer's assessment that there should be a reduction in value for a number of council dwellings due to an assessment of relative archetype values in one area of the city. This resulted in impairment of £1.282m. The second element, £0.047m, relates to a reduction in the capital value of a commercial property owned by the HRA. There is a reduction in the value of Other Land & Buildings of £0.208m relating to the deterioration of an asset in this category. The total amount charged to the HRA Income and Expenditure Account is £1.357m, but to avoid having an impact on rent levels, this is reversed out in the Statement of Movement on the HRA Balance as no consumption of economic benefits has occurred.

	2007/08 £'000
Reduction in value of some Council Dwellings	1,282
Reduction in value of Investment Property	47
Consumption of economic benefits of Other Land Buildings	28
Total	**1,357**

7 Deferred Charges

Deferred charges represent a transfer of resources from capital to revenue. This is to fund capital expenditure that does not create or enhance the life or value of a fixed asset. The HRA has no deferred charges in 2007/08.

8 HRA Subsidy Payable

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

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

HRA subsidy payable to the council for the year ended 31 March 2008 is as follows:

2006/07 £'000	HRA Subsidy Elements	2007/08 £'000
	Housing Element	
	Income	
(35,907)	Rental Income (Notional)	(37,773)
0	Rental Constraint Allowance	159
(12)	Interest on Receipts	(7)
(35,919)	**Total Income**	**(37,621)**
	Expenditure	
21,858	Repairs, Maintenance and Management (Notional)	22,309
8,972	Major Repairs Allowance	9,095
7,229	Charges for Capital	7,169
38,059	**Total Expenditure**	**38,573**

2006/07 £'000	Summary	2007/08 £'000
(35,919)	Housing Element Income	(37,621)
38,059	Housing Element Expenditure	38,573
2,140	**Total HRA Subsidy Due**	**952**
6	Subsidy Adjustment relating to 2005/06	0
2,146	**Subsidy Outturn**	**952**

9 HRA Share of Contributions to Pensions Reserve

In accordance with Financial Reporting Standards (FRS) 17 the HRA Income and Expenditure Account includes £51,000, for its share of the contribution to the pensions reserve. The costs calculated by the pensions actuary include Current Service Cost, Interest on Pension Liability, and Expected Return on Assets. The HRA share is calculated by apportioning costs based on employer's contributions charged to the HRA for the year. In accordance with proper accounting practice, the contribution is then removed by crediting the Statement of Movement on the HRA Balance to ensure the HRA is only charged with pension fund contributions payable for the year.

10 Rent Arrears

At 31 March 2008, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £2,062,421 (2007 £2,482,235). This represents a reduction in arrears as a proportion of gross rental income from 6.66% to 5.23%.

The provision for uncollectable debts is as follows:

2006/07 £'000		2007/08 £'000
1,780	**Provision as at 1 April**	1,850
262	Change in Provision charged to the HRA	399
(192)	Rent Arrears and other bad debts written off	(700)
1,850	**Provision for Bad Debts as at 31 March**	**1,549**

Collection Fund Account and Notes

Year Ended 31 March 2007 £'000	£'000		Year Ended 31 March 2008 £'000	£'000
		Collection Fund		
		Income		
(141,316)		Income from Council Tax	(149,101)	
19,780		Benefits	20,249	
100		Write back of prepayments	35	
8,244		Allowances	9,194	
13,597		Discounts	14,017	
317		Voids/Bankruptcies	275	
	(99,278)			(105,331)
		Transfers from General Fund		
(19,780)		- Council Tax Benefits	(20,249)	
(70)		- Discretionary Rate Relief	(78)	
	(19,850)			(20,327)
(88,467)		Income Collectable from Business Rates	(89,043)	
12,002		Allowances	7,640	
(45)		Movement on Provisions	250	
62		Interest on Refunds	166	
	(76,448)			(80,987)
		Contribution towards Previous Year's Collection Fund Deficit		
	0	- Brighton & Hove City Council		(905)
0		- Sussex Police Authority	(96)	
0		- East Sussex Fire Authority	(58)	
	0			(154)
	(195,576)	**Total Income**		**(207,704)**

Year Ended 31 March 2007			Year Ended 31 March 2008	
£'000	£'000		£'000	£'000
		Collection Fund		
		Expenditure		
		Precepts and Demands		
101,960		- Brighton & Hove City Council	106,644	
6,558		- East Sussex Fire Authority	6,863	
10,803		- Sussex Police Authority	11,423	
	119,321			124,930
		Business Rate		
76,089		- Payment to National Pool	80,641	
428		- Costs of Collection	423	
	76,517			81,064
		Bad/Doubtful Debts		
381		- Write Offs	3,094	
648		- Provision for Uncollectable Amounts	(1,188)	
	1,029			1,906
		Contribution towards Previous Year's Collection Fund Surplus		
	500	- Brighton & Hove City Council		0
53		- Sussex Police Authority	0	
32		- East Sussex Fire Authority	0	
	85			0
	197,452	**Total Expenditure**		**207,900**
	1,876	**Movement on Fund Balance**		**196**
	(468)	Balance 1 April (Surplus) / Deficit		1,408
	1,876	Movement on Fund Balance		196
	1,408	**Balance 31 March (Surplus)/Deficit**		**1,604**

