



# Statement of Accounts | 2003/04

Brighton & Hove City Council





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# Certification by Chair

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I confirm that these accounts were approved by the Policy & Resources Committee at a meeting held on 21st July 2004.

Signed on behalf  
of Brighton & Hove City Council

**Ken Bodfish** Chair

Date 21.07.04



# Introduction

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

The Council faces a period of extreme financial restraint over the next few years as the effects of the government's reduced grant settlement are felt. The Council can only expect to receive the minimum increases in government grant at a time when expenditure on our core services continues to rise as a result of both cost and demand pressures. It is important in this context for the Council to make the best use of its resources and the Audit Commission who are responsible for external audit and inspection of the Council have judged that we are performing well in this area as part of their Comprehensive Performance Assessment.

To help meet the challenge of delivering good local services more effectively the Council has put in place a Corporate Plan with four key priorities:

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

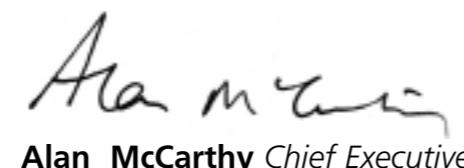
The Corporate Plan is linked to a Medium Term Financial Strategy that provides the financial framework to deliver this plan and an annual performance plan that focuses on ensuring continuous improvement in our services. You can find out more about these key documents on the Council's web-site [www.brighton-hove.gov.uk](http://www.brighton-hove.gov.uk).

The years ahead will be exciting for all who live and work in or visit the city as the Council steers a number of major projects through development in support of these

priorities. These include the exciting Brighton Station site, where work is now beginning, to bring back to life a 13 acre site in the heart of the city that has been derelict for more than three decades. There will be commercial retail, business units, premises for language schools, housing and community facilities. The proposed international arena at Black Rock that will cater for ice sports and other major events has been wholeheartedly welcomed by the community and will provide high numbers of employment opportunities. The plan to develop a new Brighton Centre, which will secure the conference business of the city for years to come, is another challenge we look forward to.

The Council also continues to focus on improving the quality of its core services in these priority areas. The new central library at Jubilee Street will be opened early 2005 and the designs for the new King Alfred will provide a state of the art sports and leisure centre in a prime Hove location. Challenging targets are in place to improve the effectiveness of street cleansing operations and increase recycling. The establishment of a Children's Trust with our partners in health and the voluntary sector is key to delivering integrated services to children, young people and their families. Later in the year the Council will be agreeing proposed options for the future ownership and management of its housing stock to help ensure council houses meet the Decent Homes Standard set by the Government.

This ongoing work is focussed in pursuit of the Council's priorities to ensure that Brighton & Hove continues to prosper in this financially challenging time.

  
Alan McCarthy Chief Executive

# Statement on Internal Control

## 1 Scope of Responsibility

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

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

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

## 2 The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore

only provide reasonable and not absolute assurance of effectiveness. A key part of the system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. Through this process, the Council evaluates the likelihood of those risks being realised and the impact should they be realised and manages them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31st March 2004 and up to the date of approval of the annual Statement of Accounts.

## 3 The Internal Control Environment

The key elements of the internal control environment within Brighton & Hove City Council are:

### 3.1 Objectives

A Corporate Plan was in existence during the year and was updated and approved in March for the period 2004-2007. This sets out the Council's corporate priorities and deliverables in all key service areas.

Progress towards the achievement of the priorities will be monitored through the Council's Performance Framework that includes the key milestones set in the Delivery Plan, comprising the Corporate Plan, Medium Term Financial Strategy and Performance Plan. The corporate priorities and improvement targets are contained within the Departmental Development Plans, Team Plans and reflected in the Performance & Development Scheme for staff.



### 3.2 Policy and Decision Making

The Council has a Constitution, which facilitates policy and decision-making by setting a framework of operation. It is reviewed and updated at least annually by the Monitoring Officer.

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

There is an extensive scheme of delegation to officers, who are bound by Council policy, budget limits and legal requirements in taking decisions.

### 3.3 Compliance

The Constitution sets out how members and officers work to ensure compliance with established policies, procedures, laws and regulations.

The Council agreed a Risk Management Strategy in June 2000. Throughout 2003/04, the Risk Manager continued to refine the risk management arrangements including further embedding into business planning and performance management.

### 3.4 Economical, Effective and Efficient Use of Resources for Securing Continuous Improvement

During 2003/04 the Council received a score of four out of four for the use of resources under the Comprehensive Performance Assessment (CPA) scheme. The Council made continuous improvement to its budget management, monitoring, control and reporting process during the year to ensure that financial resources were being used to their best advantage.

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

### 3.5 Financial Management

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

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

Internal audit is undertaken in accordance with the Code of Practice for Internal Audit in Local Authorities. The Council's external auditors, who report to the Council through their annual audit letter, have recognised the quality and reliability of internal audit work.

### 3.6 Performance Management

The Council's Performance Team produces quarterly and monthly performance reports for management and the political leadership. This is in accordance with 'Performance Matters' introduced in June 2002 to provide Members and Officers with improved performance data for policy and scrutiny roles.

## 4 Review of Effectiveness

Brighton & Hove City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control was informed by the work of Internal Audit, the annual review of corporate governance arrangements and by managers within the Council who have responsibility for the development and maintenance of internal control framework. It was also informed by comments made by the external auditors and other review agencies and inspectorates.

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

### 5 Significant Internal Control Issues

#### Areas of Non-Compliance:

Whilst there are no significant areas of non-compliance in 2003/04, the Council took or proposed to take a number of actions to further improve its system of internal control, as follows:

### Actions Taken

- Introduction of Targeted Budget Management (TBM) system of budgetary control and monitoring, focussing attention on identified critical budget areas;
- Introduction of prudential code for loans, investments, borrowing and associate indicators;
- Introduction of a Medium Term Financial Strategy to support the delivery of the Council's Corporate Plan.

### Actions Proposed

- Update Financial Regulations, Standing Orders and other Codes of Practice to further improve the control framework;
- Review role of the Overview and Scrutiny Organisation Committee;
- Revise the Code of Conduct for Officers in accordance with the expected National Code;
- Update the Risk Management Strategy, in particular its coverage.

**David Panter**  
Chief Executive

**Ken Bodfish**  
Leader of Brighton & Hove City Council



# Auditor's Report to Brighton & Hove City Council

## Audit of Accounts 2003/04

We have audited the statement of accounts on pages 3 to 60 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 10.

This report is made solely to Brighton & Hove City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

## Respective Responsibilities of the Chief Finance Officer and Auditors

As described on page 6, the Chief Finance Officer (Director of Finance and Property) is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

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

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

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

## Basis of opinion

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

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

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

## Opinion on the Council's accounts

In our opinion the statement of accounts presents fairly the financial position of Brighton & Hove City Council as at 31st March 2004 and its income and expenditure for the year then ended.

## Certificate

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

**Darren Wells** District Auditor

North Wing, Southern House  
Sparrowgrove, Otterbourne  
Winchester, Hants, SO21 2RU



# Explanatory Foreword

The financial performance for 2003/04 for the activities undertaken by the Council is set out in the Financial Statements on pages 3 to 60 and consists of the following:

## **Statement of Responsibilities**

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

## **Statement of Accounting Policies**

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

## **Consolidated Revenue Account**

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

## **Housing Revenue Account Operating Account**

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

## **Consolidated Balance Sheet**

which sets out the financial position of the Council as at 31st March 2004.

## **Statement of Total Movements in Reserves**

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

## **Trust Funds**

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

## **Collection Fund Account**

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

## **Cash Flow Statement**

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

## Revenue Summary

Financing the Budget	Estimate	Actual	Variance
	£'000	£'000	£'000
Expenditure on Services	270,843	271,417*	574
Funded By:			
Revenue Support Grant	(108,161)	(108,161)	0
Redistributed NNDR	(75,146)	(75,146)	0
Redistribution of Collection Fund surplus	(767)	(767)	0
Council Tax	(86,769)	(86,769)	0
Use of / (contribution to) reserves	0	574	574

\*Excludes £20,000 relating to Rottingdean Parish Council Precept.

The table below summarises the variations by department. (Figures in brackets denote underspendings or income in excess of the Budget).

Departmental Variations	Variance
	£'000
Housing & City Support	19
Children, Families & Schools	2,313
Corporate Services	(805)
Environment	89
Communications & Democratic Services	(91)
Centrally Managed Budgets	(1,351)
Total Overspend	174
Additional Allocation to Section 31 Partnership	400
General Fund Deficit	574

The Council's net revenue budget for 2003/04 was set at £270.843 million. The net General Fund expenditure for 2003/04 was £271.417 million resulting in a deficit on the Consolidated Revenue Account of £0.574 million.

Details of the Council's Expenditure and Income are shown in the Consolidated Revenue Account on pages 11 and 12.



## Capital Summary

Despite government restrictions on how much the Council can borrow, the Council has managed to deliver a significant capital investment programme by working in partnership with a wide range of external bodies and developing successful bids for funding from Central Government, Lottery and other external bodies.

Capital expenditure totalled £54.9 million in 2003/04 compared with the latest approved budget of £57.5 million. The underspending of £2.6 million is attributable to slippage, which represents 4.5% of budget. No resources have been lost as a result of the capital investment programme slippage.

Many large and smaller capital projects were undertaken in 2003/04 and included expenditure on Council Dwellings (£13.7m), Schools (£8.3m), Coast Protection (£8.1m), Roads, Bridges and Footpaths (£6.7m), Renovation grants and grants to housing associations (£5.7m) and other operational buildings (£2.3m).

The Council's 2003/04 capital programme was funded from various sources, including borrowing (£19m), capital grants (£12m), major repairs allowance (£8m), capital receipts from the sale of fixed assets (£5m), revenue contributions (£5m) and contributions from other external bodies (£3m).

## Further Information

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

I certify that the accounts present fairly the financial position of Brighton & Hove City Council as at 31st March 2004.

**Catherine Vaughan** CPFA  
Director of Finance and Property

# Statement of Responsibilities for the Statement of Accounts

## The Council's Responsibilities

The Council is required:

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

## The Director of Finance and Property's Responsibilities

The Director of Finance and Property is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2004.

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

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

The Director of Finance and Property has also:

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



# Statement of Accounting Policies

## 1 General

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued in 2003/04 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with guidance notes issued by CIPFA on the application of Statements of Recommended Practice (SORPs).

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

## 2 Fixed Assets

The Code of Practice on Local Authority Accounting in Great Britain, requires each local authority to value its land and property. These assets should be maintained in a register and the total value presented within the authority's balance sheet. The Code of Practice requires the authority to charge its revenue services with a capital charge which comprises a depreciation charge (the extent to which the asset has been worn out or used up during the year) and a notional interest charge that reflects the benefit that the service received from the Council's decision to tie up capital resources in its particular assets.

Local authorities are required to distinguish between "operational" and "non-operational" fixed assets which determines the method of valuation.

- Operational assets are held and used by the authority in the direct delivery of services or used for functions which are

directly related to the support of such services. They have been included in the balance sheet at the lower of net current replacement cost and the net realisable value in existing use.

- Non-operational assets, such as commercial or investment property, have no direct link with the performance of the authority's statutory services and functions. These have been included in the balance sheet at the lower of net current replacement cost and net realisable value (represented by open market value).

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

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

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

- not all properties were inspected. This was neither practicable nor considered to be necessary for the purpose of the valuation. Inspections were carried out for specific valuations or during the course of the year for normal management purposes.

- there is a schedule of standard exclusions, definitions and reservations applied by the external valuers.

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

The Authority runs 15 Church Aided Schools, which are included in the balance sheet at 15% of the full value, representing the local authority's contribution to their capital costs. The buildings are owned by the churches.

The Authority has a policy of revaluing its assets on a cyclical basis over 5 years (20% each year). In 2002/03 the Council fully revalued its housing stock, with further revaluations at April 2003.

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

For the 2003/04 accounts, depreciation has been charged on Housing Revenue Account (HRA) assets in accordance with the requirements of HRA Resource Accounting.

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

## 3 Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed over a period of years. These charges must be written out of the Council's accounts over the period in which the authority benefits

and any balance should reflect the continuing value to the Council at the Balance Sheet date. It is the Council's policy to write out of its accounts Deferred Charges in the year during which the Capital Expenditure was incurred unless there is reason to write them out over a longer period.

## 4 Charging for Capital

Service departments receive a charge, which represents depreciation on the assets used by that department and a notional interest charge based on the net book value of the asset. Capital charges have been calculated in accordance with the Local Government and Housing Act 1989.

Regulations prescribe the minimum amount of debt repayment to be charged in the revenue accounts as 4% and 2% of net outstanding debt for the General Fund and the Housing Revenue Account respectively.

Further regulations prescribe the amount of interest to be charged to the Housing Revenue Account. For 2003/04 the average rate payable was 5.21%. In addition debt management expenses have been allocated to the Housing Revenue Account at a rate of 0.05%.

## 5 Capital Receipts

Capital Receipts from the disposal of assets are held in the Capital Receipts Unapplied Account and the Capital Financing Reserve (CFR). The amount held in the CFR is determined by legislation and is used in the calculation of net debt outstanding.



Sums available in the Capital Receipts Unapplied Account are available to finance capital expenditure. Interest earned on amounts invested externally is credited to the General Fund Revenue Account. For 2003/04 the average investment rate was 3.58%.

## 6 Debtors and Creditors

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

## 7 Stocks and Work in Progress

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

## 8 Provisions

The Council sets aside provisions in the accounts for liabilities and losses which are certain or very likely to occur and for which a reliable estimate of the amount of the obligation can be made. The operation of these and other Funds is described in Note 9 to the Consolidated Balance Sheet.

## 9 Reserves

The Council maintains certain reserves to meet future expenditure not covered by provisions. Reserves may be earmarked for a specific purpose, and can be either Capital or Revenue. Capital Reserves represent amounts earmarked to finance future capital expenditure. The Fixed Asset Restatement Reserve reflects the balance of surpluses and deficits arising from the ongoing revaluations of fixed assets, and the Capital Financing Reserve represents the amounts set aside from capital receipts for the repayment of external loans. The Fixed Asset Restatement Reserve and the Capital Financing Reserve cannot be called on to finance capital schemes. The main Capital and Revenue Reserves are shown in the Statement of Total Movement in Reserves and in Note 13 to the Consolidated Balance Sheet.

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

## 10 Cost of Support Services

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

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

## 11 Investments

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

## 12 Pensions

With effect from 2003/04 local authorities have to comply with Financial Reporting Standard (FRS) 17 with regard to pension costs. FRS 17 is a complex accounting standard, but it is based on a simple principle – that the council has to account

for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which the council was directly responsible. The new policies better 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 change has had the following effects on the results of the prior and current periods:

- the overall amount to be met from Government grants and local taxation has remained unchanged but the costs disclosed for individual services are £0.846m (2002/03 £1.368m) higher after the replacement of employer's contributions by current service costs and Net Operating Expenditure is £1.343m (2002/03 £1.057m) lower than it would otherwise have been.
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 4% (2002/03 6%)

# Consolidated Revenue Account

Year ended 31st March 2003	Operations	Year ended 31st March 2004		
		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000
1,507	Central Services to the Public	41,555	40,920	635
61,403	Cultural, Environmental and Planning Services	85,393	29,039	56,354
118,796	Education Services	180,195	56,690	123,505
9,701	Highways, Roads and Transport Services	30,573	18,491	12,082
27,774	Housing Revenue Account	84,710	65,282	19,428
21,494	Housing General Fund	108,732	91,085	17,647
68,072	Social Services	123,758	43,929	79,829
6,660	Corporate and Democratic Core	7,346	0	7,346
965	Non Distributed Costs	670	0	670
<b>316,372</b>	<b>Net Cost of Services (Note 1)</b>	<b>662,932</b>	<b>345,436</b>	<b>317,496</b>
10,720	Precepts and Levies		11,691	
311	Pensions Financing Costs		3,620	
(13)	Net (Surplus)/Deficit from Trading Operation (Note 2)		(116)	
(33,449)	AMRA (GF)		(20,537)	
(35,739)	AMRA (HRA)		(23,907)	
1,049	HRA Amortised Premia/ Investment Income		911	
(2,228)	Interest and Investment Income		(2,703)	
<b>257,023</b>	<b>Net Operating Expenditure</b>		<b>286,455</b>	

Year ended 31st March 2003	Appropriations	Year ended 31st March 2004
£'000	£'000	£'000
933	Surplus/(Deficit) Transferred to HRA Balances	365
13	Transfer to/(from) Airport Reserves	116
425	Contribution to/(from) LMS Reserves	(590)
(4)	Transfer to/(from) Portslade Adult Education Reserve	57
595	Transfer to/(from) LEA Budget	689
1,525	Transfers to/(from) Earmarked Reserves	4,957
0	Use of Previous Year's Carry Forward	(821)
	Carry Forward of Under/(Over)spends:	
821	• Corporate Budgets	279
0	Contributions to/(from) General Reserves	444
1,013	Contributions to/(from) Pensions Reserves – General Fund	(1,381)
44	Contributions to/(from) Pensions Reserves – HRA	38
	Contributions to/(from) Capital Reserves:	
3,087	• Revenue Contributions to Capital	3,517
(13,133)	• Transfer to/(from) Capital Financing Reserve	(13,747)
(10,762)	• Deferred Charges Written Down	(12,106)
5,939	• Contributions to/(from) HRA Capital	3,165
<b>247,519</b>	<b>Amount To Be Met From Government Grant And Local Tax Payers</b>	<b>271,437</b>
(75,387)	Collection Fund Demand	(86,769)
(18)	Parish Council Precepts from the Collection Fund	(20)
(26)	Transfers from the Collection Fund	(767)
(91,701)	Government Grant	(108,161)
(79,958)	Distribution from National Non Domestic Rate Pool	(75,146)
<b>429</b>	<b>(Surplus) / Deficit For The Year</b>	<b>574</b>
(8,606)	General Fund Balance at 1st April	(8,177)
429	(Surplus) / Deficit for the Year	574
<b>(8,177)</b>	<b>General Fund Balance at 31st March</b>	<b>(7,603)</b>

**Please Note:**

Some figures for 2002/03 have been altered to take into account the implementation of FRS17 – Retirement Benefits. See Note 9 to the Consolidated Revenue Account for a detailed breakdown.

The General Fund Balance at 1st April 2002 has been adjusted to exclude the balance for Shoreham Airport.

# Transactions On The Asset Management Revenue Account

2002/03		2003/04	
£'000		£'000	£'000
	<b>Income</b>		
(56,650)	Capital Charges - General Fund	(44,559)	
(49,724)	Capital Charges - Housing Revenue Account	(41,397)	
	<b>Expenditure</b>		
19,031	Provision for Depreciation - General Fund	20,699	
8,476	Provision for Depreciation - Housing Revenue Account	12,650	
(2,027)	Government Grants and External Contributions Written Down	(3,673)	
11,522	External Interest Charges	11,733	
90	Debt Management Expenses	105	
2	Finance Lease Interest	0	41,514
35,739	Transferred to Housing Revenue Account		23,907
92	Included within the results of Trading Operations		(2)
<b>(33,449)</b>	<b>Balance To Consolidated Revenue Account</b>		<b>(20,537)</b>

# Notes to the Consolidated Revenue Account

## 1 Gross Expenditure

includes Support Service Charges and Capital Charges.