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

Notes to the Collection Fund Account

1 Collection Fund

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

2 Council Tax

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

The council's tax base was calculated as follows:

Band	Estimated no. of Chargeable Dwellings	Estimated no. of Chargeable Dwellings after Discounts	Band Ratio	Band D Equivalent Dwellings
Band A*	9	7.75	5/9	4.31
Band A	24,161	20,485.75	6/9	13,657.17
Band B	26,172	23,002.40	7/9	17,890.76
Band C	31,102	28,207.00	8/9	25,072.89
Band D	18,044	16,641.65	9/9	16,641.65
Band E	10,379	9,665.00	11/9	11,812.78
Band F	4,233	3,981.20	13/9	5,750.62
Band G	2,499	2,364.90	15/9	3,941.50
Band H	133	120.40	18/9	240.80
				95,012.48
Less provision for losses in collection				(1,894.58)
Tax Base For 2007/08				**93,117.90**
Tax Base For 2006/07				**93,336.30**

*Entitled to disabled relief reduction

The estimated gross council tax yield for 2007/08 of £127.472m was based on Band D equivalent dwellings of 95,012.48 multiplied by the average Band D council tax charge of £1,341.63. The actual gross council tax yield of £125.580m is equivalent to a reduction of 1,410 Band D dwellings. The estimated and actual tax base figures will vary due to a number of factors, these include the effects of banding appeals, new properties and entitlements to exemptions and discounts. The main reasons for the reduction this year are successful banding appeals and an unanticipated rise in the number of properties with student exemptions.

3 National Non-Domestic Rates (NNDR)

The council is responsible for collecting national non-domestic rates (NNDR) in Brighton & Hove. The NNDR is charged on the basis of the rateable value for business premises multiplied by a national non-domestic multiplier. The total non-domestic rateable value at 31 March 2008 was £219.046m. The non-domestic multiplier for 2007/08 was 44.4p and the small business non-domestic multiplier was 44.1p. The NNDR charge, less transitional relief, empty property relief, charity relief and successful appeals against the rateable value, is paid into a national pool for redistribution by central government. The amount payable to the national pool for 2007/08 is £81.064m.

4 Precepting Authorities

The major authorities precepting on the Collection Fund in 2007/08 and their respective amounts were:

2006/07 £		2007/08 £
101,960,743	Brighton & Hove City Council	106,644,327
10,802,743	Sussex Police Authority	11,422,773
6,557,808	East Sussex Fire Authority	6,862,789

The Brighton & Hove City Council precept includes £27,000 for Rottingdean Parish Council (£23,500 in 2006/07).

5 Contributions to Collection Fund Surpluses and Deficits

The deficit of £1.604m on the Collection Fund as at 31 March 2008 will be distributed in subsequent financial years to Sussex Police Authority, East Sussex Fire Authority and the council in proportion to the value of the respective precept on the Collection Fund.

6 Bad and Doubtful Debts

The council tax bad debt provision at 31 March 2008 is £9.528m and has been calculated using an aged debt analysis of the arrears outstanding. The level of write offs in 2007/08 was £3.094m.

Learning Disability Services Memorandum Account

The council, as lead commissioner, has entered into a pooled budget with Brighton & Hove City Primary Care Trust. Under the arrangement, funds are pooled under Section 75 of the Health Act 2006 for Learning Disability Services, and a memorandum note to the accounts provides details of the joint income and expenditure.

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

2006/07 £'000		2007/08 £'000
	Gross Funding:	
5,979	Brighton & Hove City Primary Care Trust	6,134
21,840	Brighton & Hove City Council	21,491
27,819		**27,625**
	Net Expenditure:	
515	Sussex Partnership NHS Trust	583
27,304	Social Care (Brighton & Hove City Council)	27,042
27,819		**27,625**
0	**(Surplus)/Deficit**	**0**

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

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

Under the arrangement funds are pooled under Section 75 of the Health Act 2006 for children and young people's services, and a memorandum note to the accounts provides details of the joint income and expenditure.