## 2 Trading Operations

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

2002/03		2003/04		
Net Expenditure		Total Expenditure	Total Income	Net Expenditure
£'000		£'000	£'000	£'000
(13)	Shoreham Airport	2,362	(2,478)	(116)
<b>(13)</b>	<b>Total</b>	<b>2,362</b>	<b>(2,478)</b>	<b>(116)</b>

## 3 Section 137 Expenditure

Section 137 of the Local Government Act 1972 enables a unitary authority to spend up to £3.80 per head of the resident population, equivalent to £949,559 in 2003/04 for the benefit of people in their area on activities or projects not specifically authorised by other powers.

Section 137 was in part repealed by the Local Government Act 2000 which gave Local Authorities the power to do anything they consider likely to promote or improve the economic, social or environmental well-being in their area. However, Section 137 (3) which relates to the contributions to charitable, voluntary or not-for-profit organisations remains in effect. The table showing this expenditure is overleaf.



### Section 137 Expenditure

2002/03		2003/04
£		£
324,007	Contributions to External Equalities Bodies	358,292
610,870	Advice Agencies & Community Events	207,042
7,800	Miscellaneous	381,045
<b>942,677</b>	<b>Total</b>	<b>946,379</b>

### 5 Local Authorities (Goods & Services) Act 1970

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

### 6 Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of provision is defined by statute. For 2003/04 the amount is £5.714m (2002/03 £5.395m). The provision has been charged to the following Service Revenue Accounts.

### 4 Publicity

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

2002/03		2003/04
£		£
894,755	Recruitment advertising	719,429
140,297	Other advertising	187,815
135,778	Capital of Culture	7,900
42,487	Housing Issues – General Fund	8,847
44,610	Housing Issues – Housing Revenue Account	100,005
28,759	Public Transport Issues	39,304
17,888	Venues Website	14,647
95,784	City News	90,203
19,322	City Regeneration – Partnership Support	12,818
32,036	Public Relations	16,134
27,697	Social Care - Children	58,244
270,808	Other Publicity and Marketing	250,879
<b>1,750,221</b>	<b>Total</b>	<b>1,506,225</b>

2002/03		2003/04
£'000		£'000
1,598	Housing Revenue Account	1,440
3,652	General Fund	4,126
145	Shoreham Airport	148
<b>5,395</b>	<b>Statutory Minimum Revenue Provision</b>	<b>5,714</b>
17,004	Amount charged by way of Depreciation and Government Grants Written Down excluding HRA	17,026
(11,609)	Adjustment to Consolidated Revenue Account	(11,312)
<b>5,395</b>	<b>Statutory Minimum Revenue Provision</b>	<b>5,714</b>

### 7 Members' Allowances

The gross amount paid by way of Members' Allowances during the year amounted to £756,173 (2002/03 £815,465). Details of allowances paid in 2003/04 will be

published in The Argus and posted on the noticeboards outside the Town Halls in Brighton & Hove and on the Council's website.



## 8 Disclosure of Executive Remuneration

Number of Staff 2002/03	Remuneration Band	Number of Staff 2003/04
37	£50,000 - £59,999	43
9	£60,000 - £69,999	15
6	£70,000 - £79,999	8
1	£80,000 - £89,999	2
2	£90,000 - £99,999	2
1	£100,000 - £109,999	2
0	£110,000 - £119,999	1
1	£120,000 - £129,999	0
2	£130,000 - £139,999	1

Regulations governing the statement of accounts require all remuneration of any nature to be included in this disclosure. Of the 4 members of staff stated as receiving remuneration in excess of £100,000, two left the council's employment and received severance pay that must be included.

## 9 Pension Costs

As part of the terms and conditions of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that the employees earn their future entitlement. The Council participates in the Local Government Pension Scheme, administered by East Sussex County Council (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 pensions liabilities with investment assets.

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

### Pensions Costs

2002/03		2003/04
£'000		£'000
(8,737)	<b>Net Cost of Services:</b>	(9,749)
(111)	- Current Service cost	(174)
(834)	- Past Service Cost	(476)
(16,992)	- Settlements and Curtailments	
18,185	<b>Net Operating Expenditure:</b>	
	- Interest Cost	(17,796)
	- Expected Return on Assets in the Scheme	16,258
(1,057)	<b>Amounts To Be Met From Government Grants and Local Taxation:</b>	
	- Movement on Pensions Reserve	1,343
(9,546)	<b>Actual Amount Charged Against Council Tax for Pensions in the Year:</b>	
	- Employer's Contributions Payable to Scheme	(10,594)

### Net Cost of Services – Prior Year Adjustment

	2002/03 as Published	2002/03 Restated Re FRS17	Amount of Prior Year Adjustment
		£'000	£'000
Central Services to the Public	1,634	1,507	(127)
Cultural, Environmental and Planning Services	61,576	61,403	(173)
Education Services	118,971	118,796	(175)
Highways, Roads and Transport Services	9,721	9,701	(20)
Housing Revenue Account	27,818	27,774	(44)
Housing General Fund	21,533	21,494	(39)
Social Services	68,303	68,072	(231)
Corporate and Democratic Core	6,660	6,660	0
Unapportionable Central Overheads (now Non Distributed Costs)	1,524	965	(559)



These prior year adjustments have a nil effect on the amount to be met from government grant and local tax payers.

Note 20 to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 6 to the Statement of Total Movements in Reserves details the costs that have arisen through the year. Estimates made in preparing figures for the previous year have had to be revised (for example, the expected return on investments).

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 2003/04 the council paid £7.013m to the TPA in respect of teachers' retirement benefits, representing 13.5% of pensionable pay. The figures for 2002/03 were £4.158m and 8.35%.

## 10 Related Party Transactions

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

### Government Grants

Under the criteria set by Financial Reporting Standard (FRS) 8, grants from central government are considered to be related party transactions. Central government provides the statutory framework within which the council operates, provides much of its funding and prescribes the terms of many of the transactions the council has with other parties. Details of the grants received in 2003/04 can be found in Note 4 to the Cash Flow Statement.

### Levying Authorities

Other public bodies, including the Magistrates and the Sussex Sea Fisheries may levy the council, that is to make a demand on the Council Tax requirement. In 2003/04 there were £11,671,000 of levies included in the Consolidated Revenue Account.

### Joint Arrangements

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

The Council made a contribution of £30.918m to the pooled budget arrangement in 2003/04. This contribution is reflected in the Consolidated Revenue Account under Social Services. The total income and

expenditure of the partnership arrangements are included in the SDHT and PCT 2003/04 accounts as memorandum items.

### Members and Senior Staff

Members of the Council have direct control over the council's financial and operating policies. During 2003/04, works and services to the value of £937,000 were commissioned from companies in which two members have declared an interest. Contracts were entered into in full compliance with the Council's standing orders. Details can be found in the Register of Members Interests.

For the purpose of this disclosure, Senior Staff has been defined as Assistant Director level and above. For 2003/04 there are no related party transactions requiring disclosure in relation to Senior Staff.

## 12 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.

	2002/03		2003/04		
			Chargeable	Non-Chargeable	Total
£'000	£'000	£'000	£'000	£'000	£'000
1,036	Expenditure	750	364	1,114	
(709)	Income	(876)	(33)	(909)	
327	Net (Surplus)/Deficit	(126)	331	205	



### 13 On Street Parking Surplus

The surplus arising from the provision of on-street parking facilities forms part of the Environment Department and is used to defray qualifying expenditure incurred by the department. The application of these funds is defined by Section 55 of the Road Traffic Regulations Act 1984 as maintenance and improvement of parking facilities, public transport and improvements to the highways as defined by the Highways Act 1980.

The surplus from on-street parking in 2003/04 was £2,703,937. The surplus from on-street parking in 2002/03 was £1,961,764. Details of qualifying expenditure in 2002/03 and 2003/04 are outlined in the table below.

2002/03		2003/04
£'000		£'000
1,227	Public Transport	1,124
1,866	Highway Maintenance	1,692
442	Bridges and Other Structures	455
1,690	Lighting	2,079
223	Safety Maintenance - Infrastructure	233
1,639	Routine Repairs	1,696
<b>7,087</b>	<b>Total Qualifying Expenditure</b>	<b>7,279</b>

### 14 Operating Leases

The Council uses refuse collection vehicles, welfare coaches, parking meters, miscellaneous vehicles and equipment financed under terms of an operating lease. In addition, under Local Government Reorganisation regulations, the Council has a liability to reimburse ESCC for certain operating leases entered into by ESCC prior to April 1997. The amount paid under these arrangements in 2003/04 was £1.161m (2002/03 £1.201m).

The Council is committed to making payments of £1.056m under these leases in 2004/05, comprising the following elements:

	£'000
Leases expiring in 2004/05	0
Leases expiring between 2005/06 and 2009/10	1,056
Leases expiring after 2009/10	0

### 15 External Audit Costs

	2002/03	2003/04
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	173	244
Fees payable to the Audit Commission in respect of statutory inspection	0	44
Fees payable to the Audit Commission for the certification of grant claims and returns	120	120
<b>Total</b>	<b>293</b>	<b>408</b>

Work relating to 2003/04 certification of grants has not yet been undertaken, however an estimate of the level of fees to be charged has been included in the above note based on the amount charged for the 2002/03 certification work.

# Housing Revenue Account Operating Account

Please Note:  
Some figures for  
2002/03 have  
been altered to  
take into account  
the  
implementation  
of FRS17 –  
Retirement  
Benefits.