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

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

Trust Fund Accounts and Notes

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

Capital Market Value (Note 8) £'000	Net Current Assets (Note 9) £'000	Trust Fund	Revenue Balance 1 April 2007 £'000	2007/08 Expenditure £'000	2007/08 Income £'000	Revenue Balance 31 March 2008 £'000
		Brighton Fund (Note 1)				
962	102	Gifts to the aged poor	(32)	36	(39)	(35)
		Gorham's Gift (Note 2)				
559	(3)	Distribution and expenses	22	35	(42)	15
1,250	0	Land and Buildings	0	0	0	0
		Hedgecock Bequest (Note 3)				
605	95	Grants to Charity	(6)	20	(26)	(12)
		Oliver & Johanna Brown (Note 4)				
260	57	Education	(43)	10	(12)	(45)
		Other Trusts				
256	97	Education (Note 5)	(90)	9	(14)	(95)
52	43	Music Trust (Note 6)	(44)	29	(28)	(43)
138	158	Various	(124)	5	(15)	(134)
92	408	**Friends of the Royal Pavilion (Note 7)**	(401)	65	(72)	(408)
4,174	**957**	**Total**	**(718)**	**209**	**(248)**	**(757)**

Notes to the Trust Funds

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

2 The Gorham's Gift Trust was set up by a wealthy landowner to help maintain the village of Telscombe and the neighbouring area. The opening revenue balance has been restated due to a late adjustment of £8,000 relating to cash held by the managing agents, debtors outstanding and creditors due. Land and buildings for Gorham's Gift are shown at the market valuation as at 25 February 2003.

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

4 The Oliver and Johannah Brown Fund awards grants to residents of Brighton & Hove under the age of 25

who require financial assistance to pursue a recognised course of study where no other form of grant is available. The fund can also assist with materials, clothes and equipment and other costs for those about to enter into an apprenticeship.

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

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

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

8 Capital Market Value shows the valuation of Charities' Official Investment Fund (COIF) shares and other investments at the Mid Point Market Prices as at 31 March 2008.

9 Net Current Assets equals cash plus investments in the council.

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

Glossary of Terms

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

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

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

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

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

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

Capital Adjustment Account
This account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system

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

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

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

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

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

Contingent Liability
A contingent liability is either:
- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the 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.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

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

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

Deferred Charges
Expenditure which may properly be deferred (i.e. charged to capital and financed over a number of years), but which does not result in, or remain matched with, assets controlled by the council.

Deferred Credits
Amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sold council dwellings and loans to housing associations.

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

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

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

Events After The Balance Sheet Date
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the accounts are authorised for issue.

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

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

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

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

Financial Instrument Adjustment Account
The account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

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

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

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

Government Grants Deferred
Grants that have been used to purchase fixed assets.

Group Accounts
Group Accounts are a separate set of accounts that include a Group Income and 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 over which the authority has a measure of control.

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

Housing Revenue Account (HRA)
A ring-fenced account within the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the council.

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

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

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

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

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

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

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

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

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

Local Authority Business Growth Incentive (LABGI) Reserve
Generally business rates revenues received by a local authority are paid to central government, and then redistributed to local authorities by formula. LABGI provides an incentive for local authorities to promote economic growth by allowing them to be rewarded for an increase in non-domestic rateable value above a certain level.

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

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

Minimum Revenue Provision (MRP)
Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the council.

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

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

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

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

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

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

Pensions Reserve
An adjustment account that manages the effects of Financial Reporting Standard (FRS) 17 "Retirement Benefits" charges made to the Income and Expenditure Account against the statutory requirements for meeting the cost of retirement benefits from local taxes, as well as absorbing the impact of actuarial gains and losses. It normally balances exactly the pensions liability carried in the top half of the Balance Sheet.

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

Pooled Budgets
These are formal arrangements, under Section 75 of the Health Act 2006, between local authorities and National Health Service (NHS) bodies, to share the costs of various services which overlap the responsibilities of the various authorities. One authority hosts the entire activity for the partnership, and the others contribute towards the total costs on an agreed basis.

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

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

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

Public Works Loan Board (PWLB)
A central government agency which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

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

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

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

Revaluation Reserve
Records unrealised revaluation gains arising from holding fixed assets.

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.

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

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

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

Surplus Assets Held for Disposal
Assets held for resale or redevelopment.

Tangible Fixed Assets
Please see Non-Operational and Operational Assets above.

Temporary Borrowing
Money borrowed for a period of less than one year.

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

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

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

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

Brighton & Hove
City Council

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

Perkthim? Zgjidhni kete kuti dhe cojeni ne cilendo zyre keshilli.	Albanian ❑
ترجمة؟ ضع علامة في المربع وخذها إلى مكتب البلدية.	Arabic ❑
অনুবাদ? বক্সে টিক চিহ্ন দিয়ে কাউন্সিল অফিসে নিয়ে যান।	Bengali ❑
需要翻译？请勾选此框并送至任何理事会的办公室。	Chinese ❑
ترجمه؟ چهارگوشه را نشانه گذاری کرده و به یکی از انجمن های مشاوره رجوع کنید.	Farsi ❑
Traduction? Veuillez cocher la case et apporter au Council.	French ❑
Tradução? Coloque um visto na quadrícula e leve a uma qualquer repartição de poder local (Council Office).	Portuguese ❑
Tercümesi için kareyi işaretleyiniz ve bir semt belediye bürosuna veriniz	Turkish ❑
	other (please state) ❑

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