Year ended 31st March 2003		Year ended 31st March 2004
£'000		£'000
(34,384)	<b>Income</b>	
(944)	Gross Rental Income	(34,074)
(2,311)	Dwellings Rent	(1,019)
(26,424)	Non-dwelling Rents	(2,246)
	Charges for Services and Facilities	(27,651)
(73)	HRA Subsidy Receivable (including Major Repairs Allowance – MRA)	
(78)	Contributions Towards Expenditure	(228)
	Housing Benefit Transfers from General Fund	(64)
<b>(64,214)</b>	<b>Total Income</b>	<b>(65,282)</b>
	<b>Expenditure</b>	
9,907	Repairs, Maintenance and Management	
10,153	Repairs and Maintenance	10,511
229	Supervision and Management	10,790
21,680	Rents, Rates, Taxes and Other Charges	158
426	Rent Rebates	21,459
41,113	Provision for Bad or Doubtful Debts	362
136	Cost of Capital	28,695
	Deferred Charges	52
8,195	<b>Depreciation of Fixed Assets</b>	
113	On Dwellings	12,402
36	On Other Assets	248
	Debt Management Expenses	33
<b>91,988</b>	<b>Total Expenditure</b>	<b>84,710</b>
<b>27,774</b>	<b>Net Cost of Services</b>	<b>19,428</b>
(35,739)	Transfer from Asset Management Revenue Account (AMRA)	(23,907)
1,079	Amortised Premiums and Discounts	932
(30)	Investment Income/Mortgage Interest, etc	(21)
<b>(6,916)</b>	<b>Net Operating Expenditure</b>	<b>(3,568)</b>
	<b>Appropriations</b>	
3,912	Revenue Contributions to Capital	5,418
1,598	HRA Contribution to Minimum Revenue Provision	1,440
542	Transfer to the General Fund	531
(113)	Transfer to Major Repairs Reserve	(4,224)
44	Appropriation from Pensions Reserve	38
<b>(933)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>(365)</b>
<b>(2,482)</b>	<b>Balance Brought Forward</b>	<b>(3,415)</b>
<b>(3,415)</b>	<b>Balance Carried Forward</b>	<b>(3,780)</b>

## Notes to the Housing Revenue Account (HRA)

The HRA records revenue income and expenditure relating to the Council's own housing stock. This includes the cost of managing and repairing the dwellings, rent rebates and capital financing costs 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 12,705 dwellings at 31st March 2004. The stock was made up as follows:

	Bedsit	1 Bed	2 Bed	3 Bed	4+ Bed	Total
Flats	880	3,654	3,208	282	6	8,030
Houses	0	13	1,653	2,473	268	4,407
Bungalows	0	200	45	23	0	268
<b>Total</b>	<b>880</b>	<b>3,867</b>	<b>4,906</b>	<b>2,778</b>	<b>274</b>	<b>12,705</b>

The change in stock can be summarised as follows:

2002/03		2003/04
13,098	<b>Stock at 1st April</b>	12,929
(163)	Sales	(206)
(6)	Other	(18)
<b>12,929</b>	<b>Stock at 31st March</b>	<b>12,705</b>



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

Asset Classification	Opening Balance 1 April 2003	Closing Balance 31 March 2004
	£'000	£'000
<b>Operational Assets</b>		
Housing Stock	684,915	820,025
Other Land and Buildings	8,462	8,920
Vehicles, Plant, Furniture and Equipment	449	449
Community Assets	29	29
<b>Non-Operational Assets</b>		
Investment Properties	3,210	3,246
<b>Total</b>	<b>697,065</b>	<b>832,669</b>

The Council's housing stock, garages and car parking spaces were revalued by the District Valuer as at the 1st April 2003. The opening balances (based on valuations as at 1st April 2002) were increased by: Council Dwellings £138.0m (up to £819.1m) and Other Land and Buildings were increased by £0.609m for garages and decreased by £0.151m for car parking spaces (up to £8.9m).

The vacant possession value for the dwellings in the HRA as at 1st April 2003 was £1,516.8m as valued by the District Valuer, compared with the value of £819.1m for its existing use as social housing. The difference of £697.7m represents the cost to the government of providing council housing at less than open market rents.

The District Valuer subsequently revalued the housing stock, garages and car parking spaces at 1st April 2004 but these valuations have not been reflected in the 2003/04 accounts. Values have increased since 1st April 2003 by: Council Dwellings £82.1m (up to £901.2m) and Other Land and Buildings were increased by £0.44m for garages and by £0.32m for car parking spaces (up to £9.7m).

## 2 Major Repairs Reserve

The transactions on the Major Repairs Reserve in 2003/04 were as follows:

	£'000
<b>Balance as at 1st April 2003</b>	<b>0</b>
Depreciation on Housing Stock	(12,402)
Depreciation on Other HRA Property	(248)
<b>Total</b>	<b>(12,650)</b>
Contributions to Capital Expenditure on Housing Stock (Major Repairs Allowance)	8,426
Appropriation to the HRA (Depreciation in excess of Major Repairs Allowance on Housing Stock)	3,976
Appropriation to the HRA (Depreciation on Other HRA Property)	248
<b>Balance as at 31st March 2004</b>	<b>0</b>

## 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.



#### 4 HRA Capital Expenditure and Financing

The following table summarises the capital expenditure incurred in 2003/04 and how it was financed:

	Land, Housing and Other Property	Cash Incentive Scheme	ICT Equipment	Total
	£'000	£'000	£'000	£'000
Total Capital Expenditure	13,639	0	52	13,691
Less Expenditure Not Funded Until 2004/05	(166)	0	0	(166)
Add 2002/03 Expenditure Funded in 2003/04	259	0	0	259
<b>Capital Expenditure Funded in 2003/04</b>	<b>13,732</b>	<b>0</b>	<b>52</b>	<b>13,784</b>
<b>Funded by:</b>				
Basic Credit Approval	628	0	0	628
External Contributions	987	0	0	987
Major Repairs Allowance/Reserve	8,426	0	0	8,426
Direct Revenue Funding	3,577	0	0	3,577
Capital Receipts	70	0	52	122
NDC	44	0	0	44
<b>Total Funding</b>	<b>13,732</b>	<b>0</b>	<b>52</b>	<b>13,784</b>

The direct revenue funding charged to the HRA in 2003/04 was £5.418m, compared with £3.577m shown in the table above. The difference of £1.841m will be used to fund capital expenditure in 2004/05.

The expenditure of £166,000 not funded in 2003/04 shown above relates to accruals.

Summary of total capital receipts from disposals:

	£'000
Right to Buy Sales of Houses and Flats	13,582
Sale of Land and Other Property	866
Mortgages Repayments	103
<b>Total</b>	<b>14,551</b>

#### 5 Cost of Capital Charges

The HRA in 2003/04 was debited with a cost of capital charge of £28.695m representing the cost of capital tied up in council housing. The figure is based on an interest charge of 3.5% (as prescribed by the Government) on the balance sheet value of the housing stock, other land and buildings, vehicles and plant.

The HRA was also charged with depreciation to reflect the consumption of HRA assets over their useful life (housing stock £12.402m; other property £0.248m). Of the charge of £12.402m, £8.426m was funded from the Major Repairs Allowance, which forms part of the HRA subsidy paid to the Council by the Government. The balance of £3.976m is appropriated to the Major Repairs Reserve, and is a notional figure which has no impact on tenants' rents.

In addition the HRA was debited with a deferred charge of £51,910 in respect of capital expenditure which did not result in the acquisition, creation or enhancement of a tangible fixed asset (ICT Equipment). In accordance with proper accounting practices, the HRA is charged with the deferred charge although the expenditure would be financed from capital resources.

#### Capital Charges Accounting Adjustment:

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

	£'000
Cost of Capital (3.5% Charge)	28,695
Deferred Charges	52
	<b>28,747</b>
Less Transfer from AMRA to the HRA	(23,907)
<b>Actual Interest borne by the HRA</b>	<b>4,840</b>

#### 6. Depreciation Charges for Operational Assets

	Depreciation Charge 2003/04 £'000
Operational Assets	
Council Dwellings	12,402
Other Land and Buildings	169
Vehicles, Plant, Furniture and Equipment	79
<b>Total Depreciation</b>	<b>12,650</b>



## 7 Impairment

Impairment relates to physical damage or deterioration in the quality of the service provided by a fixed asset. There are no impairment charges in 2003/04 relating to fixed assets.

## 9 HRA Subsidy Payable

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

The HRA subsidy system subsidises the Council in meeting the costs of running the housing stock and payments of rent rebates (Housing benefit) to council housing tenants.

HRA subsidy payable to the council for the year ended 31st March 2004 is as follows:

## 8 Deferred Charges

Deferred charges represent a transfer of resources from capital to revenue. This is to fund capital expenditure that does not create or enhance the life or value of a fixed asset. The deferred charges in 2003/04 are £51,910 for Computer Equipment (see note 5 above).

HRA Subsidy Elements	£'000
<b>Housing Element</b>	
<b>Income</b>	
Rental Income (Notional)	(31,891)
Interest on Receipts	(26)
<b>Total Income</b>	<b>(31,917)</b>
<b>Expenditure</b>	
Repairs, Maintenance and Management (Notional)	18,708
Major Repairs Allowance	8,426
Charges for Capital	9,807
Other Items of Reckonable Expenditure	3
<b>Total Expenditure</b>	<b>36,944</b>
<b>Rent Rebate Element</b>	
<b>Rent Rebates</b>	<b>21,701</b>

Summary	£'000
Housing Element Income	(31,917)
Housing Element Expenditure	36,944
<b>Net Expenditure - Housing Element Subsidy</b>	<b>5,027</b>
Rent Rebate Subsidy	21,701
<b>Total HRA Subsidy Due 2003/04</b>	<b>26,728</b>
Subsidy Adjustment For 2002/03	613
Subsidy Adjustment For 2001/02	310
<b>Subsidy Outturn 2003/04</b>	<b>27,651</b>

## 10 Rent Arrears

At 31st March 2004, arrears of dwellings rent (excluding housing benefit overpayments) amounted to £2,233,286 (2003 £2,616,454). This represents a decrease as a proportion of gross rental income from 7.61% to 6.44%.

## 11 Appropriations - Transfer to the General Fund

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

The Provision for uncollectable debts is as follows:

2002/03		2003/04
£'000		£'000
1,647	Provision as at 1st April	1,848
426	Change in Provision charged to the HRA	362
(225)	Rent Arrears and other bad debts written off	(524)
<b>1,848</b>	<b>Provision for Bad Debts at 31st March</b>	<b>1,686</b>

# Consolidated Balance Sheet

As At 31st March 2003		As At 31st March 2004	
£'000		£'000	£'000
677,847	<b>Fixed Assets (Notes 1 and 2)</b>		
462,911	<b>Operational Assets</b>		
13,645	Council Dwellings	808,727	
61,004	Other Land & Buildings	543,384	
7,089	Vehicles, Plant, Furniture & Equipment	9,781	
121,798	Infrastructure Assets	64,798	
5,662	Community Assets	7,028	
<b>1,349,956</b>	<b>Non Operational Assets</b>		
0	Investment Properties	132,188	
0	Work in Progress	13,788	
<b>1,358,191</b>	<b>Total Fixed Assets</b>	<b>1,579,694</b>	
998	Deferred Charges (Note 3)	0	
7,237	Deferred Consideration (Note 4)	25,441	
<b>1,381,736</b>	<b>Total Long Term Assets</b>	<b>1,612,218</b>	
35,340	<b>Current Assets</b>	43,508	
744	Investments	756	
43,004	Stocks & Work in Progress (Note 6)	42,414	
0	Debtors (Note 7)	369	
79,088	<b>Current Liabilities</b>		
(7,470)	Borrowing repayable in less than 12 months	(470)	
(47,065)	Creditors	(47,155)	
(1,008)	Bank Overdraft	0	
(55,543)	<b>Total Assets Less Current Liabilities</b>	<b>1,651,640</b>	
(188,199)	Long Term Borrowing (Note 8)	(198,198)	
(3,961)	Provisions (Note 9)	(2,309)	
(556)	Deferred Credits (Note 10)	(450)	
(42,522)	Government Grants Deferred (Note 11)	(52,574)	
(66,711)	Pensions Liability	(60,318)	
(301,949)		(313,849)	
<b>1,079,787</b>	<b>Total Assets Less Liabilities</b>	<b>1,337,791</b>	

As At 31st March 2003		As At 31st March 2004	
£'000		£'000	£'000
(972,630)	Fixed Asset Restatement Reserve		(1,193,552)
(137,769)	Capital Financing Reserve		(157,601)
(2,859)	Usable Capital Receipts Reserve (Note 12)		(3,971)
0	Major Repairs Reserve		0
(156)	Minority Interest - Shoreham Airport		29
<b>(1,079,787)</b>	<b>Funds Balances &amp; Reserves</b>		
(16,015)	Earmarked Reserves (Note 13)		(26,693)
0	General Fund Working Balance		(7,603)
(8,177)	General Fund General Reserves		(319)
25,441	Shoreham Airport General Reserves		(140)
942	Shoreham Airport Minority Interest		(29)
6,141	Pensions Reserve		60,318
<b>1,651,640</b>	(44)		(100)
<b>1,337,791</b>	(1,265)		(545)
<b>1,651,640</b>	(3,706)		(3,116)
<b>1,337,791</b>	(595)		(689)
<b>1,651,640</b>	(3,415)		(3,780)
<b>1,337,791</b>	<b>Total Net Worth</b>		

Please note

The introduction of the Pensions Liability and Reserve figures have altered the figures shown for 2002/03. This is due to the implementation of FRS 17 – Retirement Benefits.

The General Fund Balance line has been separated into the following lines: General Fund Working Balance, General Fund General Reserves, Shoreham Airport Reserves and Shoreham Airport Minority Interest. The old year comparator figures have been adjusted to account for this change.



# Notes to the Consolidated Balance Sheet

## 1 Fixed Assets

Movements in Fixed Assets during the year were:

	Council Dwellings	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Investment Properties	Work In Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1st April 2003	686,093	485,581	28,877	69,542	7,089	121,798	5,662	1,404,642
Additions	13,640	11,614	1,755	7,366	99	439	8,374	43,287
Disposals	(12,690)	(50,938)	(1,966)	0	0	(959)	(100)	(66,653)
Recate-gorisation	0	1,052	0	0	(160)	(892)	0	0
Revaluations	134,160	113,789	3	5	0	11,802	(148)	259,611
Gross Book Value at 31st March 2004	821,203	561,098	28,669	76,913	7,028	132,188	13,788	1,640,887
Accumulated Depreciation at 1st April 2003	8,246	22,670	15,232	8,538	0	0	0	54,686
Depreciation this year	12,425	12,196	5,151	3,577	0	0	0	33,349
Depreciation written out on asset movements	(8,195)	(17,152)	(1,495)	0	0	0	0	(26,842)
Accumulated Depreciation at 31st March 2004	12,476	17,714	18,888	12,115	0	0	0	61,193
<b>Net Book Value 31st March 2004</b>	<b>808,727</b>	<b>543,384</b>	<b>9,781</b>	<b>64,798</b>	<b>7,028</b>	<b>132,188</b>	<b>13,788</b>	<b>1,579,694</b>

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 and work in progress.

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

The Council's Property and Design Division undertake an Impairment Review annually.

Please note that the disposals figure includes £52.912m which relates to 4 schools which form part of the PFI contract and no longer classed as Operational Assets on the balance sheet.

**The Council's Fixed Assets include the following:**

At 31st March 2003		At 31st March 2004
12,929	Council Dwellings <b>Operational Assets</b>	12,705
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
5	On Street Parking Pay and Display	4
3	Museums	3
1,293 hect. 2,520 plots	<b>Community Assets</b>	1,293 hect. 2,520 plots
3	Parks and Open Spaces	3
3	Allotment – Units	3
3	Mini Golf Courses	3
3	Golf Courses	3



## 2 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 so transferred is included in the Council's Fixed Assets, and the interest element is charged to revenue in the year in which it is incurred.

The council has no capital value outstanding on finance leases or finance lease rental obligations as at 31st March 2004 (£0.0m at 31st March 2003). There were, however, secondary lease rental payments of £8,200 in 2003/04 (£21,000 in 2002/03).

## 3 Deferred Charges

These represent items on the Balance Sheet where no tangible asset is created.

	2002/03		2003/04
	£'000		£'000
<b>0</b>	<b>Balance as at 1st April</b>		<b>0</b>
10,762	Expenditure during the year - General Fund	12,106	
136	Expenditure during the year - Housing Revenue Account	52	
(10,762)	Amount written down to General Fund	(12,106)	
(136)	Amount written down to Housing Revenue Account	(52)	
<b>0</b>	<b>Balance as at 31st March</b>		<b>0</b>

## 4 Deferred Consideration

This relates to the four schools that are part of the Grouped Schools Private Finance Initiative (PFI) contract. The balance represents the notional value of the leases granted by the council to the PFI Provider for the four school sites. The balance will be written down each year to revenue over the life of the PFI contract.

## 5 Long Term Investments

At 31st March 2003		At 31st March 2004
£'000		£'000
998	Sussex Innovation Centre	942
<b>998</b>	<b>Total</b>	<b>942</b>

## 6 Stocks and Work in Progress

At 31st March 2003		At 31st March 2004
£'000		£'000
744	Stocks	756
<b>744</b>	<b>Total</b>	<b>756</b>

## 7 Debtors

At 31st March 2003		At 31st March 2004
£'000		£'000
3,772	Housing Rents	3,310
445	Commercial Rents	643
16,373	Collection Fund	18,907
743	SRB & NDC	711
39,964	Sundry Debtors	39,641
61,297		63,212
(18,293)	Provision for Doubtful Debts	(20,798)
<b>43,004</b>	<b>Total</b>	<b>42,414</b>



## 8 Long Term Borrowing

Total Outstanding 31st March 2003		Total Outstanding 31st March 2004
£'000		£'000
<b>Source of Loan</b>		
(159,196)	Public Works Loans Board (PWLB) – Maturity	(164,195)
(3)	PWLB – Equal Instalments of Principal	(3)
(28,000)	Money Market – Fixed	(33,000)
(1,000)	Money Market – Variable	(1,000)
<b>(188,199)</b>	<b>Total</b>	<b>(198,198)</b>
<b>Analysis of Loan by Maturity</b>		
(3)	Maturity within 1-2 years	(3)
(17,700)	Maturity within 2-5 years	(22,700)
(9,500)	Maturity within 5-10 years	(26,000)
(11,456)	Maturity within 10-15 years	(11,456)
(149,540)	Maturity in more than 15 years	(138,039)
<b>(188,199)</b>	<b>Total</b>	<b>(198,198)</b>

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

## 9 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.

Please note that the Restructure Redundancy provision has been reclassified as an Earmarked Reserve. Various other movements in year represent a re-evaluation of reserves and provisions as part of the budget strategy.

	1st April 2003	Receipts in Year	Payments in Year	31st March 2004
	£'000	£'000	£'000	£'000
Maintenance of Graves	(762)	(26)	0	(788)
Waste Disposal	(250)	0	250	0
Portland Gate	(38)	(2)	40	0
Restructure Redundancy	(2,298)	0	2,298	0
Sundry LGR Issues	(584)	0	29	(555)
Legal Fees – Lighting Contract	0	(266)	0	(266)
Section 117 Mental Health Act 1983	0	(675)	0	(675)
Other	(29)	(1)	5	(25)
<b>Total</b>	<b>(3,961)</b>	<b>(970)</b>	<b>2,622</b>	<b>(2,309)</b>

## 10 Deferred Credits

Deferred credits are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from mortgages on sold Council

dwellings and loans to housing associations, and are part of mortgages shown under long term debtors in the Balance Sheet.

Balance at 31st March 2003		Balance at 31st March 2004
£'000		£'000
(160)	General Fund	(157)
(396)	Housing Revenue Account	(293)
<b>(556)</b>	<b>Total</b>	<b>(450)</b>



## 11 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.

## 12 Usable Capital Receipts Reserve

These represent the proceeds from the sale of a fixed asset, for example, land or building. 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

2002/03		2003/04
£'000		£'000
(177)	Balance at 1st April	(1,185)
(16,806)	Capital Receipts in Year	(16,796)
(16,983)		(17,981)
11,777	Transfer to Debt Redemption Reserve	10,935
243	Applied to fund Expenses	247
3,778	Applied to fund Capital Expenditure	5,463
(1,185)	<b>Sub-total at 31st March</b>	<b>(1,336)</b>

### B Capital Grants/Contributions

Grants and contributions received towards Capital Projects

(1,292)	Balance as at 1st April	(1,674)
(6,876)	Government Grants	(11,101)
(1,343)	Other Grants	(1,377)
(571)	External Contributions	(3,332)
(10,082)		(17,484)
8,408	Applied to fund Capital Expenditure	14,849
(1,674)	<b>Sub-total at 31st March</b>	<b>(2,635)</b>
(2,859)	<b>Balance at 31st March</b>	<b>(3,971)</b>

## 13 Earmarked Reserves

Balance at 31st March 2003		Balance at 31st March 2004
£'000		£'000
(4,313)	Capital Reserves	(8,121)
(2,656)	Section 106 Receipts	(2,992)
(310)	Central Library	0
(821)	Carry Forward Underspend – Corporate Budgets	(279)
(5,593)	Insurance Reserves	(5,599)
(218)	LPSA Reserve	(753)
0	Restructure Redundancy	(3,087)
(138)	PFI Reserves	(3,658)
(1,966)	Other Earmarked Reserves	(2,204)
<b>(16,015)</b>	<b>Total</b>	<b>(26,693)</b>

### The main reserves are:

#### Capital Reserves

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

#### Section 106 Receipts

This reserve relates to sums of money received, usually from developers, as a contribution towards a specific capital or revenue scheme arising from planning applications, for example, to fund highways access and improvements.

#### Carry Forward Underspend – Corporate Budgets

This relates to underspends in 2003/04 on the Single Status staffing budget carried forward to 2004/05 to harmonise pay and conditions.

#### Insurance Reserves

£5.365m – 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.

£0.234m – 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 2004/05 of LPSA resources to meet performance targets agreed with the government, such as promoting independence for older people and improving street cleanliness.

#### **Restructure Redundancy Reserve**

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

#### **Private Finance Initiative (PFI) Reserves**

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

#### **14 Local Management of Schools (LMS) Reserves**

2002/03	2003/04
£	£
1,788,283	Primary Schools
1,598,527	Secondary Schools
318,985	Special Schools
<b>3,705,795</b>	<b>Total</b>
	<b>3,115,945</b>

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.

#### **15 Euro**

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

#### **16 Related Companies**

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

The Sussex Innovation Centre acts as a business incubator and Innovation Support unit for Sussex and the South East. Brighton & Hove City Council hold 1.4m preference shares in the Sussex Innovation

Centre, which have a total value of £941,779 as at the end of 2003/04. 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 has no control or influence over the Sussex Innovation Centre.

The Brighton City Centre Business Forum (formerly known as the Town Centre Business Forum) is a partnership between city centre businesses and Brighton & Hove City Council. The Council has two representatives on the company's board of eleven - the Chief Executive and a Councillor, who are both Directors of the Company. The Council contributed £27,050 to the forum during 2003/04, which represents 51% of the total core funding of £53,050.

The Brighton Dome & Museum Development Company is a Special Purpose Vehicle set up for the redevelopment of the Brighton Dome and Museum. The main transactions between the Council and the company relate to works to the Museum for which the council is one of the funding



partners. The Development Company manages the building works to the Museum and pays the contractor. It then claims this money from the Council. The Council is a minority (19%) shareholder in this company, the Brighton Festival is the majority shareholder. The Council is one of funding partners for the company and during 2003/04 payments of approximately £142,488 were made to the Brighton Dome & Museum Development Company.

Brighton & Hove City Council is associated with Brighton & Hove Bus and Coach Company Ltd through the provision of concessionary bus fares to eligible members of the public. In 2003/04 the amount paid to Brighton & Hove Bus and Coach Company Ltd totalled £1.5m.

2002/03		2003/04
£'000		£'000
0	Amount brought forward at 1st April	5,722
11,777	Reserved Capital Receipts in Year	10,935
5,395	Minimum Revenue Provision	5,714
17,172		22,371
	<b>Less</b>	
0	Applied to Fund Credit Approvals	(9,295)
(11,450)	Applied to Repay Debt	(7,001)
<b>5,722</b>	<b>Balance at 31st March</b>	<b>6,075</b>

Brighton & Hove City Council nominates two Councillors to serve as directors on the board of Brighton Racecourse Company Ltd. The Council is a minority shareholder (19%) in this company.

### 17 Provision for Credit Liabilities (PCL)

In accordance with statutory requirements the Council is required to set aside sums as a provision to repay external loans, credit arrangements and other limited purposes. The Council does not keep an account within the accounting records for the PCL, as there is no need to do so, but maintains a memorandum account, which is set out below:

### 18 Capital Commitments

The Council has sufficient capital resources to meet all its capital commitments. It is anticipated that capital schemes starting in or before 2003/04 will involve future capital payments of about £12.5m, the major items over £250,000 being:

Scheme	£'000
Development of Westergate House	2,038
Portslade Community College – Extensions	1,930
Major Coast Protection Scheme – Phase 3	1,530
PE and Sport Initiative	1,016
Goldstone Primary School – Rationalisation of Premises	698
Hollingdean Sure Start Initiative	485
Seafront Development – Phase 7	408
Statutory Corporate DDA Access Works	353
Knoll House Reprovision	335
Restoration of Preston Park	286
83 Beaconsfield Villas	280
Royal Pavilion Stonework	260
Brighton Centre Redevelopment	253

### 19 Contingent Liabilities

A contingent liability or asset is a possible loss or gain which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss or gain is not considered sufficiently certain. As at 31 March 2004, the Council had a number of potential claims against it, however these claims are not considered material and will therefore have no material effect on the Council's financial position.

### 20 Disclosure of Net Pensions Asset/Liability

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

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

31st March 2003		31st March 2004
£'000		£'000
(292,425)	Estimated Liabilities in the Scheme	(342,539)
225,714	Estimated Assets in the Scheme	282,221
<b>(66,711)</b>	<b>Net Asset/(Liability)</b>	<b>(60,318)</b>



The liabilities show the underlying commitments that the council has in the long-run to pay retirement benefits. The total liability of £60.318m has an impact on the net worth of the council as recorded in the balance sheet, resulting in a positive overall balance of £1.338m. However, statutory arrangements for funding the pensions deficit mean that the financial position of the council remains healthy. The deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

independent firm of actuaries, estimates for the pensions fund being based on the latest full valuations of the scheme as at 31 March 2001.

The main financial assumptions used in their calculations have been:

31st March 2003		31st March 2004
2.5%	Rate of Inflation	2.9%
4.0%	Rate of Increase in Salaries	4.4%
2.5%	Rate of Increase in Pensions	2.9%
6.1%	Rate for Discounting Scheme Liabilities	6.5%

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

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

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

## Pension Fund Assets

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:

31st March 2003	£'000		31st March 2004	£'000
69.8%	157,424	Equity Investments	74.1%	209,094
11.7%	26,478	Bonds	12.2%	34,491
12.5%	28,198	Property	10.5%	29,579
6.0%	13,614	Cash	3.2%	9,057
<b>100%</b>	<b>225,714</b>		<b>100%</b>	<b>282,221</b>

## 21 Single Regeneration Budget and New Deal for Communities

The Council acts as the banker and Accountable Body for the Single Regeneration Budget (SRB) and New Deal for Communities (NDC). SRB and NDC are externally funded grants regimes for which the Council maintains the accounting records. Due to the nature of the transactions there are records both within and outside the General Fund.

FRS9 requires consolidation of a reporting entity's interest in associated companies and joint ventures. Whilst the Council's interest in SRB and NDC does not fall directly within the FRS9 definition because they are not ventures in the nature of trade, they can be

considered within the spirit of FRS9 for the appropriate adjustment of the reporting entities' accounts. Therefore, partial consolidation adjustments have been made where complementary records of transactions exist in the Council's and the external bodies' (SRB and NDC) accounts.

## 22 Section 31 Partnership

Under Section 31 of the Health Act 1999 the council has two partnerships with the National Health Service to deliver services for adults with learning disabilities, older people and working age adults with mental health needs, intermediate care, substance misuse and AIDS/HIV. One is a joint commissioning partnership with the Brighton & Hove City Primary Care Trust (the PCT). The second is an integrated provider partnership with the South Downs Health NHS Trust (SDHT).

For the year 2003/04, the Council incurred expenditure of £30,917,920, of this amount £30,401,085 was incurred on behalf of Provider budgets, £516,835 incurred on behalf of Commissioning budgets. The £30,401,085 is made up of the following:

	£'000
Original Contribution to PCT	30,002
Supplementary Contribution – Funded from General Fund Working Balance	400
<b>Total Contribution</b>	<b>30,402</b>



# Statement of Total Movements in Reserves

## 23 Post Balance Sheet Events

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

The school is part of a 25 year Grouped Schools PFI contract which the council entered into in March 2002. The closure of the school requires the Council to commence contractual negotiations with the PFI Provider (Brighton & Hove City Schools Services Ltd) to terminate that part of the PFI contract relating to COMART. The Council has initiated a project to run concurrently with the school closure plan which will examine alternative uses for the site post closure. With careful management the closure of the school and its removal from the PFI contract could have a minimum impact on the Council's resources.

2003/03		2003/04	
£'000		£'000	£'000
(429)	<b>Surplus/(deficit) for the year:</b> - General Fund - Housing Revenue Account - Movement on Other Earmarked Reserves - Appropriations from Pensions Reserve - Actuarial Gains and Losses relating to Pensions	(574)	
933		365	
2,525		10,139	
0		1,930	
0		4,463	
<b>3,029</b>	<b>Total Increase/(Decrease) in Revenue Resources (note 1)</b>		<b>16,323</b>
1,008	Increase/(Decrease) in Usable Capital Receipts	151	
382	Increase/(Decrease) in Unapplied Capital Grants and Contributions	961	
<b>1,390</b>	<b>Total Increase/(Decrease) in Realised Capital Resources (note 2)</b>		<b>1,112</b>
164,233	Gains/(Losses) on Revaluation of Fixed Assets	283,676	
(1,587)	Capital Expenditure Written Out Other Movements on Fixed Asset Restatement Reserve	0	
277		1,159	
<b>162,923</b>	<b>Total Increase/(Decrease) in Unrealised Value of Fixed Assets (note 3)</b>		<b>284,835</b>
<b>(11,444)</b>	<b>Value of Assets Sold, Disposed Of or Decommissioned (note 4)</b>		<b>(63,913)</b>
15,555	Capital Receipts Set Aside	22,112	
(14,907)	Revenue Resources Set Aside	(2,280)	
<b>648</b>	<b>Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment (note 5)</b>		<b>19,832</b>
<b>156,546</b>	<b>Total Recognised Gains and Losses</b>		<b>258,189</b>



# Notes to the Statement of Total Movements in Reserves

## 1 Notes to the Statement of Total Movements in Reserves

	General Fund Balance	HRA Balance	Earmarked Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000
Surplus/(Deficit) for 2003/04	(574)	365	0	0
Appropriations to/from Reserves	0	0	10,139	1,930
Actuarial Gains/Losses relating to Pensions	0	0	0	4,463
<b>Total Increase/(Decrease) in Revenue Resources</b>	<b>(574)</b>	<b>365</b>	<b>10,139</b>	<b>6,393</b>
Balance Brought Forward at 1st April 2003	8,177	3,415	21,492	(66,711)
Balance Carried Forward at 31st March 2004	7,603	3,780	31,631	(60,318)

## 2 Movement in Realised Capital Resources

	Usable Capital Receipts	Unapplied Capital Grants & Contributions
	£'000	£'000
Amount Receivable in 2003/04	17,896	14,383
<b>Amounts Applied to Finance New Capital Investment in 2003/04</b>	<b>(17,745)</b>	<b>(13,422)</b>
<b>Total Increase/(Decrease) in Realised Capital Resources in 2003/04</b>	<b>151</b>	<b>961</b>
Balance Brought Forward at 1st April 2003	2,859	
Balance Carried Forward at 31st March 2004	3,971	

## 3 Movement in Unrealised Value of Fixed Assets

	Fixed Asset Restatement Reserve
	£'000
Gains/Losses on Revaluation of Fixed Assets in 2003/04	283,676
Capital Expenditure Written Out	0
Other Movements on Fixed Asset Restatement Reserve	1,159
<b>Total Increase/(Decrease) in Unrealised Capital Resources in 2003/04</b>	<b>284,835</b>
<b>4. Value of Assets Sold, Disposed Of or Decommissioned</b>	
Amounts Written Off Fixed Asset Balances for Disposals in 2003/04	(63,913)
Total Movement on Reserve in 2003/04	220,922
Balance Brought Forward at 1st April 2003	972,630
Balance Carried Forward at 31st March 2004	1,193,552

## 5 Movements in Amounts Set Aside to Finance Capital Investment

	Capital Financing Reserve	
	£'000	£'000
Capital Receipts Set Aside in 2003/04	16,649	
- Reserved Receipts		
- Usable Receipts Applied	5,463	
<b>Total Capital Receipts Set Aside in 2003/04</b>	<b>22,112</b>	
Revenue Resources Set Aside in 2003/04	14,200	
- Capital Expenditure Financed from Revenue		
- Reconciling Amount for Provisions for Loan Repayment	(16,480)	
<b>Total Revenue Resources Set Aside in 2003/04</b>	<b>(2,280)</b>	
<b>Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment</b>	<b>19,832</b>	
Total Movement on Reserve in 2003/04	19,832	
Balance Brought Forward at 1st April 2003	137,769	
Balance Carried Forward at 31st March 2004	157,601	



# Trust Funds

## 6 Pensions Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2003/04 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2004.

Pensions Reserve	£'000	%
Differences between the expected and actual return on assets	33,566	11.9
Differences between actuarial assumptions about liabilities and actual experience	(29,103)	(8.5)
Changes in the demographic and financial assumptions used to estimate liabilities	0	0
<b>Total 2003/04</b>	<b>4,463</b>	
<b>Comparative Total 2002/03</b>	<b>(59,094)</b>	

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

Capital Market Value Note 1	Net Current Assets Note 2	Trust Fund	Revenue Balance 1st April 2003	Income 2003/04	Expenditure 2003/04	Revenue Balance 31st March 2004
£'000	£'000		£'000	£'000	£'000	£'000
748	76	<b>Brighton Fund</b> Gifts to the aged poor	24	32	47	9
462 1,250	(73) 0	<b>Gorham's Gift</b> Distribution and expenses Land and Buildings (Note 3)	(62) 0	39 0	62 0	(85) 0
472	86	<b>Hedgecock Bequest</b> Grants to charity	4	21	22	3
200	33	<b>Oliver &amp; Johannah Brown</b> Education	19	9	8	20
199 41	82 45	<b>Other Trusts</b> Education Music Trust	73 37	13 8	6 0	80 45
46	126	<b>Other Trusts</b> Various	93	9	3	99
92	475	<b>Friends of the Royal Pavilion (Note 4)</b>	491	45	61	475
<b>3,510</b>	<b>850</b>	<b>Total</b>	<b>679</b>	<b>176</b>	<b>209</b>	<b>646</b>

## Notes to the Trust Funds

1. Capital Market Value shows the valuation of Charities Official Investment Fund (COIF) shares and other investments at the Mid Point Market Prices as at 31st March 2004.
2. Net Current Assets equals cash plus investments in Brighton & Hove City Council.
3. Land and Buildings for Gorham's Gift are shown at the market valuation as at 25th February 2003. The accounts for Gorham's Gift are subject to independent examination.
4. Capital Market Value for Friends of the Royal Pavilion includes £92,000 Community Assets.
5. The Council acts as the sole trustee in respect of all the funds listed with the exceptions of Gorham's Gift and Friends of the Royal Pavilion.

# Collection Fund Account

Year Ended 31st March 2003		Year Ended 31st March 2004	
£'000	£'000	£'000	£'000
		<b>Collection Fund Income</b>	
13,093	(99,631)	Income from Council Tax	(116,592)
5,614		Benefits	15,592
10,937		Allowances	6,143
(243)		Discounts	12,838
		Voids/Bankruptcies	(39)
	(70,230)		(82,058)
(13,093)		Transfers from General Fund	
(647)		- Council Tax Benefits	(15,592)
(55)		- Write Back of Prepayments	0
		- Discretionary Rate Relief	(59)
	(13,795)		(15,651)
(69,606)		Income Collectable from Business Rates	(67,383)
6,414		Allowances	5,263
(257)		Movement on Provisions	(284)
39		Interest on Refunds	329
	(63,410)		(62,075)
<b>(147,435)</b>	<b>Total Income</b>		<b>(159,784)</b>

Year Ended 31st March 2003		Year Ended 31st March 2004	
£'000	£'000	£'000	£'000
		<b>Collection Fund Expenditure</b>	
75,405		Precepts and Demands	86,788
6,175		- Brighton & Hove City Council	8,688
	81,580	- Sussex Police Authority	
63,410		Business Rate	61,719
434		- Payment to National Pool	415
	63,844	- Costs of Collection	
901		Bad/Doubtful Debts	960
1,123		- Write Offs	1,103
	2,024	- Provision for Uncollectable Amounts	
0		Redistribution of Council	2,063
0		Tax Surplus/(Deficit)	
		- Brighton & Hove City Council	767
		- Sussex Police Authority	63
		Redistribution of Community Charge Surplus	
		- Brighton & Hove City Council	0
	26		
	<b>147,474</b>	<b>Total Expenditure</b>	<b>160,503</b>
	39	<b>Movement on Fund Balance</b>	<b>719</b>
	(1,303)	Balance 1 April (Surplus) / Deficit	
	39	Movement on Fund Balance	
	(1,264)	<b>Balance 31 March (Surplus)/Deficit</b>	<b>(545)</b>



# Notes to the Collection Fund Account

## Note 1 Collection Fund

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

## Note 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 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Sussex Police Authority and the Council for the forthcoming year and dividing this by the council tax base.

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

The Council's tax base was calculated as follows:

Band	Estimated no. of Taxable Properties	Band Ratio	Band D Equivalent Dwellings
Band A*	9	0.5556	5
Band A	19,047	0.6667	12,698
Band B	21,840	0.7778	16,987
Band C	27,543	0.8889	24,482
Band D	16,056	1.0000	16,056
Band E	9,295	1.2222	11,361
Band F	3,784	1.4444	5,465
Band G	2,329	1.6667	3,882
Band H	114	2.0000	227
<b>Less provisions for appeals and non collection</b>		<b>91,163</b>	<b>2,279</b>
<b>Tax Base For</b>	<b>2003/04</b>	<b>£88,884</b>	
<b>Tax Base For</b>	<b>2002/03</b>	<b>£88,422</b>	

\* Entitled to disabled relief reduction.

## Note 3 National Non Domestic Rates (NNDR)

NNDR is organised on a national basis. The government specifies a prescribed amount to be used for the calculation of NNDR (44.4p in 2003/04). Subject to the effects of transitional arrangements, local businesses pay rates which are calculated by multiplying their rateable value by the amount set by the Government. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The

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

The NNDR income (after reliefs and provisions) of £62.171m for 2003/04 (£63.844m for 2002/03) was based on an average rateable value for the Council's area of £159.103m for 2003/04 (£157.520m for 2002/03). The year-end rateable value for NNDR amounted to £159.880m for 2003/04 (£159.045m for 2002/03).

## Note 4 Precepting Authorities

The major authorities precepting on the Collection Fund in 2003/04 and their respective amounts were:

	2002/3	2003/4
Sussex Police Authority	£6,175,393	£8,687,515
Brighton & Hove City Council	£75,405,397	£86,788,450

The Brighton & Hove City Council precept includes £20,000 for Rottingdean Parish Council (£18,375 in 2002/03)

## Note 5 Contributions to Collection Fund Surpluses and Deficits

Upon the transition to council tax in April 1993 the Council is entitled to receive the full benefit of the adjustment to community charges made in 1993/94 and subsequent years. The balance on the Collection Fund attributable to community charges as at 31st March 2004 totalled £27,116. This amount will be used by the Council to reduce the amount of council tax in future years.

Similarly £0.518m of the surplus of £0.545m on the Collection Fund as at 31st March 2004 not accounted for by residual community charge transactions will be distributed in subsequent financial years to Sussex Police Authority and the Council in proportion to the value of the respective precept and demand by the two authorities on the Collection Fund.

# Cash Flow Statement

Year Ended 31st March 2003		Year Ended 31st March 2004	
£'000	£'000	£'000	£'000
181,550		Cash Outflows	
279,570		Cash paid to & on behalf of employees	215,132
105,178		Other operating cash payments	264,912
64,448		Housing Benefit paid out	101,033
6,175		NNDR Payments to National Pool	62,297
	636,921	Precepts	8,750
(45,886)		Cash Inflows	
(81,259)		Rents (after rebates)	(46,537)
(91,701)		Council Tax Receipts	(101,528)
(81,736)		Revenue Support Grant	(108,161)
(63,411)		NNDR Receipts	(70,664)
(78,471)		NNDR Receipts from National Pool	(62,112)
(148,343)		DWP Grants for Benefits	(72,519)
(57,368)		Other Government Grants	(174,265)
(32,815)		Cash Received for Goods & Services	(36,797)
	(680,990)	Other Operating Cash Receipts	(25,824)
			(698,407)
	(44,069)	Net Cash (Inflow)/Outflow from Revenue Activities (Note 1)	(46,283)
13,348		Returns on Investments and Servicing of Finance	
(3,073)		Cash Outflows	
34,141		Interest Paid	11,665
11,001		Cash Inflows	
(12,684)		Interest Received	(2,326)
(8,790)		Capital Activities	
(247)		Cash Outflows	
	33,696	Purchase of Fixed Assets	43,476
		Deferred Charges	12,384
		Cash Inflows	
		Sale of Fixed Assets	(16,435)
		Capital Grants Received	(8,636)
		Other Capital Cash Receipts	(392)
			39,736
	(10,373)	Net Cash (Inflow)/Outflow	(6,547)

Year Ended 31st March 2003		Year Ended 31st March 2004	
£'000	£'000	£'000	£'000
		Management of Liquid Resources	
		Liquid Resources	
	64,100	Financing	
	(72,225)	Cash Outflows	
		Repayments of Amounts Borrowed	33,500
		Cash Inflows	
		New Loans Raised	(36,499)
			(2,999)
		(Increase)/Decrease in Cash (Note 2)	(1,378)

# Notes to the Cash Flow Statement

## 1 Revenue Activities Net Cashflow

Year to 31st March 2003		Year to 31st March 2004
£'000		£'000
429	Deficit/(surplus) as per CRA	574
39	Deficit/(surplus) as per Collection Fund	(545)
10,275	Interest	9,339
(51,262)	Add non-cash transactions	(54,983)
	Add items accrued in accounts:	
(61)	Increase/(decrease) in stocks	12
(1,995)	(Increase)/decrease in creditors	(90)
(1,494)	Increase/(decrease) in debtors	(590)
<b>(44,069)</b>	<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	<b>(46,283)</b>

## 2 Movements in Cash

31st March 2003		31st March 2004
£'000		£'000
(7,650)	(Increase)/decrease in cash	(1,378)
<b>(7,650)</b>	<b>(Increase)/Decrease in cash</b>	<b>(1,378)</b>

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

	1st April 2003	Movement in Year	31st March 2004
	£'000	£'000	£'000
Short Term Investments	35,340	8,168	43,508
	<b>35,340</b>	<b>8,168</b>	<b>43,508</b>

## 4. Analysis of Government Grants

	Year to 31st March 2004	Year to 31st March 2004	
	£'000	£'000	
Revenue Support Grant	108,161	Homelessness Directorate Grant	966
NNDR Receipts from National Pool	62,112	Choice Based Letting Grant	25
DWP Grants for Benefits	72,519	Supporting People (ODPM) Grant	13,533
Income from PFI Credits	4,875	Emergency Planning/Civil Defence Grant	73
DfES Standards Fund Grant	7,016	Place to Be Grant	59
DfES Schools Income (non-LEA)	3,843	Global Grants	82
EC Milk Products Subsidy	1	Supporting People Admin Grant	287
Intervention Board Milk Subsidy under 5's	17	Partnership Development Grant	60
Health Authority Milk for under 5's	10	Community Against Drugs	163
Other Grant Income	1,881	Building Safer Communities Fund	95
New Opportunities Fund Grant	200	Alcohol Hotspot Fund	65
Home Office - Education Grant	80	Office of National Statistics Grant	7
DfES - Early Years	1,732	Planning Delivery Grant	122
DfES - Other Grant	256	DoH - Training Support Grant	391
Other Government Grants	886	DoH - Mental Illness Specific Grant	1,244
Teachers Pay Grant	3,061	DoH - Aids Support Grant	425
LSC - Funding for 6th form Students	3,529	DoH - Asylum Seekers	948
LSC - MIS Support Grant	19	Partnership Grant	495
LSC - Family and Adult Learning	76	Carers Grant	530
LSC - Adult Comm Learning	356	Children Services Grant	2,983
HB/CT Administration Grant	2,110	DAT Development Fund	75
Pension Credits	365	Children's Fund Grant	1,013
HB Fraud Incentive	7	DoH Teenage Pregnancy Grant	127
Housing Benefits Subsidy	60,904	Supported Employment	415
Council Tax Rebate Subsidy	14,854	Deferred Payments Grant	239
Rent Rebate Subsidy	2,362	Residential Allowance	1,197
Housing Revenue Account Subsidy	27,277	Preserved Rights	3,925
Housing Defects Subsidy	125	Access and Systems Capacity Grant	851
HRA Incentive Area Grant	375	Young People's Substance Misuse Plan	46
DWP Pathfinder Grant	372	Youth Justice Board - General Funding	183
DWP Housing Benefit Performance Grant	124	Youth Justice Board - Drugs Funding	40
Single Regeneration Budget	1,206	Youth Inclusion Programme	78
New Deal for Communities Grant	2,880	Youth Justice Board Tackling Anti-Social Behaviour	7
Neighbourhood Renewal Fund Grant	1,366	Delayed Transfers	339
Discretionary Rent Allowance	254		
Anti-Social Behaviour Grant	36		
LPSA Pump Priming Grant	741		
<b>Total</b>	<b>417,076</b>		



# Glossary of Terms

## Accruals

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

## Capital Charge

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

## Capital Expenditure

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

## Capital Financing Reserve

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

## Capital Receipt

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

## Collection Fund

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

## Community Assets

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

## Contingent Asset

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

## Contingent Liability

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

## Corporate and Democratic Core

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

Corporate and democratic core consists of corporate management costs and democratic representation and management costs.

## Creditor

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

## Current Asset

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

## Current Liability

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

## Debtors

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

## Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.

## Depreciation

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

## Fixed Assets

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

## Government Grants

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

## Housing Benefits

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



### Housing Revenue Account

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

### Infrastructure Assets

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

### Investment Properties

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

### Liquid Resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either: readily convertible to known amounts of cash as or close to the carrying amount; or traded in an active market.

### Minimum Revenue Provision (MRP)

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 Authority.

### National Non Domestic Rates (NNDR)

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

### Unapportionable Central Overheads

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

### Non-Operational Assets

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

### Operational Assets

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

### Post Balance Sheet Events

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

### Precept

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

### Provision

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

### Provision for Credit Liabilities

This represents the sum set aside for repayment of debt. This provision is subsumed within the capital financing reserve.

### Public Works Loan Board (PWLB)

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

### Related Party Transaction

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

### Reserves

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

### Revenue Expenditure

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

### Temporary Borrowing

Money borrowed for a period of less than one year.

### Useful Life

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

### Work in Progress

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



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